BOARD POLICY

IMPLEMENTATION REPORTS

AS OF MARCH 2021
TABLE OF CONTENTS
(click on the title of each Policy to view its corresponding report)

DEFINING LIPA'S MISSION
• Resource Planning and Clean Energy
• Customer Service
• Transmission & Distribution System Reliability
• Customer Value and Affordability

BOARD OPERATING POLICIES
• Strategic Planning and Oversight
• Construction of Transmission and Distribution Projects
• Debt and Access to the Credit Markets
• Enterprise Risk Management
• Power Supply Hedging Program
• Taxes and PILOTs
• Safety
• Economic Development and Community Engagement
• Staffing and Employment
• Information and Physical Security

BOARD COMPLIANCE POLICY
• Investment

BOARD GOVERNANCE POLICIES
• Governance and Agenda Planning
PSEG LONG ISLAND

Annual Report to LIPA Board of Trustees on Resource Planning and Renewable Energy

JULY 22, 2020
The LIPA Board of Trustees Resource Planning and Renewable Energy policy requires annual reporting on:

- Compliance with applicable regulatory and environmental standards and the State’s Clean Energy Standard
- Performance of generating units
- Procurement activities of generation, renewable and distributed energy resources
- Activities representing interests of Long Island electric customers at State, regional and Federal levels
- Resource adequacy of the power supply portfolio
Climate Leadership and Community Protection Act (CLCPA)

**GREEN NEW DEAL**

- Changed 2030 electric energy target from 50% renewable to 70% renewable

**CLIMATE LEADERSHIP AND COMMUNITY PROTECTION ACT**

- Passed by Legislature in late June 2019
- Establishes statewide goal for “zero-carbon” by 2050 – will require electrification of transportation and home heating
- Public Service Commission and Department of Environmental Conservation to establish regulations affecting utilities, power generators and buildings
- Excludes natural gas fuel cells from renewable energy sources*

*Status of fuel cells already under contract under prior CES rules to be determined*
Projected CES Targets and Anticipated Supply

- REC deficiency expected in 2020
- LIPA established Clean Energy Compliance Fund to fund future REC purchases in the event of shortfalls
- LIPA’s estimated 2030 REC requirement increased from 3.6 million under the old CES program to 7.0 million under CLCPA
- Future needs to be met through REC purchases or additional procurements
- CLCPA rules may change eligibility of gas-fired fuel cells
- COVID-19 situation has impact on targets as well as on the supply of RECs
## Renewable Procurement Activities

<table>
<thead>
<tr>
<th>Procurement</th>
<th>Date of Issuance</th>
<th>Operational As Of June 1, 2020 (MW)</th>
<th>Projected (MW)</th>
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<tbody>
<tr>
<td>FIT I</td>
<td>July 2012</td>
<td>38.8</td>
<td>38.8</td>
</tr>
<tr>
<td>FIT II</td>
<td>October 2013</td>
<td>30.6</td>
<td>32.2</td>
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<tr>
<td>280 MW RFP</td>
<td>October 2013</td>
<td>48.9</td>
<td>48.9</td>
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<tr>
<td>FIT II (Non-Solar)(^1)</td>
<td>March 2014</td>
<td>0</td>
<td>6.0</td>
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<tr>
<td>South Fork(^2)</td>
<td>June 2015</td>
<td>0</td>
<td>130.0</td>
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<tr>
<td>2015 Renewable RFP</td>
<td>December 2015</td>
<td>0</td>
<td>59</td>
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<tr>
<td>FIT III</td>
<td>September 2016</td>
<td>7.1</td>
<td>18.8</td>
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<tr>
<td>FIT IV(^3)</td>
<td>September 2016</td>
<td>0</td>
<td>7.4</td>
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<tr>
<td>FIT V</td>
<td>June 2020</td>
<td>0</td>
<td>TBD</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>125.4</strong></td>
<td><strong>341.1</strong></td>
</tr>
</tbody>
</table>

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1. CLCPA has negated CES eligibility of gas-fired fuel cells
2. Wind only
3. Two Fuel Cell Energy projects (18.5 and 13.9 MW) awards were cancelled
Rooftop Solar Program

- As of 12/31/2019, rooftop solar installations total 51,350 systems and 397 MWs (AC), providing an estimated 544 GWhs per year of energy (as an offset to demand).
- 2019 additions were 5,738 systems and 52 MWs (AC) providing an estimated 77 GWhs of energy.

*As of December 31, 2019*
## 2019 Energy Efficiency Program

### 2019 Performance
- Energy savings were 120% of goal
- Peak demand reductions were 110% of projection
- Expenses were 2% below budget

<table>
<thead>
<tr>
<th>Program</th>
<th>Energy Savings (MWh)</th>
<th>Coincident Demand Savings (MW)</th>
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<tr>
<td></td>
<td>Goal</td>
<td>Verified Ex Ante</td>
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<td>Commercial Efficiency Program</td>
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<td>97,743</td>
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<td>Residential Programs</td>
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<tr>
<td>Energy Efficient Products</td>
<td>130,599</td>
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<td>Home Comfort</td>
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<td>Residential Energy Affordability Partnership (REAP)</td>
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<td>Home Performance Programs</td>
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<td>Home Energy Management</td>
<td>41,487</td>
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<tr>
<td>Subtotal Residential Programs</td>
<td>179,047</td>
<td>231,068</td>
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<tr>
<td>Total Energy Efficiency Portfolio</td>
<td>275,000</td>
<td>328,811</td>
</tr>
</tbody>
</table>
LIPA’s Carbon Footprint (2019 vs. 2030)

- LIPA’s carbon emissions expected to decrease approximately 48% by 2030 due to statewide 70% renewable energy target.
- Graph below shows existing versus projected carbon footprint assuming 532 MW of solar and 1,810 MW of off-shore wind by 2030.
Generating Unit Environmental Compliance

• Compliance with applicable regulatory and environmental standards
  o Air permits and continuous emissions monitoring
  o Water discharge permits – monthly sampling and reporting
  o Petroleum and chemical bulk storage
  o Waste management

• Power Supply Agreement with National Grid
  o NOx emission controls systems for Legacy Gas Turbines are in engineering review for material procurement, installation & implementation
  o 316b of Federal Clean Water Act requires best technology available to reduce fish entrainment and impingement at circulating water intake systems.
    ▪ **Port Jefferson** – Installation of fish friendly traveling screens and circulating water pumps to meet updated DEC permit requirements has been completed and is now in the verification cycle
    ▪ **Northport** – Installation of fish friendly traveling screens and circulating water pumps is underway. Northport 4 unit is complete, Units 1, 2, & 3 on schedule for completion between 2020 and 2022
    ▪ **E.F. Barrett** – In process with NYSDEC to determine required technology. Likely outcome to be similar to Port Jefferson and Northport. No changes since last year
Generating Unit Performance  2019 vs. 2018

- All units met or exceeded contract targets
- Nine Mile Point 2 2019 capacity factor (99.1%) better than national average (94.2%)
- Availability of fleet is better than 2018 and New York average
- Heat rate (efficiency) performance of fleet is similar to last year
- Peaking units performed better than national average
Load Forecast Change From Last Year

- Comparison of NYISO Gold Book Forecasts
  - Does not reflect COVID-19 impact
- Little change in long term trend both before making reductions for energy efficiency and renewables and after making those reductions

**Long Island Peak Load Forecasts**

- 2019 Before Reductions
- 2019 After Reductions
- 2020 Before Reductions
- 2020 After Reductions
Regulatory Markets – Aligning Long Island Interests

• **New York State and Independent System Operator Rulemaking**
  o **PSC Order on Resource Adequacy** – working through the NYISO participant process on enhancements to existing market designs in order to align them with State Renewable Energy Policies and Targets
  o **NY State DEC NOx Regulations** – evaluated and incorporated final DEC NOx rules into a Compliance Plan for LIPA combustion turbines which was submitted to DEC
  o **NYISO Demand Curve Reset** – working with NYISO, consultants and market participants on updates and review of NYISO Capacity Markets required by Tariff every 4 years
  o **Renewable Energy Integration** – working through the NYISO participant process on development of rules governing the participation and operation of Energy Storage, Solar and Offshore Wind Resources in the NYISO Markets

• **Working with NYSERDA and PSC**
  o Integration of CL&CPA goals for renewable energy integration on Long Island
    ▪ Assessing LI T&D System for upgrades under State Public Policy Transmission Process
    ▪ Evaluation of opportunities for installation of Battery and Solar Facilities
Resource Adequacy

- Current resources meet projected LI Locational Capacity Requirement through 2040
- PSA contract expires May 2028. Most other contracts expire before 2040
- Implementation of CLCPA will require replacement of existing fossil units with renewable and storage options by 2040

Note: Capacity requirement decreases in year 2030 due to expiration of Marcus Hook contract

*As of July 8, 2020*
**BOARD AGENDA SUMMARY SHEET**

<table>
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<tr>
<th>Committee or Board:</th>
<th>Date:</th>
<th>Board Meeting Date:</th>
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<tr>
<td>Board</td>
<td>July 10, 2020</td>
<td>July 22, 2020</td>
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*For All Board Voting Items:*

**Title of Agenda Item:** Approval of the Annual Report and Amendments to the Board Policy on Resource Planning, Energy Efficiency and Renewable Energy

**Consent Agenda:** ☐ Yes ☒ No  
**Accompanying Presentation:** ☒ Yes ☐ No

**Recommendation from Committee:** ☒ N/A ☐ F&A; ☐ GP&P; ☐ Oversight & Clean Energy

**LIPA Presenter:** Rick Shansky  
**PSEG Long Island Presenter:** TBD

**Enterprise Risk Management Discussion:** ☐ Yes ☒ No

*For Policy Reports Only:*

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

**Date of Last Report:** July 24, 2019  
**Compliance Since Last Report:** ☒ Yes ☐ No

**Proposed Changes to Policy:** ☒ Yes ☐ No

<table>
<thead>
<tr>
<th>Requested Action:</th>
<th>The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy.</th>
</tr>
</thead>
</table>

**Summary:**  

(include proposed amendments to Board Policies, if applicable)

By Resolution No. 1372, dated July 26, 2017, the Board adopted the Policy. The Policy was last reviewed and amended by the Board by Resolution No. 1487, dated July 24, 2019.

The Policy sets objectives for resource planning, power supply procurement, portfolio management, and energy efficiency programs that support LIPA’s mission and the State’s clean energy goals. The Policy also establishes regular performance reporting by Staff to enable the Board to assess performance against the objectives of the Policy. Staff proposes the following revisions to the Policy: changing the name of the Policy to the Board Policy on Resource Planning and Clean Energy; and other minor, nonmaterial revisions. The proposed changes are more specifically shown on Exhibit “B”.


FOR CONSIDERATION
July 22, 2020

TO: The Board of Trustees

FROM: Thomas Falcone


Requested Action

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

Background

By Resolution No. 1372, dated July 26, 2017, the Board adopted the Policy. The Policy was last reviewed and amended by the Board by Resolution No. 1487, dated July 24, 2019.

The Policy sets objectives for resource planning, power supply procurement, portfolio management, and energy efficiency programs that support LIPA’s mission and the State’s clean energy goals. The Policy also establishes regular performance reporting by Staff to enable the Board to assess performance against the objectives of the Policy.

Compliance with the Policy

Staff recommends 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.

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

Planning

“Planning for a power supply portfolio that meets applicable New York State Independent System Operator and New York State Reliability Council requirements, environmental standards, and the State’s clean energy goals; and updating the Integrated Resource Plan to reassess system needs, as necessary, but no less than every five years.”

- Long Island capacity reserves are expected to meet NYISO’s minimum locational capacity requirement through 2040.
- The load forecast continues to decline through the late 2020’s. Projections for electric vehicles and heat pumps, as well as load reductions for behind-the-meter solar and other
distributed energy resources, are captured in the 2020 load forecast update.

- Implementation of the Climate Leadership and Community Protection Act (“CLCPA”) will require replacement of existing fossil fuel plants by 2040 with renewable energy, energy storage, and other carbon-free technologies.
- PSEG Long Island is studying Long Island’s peaking generation portfolio and integration of renewables, batteries, demand response, and distributed resources. The retirement of vintage peaking units in West Babylon and Glenwood Landing was announced in early 2020, and additional retirement feasibility studies will be completed by year-end for the retirement of 400 to 600 megawatts of steam units.
- LIPA plans to meet its share of the State’s Renewable Energy Standard through future procurements or REC purchases from NYSERDA.

**Managing the Portfolio**

“Managing the power supply portfolio to minimize cost and maximize performance, including the economic scheduling of assets, power plant availability and thermal efficiency, within contractual constraints.”

- All power supply portfolio contracts met or exceeded contract targets.
- Heat rate (i.e. efficiency) and availability of generation fleet continues to be better than industry average for comparable technologies.
- Nine Mile Point Unit 2’s capacity factor for 2019 (99.1%) exceeded industry average (94.2%).
- PSEG Energy Resource & Trade has met or exceeded all contractual performance targets, including Neptune and Cross Sound cable performance, generation bidding to the NYISO, load forecasting, fuel procurement and scheduling, as well as settlements and invoicing.
- LIPA obtained reductions in National Grid’s gas transportation rates starting in 2019, with further reductions expected as a result of a new rate design proposed in 2020 by the Department of Public Service in response to comments from stakeholders, including LIPA.

**Competitive Procurement**

“Minimizing cost by competitively procuring generation and distributed energy resources through wholesale market purchases, bilateral contracts, and if appropriate, after balancing cost and risk, ownership or pre-payments for energy, utilizing to the extent feasible and cost-effective, Authority-owned land and rights to acquire generating sites”

- LIPA has competitively procured 341.1 MW of Clean Energy Standard resources through RFPs and feed-in tariffs, including:
  - 125.4 MW of solar projects that are currently operational;
  - 72.3 MW of solar projects under development;
  - 130 MW of offshore wind under development; and
  - 13.4 MW of fuel cells under development.
- In 2020, PSEG Long Island has initiated three new procurements for renewable power supply and non-wires alternatives, including:
  - RFI/RFP for up to 175 MW of energy storage projects, in compliance with the storage mandate in the CLCPA;
o North Fork RFI for up to 130 MW of non-wires alternatives to address the power supply needs on the North Fork of eastern Long Island; and
o 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.

**Clean Energy**

“Procuring cost-effective renewable resources, renewable energy certificates (“RECs”), and behind-the-meter resources such as energy efficiency and demand response, including acting in coordination with other State energy authorities, if advantageous to our customers; integrating cost-effective distributed energy production and storage technologies; and enabling the economic and secure dispatch of resources deployed within the distribution system and on customer premises.”

- LIPA had sufficient RECs to meet its share of the State Clean Energy Standard for 2019 and is projected to be deficient in Tier-1 RECs beginning in 2020. Accordingly, LIPA has established a Clean Energy Compliance Fund to fund future clean energy projects or REC purchases through LIPA or NYSERDA procurements, in a manner consistent with the NYSERDA Alternative Compliance Payment fund. Additionally, LIPA is seeking to participate in future NYSERDA REC procurements to expand the base of projects available for REC compliance.
- In 2019, residential and commercial energy efficiency programs resulted in 63.9 MW of incremental demand savings and 328,811 MWh of energy savings.
- Long Island continues to have the most robust rooftop solar market with more than 51,000 residential systems. In 2019, customer-side installed capacity increased 52 MW (AC) with incremental annualized energy savings of 77 MWh.
- In 2018 and 2019, two 5 MW (40 MWh) utility-scale storage systems became operational.
- Value of Distributed Resources (“VDER”) was instituted for demand-metered customers.
- Home Energy Management Program continued serving 490,000 customers.
- Deployed Dynamic Load Management (“DLM”) and Edge load curtailment programs.
- Collaborative partnership for developing a microgrid project in Huntington.

**Wholesale Market Policy**

“Minimizing cost by representing the interests of Long Island electric customers in the New York and regional wholesale markets and their respective stakeholder processes, including direct engagement with Federal and State regulatory authorities.”

- LIPA has maintained ongoing opposition at the Federal Energy Regulatory Commission to significant increases in PJM rates for transmission service associated with LIPA’s power purchases via the Neptune cable.
- LIPA has encouraged NYISO to begin assessment of long-term market structure issues associated with CLCPA implementation, including renewable curtailment, transmission buildout, need for flexible generation capacity, increased reserve and regulation requirements.
- LIPA worked cooperatively with other transmission owners on market rules for local transmission and distribution, that is built to support CLCPA implementation.
Annual Review of the Policy

Staff proposes the following revisions to the Policy:

- Changing the name of the Policy to the Board Policy on Resource Planning and Clean Energy.
- Other minor, nonmaterial revisions.

The proposed changes are more specifically shown on 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

<table>
<thead>
<tr>
<th>Exhibit “A”</th>
<th>Resolution</th>
</tr>
</thead>
</table>
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE
BOARD POLICY ON RESOURCE PLANNING, ENERGY EFFICIENCY AND
RENEWABLE ENERGY

WHEREAS, the Resource Planning, Energy Efficiency and Renewable Energy Policy (the
“Policy”) was originally approved by Resolution No. 1372, dated July 26, 2017; and

WHEREAS, the Policy was last amended by Resolution No. 1487, dated July 25, 2019; 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 LIPA has complied with the Resource Planning, Energy Efficiency and
Renewable Energy 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: July 22, 2020

Policy Type: Mission

Monitored by: Oversight and REV Clean Energy Committee

Board Resolution:
- #1372, approved July 26, 2017
- #1421, amended July 25, 2018
- #1487, amended July 24, 2019
- [#xxxx], amended July 22, 2020

Board Policy on Resource Planning, Energy Efficiency and Renewable Clean Energy

It is the policy of the Long Island Power Authority to supply the energy needs of its customers in a clean, reliable, and affordable manner by:

- **Planning.** Planning for a power supply portfolio that meets applicable New York State Independent System Operator and New York State Reliability Council requirements, environmental standards, and the State’s clean energy goals, as set forth in the Climate Leadership and Community Protection Act (“CLCPA”); and updating the Integrated Resource Plan to reassess system needs, as necessary, but no less than every five years.

- **Managing the Portfolio.** Managing the power supply portfolio to minimize cost and maximize performance, including the economic scheduling of assets, power plant availability and thermal efficiency, within contractual constraints.

- **Competitive Procurement.** Minimizing cost by competitively procuring generation and distributed energy resources through wholesale market purchases, bilateral contracts, and if appropriate, after balancing cost and risk, ownership or pre-payments for energy, utilizing to the extent feasible and cost-effective, Authority LIPA-owned land and rights to acquire generating sites.

- **Clean Energy.** Procuring cost-effective renewable and energy storage resources, renewable energy certificates, offshore wind renewable energy certificates (“RECs” and “ORECs”, respectively), and behind-the-meter resources such as energy efficiency and demand response, as well as supporting beneficial electrification of transportation and buildings, to meet LIPA’s share of the State’s clean energy goals as set forth in the CLCPA, including acting in coordination with other State energy authorities, if advantageous to our customers; integrating cost-effective distributed energy production and storage technologies; and enabling the economic and secure dispatch of resources deployed within the distribution system and on customer premises.

- **Wholesale Market Policy.** Minimizing cost by representing the interests of Long Island electric customers in the New York and regional wholesale markets and their respective stakeholder processes, including direct engagement with Federal and State regulatory

---

1 The Authority LIPA owns an 18% share of Nine Mile Point Unit 2 and has certain options to buy generation assets, typically at the expiration of a power purchase agreement, or to prepay for energy in exchange for a discount. The Authority LIPA will not take construction or development-related risks on new generation projects.

2 In selecting among alternatives, the Authority LIPA will take into consideration the operational, environmental and economic benefits to the Authority’s service territory, including their impact on long-term local employment.

3 In selecting among reasonably comparable alternatives, the Authority LIPA will opt for lower carbon emitting resources.
authorities.

The Chief Executive Officer, or his or her designee, will report annually to the Board on the key provisions of this Policy.
Board Policy: Resource Planning and Clean Energy

Policy Type: Mission

Monitored by: Oversight and Clean Energy Committee

Board Resolution:
- #1372, approved July 26, 2017
- #1421, amended July 25, 2018
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- **Clean Energy.** Procuring cost-effective renewable and energy storage resources, renewable energy certificates, offshore wind renewable energy certificates (“RECs” and “ORECs”, respectively), behind-the-meter resources, energy efficiency, and demand response, as well as supporting beneficial electrification of transportation and buildings, to meet LIPA’s share of the State’s clean energy goals as set forth in the CLCPA, including: acting in coordination with other State energy authorities, if advantageous to our customers; and enabling the economic and secure dispatch of resources deployed within the distribution system and on customer premises.

- **Wholesale Market Policy.** Minimizing cost by representing the interests of Long Island electric customers in the New York and regional wholesale markets and their respective stakeholder processes, including direct engagement with Federal and State regulatory authorities.

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

---

\(^1\) LIPA owns an 18% share of Nine Mile Point Unit 2 and has certain options to buy generation assets, typically at the expiration of a power purchase agreement, or to prepay for energy in exchange for a discount. LIPA will not take construction or development-related risks on new generation projects.

\(^2\) In selecting among alternatives, LIPA will take into consideration the operational, environmental and economic benefits to the Authority’s service territory, including their impact on long-term local employment.
Annual Report to the LIPA Board of Trustees on Customer Service

Rick Walden
VP of Customer Operations
Agenda

• Employee Safety
• Call Center
• Customer Complaints
• Customer Satisfaction
• Financial Stewardship
• Customer Support During Pandemic
• Economic Development
• AMI Update
• Customer Technology
• Community Service
• Our Focus
Customer Operations has experienced significant and broad year-over-year improvement in Employee Safety.
Call Center – Working From Home
Nearly All Agents Transitioned Due to Covid-19

Best performance ever through July 31

- After Call Survey Residential, 95.8%, OSA 91.5%
- After Call Survey Business, 96.1%, OSA 91.5%
- First Call Resolution, 83.2%, OSA 82.8%
- Average Speed of Answer, 11 secs, OSA 19 secs
Call Center Call Metrics

Beginning to Stabilize Since TS Isaias

Average Speed of Answer (Seconds)

Processed 2.5 months of calls during TS Isaias

% Abandoned Calls

Beginning to Stabilize Since TS Isaias

Processed 2.5 months of calls during TS Isaias
After Call and Personal Contact Surveys
Customer Surveys Remain Strong Despite Covid-19

After Call Survey Residential

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<td>%</td>
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After Call Survey Business

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Personal Contact Survey

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<td>95.9%</td>
<td>96.5%</td>
<td>96.8%</td>
<td>96.6%</td>
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</table>
Customer Complaints

TS Isaias had a Significant Impact on the Customer Complaint Rate

Customers made 1,084 TS Isaias DPS complaints in August – prior 2020 monthly average was 23 per month
Customer Satisfaction
J.D. Power Residential

- Most improved utility nationally over the past 6+ years, 216 point increase from 2013
- Ranked top of third quartile through 3Q 2020
- Nearly 40% highly satisfied customers with scores between 800 and 1,000 through 3Q 2020
- Individual indices’ performance
  - 2nd quartile for Communications and Corporate Citizenship through Q3 2020
  - 3rd quartile for Billing & Payment, PQR, Price and Customer Care through Q3 2020
Customer Satisfaction

JD Power Residential Q3 2020 Results Partially Reflect the Impact of TS Isaias

Customers with outages in Q3 2020 provided 122 points lower CSI scores than customers with Perfect Power

Q3 2020 Results and Data Analysis
- Surveys administered before and after TS Isaias
- Overall a 35 point decline in CSI from Q2 2020
  - Communications, - 23
  - Billing & Payment, - 23
  - Corporate Citizenship, - 25
  - Price, - 36
  - PQR Index, - 52
  - Customer Care, - 56

Impacts of Outages on Customer Satisfaction
- Customers with Perfect Power dropped from 47% to 22% from 2Q 2020
- PQR dropped from 734 to 694 from 2Q 2020
- Communications dropped from 695 to 677 from 2Q 2020
- Customer Care dropped from 784 to 702 from 2Q 2020
- Length of outages impacted Q3 2020 results
  - < 6 min, CSI = 708
  - > 1 day, CSI = 622
Customer Satisfaction
J.D. Power Business

- Most improved utility nationally over the past 6+ years since 2013, a 241 point increase
- Ranked in 3rd quartile for 2020
- Over 53% highly satisfied customers with scores between 800 and 1,000

27 point increase in overall CSI from 2019

East Large Ranking – Overall CSI 2020

- PSEG Long Island
  - 2013: 540
  - 2014: 526
  - 2015: 696
  - 2016: 631
  - 2016 CY: 689
  - 2017: 710
  - 2018: 724
  - 2019: 754
  - 2020: 781

- Overall CSI 2020
  - Quartile 1
    - East Large Average: 817
  - Quartile 2
    - East Large Average: 802
  - Quartile 3
    - East Large Average: 811
  - Quartile 4
    - East Large Average: 794
Customer Satisfaction
JD Power Business W2 2020 Results Partially Reflect the Impact of TS Isaias

Customers with outages in W2 2020 provided 90 point lower CSI scores than customers with Perfect Power

W2 2020 Results and Data Analysis
- Surveys administered before and after TS Isaias
- Overall a 32 point decline in CSI from W1 2020
  - Price, - 5
  - Billing & Payment, - 16
  - Corporate Citizenship, - 17
  - Communications, - 39
  - Customer Contact, - 44
  - PQR Index, - 67

Impacts of Outages on Customer Satisfaction
- Customers with Perfect Power dropped from 37% to 31% from W1 2020
- PQR dropped from 822 to 731 from W1 2020
- Communications dropped from 779 to 710 from W1 2020
- Customer Contact dropped from 850 to 781 from W1 2020
- Length of outages impacted W2 2020 results
  - <6 min, CSI = 767
  - >1 day, CSI = 628
Financial Stewardship

The Impact of Covid-19 has been Mixed

Net Write-Offs per $100 Billed Revenue
(Positive Impact from COVID)

AR > 90 (No Exclusions)
(Negative Impact from COVID)

Days Sales Outstanding

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>$0.93</td>
<td>$0.84</td>
<td>$0.81</td>
<td>$0.73</td>
<td>$0.53</td>
<td>$0.50</td>
<td>$0.40</td>
<td>20.9%</td>
<td>20.7%</td>
<td>19.9%</td>
<td>18.5%</td>
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<td>43.8</td>
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<td>37.0</td>
<td>36.9</td>
<td>34.9</td>
<td>34.3</td>
<td>34.8</td>
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(Positive Impact from COVID)

(No Exclusions)

(Negative Impact from COVID)
# Customer Support During the Covid-19 Pandemic

## Initiatives for Residential and Business Customers

<table>
<thead>
<tr>
<th>Q1 2020</th>
<th>Q2 2020</th>
<th>Q3 2020</th>
<th>Q4 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>March</strong></td>
<td><strong>April</strong></td>
<td><strong>July</strong></td>
<td><strong>October</strong></td>
</tr>
<tr>
<td>• Suspended disconnects for non-payment</td>
<td>• Waived fees for 90 days</td>
<td>• IT work begins to provide demand ratchet credits to eligible Rate 281 customers</td>
<td>• Extended tariff relief changes through year end (see April)</td>
</tr>
<tr>
<td>• Waived Western Union pay station fees</td>
<td>• All late payment charges</td>
<td>• Low income customer outreach</td>
<td>• Received approval to extended the commercial card fee waiver through year end</td>
</tr>
<tr>
<td></td>
<td>• Demand and service charges for customers who voluntarily disconnect service and later reconnect</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Commercial credit card fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Low income customer outreach</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Extended enrollment in Household Assistance Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>May</strong></td>
<td><strong>August</strong></td>
<td><strong>September</strong></td>
<td><strong>November</strong></td>
</tr>
<tr>
<td>• Expanded DPAs for commercial customers</td>
<td>• Low income customer outreach</td>
<td>• Work completed for ratchet demand credits - appear on customer’s bills</td>
<td>• Proactive Email outreach to heating and non heating customers advising them of HEAP assistance</td>
</tr>
<tr>
<td>• Allowed commercial customers the option to apply security deposit to account balance</td>
<td>• Extended tariff relief changes for two additional months (see April)</td>
<td></td>
<td>• Bill Insert to all residential customers regarding payment options and protections through Parker-Mosley</td>
</tr>
<tr>
<td>• Met with LIPA to propose a demand ratchet discount credit for eligible Rate 281 customers.</td>
<td>• Waived late payment charges and no access fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Low income customer outreach</td>
<td>• Continued enrollment in the Household Assistance Rate program</td>
<td></td>
<td></td>
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<tr>
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<tr>
<td><strong>June</strong></td>
<td><strong>October</strong></td>
<td><strong>November</strong></td>
<td></td>
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<tr>
<td>• Extended tariff relief changes for two additional months (see April)</td>
<td>• Extended tariff relief changes through year end (see April)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Low income customer outreach</td>
<td></td>
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</tr>
</tbody>
</table>
Community Service
Economic Development

Introduced New “Chamber of Commerce” Initiative
• $5,000 grants offered to Chambers of Commerce or Business Improvement Districts to support outdoor dining.
  – Over $120,000 committed to 28 groups

Small Business First
• New program developed to offer lighting improvements to small businesses at no-cost or low-cost.
  – $1.8M added to standard EE rebates, to benefit over 1,000 small business customers.
  – Help cash flow-limited businesses to lower their operating costs and improve their facilities.

SMITHTOWN, NY — Town of Smithtown Supervisor Ed Wehrheim made a surprise announcement Sept. 17, extending temporary outdoor dining to Dec. 31, according to a news release. The proclamation was made as the Kings Park Chamber of Commerce distributed 15 outdoor heat lamps and fuel to local restaurant owners, courtesy of a $5,000 grant from PSEG Long Island to assist local business communities with new ways of getting back to business.

Patch – Kings Park 9/23/2020
AMI Meter Deployment
Strong Progress Continues with AMI Installations at an Accelerated Pace

Further accelerated deployment now targeting 95% completion by September 1, 2021

- Over 300K meters installed YTD with 734K system-wide
- Resuming limited inside installations (i.e., meter rooms) under strict Covid-19 safety protocols
- Continuing to expand use of AMI functionality to further leverage operational benefits
Customer Technology
PSEG Long Island Mobile App

• Current Features
  – Customers can log in with just touch or face ID
  – Simplified, 1 tap payment
  – Quick and easy to view usage in dollars or kilowatt hours
  – Report an outage from own or guest account
  – If in a known outage area, the app will bring you directly to your outage information
  – Push notifications inform customers on payments, billing, and current outages

• New Features on the Way in 2021
  – Integration with AMI to show interval usage data
  – Outage tracker to show where customer is in the restoration process
  – Integration with Siri enables customers to use voice commands such as “I lost power” or “show me my PSEG Long Island Bill”

Over 250,000 downloads since late 2019
COVID-19 safety protocols led us to modify our approach to community service during 2020

March of Dimes Top Fundraiser 2020
- Our employees created COVID-safe fundraising events to replace typical employee-sponsored bake sales and other grassroots fundraising to support initiatives such as the March of Dimes March for Babies.
- PSEG Long Island was the March for Babies top fundraiser for 2020, raising over $20,000 before company matching donations!

Education and Safety
- We offer a variety of outreach programs that educate thousands of children and customers about energy efficiency, safety and emergency preparedness.
- Launched successful remote public service video pilot on energy efficiency to students

LIBN Recognition
- Recognized by Long Island Business News with its distinguished 2019 Corporate Citizenship Award in the Large Business Category.
PSEG Long Island is Focused on Getting Back to our Mission, and Regaining the Trust and Confidence of LIPA and our Customers

- PSEG Long Island is committed to continuous improvement, transparency and accountability

- We remain committed to serving Long Island through our key business imperatives:
  - Customer service
  - Electric reliability and storm response
  - Energy efficiency and renewables
  - Community involvement

- Serving Long Island is a privilege and we will earn that privilege by delivering the service our customers deserve
**BOARD AGENDA SUMMARY SHEET**

<table>
<thead>
<tr>
<th>Committee or Board:</th>
<th>Date:</th>
<th>Board Meeting Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>December 4, 2020</td>
<td>December 16, 2020</td>
</tr>
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</table>

**For All Board Voting Items:**

**Title of Agenda Item:** Approval of the Annual Report and Amendments to the Board Policy on Customer Service

Consent Agenda: ☒ Yes ☐ No

Accompanying Presentation: ☒ Yes ☐ No

Recommendation from Committee: ☐ N/A ☐ F&A; ☐ GP&P; ☒ Oversight & Clean Energy

**LIPA Presenter:** Rick Shansky (presentation at Committee)  
**PSEG Long Island Presenter:** Rick Walden

**Enterprise Risk Management Discussion:** ☐ Yes ☒ No

**For Policy Reports Only:**

Type of Policy / Report: ☒ Operating; ☐ Governance; ☐ Compliance; ☐ Mission

Date of Last Report: May 22, 2019  
Compliance Since Last Report: ☒ Yes ☐ No

Proposed Changes to Policy: ☒ Yes ☐ No

**Requested Action:**  
The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy.

**Summary:**  
(Include proposed amendments to Board Policies, if applicable)  
By Resolution No. 1370, dated July 26, 2017, the Board adopted the Policy with the purpose of providing a framework to achieve a high level of customer service and satisfaction. The Policy was last amended by the Board by Resolution No. 1480, dated May 22, 2019.

The Policy provides that the “Chief Executive Officer will report annually to the Board on compliance with the key provisions of the Customer Service Policy.”

LIPA Staff proposes one change to the Policy, to delete the section on protecting customer information, which is now covered by the Policy on Physical and Cyber Security.
FOR CONSIDERATION
December 16, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report and Amendments to the Board’s Policy on Customer Service

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 Service (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

By Resolution No. 1370, dated July 26, 2017, the Board adopted the Policy with the purpose of providing a framework to achieve a high level of customer service and satisfaction. The Policy was last amended by the Board by Resolution No. 1480, dated May 22, 2019.

The Policy provides that the “Chief Executive Officer will report annually to the Board on compliance with the key provisions of the Customer Service Policy.”

Compliance with the Policy

Performance for 2020 has been overshadowed by poor storm performance by our service provider. This performance was compounded by the failure of telephone access to report outages and the failure of the outage management system used to identify and report on outages. These matters are more fully discussed in LIPA’s 30 and 90-Day reports on Tropical Storm Isaias.

Nevertheless, consistent with the Policy, PSEG Long Island’s customer service performance in the aggregate has continued to improve. This Report covers customer service activities since the Board’s May 2019 review to the present. While PSEG Long Island’s performance with respect to matters identified by the Isaias Task Force remains unacceptable, LIPA staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the Policy since the last annual review. Compliance with each element of the Policy is discussed in detail below, including areas designated for improvement.

“Funding cost-effective initiatives and ongoing operations: (i) to provide customers with a level of service, as measured by industry standard customer service metrics, within the first quartile of peer utilities; and (ii) so that customers report a level of satisfaction, as measured by third-party
and internally-generated customer satisfaction surveys, within, where applicable, the first quartile of peer utilities by 2022.”

- Since 2014 PSEG Long Island is ranked as the most improved utility nationally by J.D. Power with an increase of 216 points; however, the score remains below average for a Large East Utility.
- PSEG Long Island met its customer satisfaction target for 2020, and LIPA and PSEG Long Island have established targets to achieve first quartile by 2022 with improvement each year.
- PSEG Long Island Residential and Business After-Call and Personal Contact survey demonstrate continued improvement, with 94.8%, 96.0% and 96.6% of respondents, respectively, indicating satisfaction with PSEG Long Island service through September 2020.
- First Call Resolution in the call center for 2020 YTD is 83.2%. First call resolution was added as a Tier 1 metric in 2019 and is targeted for further improvement.
- PSEG Long Island improved its Average Speed of Answer from a 2013 baseline of 93 seconds to 15 seconds in 2019. However, poor storm performance caused the 2020 YTD result to increase to 29 seconds. Over a million calls and texts were lost or unanswered due to communication systems failure and lack of contingency planning, which does not meet expectations for 2020. Remedial actions to address these failures remain in progress.
- Customer complaints increased from 2019 for 4.0 complaints to 11.5 for 2020 per 100,000 customers. This increase is the result of poor storm performance and high bill complaints following a hot summer.

“Supporting programs so that customers have information, education, and tools to manage their energy use according to their needs, including innovative billing options and emerging technologies and communications tools that enable multi-directional customer relationships for distributed resources and electric vehicles.”

PSEG Long Island continued to advance multiple Utility 2.0 priorities:

- Began implementing a new rate modernization system, which will result in five new time-based rate options to be available to customers beginning in February 2021.
- Built a new locational value tool, which will enable the utility to precisely target non-wires alternatives and price signals encouraging the development of distributed energy resources, potentially deferring or avoiding costly infrastructure upgrades.
- Began implementation of an online interconnection application portal.
- Completed a volt-var optimization study, exploring new technology to improve grid efficiency.
- Accepted applications for over 150 new behind-the-meter storage systems.
- Enrolled over 400 customers in the Super Savers peak load reduction program and dynamic load management incentives, reaching a total of 1.65 megawatts of peak load reduction in the North Bellmore pilot area.
- Incentivized 624 residential smart chargers and 31 DC fast chargers.
During 2019, 5,755 customers participated in a home energy efficiency assessment. Despite being hampered by COVID-19, PSEG Long Island performed 2,007 assessments for 2020.

“Protecting customer information from unauthorized access, use, disclosure, modification or destruction through the adoption of appropriate policies and procedures.”

Through press releases, television ads and bill inserts, PSEG Long Island provides customers with proactive reminders to be aware of and how to protect themselves from unscrupulous scam calls, scam emails, and unannounced visits.

PSEG Long Island has assessed its data privacy framework, practices, and procedures as recommended by the National Institute of Standards (“NIST”) and has put in place:

- Notifications to customers of data being collected, reasons for collection, and intended use, retention and sharing of data; and
- Safeguards that protect customer information from unauthorized access or improper use.

The Meter Data Management System has been implemented using configurations to support industry-standard data rules to protect information collected from loss, theft, unauthorized access, disclosure, copying, use or modification, and to maintain integrity across the systems and to improve data privacy standards.

“Providing utility communications that are: accurate and easily accessible; understandable, including accurate billing that can be easily interpreted and conveniently paid; proactive regarding potential weather-related and/or emergency situations, including information on the restoration of electric outage.”

During 2020, 278,250 smart meters were installed, exceeding the goal of 250,000 meters. As of September 2020, a total of 712,254 meters have been installed. This has improved the meter reading rate and timely and accurate billing.

Revenue collected via text payments continues to increase as the number of payments received electronically continues to steadily grow reaching 70.7% up from 63.3%.

Estimated time of restoration (ETR) remains an area that needs improvement. PSEG Long Island has been investigating improvements to its methodology for calculating ETRs, though its performance during Tropical Storm Isaias served to highlight the deficiencies in its approach to ETRs.

**Annual Review of the Policy**

As shown in Exhibit “B”, LIPA Staff proposes one change to the Policy, to delete the section on protecting customer information, which is now covered by the Board’s Policy on Physical and Cyber Security.
**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 Customer Service (redline)
- **Exhibit “C”** Board Policy on Customer Service (clean)
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER SERVICE

WHEREAS, the Board Policy on Customer Service (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1370, dated July 26, 2017; and

WHEREAS, the Policy was last amended by the Board pursuant to by Resolution No. 1480, dated May 22, 2019; 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 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 consistent with the accompanying memorandum, the changes to the Policy that are reflected in attachment Exhibit “B” are hereby approved.

Dated: December 16, 2020
Board Policy on Customer Service

It is the policy of the Long Island Power Authority to achieve a high level of customer service and satisfaction by:

- Funding cost-effective initiatives and ongoing operations: (i) to provide customers with a level of service, as measured by industry-standard customer service metrics, within the first quartile of peer utilities; and (ii) so that customers report a level of satisfaction, as measured by third-party and internally-generated customer satisfaction surveys, within, where applicable, the first quartile of peer utilities by 2022;

- Supporting programs so that customers have information, education, and tools to manage their energy use according to their needs, including innovative billing options and emerging technologies and communications tools that enable multi-directional customer relationships for distributed resources and electric vehicles; and

- Protecting customer information from unauthorized access, use, disclosure, modification or destruction through the adoption of appropriate policies and procedures; and

- Providing utility communications that are:
  - accurate and easily accessible;
  - understandable, including accurate billing that can be easily interpreted and conveniently paid;
  - proactive regarding potential weather-related and/or emergency situations, including information on the restoration of electric outages.

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

Policy Type: Mission

Monitored by: Oversight and Clean Energy

Board Resolution:
#1370, approved July 26, 2017
#1430, amended September 27, 2018
#1480, amended May 22, 2019
[xxxx], amended December 16, 2020

Board Policy on Customer Service

It is the policy of the Long Island Power Authority to achieve a high level of customer service and satisfaction by:

- Funding cost-effective initiatives and ongoing operations: (i) to provide customers with a level of service, as measured by industry-standard customer service metrics, within the first quartile of peer utilities; and (ii) so that customers report a level of satisfaction, as measured by third-party and internally-generated customer satisfaction surveys, within, where applicable, the first quartile of peer utilities by 2022;
- Supporting programs so that customers have information, education, and tools to manage their energy use according to their needs, including innovative billing options and emerging technologies and communications tools that enable multi-directional customer relationships for distributed resources and electric vehicles; and
- Providing utility communications that are:
  o accurate and easily accessible;
  o understandable, including accurate billing that can be easily interpreted and conveniently paid;
  o proactive regarding potential weather-related and/or emergency situations, including information on the restoration of electric outages.

The Chief Executive Officer will report annually to the Board on compliance with the key provisions of the Customer Service Policy.
Annual Report to the LIPA Board of Trustees on T&D Reliability

July 22, 2020

PSEG Long Island
Agenda

• Reliability Metrics

• Reliability Improvement Programs

• Power Quality and Reliability

• NERC Compliance
Reliability Improvements

2016 to 2020 YE Forecasted

SAIFI

2016 2017 2018 2019 2020 YE Projection
1.11 0.95 0.86 0.67 0.68

SAIDI

2016 2017 2018 2019 2020 YE Projection
75.5 65.8 65.2 51.4 49.8

MAIFI

2016 2017 2018 2019 2020 YE Projection
3.92 3.52 3.44 2.41 1.76

Sustained Multiple Customer Outages

2016 2017 2018 2019 2020 YE Projection
65,916 41,730 38,239 14,477 14,094
## Improvements to Reliability Since 2016

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Improvement Since 2016</th>
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</thead>
<tbody>
<tr>
<td>SAIFI</td>
<td>↑ 39%</td>
</tr>
<tr>
<td>SAIDI</td>
<td>↑ 34%</td>
</tr>
<tr>
<td>MAIFI</td>
<td>↑ 55%</td>
</tr>
<tr>
<td>MCO</td>
<td>↑ 79%</td>
</tr>
</tbody>
</table>

- 2016 Year End versus 2020 Year End Projections
# Reliability Improvement Programs

<table>
<thead>
<tr>
<th>Reliability Programs</th>
<th>Program Effectiveness</th>
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</thead>
<tbody>
<tr>
<td>FEMA Hardening</td>
<td>33% reduction in number of customer outages 1 year before versus 1 year after work completion</td>
</tr>
<tr>
<td>Power On!</td>
<td>Continuation of FEMA mainline hardening on targeted circuits 2020 program to directly benefit 57,000 customers</td>
</tr>
<tr>
<td>Less Than 500 Customers (LT5H)</td>
<td>3% Annual SAIFI Improvement through 2023. 15% total program benefit.</td>
</tr>
<tr>
<td>CIP/NOP</td>
<td>30% reduction in the number of preventable customer outages (overhead equipment and tree) 1 year before versus 1 year after work completion</td>
</tr>
<tr>
<td>Smart Grid Initiatives</td>
<td>AMI meter integration with GIS/OMS to proactively identify overloaded fuses and transformers Machine learning (AI) to identify vine conditions</td>
</tr>
<tr>
<td>Non Reclose Assurance (NRA) Automation</td>
<td>44% decrease in NRA outages versus 2016</td>
</tr>
<tr>
<td>Vegetation Management Program</td>
<td>44% reduction in the number of vegetation related customer outages 1 year before versus 1 year after trim</td>
</tr>
<tr>
<td>MAIFI Improvement Program</td>
<td>78% reduction in the number of momentary customer interruptions 1 year before versus 1 year after work completion</td>
</tr>
</tbody>
</table>
Power Quality and Reliability
J.D. Power - Residential and Business Results

J.D. Power Residential
Power Quality and Reliability Results

J.D. Power Business
Power Quality and Reliability Results
Power Quality and Reliability

J.D. Power – 2020 W1 Business Results

Power Quality and Reliability Satisfaction

J.D. Power Business - 2020 W1 Results (February-May)

<table>
<thead>
<tr>
<th>Utility</th>
<th>Satisfaction Score</th>
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<tbody>
<tr>
<td>Utility #1</td>
<td>853</td>
</tr>
<tr>
<td>PSEG Long Island</td>
<td>836</td>
</tr>
<tr>
<td>Utility #3</td>
<td>834</td>
</tr>
<tr>
<td>Utility #4</td>
<td>831</td>
</tr>
<tr>
<td>Utility #5</td>
<td>816</td>
</tr>
<tr>
<td>Utility #6</td>
<td>813</td>
</tr>
<tr>
<td>Utility #7</td>
<td>811</td>
</tr>
<tr>
<td>PSEG</td>
<td>807</td>
</tr>
<tr>
<td>East Large Average</td>
<td>804</td>
</tr>
<tr>
<td>Utility #9</td>
<td>794</td>
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<tr>
<td>Utility #10</td>
<td>786</td>
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<tr>
<td>Utility #11</td>
<td>774</td>
</tr>
<tr>
<td>Utility #12</td>
<td>770</td>
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</table>

Power Quality & Reliability Trend

<table>
<thead>
<tr>
<th>Year</th>
<th>East Large</th>
<th>PSEG Long Island</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 - Feb/May</td>
<td>793</td>
<td>804</td>
</tr>
<tr>
<td>2018 - Feb/May</td>
<td>781</td>
<td>804</td>
</tr>
<tr>
<td>2019 - Feb/May</td>
<td>780</td>
<td>804</td>
</tr>
<tr>
<td>2020 - Feb/May</td>
<td>836</td>
<td>804</td>
</tr>
</tbody>
</table>

Power Quality & Reliability Attributes

<table>
<thead>
<tr>
<th>Attribute</th>
<th>East Large</th>
<th>PSEG Long Island</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide quality electric power</td>
<td>8.09</td>
<td>8.35</td>
</tr>
<tr>
<td>Avoid brief interruptions</td>
<td>7.98</td>
<td>8.50</td>
</tr>
<tr>
<td>Avoid lengthy outages</td>
<td>7.97</td>
<td>8.29</td>
</tr>
<tr>
<td>Promptly restore power after an outage</td>
<td>7.99</td>
<td>8.23</td>
</tr>
<tr>
<td>Provide accurate information about an outage</td>
<td>7.94</td>
<td>8.30</td>
</tr>
<tr>
<td>Supply electricity during extreme temperatures</td>
<td>8.23</td>
<td>8.45</td>
</tr>
</tbody>
</table>
T&D System Reliability – Compliance

• NERC Compliance
  – Successfully closed out all 2018 NERC Critical Infrastructure Protection Audit observations
  – Submitted three NERC Internal Control Evaluations (ICE) in 2019.
  – The modified ACC was tested successfully for an extended period of 48hrs to allow operators to experience the changes.

• Completed annual transmission system operating studies including: Summer and Winter Studies, Loss of Gas Study and Transient Voltage Recovery Guideline.

• Environmental
  – No major incidents recorded
**For All Board Voting Items:**

**Title of Agenda Item:** Approval of the Annual Report and Amendments to the Board Policy on Transmission and Distribution System Reliability

**Consent Agenda:** ☐ Yes ☒ No

**Accompanying Presentation:** ☒ Yes ☐ No

**Recommendation from Committee:** ☒ N/A ☐ F&A; ☐ GP&P; ☐ Oversight & Clean Energy

**LIPA Presenter:** Rick Shansky  
**PSEG Long Island Presenter:** John O’Connell

**Enterprise Risk Management Discussion:** ☐ Yes ☒ No

---

**For Policy Reports Only:**

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

**Date of Last Report:** May 22, 2019  
**Compliance Since Last Report:** ☒ Yes ☐ No

**Proposed Changes to Policy:** ☒ Yes ☐ No

**Requested Action:** The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy.

**Summary:**  
By Resolution No. 1371, dated July 26, 2017, the Board adopted the Policy with the purpose of maintaining a reliable and resilient T&D system at an affordable cost. The Policy was last reviewed and amended by the Board pursuant to Resolution No. 1479, dated May 22, 2019. The Policy provides that the “Chief Executive Officer will report annually to the Board on the key provisions of the Policy.”

Staff proposes the following revisions to the Policy: (i) updated description of the goal associated with momentary outages; and (ii) other minor editorial changes. The proposed changes are more specifically shown on **Exhibit “B”**.
FOR CONSIDERATION
July 22, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

REQUEST: Approval of the Annual Report and Amendments to the Board’s Policy on Transmission and Distribution System Reliability

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 Transmission and Distribution (“T&D”) System Reliability (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

By Resolution No. 1371, dated July 26, 2017, the Board adopted the Policy with the purpose of maintaining a reliable and resilient T&D system at an affordable cost. The Policy was last reviewed and amended by the Board pursuant to Resolution No. 1479, dated May 22, 2019.

The Policy provides that the “Chief Executive Officer will report annually to the Board on the key provisions of the Policy.”

Compliance with the Policy

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

As set forth in the Policy, LIPA shall:

“comply with the applicable standards of the North American Electric Reliability Corporation, the Northeast Power Coordinating Council, the New York State Reliability Council, the New York Independent System Operator, and environmental regulations.”

- Successfully completed 2018 NERC Critical Infrastructure Protection (CIP) Audit
- Submitted three NERC Internal Control Evaluations (ICE) to aid in the upcoming 2020 NERC Operational Audit
“fund cost-effective programs to provide a level of reliability, as measured by system average outage duration (known as System Average Interruption Duration Index or SAIDI), within the first quartile as compared to peer utilities, excluding major events.”

- For 2019, the System Average Interruption Duration Index (SAIDI) was 51.4 minutes, which continues to rank within the first quartile of peer utilities.
- Vegetation Management – Reportable customer outages due to vegetation were 5.85% lower than 2019 and 22.1% lower than the previous 5-year average.

“fund cost-effective programs to provide a level of reliability for each customer that is within a reasonable variance from system average conditions (excluding major events) including: programs to track and improve circuit conditions that cause a customer to experience four or more sustained outages (i.e., greater than 5 minutes in duration) in any 12-month period; and establishing comparable processes for momentary outages (i.e., outages less than 5 minutes in duration).”

- Multiple Sustained Customer Outages – PSEG Long Island targeted areas with higher level of sustained (i.e., greater than 5 minute) customer outages. The number of customers with four or more sustained outages in any 12-month period was 14,477 in 2019 compared to 38,239 in 2018, for a 62% decline.
- Multiple Momentary Outages – established a Tier 2 metric with PSEG Long Island to track the number of customers with multiple momentary outages. PSEG Long Island reported a 33% improvement between May 2019 and May 2020, due to relay setting changes.

“fund cost-effective approaches for resiliency, thereby enhancing the safe and timely restoration of electrical service after severe weather or adverse events.”

- Completed storm hardening, funded by FEMA, of approximately 960 miles out of a program total of 1,025 miles.
- Approved a Phase II storm hardening program to begin in 2020 (the “Power On” program) to continue cost effective hardening efforts over the next four years.
- Continued with the development of a dynamic model for the prediction of storm intensity and impact. Model to be used for predicting customer outages, number of crews needed and deployment.

“use smart grid technologies to minimize outages, monitor system conditions, and facilitate the interconnection of renewable and distributed resources.”

- Installation of automated distribution switches – as part of the FEMA storm-hardening program all 894 smart switches have been installed to reduce the number of customers impacted by disruption on a circuit. Switches are also being installed as part of the Circuit Improvement Program, and 135 are scheduled for completion in 2020.
- Installation of Smart Meters -- approximately 305,000 meters were installed in 2019 with a year-end cumulative total of approximately 434,000 since the program began. For 2020, the goal is to install an additional 250,000 of which 62,500 have been installed in the first
quarter. Smart meters help detect power outages and monitor power quality.

Annual Review of the Policy

Staff proposes the following revisions to the Policy:

- Updated description of the goal associated with momentary outages; and
- Other minor editorial changes.

The proposed changes are more specifically shown on 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 Transmission & Distribution System Reliability (redline)
- Exhibit “C” Board Policy on Transmission & Distribution System Reliability (clean)
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON, AND AMENDMENTS TO, THE BOARD POLICY ON TRANSMISSION & DISTRIBUTION SYSTEM RELIABILITY

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

WHEREAS, the Policy was last reviewed and amended by the Board pursuant to Resolution No. 1479, dated May 22, 2019; 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 Long Island Power Authority has complied with the Transmission and Distribution System Reliability 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: July 22, 2020
Board Policy on Transmission & Distribution System Reliability

It is the policy of the Long Island Power Authority ("LIPA") to maintain a safe, reliable and resilient Transmission and Distribution ("T&D") system at an affordable cost. The Authority LIPA shall:

- comply with the applicable standards of the North American Electric Reliability Corporation, the Northeast Power Coordinating Council, the New York State Reliability Council, the New York Independent System Operator, and environmental regulations;

- fund cost-effective programs to provide a level of reliability, as measured by system average outage duration (known as System Average Interruption Duration Index or SAIDI), within the first quartile as compared to peer utilities, excluding major events¹;

- funding cost-effective programs to provide a level of reliability for each customer that is within a reasonable variance from system average conditions (excluding major events) including:
  - programs to track and improve circuit conditions that cause a customer to experience four or more sustained outages (i.e., greater than 5 minutes in duration) in any 12-month period; and
  - establishing comparable processes for programs to track and improve circuit conditions that cause a customer to experience multiple momentary outages (i.e., outages less than 5 minutes in duration);

- funding cost-effective approaches for resiliency, thereby enhancing the safe and timely restoration of electrical service after severe weather or adverse events; and

- using smart grid technologies to minimize outages, monitor system conditions, and facilitate the interconnection of renewable and distributed resources.

The Chief Executive Officer, or his or her designee, will report annually to the Board on the key provisions of the T&D System Reliability Policy.

¹ NYCRR 97.1 defines a “major” storm as one resulting in at least one customer outage lasting at least 24 hours or outages affecting at least 10% of the customers in a utility division. In applying the 24-hour exclusion, the Authority LIPA shall consider whether such outages are consistent with the pattern of restoration or otherwise anomalous in terms of duration or barriers to restoration.
Board Policy: Transmission & Distribution System Reliability
Policy Type: Mission
Monitored by: Oversight and Clean Energy Committee
Board Resolution: #1371, approved July 26, 2017
#1479, amended May 22, 2019
[#xxxx], amended July 22, 2020

**Board Policy on Transmission & Distribution System Reliability**

It is the policy of the Long Island Power Authority (“LIPA”) to maintain a safe, reliable and resilient Transmission and Distribution ("T&D") system at an affordable cost. LIPA shall:

- comply with the applicable standards of the North American Electric Reliability Corporation, the Northeast Power Coordinating Council, the New York State Reliability Council, the New York Independent System Operator, and environmental regulations;

- fund cost-effective programs to provide a level of reliability, as measured by *system average* outage duration (known as System Average Interruption Duration Index or SAIDI), within the first quartile as compared to peer utilities, excluding major events\(^1\);

- fund cost-effective programs to provide a level of reliability *for each customer* that is within a reasonable variance from *system average* conditions (excluding major events) including:
  - programs to track and improve circuit conditions that cause a customer to experience four or more sustained outages (i.e., greater than 5 minutes in duration) in any 12-month period; and
  - programs to track and improve circuit conditions that cause a customer to experience multiple momentary outages (i.e., outages less than 5 minutes in duration);

- fund cost-effective approaches for resiliency, thereby enhancing the safe and timely restoration of electrical service after severe weather or adverse events; and

- use smart grid technologies to minimize outages, monitor system conditions, and facilitate the interconnection of renewable and distributed resources.

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

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\(^1\) NYCRR 97.1 defines a “major” storm as one resulting in at least one customer outage lasting at least 24 hours or outages affecting at least 10% of the customers in a utility division. In applying the 24-hour exclusion, LIPA shall consider whether such outages are consistent with the pattern of restoration or otherwise anomalous in terms of duration or barriers to restoration.
Annual Report on Customer Value and Affordability Policy

June 24, 2020
MEETING THE POLICY PRIORITIES OF THE LIPA BOARD

• Lowest fiscally sound electric rates
• Regionally comparable electric rates
• Balance between cost & service
• Prudent rate design
• Consistent with New York State Policy
REGIONALLY COMPARABLE RATES

### 2019 System Average Rates

<table>
<thead>
<tr>
<th>Utility</th>
<th>Cents/kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Illuminating</td>
<td>23.4</td>
</tr>
<tr>
<td>Consolidated Edison</td>
<td>22.0</td>
</tr>
<tr>
<td>Eversource (CL&amp;P)</td>
<td>20.3</td>
</tr>
<tr>
<td>Long Island Power Authority</td>
<td>19.3</td>
</tr>
<tr>
<td>Orange &amp; Rockland</td>
<td>16.9</td>
</tr>
<tr>
<td>PSE&amp;G New Jersey</td>
<td>14.5</td>
</tr>
</tbody>
</table>

### 2019 Residential Average Rates

<table>
<thead>
<tr>
<th>Utility</th>
<th>Cents/kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Edison</td>
<td>25.3</td>
</tr>
<tr>
<td>United Illuminating</td>
<td>25.2</td>
</tr>
<tr>
<td>Eversource (CL&amp;P)</td>
<td>21.2</td>
</tr>
<tr>
<td>Long Island Power Authority</td>
<td>20.4</td>
</tr>
<tr>
<td>Orange &amp; Rockland</td>
<td>19.4</td>
</tr>
<tr>
<td>PSE&amp;G New Jersey</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Annual Report on the Customer Value and Affordability Policy
LONG TERM: LIPA’S RATES SLOW TO INCREASE

Long-Term Increase in System Average Rates
(1997-2019)

<table>
<thead>
<tr>
<th>Company</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UIL</td>
<td>102%</td>
</tr>
<tr>
<td>Eversource</td>
<td>94%</td>
</tr>
<tr>
<td>O&amp;R</td>
<td>72%</td>
</tr>
<tr>
<td>Inflation</td>
<td>61%</td>
</tr>
<tr>
<td>Con Edison</td>
<td>57%</td>
</tr>
<tr>
<td>PSE&amp;G NJ</td>
<td>45%</td>
</tr>
<tr>
<td>LIPA</td>
<td>26%</td>
</tr>
</tbody>
</table>
SHORT TERM: LIPA’S RATES FLAT

5-Year Change in System Average Rates
(2014-2019)

UIL: 17%
Eversource: 16%
Inflation: 12%
LIPA: -1%
PSE&G NJ: -3%
Con Edison: -14%
O&R: -18%

Annual Report on the Customer Value and Affordability Policy
$631 Million Customer Savings in 2020 from Being Lean

<table>
<thead>
<tr>
<th>Action</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discontinuing investment in combined cycle plants</td>
<td>$348</td>
</tr>
<tr>
<td>LIPA Reform Act 2% Tax Cap</td>
<td>$141</td>
</tr>
<tr>
<td>Refinancing existing debt</td>
<td>$60</td>
</tr>
<tr>
<td>Renegotiating expiring power purchase agreements</td>
<td>$36</td>
</tr>
<tr>
<td>Investing in cost-effective energy efficiency</td>
<td>$19</td>
</tr>
<tr>
<td>PSA pension and retirement savings</td>
<td>$8</td>
</tr>
<tr>
<td>Smart Meter savings</td>
<td>$7</td>
</tr>
<tr>
<td>Reduction to gas transportation costs</td>
<td>$6</td>
</tr>
<tr>
<td>Power plant property tax savings</td>
<td>$6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$631</strong></td>
</tr>
</tbody>
</table>

Average Residential Customer Monthly Bill

- **2008 Electric bill**: $154.26
- **2020 Electric bill**: $155.07

0.5% increase

Annual Report on the Customer Value and Affordability Policy
## HIGHLIGHTS FROM PENDING RATE ACTIONS

<table>
<thead>
<tr>
<th>Date Filed</th>
<th>NYSEG</th>
<th>RG&amp;E</th>
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<tbody>
<tr>
<td>Requested Increase</td>
<td>$174 million</td>
<td>$37.2 million</td>
</tr>
<tr>
<td></td>
<td><strong>22.6%</strong></td>
<td><strong>8%</strong></td>
</tr>
<tr>
<td>Drivers</td>
<td>• Vegetation management</td>
<td>• Advanced metering (AMI)</td>
</tr>
<tr>
<td></td>
<td>• Advanced metering (AMI)</td>
<td>• Electric vehicles programs</td>
</tr>
<tr>
<td></td>
<td>• Electric vehicle programs</td>
<td>• Energy storage investments</td>
</tr>
<tr>
<td></td>
<td>• Energy storage investments</td>
<td>• Other increases in operating expenses,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>depreciation, and infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>investments</td>
</tr>
</tbody>
</table>

**Latest Status:** Proceeding suspended until September 13th due to COVID-19
Questions?
### BOARD AGENDA SUMMARY SHEET

<table>
<thead>
<tr>
<th>Committee or Board:</th>
<th>Date:</th>
<th>Board Meeting Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>June 12, 2020</td>
<td>June 24, 2020</td>
</tr>
</tbody>
</table>

**For All Board Voting Items:**

**Title of Agenda Item:** Approval of the Annual Report on the Board Policy on Customer Value and Affordability

Consent Agenda: ☑ Yes ☒ No  
Accompanying Presentation: ☐ Yes ☒ No

Recommendation from Committee: ☑ N/A ☐ F&A; ☐ GP&P; ☐ Oversight & Clean Energy

LIPA Presenter: Justin Bell  
PSEG Long Island Presenter: N/A

Enterprise Risk Management Discussion: ☑ Yes ☐ No

**For Policy Reports Only:**

Type of Policy / Report: ☑ Operating; ☐ Governance; ☐ Compliance; ☑ Mission

Date of Last Report: July 24, 2019  
Compliance Since Last Report: ☑ Yes ☐ No

Proposed Changes to Policy: ☐ Yes ☑ No

<table>
<thead>
<tr>
<th>Requested Action:</th>
<th>Summary: (include proposed amendments to Board Policies, if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>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; and (ii) approving the annual report for the Policy.</td>
</tr>
</tbody>
</table>

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 updated by the Board on July 24, 2019.

Staff has determined, for the reasons set forth in the accompanying memorandum, that LIPA has remained in compliance with the objectives of the Policy for the period since the last annual review.
FOR CONSIDERATION
June 24, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board Policy on Customer Value and Affordability

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 Value and Affordability (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. 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 updated by the Board on July 24, 2019.

Compliance with the Policy

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.

Lowest Fiscally Sound Electric Rates. The Policy states “Electric rates should be set at the lowest level consistent with sound fiscal and operating practices and applicable law and regulation, ensuring that quality service is efficiently rendered.”

- In December 2019, the Board of Trustees adopted the 2020 Budget and Rate Update, which implemented an annual budget and rate update at the lowest level consistent with sound fiscal and operating practices, as those practices are defined by Board Policy, and within the statutory threshold provided in the Public Authorities Law.

Regionally Comparable Electric Rates: The Policy states “Electric rates should be comparable to the published rates on a system average basis of other regional utilities that surround the Authority’s service territory, which most closely resemble the costs and electric/gas supply options of the Authority, including: Consolidated Edison, Orange & Rockland, United Illuminating, Eversource (formerly Connecticut Light and Power), and PSE&G.”
• LIPA’s system average electric rate was 19.3 cents in 2019.
• Compared to the other five major regional utilities that surround LIPA’s service territory, listed in the Policy, LIPA’s system average rate is roughly average for the region.
• LIPA’s system average rate is 18% below the highest priced regional utility.
• The system average electric rates of the regional utilities ranged from 14.5 cents (PSE&G) to 23.4 cents (United Illuminating), as shown in the following figure:

![2019 System Average Rates](image)

• Although the policy is focused on system average rates, it is worth noting that LIPA’s residential average rate in 2019 of 20.4 cents was also competitive with the rates of our regional peer utilities, as shown in the following figure:

![2019 Residential Average Rates](image)

• If LIPA’s taxes, which comprise 18% of the bill, were equivalent to the national average of 6% of the bill, LIPA’s 2019 system average rate would have been 17 cents rather than 19.3 cents.
• The New York City metro area has above average labor, land, tax, and commodity costs and highly seasonal weather patterns (i.e. electricity is used for cooling in the summer while other fuels are used for heating in the winter). This causes the New York metro area to have per kilowatt hour electric rates that are above the national average. For example, the national system average retail electric rate in 2018, according to the U.S. Energy Information Agency, was 10.5 cents per kilowatt-hour. State-by-state averages include 18.4 cents for Connecticut, 18.5 cents for Massachusetts, 14.8 cents for New York, 15.1 cents for Vermont, 13.2 cents for New Jersey, and 10.1 cents for Pennsylvania.

• Even within New York, there is a significant difference in prevailing power prices between upstate and downstate. The upstate grid is primarily fueled by lower-cost hydro and nuclear power while downstate is primarily fossil-fuel fired generation. The Board’s policy recognizes these significant regional differences by benchmarking to five utilities that surround the LIPA service territory rather than utilities in other regions of the country or state.

Changes in Electric Rates to Support Investments in Customer Value: The Policy states “Changes in the Authority’s electric rates and bills should be similar to other regional utilities on a system average basis. Over time, we expect an appropriate balance between cost and service to result in increases to electric rates similar to the rate of inflation. In any given year, changes in electric rates may not reflect broader economic price indices due to external factors such as changes in commodity prices, law or regulation.”

• LIPA’s system average rates have been competitive on a long-term basis, having risen more slowly than any of the other regional utilities during LIPA’s stewardship of the Long Island grid (see chart below).
• LIPA’s rates increased 26% since LIPA took over the Long Island grid in 1998, compared to a range of 45% to 102% for the other utilities, as shown in the following figure. The consumer price index, a standard measure of inflation, increased 61%.

![Long-Term Increase in System Average Rates (1997-2019)](chart)

<table>
<thead>
<tr>
<th>Utility</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>UIL</td>
<td>102%</td>
</tr>
<tr>
<td>Eversource</td>
<td>94%</td>
</tr>
<tr>
<td>Q&amp;R</td>
<td>72%</td>
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<tr>
<td>Inflation</td>
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<td>45%</td>
</tr>
<tr>
<td>LIPA</td>
<td>26%</td>
</tr>
</tbody>
</table>
• Over the past 5 years, LIPA’s system average electric rates have decreased 1% while other regional utilities have ranged from an 18% decrease to a 17% increase, as shown in the following figure.

**Prudent Rate Design:** The Policy states “Electric rates should: be simple and easy to understand; equitably allocate costs across and within customer classes by taking into consideration the cost to provide service; be affordable to people with low incomes and severe medical conditions; and encourage the most efficient use of utility plant by reflecting the cost of energy at the time it is used, reducing on-peak use, and supporting energy efficiency and conservation.”

During 2019, LIPA made the following changes to its rates and tariffs in furtherance of this Policy:

• LIPA introduced new incentives for behind-the-meter batteries to participate in our dynamic load management tariffs, helping the utility manage load and reduce peaks. LIPA also expanded eligibility for participation in the dynamic load management tariffs to customers with eligible generating equipment, such as rooftop solar.
• LIPA completed the phase-in of increased discounts for low-and-moderate income customers.
• LIPA made simplifying changes and other improvements to the Value of Distributed Energy Resources tariff, including by expanding eligibility to new technologies including hybrid solar and energy storage projects.
• LIPA completed an update to the Authority’s rate modernization roadmap, which is a multi-year plan to modernize electric rates for customers.
• LIPA increased funding for heat pump incentives to support beneficial electrification of heating and greenhouse gas reductions.

**Consistent with New York Policy:** The Policy states: “the Authority’s electric rate design and tariffs should be as consistent as possible with statewide principles. When statewide proceedings produce policies of general applicability, the Authority will adopt conforming changes to its Electric Tariff, unless there are compelling considerations that are unique to the Authority and its public power
business model. Prior to adopting such changes, the Authority will hold public comment sessions and evaluate such unique considerations.”

During 2019, LIPA made changes to the following sections of its rates and tariffs in support of greater consistency with New York policy:

- Standard rates for wireless and wireline pole attachments.
- Conforming changes to the Value of Distributed Energy Resources tariff.
- Conforming changes to the Smart Grid Small Generator Interconnection Procedures.

**Annual Review of the Policy**

The Policy was last amended by the Board pursuant to Resolution No. 1488, dated July 24, 2019, at which time the Policy was significantly updated. Staff has completed its annual review of the Policy and has no suggested amendments 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 two specific risks are: “Insufficient rates may lead to inadequate system investments which compromises LIPA’s ability to achieve strategic objectives” and “Existing rate design may not reflect changing customer usage patterns/expectations or provide accurate pricing signals (i.e. time of use rates, demand charges) resulting in customer cross-subsidies and economic inefficiencies.”

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 by maintaining numerous specific performance metrics to monitor electric system performance relative to budgets on an ongoing basis. LIPA also utilizes a decoupling mechanism, which helps to stabilize revenues with changing weather patterns, and a delivery service adjustment to recover or refund to customers variances in unpredictable costs, such as storm costs.

Regarding the risk related to rate design, LIPA implements tariffs that reflect, to the best of our ability, customer end usage patterns. Outreach is conducted with LIPA customers to better understand their needs and concerns. Additionally, LIPA monitors industry best practices and utilizes appropriate technological advancements to ensure the reasonableness of our rate designs. Based on the mitigations actions that are currently in place, staff believe both of these 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
**Exhibit “B”**  Policy
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER VALUE AND AFFORDABILITY

WHEREAS, the Customer Value and Affordability Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1318, dated September 21, 2016; and

WHEREAS, the Policy was last amended by the Board pursuant to Resolution No. 1488, dated July 24, 2019; 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 Authority has complied with the Customer Value and Affordability Policy for the period since the last annual review and approves the annual report to the Board.

Dated: June 24, 2020
Customer Value and Affordability Policy

It is the policy of the Long Island Power Authority to maximize the value provided for our customers’ dollars and maintain electric rates that are comparable to other regional utilities in terms of both affordability and rate design. We will carry out this Policy by balancing cost and service, investing in areas that customers value, and minimizing cost in areas with more limited customer benefit. This Policy is comprised of the following objectives:

- **Lowest Fiscally Sound Electric Rates.** Electric rates should be set at the lowest level consistent with sound fiscal and operating practices and applicable law and regulation, ensuring that quality service is efficiently rendered.

- **Regionally Comparable Electric Rates.** Electric rates should be comparable to the published rates on a system average basis of other regional utilities that surround the Authority’s service territory, which most closely resemble the costs and electric/gas supply options of the Authority, including: Consolidated Edison, Orange & Rockland, United Illuminating, Eversource (formerly Connecticut Light and Power), and PSE&G.\(^1\)

- **Changes in Electric Rates to Support Investments in Customer Value.** Changes in the Authority’s electric rates and bills should be similar to other regional utilities on a system average basis.\(^2\) Over time, we expect an appropriate balance between cost and service to result in increases to electric rates similar to the rate of inflation. In any given year, changes in electric rates may not reflect broader economic price indices due to external factors such as changes in commodity prices, law or regulation.

- **Prudent Rate Design.** Electric rates should:
  - be simple and easy to understand;
  - equitably allocate costs across and within customer classes by taking into consideration the cost to provide service;
  - be affordable to people with low incomes and severe medical conditions; and
  - encourage the most efficient use of utility plant by reflecting the cost of energy at the time it is used, reducing on-peak use, and supporting energy efficiency and conservation.

---

\(^1\) This objective should consider the significant differences in the taxing and regulatory regimes in which the utilities operate. The Board of Trustees will also be provided with rate comparisons from other regions upon request.

\(^2\) In any period, there may be variations due to the timing of fuel and purchased power costs, resource additions, changes to delivery rates, or other needs that cause fluctuations in the Authority’s system average cost relative to other regional utilities but that are not indicative of the Authority’s long-term rate comparability.
• **Consistent with New York Policy.** The Authority’s electric rate design and tariffs should be as consistent as possible with statewide principles. When statewide proceedings produce policies of general applicability, the Authority will adopt conforming changes to its Electric Tariff, unless there are compelling considerations that are unique to the Authority and its public power business model. Prior to adopting such changes, the Authority will hold public comment sessions and evaluate such unique considerations.³

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

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³ The Department of Public Service holds proceedings and working groups that are open to all interested stakeholders to craft and implement policies that enable New York’s transition to a modern, clean, distributed, and transactional electric grid. The Authority and its Service Provider participate in these statewide proceedings and encourage the participation of Long Island stakeholders.
Annual Report on Strategy and Oversight Policy

January 27, 2021
For 2020, 24 of the 37 projects identified in the 2020 Work Plan were completed and substantial progress was made on the remaining 13\(^1\).

During 2020, an additional 35 projects were identified as important enough to warrant weekly monitoring by the Executive Committee.

For 2021, Staff has identified 50 projects designed to advance LIPA’s Mission, Vision, and Board Policies\(^1\).
OVERSIGHT BACKGROUND

• LIPA’s current business model involves significant outsourcing to Service Providers, which places heightened importance on LIPA’s oversight in the achievement of its Mission and Vision and the Board’s Policies
  • This business model is under review
  • Tropical Storm Isaias investigation emphasized the need to change LIPA’s approach to oversight
  • In the past, LIPA relied too heavily on PSEG Long Island representations

• During 2020, Staff completed a project to develop an Oversight Framework, to help strengthen and formalize our oversight activities

• This effort included drafting internal policies for strategic planning and oversight, which among other things, established an Oversight and Metrics Committee and Budget and Rates Committee to coordinate such activities
OVERSIGHT BACKGROUND

• Oversight helps LIPA to ensure, among other things that:
  • The Board’s Policies and LIPA’s Strategy are implemented as intended
  • LIPA and its Service Providers advance the Mission and Vision adopted by the Board of Trustees
  • LIPA’s Service Providers achieve reasonable results
  • LIPA’s Budgets, including those of the Service Providers, provide value to our customer-owners for the money they pay
OVERSIGHT FRAMEWORK

To achieve LIPA’s Oversight Objectives, the Oversight and Metrics Committee (“O&M Committee”) and the Budget and Rates Committee have developed:

• an Oversight Framework to provide Subject Matter Experts (SMEs) the structure and processes to ensure effective Oversight
• an Oversight Universe, made up of Elements which are defined as the departments, functions, and systems contracted to a Service Provider that are subject to Oversight
• each Element has an SME assigned to it

These Committees:

• Work with SMEs to prioritize oversight activities, including the frequency and degree of oversight, by risk, materiality, and other measures of importance
• Refer Oversight findings, if any, to Service Providers to promptly resolve issues
• Refer Oversight findings to Internal Audit or Enterprise Risk Management, if such issues require further attention
• Review proposed plans and programs to ensure sufficient benefits for the cost
• Review the practices of Service Providers to foster continuous improvement, innovation, benchmarking, and industry best practice, to minimize cost and improve service quality
OVERSIGHT FRAMEWORK

• The O&M Committee and Budget & Rates Committee provide training to ensure all LIPA SMEs and project owners are aware of their roles and responsibilities in carrying out effective oversight activities.

• Each year, SMEs deliver reports to the O&M Committee documenting their oversight activities and evaluating the effectiveness of those activities.

• During 2020, the O&M committee received six reports:
  • Power Supply Planning – final
  • Wholesale Market Policy – final
  • Power Supply & Fuel Supply Management – final
  • Customer Service – being revised
  • Accounting – being revised
  • Budgeting – being revised

• The remaining 11 reports will be complete by the end of Q1 2021, concluding the first such annual reviews of the new O&M Committee.
SELECTED OVERSIGHT HIGHLIGHTS

• Nearly 100 recommendations from LIPA’s Tropical Storm Isaias investigation covering PSEG Long Island's management, emergency management, and information technology
• Eight recommendations to improve PSEG Long Island's Enterprise Risk Management
• Four recommendations to improve PSEG Long Island's budgeting
• Five recommendations to improve management of PSEG Long Island's Real Property and Records
• Five recommendations related to PSEG Long Island Safety
• Pole inventory and true up of property records and management
• Coming recommendations related to asset management and inventory management from activities completed in 2020
**For All Board Voting Items:**

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

**Consent Agenda:** ☐ Yes ☒ No

**Accompanying Presentation:** ☒ Yes ☐ No

**Recommendation from Committee:** ☒ N/A ☐ F&A; ☐ GP&P; ☐ Oversight & Clean Energy

**LIPA Presenter:** Bobbi O’Connor & Ken Kane

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

**Enterprise Risk Management Discussion:** ☐ Yes ☒ No

**For Policy Reports Only:**

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

**Date of Last Report:** July 22, 2020

**Compliance Since Last Report:** ☒ Yes ☐ No

**Proposed Changes to Policy:** ☐ Yes ☒ No

<table>
<thead>
<tr>
<th>Requested Action:</th>
<th>The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; and (ii) finding that LIPA has complied with the Policy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary: (include proposed amendments to Board Policies, if applicable)</td>
<td>Under the LIPA Reform Act and the Amended and Restated Operations Services Agreement (the “OSA”), LIPA has oversight rights and certain responsibilities with respect to its service providers, the operation and maintenance of the Long Island electric grid, and the generation assets under contract to LIPA. It is LIPA’s policy to conduct its affairs and oversee its Service Providers in a manner that meets the needs and protects the interests of LIPA’s customer owners. LIPA’s business model involves significant outsourcing to Service Providers, which places heightened importance on LIPA’s oversight in the achievement of its Mission and Vision and the Board’s Policies. Oversight priorities for 2020 were shifted in the second half of the year as a result of poor storm performance by LIPA’s service provider. This performance was compounded by the failure of telephone access to report outages and the failure of the outage management system used to identify and report on outages. These matters are more fully discussed in LIPA’s 30 and 90-Day reports on Tropical Storm Isaias. Nevertheless, while PSEG Long Island’s performance with respect to matters identified by the Isaias Task Force remains unacceptable, LIPA staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the Policy since the last annual review, including, as discussed below, by commencing implementation of changes in the way that LIPA conducts oversight of its service providers.</td>
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</table>
TO: The Board of Trustees
FROM: Thomas Falcone
REQUEST: Approval of the Annual Report on the Board’s Policy on Strategic Planning and Oversight

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”); and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as Exhibit “A”.

Background

Under the LIPA Reform Act and the Amended and Restated Operations Services Agreement (the “OSA”), LIPA has oversight rights and certain responsibilities with respect to its service providers, the operation and maintenance of the Long Island electric grid, and the generation assets under contract to LIPA. It is LIPA’s policy to conduct its affairs and oversee its Service Providers in a manner that meets the needs and protects the interests of LIPA’s customer owners. LIPA’s business model involves significant outsourcing to Service Providers, which places heightened importance on LIPA’s oversight in the achievement of its Mission and Vision and the Board’s Policies.

By Resolution No. 1409, dated March 29, 2018, the Board initially adopted the Policy, and by Resolution No. 1547, dated July 22, 2020, the Board last approved amendments to the Policy related to LIPA’s strategic planning efforts to clarify certain aspects of LIPA’s oversight responsibilities. The Policy requires that the LIPA CEO or his or her designee report annually to the Board of Trustees on compliance with the key provisions of the Policy.

Compliance with the Policy

Oversight priorities for 2020 were shifted in the second half of the year as a result of poor storm performance by LIPA’s service provider. These matters are more fully discussed in LIPA’s 30 and 90-Day reports on Tropical Storm Isaias. Nevertheless, while PSEG Long Island’s performance with respect to matters identified by the Isaias Task Force remains unacceptable, LIPA staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the Policy since the last annual review, including, as discussed below, by commencing implementation of changes in the way that LIPA conducts oversight of its service providers.
Annual Work Plan Report:

- Attached as Exhibit “C” is LIPA’s Annual Work Plan Report, including a section entitled, “2020 Work Plan Accomplishments,” which provides a summary of LIPA Staff’s 2020 accomplishments toward meeting the expectations of the LIPA Trustees and serving the needs of LIPA’s customer-owners. The Report also include a section entitled “2021 Work Plan Projects,” which describes the activities that LIPA Staff intends to undertake to further LIPA’s Mission and the Board’s policies in the areas of Reliability, Customer Service, Oversight, Resource Planning, Energy Efficiency and Renewables, Regionally Comparable Electric Rates, and Taxes, PILOTs and Assessments.

- The Annual Work Plan Report describes those activities that LIPA Staff believes are critical to advancing the Board Policies and LIPA’s Mission and are achievable based on current staffing levels and budgets.

- The discussion of the 2020 accomplishments and 2021 Work Plan projects includes activities for which LIPA has direct responsibility, like finance and legal, and oversight activities for functions for which LIPA’s service providers, including PSEG Long Island and National Grid share responsibility.

- The 2020 accomplishments discussion documents Staff’s progress on 72 projects monitored during the course of 2020, 37 of which were identified in the 2020 Work Plan as activities that would further the Board’s policies in LIPA’s key performance areas such as customer service, reliability, clean energy and affordability.

- As discussed in more detail in the Strategic Planning Report, Staff completed 47 of the 72 projects, including 24 of the 37 goals identified in the 2020 Work Plan, and made significant progress on the remaining projects, with additional work to be completed during 2021.

Staffing and Resource Constraints:

The Policy requires that Staff report on any current or projected staffing and resource constraints that may limit LIPA’s ability to achieve the Mission, Vision, and Board Policies adopted by the Board. Staff is considering these issues as it continues to evaluate the Options Analysis prepared at the Board’s request in response to PSEG Long Island’s response to Tropical Storm Isaias. To the extent that LIPA’s business model or contract with PSEG Long Island change significantly, additional staffing resources will likely be required.

Oversight Framework

The Policy requires LIPA’s CEO to achieve the Board’s Oversight Objectives by creating an Oversight Framework that:

- Prioritizes Oversight Activities, including the frequency and appropriate level of Oversight, by risk, materiality, and other measures of importance;
- Maintains appropriate documentation of Oversight Activities;
- Incorporates insights from LIPA’s Oversight Activities into annual budgets, projects, performance metrics, audits, and enterprise risk management activities;
- Balances the benefits and costs of proposed plans and programs;
• Fosters continuous improvement, innovation, benchmarking, and industry best practice, with a view to minimize cost and improve service quality; and
• Refers Oversight observations to Service Providers for resolution.

LIPA has created the Oversight Framework to ensure that our customers are receiving value for their dollar. The Oversight Framework maximizes LIPA’s ability to effectively and efficiently identify areas for improvement across the organization by streamlining oversight activities and ensuring coordination across departments. Implementation of the Oversight Framework is the responsibility of the Oversight & Metrics Committee, which is constituted from among LIPA management and staff.

2020 Oversight Accomplishments:

As set forth in the Policy, the objectives of LIPA’s Oversight are to ensure that:

• The Board’s Policies and LIPA’s Strategy are implemented as intended, in accordance with the terms of LIPA’s contractual relationships, and that LIPA and its Service Providers advance the Mission and Vision adopted by the Board of Trustees.
• LIPA’s Service Providers achieve reasonable results in accordance with expectations in exchange for the management fees and consideration paid for their services.
• LIPA’s budgets, including those of the Service Providers, provide value to our customer-owners for the money they pay.
• The business processes and systems outsourced or provided to Service Providers operate to industry standards and best practices.
• Service Providers implement continuous improvement initiatives.
• Enterprise risks, including those managed by Service Providers, are identified, monitored, managed, and mitigated.
• Service Providers comply with applicable policies, laws, regulations, contract standards, and ethical standards.

Highlights of LIPA’s 2020 oversight activities include:

• Investigating PSEG Long Island’s response to Tropical Storm Isaias in August 2020 and making nearly 100 recommendations to improve PSEG Long Island's management, emergency management, and information technology to address management failures during the storm;
• Making recommendations to improve the functioning and efficiency of PSEG Long Island's budget development and monitoring practices and Enterprise Risk Management practices;
• Benchmarking PSEG Long Island's asset management practices to the International Organization for Standardization (ISO) 55001 international standard and making recommendations for improvements;
• Making recommendations to improve PSEG Long Island's management of LIPA’s real property and related records;
• Reviewing and making recommendations to PSEG Long Island to manage staffing and overtime for planned and unplanned work more effectively;
- Reviewing the appropriateness and effectiveness of PSEG Long Island’s safety initiatives and making recommendations for improvements.

Each of these activities have been separately reported on and discussed with the Board, and certain recommendations have been adopted by the Board with ongoing reporting requirements.

2021 Oversight Activities:

LIPA’s 2021 Work Plan includes oversight of the following significant activities:

- Conducting a new **Integrated Resource Plan** to determine the least-cost mix of generation and transmission to ensure continued system reliability while planning for an orderly transition away from fossil fuels;
- Issuing a request for proposals for **175 to 200 MW of utility-scale energy storage** to help address offshore wind intermittency and ensure that LIPA meets its share of New York’s storage goals;
- Overseeing **PSEG Long Island's implementation of nearly 100 reforms** ordered by the LIPA Board to enhance management, emergency management, and information technology at our service provider;
- Completing a **final report by the Isaias Task Force** to make additional recommendations and inform the Board and public about the progress in addressing the PSEG Long Island management failures during the storm;
- Reforming the **budget development process** with PSEG Long Island to ensure alignment between budgets and work plans and enhanced accountability and transparency, including more robust variance monitoring;
- Completing studies of generation retirements and **retiring 400 to 600 MW of excess Long Island fossil-fuel generation** over the next several years;
- Preparing and filing the **$225 million Tropical Storm Isaias claim** with the Federal Emergency Management Agency with appropriate support, reducing the storm costs for our customers;
- Enhancing the **PSEG Long Island Enterprise Risk Management** program to achieve greater transparency, better risk analysis, and improved monitoring of risk mitigation plans;
- Conducting an **independent review of the PSEG Long Island cybersecurity program** and information and operational technology and communication infrastructure to ensure robustness in serving our customers; and
- Developing **new metrics for analysis of emergency response effectiveness** and implement oversight process improvements, including analytical assessments.

**Annual Review of the Policy**

Staff has reviewed the Policy and does not propose any 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
**Exhibit “B”**  Policy on Strategic Planning and Oversight
**Exhibit “C”**  Annual Work Plan Report, Including 2021 Work Plan and 2020 Accomplishments
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 originally approved by the Board by Resolution No. 1409, dated March 29, 2018; and

WHEREAS, the Policy was last reviewed and amended by the Board pursuant to Resolution No. 1547, dated July 22, 2020; 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: January 27, 2021
Board Policy: Strategic Planning and Oversight
Policy Type: Operating
Monitored by: Board of Trustees
Board Resolution: Resolution #1409, approved March 29, 2018,
#1461, amended January 23, 2019,
#1547, amended July 22, 2020

Board Policy on Strategic Planning and Oversight
It is the policy of the Long Island Power Authority (“LIPA”) to conduct its affairs and oversee its Service Providers in a manner that meets the needs and protects the interests of LIPA’s customer-owners.

Key definitions for the purposes of this Policy are:

- **Mission** is a concise statement of why LIPA exists, sometimes also referred to as Purpose.
- **Vision** is a realistic and attainable idea of what LIPA seeks to become within a defined period of time (e.g. in 5 years).
- **Board Policies** are the Policies related to key areas of LIPA’s business, adopted by the Board of Trustees, that provide additional guidance to LIPA’s management related to LIPA’s Mission and Vision. The current versions of the Board Policies can be found on LIPA’s website.
- **Strategy** is a multi-year view of the key themes or categories of initiatives (e.g. Clean, Lean, and Customer-First) that management must execute to further the Mission, Vision, and Board Policies adopted by LIPA’s Board.
- **Work Plan** is the annual translation of LIPA’s Mission, Vision, Board Policies, and Strategy into budgets, projects, Oversight activities, and performance metrics for a twelve-month period.
- **Oversight** refers to the actions LIPA takes to monitor and review the budgets, plans, processes, systems, programs, projects and services of its Service Providers.
- **Oversight Framework** refers to the structures and processes used by LIPA to ensure effective Oversight.

**Strategic Plan and the Work Plan**
LIPA’s Strategic Plan involves several activities, including:

- Defining LIPA’s Mission and Vision;
- Development and periodic review of Board Policies to provide additional guidance to LIPA management in key areas related to LIPA’s Mission and Vision;
- Identification of a multi-year Strategy for management to achieve LIPA’s Mission, Vision, and Board Policies;
• Creation and execution of an annual Work Plan that translates LIPA’s Strategy into budgets, projects, Oversight activities and performance metrics for a twelve-month period; and

• Reporting to LIPA’s Board by management on each Board Policy and on Strategy and the annual Work Plan.

The Board of Trustees is responsible for:

• defining LIPA’s Mission and Vision, along with its expectations in key operational areas in the form of Board Policy;

• reviewing Board Policy reports, which are provided to the Board on a regular basis in accordance with the manner prescribed in each Board Policy; and

• communicating its expectations to LIPA management in the form of Board Policy.

LIPA’s Chief Executive Officer (“CEO”) is responsible for achieving the expectations communicated by the Board in its Policies. Specifically, LIPA’s CEO is responsible for:

• **Supporting the Board in Establishing LIPA’s Mission, Vision, and Board Policies** – LIPA’s CEO works with the Board to provide the support and analysis necessary for the Board to make informed choices about LIPA’s Mission and Vision, as communicated through Board Policies. The Board’s Policies are necessarily constrained by LIPA’s current state, resources, industry trends, laws, regulations, and other factors. The CEO supports the Board by providing management’s assessment of these factors and the tradeoffs between competing objectives in the Board’s Policies (e.g. customer enhancements versus affordability).

• **Reviewing and Modifying LIPA’s Strategy** – LIPA’s CEO works with the management team and Service Providers to review LIPA’s Strategy not less than every three years. LIPA’s Strategy, while periodically reviewed, will change infrequently and only with significant changes to LIPA’s operating environment, legal and regulatory changes, and the Board’s expectations, as communicated in the form of Board Policy.

• **Creating and Executing Annual Work Plans** – LIPA’s CEO translates LIPA’s Mission, Vision, Board Policies, and Strategy into annual budgets, projects, Oversight activities, and performance metrics, which together constitute the annual Work Plan. The CEO is responsible both for creating the Work Plan and ensuring it is executed in a manner that delivers the intended results.

LIPA’s CEO will consult with and report to the Board on:

• The outcome of its Strategy reviews not less than every three years;

• The objectives of LIPA’s annual Work Plans for the coming year and the accomplishments of LIPA’s Work Plan for the prior year; and

• Any current or projected staffing and resource constraints that may limit LIPA’s ability to achieve the Mission, Vision, and Board Policies adopted by the Board.

**Oversight Objectives**
LIPA’s business model involves significant outsourcing to Service Providers, which places
heightened importance on LIPA’s Oversight in the achievement of its Mission and Vision and the Board’s Policies. The Objectives of LIPA’s Oversight (“Oversight Objectives”) are to ensure that:

- The Board’s Policies and LIPA’s Strategy are implemented as intended, in accordance with the terms of LIPA’s contractual relationships, and that LIPA and its Service Providers advance the Mission and Vision adopted by the Board of Trustees;
- LIPA’s Service Providers achieve reasonable results in accordance with expectations in exchange for the management fees and consideration paid for their services;
- LIPA’s budgets, including those of the Service Providers, provide value for money to our customer-owners;
- The business processes and systems outsourced or provided to Service Providers operate to industry standards and best practices;
- Service Providers implement continuous improvement initiatives;
- Enterprise risks, including those managed by Service Providers, are identified, monitored, managed, and mitigated; and
- Service Providers comply with applicable policies, laws, regulations, contract standards, and ethical standards.

The Board of Trustees is responsible for periodically reviewing the Oversight Framework implemented by LIPA’s CEO and the Oversight activities included in LIPA’s annual Work Plan. LIPA’s CEO is responsible for implementing an Oversight Framework consistent with the Oversight Objectives articulated by the Board in this Policy.

**Oversight Activities**

LIPA’s CEO will achieve the Board’s Oversight Objectives through an Oversight Framework that:

- Prioritizes Oversight activities, including the frequency and appropriate level of Oversight, by risk, materiality, and other measures of importance;
- Maintains appropriate documentation of Oversight activities;
- Incorporates insights from LIPA’s Oversight activities into annual budgets, projects, performance metrics, audits, and enterprise risk management activities;
- Balances the benefits and costs of proposed plans and programs;
- Fosters continuous improvement, innovation, benchmarking, and industry best practice, with a view to minimize cost and improve service quality; and
- Refers Oversight observations to Service Providers for resolution.

Related to Oversight, LIPA’s CEO will consult with and report to the Board on:

- The Oversight Framework implemented by LIPA’s management team; and
- The objectives of LIPA’s annual Work Plans for the coming year and the accomplishments of LIPA’s Work Plan for the prior year related to Oversight.

The CEO or his or her designee will report annually to the Board of Trustees on compliance with the key provisions of the Policy.
customers

1,023,221
residential

116,560
commercial

2020 peak demand
5,269
megawatts

energy requirements
20,104,072
megawatt hours

generating capacity
5,757
megawatts

distribution system
9,000
miles overhead
5,000
miles underground
189,000
transformers

transmission system
1,400
miles

substations
30
transmission
152
distribution

Long Island Power Authority

Annual Work Plan Report
contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOARD OF TRUSTEES</td>
<td>4</td>
</tr>
<tr>
<td>EXECUTIVE MANAGEMENT</td>
<td>5</td>
</tr>
<tr>
<td>LIPA’S STRATEGIC PLANNING PROCESS</td>
<td>6</td>
</tr>
<tr>
<td>OUR VALUES</td>
<td>7</td>
</tr>
<tr>
<td>AN OVERVIEW</td>
<td>8</td>
</tr>
<tr>
<td>2020 WORK PLAN ACCOMPLISHMENTS</td>
<td>9</td>
</tr>
<tr>
<td>2021 WORK PLAN PROJECTS</td>
<td>13</td>
</tr>
<tr>
<td>CONCLUSION</td>
<td>17</td>
</tr>
<tr>
<td>APPENDIX A</td>
<td>18</td>
</tr>
<tr>
<td>APPENDIX B</td>
<td>36</td>
</tr>
</tbody>
</table>

MISSION STATEMENT

LIPA is a not-for-profit public utility with a mission to enable clean, reliable, and affordable electric service for our customers on Long Island and the Rockaways.
GOVERNANCE MODEL

The Long Island Power Authority is governed by a local Board of Trustees. The Board supervises, regulates, and sets policy for LIPA. The Board consists of nine Trustees, five of whom are appointed by the Governor, two by the Temporary President of the State Senate, and two by the Speaker of the State Assembly.

The Trustees serve for staggered four-year terms. The LIPA Reform Act of 2013 requires that all Trustees reside on Long Island or in the Rockaways and have relevant utility, corporate board, or financial experience. Trustees are not compensated for their service.

STRATEGIC DIRECTION BY THE BOARD

The Board has defined LIPA's mission as enabling clean, reliable, and affordable electric service for our customers. The Board has adopted a series of policies related to LIPA's mission, operations, and governance. For each Board Policy, the Board has specified required performance reports by management that allow the Board to monitor the Authority's performance relative to its policies.

For more information about the Board's Policies, please visit lipower.org/mission.
OUR VISION: CLEAN, LEAN, AND CUSTOMER-FIRST

An electric utility for Long Island and the Rockaways that is focused on our customers’ needs, providing clean, reliable energy, at the least possible cost.
LIPA’s Strategic Planning Process

LIPA’s strategic planning process begins with its Board of Trustees. The Board approves LIPA’s Mission and Vision and related Board Policies. These documents define the Board’s aspirations for delivering electric service to customers and all significant aspects of the Trustee’s expectations for LIPA’s management team.

LIPA’s Chief Executive Officer and management team are responsible for developing budgets, projects, oversight activities, and performance metrics to fulfill the Board’s goals. The management team incorporates these plans into a multi-year Strategy with annual Budgets and Work Plans.

MISSION
LIPA is a not-for-profit public utility with a mission to enable clean, reliable, and affordable electric service for our 1.1 million customers on Long Island and in the Rockaways.

VISION
A trusted partner to our community, using innovation and continuous improvement to provide clean, reliable energy at the least possible cost. An industry leader known for our focus on our customers’ needs.

BOARD POLICIES
LIPA’s Board Policies relate to critical areas of our business and guide LIPA’s management related to achieving our Mission and Vision. The Board Policies are reviewed and monitored annually by the Board and revised as appropriate. The Board’s Policies are available on LIPA’s website.

STRATEGY
LIPA’s Clean, Lean, and Customer-First Strategy is a multiyear view of the key themes or types of initiatives that management must execute to further the Mission and Vision. The Strategy reflects an assessment of LIPA’s current state and the types of activities necessary to achieve LIPA’s Vision. LIPA’s management translates our Strategy into Work Plans through an annual planning process.

WORK PLAN
LIPA’s annual Work Plan turns our Strategy into budgets, projects, oversight activities, and performance metrics. Management provides the Work Plan to the Board of Trustees at the beginning of each year. Progress made in completing the Work Plan projects is reported back to the Board after the end of each year. Work Plan projects may be related to LIPA operations or LIPA’s oversight of our service provider, PSEG Long Island.

LIPA does all of this work in a manner that demonstrates its commitment to its core values of Service, Collaboration, and Excellence.
Our Values

LIPA has three values that distinguish our utility and describe how our employees work every day:

**Service**
In all our actions, we serve our customers, community, and the environment.

Behaviors:
- Responsible
- Efficient
- Make Well-Informed Decisions

**Collaboration**
We leverage the abilities of our colleagues and stakeholders to benefit our customers.

Behaviors:
- Embrace Diverse Perspectives
- Communicate Openly
- Build Trust

**Excellence**
We build on our successes, celebrate our wins, and learn from our mistakes.

Behaviors:
- Deliver on our Promises
- Continuously Improve on our Performance
This annual report provides an overview of the accomplishments made on 2020 Work Plan projects. It also summarizes the projects LIPA’s management intends to undertake in 2021 to continue towards the Board’s aspirations for a Clean, Lean, and Customer-First utility for Long Island and the Rockaways.

For additional information regarding LIPA’s financial position and results of operations, see LIPA’s 2021 Budget.

Each year, LIPA’s management team reports to the Board of Trustees on key accomplishments from the prior year and Work Plans for the coming year. The planning process ensures that LIPA and its service providers prioritize the activities that provide the most significant value to our customers and continue to move us towards the Board’s goals for our customers and our service.

This annual report, along with the annual reports on each Board Policy, assists the Board in monitoring LIPA’s activities and organizational progress towards the Board’s Vision.

This report includes highlights of LIPA’s 2020 accomplishments and planned projects for 2021. Appendices A and B contain the complete list of 2020 Accomplishments and 2021 Work Plan projects.
2020 Work Plan Accomplishments

The 2020 Work Plan identified 37 projects or activities to further LIPA’s Vision and the Board’s Policies in critical areas such as customer service, reliability, clean energy, and affordability. Through the end of 2020, LIPA staff has completed 24 of those 37 projects and made substantial progress on the remaining 13 initiatives. Some projects are multiyear activities. For multiyear projects, LIPA management monitors project milestones weekly to ensure that the project remains on schedule. LIPA also routinely adds projects throughout the year as circumstances emerge and change. The following are highlights of LIPA’s performance in 2020.

CLEAN: CARBON-FREE, RELIABLE ENERGY BY 2040

Running LIPA Clean means meeting New York State’s aggressive climate goals and providing Long Island with 100 percent carbon-free energy by 2040. And it means enabling other sectors of the economy, like transportation and buildings, to decarbonize through the use of electricity. To meet our share of New York’s goals, LIPA will need:

- 750 megawatts (MW) of distributed solar by 2025;
- 30,000 customer-sited heat pumps by 2025;
- 180,000 light-duty electric vehicles (EVs) by 2025;
- 375 MW of battery storage by 2030; and
- 1,125 MW of offshore wind by 2035.

Figure 1 shows LIPA’s progress so far. While we are on track, we still have a lot to accomplish.

FIGURE 1
Long Island’s Clean Energy Scorecard

- 705 MW of distributed solar by 2025
- 5,250 of 30,000 customer-sited heat pumps by 2025
- 17,000 of 180,000 light duty electric vehicles by 2025
- 12.8 MW of battery storage by 2030
- 130 MW South Fork Wind Farm plus 82 MW NYSERDA credits towards 1,125 MW offshore wind by 2035
Here are some of the ways LIPA advanced its clean energy goals in 2020:

- Supporting the permitting of the transmission cable for New York’s first offshore wind project, the **130 megawatt (MW) South Fork Wind Farm**; 
- Studying the transmission reinforcements required to support the State’s goal of **9,000 MW of offshore wind** and beginning the approval process for necessary transmission projects to integrate high levels of offshore wind on Long Island; 
- Signing a power purchase agreement for a **23 MW utility-scale solar project** in Calverton; 
- Soliciting **25 MW of community solar projects** to expand access to renewable power for qualifying low- and moderate-income residents and help address climate equity; 
- **Retiring 68 MW of peaking units** at Glenwood Landing and West Babylon in 2020 and 2021; 
- Approving **five new time-of-use rate designs** for residential and small business consumers, including a new off-peak electric vehicle (EV) charging rate, providing customers with an opportunity to save money by using electricity when it is cleaner and less expensive for LIPA to provide; 
- Advancing the State’s goal of **180,000 EVs on Long Island by 2025** by enrolling **1,000 EV owners** in Smart Charge off-peak charging program (an approximately 25 percent discount for overnight charging), rebating **900 residential EV smart chargers**, and issuing demand incentives to **115 DC EV fast charging ports**; 
- Issuing rebates and incentives for **5,250 air source heat pumps** towards a goal of 30,000 carbon-reducing heat pumps by 2025; and 
- Partnering with New York State Parks to open a world class **Energy and Nature Center at Jones Beach State Park** to showcase ways visitors can become conscientious stewards of our environment and smart energy consumers.
LEAN: ELECTRICITY AT THE LOWEST POSSIBLE COST

Operating Lean means achieving a balance between cost and service to get the most out of every dollar. Highlights of LIPA’s activities in 2020 to Operate Lean include:

- Belt-tightening actions for 2021 to 2023, including deferring $60 million of existing projects from the Capital Budget and $150 million of new Capital initiatives; and cutting $15 million from the Operating Budget and deferring $80 million of new operating initiatives;
- Refinancing bonds for an estimated $70 million of present value interest savings;
- Studying the retirement of 400 to 600 MW of excess fossil fuel plant capacity with announcements in early 2021;
- Settling decade-long litigation with the Huntington Town Board and Northport-East Northport School District to gradually reduce taxes on the Northport Power Station. This agreement, combined with the previous settlement for the Port Jefferson Power Station, maintains hundreds of millions of tax benefits for the host communities while saving LIPA’s customers $364 million through 2028;
- Benchmarking PSEG Long Island’s asset management practices to the International Organization for Standardization (ISO) 55001 international standard and making recommendations for improvements;
- Making recommendations to improve the functioning and efficiency of PSEG Long Island’s budget development and monitoring practices and Enterprise Risk Management practices; and
- Reviewing and making recommendations to PSEG Long Island to manage staffing and overtime for planned and unplanned work more effectively.
CUSTOMER-FIRST: FOCUS ON OUR CUSTOMERS’ NEEDS

For LIPA, Customer-First means exceeding our customers’ expectations reliably and responsively. Highlights of LIPA’s activities that put our Customers First in 2020, include:

- Investigating PSEG Long Island response to Tropical Storm Isaias in August 2020 and making nearly 100 recommendations to improve PSEG Long Island’s management, emergency management, and information technology to address management failures during the storm;¹

- Submitting a report to the Board on the Options for the Management of LIPA Assets, which identifies opportunities to improve management accountability and alignment with Long Island customers and an alternative to save up to $815 million through 2033 by managing LIPA’s assets directly; and

- Continuing record investment levels of $802 million for 2020 – roughly three times those of a decade ago – into customer satisfaction and reliability, including storm hardening and Smart Meters, which provide better service at less cost.

The LIPA Board also took actions to ensure that customers impacted by the COVID-19 pandemic had access to essential electric service. The Board:

- Suspended customer terminations and late payment charges;
- Extended the grace period for low- and moderate-income customers to renew bill discounts;
- Suspended reconnection fees for commercial customers who disconnect electric services during pauses in business activity;
- Eased repayment terms for customers entering into deferred payment agreements; and
- Increased customer bill assistance to $17.6 million in 2021 – quadrupling the five prior years’ average funding level.

See Appendix A for a complete list of the significant projects advanced by LIPA management during 2020.

¹ See Isaias Task Force 90-Day Report
2021 Work Plan Projects

At the beginning of each year, LIPA’s management presents the Board with a Work Plan to advance the Board’s Vision for a Clean, Lean, and Customer-First utility for our customers. The planning process ensures that LIPA and its service providers prioritize the activities and projects that provide the greatest value to our customers and continue to move us forward in a rapidly changing industry.

The annual Work Plan summarizes the projects that LIPA’s management will undertake to further the Board’s Vision and Policies, including (1) those related to LIPA’s direct responsibilities, such as financing, wholesale markets policy, or rates and tariffs; and (2) oversight of the services provided to LIPA contractually by PSEG Long Island, National Grid, and other service providers. The projects in the Work Plan go beyond the day-to-day responsibilities of LIPA’s staff. During the year, LIPA’s management reviews the Work Plan weekly, and sometimes projects are added, revised, delayed, or canceled due to changing priorities. We will report back to the Board on the 2021 Work Plan’s accomplishments at the first Board meeting of 2022.

As discussed above, 2021 will be a year of significant change for LIPA as we pursue options for different operating models going forward. The uncertainty around that requires that our plans include flexibility to adapt to changing circumstances. Therefore, management has separated the 2021 projects into Tier 1 projects, which are “must do’s,” and Tier 2 projects, which may be delayed based on changing priorities during the year. Below are highlights of the Tier 1 projects for 2021, including oversight activities.
CLEAN: CARBON-FREE, RELIABLE ELECTRICITY BY 2040

LIPA will advance the clean energy goals of the State and the Board by:

- Conducting a new **Integrated Resource Plan** to determine the least-cost mix of generation and transmission to ensure continued system reliability while planning for an orderly transition away from fossil fuels;
- Issuing a request for proposals for **175 to 200 MW of utility-scale energy storage** to help address offshore wind intermittency and ensure that LIPA meets its share of New York’s storage goals;
- Advancing State approvals for necessary **transmission infrastructure** to allow developers to interconnect high levels of offshore wind to the Long Island electric grid;
- Contracting with the New York State Energy Research and Development Authority (NYSERDA), who will act as LIPA’s procurement agent for **100 to 200 MW of Renewable Energy Credits**, to supplement LIPA’s clean energy procurements;
- Investing in **EV make-ready infrastructure** to support 24 DC fast chargers and 254 level two chargers;
- Signing up 1,000+ customers for residential EV smart charger rebates and enrolling up to **245 new DC fast charging ports** in demand incentives;
- Enrolling another 1,000+ EV owners in **Smart Charge off-peak charging rewards**;
- Supporting over **5,000 new heat pumps** through rebates and incentives, simultaneously lowering customer’s bills and carbon footprint; and
- Adding new capability for customers to use **on-bill financing for heat pumps** to pay for this money and carbon saving technology at a low-interest cost over time.
LEAN: ELECTRICITY AT THE LOWEST POSSIBLE COST

To stay focused on operating Lean, LIPA will:

- **Reform the budget development process** with PSEG Long Island to ensure alignment between budgets and work plans and enhanced accountability and transparency, including more robust variance monitoring. These changes will uncover further opportunities to operate our business efficiently and better allocate our resources to our most important priorities;

- Complete studies of generation retirements and **retire 400 to 600 MW of excess Long Island fossil-fuel generation** over the next several years;

- Advance either a settlement or litigation to reduce the **excessive tax bills** on the Glenwood Landing and E.F. Barrett Power Plants in Nassau County;

- Prepare and file the **$225 million Tropical Storm Isaias claim** with the Federal Emergency Management Agency with appropriate support, reducing the storm costs for our customers;

- Continue to advance **revised cost allocations for transmission and gas transportation services** at the Federal Energy Regulatory Commission and Public Service Commission to address formulas that overburden LIPA with excess costs for the services rendered;

- Deploy **data analytics** to evaluate PSEG Long Island’s **fleet management** practices; and

- Enhance the PSEG Long Island **Enterprise Risk Management** program to achieve greater transparency, better risk analysis, and improved monitoring of risk mitigation plans.
CUSTOMER-FIRST: FOCUSED ON OUR CUSTOMERS’ NEEDS

To demonstrate our continued commitment to our customers, LIPA will:

- Better align accountabilities and responsibilities with our customers by either terminating or substantially renegotiating our contract with PSEG Long Island to address the systematic management failures uncovered by LIPA’s investigation of PSEG Long Island’s response to Tropical Storm Isaías;

- Oversee PSEG Long Island’s implementation of nearly 100 reforms ordered by the LIPA Board to enhance management, emergency management, and information technology at our service provider;

- Advance LIPA’s claim and seek recovery of $70+ million in damages due to PSEG Long Island’s mismanagement of LIPA’s assets so that our customers do not bear the costs of these failures;

- Complete a 270-day final report by the Isaías Task Force to make additional recommendations and inform the Board and public about the progress in addressing the PSEG Long Island management failures during the storm;

- Seek legislation to permit the refinancing of LIPA debt for savings and to fund additional storm hardening at a lower cost to our customers;

- Conduct an independent review of the PSEG Long Island cybersecurity program and information and operational technology and communication infrastructure to ensure robustness in serving our customers;

- Develop new metrics for analysis of emergency response effectiveness and implement oversight process improvements, including analytical assessments;

- Continue to advance record investments in customer satisfaction and reliability, including new electric rate pricing plans, online tools, smart meters, and resiliency investments; and

- Simplify the Long Island Choice program to provide customers and communities with more choices while ensuring pricing appropriately reflects the cost of serving customers.

See Appendix B for a complete list of LIPA’s 2021 projects.
This coming year will perhaps be the most significant in LIPA’s 22-year history as the electric grid owner serving Long Island and the Rockaways. We face important decisions regarding whether to continue our business relationship with our service provider, PSEG Long Island. We must also continue to pursue projects and activities that will help us meet the Board’s Vision for a Clean, Lean, and Customer-First utility for our customers. Our plans for the year ahead are ambitious but achievable for the betterment of Long Island and our customers.
## 2020 Work Plan Accomplishments

### APPENDIX A

<table>
<thead>
<tr>
<th><strong>Department:</strong></th>
<th>Administration</th>
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<table>
<thead>
<tr>
<th><strong>GOAL 1</strong></th>
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<tbody>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Bobbi O'Connor</td>
</tr>
<tr>
<td><strong>Goal Description:</strong></td>
<td>Generate a policy that documents all of the components of LIPA's strategic planning process, establishes an executive committee to coordinate and oversee the process and identifies the individuals involved in the process and the roles they play.</td>
</tr>
<tr>
<td><strong>End of Year Status:</strong></td>
<td>Complete</td>
</tr>
<tr>
<td><strong>Task Completed:</strong></td>
<td>Policy establishing the executive committee has created a very robust method of monitoring the status of LIPA's significant work plan projects.</td>
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<tr>
<th><strong>GOAL 2</strong></th>
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<tbody>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Bobbi O'Connor</td>
</tr>
<tr>
<td><strong>Goal Description:</strong></td>
<td>Benchmark status of strategic planning process against peers or established maturity model to identify strengths and weaknesses and implement changes as appropriate.</td>
</tr>
<tr>
<td><strong>End of Year Status:</strong></td>
<td>Complete</td>
</tr>
<tr>
<td><strong>Task Completed:</strong></td>
<td>Discussed LIPA's strategic planning process with peers at three other large public power companies to compare processes and identify process improvements resulting in process improvements to incorporate risk analysis into the budgeting process.</td>
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<tr>
<th><strong>GOAL 3</strong></th>
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<tr>
<td><strong>Team Lead:</strong></td>
<td>Bobbi O'Connor</td>
</tr>
<tr>
<td><strong>Goal Description:</strong></td>
<td>Create a communications plan to engage employees in the components of the strategic planning process (including project plans, budgets and metrics) and explain the timing and interplay between the components.</td>
</tr>
<tr>
<td><strong>End of Year Status:</strong></td>
<td>Complete</td>
</tr>
<tr>
<td><strong>Task Completed:</strong></td>
<td>Identified opportunities to communicate aspects of the strategic planning process to the entire organization including presenting at employee staff meetings and writing an article in the monthly newsletter.</td>
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<tr>
<th><strong>GOAL 4</strong></th>
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<tbody>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Corey Horowitz</td>
</tr>
<tr>
<td><strong>Goal Description:</strong></td>
<td>Leverage risk analyses to enhance business processes for LIPA and PSEG Long Island; pilot one department at LIPA and one at PSEG Long Island and present findings to Senior Staff. Identify lessons-learned and develop the process to integrate into other business processes. For LIPA we will pilot the process for strategic planning, for PSEG Long Island the pilot will be for SOS prioritization.</td>
</tr>
<tr>
<td><strong>End of Year Status:</strong></td>
<td>Complete</td>
</tr>
<tr>
<td><strong>Task Completed:</strong></td>
<td>Worked with LIPA's human resources and audit departments to leverage risk analysis to help prioritize work flows, resulting in an 18-month human resource roadmap for strategic priorities and an audit plan focused on operational audits of the key risk areas of the business. ERM integration into PSEG Long Island's SOS prioritization process was deferred due to issues with staff time and funding and the project switched focus to working with PSEG Long Island's internal audit department to include ERM analysis into their audit universe.</td>
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<tr>
<td>Department: Administration</td>
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<tr>
<td><strong>GOAL 5</strong></td>
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<tr>
<td><strong>Team Lead:</strong> Bobbi O’Connor</td>
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<tr>
<td><strong>Goal Description:</strong> Develop trustee onboarding program to introduce new trustees to key areas of LIPA’s business and familiarize them with LIPA’s governance model.</td>
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<tr>
<td><strong>End of Year Status:</strong> Complete</td>
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<tr>
<td><strong>Task Completed:</strong> Developed a program to provide ongoing training for trustees across the key areas of LIPA’s business. Conducted workshops on governance, storm response, and risk management. Schedule was extended into 2021 at the request of trustees to allow focus to be on post-Isaias issues.</td>
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<tr>
<td><strong>GOAL 6</strong></td>
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<tr>
<td><strong>Team Lead:</strong> Bobbi O’Connor</td>
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<tr>
<td><strong>Goal Description:</strong> Lead relationship management strategic initiative with appropriate deliverables in 2020.</td>
<td></td>
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<tr>
<td><strong>End of Year Status:</strong> Complete</td>
<td></td>
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<tr>
<td><strong>Task Completed:</strong> LIPA retained a third-party consultant to identify areas for improvement and areas that are working well in the relationship. LIPA and PSEG Long Island leadership met four times in 2020 to discuss process improvements.</td>
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<tr>
<td><strong>GOAL 7</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Team Lead:</strong> Corey Horowitz</td>
<td></td>
</tr>
<tr>
<td><strong>Goal Description:</strong> Maturity model for PSEG Long Island’s asset management.</td>
<td></td>
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<tr>
<td><strong>End of Year Status:</strong> Complete</td>
<td></td>
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<tr>
<td><strong>Task Completed:</strong> LIPA retained a third-party consultant to review PSEG Long Island’s asset management practices and make recommendations for process improvements which will be implemented beginning in 2021.</td>
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<tr>
<td><strong>GOAL 8</strong></td>
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<tr>
<td><strong>Team Lead:</strong> Bobbi O’Connor</td>
<td></td>
</tr>
<tr>
<td><strong>Goal Description:</strong> Review LIPA’s mission, vision and values and revise to incorporate themes identified in 2019 strategic planning process and employee feedback.</td>
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<tr>
<td><strong>End of Year Status:</strong> Running Behind</td>
<td></td>
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<tr>
<td><strong>Task Completed:</strong> LIPA reviewed and refreshed its values which are now Service, Collaboration, and Excellence. This project is running behind because review of LIPA’s mission and vision was deferred until 2021 at the request of trustees to allow focus to be on post-Isaias issues.</td>
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<tr>
<td>GOAL 9</td>
<td>Team Lead: Jen Hayen</td>
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<tr>
<td>Goal Description: Build out the issue fact sheets on LIPA's website. Fact sheets will provide concise information and data on major policy issues.</td>
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<tr>
<td>End of Year Status: Complete</td>
<td></td>
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<tr>
<td>Task Completed: Generated issue-based fact sheets on key areas of the business including undergrounding, storm hardening, oversight of LIPA and PSEG Long Island, storm response oversight, distributed solar, community choice aggregation, Tropical Storm Isaias frequently asked questions, and more. Fact sheets were posted to the LIPA website and distributed to key LIPA stakeholders.</td>
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<tr>
<th>GOAL 10</th>
<th>Team Lead: Jennifer Hayen, Thomas Locascio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Description: Strategic Communications — Implement brand &amp; communications strategy. Implementing a brand strategy can enhance reputation, attract talent, increase employee engagement, and give clarity to LIPA's role on Long Island.</td>
<td></td>
</tr>
<tr>
<td>End of Year Status: Running Behind</td>
<td></td>
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<tr>
<td>Task Completed: LIPA reviewed, and has already implemented, a few key elements of brand strategy. This project is running behind because branding and communication strategies are dependent on business options being considered by LIPA in response to PSEG Long Island's response to Tropical Storm Isaias.</td>
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<tr>
<th>GOAL 11</th>
<th>Team Lead: Jen Hayen</th>
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<tbody>
<tr>
<td>Goal Description: Create a &quot;history of LIPA&quot; (pamphlet and digital format for intranet) for LIPA website and employees from the LILCO history, employee history, and other sources that explains LIPA's past and where we're headed, including use of photos of LIPA's assets to create a connection in the office to our business and tell our story.</td>
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<tr>
<td>End of Year Status: Running Behind</td>
<td></td>
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<tr>
<td>Task Completed: Content is near final, and last steps are needed to complete this goal. The project was delayed as it was ranked as a lower priority project, and the in-office deliverable will be in conjunction with the final configuration of the LIPA suite reimagined after COVID-19.</td>
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<tr>
<th>GOAL 12</th>
<th>Team Lead: Barbara Ann Dillon, Jen Hayen, Thomas Locascio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Description: Update LIPA's Office Suite Photos Using Asset Photos. Update LIPA Office Suite messaging to communicate Vision and Values. Displaying photos of LIPA's assets is an effective reminder and a good opportunity to provide information to guests and staff about our business and the purpose of our efforts and contributions.</td>
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<tr>
<td>End of Year Status: Running Behind</td>
<td></td>
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<tr>
<td>Task Completed: This project is running behind because the configuration of the office is being reconsidered in light of COVID-19.</td>
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</table>
### GOAL 13

**Team Lead:** Chris Digilio  
**Goal Description:** 2020 Medium Term Notes Offering Plan  
**End of Year Status:** Complete  
**Task Completed:** Developed an issuing plan and documents for $250M note offering to be priced January 13, 2021 and close January 28, 2021.

### GOAL 14

**Team Lead:** Chris Digilio  
**Goal Description:** 2020 Finance Plan  
**End of Year Status:** Complete  
**Task Completed:** Developed the Detailed 2021 Finance Plan to issue Medium Term Notes and new money bonds to support the 2021 capital budget which was approved by the Board of Trustee in December 2020.

### GOAL 15

**Team Lead:** John Little  
**Goal Description:** Conduct financial strategy review and create new PFM report.  
**End of Year Status:** Complete  
**Task Completed:** Analyzed LIPA Board financial policy to ensure metrics continue to meet our long-term financial goals. PFM provided recommendations which the Board adopted in the December 2020 meeting.

### GOAL 16

**Team Lead:** Gerry Ring  
**Goal Description:** Transition power Markets planning to new platform to improve documentation. Ensure LIPA have approval rights to changes to the model. Eliminate the weaknesses of excel based modeling and thereby strengthen controls over the overall model. Transition annual budgeting process to new platform.  
**End of Year Status:** Complete (Phase 1)  
**Task Completed:** Obtained PSEG Long Island concurrence on the need for a single-model automated platform to develop and monitor LIPA’s consolidated budget. Project in 2021 will improve budgeting process as well as review the best available software to implement.

### GOAL 17

**Team Lead:** Chris Digilio  
**Goal Description:** Implement end-to-end comprehensive review of treasury operation processes to facilitate efficiencies through incorporation into new ERP process.  
**End of Year Status:** Complete  
**Task Completed:** End-to-end comprehensive review and assessment of treasury operations process was completed and execution of the recommendations is in progress.
**APPENDIX A**

<table>
<thead>
<tr>
<th>Department:</th>
<th>Finance</th>
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<tbody>
<tr>
<td><strong>GOAL 18</strong></td>
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<tr>
<td>Team Lead:</td>
<td>Chris Digilio</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Issue Letter of Credit RFP.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Completed RFP, six banks were awarded and four of the six Lines of Credit were amended and/or renewed.</td>
</tr>
<tr>
<td><strong>GOAL 19</strong></td>
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<tr>
<td>Team Lead:</td>
<td>Chris Digilio</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Issue RFP for investment banking services.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Completed RFP and selection of investment banker underwriter pool.</td>
</tr>
<tr>
<td><strong>GOAL 20</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Gerry Ring</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Ensure that PSEG Long Island has staffing and overtime plans (resource loading plans) in place that effectively and efficiently address planned and unplanned workload. This includes the development of a new Monthly Overtime Report that enables PSEGLI to report on the planned and actual use of Overtime.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Obtained regular reporting from PSEG Long Island to assure their review of continued use of overtime and ensure top-earners are appropriately awarded overtime as directed by union contract rules.</td>
</tr>
<tr>
<td><strong>GOAL 21</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Chris Digilio</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Private Business Use Certificate Review</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Revised Private Business Use Certificate completed.</td>
</tr>
<tr>
<td><strong>GOAL 22</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Chris Digilio</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Update capital spending allocation policies and procedures.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Updated LIPA policy on tracking tax-exempt financed utility plant additions which identified efficiencies and implemented improvements in the monthly process.</td>
</tr>
<tr>
<td><strong>GOAL 23</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Chris Digilio</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Review USDA legislation and advocate for any changes that may produce economic benefits.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>In Progress</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Drafted proposed USDA legislation amendments to be introduced for consideration in 2021 to gain economic benefits for our customers.</td>
</tr>
</tbody>
</table>
## GOAL 24
**Department:** Finance  
**Team Lead:** Chris Digilio  
**Goal Description:** Complete all work necessary to pull the trigger on execution of a prepay transaction when market opportunity presents itself, including completion of RFP and vetting of transaction with OSC.  
**End of Year Status:** Running Behind  
**Task Completed:** Significant delays due to Office of State Comptroller resource challenges from COVID-19 and in-depth review of the complex transaction.

## GOAL 25
**Department:** Finance  
**Team Lead:** Chris Digilio  
**Goal Description:** Update record retention policy associated with Authority bond issuances.  
**End of Year Status:** Running Behind  
**Task Completed:** Delayed due to timing of final audit report.

## GOAL 26
**Department:** Human Resources  
**Team Lead:** Barbara Ann Dillon  
**Goal Description:** Complete new process for succession planning to implement industry best practice.  
**End of Year Status:** Complete  
**Task Completed:** Reviewed and revised our leadership competency framework to identify and define the competencies required for success and LIPA's Officers and Directors were assessed against these competencies to measure potential and readiness for succession and advancement. A summary of potential & succession readiness of Officers & Directors, and a list of high-potential Managers, was prepared for the CEO. An Officer succession heat map was created to show either gaps or successor candidates and the readiness of these candidates. Finally, action steps were identified to address gaps and to develop staff as successors.

## GOAL 27
**Department:** Human Resources  
**Team Lead:** Barbara Ann Dillon  
**Goal Description:** Employee Engagement — Increase employee engagement initiatives at the department level. Increase overall performance and productivity by improving employee engagement levels across the organization by aligning department and employee focus and priorities with LIPA strategy.  
**End of Year Status:** Complete  
**Task Completed:** While enterprise-wide engagement efforts continued, department leaders undertook a more active role in conducting engagement activities within their departments and directly with/for their teams. Department heads participated in a presentation about the critical role leadership plays to increase engagement. Successful, creative engagement initiatives were researched and LPA leadership was surveyed and asked to commit to selecting and delivering engagement activities for their departments.
### GOAL 28
**Team Lead:** Barbara Ann Dillon  
**Goal Description:** Improve the interview process to support making the right hiring decisions to ensure we are hiring the appropriate person for the identified job using the competencies identified for job success, including by creating a uniform list of behavioral interview questions for different levels of hiring (analyst, manager, director and officer) based on industry best practices.  
**End of Year Status:** Complete  
**Task Completed:** New behavioral interview questions focus on how a candidate has handled different work situations in the past and require a candidate to provide concrete examples of skills and experiences that relate to the position. After identifying the competencies required for each employee level (Officer, Director, Manager, Individual Contributor) a library of competency specific questions was prepared based on best practice and peer research.

### GOAL 29
**Team Lead:** Barbara Ann Dillon  
**Goal Description:** Create a 360-degree review that provides more useful assessments and is shorter, simpler and encourages comments and feedback.  
**End of Year Status:** Complete  
**Task Completed:** The annual 360-evaluation process was redesigned to be more focused and to solicit better feedback to employees by using a new, shorter template that requires qualitative answers to a few questions regarding an employee’s strengths and opportunities for development. Process improvements were also implemented so the 360-feedback, and the annual performance evaluation, provide actionable recommendations to include in employee annual development plans.

### GOAL 30
**Team Lead:** Barbara Ann Dillon  
**Goal Description:** Create an 18-month HR roadmap outlining all inflight and contemplated HR programs and noting how all programs relate to one another. Provide a comprehensive and straightforward chart of all of LIPA HR’s initiates and programs to support employee understanding of what we do, why we do it and how it all fits together.  
**End of Year Status:** Complete  
**Task Completed:** An 18-month roadmap was prepared to identify and prioritize all of HR’s initiatives and identifies resource needs, confirms that work is manageable and assists with prioritizing HR’s the top objectives. HR then shared the roadmap and briefed the Executive Committee and staff about the various initiatives and how they fit together to support and drive LIPA strategy.

### GOAL 31
**Team Lead:** Barbara Ann Dillon  
**Goal Description:** Reimagining LIPA for Post Covid 19  
**End of Year Status:** In Progress  
**Task Completed:** In progress project to provide a safe, functional office environment during the pandemic and to design a post COVID workspace for a hybrid workforce (remote and in-office); fosters collaboration and communication, maximizes use of space and is agile to meet future staffing requirements.
### GOAL 32
**Team Lead:** Mujib Lodhi  
**Goal Description:** Create a roadmap to enhance LIPA’s cybersecurity program within three years. Implement 2020 Cybersecurity enhancements: C2M2 recommendations (wave 1 priority).  
**End of Year Status:** Complete  
**Task Completed:** Conducted a thorough third party independent cybersecurity assessment to baseline LIPA’s cybersecurity practices, policies, controls, and cybersecurity architecture. Developed a multi-year cybersecurity program that delineates the strategic objectives, management structure, business processes, and technology capabilities to implement safeguards to minimize and manage risk to acceptable levels. Implemented several cybersecurity initiatives to introduce new policies, technologies, controls, cyber architecture, and management processes to enhance LIPA’s cybersecurity posture.

### GOAL 33
**Team Lead:** Mujib Lodhi  
**Goal Description:** Migrate Management Audit System to GoalHub Platform for management and reporting Management Audit goals.  
**End of Year Status:** Complete  
**Task Completed:** Migrated Management Audit System to a modern Platform to improve tracking and reporting of management audit recommendations.

### GOAL 34
**Team Lead:** Mujib Lodhi  
**Goal Description:** Implement Phase I of LIPA’s Enterprise Resource Planning system.  
**End of Year Status:** Complete  
**Task Completed:** Successfully went-live with a state-of-the-art, integrated and flexible Enterprise Resource Planning (ERP) system to support Financial, Human Resources, and Procure-to-pay operations. This enterprise system will support current and future best practices and improve operations across the organization.

### GOAL 35
**Team Lead:** Brian Celleri  
**Goal Description:** Upgrade audio visual technology in executive conference room and two small conference rooms to support video conferencing capabilities  
**End of Year Status:** In Progress  
**Task Completed:** Completed the modernization of the Audio Visual Technology in the executive conference room to better facilitate virtual meetings and collaboration.

### GOAL 36
**Team Lead:** Danny Jagoda  
**Goal Description:** Review and monitor IT metrics and consider the need for any additions, deletions, or modifications  
**End of Year Status:** In Progress  
**Task Completed:** Completed the annual review of IT metrics.
**APPENDIX A**

<table>
<thead>
<tr>
<th>Department: Innovation and Information Technology</th>
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**GOAL 37**

<table>
<thead>
<tr>
<th>Team Lead:</th>
<th>Brian Celleri</th>
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</thead>
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<table>
<thead>
<tr>
<th>Goal Description:</th>
<th>Upgrade 40% of desktop hardware and operating system (Desktop/Laptop/Monitor/Windows 10) and selective Mac OS deployment based on users' needs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Completed the upgrade of LIPA's end-point infrastructure (desktop/laptop/tablets), including moving from Operating System (Windows 7) to Windows 10.</td>
</tr>
</tbody>
</table>

**GOAL 38**

<table>
<thead>
<tr>
<th>Team Lead:</th>
<th>Brian Celleri</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Goal Description:</th>
<th>Develop an information technology asset management program for LIPA systems, including updated policies and procedures for inventory management throughout the asset life-cycle.</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Implemented a revised Asset Management program to ensure accurate and efficient tracking and management of LIPA's computing assets to improve management controls and strengthen security capabilities.</td>
</tr>
</tbody>
</table>

**GOAL 39**

<table>
<thead>
<tr>
<th>Team Lead:</th>
<th>Danny Jagoda, Faisal Bhatti</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Goal Description:</th>
<th>Create a multi-year roadmap for IT investments for planning and 2021 rate case.</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Year Status:</td>
<td>Running Behind</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Developed roadmap for IT investments which will evolve as LIPA considers its business options as a result of PSEG Long Island’s response to Tropical Storm Isaias.</td>
</tr>
</tbody>
</table>

**GOAL 40**

<table>
<thead>
<tr>
<th>Team Lead:</th>
<th>Mujib Lodhi</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Goal Description:</th>
<th>Create a multi-year LIPA data analytics roadmap/strategy, including easier data access for LIPA employees to PSEG data (e.g., data warehouse) and set up data analytics as a service within IT to help departments implement data analytics. Implement phase I (POC) for 2020. Identify and implement a 2020 data analytics use case for FO/OO. Increase collaboration and effectiveness between departments (FO and OO) through enhanced use of data analytics (Tableau) to enable customized analysis and routine reporting of PSEG LI information. Data Analytics - In partnership with Internal Audit, work with PSEG Long Island to develop a repeatable P-card exception reporting workflow to analyze 100% of the P-card transactions monthly.</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Year Status:</td>
<td>Running Behind</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>This project is running behind because resources had to be diverted to address PSEG Long Island's response to Tropical Storm Isaias. In 2021, staff will create a multi-year LIPA data analytics roadmap/strategy, and set up data analytics as a service within IT to help departments implement utility data analytics to provide actionable intelligence to improve business performance.</td>
</tr>
</tbody>
</table>
## GOAL 41

**Team Lead:** Kathleen Mitterway

**Goal Description:**

The objective of the P-Card Robotic Process Automation Project is for LIPA to work with PSEG Long Island to develop a repeatable P-Card exception reporting workflow to analyze 100% of the P-Card transactions monthly. In addition, LIPA will develop two continuous auditing routines: (1) Split transactions and (2) Cardholder/Manager Approval.

The objective of the P-Card Robotic Process Automation Project is to:

- Increase test coverage, by analyzing 100% of the PSEG Long Island P-Card transactions.
- Eliminate manual testing and sampling with automated monitoring of processes.
- Create a repeatable process which will increase PSEG Long Island P-Card Team’s capacity and reduce risk exposure.
- Begin using new data analytic tools, which will be expanded after implementing this first project.

**End of Year Status:** In Progress

**Task Completed:** Developed a P-Card Robotic Process Automation workflow to analyze 100% of the PSEG Long Island P-Card transactions monthly.

## GOAL 42

**Team Lead:** Anna Chacko

**Goal Description:**

Policy Management -- Inventory all departments to create written policies and procedures for all material functions and develop a “policy on policies” setting forth criteria by which policies may be promulgated and developed departmentally or by authority of the CEO.

**End of Year Status:** Complete

**Task Completed:** Developed repository for, and oversaw generation of, policies related to all key areas of the business to facilitate knowledge capture and transfer.

## GOAL 43

**Team Lead:** Maria Gomes

**Goal Description:**

Develop process for annual review of LIPA vendors.

**End of Year Status:** Complete

**Task Completed:** Developed survey questions incorporating input from the various departments. Identified and tested portal to facilitate surveys launching 2 test surveys for 2 vendors; after successful testing, portal was utilized to review actual vendor.

## GOAL 44

**Team Lead:** Anna Chacko

**Goal Description:**

Review structure of 1997 deal and determine whether the underlying rationale for LILCO still exists.

**End of Year Status:** In Progress

**Task Completed:** Concluded that LILCO can and should be merged into LIPA based on conversations with corporate and tax counsel.
### APPENDIX A

<table>
<thead>
<tr>
<th>Department:</th>
<th>Legal</th>
</tr>
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<table>
<thead>
<tr>
<th>GOAL 45</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Team Lead:</td>
<td>Elisa Rodriguez, Jim Miskiewicz, Maria Gomes, Mujib Lodhi</td>
</tr>
</tbody>
</table>

| Goal Description: | With IT project management, procure and customize document management system that integrates record retention policy across LIPA. The objective is to provide all LIPA staff with a digitally-based document management system that is easy-to-use within normal work, provides institutional knowledge as well as litigation functionality through a user-friendly search function, and integrates with a hosting, cloud-based system that retains and automatically disposes of records in compliance with state and federal law and regulation as applicable. The digital system would also, in time, serve as a replacement to costly paper archiving. |

<table>
<thead>
<tr>
<th>End of Year Status:</th>
<th>In Progress</th>
</tr>
</thead>
</table>

| Task Completed: | Performed needs analysis with LIPA departments to determine requirements for updated document management system. Developed record retention policy. |

<table>
<thead>
<tr>
<th>GOAL 46</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Team Lead:</td>
<td>Anna Chacko</td>
</tr>
</tbody>
</table>

| Goal Description: | Oversee analysis by PSEG Long Island of NGRID properties to determine if ownership is more beneficial than current lease arrangements with National Grid. Reduce cost to LIPA, if possible. |

<table>
<thead>
<tr>
<th>End of Year Status:</th>
<th>Running Behind</th>
</tr>
</thead>
</table>

<p>| Task Completed: | Studied the call center and the primary transmission control center. Both efforts were unsuccessful for different reasons. Made recommendations for the Board's consideration to improve real estate management in 2021. |</p>
<table>
<thead>
<tr>
<th>Department:</th>
<th>Office of the Controller</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 47</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Donna Mongiardo</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Bifurcate National Grid and LIPA poles and evaluate revenue optimization opportunities for the telecommunication portfolio after bifurcation is completed.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>LIPA ensured PSEG Long Island bifurcated the telecommunication leases from National Grid by December 31, 2020 allowing LIPA to earn its 100% share of the lease payments and eliminate National Grid’s management of such master leases which were never transitioned after PSEG Long Island became service provider.</td>
</tr>
<tr>
<td><strong>GOAL 48</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Donna Mongiardo</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Develop a FEMA process for close-out of 428 grant that streamlines consultant review of documentation and most efficiently provides for collection of the remaining funds under the letter of understanding.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>LIPA reviewed the mitigation circuit binders with NYS Dept of Homeland Security and ensured they concurred with FEMA on the documentation necessary in such binders. A bi-weekly meeting with all related parties ensure a constant submission of additional circuits to obtain a complete review of all circuit binders within a 2-year period.</td>
</tr>
<tr>
<td><strong>GOAL 49</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Donna Mongiardo</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Evaluate PSEG Long Island’s process for managing telecommunication assets and maximizing revenues from same.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Not Started</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>This project was moved to 2021.</td>
</tr>
<tr>
<td><strong>Department:</strong></td>
<td>Operations Oversight</td>
</tr>
<tr>
<td><strong>GOAL 50</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Tom Simpson</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Oversee PSEG Long Island’s completion of the mandated Northport repowering study by 4/1/20, including evaluation of possible retirement of one or more steam units.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>The report concluded that repowering would not produce net benefits for customers, but that retirement of one steam unit would produce significant savings without hurting reliability.</td>
</tr>
<tr>
<td><strong>GOAL 51</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Donald J. Schaaf</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Undertake a survey of other utilities to identify best practices in storm response drills to maximize the benefit of PSEG Long Island’s drills.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
</tbody>
</table>
### GOAL 52

**Team Lead:** Timothy Lederer  
**Goal Description:** Oversee development of Deferred Payment Agreements Report to improve management of receivables.  
**End of Year Status:** Complete  
**Task Completed:** The report was completed and is being used by LIPA and PSEG Long Island to improve collection practices.

### GOAL 53

**Team Lead:** Mike Deering  
**Goal Description:** Oversee the development and implementation of multi-year (through 2025) energy efficiency program and budget consistent with NYS standards.  
**End of Year Status:** Complete  
**Task Completed:** Oversaw development and implementation of three-year plan that is three-year plan that will modified as needed to address legal and regulatory changes.

### GOAL 54

**Team Lead:** Dave Clarke  
**Goal Description:** Oversee completion of the offshore wind (OSW) transmission study in order to, (i) understand OSW interconnection costs by landfall location, (ii) understand optimum mix of OSW landfall on Long Island versus New York City (iii) advocate for an OSW Public Policy Transmission Need and (iv) inform plans for generation sites under the Power Supply Agreement.  
**End of Year Status:** In Progress  
**Task Completed:** PSEG Long Island completed a study of the optimal interconnection plan for 3,000 MW of offshore wind on Long Island, with another 6,000 MW connected to New York City. In July 2020 LIPA submitted a letter to the Public Service Commission recommending a public policy transmission need involving an additional intertie between Long Island and the Con Edison system. The Public Service Commission is reviewing the need as part of a broader power grid study to be completed in 2021.

### GOAL 55

**Team Lead:** Dave Clarke  
**Goal Description:** Represent LIPA customer interests in the Public Service Commission’s Resource Adequacy Proceeding, including advocating for appropriate allocation of costs for clean, dispatchable generating plants needed for integration of renewable resources.  
**End of Year Status:** In Progress  
**Task Completed:** LIPA submitted comments in the Resource Adequacy proceeding, advocating for fair treatment of renewable resources in the state’s electricity markets. Advocacy for fair treatment of renewable resource integration costs (both generation and transmission) is continuing through the Public Service Commission proceedings and the New York Independent System Operator’s stakeholder process.
<table>
<thead>
<tr>
<th>GOAL 56</th>
<th>Team Lead: Tom Simpson</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Description: Complete pending power purchase agreements for new utility-scale solar projects.</td>
<td></td>
</tr>
<tr>
<td>End of Year Status: In Progress</td>
<td></td>
</tr>
<tr>
<td>Task Completed: The power purchase agreement (PPA) for the Calverton solar project was completed and approved in 2020. The PPA for the Riverhead solar project cannot be completed until the project’s Article 10 siting process is finished.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GOAL 57</th>
<th>Team Lead: Rick Shansky</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Description: Develop a battery storage roadmap for LIPA’s share of New York State’s energy storage goals (1,500 MW statewide by 2025 and 3,000 MW by 2030) and oversee establishment and implementation of plans for meeting LIPA’s resulting 2025 goal (approx. 200 MW by 2025).</td>
<td></td>
</tr>
<tr>
<td>End of Year Status: Running Behind</td>
<td></td>
</tr>
<tr>
<td>Task Completed: This project is running behind because additional analysis was required to develop the storage RFP. During 2020, assessment of distribution system opportunities was conducted and regulatory and contract structure issues were evaluated.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>GOAL 58</th>
<th>Team Lead: Donald Schaaf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Description: Assess the efficiency and effectiveness of PSEG Long Island’s warehouse and inventory management practices and benchmark them against other utilities.</td>
<td></td>
</tr>
<tr>
<td>End of Year Status: Running Behind</td>
<td></td>
</tr>
<tr>
<td>Task Completed: An independent consultant was engaged to review PSEG Long Island’s inventory management practices. Work was delayed by Tropical Storm Isaias. The consultant’s findings and recommendations will be included in LIPA’s 270-Day Report.</td>
<td></td>
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<thead>
<tr>
<th>GOAL 59</th>
<th>Team Lead: Donald Schaaf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Description: Review the scalability of PSEG Long Island’s Emergency Response Plan to ensure it addresses severe storms and emergencies.</td>
<td></td>
</tr>
<tr>
<td>End of Year Status: Running Behind</td>
<td></td>
</tr>
<tr>
<td>Task Completed: The scalability of systems, logistics, and staffing was assessed. Work was delayed by Tropical Storm Isaias. LIPA’s findings will be included in LIPA’s 270-Day Report.</td>
<td></td>
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<thead>
<tr>
<th>GOAL 60</th>
<th>Team Lead: Mike Simione</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Description: Oversee refinement and implementation of storm hardening proposal and circuit improvement plans for 2020-2024.</td>
<td></td>
</tr>
<tr>
<td>End of Year Status: Running Behind</td>
<td></td>
</tr>
<tr>
<td>Task Completed: The performance of hardened circuits was assessed and the continuation of the mainline hardening program was determined to be the most cost-effective investment for 2021. Work was delayed by Tropical Storm Isaias. An assessment of hardening options for 2022 and beyond will be included in LIPA’s 270-Day Report.</td>
<td></td>
</tr>
</tbody>
</table>
### GOAL 61
**Team Lead:** Rick Shansky  
**Goal Description:** Oversee NOx compliance plan filing to meet DEC requirement for legacy peaking generating units owned by National Grid.  
**End of Year Status:** Running Behind  
**Task Completed:** This project is running behind schedule because discussion of contractual issues has extended longer than expected. During 2020, the NOx Compliance Plan was submitted and two unit retirements were announced.

### GOAL 62
**Team Lead:** Justin Bell  
**Goal Description:** Oversee implementation of rate modernization roadmap (2020 portion). Ensure PSEG Long Island executes the 2020 portion of the rate roadmap implementation plan to achieve joint rate modernization vision.  
**End of Year Status:** Completed  
**Task Completed:** The Rate Modernization Roadmap was completed in early 2020, setting the agenda for planned changes to LIPA’s tariffs over the next several years. The initiatives are intended to keep pace with NY’s REV and VDER policies, implement rate changes that promote community distributed generation and electric vehicle penetration, and complement the activities envisioned for Utility 2.0.

### GOAL 63
**Team Lead:** Justin Bell  
**Goal Description:** Lead the policy advocacy strategic initiative to produce a useful policy advocacy process and plan. Develop and document process. Organize and run Policy Advocacy Steering Committee. Match resources with priorities.  
**End of Year Status:** Completed  
**Task Completed:** The Policy Advocacy Committee has been assembled to include the relevant participants from LIPA and PSEG Long Island. The committee meets monthly to address and promote the activities needed to define, analyze, and implement the policies that support LIPA’s mission and strategy.

### GOAL 64
**Team Lead:** Justin Bell  
**Goal Description:** Research experiences in other service territories with “all electric home” incentives (including SMUD’s) and consider applicability in LIPA’s service territory.  
**End of Year Status:** Completed  
**Task Completed:** Researched all electric home initiatives and oversaw PSEG Long Island’s development of all electric home rebates, to be launched in 2021.
<table>
<thead>
<tr>
<th>Department: Public Policy &amp; Regulatory Affairs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 65</strong></td>
</tr>
<tr>
<td>Team Lead: Justin Bell</td>
</tr>
<tr>
<td>Goal Description: Oversee PSEG Long Island’s analysis of the long-term impacts (5 and 10 years out) of increased electrification on the sales forecast. Ensure that PSEG Long Island’s long-term sales forecast properly incorporates the impact of electrification of transportation, heating, and other sectors.</td>
</tr>
<tr>
<td>End of Year Status: Completed</td>
</tr>
<tr>
<td>Task Completed: The source and criteria utilized on long term projections of electrification of transportation, heat pumps and energy efficiency was reviewed and found consistent with other forecasts. These projections were included in the final approved 2021 sales forecast.</td>
</tr>
<tr>
<td><strong>GOAL 66</strong></td>
</tr>
<tr>
<td>Team Lead: Mark Smith</td>
</tr>
<tr>
<td>Goal Description: Lead LIPA’s oversight of PSEG Long Island’s development and implementation of new on-bill financing programs. Ensure new on-bill program’s structure facilitates strategic objective of promoting electrification and contains appropriate controls that minimize socialization of costs. --What projects qualify for on-bill financing --Administration rules --Reporting rules</td>
</tr>
<tr>
<td>End of Year Status: Completed</td>
</tr>
<tr>
<td>Task Completed: A two-year on-bill pilot program for residential customers will be initiated in 2021. The focus of the loan program will initially be restricted to heat pumps. The loan program will utilize $10M of LIPA capital as funding for the customer loans.</td>
</tr>
<tr>
<td><strong>GOAL 67</strong></td>
</tr>
<tr>
<td>Team Lead: Justin Bell</td>
</tr>
<tr>
<td>Goal Description: Oversee rate pilots and modernization plan.</td>
</tr>
<tr>
<td>End of Year Status: Completed</td>
</tr>
<tr>
<td>Task Completed: Rate pilots and modernization plans for updating the tariff have been proposed to and approved by the Board for 2020.</td>
</tr>
<tr>
<td><strong>GOAL 68</strong></td>
</tr>
<tr>
<td>Team Lead: Justin Bell</td>
</tr>
<tr>
<td>Goal Description: Ensure continuity of LIPA rates and tariff functions through knowledge transfer activities within the rates group.</td>
</tr>
<tr>
<td>End of Year Status: Completed</td>
</tr>
<tr>
<td>Task Completed: Knowledge transfer plans have been prepared in 2020 for implementation in 2021 and continuously into the future, covering areas such as cost of service measurement, modern rate design, tariff review processes, and load research and analysis.</td>
</tr>
<tr>
<td><strong>GOAL 69</strong></td>
</tr>
<tr>
<td>Team Lead: Mark Smith</td>
</tr>
<tr>
<td>Goal Description: Implement process to monitor applicable New York State regulatory and legislative activity and plan for compliance with same.</td>
</tr>
<tr>
<td>Department: Public Policy &amp; Regulatory Affairs</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td><strong>End of Year Status:</strong> Completed</td>
</tr>
<tr>
<td><strong>Task Completed:</strong> Regulatory affairs team including LIPA and PSEG Long Island participants meets regularly to track new and on-going regulatory initiatives at the DPS and to consider and establish LIPA’s participation in and responses to those regulatory issues.</td>
</tr>
</tbody>
</table>

**GOAL 70**

<table>
<thead>
<tr>
<th>Team Lead: Justin Bell</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal Description:</strong> Create a CCA and ESCO strategy for the DPS customer choice proceeding. Oversee development of CCA or CCA-like options and strategy for DPS proceeding.</td>
</tr>
<tr>
<td><strong>End of Year Status:</strong> In Progress</td>
</tr>
<tr>
<td><strong>Task Completed:</strong> DPS-led initiative to review LI Choice and CCA options on Long Island have been delayed at the request of outside participants. Initial comments were provided on time in December and the reply comments have been postponed until the second half of January 2021. DPS will determine the schedule for follow-on activities, which are expected to continue through 2021.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department: Senior Advisor for Oversight</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 71</strong></td>
</tr>
<tr>
<td><strong>Team Lead:</strong> Ken Kane</td>
</tr>
<tr>
<td><strong>Goal Description:</strong> Create an oversight roadmap across LIPA and implement strategies in 2020 that advance that roadmap towards where we want to be in 5 years. Think longer term about where we want to be a few years from now so that we can work backwards and plan for the right tools, budgets and staff to meet our objectives.</td>
</tr>
<tr>
<td><strong>End of Year Status:</strong> Running Behind</td>
</tr>
<tr>
<td><strong>Task Completed:</strong> This project is running behind as revisions to Policy (CEO-POL-005) and agreement on a model annual oversight report took longer than anticipated. During 2020 the Policy was finalized, the report format agreed upon and several oversight Annual Reports were presented. Remaining reports to be presented by March 2021.</td>
</tr>
<tr>
<td>2021 WORK PLAN PROJECTS REPORTS</td>
</tr>
<tr>
<td>---------------------------------</td>
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<tr>
<td><strong>GOAL 1</strong></td>
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<tr>
<td><strong>Description:</strong></td>
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<tr>
<td><strong>Strategic Initiative:</strong></td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
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<td><strong>Goal Type:</strong></td>
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<td><strong>Objectives:</strong></td>
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<tr>
<td><strong>Deliverables:</strong></td>
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<tr>
<td><strong>Team Lead:</strong></td>
</tr>
<tr>
<td><strong>GOAL 2</strong></td>
</tr>
<tr>
<td><strong>Description:</strong></td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
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<td><strong>Goal Type:</strong></td>
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<td><strong>Objectives:</strong></td>
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<td><strong>Deliverables:</strong></td>
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<tr>
<td><strong>Team Lead:</strong></td>
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<tr>
<td><strong>GOAL 3</strong></td>
</tr>
<tr>
<td><strong>Description:</strong></td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
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<tr>
<td><strong>Goal Type:</strong></td>
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### APPENDIX B

#### Department: Administration Tier 1

**Objectives:**
Create a training calendar, identify resources and deliver a 2-year L&D plan that provides the training needed to support and develop employees in the competencies LIPA has identified as necessary for success, will bring us to the next level of performance and are how we measure and evaluate employees; and the values we are expected to model. The multi-year theme is Path to Success: People, Projects, Processes. Within this theme, training will use multiple training channels: Online classes/seminars, virtual instructor led training, webinars, coaching.

**Deliverables:**
- A multi-year enterprise-wide training theme and calendar
- Specific training identified, scheduled and delivered using the most effective and efficient means.
- Twice a year employee surveys to gather feedback on training and to monitor training needs/requests.

**Team Lead:** Barbara Ann Dillon

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#### GOAL 4

**Description:**
This project involves working with LIPA Subject Matter Experts (SMEs) to fully understand, identify areas that require additional development, and utilize the PSEG Long Island department risk profiles and their mitigation strategies to identify areas of risk that require priority attention.

**Strategic Initiative:** ERM

**Shortened Goal Name:** Utilization of PSEG Long Island Department Risk Profiles

**Goal Type:** Team Goal

**Objectives:**
Enhance the ERM program to more closely partner with LIPA SMEs to better utilize PSEG Long Island department-level risk profiles and follow-up on the implementation and effectiveness of mitigation strategies for top risks and those requiring more thorough development of mitigation actions within each department at PSEG Long Island.

**Deliverables:**
The deliverable will be joint presentations (ERM and LIPA department personnel) to the LIPA ERMC in 2021 on the top risks in each department, including drivers and mitigation strategies.

**Team Lead:** Corey Horowitz

---

#### GOAL 5

**Description:**
Coordinate Board’s review of LIPA’s Policy Governance Model and implement necessary changes and recommendations from the Board.

**Strategic Initiative:** Governance

**Shortened Goal Name:** Policy Governance Model Review

**Goal Type:** Team Goal

**Objectives:**
To facilitate the Board’s review of its governance model and implement resulting changes and process improvements, including any necessary amendments to existing Board Policies or creation of new policies.

**Deliverables:**
Revised Policy Governance Model that reflects input from the Board.

**Team Lead:** Bobbi O’Connor

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#### GOAL 6

**Description:**
Implement a process for appropriate members of LIPA staff to provide feedback up to the Board of Trustees, as requested by the Board.
<table>
<thead>
<tr>
<th>Department:</th>
<th>Administration</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Initiative:</td>
<td>Governance</td>
<td></td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>360-Reviews for LIPA Board</td>
<td></td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Team Goal</td>
<td></td>
</tr>
<tr>
<td>Objectives:</td>
<td>In order to respond to the Board's request to provide feedback on its performance from staff, we will implement a form of 360-review to provide members of staff who have significant interaction with the Board the opportunity to provide constructive and meaningful feedback to the Board related to its performance.</td>
<td></td>
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<tr>
<td>Deliverables:</td>
<td>An annual review of Board performance conducted by appropriate members of staff and coordinated by the CAO.</td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Bobbi O'Connor</td>
<td></td>
</tr>
</tbody>
</table>

**GOAL 7**

**Description:** Provide training and coaching to enhance the effectiveness of the feedback provided to staff to drive performance and solicit feedback for continued development as a manager/leader. Feedback channels include monthly Check-Ins, Annual Performance Appraisal, preparing and monitoring annual development plans, and real-time feedback for improvement and recognition.

<table>
<thead>
<tr>
<th>Strategic Initiative:</th>
<th>Staffing &amp; Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortened Goal Name:</td>
<td>Next Level Employee Feedback Project</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Individual</td>
</tr>
</tbody>
</table>
| Objectives: | To provide critical and constructive feedback to employees to bring them to next level performance.
This project will support management employees by providing training and coaching to:
1. Set and communicate high expectations regarding staff development and performance (moving from what it is to what it should be);
2. Provide candid and effective feedback;
3. Solicit and receive candid feedback from staff; and
4. Proactively address lingering performance issues. |
| Deliverables: | 1. Provide training on conducting effective performance evaluations (the written evaluation (January) and the performance evaluation meeting (March 15));
2. Provide support on drafting development focused Annual Development Plans for each employee based on the performance evaluation and multi-rater (360) feedback (March 31);
3. Deliver training for department heads and directors on conducting effective staff meetings (April);
4. Enhance the Check-In process by shifting the focus from tasks/projects/work to an employee development focus by revising the template to focus on values, competencies and behaviors needed for success and the employee’s annual development plan; and coaching supervisors about providing employees the opportunity to regularly discuss their development and professional growth.
5. Develop quarterly anonymous employee survey for each department:
   - communicate with department employees the value and importance of their feedback
   - discuss survey results with department heads |
| Team Lead: | Barbara Ann Dillon |
## GOAL 8
**Department:** Administration  
**Tier:** Tier 1

**Description:** Carry-over project: Preparing for a post-COVID Workplace

**Strategic Initiative:** N/A

**Shortened Goal Name:** Re-Imagine LIPA

**Goal Type:** Team Goal

**Objectives:** To prepare our workplace and our policies to support a post-COVID workforce.

**Deliverables:** Post-COVID policies and an office environment to meet the needs of the organization and our workforce

**Team Lead:** Barbara Ann Dillon

## GOAL 9
**Department:** External Affairs & Communication  
**Tier:** Tier 1

**Description:** Complete the review of LIPA's mission and vision and continue with progress on implementing a brand strategy.

**Strategic Initiative:** Governance

**Shortened Goal Name:** Carryover: Brand Strategy

**Goal Type:** Team Goal

**Objectives:** An effective brand strategy can enhance reputation, attract talent, increase employee engagement, and give clarity to LIPA's role on Long Island.

**Deliverables:** Brand strategy provides a central, unifying idea around which all behavior, actions, and communications are aligned.

**Team Lead:** Jennifer Hayen

## GOAL 10
**Description:** Develop quarterly newsletter to engage stakeholders on important and timely issues and activities related to LIPA's operations.

**Strategic Initiative:** Customer First

**Shortened Goal Name:** Quarterly stakeholder newsletter

**Goal Type:** Individual

**Objectives:** Develop and issue a quarterly newsletter for stakeholders in addition to periodic constant contact updates on important and timely issues and activities.

**Deliverables:** Issue quarterly newsletters tied into Trustees meeting agendas and coordinated with schedule of Community Advisory Board meetings.

**Team Lead:** Jennifer Hayen
### GOAL 11

<table>
<thead>
<tr>
<th><strong>Department:</strong></th>
<th>Finance</th>
<th>Tier 1</th>
</tr>
</thead>
</table>

**Description:** Identify and update financial policies for new ERP system processes.

**Strategic Initiative:** N/A

**Shortened Goal Name:** Update financial policies and control objectives

**Goal Type:** Team Goal

**Objectives:** Updates to financial processes and control objectives to ensure policies and controls are effective and efficient.

**Deliverables:** Updated financial policies.

**Team Lead:** Donna Mongiardo

### GOAL 12

**Description:** PSEG Long Island is engaging a consultant to study charging infrastructure needed to support Long Island's 2025 light-duty ZEV goal and evaluate fleet services programs. LIPA's 2021 project is to review the study results and determine any additional steps needed to create a long-term EV roadmap for Long Island.

**Strategic Initiative:** Clean

**Shortened Goal Name:** Evaluate results of PSEG Long Island's EV consultant study and determine next steps toward 2025 EV goal and long-term EV roadmap

**Goal Type:** Individual

**Objectives:** Identify and map out programs and resources needed to achieve Long Island’s EV goals.

**Deliverables:** An assessment of PSEG Long Island’s study results and recommended next actions for development of a long-term EV roadmap.

**Team Lead:** Mark Smith

### GOAL 13

**Description:** Under LIPA's direction, PSEG Long Island established a new regulatory tracking spreadsheet last year. However, updating is manual and updates are circulated by email. Opportunities to submit comments are occasionally missed or discovered late. Staffing and roles are not always clear. Project is to evaluate opportunities for improvement and then implement.

**Strategic Initiative:** N/A

**Shortened Goal Name:** Improve regulatory tracking and commenting process

**Goal Type:** Team Goal

**Objectives:** Establish a regulatory tracking process through which opportunities to comment are identified consistently and early, escalated appropriately, and decisions about whether to comment and “who does what by when” are made according to a clear and effective process.

**Deliverables:** A new regulatory tracking system and documented process.

**Team Lead:** Justin Bell
<table>
<thead>
<tr>
<th>Department:</th>
<th>Finance</th>
<th>Tier 1</th>
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<tbody>
<tr>
<td><strong>GOAL 14</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td>Review PSEG Long Island budget development process, make recommendations to strengthen the process in order to ensure department level budgets are aligned with workplans and the decision-making process provides for accountability and transparency. Develop a new Budget Development System that is robust, reliable and supports the enhanced budget process. The system should provide for budget development, budget forecasting and long-range planning required to support Power Markets needs.</td>
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</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td>Lean</td>
<td></td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td>Develop and implement a Budget Process Improvement Program and associated New Budget Development System</td>
<td></td>
</tr>
<tr>
<td><strong>Department:</strong></td>
<td>Finance</td>
<td></td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Team Goal</td>
<td></td>
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</tbody>
</table>
| **Objectives:** | - Strengthen PSEG Long Island budget planning process to ensure accurate budgets, improved planning, and more informative variance explanations.  
- Develop a unified, stable, flexible and transparent platform for budget development, financial planning, and monitoring.  
- System to be managed by LIPA and PSEG Long Island  
- System should provide for forecasting and what-if scenarios  
- System with built-in controls to reduce human error  
- Expandable to incorporate both published budget templates as well as drill down to supporting calculations and worksheets  
- Supports reporting of project balance sheet, capital structure, and associated ratios: Debt-to-asset ratio, 2.5% Delivery Revenue Test, Project Cost Variances |
| **Deliverables:** | 1. Recommendations on PSEG Long Island budget process  
2. New budget development system  
3. New platform for long-term modeling |
| **Team Lead:** | Gerry Ring |
| **GOAL 15** |         |        |
| **Description:** | The implementation of 2020 Treasury Operations Review project will incorporate the recommendations from the Treasury Management System & Process Assessment (implementation in process) with the opportunities from the ERP implementation to improve efficiency within the Treasury functions. |
| **Strategic Initiative:** | Lean |
| **Shortened Goal Name:** | Treasury Operations Process Improvements |
| **Goal Type:** | Individual |
| **Objectives:** | Enhancement of the Treasury department operations and deliverables through improvements in strategy and operations. |
| **Deliverables:** | 1. Execute the plan to improve business processes  
2. Execute the plan to update policies/procedures where appropriate  
3. Execute the plan for Finance Long Term  
4. Execute the plan to improve Investor Relations  
5. Execute the plan to Integrate Finance in ERM framework  
6. Execute the plan to develop and implement Data Analytics |
<p>| <strong>Lead:</strong> | Tamela Monroe |</p>
<table>
<thead>
<tr>
<th>GOAL 16</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Department:</strong></td>
<td>Finance Tier 1</td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td>LIBOR is the global reference rate for unsecured short-term borrowing in the interbank market. It is utilized as a benchmark for short-term interest rates and is used for pricing in LIPAs swap agreements. The benchmark will be discontinued in the fourth quarter of 2021. The project is to convert the swaps to a new benchmark.</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td>LIBOR benchmark transition</td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Team Goal</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td>Convert the existing swaps which contain the LIBOR benchmark to a new benchmark</td>
</tr>
<tr>
<td><strong>Deliverables:</strong></td>
<td>Maintain an executable swap portfolio with appropriate documentation</td>
</tr>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Tamela Monroe</td>
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<tr>
<th>GOAL 17</th>
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<tbody>
<tr>
<td><strong>Description:</strong></td>
<td>Carried over from 2020, this goal is to develop and execute a strategy to ensure that the rates we charge CCA and ESCO customers appropriately reflect the cost of serving those customers and are consistent with State policy.</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td>Clean</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td>Develop and execute CCA/ESCO strategy</td>
</tr>
<tr>
<td><strong>Value Ranking:</strong></td>
<td>Tier 1</td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Team Goal</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td>Obtain Board approval of tariff changes needed to ensure that the rates we charge CCA and ESCO customers appropriately reflect the cost of serving those customers and are consistent with State policy.</td>
</tr>
<tr>
<td><strong>Deliverables:</strong></td>
<td>Tariff proposal to update Long Island Choice. Proposal will likely include a new non-bypassable charge to CCA/ESCO customers, in place of the existing bill credit and adjustment process.</td>
</tr>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Justin Bell</td>
</tr>
<tr>
<td>Department:</td>
<td>Innovation and Information Technology Tier 1</td>
</tr>
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</tr>
<tr>
<td><strong>GOAL 18</strong></td>
<td></td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>Physical and cyber security</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>LIPA Cyber Security Enhancements</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Individual</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Implement cybersecurity initiatives identified in 2020 roadmap to enhance LIPA's cybersecurity by one level within three years.</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>Implementation of Administrative and Technical Controls</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Mujib Lodhi</td>
</tr>
<tr>
<td><strong>GOAL 19</strong></td>
<td></td>
</tr>
<tr>
<td>Description:</td>
<td>Conduct Independent review of the PSEG LI Cybersecurity program (Design, Management, and Architecture)</td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>Physical and cyber security</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>PSEG Long Island Cyber Security Review</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Individual</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Perform independent verification and validation of PSEG Long Island cybersecurity posture.</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>IV&amp;V Report</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Mujib Lodhi</td>
</tr>
<tr>
<td><strong>GOAL 20</strong></td>
<td></td>
</tr>
<tr>
<td>Description:</td>
<td>Conduct Independent review of the PSEG LI IT/OT Communication Infrastructure (Design and Architecture)</td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>Strategic planning and oversight</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>PSEG Long Island IT/OT Communication Infrastructure Review</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Individual</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Perform independent verification and validation of PSEG Long Island key communication infrastructure resiliency vs redundancy. (Preventive controls and measure in place to reduce the system disruptions).</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>IV&amp;V Report</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Mujib Lodhi</td>
</tr>
<tr>
<td><strong>GOAL 21</strong></td>
<td></td>
</tr>
<tr>
<td>Description:</td>
<td>Implement Phase II of LIPA's Enterprise Resource Planning system (ERP-Business Process Improvements), Carryover from 2020</td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>N/A</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>ERP Modernization and Business Process Improvement Initiative</td>
</tr>
<tr>
<td>Department: Innovation and Information Technology</td>
<td>Tier 1</td>
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</table>
| **GOAL 21**  
**Objective:** Complete the finance department end-to-end business Process improvement (BPI) initiative, including AP, Accounting, etc. In partnership with the CFO, identify business process improvement and automation opportunities to enhance business performance.  
**Deliverables:** Phase II completion  
**Team Lead:** Donna Mongiardo, Mujib Lodhi |
| **GOAL 22**  
**Description:** Complete strategic roadmap development for Phase I projects for data analytics and begin implementation.  
**Strategic Initiative:** N/A  
**Shortened Goal Name:** Enhance Data Access & Analytics  
**Goal Type:** Individual  
**Objectives:** Create a multi-year LIPA data analytics roadmap/strategy and set up data analytics as a service within IT to help departments implement data analytics. In partnership with Finance, Operations Oversight and Internal Audit, identify and implement 2021 data analytics use cases to increase collaboration and effectiveness between departments and enhance oversight of PSEG Long Island through improved use of data analytics to enable customized analysis on data received from PSEG Long Island (e.g., financials, grid monitoring, outage management, system hardening, affiliate charges, fleet, etc. (We will also look at the utilities analytics use cases).  
**Deliverables:** Roadmap for data analytics  
**Team Lead:** Mujib Lodhi |
| **GOAL 23**  
**Description:** Comprehensive review of PSEG Long Island storm performance  
**Strategic Initiative:** Customer First  
**Shortened Goal Name:** Isaias Task Force  
**Goal Type:** Team Goal  
**Objectives:** Conduct a comprehensive, independent review of PSEG Long Island’s communications and service restoration systems before, during, and after Isaias, to:  
Identify root causes (operational and technical) of failures, Report to the LIPA Board and public on Task Force findings and recommendations for immediate and long-term corrective actions, and oversee PSEG Long Island’s implementation of corrective actions.  
**Deliverables:** 30, 90 and 270-Day Reports  
**Team Lead:** Mujib Lodhi, Rick Shansky |
<table>
<thead>
<tr>
<th>Department:</th>
<th>Internal Audit</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 24</strong></td>
<td></td>
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</tr>
<tr>
<td>Description:</td>
<td>Internal Audit and ERM will work together to identify the top enterprise risks to LIPA and PSEG Long Island to develop the 2022 Audit Plan.</td>
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<tr>
<td>Strategic Initiative:</td>
<td>ERM</td>
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<tr>
<td>Shortened Goal Name:</td>
<td>Take the Internal Audit Plan to the next level and integrate ERM into audit planning</td>
<td></td>
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<tr>
<td>Goal Type:</td>
<td>Team Goal</td>
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<tr>
<td>Objectives:</td>
<td>To ensure that the 2022 Internal Audit Plan includes the top enterprise risks to LIPA and PSEG Long Island.</td>
<td></td>
</tr>
<tr>
<td>Deliverables:</td>
<td>2022 Internal Audit Plan that includes the top enterprise risks to the LIPA and PSEG Long Island.</td>
<td></td>
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<tr>
<td>Team Lead:</td>
<td>Kathleen Mitterway</td>
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</tbody>
</table>

| **GOAL 25** | | |
| Description: | Evaluation of PSEG Long Island’s fleet management practices using data analytics. |
| Strategic Initiative: | Lean |
| Shortened Goal Name: | Fleet Management |
| Goal Type: | Team Goal |
| Objectives: | Evaluate the efficiency of PSEG Long Island’s fleet management practices, including decisions regarding repairing or replacing fleet, and use evaluation as a test case for development of data analytics dashboards and procedures. |
| Deliverables: | Recommendations for process improvements in fleet management. Data analytics data collection practices, dashboards, and requirements for a data analytics dashboard. |
| Team Lead: | Kathleen Mitterway |

| **GOAL 26** | | |
| Description: | A repeatable P-Card exception reporting workflow to analyze 100% of the P-Card transactions monthly. |
| Strategic Initiative: | Lean |
| Shortened Goal Name: | Carryover - P-Card Robotic Process Automation (“RPA”) |
| Goal Type: | Team Goal |
| Objectives: | The objective of the P-Card Robotic Process Automation Project is to:  
- Increase test coverage, by analyzing 100% of the PSEG Long Island P-Card transactions.  
- Eliminate manual testing and sampling with automated monitoring of processes.  
- Create a repeatable process which will increase PSEG Long Island  
- Begin using new data analytic tools, which will be expanded after implementing this first project |
| Deliverables: | A repeatable process to analyze 100% of the P-Card transactions monthly and a Results Storyboard (visualization of results). |
| Team Lead: | Anna Chacko |
### GOAL 27

**Department:** Legal Tier 1  
**Description:** Carryover Goal from 2020: LIPA LILCO Merger  
**Strategic Initiative:** N/A  
**Shortened Goal Name:** Merger of Subsidiary into LIPA  
**Goal Type:** Team Goal  
**Objectives:** IRS private letter ruling and preparation of the transaction.  
**Deliverables:** Private letter ruling establishing there are no tax consequences to the merger; merger of subsidiary extinguishing LILCO.  
**Team Lead:** Alex Pozdnyakov

### GOAL 28

**Department:** Operations Oversight Tier 1  
**Description:** Oversee update of the 20-year Integrated Resource Plan.  
**Strategic Initiative:** Clean  
**Shortened Goal Name:** Integrated Resource Plan  
**Goal Type:** Team Goal  
**Objectives:** Analyze the potential transmission and generation needs for long term system reliability under a range of scenarios and in the context of economic and policy considerations, including:  
- Meeting the clean energy requirements of the Climate Leadership and Community Protection Act (CLCPA), and  
- NYS Reliability Council and NYISO reliability planning criteria.  
**Deliverables:** 2021 Integrated Resource Plan  
**Team Lead:** Tom Simpson

### GOAL 29

**Description:** Carryover: Develop a battery storage roadmap for LIPA's share of New York State's energy storage goals (1,500 MW statewide by 2025 and 3,000 MW by 2030) and oversee establishment and implementation of plans for meeting LIPA's resulting 2025 goal (approx. 200 MW by 2025).  
**Strategic Initiative:** Clean  
**Shortened Goal Name:** Battery Storage Roadmap  
**Goal Type:** Team Goal  
**Objectives:** Make sure sufficient energy storage gets installed on Long Island to meet LIPA's share of New York State's energy storage goals.  
**Deliverables:** BES PPAs and new T&D deferral storage projects for 2021 Utility 2.0 Plan.  
**Team Lead:** Tom Simpson
<table>
<thead>
<tr>
<th>Department: Operations Oversight</th>
<th>Tier 1</th>
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<tbody>
<tr>
<td><strong>GOAL 30</strong></td>
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<tr>
<td>Description: Develop metrics for analysis of emergency response effectiveness and implement oversight process improvements, including analytical assessments.</td>
<td></td>
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<tr>
<td>Strategic Initiative: Customer First</td>
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<tr>
<td>Shortened Goal Name: Analytical Assessment of Emergency Response</td>
<td></td>
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<tr>
<td>Goal Type: Team Goal</td>
<td></td>
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<tr>
<td>Objectives: Improve oversight of emergency response and implement analyses of response effectiveness.</td>
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<tr>
<td>Deliverables: Updated emergency oversight policy, “use cases” and metrics for assessment of emergency response effectiveness.</td>
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<tr>
<td>Team Lead: Donald Schaaf</td>
<td></td>
</tr>
<tr>
<td><strong>GOAL 31</strong></td>
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<tr>
<td>Description: Carryover of 2020 project to evaluate hardening strategy and alternatives and establish the plan for expenditures through 2025.</td>
<td></td>
</tr>
<tr>
<td>Strategic Initiative: Customer First T&amp;D reliability</td>
<td></td>
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<tr>
<td>Shortened Goal Name: Storm hardening business case evaluation</td>
<td></td>
</tr>
<tr>
<td>Goal Type: Team Goal</td>
<td></td>
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<tr>
<td>Objectives: Identify the most cost-effective program(s) for improving the resiliency and reliability of the T&amp;D system following Tropical Storm Isaias.</td>
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<tr>
<td>Deliverables: Evaluation of the most cost-effective hardening programs and identification of needed changes or additions to capital budget line items, including Power On, Multiple Customer Outage program, Next Outage program, etc.</td>
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<tr>
<td>Team Lead: Michael Simione</td>
<td></td>
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<tr>
<td><strong>GOAL 32</strong></td>
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</tr>
<tr>
<td>Description: Manage LIPA/PSEG Long Island participation in the PSC’s T&amp;D Planning and Public Policy Transmission Planning proceedings, providing policy and strategic guidance on cost/benefit analysis and cost allocation.</td>
<td></td>
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<tr>
<td>Strategic Initiative: Clean</td>
<td></td>
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<tr>
<td>Shortened Goal Name: Manage LIPA/PSEG participation in the PSC’s T&amp;D Planning and Public Policy Transmission Planning proceedings</td>
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<tr>
<td>Goal Type: Team Goal</td>
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<tr>
<td>Objectives: Assure fair treatment of LIPA T&amp;D projects and approval of necessary public policy projects with fair allocation of costs across the state.</td>
<td></td>
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<tr>
<td>Deliverables: LIPA filings and PSC decisions on same.</td>
<td></td>
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<tr>
<td>Team Lead: Michael Simione</td>
<td></td>
</tr>
<tr>
<td>Department:</td>
<td>Senior Advisor for Oversight</td>
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</table>

### GOAL 33
**Description:** LIPA and PSEG Long Island need to prepare an application and seek approval for the use of the excess FEMA grant funds. Currently the plan is to apply these excess funds to continuing Storm mitigation activities.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Use of excess Sandy related grant Funds

**Goal Type:** Team Goal

**Objectives:** To be granted permission to use the excess funds as proposed to FEMA to continue storm mitigation activities on the overhead system.

**Deliverables:** Prepare a summary of proposal. Deliver high level proposal to DHSES. Once feedback on proposal is granted begin the process of completing the proposal for FEMA.

**Team Lead:** Kenneth Kane

### GOAL 34
**Description:** Oversee the preparation of the claim by PSEG Long Island for Tropical Storm Isaias to ensure that materials are prepared in a manner that allows for the use of data analytics to ensure timely application, appropriate support and eventual FEMA recovery.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Oversee FEMA Isaias reimbursement process

**Goal Type:** Team Goal

**Objectives:** To file the Isaias claim during 2021 and maximize future recovery through use of data analytics to ensure proper documentation and support.

**Deliverables:** Project Worksheets Invoice packages and other support, such as procurement records, vendor invoices, proof of payment, etc. to be presented to DHSES to support costs incurred.

**Team Lead:** Kenneth Kane

### GOAL 35
**Description:** Review and update LIPA storm invoice review procedure and review effectiveness of storm invoice reviews and process. Review opportunities to utilize accounting staff for FEMA claims review. Review opportunities for automation through continuous auditing software of storm invoices.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Update LIPA storm invoice review procedures for FEMA compliance

**Goal Type:** Team Goal

**Objectives:** To ensure the storm invoice procedures are appropriate and reflect best practices. To review the effectiveness of our review procedures, opportunities to use accounting staff to review FEMA claims, and opportunities to deploy continuous auditing software for all storms.

**Deliverables:** Updated procedure document, new staffing plan to review storm invoices using accounting staff, trained accounting staff, implementation of continuous auditing software.

**Team Lead:** Kenneth Kane, Mujib Lodhi
### GOAL 36

**Department:** Administration  
**Tier:** Tier 2

**Description:** Develop a risk correlation matrix that identifies inter-dependencies between risks across business units to improve and align mitigation strategies, increase awareness between SMEs, and inform resource allocations.

**Strategic Initiative:** ERM

**Shortened Goal Name:** Develop a Risk Correlation Matrix

**Goal Type:** Team Goal

**Objectives:**
- Identify common drivers and triggers for risks, increase communication and awareness between SMEs for inter-related risks, and help to better inform resource allocations.

**Deliverables:**
- Risk correlation matrix tying major risks to those across the organization that could impact the outcome of the risk, facilitation of cross-functional conversations between SMEs who own risks that are inter-dependent with risks in other lines of business.

**Team Lead:** Jessica Dehnert

### GOAL 37

**Department:** Administration  
**Tier:** Tier 2

**Description:** Review State-recommended climate disclosure process and PSC Order for utilities together with industry best practices. Develop and execute plan to incorporate recommendations into annual financial disclosure process.

**Strategic Initiative:** Clean

**Shortened Goal Name:** Implement Climate Financial Disclosure Best Practices

**Goal Type:** Team Goal

**Objectives:**
- Review State climate financial disclosure recommendations
- Review industry best practices
- Implement State recommendations, as modified if needed by industry best practices or LIPA-specific considerations
- Test new process in 2021

**Deliverables:**
- Summary of State recommendations and best practices
- (If State recommendations adopted) Complete CDP (Carbon Disclosure Project) questionnaire in 2021

**Team Lead:** Bobbi O'Connor

### GOAL 38

**Department:** External Affairs & Communication  
**Tier:** Tier 2

**Description:** With the implementation of the new LIPANet in 2020, we will look to understand current user engagement among staff, and potentially consider implementing a LIPANet 2.0 for 2021-2022 to drive increases in use.

**Strategic Initiative:** N/A

**Shortened Goal Name:** LIPANet 2.0

**Goal Type:** Team Goal

**Objectives:**
- Our goal is to have LIPANet be a collection of knowledge designed to connect teams across locations and departments.
<table>
<thead>
<tr>
<th>Department:</th>
<th>External Affairs &amp; Communication Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliverables:</td>
<td>Ensure intranet design is engaging and there is a plan for content to be up-to-date, accurate, vetted, and detailed.</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Jen Hayen</td>
</tr>
<tr>
<td><strong>GOAL 39</strong></td>
<td></td>
</tr>
<tr>
<td>Description:</td>
<td>Continue with work of 2020 history project to create a visual timeline in office, as well as page on lipower.org.</td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>N/A</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>Carryover: History of LIPA</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Individual</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Create a history of LIPA for website and employees.</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>Provide an education tool for employees, customers, and stakeholders to understand our past and goals as we look towards the future.</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Jen Hayen</td>
</tr>
<tr>
<td><strong>GOAL 40</strong></td>
<td></td>
</tr>
<tr>
<td>Description:</td>
<td>Complete an undergrounding project with an interested municipality (party) using the tariff.</td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>Customer First</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>Completion of Undergrounding Project</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Team Goal</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Identify an interested municipality (party) and utilize the relatively new undergrounding tariff to complete an undergrounding project.</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>Work with a local municipality (party) to identify, develop, construct, and finance an undergrounding project using LIPA's tariff for financing.</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Michael Deering</td>
</tr>
<tr>
<td><strong>GOAL 41</strong></td>
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</tr>
<tr>
<td>Description:</td>
<td>Develop educational and informational materials and opportunities to maximize exposure to, and value provided by, JBENC.</td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>Customer First</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>Develop Educational Programs for JBENC</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Individual</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Work in coordination with director and educational staff of JBENC, NYS Parks staff, and PSEG Long Island staff to develop educational programs, seminars, conferences and other informational materials for JBENC.</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>Educational programs for various constituencies (including businesses; consumers; colleges, vocational and trade schools). Up-to-date JBENC website.</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Michael Deering</td>
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<tr>
<td>GOAL 42</td>
<td>GOAL 43</td>
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<tr>
<td><strong>Department:</strong></td>
<td>Finance</td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td>Develop guidelines for when and how green bonds or sustainability bonds should be incorporated into LIPA's processes for planning and issuing bonds.</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td>Clean</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td>Develop green bond guidelines</td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Individual</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td>Incorporate green bonding into regular LIPA financing processes to the extent reasonable, following State recommendations.</td>
</tr>
<tr>
<td><strong>Deliverables:</strong></td>
<td>New guideline or process document. Sell green bonds as part of 2021 new money bond sale.</td>
</tr>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Chris DiGilio</td>
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<tr>
<td>Department: Legal Tier 2</td>
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<tr>
<td><strong>GOAL 45</strong></td>
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<tr>
<td><strong>Description:</strong> Carryover Goal from 2020: Develop comprehensive long-range plan for LIPA facilities including operational sites.</td>
<td></td>
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<tr>
<td><strong>Strategic Initiative:</strong> Lean</td>
<td></td>
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<tr>
<td><strong>Shortened Goal Name:</strong> Management of LIPA Properties and Facilities</td>
<td></td>
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<tr>
<td><strong>Goal Type:</strong> Team Goal</td>
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<tr>
<td><strong>Objectives:</strong> Comprehensive long-range plan for LIPA facilities including operational sites</td>
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<tr>
<td><strong>Deliverables:</strong> • Continue to meet with PSEG Long Island to obtain resources to develop long range plan • Continue to meet with National Grid to facilitate separation of colocated sites</td>
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<tr>
<td><strong>Team Lead:</strong> Mujib Lodhi</td>
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<tr>
<th>Department: Operations Oversight Tier 2</th>
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<tbody>
<tr>
<td><strong>GOAL 47</strong></td>
</tr>
<tr>
<td><strong>Description:</strong> Research best practices around the country for DER interconnection process. Streamline SGIP simplifying document into user friendly format targeted at stakeholders. Provide transparency of the steps in the SGIP process for oversight and stakeholder. Establish an escalation process that is transparent for stakeholders as well as PSEGLI, DPS and LIPA. Establish procedure for measuring customer/contractor satisfaction for this process.</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong> Clean</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong> Improve PSEGLI Interconnection process for Distributed Resources</td>
</tr>
<tr>
<td><strong>Goal Type:</strong> Team Goal</td>
</tr>
<tr>
<td><strong>Objectives:</strong> Align with the CLCPA by facilitating DER readiness as a leader in interconnection processing and policy.</td>
</tr>
<tr>
<td><strong>Deliverables:</strong> Utility benchmark study Proposed revisions to SGIP Customer satisfaction measurement procedure Case Escalation process/Ombudsman</td>
</tr>
<tr>
<td><strong>Team Lead:</strong> Pete Mladinich</td>
</tr>
</tbody>
</table>
## Department: Operations Oversight Tier 2

### GOAL 48

**Description:** Assess PSM and FM Metrics against industry best practices and identify desired changes

**Strategic Initiative:** Strategic planning and oversight

**Shortened Goal Name:** PSM/FM Metric review and Benchmark study

**Goal Type:** Team Goal

**Objectives:**
- Benchmark the current PSM and FM metrics with other utilities performing such services. Review current PSM and FM metrics for desired changes in metrics or targets.

**Deliverables:**
- Benchmark how PSM and FM Metrics compare with PSM and FM Metrics of other utilities (e.g., Con Edison, NYPA, LPPC members). Develop recommendations for new or changed metrics and/or targets for future PSM/FM metric negotiations.

**Team Lead:** Ben Chu

## Department: Legal Tier 3

### GOAL 49

**Description:** IT, Rates and Legal to work together to adopt a platform for LIPA and its service provider to house interrogatory requests (IRs) and document requests and responses, such as the Caseworks platform.

**Strategic Initiative:** N/A

**Shortened Goal Name:** Caseworks Platform for IRs

**Goal Type:** Team Goal

**Objectives:** To have a single coordinated shared platform with PSEG Long Island for all document requests and IRs from Staff and other parties and to manage all responses to such requests from DPS and in various proceedings and litigation.

**Deliverables:**
- 1. Come to an understanding with PSEG Long Island on the value of a shared platform owned by LIPA and not tied to PSEG NJ to maximize efficiency in responding to IRs in the short timeframe provided for DPS and other requests.
- 2. DoIT to meet with vendor to determine license with Caseworks, based on prior research with this and other potential vendor.
- 3. Rates and Legal to coordinate with DoIT in meeting with vendor, understanding capabilities of platform and for sharing access with PSEG Long Island.
- 4. Purchase platform install and implement, with training for all users.

**Team Lead:** Anna Chacko and Mujib Lodhi
Board Policy on Construction of Transmission and Distribution Projects

Annual Report

Report to the Board of Trustees

September 23, 2020
Board Policy on Construction of Transmission and Distribution Projects

2020-2021 Article VII Projects:

Western Nassau Transmission Project

Project Description: $162M project to install a new underground 138kV transmission circuit from East Garden City Substation to Valley Stream substation to comply with NERC revised definition of bulk power facilities and meet N-1-1 reliability requirements for the Western Nassau load pocket.

- Article VII updated approval: – 9/19/19
  - EMCP Phase 1 approval 11/19/19
  - EMCP Phase 2 approval 3/20/20
- Project Status: On Schedule
- 22 of 23 new manholes installed and tied in
- 21,287 of 39,840 feet of cable installed
- 18 of 69 splices complete
- December 2020 in service date
Board Policy on Construction of Transmission and Distribution Projects

2020-2021 Article VII Projects:

Riverhead to Canal New 138kV Transmission Circuit

Description: $99M project installs a new 138 kV cable between Riverhead and Canal substation with 38 new manholes utilizing existing spare conduit, a 2nd 138/69 kV transformer at Canal substation, and 3-138kV reactors at Riverhead substation. This project supports the South Fork Load growth needs.

- Article VII approval – 12/21/2009
  - EMCP approval 4/24/20
- Project Status: On Schedule
- 11 of 39 manholes installed and tied in
- Cable installation began 9/9/2020
- June 2021 in service date
Wildwood to Riverhead Upgrade 69kV Transmission Project to 138kV

Description: $9.9M project to upgrade the existing 10.6 mile Wildwood to Riverhead 69 kV circuit to 138 kV. Existing overhead line constructed at 138 kV and currently operated at 69 kV, upgrades will include new insulators, termination structures at the Riverhead and Wildwood substations and a 900-foot 138 kV UG cable at Wildwood substation. This project supports the South Fork Load growth needs.

- Article VII updated approval – 7/12/12
  - EMCP approval: 7/3/14
- Project Status – In progress. All overhead work completed. Substation terminations and cable dip to be coordinated with the in service date for new Riverhead to Canal circuit
Ruland-Plainview New 69kV Transmission Line:
Description: $60M project to install a new 69kV transmission line from the Ruland Road to Plainview substations to resolve a transmission overload. The route selected for the new 69 kV line will allow this line to directly supply the new Round Swamp substation.

Configuration Analysis Selected Underground Construction:
– Advantage/disadvantage analysis, including costs of OH/UG alternatives
– Regulatory factors – environmental, legal and regulatory conditions impacting design, such as preliminary SEQRA assessment, Americans with Disabilities Act compliance etc.
– Technical limitations – engineering and technical considerations impacting design of the facility, including storm-hardening standards, availability of space, number of dips, etc.
**For All Board Voting Items:**

**Title of Agenda Item:** Approval of the Annual Report to the Board Policy on Construction of T&D Projects

**Consent Agenda:** ☐ Yes ☒ No  
**Accompanying Presentation:** ☒ Yes ☐ No

**Recommendation from Committee:** ☒ N/A ☐ F&A; ☐ GP&P; ☐ Oversight & Clean Energy

**LIPA Presenter:** Rick Shansky  
**PSEG Long Island Presenter:** N/A

**Enterprise Risk Management Discussion:** ☒ Yes ☐ No

**For Policy Reports Only:**

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

**Date of Last Report:** September 25, 2019  
**Compliance Since Last Report:** ☒ Yes ☐ No

**Proposed Changes to Policy:** ☐ Yes ☒ No

**Requested Action:**  
The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; and (ii) finding that LIPA has complied with the Policy.

**Summary:**  
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, and amendments approved by Resolution No. 1491, dated September 25, 2019.

Staff has completed its annual review of the Policy and has no suggested amendments at this time.
FOR CONSIDERATION
September 23, 2020

TO: The Board of Trustees

FROM: Thomas Falcone


Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) 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”); and (ii) 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, and amendments approved by Resolution No. 1491, dated September 25, 2019.

Compliance with the Policy

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 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 1024, such report to be done sufficiently far in advance of construction to inform the public outreach and project planning process”:

- PSEG Long Island proposed the construction of a new 69kV transmission line from the Ruland Road substation to the Plainview substation, mainly located in the Town of Oyster Bay and partly located in the Town of Huntington. The project involves the construction
of a new electric substation, identified as the Round Swamp Road Substation, and installation of two underground (“UG”) 69kV transmission circuits and two UG 13kV distribution exit feeders. In compliance with the Policy, PSEG Long Island prepared the required analysis that evaluated the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by other New York utilities.

- The analysis led to the conclusion that substantial portions of the line had to be underground for technical reasons. On Round Swamp Road, the lower cost of an overhead line was balanced against numerous considerations, including high residential density, numerous inventoried areas, and tree impacts, among other things, and that portion of the line was determined to be best built as an underground facility consistent with the Policy. With respect to the portion of the line along Old Country Road, similar considerations as well as the risk of additional costs should the environmental review process be protracted (e.g., the cost of repaving should PSEG Long Island be unable to coordinate its construction schedule with the County’s scheduled repaving of the road), led to the decision in favor of underground construction.

- With respect to outreach for the Plainview to Ruland project, PSEG Long Island External Affairs conducted a series of meetings beginning in April 2018 through June 2020 with representatives from the local municipalities. Additionally, on July 8, 2020, a Transmission Notification letter was mailed to customers located within 500 feet of the Proposed Action to notify them of the upcoming activities. In accordance with the Policy, PSEG Long Island External Affairs also consulted with the Department of Public Service (“DPS”) on outreach for the Proposed Action.

“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”

- As previously reported to the Board, in December 2017, the Board adopted changes to LIPA’s Tariff for Electrical Service (the “Tariff”) to create 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.

- Pursuant to these Tariff provisions, PSEG Long Island has begun discussions with the Village of Farmingdale and the Village of Westhampton Beach to underground certain distribution facilities in commercial areas. The final details of these projects remain pending. The status of those projects will be reported to the Board as part of the next annual review.

- Earlier this year, LIPA and PSEG Long Island prepared a brochure on the undergrounding program, which was electronically distributed to local elected officials and is available on both the LIPA and PSEG Long Island websites.
“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 DPS review project scoring and outreach plans.

- PSEG Long Island scores each project scoring 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 the 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 report to the Board, the Round Swamp Road Substation and Ruland Road Substation to Plainview Substation New 69kV Transmission Circuit project was designated as a Tier 3 project, as was the Roslyn Substation Expansion project. Tier 2 projects included several distribution reconductoring project in areas across the service territory (Lake Success, North Hills, West Amityville, Massapequa, Rockaway Beach, Breezy Point) and the installation of voltage regulation equipment at the Whiteside substation.

**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. 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 medium 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 working closely with PSEG Long Island’s External Affairs to monitor compliance with the Policy of the communication with towns and the
public for significant projects. Based on the mitigation actions in place, Staff believes this risk is adequately managed.

**Annual Review of the Policy**

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 CONSTRUCTION OF TRANSMISSION AND DISTRIBUTION PROJECTS

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 amended by the Board pursuant to Resolution No. 1491, dated September 25, 2019; 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 Policy for the period since the last annual review and approves the annual report to the Board.

Dated: September 23, 2020
The Board Policy on Debt and Access to Capital provides guidance for LIPA’s path to a stronger financial position, with the goal of reducing long-term cost for customers.

LIPA met or exceeded all the Board Policy goals in 2020.

Five key financial planning metrics include:

- Implementing financial plans that lead to bond ratings of at least A2/A/A from Moody’s, S&P, and Fitch over five years;
- Achieving Debt-Service Coverage Ratio (measure of cash flow available to pay current debt obligations) of 1.45x in 2019, and 1.40x in 2020, adjusted for new accounting lease rules. See slide 4;
- Generating sufficient cash flow to fund no more than 64% of capital expenditures with debt;
- Maintaining cash on hand of at least $100 million in the Operating Fund, $150 million in the Rate Stabilization Fund, and available cash and available credit of at least 120 days of operating expenses; and
- Pre-funding of Pension Fund Obligations, Other Post-Employment Benefits and Nuclear Decommissioning Trust Fund obligations in a fiscally sound manner, as measured by an actuary.
2020 IN REVIEW

✓ Achieved Debt and Access to the Credit Markets Policy Metrics

✓ LIPA received ratings affirmations from all three rating agencies: A2 by Moody’s Investors Service (Moody’s), A by Standard and Poor Global Ratings (S&P), and A by Fitch Ratings (Fitch).

✓ Issued ~$602 million of Series 2020 Bonds; ~$238 million fixed-rate bonds, ~$250 million mandatory tender bonds and ~$114 million Federally Taxable, that will generate $28 million of NPV savings.

<table>
<thead>
<tr>
<th>Rating</th>
<th>FitchRatings</th>
<th>Moody’s</th>
<th>STANDARD &amp; POOR’S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlook</td>
<td>A</td>
<td>A2</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>Stable</td>
<td>Stable</td>
<td>Stable</td>
</tr>
</tbody>
</table>

The rating affirmation considers LIPA’s strong suite of cost recovery mechanisms that support a more resilient and predictable cash flow stream, improved financial, operating and customer satisfaction measures, LIPA’s continued investment in operational and systems improvements and the strong economic profile of LIPA’s service territory.
Board financial policies require LIPA to budget for certain levels of Fixed Obligation Coverage.

**LIPA has exceeded the coverage requirement in 2016 - 2020 and has budgeted to achieve the required levels in 2021 and 2022.**

### LIPA Only Coverage*

<table>
<thead>
<tr>
<th>Year</th>
<th>2016 Actual</th>
<th>2017 Actual</th>
<th>2018 Actual</th>
<th>2019 Actual</th>
<th>2020 Actual</th>
<th>2021 Projected</th>
<th>2022 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.26</td>
<td>1.33</td>
<td>1.40</td>
<td>1.49</td>
<td>1.49</td>
<td>1.40</td>
<td>1.40</td>
</tr>
</tbody>
</table>

*Adjusted for new accounting lease rules*
LIPA’s Board policy reduced the percentage of capital expenditures funded by debt to 64% or less on a three-year rolling average.

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures:</td>
<td>784,280</td>
<td>746,277</td>
<td>636,571</td>
<td>706,862</td>
<td>531,774</td>
</tr>
</tbody>
</table>

Sources of Funds:

- **Debt Financing**: 499,524 64% 462,044 62% 394,396 62% 389,080 55% 282,317 53%
- **FEMA Grants***: 40,357 5% 104,727 14% 136,246 21% 177,898 25% 139,789 26%
- **PAYGO**: 244,399 31% 179,506 24% 105,929 17% 139,885 20% 109,668 21%
- **Total Sources**: 784,280 746,277 636,571 706,863 531,774

* LIPA advances funding for FEMA projects, which are reimbursed at 90%.

- 3-year rolling average for the period ending 2020 was 63%
- Gradually improve LIPA’s debt-to-asset ratio, consistent with other “A” rated major public power utilities
PENSION, OPEB AND NDTF FUNDING

LIPA annually funds the PSEG and LIPA Pension and OPEB obligations and maintains required funding levels of the Nuclear Decommissioning Trust Fund in a fiscally sound manner, as measured, by an actuarial services firm no less than every other year.

- **PSEG Long Island pension plan trust:**
  - Assets: $343 million
  - Obligation: $570 million

- **PSEG Long Island OPEB account:**
  - Assets: $475 million
  - Obligations: $699 million

- **Funded $610,000 for LIPA to the NYS Employee Retirement System**

- **OPEB Trust for LIPA employees:**
  - Assets: $26 million
  - Obligations: $23 million

- **NMP2 Nuclear Decommissioning Trust Funds:**
  - Assets: $164 million
  - Obligation: $67 million
LIPA LIQUIDITY POSITION

LIPA exceeded its minimum required 120 days cash and available credit for 2020 and strengthened and extended its access to short term liquidity.

<table>
<thead>
<tr>
<th>Liquidity Position</th>
<th>December 31, 2020</th>
<th>Days Cash</th>
<th>December 31, 2019</th>
<th>Days Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating liquidity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted cash and cash equivalents</td>
<td>727,396</td>
<td>173 days</td>
<td>743,307</td>
<td>173 days</td>
</tr>
<tr>
<td>OPEB account cash, cash equivalents &amp; investments</td>
<td>475,365</td>
<td></td>
<td>386,262</td>
<td></td>
</tr>
<tr>
<td>PSEG Long Island Working Capital requirements</td>
<td>207,277</td>
<td></td>
<td>248,499</td>
<td></td>
</tr>
<tr>
<td><strong>Total operating liquidity</strong></td>
<td>1,410,038</td>
<td>173 days</td>
<td>1,378,068</td>
<td>173 days</td>
</tr>
<tr>
<td><strong>Available credit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Revenue Notes - Revolving Credit Facility</td>
<td>198,000</td>
<td></td>
<td>198,000</td>
<td></td>
</tr>
<tr>
<td>General Revenue Commercial Paper</td>
<td>585,000</td>
<td></td>
<td>510,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total available credit</strong></td>
<td>783,000</td>
<td></td>
<td>708,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total cash, cash equivalents, investments &amp; available credit</strong></td>
<td>$2,193,038</td>
<td>268 days</td>
<td>$2,086,068</td>
<td>262 days</td>
</tr>
</tbody>
</table>
LIPA’s consolidated debt as of December 31, 2020 (unaudited), 2019, 2018, 2017 and 2016, including current maturities, is comprised of the following:

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>USDA Restructuring Bonds</td>
<td>3,882,775</td>
<td>4,008,832</td>
<td>4,139,593</td>
<td>4,262,396</td>
<td>3,965,529</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>$8,345,488</td>
<td>8,055,128</td>
<td>7,737,058</td>
<td>7,476,610</td>
<td>7,322,501</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revolving Credit Agreement</td>
<td>2,000</td>
<td>2,000</td>
<td>5,000</td>
<td>12,820</td>
<td>—</td>
</tr>
<tr>
<td>General Revenue Commercial Paper Notes</td>
<td>415,000</td>
<td>290,000</td>
<td>229,500</td>
<td>97,500</td>
<td>155,625</td>
</tr>
<tr>
<td>Subordinated Commercial Paper Notes</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Total short-term debt</td>
<td>$417,000</td>
<td>292,000</td>
<td>234,500</td>
<td>360,320</td>
<td>405,625</td>
</tr>
</tbody>
</table>

| Total debt                           | $8,762,488     | 8,347,128      | 7,971,558      | 7,836,930      | 7,728,126      |

- LIPA’s debt has increased approximately $1.1 billion over the past five years, while LIPA has funded over $3.4 billion of capital investment to improve the reliability and resiliency of the electric grid. By adding assets faster than debt, LIPA will continue to improve its debt-to-assets ratio.

- LIPA has taken advantage of market opportunities by:
  - Refunding LIPA bonds in 2020, generating net present value savings of $28 million
  - Achieving a lower cost of funds through USDA’s “AAA” credit ratings, which generated present value savings for customers of $492 million.
### LIPA's Total Debt-to-Asset ratio is steadily improving

#### Long-term debt (including Capital Leases):

<table>
<thead>
<tr>
<th></th>
<th>Projected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Debt</td>
<td>9,109,158</td>
<td>8,345,488</td>
</tr>
<tr>
<td>Right-to-Use Lease Assets</td>
<td>1,939,943</td>
<td>2,791,544</td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>(109,094)</td>
<td>(128,833)</td>
</tr>
<tr>
<td><strong>Total Long-term debt</strong></td>
<td>$ 10,940,007</td>
<td>11,008,199</td>
</tr>
</tbody>
</table>

#### Assets plus Working Capital:

<table>
<thead>
<tr>
<th></th>
<th>Projected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Plant</td>
<td>$ 10,755,757</td>
<td>10,313,576</td>
</tr>
<tr>
<td>Net Working Capital</td>
<td>1,468,584</td>
<td>1,370,410</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>$ 12,224,341</td>
<td>11,683,986</td>
</tr>
</tbody>
</table>

#### Total Debt to Asset Ratio (%)

<table>
<thead>
<tr>
<th></th>
<th>Projected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>89.5%</td>
<td>94.2%</td>
</tr>
</tbody>
</table>
FOR CONSIDERATION
March 29, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board Policy on Debt and Access to the Credit Markets

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority is requested to adopt a resolution: (i) finding that LIPA has complied with the Board Policy on Debt and Access to Credit Markets (the “Policy”); and (ii) approving the annual report for the Policy.

Background

By Resolution No. 1319, dated September 21, 2016, the Board adopted the Policy with the purpose of serving the long-term interests of LIPA’s customers by adopting sound financial plans in 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 our customer-owners. The last annual report to the Board was presented on May 20, 2020, and the Policy was last amended by Resolution No. 1579, dated December 16, 2020.

Compliance with the Policy

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 requires that LIPA achieve the lowest long-term cost to our customer-owners by adopting budgets and financial plans that meet the following objective:

“Support credit ratings of at least A2/A”

• In 2020, LIPA’s three ratings were reaffirmed at A2, A, A, from Moody’s, S&P Global, and Fitch Ratings, respectively.

“For 2020 and 2021, achieve fixed-obligation coverage ratios of no less than (i) 1.35x on the combination of LIPA-issued debt and lease payments; and (ii) 1.15x on the combination of LIPA issued debt, Utility Debt Securitization Authority (“UDSA”)-issued debt, and lease payments.”1

1 Lease payments are defined in Governmental Accounting Standard Board Statement No. 87
• For the period ended December 31, 2020, LIPA achieved coverage ratios of 1.40x for LIPA-issued debt and lease payments and 1.24x for LIPA and USDA-issued debt and lease payments.
• The 2021 Budget is set to meet the 1.35x fixed-obligation coverage ratio.

“Generate sufficient cash flow from revenues to maintain the issuance of new debt as a percentage of capital spending at 64 percent or less as measured on a three-year rolling average; however, allow this percentage to exceed 64 percent target on a forward-looking three-year rolling average in 2021 and 2022 as LIPA responds to the effects of the COVID-19 pandemic and Tropical Storm Isaias.”

• New debt as a percentage of capital spending for the three-year rolling average for the period ended December 31, 2020 was approximately 63%.

“Maintain (i) cash on hand at each month end of at least $100 million in the Operating Fund and $150 million in the Rate Stabilization Fund, and (ii) cash on hand and available credit of at least 120 days of operating expenses.”

• Cash on hand at the end of each month exceeded the target of $100 million.
• As of December 31, 2020, the Operating and the Rate Stabilization funds totaled $179 million and $162 million, respectively.
• During 2020, cash on hand and available credit exceeded the target of at least 120 days available for operating expenses.
• As of December 31, 2020, 268 days of operating expenses were available in cash and credit.

“Annually, pre-fund obligations to LIPA’s Service Provider for pension costs from operating expenses in a fiscally sound manner, as measured by an actuarial services firm no less than every other year.”

• As measured by an actuarial services firm, LIPA funded $30 million to the PSEG Long Island pension plan trust account.
• As of December 31, 2020, the PSEG Long Island pension plan trust account had assets valued at $343 million compared to a benefit obligation of $570 million.

“Annually pre-fund obligations to LIPA’s Service Provider for Other Post-Employment Benefits ("OPEBs") to a dedicated OPEB Account in a fiscally sound manner, as measured by an actuarial services firm no less than every other year.”

• As measured by an actuarial services firm, LIPA funded $37 million to the LIPA OPEB account in 2020.

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2 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 withdraws for such purposes will be repaid within twelve months.
LIPA’s OPEB account to prefund the OPEB benefits of PSEG Long Island employees had assets valued at $475 million compared to a benefit obligation of $699 million.

“Pre-fund LIPA’s OPEB Trust in a fiscally sound manner, as measured by an actuarial service firm no less than every other year.”

- 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 $26 million compared to benefit obligations of $23 million.

“Pre-fund LIPA’s Nuclear Decommissioning Trust Fund in a fiscally sound manner, as measured by an actuarial service firm, no less than every other year.”

- As measured by an actuarial services firm, LIPA funded $0.03 million to the NDTF in 2020.
- The NMP2 Nuclear Decommissioning Trust Funds had assets valued at $164 million compared to a liability of $67 million.
- The funding levels have been reviewed by an actuarial services firm within the last two years.

**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 liquidity to cover obligations greater than 60 days (i.e., loss of revenue stream) results in the inability to make debt service payments, pay USDA Bondholders, and cover operating expenses.”

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, and borrow from a revolving line of credit or in the commercial paper market. In early 2021, all three rating agencies reaffirmed LIPA’s credit ratings, helping to reduce this risk by providing confidence in LIPA’s ability to access capital markets.

Based on our credit ratings and our ability to access capital markets, we believe this risk is being adequately managed. In addition, many of the COVID-19 related challenges and disruptions in the commercial paper market have diminished and LIPA’s liquidity remains strong, well above the 120-day minimum required by the Policy as noted above.

**Annual Review of the Policy**

LIPA Staff has reviewed the Policy and suggests no 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  
**Exhibit “B”** Board Policy on Debt and Access to Credit Markets
WHEREAS, the Board Policy on Debt and Access to the Credit Markets (the “Policy”) 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 on May 20, 2020, and the Policy was last amended by Resolution No. 1579, dated December 16, 2020; 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 Policy for the period since the last annual review and approves the annual report to the Board.

Dated: March 29, 2021
Board Policy on Debt and Access to the Credit Markets

It is the policy of the Long Island Power Authority to serve the long-term interests of LIPA’s customer-owners. The Long Island electric grid requires substantial investments each year to maintain its reliability and resiliency. By adopting sound fiscal metrics and sustainable financial plans, LIPA ensures prudent levels of borrowing, ready access to funds on reasonable terms for infrastructure investment, and the lowest long-term cost to our customer-owners.

LIPA will achieve the lowest long-term cost to our customer-owners by adopting budgets and financial plans that meet the following objectives:

- Support credit ratings of at least A2/A;
- For 2020 and 2021, achieve fixed-obligation coverage ratios of no less than (i) 1.35x on the combination of LIPA-issued debt and lease payments; and (ii) 1.15x on the combination of LIPA-issued debt, Utility Debt Securitization Authority (“UDSA”)-issued debt, and lease payments;
- Beginning in 2022, LIPA shall increase the fixed-obligation coverage ratios to no less than (i) 1.40x on the combination of LIPA-issued debt and lease payments; and (ii) 1.20x on the combination of LIPA-issued debt, UDSA-issued debt, and lease payments;
- Generate sufficient cash flow from revenues to maintain the issuance of new debt as a percentage of capital spending at 64 percent or less as measured on a three-year rolling average; however, allow this percentage to exceed 64 percent target on a forward-looking three-year rolling average in 2021 and 2022 as LIPA responds to the effects of the COVID-19 pandemic and Tropical Storm Isaias;
- Maintain (i) cash on hand at each month end of at least $100 million in the Operating Fund and $150 million in the Rate Stabilization Fund, and (ii) cash on hand and available credit of at least 120 days of operating expenses;
- Annually, pre-fund obligations to LIPA’s Service Provider for pension costs from operating expenses in a fiscally sound manner, as measured by an actuarial services firm no less than every other year; and

1 Lease payments are defined in Governmental Accounting Standard Board Statement No. 87

Page 1
• Annually pre-fund obligations to LIPA’s Service Provider for Other Post-Employment Benefits ("OPEBs") to a dedicated OPEB Account in a fiscally sound manner, as measured by an actuarial services firm no less than every other year;2
• Transition to a phase-in approach for annual pre-funding OPEB obligations from operating expenses beginning in 2023;
• Pre-fund LIPA’s OPEB Trust in a fiscally sound manner, as measured by an actuarial services firm no less than every other year; and
• Pre-fund LIPA’s Nuclear Decommissioning Trust Fund in a fiscally sound manner, as measured by an actuarial services firm no less than every other year.

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

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2 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 withdraws for such purposes will be repaid within twelve months.
Enterprise Risk Management Discussion

December 16, 2020
Topics for Discussion

- 2020 Risk Summary
- ERM Policy Compliance & Program Recommendations
- Next Steps
High-priority risks can significantly impede both LIPA and PSEG Long Island’s ability to achieve their respective goals.

- There are 12 risks that have been deemed high-priority and represent the most significant risks to the organization; these risks are reviewed with senior management.
- Risk Trending is defined as a year-over-year comparison of the state of the risk which is determined by considering new mitigation actions, changes to the environment of the risk, or event(s) that have occurred since the risk was last reviewed. Risks are rated as: Increasing, Decreasing, or Stable.
<table>
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<tr>
<th>Risk Category</th>
<th>Risk</th>
<th>Trend</th>
<th>Risk Mitigation</th>
<th>Board Communications</th>
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<tr>
<td>Reliability</td>
<td><strong>Major Storm</strong> - Damage to infrastructure, delayed restoration, and ineffective communication with customers results in negative public perception Managed by - PSEG Long Island</td>
<td>• Capital programs are underway to convert the 23kv system to 33kv and 33kv to 69kv, modernize the transmission system, and build more transmission lines as a result of offshore wind projects • Contingency plans related to operation of the T&amp;D system are in place, and additional multi-station operators are scheduled to be available to respond to system events and disturbances • Employed more aggressive response to system disturbances that affect the reliability of six load pockets. (i.e. personnel call outs, activation of survey crews in preparation of adverse system conditions, etc.)</td>
<td>• Recommendations included as part of the root cause analysis and comprehensive 30 and 90-Day Tropical Storm Isaias Reports adopted by the Board • Initiated the Power On program to continue strengthening distribution lines, specifically focusing on mainline circuits which is the backbone of the distribution system; revising plans for 2022 going forward for improvements • Continued replacement and installation of switches to help minimize customer outages</td>
<td>• 30 and 90-Day Reports • May Summer Prep &amp; Emergency Restoration Plan • June Storm Hardening &amp; Resilience Strategy • September update on Tropical Storm Isaias Response</td>
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<td><strong>Transmission System Vulnerabilities</strong> - Congested load pockets, aging infrastructure, and multiple circuits on a single pole could result in decreased reliability Managed by - PSEG Long Island</td>
<td>• Continue implementing improvements identified in the consultant's study that was completed in 2019 • Continue multi-purpose drills to acclimate users with new tools • Continue evaluating and developing plan for approval/relocation of the new Primary Transmission Control Center • Made improvements to the Alternate Control Center to extend operations in the event of an outage with the PTCC</td>
<td></td>
<td>• May Summer Prep • July T&amp;D System Reliability and Capital Program &amp; FEMA Update</td>
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<td><strong>Outdated Primary Transmission Control Center</strong> - Current control center creates increased system vulnerabilities, especially during high activity events Managed by - PSEG Long Island</td>
<td>• Improvements made at 12 substations impacted by Superstorm Sandy (i.e., elevated equipment, flood walls, sand bags) • Nearing completion of the oil circuit breaker replacement program and plans underway to replace six older SF6 breakers that will improve reliability</td>
<td></td>
<td>• No specific presentation to the BoT, however, there is line item in 5-year budget</td>
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<td><strong>Substation Failure</strong> - Catastrophic failure of major substation assets with long lead time for repair results in decreased reliability Managed by - PSEG Long Island</td>
<td>• Continuously improve and integrate current safety and training programs • Completed consultant's review of the safety program to highlight areas of improvement; very few recommendations were provided • Implement the Authorization for Commencement of Contract Work procedure which will further document site review with on-site contractors</td>
<td></td>
<td>• May Summer Prep • July T&amp;D System Reliability and Capital Program &amp; FEMA Update</td>
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<td><strong>Safety</strong> - Employees/contractors not following procedures resulting in injury/death Managed by - PSEG Long Island</td>
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<td>• Annual Safety Policy Review at December Board Meeting</td>
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## 2020 High-Priority Risks – Regulatory & Rates

<table>
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<th>Risk Category</th>
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<th>Trend</th>
<th>Risk Mitigation</th>
<th>Board Communications</th>
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</thead>
</table>
| Regulatory Environment | Regulatory/Legislative - Regulations and/or legislations are modified and result in potential changes to the business model, operational changes, and/or an increased cost of service Managed by - LIPA & PSEG Long Island | ¥ | • Translate subject matter expertise into synchronized and persuasive policy positions  
• Identify high value opportunities to influence State and Federal policy to align with customer needs  
• Proactively engaging with media to increase awareness to stakeholders  
• Develop cost-effective implementation plans if/when new regulations are passed | • CLCPA Briefing 2019  
• Siting Act Briefing  
• VDER Presentations |
| Rates | Insufficient Rates/Untimely Rate Relief - Inadequate system investment could compromise our ability to achieve priorities Managed by - LIPA & PSEG Long Island | ¥ | • Balance system requirements with financial obligations and customer impacts  
• Analyze costs and identify ways to offset expenses to minimize rate impacts to our customers  
• Maintain strong relationships with, and actively educate stakeholders | • June 2020 - Customer Value and Affordability Presentation & Policy Review  
• November 2020 - PFM Financial Policy Review |
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<tr>
<th>Risk Category</th>
<th>Risk</th>
<th>Trend</th>
<th>Risk Mitigation</th>
<th>Board Communications</th>
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<tbody>
<tr>
<td>Reputation</td>
<td><strong>Reputation</strong> - Negative media coverage could alter customer perception, system operations, and access to affordable capital. Managed by - LIPA &amp; PSEG Long Island</td>
<td>- Recommendations included as part of the root cause analysis and comprehensive 30 and 90-Day Tropical Storm Isaias Reports adopted by the Board. - 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. - 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.</td>
<td>30 and 90-Day Reports, Frequent communication on stakeholder relations and provide continuous feedback.</td>
<td></td>
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<tr>
<td>Cyber &amp; Physical Security</td>
<td><strong>Changing Customer/Stakeholder Expectations</strong> - Perceived lack of responsiveness and/or misinterpretation of customer needs results in negative public perception. Managed by - LIPA &amp; PSEG Long Island</td>
<td>- Recommendations included as part of the root cause analysis and comprehensive 30 and 90-Day Tropical Storm Isaias Reports adopted by the Board. - Conduct focus-groups and customer outreach panels to gauge attitude, interest and sentiment in our products, services and service delivery. - Continually monitor and measure perception using media analysis and strategic media intelligence to see changes over time to understand and assess reputation.</td>
<td>30 and 90-Day Reports, Monthly communications on customer satisfaction and JD Power Survey Results.</td>
<td></td>
</tr>
<tr>
<td>Cyber Event</td>
<td><strong>Cyber Event</strong> - Unauthorized access to IT and/or T&amp;D systems results in decreased operational abilities. Managed by - LIPA &amp; PSEG Long Island</td>
<td>- Continue to integrate security awareness and education into management culture. - Perform annual drills that concentrate on cyber attack. - Starting in 2021 will conduct an annual comprehensive review of cyber security, communication infrastructure, and the AMI system. - Facilitate annual third-party vulnerability and penetration assessment on IT/OT systems.</td>
<td>Annual Cyber Policy Review at December Board Meeting.</td>
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<tr>
<td>Breach of Personal Identifiable Information</td>
<td><strong>Breach of Personal Identifiable Information</strong> - Internal or 3rd party mass breach of PII results in loss of sensitive data and potential fraud. Managed by - PSEG Long Island</td>
<td>- All employees and contractors are trained on the importance of protecting PII, receive Red Flag training and data is only shared on an &quot;as needed&quot; basis. - Develop and implement plan to comply with NY Shield Act. - Project completed in 2019 to shift PII to third party for masking and protection.</td>
<td>Annual Cyber Policy Review at December Board Meeting.</td>
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</tr>
<tr>
<td>Physical Security Attack</td>
<td><strong>Physical Security Attack</strong> - Substation security and/or the control centers are compromised resulting reduced reliability. Managed by - PSEG Long Island</td>
<td>- Conduct security vulnerability inspections and penetration tests at all critical sites. - Substations security upgrades are either in design phase, planned or underway for all 10 critical substations (recommend expediting). - Recommendation - Consider third-party vulnerability assessment.</td>
<td>Annual Physical Security Policy Review at December Board Meeting.</td>
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</tbody>
</table>
ERM Board Policy Compliance

• Since 2015 LIPA and PSEG Long Island have been working collaboratively to develop an ERM Program to identify the most significant risks facing our organizations

• Over the past two years, the ERM program has seen a notable decline in the level of transparency and collaboration in the ERM assessment process

• In consideration of the Isaias Task Force work and recommendations coming from the 30 and 90 day reports we’re proposing significant changes to the ERM process, as seen on the following slide
ERM Recommendations for PSEG Long Island – for Board approval and adoption

- Provide for LIPA SMEs and ERM team participation in all risk discussions;
- Create a culture of accountability by designating management-level owners for each risk mitigation strategy and related management action plan;
- Establish a joint SharePoint site so that risk information, can be accessed in real-time by LIPA SMEs;
- Produce a comprehensive annual risk report by June 1st;
- Perform deep dive analysis on high-priority risks including what mitigation actions have been implemented, those underway, planned, and areas of deficiency;
- Develop a risk correlation matrix to better understand end-to-end impacts and the risks that are interrelated (especially for major storm) to better inform needed mitigation strategies;
- Provide risk training to all SMEs participating in the annual risk assessment process to better understand expectations and value of the process; and
- Develop a process so that if a high-risk event or condition is identified it will trigger a risk review that will be elevated to LIPA and PSEG Long Island senior management.
Next Steps

• Implement eight ERM recommendations to improve the efficacy of the ERM Program

• Commence 2021 ERM Assessment Cycle with added focus on identifying and assessing the effectiveness of mitigation actions for high-priority risks

• Plan for 2021 ERM Board of Trustees ERM Workshop
FOR CONSIDERATION
December 16, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

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

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution attached hereto as Exhibit “A”: (i) finding that the Long Island Power Authority (“LIPA”) has complied with the Board Policy on Enterprise Risk Management (the “ERM Policy” or “Policy”); (ii) approving the annual report for the Policy; (iii) approving certain amendments to the Policy, as detailed herein; and (iv) adopting recommendations for the Enterprise Risk Management (“ERM”) program in light of the failures identified by the Isaias Task Force in the 30 and 90-day Reports.

Background - Board Policy on Enterprise Risk Management

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 by Resolution No. 1492, dated September 25, 2019.

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, also 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

Performance for 2020 has been overshadowed by poor storm performance by our service provider. This performance was compounded by the failure of telephone access to report outages and the failure of the outage management system used to identify and report on outages. These matters are more fully discussed in LIPA’s 30 and 90-Day reports on Tropical Storm Isaias.

Nevertheless, consistent with the Policy, LIPA and PSEG Long Island have maintained ERM programs designed to evaluate significant risks and corresponding mitigation activities facing the business. This Report covers ERM activities since the Board’s September 2019 review to the present. While PSEG Long Island’s performance with respect to matters identified by the Isaias Task Force remains unacceptable, 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
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”:

“An Enterprise Risk Management Committee consisting of at least three LIPA staff appointed by the Chief Executive Officer, two of whom must be drawn from LIPA’s senior management, to oversee the processes and procedures of the Program.”

- LIPA has an active Executive Risk Management Committee (“ERMC”) that reviews the implementation of the ERM Program and the findings of the Program, including discussions of the most significant risks facing LIPA and its Service Provider. Over the last twelve months, the ERMC has met seven times to discuss the progress of the Program and review the risk assessments, associated mitigation activities, and deep-dive analysis of the most significant risks. In addition, the ERMC was briefed on the completion of actions relating to the ERM Recommendations of the DPS Management Audit.

- Currently, there are ten members on the Committee, including the CEO, CFO, CAO, CIO, General Counsel, and other LIPA staff at the Vice President and Director levels.

- The ERMC maintains an ERM procedures manual which was recently updated by ERM staff to reflect certain enhancements including: integration of risk information into decision-making within Strategic Planning, Internal Audit and other areas of the business. The ERM procedures also now call for maintaining a list of emerging risks and recognize PSEG Long Island’s Risk Management Committee governance responsible for reviewing their identified risks.

“An evaluation of the most significant risks facing the LIPA and its Service Provider, and corresponding mitigation activities, reported to senior management of LIPA and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring activity between reviews”

- Since the last Board report, the ERM team has worked with the Subject-Matter Experts (“SMEs”) for the most significant risks of LIPA and PSEG Long Island to further analyze these risks through a deep-dive review process to understand the specific causes and consequences of each risk and the mitigation actions planned or deployed. Deep-dive risk reports were presented to LIPA’s ERMC while other significant risks were presented to both LIPA and PSEG Long Island senior management at their Management Review Board meetings. LIPA risk analyses included Reputation, Cyber Event and Workforce Challenges, and PSEG Long Island risks focused on the Primary Transmission Control Center, LIRR Access, and a Major Storm Event.

- Annually, the F&A Committee receives an ERM Program Update highlighting the significant risks facing LIPA and PSEG Long Island and mitigation strategies concurrent with this annual report. In October, the Board participated in an ERM Workshop that included an overview of the ERM process and a deep-dive analysis discussion of two significant risks, Reputation and Long Island Railroad Access. In addition, this year paragraphs have been included in Board Policy updates specifically related to the risks associated with those policies.

“A review of the LIPA’s insurance and other forms of coverage against insurable risks, including the
availability and economics of such coverage, performed each year.”; and

“Business continuity plans for LIPA and its Service Provider that are reviewed each year.”

**Insurance:**

- The Amended & Restated Operations Services Agreement (“OSA”) requires LIPA to provide written notification to PSEG Long Island 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.

- During 2020, 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 3rd 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.

**Business Continuity:**

- LIPA’s Chief Information Officer maintains departmental and corporate level business continuity plans (“BCPs”) for LIPA operations. PSEG Long Island maintains BCPs for each operational area within each business unit.

- LIPA and PSEG Long Island’s staff annually review their respective BCPs. In addition, LIPA receives an annual report describing the status of PSEG Long Island’s testing of, and compliance with, their BCPs. In response to the Covid-19 pandemic, LIPA and PSEG Long Island activated their BCPs on March 17, 2020 and a majority of LIPA’s and PSEG Long Island’s staff successfully transitioned to performing their responsibilities from remote work locations.

- In August 2020, LIPA formed the Tropical Storm Isaias Task Force (the “Task Force”) to investigate the root causes of PSEG Long Island’s poor storm response. That investigation revealed that in several areas, including for key information technology systems, PSEG Long Island did not have adequate BCPs. Specifically, with respect to the failure of the outage management system, the Task Force’s 90-Day report noted, “With inadequate BCPs and no manual workarounds, PSEG Long Island leadership was simply unable to override standard operating procedures and take corrective actions.” One of the Task Force recommendations adopted by the Board on November 18 is to “create BCPs for all mission critical systems and processes.” LIPA staff will be overseeing creation of those BCPs to ensure they address the inadequacies identified by the Task Force investigation.

“An annual review of the maturity of the Program compared to industry best practices, will
be provided to senior management and the Authority’s Internal Audit staff.”

- The updated 2020 ERM maturity model results were provided to LIPA’s ERMC and senior management and discussed at the ERMC’s July 2020 meeting.

- LIPA’s Internal Audit department received a copy of the 2020 ERM maturity assessment and diagnostic report prepared by a third-party vendor, which measures the current maturity of the LIPA ERM Program and comparison to industry benchmark.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and recommends the following changes:

- edits to the Program’s key provisions to focus the objective of the Program for LIPA and PSEG Long Island to strategically manage their respective risks to reduce the probability of significant outages, financial loss, health and safety events, and reputational harm, and to recognize PSEG Long Island’s governance of the Program by its Risk Management Committee;
- transfer responsibility for LIPA’s BCPs and oversight of PSEG Long Island’s BCPs to LIPA’s Department of Innovation and Information Technology;
- change the ERM maturity model assessment review from annual to biennial as the ERM Program matures; and
- certain other non-material wording changes.

The proposed changes to the Policy are more particularly set forth in Exhibit “B”.

Recommended Changes to the ERM Program in Light of Isaias Task Force Reports

The Isaias Task Force’s 90-Day Report found numerous examples where PSEG Long Island lacked transparency in its dealings with LIPA. This lack of transparency has impacted the effectiveness of LIPA’s ERM Program, including inaccurate and, at times, overly confident rankings by PSEG Long Island of certain key risks and poor implementation of mitigation strategies. To address these issues, LIPA Staff recommends the following changes to the ERM program:

- Include LIPA SMEs and ERM team members in all risk discussions;
- Designate management-level owners for each risk mitigation strategy and related management action plan;
- Establish a joint SharePoint site so that risk information, including risk assessment, deep dive analysis, mitigation strategies, and current status of implementation plans, can be accessed in real-time by LIPA SMEs;
- Produce an annual ERM report, providing a complete aggregation of all risks, effectiveness of mitigation actions for high-priority risks, areas of weakness/need improvement, and general observations, by June 1 of each year;
- Perform deep dive analysis on high-priority risks including what mitigation actions have been implemented, those underway, planned, and areas of deficiency;
- Develop a risk correlation matrix to better understand end-to-end impacts and the risks that are interrelated (especially for major storm) to better inform needed mitigation strategies;
• Provide risk training to all SMEs participating in the annual risk assessment process so that the expectations and value of the process are better understood by the participants; and
• Develop a process so that if a high-risk event or condition is identified by LIPA, PSEG Long Island, or PSEG personnel (e.g. when OMS was failing days before the storm) such event or condition (i) immediately triggers a risk review by the LIPA and PSEG Long Island ERM teams and (ii) is elevated to both LIPA and PSEG Long Island management.

The Board has requested implementation plans for each of these recommendations and quarterly reporting to the F&A Committee on the status of their implementation.

**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 (redline) |
| Exhibit “C” | Policy (clean) |
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. 1492, dated September 25, 2019; and

WHEREAS, the Finance and Audit Committee (the “Committee”) of the Board of Trustees of the Long Island Power Authority (the “Board”) 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 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 substantially complied with the Policy for the period since the last annual review and approves the annual report; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the Committee recommends that the Board adopt the changes to the Policy that are reflected in Exhibit “B;”

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the Board adopts the recommendations to improve the ERM Program and asks for LIPA and PSEG Long Island to file implementation plans no later than the Board’s January Board meeting for review by the Committee; and

BE IT FURTHER RESOLVED, that the Board asks for quarterly reporting to the Committee on the status of the implementation plans until such time as the plans are fully implemented.

Dated: December 16, 2020
Board Policy on Enterprise Risk Management

It is the policy of the Board of Trustees for the Long Island Power Authority (“LIPA”) to maintain an Enterprise Risk Management Program (the “Program”) to identify, assess, monitor, and report on LIPA’s and its Service Provider’s most significant risks to achieving its mission and delivering value to its customer-owners, including those risks managed by its Service Provider.

and the Service Provider’s most Senior Officer, LIPA and its Service Provider shall maintain the 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, and health and safety events, and reputational harm;
- LIPA will maintain an Enterprise Risk Management Committee (“ERMC”) consisting of at least three LIPA staff appointed by the Chief Executive Officer (CEO), two of whom must be drawn from LIPA’s 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 their Enterprise Risk Management (“ERM”) Program, approve a portfolio of risks, to identify, assess, monitor, and manage their most significant risks, and report them to LIPA’s ERMC;
- LIPA and its Service Provider will perform an evaluation of their most significant risks, and corresponding management activities, mitigation strategies and actions 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;
- 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 Business continuity plans for LIPA and its Service Provider that are reviewed each year; and
- 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 the Authority’s Internal Audit staff.

LIPA’s Chief Executive Officer or his or her designee will report annually to the Finance & Audit 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.
Board Policy on Enterprise Risk Management

It is the policy of the Board of Trustees for the Long Island Power Authority ("LIPA") to maintain an Enterprise Risk Management Program (the "Program") to identify, assess, monitor, and report on LIPA’s most significant risks to achieving its mission and delivering value to its customer-owners, including those risks managed by its Service Provider.

LIPA and its Service Provider shall maintain the 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 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’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 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;
- 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 & Audit 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.
POWER SUPPLY HEDGING PROGRAM
POLICY ANNUAL COMPLIANCE REPORT

September 23, 2020
Objective: Mitigate a portion of Power Supply Charge (PSC) volatility

Hedging activity has resulted in PSC volatility through July 2020 at 5.32%, while wholesale spot market is more than 3x that at 17.28%
Governance of the Power Supply Hedging Program

Power Supply Risk Management Committee (PRMC)

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

- 9 LIPA Staff sit on the PRMC, chaired by CFO and is comprised of 5 Senior Staff
- PRMC meets monthly with PSEG ER&T to discuss:
  - Hedge position; market changes; counter party credit health, compliance to LIPA Hedge Plan, and quarterly benchmarking
  - Maintain Procedures Manual and LIPA Hedge Plan

Transparency of the Power Supply Hedging Program

- PSEG ER&T provides PRMC daily, weekly and monthly hedging activity reports
**KEY PROVISIONS OF THE POLICY**

**Maximum net hedge level 90% of projected fuel and power needs**
- Current yearly and individual monthly hedge levels are below 90%

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<th>Bal. Cal '20</th>
<th>Cal '21</th>
<th>Cal '22</th>
<th>Cal '23</th>
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</thead>
<tbody>
<tr>
<td>Hedge Level</td>
<td>77%</td>
<td>73%</td>
<td>61%</td>
<td>49%</td>
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**Maximum hedge term 72 months**
- PRMC approved hedge term horizon in LIPA Hedge Plan currently extends out 40 months to December 2023; in January 2021 hedges will extend out 47 months

**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 a LIPA counterparty credit health review
Questions?
For All Board Voting Items:

Title of Agenda Item: Approval of the Annual Report on the Board Policy on the Power Supply Hedging Program

Consent Agenda: ☒ Yes ☐ No  
Accompanying Presentation: ☒ Yes ☐ No

Recommendation from Committee: ☐ N/A ☒ F&A; ☐ GP&P; ☐ Oversight & Clean Energy

LIPA Presenter: Corey Horowitz  
PSEG Long Island Presenter: N/A

Enterprise Risk Management Discussion: ☐ Yes ☒ No

For Policy Reports Only:

Type of Policy / Report: ☒ Operating; ☐ Governance; ☐ Compliance; ☐ Mission

Date of Last Report: September 25, 2019  
Compliance Since Last Report: ☒ Yes ☐ No

Proposed Changes to Policy: ☐ Yes ☒ No

Requested Action: The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; and (ii) finding that LIPA has complied with the Policy.

Summary: 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 F&A 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 ER&T has remained in compliance with the Policy. Certain responsibilities, as set forth in the Policy, were delegated by the Board to the Chief Executive Officer including maintaining a Power Supply Risk Management Committee to oversee the activities of PSEG ER&T.

Staff recommends that, for the reasons set for in the accompanying memorandum, the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual review.
FOR CONSIDERATION
September 23, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board’s Policy on the Power Supply Hedging Program

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 Finance & Audit Committee (“F&A Committee”) of LIPA’s Board, 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. Certain responsibilities, as set forth in the Policy, 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

Staff recommends that, for the reasons set for 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 Program which identifies certain power supply cost components that can be fixed to create reasonable and stable rates. In general, hedging these cost components has proven to reduce the volatility of LIPA’s Power Supply Charge (“PSC”) for customers. As part of its biannual Program update, on June 24, 2020 PSEG ER&T presented 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 reflects current data indicating the PSC volatility through July 2020 is 5.32% while market is more than three times that amount at 17.28%.

![Coefficient of Variation (12 Month Rolling) of LIPA Power Supply Charge vs. Market Prices](image)

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 executes both financial and physical hedge transactions on LIPA’s behalf for defined volumes that as of January 1, 2021 would be within a 59-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 staff.

- 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 over time. Value-triggered transactions allow for the accumulation of additional hedge levels based on lower decile
pricing levels versus four-year historical pricing. In addition, volumes associated with 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 needs, 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’s annual sales forecast. Specific power supply component volumes are also validated against historical consumption data. Each hedge transaction is reviewed by PSEG Enterprise Risk Management’s Middle-Office group (“PSEG Middle-Office”) for compliance to PRMC approved Program and procedures.

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 to LIPA’s F&A Committee, their distribution and reporting frequency, and the originator of the reports.

<table>
<thead>
<tr>
<th>Report</th>
<th>Distribution</th>
<th>Normal Frequency</th>
<th>Originator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Activity Summary</td>
<td>PRMC Traders</td>
<td>Daily</td>
<td>Front Office Middle Office</td>
</tr>
<tr>
<td>Position Report</td>
<td>PRMC Traders</td>
<td>Weekly</td>
<td>Middle Office</td>
</tr>
<tr>
<td>Credit Risk Exposure Reports</td>
<td>PRMC Traders</td>
<td>Weekly</td>
<td>Middle Office</td>
</tr>
<tr>
<td>PRMC Meeting Minutes</td>
<td>PRMC</td>
<td>As Meetings are Held</td>
<td>PRMC Designated Secretary</td>
</tr>
<tr>
<td>Benchmarking</td>
<td>PRMC</td>
<td>Quarterly</td>
<td>Independent third-party hedge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>advisor</td>
</tr>
<tr>
<td>Power Supply Hedging Program</td>
<td>Board Finance &amp; Audit Committee</td>
<td>Bi-annually</td>
<td>PSEG ER&amp;T</td>
</tr>
<tr>
<td>Annual Compliance Report</td>
<td>Board Finance &amp; Audit Committee</td>
<td>Annually</td>
<td>CEO or Designee</td>
</tr>
</tbody>
</table>
The Policy requires that “LIPA’s Chief Executive Officer shall appoint a [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 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”.

- All active participants of the Program are required to read and comply with the PRMC Approved Policies, Controls and Procedures Manual for Power Supply Hedging Program (“Manual”), 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 the 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 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 Manual specifically identifies authorized markets and delivery points, permissible hedge instruments and the terms and volumes available for hedging to reduce PSC volatility. It also addresses the PSC hedge components that are quantifiable, actionable, where sufficient market liquidity is 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 Manual specifically identifies authorized markets, delivery points, permissible hedge instruments, terms and volumes associated with hedging to reduce PSC volatility. The Manual also addresses 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 rule making 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. 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

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 of the Board of Trustees 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 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 23, 2020
Board Policy on Taxes and PILOTs

May 20, 2020
In 2020, taxes, pilots and fees total 18% of customer bills, which includes $184 million in property tax payments for four legacy power plants.
• 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.
LONG ISLAND PEAK LOAD CONTINUES TO DECLINE
MEETING NEW YORK'S CLIMATE GOALS

6,000 MEGAWATTS Distributed Solar
70 PERCENT Renewable Energy
3,000 MEGAWATTS Energy Storage
9,000 MEGAWATTS Offshore Wind
100 PERCENT Carbon-Free Electric

2025  2030  2030  2035  2040

Leading the Nation on Climate Change

Long Island Power Authority

Annual Update: LIPA Board Policy on Taxes
Since 1999, production on the Northport Power Station is down 72%, but taxes are up 49%
COMPARING NYS POWER PLANTS

Comparing New York State Power Plants
Comparing the Caithness plant, which ran at 77 percent of capacity in 2019 producing 2,186,100 megawatt-hours (MWh) of energy with an annual tax bill of $30 million, to the Northport plant, which is approximately four times larger but only ran at 15 percent of capacity in 2019, with 2,079,890 MWh of energy production, has a tax bill that is over eight times higher.

<table>
<thead>
<tr>
<th>Power Plant</th>
<th>Year Built</th>
<th>Homes Powered</th>
<th>Assessed at</th>
<th>2019 Run Time</th>
<th>2019 Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bowline</td>
<td>1972</td>
<td>31,867</td>
<td>$134 million</td>
<td>3%</td>
<td>$3 million</td>
</tr>
<tr>
<td>West Haverstraw, NY</td>
<td>1973</td>
<td>1,864,944</td>
<td>Under fixed PILOT agreement</td>
<td>93%</td>
<td>$32 million</td>
</tr>
<tr>
<td>Indian Point</td>
<td>1967</td>
<td>45</td>
<td>$145 million</td>
<td>0.1%</td>
<td>$24 million</td>
</tr>
<tr>
<td>Buchanan, NY</td>
<td>1956</td>
<td>148,678</td>
<td>$500 million</td>
<td>25%</td>
<td>$43 million</td>
</tr>
<tr>
<td>Glenwood Landing</td>
<td>1967</td>
<td>226,478</td>
<td>$3.4 billion</td>
<td>15%</td>
<td>$84 million</td>
</tr>
<tr>
<td>E.F. Barrett</td>
<td>1958</td>
<td>30,433</td>
<td>$1.3 billion</td>
<td>8%</td>
<td>$32 million</td>
</tr>
<tr>
<td>Northport</td>
<td>2009</td>
<td>242,800</td>
<td>Under fixed PILOT agreement</td>
<td>77%</td>
<td>$10 million</td>
</tr>
<tr>
<td>Port Jefferson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caithness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Northport’s tax bill is eight times higher compared to Caithness’
Milestone Agreement Reached on Port Jefferson Power Plant Taxes

- The host community retains among the lowest school tax rates in the surrounding area
- LIPA waives $225+ million tax refund liability owed by the Town of Brookhaven and the Village of Port Jefferson
- 50 percent reduction in annual taxes over nine years to 2026/2027 tax year
- Tax payments remain in excess of that required by law, supporting host community
Pending Settlement Agreement with Nassau County

• In November 2019, LIPA and Nassau County reached a tentative settlement on the E.F. Barrett and Glenwood Landing power plants
• Reduce total payments through a gradual PILOT phase-in of 50 percent through 2027
• Waive over $625 million in potential tax refunds for all Nassau County residents
• Contingent on approval of the PILOT payment by the Nassau County Legislature
In addition to taxes on power plants, LIPA also makes PILOT payments on its transmission and distribution (T&D) facilities:

- ~180 substations
- ~19,000 transmission poles and towers
- ~310,000 distribution poles
FOR CONSIDERATION
May 20, 2020

TO:          The Board of Trustees
FROM:       Thomas Falcone
SUBJECT:   Approval of the Annual Report on the Board Policy on Taxes and PILOTs

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively “LIPA”) have complied with the Board Policy on Taxes and PILOTs' (the “Policy”); and (ii) approving the annual report for the Policy.

Background

By Resolution No. 1320, dated September 21, 2016, the Board adopted the Policy. The Policy was last reviewed and amended by the Board by Resolution No. 1464, dated January 23, 2019. Additionally, since 2016, LIPA has published an annual tax report to update the Board and the public on LIPA’s efforts to reduce the tax burden and lower energy costs for all 1.1 million customers.

Compliance with the Policy

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 has resulted in operational costs that are no longer competitive with prices of power in the electric market. As such, LIPA has availed itself of the lawful right to challenge excessive payment obligations on four legacy power plants for each year beginning in 2010.

• As previously reported to the Board, LIPA entered into a settlement agreements with the Town of Brookhaven and the Village of Port Jefferson in 2018 to gradually reduce the taxes on the Port Jefferson power plant, which were approximately $33 million per year, by 50 percent through 2027. If the taxing jurisdictions fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over $225 million, plus interest.

• In November 2019, LIPA entered into a tentative settlement with the County of Nassau

1 The term “PILOT” is the abbreviation for Payment In Lieu of Taxes.
for the E.F. Barrett and Glenwood Landing power stations. The settlement is contingent on approval of a PILOT agreement by the Nassau County Legislature. If implemented, the settlement will reduce LIPA’s annual payments to 50% of current levels by 2027.

- LIPA and PSEG Long Island have implemented procedures to ensure that PILOTs on each annual bill related to transmission and distribution equipment owned by LIPA do not exceed 102% of the prior calendar year’s payment, consistent with the provisions of the LIPA Reform Act. LIPA has also taken action to defend itself in litigation challenging the 2% tax cap in certain jurisdictions on Long Island.

- As previously reported to the Board, LIPA undertook a review of selected substations across the service territory. The review found several substations that were assessed in excess of their value. Accordingly, LIPA filed challenges on several over-assessed substations, and will continue to monitor assessed valuations of substations.

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.

- LIPA has sought to achieve this objective by the actions stated above.

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

- LIPA issued a Property Tax Report during 2019, which is available on its website, and was provided to community leaders, stakeholders, elected officials, media, and investors in response to inquiries related to the burden of taxes on LIPA’s customers.

- LIPA staff regularly meets with stakeholders and local leaders to discuss the impact of taxes on energy bills.

- Attached as Exhibit “B” is the 2020 Tax Report. The report provides additional detail on the tax burden in Long Island electric bills and LIPA’s tax reduction efforts.

**Annual Review of the Policy**

Staff proposes no amendments to the Policy 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 |
| Exhibit “B” | 2020 Tax Report |
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON TAXES AND PILOTs

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 Policy was last reviewed and amended by the Board pursuant to Resolution No. 1464, dated January 23, 2019; 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 LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board.

Dated: May 20, 2020
2020 PROPERTY TAX REPORT

Focused on the Future: Securing Fair Property Taxes for a Cleaner Energy Grid
Mission Statement

LIPA is a not-for-profit public utility with a mission to enable clean, reliable, and affordable electric service for our 1.1 million customers on Long Island and the Rockaways.
Message from the CEO

LIPA’s mission is to deliver clean, reliable, and affordable electricity to our 1.1 million customers. In the wake of the COVID-19 pandemic, keeping electric bills affordable, while continuing to invest in the clean, reliable electric grid Long Island needs for its future remains as important as ever. This annual report is about treating our customers fairly by explaining in an open and transparent manner one of our largest costs: property taxes.

High Taxes On Vintage Power Plants

High property taxes are a significant contributor to energy costs on Long Island. Property taxes fund valuable public services, such as strong schools, public safety, and transportation. But the property taxes on our legacy power plants are disproportionately high and benefit very few of the electric customers of Long Island. They are the result of tax assessors significantly overvaluing a handful of electric sites to favor their local communities, raising the cost of power for all electric customers across Long Island. And that overvaluation is extreme — as high as 15-20 times what the properties are worth.

When it comes to improving affordability and fairness for our customers, LIPA has focused on the four highest taxed properties, which are the vintage fossil-fuel power plants located in Northport, Port Jefferson, Island Park, and Glenwood Landing. These plants are at an advanced age, and have dated technology, high operating costs, and dramatically declining usage. Combined, these plants provide just 21 percent of Long Island’s electric needs. The Northport Power Station, for example, is overvalued nearly 17 times by the tax assessor, making it the single highest taxed property in the United States. Its $86 million annual tax bill is higher than the Empire State Building and Disneyland combined. And while Northport’s tax bill is up 49 percent over the last 20 years, its energy production has fallen by nearly 72 percent.

Across these four legacy plants, our 1.1 million customers pay over $184 million in property taxes every year. That’s almost $2 billion over the next decade, of which approximately two-thirds will go to subsidizing just four of Long Island’s 124 school districts, benefiting less than two percent of our customers. LIPA’s responsibility to our customers requires us to seek tax bills that are equitable for the benefit of all Long Island homes and businesses.

1 Legacy power plants are the four steam plants formerly owned by the Long Island Lighting Company (LILCO) and acquired by KeySpan in 1998.
Transition to a Cleaner Electric Grid

New York State’s Climate Leadership and Community Protection Act (CLCPA), which was enacted in July 2019, mandates that 70 percent of the State’s electricity comes from renewable energy by 2030 and that the electric grid is entirely carbon-free by 2040. That means that all of the vintage fossil-fuel power plants will be fully retired no later than 2040, and most will be retired in phases long before that. This is consistent with the retirements of the Glenwood Landing and Far Rockaway steam power plants in 2012 and the retirement of peaking plants in West Babylon and Glenwood Landing announced earlier this year.

In the face of lower-cost alternatives, the disproportionately high taxes on vintage plants like Northport are not sustainable. Property taxes make up the majority of the costs of the plant. Without relief, the excessive tax burdens will cause the plants to be retired on an accelerated schedule, with the consequent and unfortunate loss of tax revenues to the local communities. LIPA estimates, for example, that the retirement today of even one of the four units at the Northport plant would save electric customers over $300 million without impacting the reliability of the electric grid.² And the high taxes at these four sites make redeveloping with new, cleaner energy infrastructure cost-prohibitive.

The Solution

It has been over a decade since LIPA filed its first challenge to these excessive tax bills, and time is running out. LIPA has offered a solution — the gradual transition toward a more sustainable future for each of the communities that hosts these four plants. This transition ensures that there will be hundreds of millions in tax subsidies for years to come, even if the plants close, averting the immediate, drastic increase in residents’ tax rates that will result from a valuation of the plants reached by a court.

In December 2018, LIPA reached a settlement with the Town of Brookhaven and the Village of Port Jefferson for the Port Jefferson Power Station for such a gradual transition.

In November 2019, LIPA and Nassau County announced a tentative settlement for the E.F. Barrett Power Station and Glenwood Landing Generating Station, subject to the approval of a payment-in-lieu-of-tax (PILOT) agreement by the Nassau County Legislature. And in March 2020, after a decade of discussions, offers, and court proceedings, LIPA made its best offer to the Town of Huntington and settlement talks concluded on the Northport Power Station.

The Nassau County Legislature and Huntington Town Board have not accepted our offers. It is their right to decide that an independent third party, a court, should determine the fair level of taxes that Long Islanders should pay for these power plants. An adverse court outcome will be much less favorable than our settlement offers, which will no longer be available. However, in these unprecedented times, as communities across Long Island are facing hardships, we believe our settlement offers provide financial certainty for both the host communities and our 1.1 million customers.

Thomas Falcone
Chief Executive Officer

May 2020

² A LIPA study to conclude later this year will determine the retirement of 400 to 600 megawatts of steam plants by 2022.
# LIPA Tax Certiorari Timeline

This timeline is a guide for our customers and stakeholders to understand the key developments in the decades-long issue of the over-taxed Northport Power Station.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>The first unit of the Northport Power Station goes into commercial operation. Unit 4 was completed in 1977.</td>
</tr>
<tr>
<td>1997</td>
<td>Prior to LIPA acquiring the Long Island Lighting Company (LILCO), the Northport East-Northport School District’s counsel advises its Superintendent there was nothing in the acquisition documents to prevent LIPA from filing tax certiorari proceedings after the deal closed.</td>
</tr>
<tr>
<td>1998</td>
<td>LIPA acquires LILCO’s electric transmission and distribution (T&amp;D) system. Savings from public ownership cuts electric rates by 20 percent. LIPA enters into a Power Supply Agreement (PSA) with KeySpan to secure availability of power from the former LILCO power plants. Operating costs, including property taxes, remain in electric bills.</td>
</tr>
<tr>
<td>1999</td>
<td>Northport Power Station operates at <strong>54 percent of its capacity</strong> with a <strong>$58 million property tax bill</strong>.</td>
</tr>
<tr>
<td>2007</td>
<td>KeySpan announces a merger with National Grid. Huntington Town Attorney advises School District that National Grid could initiate future tax certiorari actions with LIPA’s approval.</td>
</tr>
</tbody>
</table>

**May 1997:** In response to requests for additional legal protections, former LIPA Chairman pens a letter stating LIPA will “immediately drop all tax certiorari cases against all municipalities and school districts” if LIPA buys LILCO.

The Public Authorities Control Board approves the LILCO acquisition, without placing limits on LIPA’s right to file tax challenges.
### 2013

LIPA makes a settlement offer for the Northport Power Station to waive all refunds owed in exchange for annual reductions in taxes from the then $74 million to $30 million by 2025. That offer was not accepted and the Town made no counter offer.

### 2014

Northport Power Station operates at **20 percent of capacity** with an **$82 million property tax bill**.

**August:** The New York State Supreme Court rules that the PSA with National Grid places no limits on LIPA’s right to file property tax challenges, and that the former Chairman’s “promises” from 1997 “do not contractually bind LIPA.”

**December:** LIPA reaches a settlement agreement with the Town of Brookhaven and the Village of Port Jefferson for the Port Jefferson Power Station.

### 2015

LIPA makes a settlement offer for the Northport Power Station to waive all refunds owed in exchange for annual reductions in taxes from the then $74 million to $30 million by 2025. That offer was not accepted and the Town made no counter offer.

### 2016

Northport Power Station operates at **15 percent of capacity** with an **$84 million property tax bill**.

### 2017

PSEG Long Island releases a long-term energy study stating that renewables and other forecasted changes to the electric grid will reduce reliance on the Northport Power Station to only 11 percent of capacity by 2030.

### 2018

Northport Power Station operates at **20 percent of capacity** with an **$82 million property tax bill**.

**August:** The New York State Supreme Court rules that the PSA with National Grid places no limits on LIPA’s right to file property tax challenges, and that the former Chairman’s “promises” from 1997 “do not contractually bind LIPA.”

**December:** LIPA reaches a settlement agreement with the Town of Brookhaven and the Village of Port Jefferson for the Port Jefferson Power Station.

### 2019

Northport Power Station operates at **15 percent of capacity** with an **$84 million property tax bill**.

**July:** Closing arguments are made in the Northport Power Station tax challenge case.

Governor Cuomo signs the New York State Climate Leadership and Community Protection Act, the most ambitious and comprehensive climate and clean energy legislation in the country, into law.

**November:** LIPA reaches a tentative settlement agreement with Nassau County, pending approval of a PILOT agreement by the Nassau County Legislature, for the E.F. Barrett Power Station and Glenwood Landing Generating Station.

### 2020

Northport Power Station has an **$86 million property tax bill**.

PSEG Long Island releases a study forecasting that the Northport Power Station will operate at only 3 percent of capacity by 2035.
New York State Climate Leadership and Community Protection Act

In 2019, Governor Andrew M. Cuomo signed the New York State Climate Leadership and Community Protection Act (CLCPA) into law, adopting the most ambitious and comprehensive climate and clean energy legislation in the country. Highlights of the law include:

85 Percent Reduction In Greenhouse Gas Emissions by 2050, with an interim mandate of 40 percent reduction in emissions by 2030.

70 Percent Renewable Energy by 2030 and Zero-Carbon Emission Electric Sector by 2040. The CLCPA codifies Governor Cuomo’s nation-leading goals as called for under his Green New Deal. By 2030, 70 percent of New York’s electricity will come from renewable energy sources such as wind and solar, and the State’s power system will be 100 percent carbon-free by 2040.

Nation-Leading Clean Energy Investments. The CLCPA also codifies Governor Cuomo’s nation-leading commitments to install 9,000 megawatts (MW) of offshore wind by 2035; 6,000 MW of distributed solar by 2025; and 3,000 MW of energy storage by 2030, as shown in Figure 1.
Peak Load Forecast

Electric demand continues to decline as consumers use more energy efficient appliances and self-generate electricity from rooftop solar. The forecasted need for power at peak load in 2030 on Long Island has declined by approximately 2,500 MW since 2013, which is the equivalent of 5-8 large baseload central station power plants, as shown in Figure 2.

This, combined with the addition of renewable energy sources to the electric grid such as utility-scale solar and offshore wind, is transitioning utilities away from legacy power plants.

FIGURE 2
Long Island’s Peak Load Forecast Continues to Decline
Taxes and Payments-In-Lieu-Of-Taxes

Property taxes\(^3\) are a major component of your electric utility bill and a driver of rate increases. Taxes are LIPA’s second largest expense at over $687 million or approximately 18 percent of customers’ bills.

In New York State, there’s a statewide approach to taxation of public utility property that places more of the cost of government services on utility customers than in other states.\(^4\) And the property tax burden embedded into Long Island electric rates is among the highest in the nation — roughly three times the national average.\(^5\)

A common misperception is that the taxes LIPA pays result in lower property taxes for all of Long Island’s residents and businesses.

When some local tax assessors inflate the value of utility property, the burden of taxes are shifted from local residents to utility customers in other parts of Long Island. Not every tax assessor does this, but some do. There are 13 property tax assessors\(^6\) in LIPA’s service territory, with some assessors valuing utility property at excessively high valuations.

In particular, there are four aging power plants, Northport, Port Jefferson, E.F. Barrett, and Glenwood Landing, under contract to LIPA that are appraised by the local tax assessors at 15 or more times their fair value. Local tax collectors within communities hosting the four legacy power plants ask LIPA to pay about $184 million each year.

This is a significant redistribution of the tax burden from those four communities to the rest of Long Island — benefiting less than two percent of LIPA’s customers in communities that host the power plants.

LIPA has been, and will continue to be, transparent about this excessive taxation. In trying to obtain a fair tax bill for everyone, LIPA will pay its fair share but not unjustifiably inflated bills.

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\(^3\) The term “taxes” in this report refers to property taxes, payments-in-lieu-of-taxes (PILOTs), and other assessments and fees.

\(^4\) LIPA pays gross receipts and property taxes on utility property. Nassau County and New York City additionally have a four-class tax system with separate tax rates for each class, resulting in higher effective tax rates on utilities. By contrast, most states value utility property based on original cost less depreciation, resulting in lower taxes than Replacement Cost New Less Depreciation (RCNLD). And some states, like New Jersey, Idaho, Michigan, Minnesota, and Texas apply gross receipts or corporate business taxes to utilities in lieu of property taxes.


\(^6\) LIPA’s utility property is separately assessed for tax purposes by Nassau County, the ten towns of Suffolk County, the City of New York, and the State of New York, often with different values for similar property. In addition, the 97 incorporated villages and two cities in Nassau may also assess the value of parcels of real property located within their municipal boundaries.
LIPA’s Annual Tax Payments

In 2020, LIPA is expected to pay over $687 million in taxes, approximately 18 percent of customer bills, as shown in Figure 3.

As shown in Figure 4, LIPA’s payments include:

- **$232 million** of local property taxes on power plants owned or under contract to LIPA — 28 power plants total $48 million, while four power plants total $184 million
- **$298 million** of local PILOTs on transmission and distribution (T&D) property
- **$46 million** of state and gross revenue taxes and assessments
- **$113 million** of sales tax

LIPA Board Policy on Taxes

LIPA’s Board of Trustees adopted a Policy on Taxes and PILOTs in 2016 to pay only the reasonable and economically justified level of taxes required by law.

The Policy states that LIPA should:

- Pay only such taxes, payments in-lieu-of taxes, assessments, and fees as are required by law or by agreement
- 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
- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills

As a publicly owned authority, 100 percent of any tax reductions are directly returned to customers.
Four Legacy Power Plants

To meet the energy needs of Long Island, LIPA maintains 5,762 MW of generation under contract. The property taxes on the 32 power plants across Long Island are $232 million. Four of these fossil-fueled baseload power plants were constructed between 1956 and 1977.

The four legacy power plants are:

- Northport Steam Plant, Units 1-4
- Port Jefferson Steam Plants, Unit 3 and 4 and Combustion Turbine, Unit 1
- E.F. Barrett Steam Plant, Units 1 and 2 and Combustion Turbines Units 1-6 and 8-12
- Glenwood Landing Combustion Turbine, Units 1, 2 and 3

While well-maintained and reliable, these four legacy power plants are fossil-fueled, outdated, and costly. They supply just 21 percent of Long Island’s electricity needs, but account for $184 million or 80 percent of all power plant taxes that LIPA customers pay in their electric bills.

The output of the legacy power plants is sold into the competitive wholesale market operated by the New York Independent System Operator (NYISO). The excessive tax burden on the four legacy plants results in costs that are not competitive with power prices in the electric market. Figure 5 shows the taxes, run time, and capacity factors on the four legacy plants compared to other plants across the State.

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6 LIPA has committed to purchase power from these plants through a Power Supply Agreement (PSA) that runs through April 30, 2028. Under this PSA, LIPA reimburses National Grid for all costs, including the property taxes assessed by each taxing jurisdiction.

7 Glenwood Landing is the site of a former 224 MW steam plant that was decommissioned in 2013. Most of the tax burden for this former steam plant has now been assigned to the remaining combustion turbines.
Securing Fair Property Taxes for a Cleaner Energy Grid

FIGURE 5
Comparing New York State Power Plants

Compare the Caithness plant, which produced 2,186,100 megawatt-hours (MWh) of energy in 2019 with an annual tax bill of $10 million, to the Northport plant, which is approximately four times larger, but only produced 2,029,300 MWh of energy and has a tax bill that is over eight times higher.
Securing Fair Property Taxes for a Cleaner Energy Grid

The Glenwood Landing Generating Station was decommissioned in 2013, leaving only three 1960’s vintage gas turbines totaling 119 MW, for which LIPA paid approximately $24 million in taxes in 2019.

Today, the site of the former steam plant is a large vacant lot. Though the structure and equipment were removed, which caused a 64 percent reduction in the generating capacity of the site, the property taxes decreased by only 19 percent.

In effect, the tax rate per megawatt of the remaining generating facilities more than doubled, from approximately $64,000 per megawatt to $134,000 per megawatt, for gas turbines with little functional remaining life.

In March 2020, LIPA announced the retirement of one of the three remaining gas turbines in 2021. LIPA is also studying the retirement of the other two remaining gas turbines due to their excessive tax bills.

Northport Power Station
Energy Production and Taxes

Power plants, like cars, are worth less over time as newer, more fuel-efficient models come to market and major components wear out. The costs to run the plants increase, runtime decreases, and eventually older power plants are retired and worth nothing at all. This trend is evident among all four of the legacy power plants.

Since the late 1990s, energy production at the Northport Power Station has fallen nearly 72 percent, as the power plant’s 53-year-old technology requires more fuel, more staff, and more maintenance to operate than modern power plants. However, even though the output of the power plant is anticipated to further decline over the next decade, as shown in Figure 6, the taxes have increased by 49 percent and will continue to rise.

Glenwood Landing History

The Glenwood Landing Generating Station was decommissioned in 2013, leaving only three 1960’s vintage gas turbines totaling 119 MW, for which LIPA paid approximately $24 million in taxes in 2019.

Today, the site of the former steam plant is a large vacant lot. Though the structure and equipment were removed, which caused a 64 percent reduction in the generating capacity of the site, the property taxes decreased by only 19 percent.

In effect, the tax rate per megawatt of the remaining generating facilities more than doubled, from approximately $64,000 per megawatt to $134,000 per megawatt, for gas turbines with little functional remaining life.

In March 2020, LIPA announced the retirement of one of the three remaining gas turbines in 2021. LIPA is also studying the retirement of the other two remaining gas turbines due to their excessive tax bills.

FIGURE 6
Northport Power Station

Glenwood Landing History

The Glenwood Landing Generating Station was decommissioned in 2013, leaving only three 1960’s vintage gas turbines totaling 119 MW, for which LIPA paid approximately $24 million in taxes in 2019.

Today, the site of the former steam plant is a large vacant lot. Though the structure and equipment were removed, which caused a 64 percent reduction in the generating capacity of the site, the property taxes decreased by only 19 percent.

In effect, the tax rate per megawatt of the remaining generating facilities more than doubled, from approximately $64,000 per megawatt to $134,000 per megawatt, for gas turbines with little functional remaining life.

In March 2020, LIPA announced the retirement of one of the three remaining gas turbines in 2021. LIPA is also studying the retirement of the other two remaining gas turbines due to their excessive tax bills.
Northport Power Station Assessment

Utility property is assessed differently for tax purposes than most real estate because it is unique. Power plants are valued using a formula reflected below in Figure 7, which calculates the cost to build a brand new state-of-the-art plant and then adjusts for depreciation and other factors.

The Town of Huntington estimated the cost to build an entirely new Northport Power Station to replace the out-of-date Northport Power Station at $2.53 billion. But the town has valued the plant at $3.4 billion for tax purposes, which means the town assessor values the 53-year-old plant at $870 million more than their own estimate for a brand new plant.

The trial conducted in 2019 at the Suffolk County Supreme Court will value the plant as of July 1, 2013.

Starting with the assumption that the Northport Power Station would last 60 years; the Town of Huntington’s estimate to build a brand-new plant of $2.53 billion; subtracting $2.04 billion for depreciation and excess operating costs; and then adding back $48 million for the value of the land; we’re left with an estimated total of $506 million, as shown below.

That’s how much the power plant would be worth for tax purposes when using the Town of Huntington’s number as a starting point. LIPA has its own estimate, which calculates the value closer to $220 million. Either way, the application of the formula shows how overvalued the Northport Power Station is by the Town of Huntington’s assessor.

*The Town of Huntington and LIPA agreed RCNLD is the appropriate formula to value the Northport Power Station.
Northport Power Station Repowering Study

The Northport plant consists of four separate steam units, each of which can function independently from the other three. The four units, which are fossil-fueled, run less and less each year as they are 30 percent less fuel-efficient than modern power plants. At the end of LIPA’s contract with National Grid to buy power from the plant in April 2028, the units will range in age from 51 to 61 years old. By comparison, 95 percent of steam units nationally have ceased operations by the age of 62, as shown in Figure 8. Those steam plants have significantly lower fixed costs than the Northport plant. The high tax bill on the Northport Power Station threatens the ability to keep the units in service.

A new study⁴ demonstrates that repowering the Northport Power Station is not a viable option and recommends that the most cost-effective approach would be the retirement of the plant in phases. The capacity factor of the plant is forecasted to fall to just three percent by 2035. Retiring even one of the plant’s four existing steam units today would save customers more than $300 million, without jeopardizing the reliability of the electric grid.

As LIPA continues to invest in a modern grid, the excessive taxes on legacy plants will be a major consideration for their continued viability.

The Solution – Settlement Agreements

Town of Brookhaven and the Village of Port Jefferson

In December 2018, the Town of Brookhaven and the Village of Port Jefferson came to an agreement with LIPA to gradually lower taxes on the Port Jefferson Power Station each year through 2027. The settlement allows the Port Jefferson community to retain among the lowest school tax rates compared to towns in the surrounding area, waives over $225 million in tax refund liability owed by the town and village, and reduces taxes by 50 percent. The settlement will save LIPA customers $109 million in tax payments over the term of the agreement, as shown in Figure 9.

![Figure 9](image)

**Brookhaven Town Supervisor**
Ed Romaine

“This deal puts an end to the uncertainty of this plant over the course of nine years and gives finality to this issue. LIPA has said throughout this process that savings from the lower assessment will be returned to the ratepayers in the form of lower electric bills, which will benefit all Brookhaven residents. I have always believed that all property assessments should be fairly based on property value.”

**Village of Port Jefferson Mayor**
Margot Garant

“The power plant has been supplementing this community and even at the end of the agreement we will still be equivalent or below the taxes of our neighbors. If we put this off further, it will have a greater impact.”
Case Study: Port Jefferson

Figure 10 shows the Port Jefferson School District's estimate that taxes will remain more than 20 percent lower than its neighboring districts (Comsewogue, Three Village, and Mount Sinai) by the end of the agreement in the 2026-27 school year.10

FIGURE 10
Port Jefferson School District Retains Lowest Tax Rates with Settlement

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10Port Jefferson School District calculations assumes an annual levy increase of two percent with peaker plants and no program reductions.
Nassau County

In November 2019, LIPA and Nassau County reached a tentative settlement on the E.F. Barrett and Glenwood Landing power plants to reduce total payments through a gradual PILOT phase-in of 50 percent through 2027. The gradual reduction in payments allows the community to adjust to a sustainable level of taxes over time, keeps Island Park and North Shore district taxes among the lowest in Nassau County, and waives over $625 million in potential tax refunds for all Nassau County residents. As part of the agreement, a community advisory board will be created to seek and provide input on the highest and best use of the properties. The settlement is contingent on approval of the PILOT agreement by the Nassau County Legislature.

In March 2020, LIPA announced the retirement of one of the three Glenwood Landing peaking units. However, if the settlement is implemented, it will provide time for the community to adjust by maintaining payments over the next seven years despite the retirement.

If the Nassau County Legislature does not approve the PILOT agreement, an independent third party, a court, will determine the fair level of taxes for these two peaking units.

“Nassau County Executive Laura Curran

“This settlement is in the best interest of Nassau County residents. It safeguards us from paying hundreds of millions of dollars of tax refunds. The facts support the claim that these plants have been overassessed. This common-sense agreement protects our taxpayers from costly litigation, which would have resulted not only in substantial refund payments, but also devastating tax hikes to the affected school districts. Finally, I want to see utility rates go down for all of Long Island when these tax cases are resolved.”
Trial Decision Nears for the Northport Power Station

LIPA presented a settlement proposal to the Northport community, similar to the one accepted by the Town of Brookhaven and the Village of Port Jefferson, that would reduce taxes on the plant by 50 percent over seven years, keep school tax rates low, and waive over $650 million in tax liability from Town of Huntington residents.

As the Huntington Town Board has not yet accepted LIPA’s settlement offer, the final option is to have an independent third party, a court, determine the fair level of taxes that Long Islanders should pay for this power plant. The outcome will likely be less favorable than LIPA’s settlement offers, which will no longer be available after a court decision.

A court decision could result in an immediate property tax increase, costing about 30 times more than a settlement, for residents within the Northport-East Northport School District. Figure 11 shows a monthly estimated settlement increase versus an increase for the local community from a potential court action.

In 2019, a trial to determine the assessed value of the plant for the 2014 tax year was completed in Supreme Court, Suffolk County, and is awaiting a decision.

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**FIGURE 11**

**Settlement vs. Court Action**

For a typical Northport-East Northport home valued at $565,000, a likely court action could result in an immediate monthly increase of $575 (including refund liability), while LIPA’s settlement plan would phase-in increases in school taxes by approximately $19 per month (annually), reaching $133 per month by 2028.
Power Plant Taxes Support Four Local School Districts

The property tax burden embedded in customers’ electric bills subsidizes four of the 124 school districts on Long Island. As a result, the communities that host the legacy power plants have tax rates that are significantly below those in the neighboring school districts. Out of LIPA’s 1.1 million customers, an estimated 25,000 customers in these communities benefit.

LIPA’s settlement offers a phase down of the taxes by 50 percent over the remaining term of LIPA’s contract to purchase power from the power plants, which expires in April 2028. While total taxes are being reduced over time, the host communities and school districts will continue to benefit from substantial tax payments, as shown in Figure 12.

FIGURE 12
Tax Payments to School Districts Continue with LIPA’s Settlement Offers
Securing Fair Property Taxes for a Cleaner Energy Grid

In addition to taxes on power plants, LIPA also makes payments-in-lieu-of-taxes (PILOTs) on its transmission and distribution (T&D) facilities. The T&D property consists of power lines, substations, and transformers used to bring electricity from power plants to customers. Similar to power plant property taxes, oversassessed T&D property contributes to higher Long Island energy costs. LIPA has over 180 substations, and approximately 19,000 transmission poles and towers and 310,000 distribution poles.

PILOTs on LIPA-owned T&D Property

As illustrated in Figure 12, in the years following the acquisition of the Long Island Lighting Company (LILCO), property PILOT payments to local governments grew at a rapid pace, on average 6.6 percent per year between 2004 and 2014, including increases in excess of 10 percent per year in 2010 and 2011. This high rate of growth more than doubled the amount of hidden taxes on LIPA’s T&D property from $125 million in 2000 to $293 million in 2019. This high tax burden was partially addressed with the LIPA Reform Act of 2013 (LRA), which effectively capped annual future increases of property tax payments on any parcel to no more than two percent over the payment made in the prior calendar year. The LRA also eliminated a portion of LIPA’s revenue tax obligation, which saved an additional $40 million per year for customers. The benefit of these changes has been substantial.

FIGURE 12
Transmission & Distribution Property Taxes (millions)
As noted in Figure 13, the LRA is anticipated to produce cumulative savings of $513 million through 2021, compared to the growth rate in T&D PILOTs before New York State stepped in to provide relief to LIPA customers.

**Monitoring the Two Percent Tax Cap on Annual PILOT Payments**

LIPA's efforts to pay only the fair PILOT payments on T&D property include ensuring that all taxing jurisdictions abide by the two percent cap of the LRA. LIPA reviews the PILOT payments sent by local tax jurisdictions to ensure compliance with the two percent cap. All taxing jurisdictions in Nassau County and the City of New York follow the two percent cap. However, many municipalities in Suffolk County continue to bill LIPA for increases in excess of the amounts permitted by law. In these situations, LIPA limits its remittance to the statutory amount it is authorized to pay and informs the taxing authorities. A lawsuit filed in January 2016 by 45 Nassau County school districts reached a settlement that affirms LIPA's tax calculations and the implementation of the two percent tax cap. LIPA continues to urge certain Suffolk County municipalities to comply with the two percent tax cap and filed suit in 2018 to prohibit Suffolk County from taking actions that ignore this statutory requirement. LIPA has now sued the Suffolk towns to enforce the LRA two percent PILOT cap. LIPA continues to meet and work with municipalities across the service territory to ensure proper implementation of the two percent cap.

**FIGURE 13**

Transmission & Distribution Taxes with and without the LIPA Reform Act
Conclusion

LIPA’s mission is a Long Island electric grid that is clean, reliable, and affordable. As electric demand continues to decline, and as we implement our long-term strategies to increase energy efficiency and clean energy, older, fossil-fueled power plants will retire.

To date, the legacy power plants located in Northport, Island Park, and Glenwood Landing continue to decrease in value and operate less, but the taxes continue to rise. This extreme tax burden is placed on LIPA’s 1.1 million customers who pay these taxes through their electric bills and the situation is no longer sustainable. LIPA will continue to pursue a fair solution for all its customers.

This strategy is defined in the Policy on Taxes and PILOTs that LIPA’s Board of Trustees approved in 2016, which acts in the interest of LIPA’s 1.1 million customers and represents the only path for these legacy generation sites to remain a viable component of Long Island’s energy future.
Annual Report on the Board’s Policy on Safety

December 16, 2020
Topics For Discussion

- Compliance with Applicable Health and Safety Laws and Regulations
- Measuring and Verifying Safety Performance
- Notable Contractor Safety Incidents Tropical Storm Isaias
- Key 2020 PSEG Long Island Safety Initiatives
- Schumaker & Company 2020 Safety Assessment
- Continuous Improvement Initiatives
Annual Assessment of PSEG EH&S Program Guide

The PSEG Environment, Health and Safety (EHS) Policy and PSEG Practice 575-1, EHS Program Guide are the high level EHS governance documents for PSEG Long Island.

➢ The PSEG annual assessment of the implementation of the EHS Program Guide found that systems, procedures and practices in place satisfactorily address the objectives contained in the PSEG EHS Program Guide.

➢ There is a consistent understanding of acceptable actions and behaviors to responsibly conduct business in a manner that protects the environment, and the health of employees, contractors, customers, and the public.

➢ Adequate controls are in place and functioning as intended.

➢ PSEG Long Island conducts its operations pursuant to the PSEG Business Conduct Compliance Program.
Measuring and Verifying Safety Performance


**OSHA Incidence Rate**

**OSHA Days Away Rate**
Motor Vehicle Safety Performance

The addition of automated vehicle location system (AVLS) technology reinforced by a culture of accountability mindset is delivering desired results.

Percentage Change in Performance Since Program Inception (Oct 2018)

- Speeding > 10 mph: -93%
- Speeding > 65 mph: -87%
- Speeding > 2 mph: -49%
- Speeding > 55 mph: -23%

Red Light Violations - By Year

- 2017: 196
- 2018: 217
- 2019: 153
- Nov 2020 YTD: 104

MVA Count with Accident Responsibility

- 2017: 74 PS Vehicle, 41 Other Vehicle
- 2018: 77 PS Vehicle, 49 Other Vehicle
- 2019: 65 PS Vehicle, 39 Other Vehicle
- 2020: 36 PS Vehicle, 30 Other Vehicle

Legend:
- PS Vehicle
- Other Vehicle
Notable Safety Incidents – Tropical Storm Isaias

Three Electrical Contacts – PSEG Long Island Mutual Aid Contractors

- **Northline**, working foreman received an electrical shock while clearing tree limbs from a roadway that were entangled with live, downed primary. Employee was taken to the hospital for treatment and released
  - The crew did not identify, isolate, adequately test, ground, and/or open the energy source in the work zone
  - Taps over line breakers nearby were visible from the job site and could have been used to isolate the work zone
  - Crew members were wearing leather gloves, versus proper rubber personal protective equipment (PPE)

- **Asplundh**, while reinstalling a primary tap into a transformer bushing, a line worker removed his glove and made contact with an energized transformer primary tap. Employee was taken to the hospital for treatment and released
  - The crew did not walk out the branch line prior to performing work, contact distribution operations to determine all sources of energy, test the primary de-energized, or request an NRA prior to beginning work
  - Line worker admitted removing rubber gloves and failed to adhere to proper PPE requirements. Line worker initially attempted cover-up the incident by cutting his gloves, and was terminated by Asplundh

- **Edison Power**, an apprentice lineman was shocked by an energized neutral while repositioning himself on a rear property pole. Employee was taken to the hospital for treatment and released
  - The apprentice lineman had his hand on the neutral and reached for a guy wire that had a broken bond wire and was knocked unconscious, a pole rescue was conducted and he regained consciousness on the ground
  - He was working in the secondary position without proper rubber personal protective equipment (PPE)
2020 Key Safety Performance Initiatives

**Building a Culture of Accountability** using The Results Pyramid model by Partners in Leadership, a simple, memorable methodology for efficiently and effectively changing the way people think and act throughout the organization to ensure desired results are achieved.

**Effectively managing the impact of the global Covid-19 pandemic** on our operations and our workers, with a unique opportunity to rethink what is possible for our people, places and processes – reimagining how roles and departments function via the Responsible Reentry Process.

**Managing, Monitoring, and Coaching Employees to be Professional Drivers** with GPS and mobile device control technology that provides a seamless connection with drivers to help ensure best practices in safety are put in place. A Professional Driver scorecard provides real time employee feedback to specific safety goals, i.e. amount of engine idling, high limit speeding (over a set MPH threshold), exceeding posted speed limits, hard braking, rapid acceleration.

**Enhancing Incident Analysis** resulting in better recommendations and implementation of recommendations at the root cause.
Schumaker & Company Safety Assessment

The 2020 Assessment revealed:

“There have been significant improvements in PSEG-LI safety indices since our last review. All of the OSHA and Motor Vehicle Accident rates have improved. PSEG-LI continued emphasis on its safety training programs and practices can be credited for much of this improvement.”

“All of these activities would make PSEG-LI equal to or better than electric utilities that our project team has experience within the Northeast and Midwest United States”

The audit produced five recommendations

- PSEGLI needs to add a revision page to the Health and Safety Manual as well as display on each page the latest revision date.
- Identify local operating practices that exist between regions and establish one preferred practice across all regions for each one.
- Ensure that safety oversight and practices are extended to contractors and foreign crews during storm restoration.
- PSEGLI should review if current training module coding is appropriate.
- PSEGLI should revise its current Training Facilities study in light of any operational changes necessitated by COVID-19.
Continuous Improvement Initiatives – 2021

- **Contractor Safety & Oversight** – contractor safety oversight and the reporting of third party managed contractors safety performance data will be expanded.


- **Prevention Through Design** - to prevent or reduce occupational injuries, illnesses, and fatalities through the inclusion of prevention and technological considerations in all employee work activities.

- **Schumaker & Company Recommendations**

- **Employee Stretching** 100% prior to performing physical work.

- **Upgrading Safety Information System (SIMS)** - The new SIMS will increase functionality, user friendliness and provide easier more flexible reporting.
For All Board Voting Items:

Title of Agenda Item: Approval of the Annual Report on the Board Policy on Safety

Consent Agenda: ☒ Yes ☐ No

Accompanying Presentation: ☒ Yes ☐ No

Recommendation from Committee: ☐ N/A ☐ F&A; ☐ GP&P; ☒ Oversight & Clean Energy

LIPA Presenter: Rick Shansky (presentation at Committee)  PSEG Long Island Presenter: Greg Player

Enterprise Risk Management Discussion: ☒ Yes ☐ No

For Policy Reports Only:

Type of Policy / Report: ☒ Operating; ☐ Governance; ☐ Compliance; ☐ Mission

Date of Last Report: December 18, 2019  Compliance Since Last Report: ☒ Yes ☐ No

Proposed Changes to Policy: ☐ Yes ☒ No

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<th>Requested Action:</th>
<th>The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; and (ii) finding that LIPA has complied with the Policy.</th>
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<tr>
<td>Summary: (include proposed amendments to Board Policies, if applicable)</td>
<td>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 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 2019.</td>
</tr>
<tr>
<td></td>
<td>LIPA Staff recommends that the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual. LIPA Staff also recommends no changes to the Policy.</td>
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</table>
FOR CONSIDERATION
December 16, 2020

TO: The Board of Trustees
FROM: Thomas Falcone
SUBJECT: Approval of the Annual Report on the Board Policy on Safety

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, 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 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 2019.

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 2020, LIPA hired Schumaker & Company (“Schumaker”) to conduct the second triennial Safety Assessment of PSEG Long Island. Schumaker observed that PSEG Long Island implemented the recommendations from the 2017 report, with one follow-up recommendation required.
- The 2020 Schumaker report contains five recommendations aimed at enhancing existing practices in such areas as training, safety metrics, work practices, safety oversight, and consolidation of training services and facilities. The 2020 Schumaker report is attached hereto as Exhibit “B”.
- Schumaker noted that continued emphasis on safety training programs and practices can
be credited with much of the improvements in safety performance.

- In light of the limitations on the scope of this review as a result of COVID-19, when such restrictions are lifted, LIPA intends to engage an independent third party to perform onsite field observations of PSEG Long Island’s work practices and safety management processes, including a comparison to industry best practices.

“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.”

- PSEG Long Island benchmarks its safety performance against a nationwide panel of electric utilities. That benchmarking helps establish programs that improve safety performance at PSEG Long Island. Since 2015 through YE 2019, there has been a 41.5% improvement in the OSHA Recordable Incident Rate and a similar 51.1% improvement in the OSHA Days Away Rate. Despite these improvements, which have resulted in median performance, continued improvement is needed to achieve first quartile performance.

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

- PSEG Long Island has an ongoing process for assessing the factors that drive safety performance. PSEG Long Island has identified and implemented 135 safety and health improvements from 2017 to the present. These areas included partnering with Briotix Health to develop and communicate COVID-19 Job Hazard Assessments (JHA) for Utility Operations, delayed start time due to hazardous weather conditions, removal of work hazards, and reducing musculoskeletal injuries through improved work techniques and pre-job stretching.

- Motor vehicle safety continues to be an area of focus in 2020 with remedial training in Alert Driving and with Smith System trainers. The addition of the automated vehicle location system and red light ticket analytics has been credited with culture change and has been credited with the continued reduction of both motor vehicle accidents and red-light violations.

- PSEG Long Island conducted executive-level meetings with mutual aid contractors to review their investigations of the injuries and motor vehicle accidents that took place during Tropical Storm Isaias. Additionally, PSEG Long Island has established a team of Long Island and New Jersey subject-matter experts tasked with reviewing and recommending changes to the current on-boarding and oversight practices of foreign crews during restoration efforts. LIPA will monitor the progress of the year’s efforts and assess the resulting recommendations and the schedule for implementation.

**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. That risk is: “Employees and/or contractors don’t follow safety processes and results in a serious injury/fatality, including members of the public and negative public perception.”

This risk is rated as a medium level risk. To mitigate this risk, PSEG Long Island’s Safety Program fosters a high level of safety awareness by PSEG Long Island employees and contractors. PSEG Long Island verifies contractor safety records, reviews and authorizes contractor detailed safety plans prior to commencement of work, and conducts various required trainings for employees, contractors, and supervisors (e.g., Substation Awareness Training). Attendance is tracked and monitored at these trainings. Safety programs also include contractor roundtables with PSEG Long Island staff to ensure adherence to policies and procedures and identify additional protocols for integration into these programs. In addition, the equipment has been installed in company vehicles to record driving data to reduce vehicle incidences.

In light of the safety incidents that occurred during Tropical Storm Isaias, LIPA anticipates that pending improvements to PSEG Long Island’s oversight of its contractors will be an important element in managing safety risk, along with the other programs already in place

**Annual Review of the Policy**

LIPA Staff recommends no changes 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” 2020 Schumaker Report
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON SAFETY

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

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: December 16, 2020
PSEG LI Safety Assessment
On Behalf of Long Island Power Authority
2020 Follow up Review

December 2020
# Table of Contents

I. EXECUTIVE SUMMARY ................................................................................................................................. 1  
   A. Project Approach/Methodology .................................................................................................................. 1  
   B. Summary of Recommendations .................................................................................................................. 2  

II. PURPOSE AND METHODOLOGY .................................................................................................................. 5  
   A. Purpose ................................................................................................................................................... 5  
   B. Methodology ............................................................................................................................................ 5  
       Phase I – Orientation & Planning ............................................................................................................. 5  
       Phase II – Detailed Reviews and Analyses .............................................................................................. 6  

III. COMPANY PROFILE .................................................................................................................................... 7  
   A. Background ............................................................................................................................................... 7  
       PSEG-LI Geographic Profile ................................................................................................................... 7  
       PSEG-LI Safety Organization Profile ..................................................................................................... 15  
   C. Recommendations ................................................................................................................................... 20  

IV. STATISTICS ANALYSIS ............................................................................................................................. 21  
   A. Background ............................................................................................................................................... 21  
       Incentive Compensation Metrics ............................................................................................................ 21  
       Non-Incentive Metrics ............................................................................................................................ 27  
   B. Findings ................................................................................................................................................... 32  
   C. Recommendations ................................................................................................................................... 32  

V. ASSESSMENT OF IMPLEMENTATION OF RECOMMENDATIONS FROM  
PREVIOUS AUDIT ........................................................................................................................................... 33  
   A. Background ............................................................................................................................................... 33  
   B. Findings ................................................................................................................................................... 34  
   C. Recommendations ................................................................................................................................... 47
Table of Contents
(continued)

VI. SAFETY SUPPORT PROGRAMS ................................................................. 49

A. COVID-19 Safety Response ........................................................................ 49
   Background ................................................................................................ 49
   Findings ...................................................................................................... 49
   Recommendations .................................................................................... 52

   Background ................................................................................................ 53
   Findings ...................................................................................................... 53
   Recommendations .................................................................................... 54

C. Culture/Leadership .................................................................................... 55
   Background ................................................................................................ 55
   Findings ...................................................................................................... 55
   Recommendations .................................................................................... 55

D. Hazard Identification .................................................................................. 57
   Background ................................................................................................ 57
   Findings ...................................................................................................... 57
   Recommendations .................................................................................... 65

E. Communications ....................................................................................... 65
   Background ................................................................................................ 65
   Findings ...................................................................................................... 65
   Recommendations .................................................................................... 66

F. Training ..................................................................................................... 66
   Background ................................................................................................ 66
   Findings ...................................................................................................... 88
   Recommendations .................................................................................... 88
Table of Contents (continued)

VII. FIELD OPERATIONS REVIEW .................................................................................. 89
   A. Background ........................................................................................................ 89
   B. Findings ........................................................................................................... 89
   C. Recommendations .......................................................................................... 89
Table of Exhibits

I. EXECUTIVE SUMMARY .............................................................................................................................................. 1
   Exhibit I-1  2020 Summary of Recommendations ........................................................................................................... 3

II. PURPOSE AND METHODOLOGY .................................................................................................................................. 5

III. COMPANY PROFILE .................................................................................................................................................. 7
    Exhibit III-1  PSEG-LI Operational Divisions September 20 .......................................................................................... 8
    Exhibit III-2  PSEG-LI Facility Location Addresses September 2020 .......................................................... 9
    Exhibit III-3  PSEG-LI Work Functions by Location September 2020 .......................................................... 10
    Exhibit III-4  PSEG-LI Facilities Arverne, Bethpage, Brentwood November 2020 ........................................ 11
    Exhibit III-5  PSEG-LI Facilities Bridgehampton, Coram, Greenlawn, Hewlett November 2020 ............. 12
    Exhibit III-6  PSEG-LI Facilities Hicksville, Lindenhurst, Melville – Cust Assist Ctr, Patchogue November 2020 ........................................................................................................................................... 13
    Exhibit III-7  PSEG-LI Facilities Port Jefferson, Riverhead, Roslyn, Seaford November 2020 .................... 14
    Exhibit III-8  PSEG-LI Facilities Uniondale November 2020 .................................................................................... 15
    Exhibit III-9  PSEG-LI Executive Management Team June 2020 ............................................................................ 16
    Exhibit III-10 PSEG-LI Operation Services Safety Compliance Team June 2020 ........................................... 17
    Exhibit III-11 PSEG-LI T&D Operations Safety Teams June 2020 ........................................................................... 18
    Exhibit III-12 PSEG-LI Customer Operations Safety Team June 2020 .......................................................... 19
## Table of Exhibits (Continued)

### IV. STATISTICS ANALYSIS

| Exhibit IV-1 | OSHA Recordable Incident Rate Performance 2015 – June 2020 | 22 |
| Exhibit IV-2 | OSHA Days Away Rate (Severity) Performance 2015 – June 2020 | 24 |
| Exhibit IV-3 | Percent Change in Number of Motor Vehicle Accidents from Previous Year 2015 – June 2020 | 25 |
| Exhibit IV-4 | Number of Motor Vehicle Accidents (MVA) 2015 – June 2020 | 26 |
| Exhibit IV-5 | Hours of Exposure 2015 – June 2020 | 27 |
| Exhibit IV-6 | Number of Employees 2015 – June 2020 | 28 |
| Exhibit IV-7 | Number of Recordable Incidents 2015 – June 2020 | 29 |
| Exhibit IV-8 | Number of Restricted Duty Cases 2015 – June 2020 | 30 |
| Exhibit IV-9 | Number of Restricted Duty Workdays 2015 – June 2020 | 31 |
| Exhibit IV-10 | Number of Medical Cases 2015 – June 2020 | 32 |

### V. ASSESSMENT OF IMPLEMENTATION OF RECOMMENDATIONS FROM PREVIOUS AUDIT

| Exhibit V-1 | Summary of 2017 Recommendations | 33 |
| Exhibit V-2 | PSEG-LI Response 2017 Recommendation IV-1 October, 2020 | 34 |
| Exhibit V-3 | Tier II Leading Safety Indicator Dashboard October 2020 | 35 |
| Exhibit V-4 | Supporting Documentation for Leading Safety Indicators October 2020 | 36 |
| Exhibit V-5 | PSEG-LI Response 2017 Recommendation IV-2 October 2020 | 37 |
| Exhibit V-6 | Hicksville Upgraded Storage Racks October 2020 | 37 |
| Exhibit V-7 | Brentwood Storage Racks October 2020 | 38 |
| Exhibit V-8 | PSEG-LI Response 2017 Recommendation IV-3 October, 2020 | 39 |
| Exhibit V-9 | Defective Tool Removal Procedure as of October, 2020 | 40 |
| Exhibit V-10 | Purpose of Investment Recovery Procedure EP-26 as of October 31, 2020 | 41 |
| Exhibit V-11 | Morning Operations Calls as of October 2020 | 41 |
| Exhibit V-12 | Safety Manual Revision Date as of October 2020 | 42 |
| Exhibit V-13 | Training Matrix as of October 31, 2020 | 44 |
| Exhibit V-14 | Facilities Profile slide 1 as of October 31, 2020 | 46 |
| Exhibit V-15 | Facilities Matrix Slide2 as of October 31, 2020 | 46 |
Table of Exhibits
(Continued)

VI. SAFETY SUPPORT PROGRAMS

| Exhibit VI-1 | COVID-19 Job Hazard Analysis Utility Operations Page 1 of 7 as of March 13, 2020 50 |
| Exhibit VI-2 | COVID-19 Guidance Cleaning and Disinfection Partial Page 1 of 2 Pages as of March 13, 2020 .................................................................................................................................51 |
| Exhibit VI-3 | Identification of Safety improvements as of October 31, 2020..........................53 |
| Exhibit VI-4 | Safety and Health Improvements 2017 to 2019 as of October 31, 2020...........54 |
| Exhibit VI-5 | Delayed Start Time Due to Inclement Weather Conditions as of October 31, 2020 58 |
| Exhibit VI-6 | Weather Advisory Policy as of October 31, 2020 ..................................................59 |
| Exhibit VI-7 | Dog Bite Safety Awareness Program as October 31, 2020.................................60 |
| Exhibit VI-8 | Dog Safety as of October 31, 2020 ........................................................................61 |
| Exhibit VI-9 | Dog Bites 2017 to 2020 as of November 21, 2020 ..............................................62 |
| Exhibit VI-10 | Long Island/Customer Partnership for Safety as of October 31, 2020..............63 |
| Exhibit VI-11 | Anchor Meter Pan Survey as of October 31, 2020 .............................................64 |
| Exhibit VI-12 | Safety Compliance Organization Training Support as of October, 2029............67 |
| Exhibit VI-13 | Sample PSEG-LI Safety Training Modules Page 1 of 5 as of November 2020 69 |
| Exhibit VI-14 | Sample PSEG-LI Safety Training Modules Page 2 of 5 as of November 2020 70 |
| Exhibit VI-15 | Sample PSEG-LI Safety Training Modules Page 3 of 5 as of November 2020 71 |
| Exhibit VI-16 | Sample PSEG-LI Safety Training Modules Page 4 of 5 as of November 2020 72 |
| Exhibit VI-17 | Sample PSEG-LI Safety Training Modules Page 5 of 5 as of November 2020 73 |
| Exhibit VI-18 | LMS Training Modules by Course Codes AET = Annual Expert Training as of October 21, 2020 .............................................................................................................................74 |
| Exhibit VI-19 | LMS Training Modules by Course Codes DOT = Department of Transportation as of October 21, 2020 ................................................................................................................75 |
| Exhibit VI-20 | LMS Training Modules by Course Codes DWC = Disability & Workers Compensation as of October 21, 2020 ........................................................................................................75 |
| Exhibit VI-21 | LMS Training Modules by Course Codes ELE = Electrical 1 of 2 as of October 21, 2020 76 |
Table of Exhibits
(Continued)

| Exhibit VI-22 | LMS Training Modules by Course Codes ELE=Electrical 2 of 2 as of October 21, 2020 |
| Exhibit VI-23 | LMS Training Modules by Course Codes ENV=Environmental as of October 21, 2020 |
| Exhibit VI-24 | LMS Training Modules by Course Codes ERG=Ergonomics as of October 21, 2020 |
| Exhibit VI-25 | LMS Training Modules by Course Codes FAL=Fall Protection as of October 21, 2020 |
| Exhibit VI-26 | LMS Training Modules by Course Codes FLS=Fire Safety as of October 21, 2020 |
| Exhibit VI-27 | LMS Training Modules by Course Codes FLT=Motor Vehicle as of October 21, 2020 |
| Exhibit VI-28 | LMS Training Modules by Course Codes HRS=Human Resource Services as of October 21, 2020 |
| Exhibit VI-29 | LMS Training Modules by Course Codes IEQ=Industrial Equipment as of October 21, 2020 |
| Exhibit VI-30 | LMS Training Modules by Course Codes MAT=Materials Handling as of October 21, 2020 |
| Exhibit VI-31 | LMS Training Modules by Course Codes MST=Measurements Service Training as of October 21, 2020 |
| Exhibit VI-32 | LMS Training Modules by Course Codes PPE=Personal Protective Equipment as of October 21, 2020 |
| Exhibit VI-33 | LMS Training Modules by Course Codes RES=Restoration Training as of October 21, 2020 |
| Exhibit VI-34 | LMS Training Modules by Course Codes RSQ=Rescue as of October 21, 2020 |
| Exhibit VI-35 | LMS Training Modules by Course Codes SAF=Safety 1 of 2 as of October 21, 2020 |
| Exhibit VI-36 | LMS Training Modules by Course Codes SAF=Safety 2 of 2 as of October 21, 2020 |
| Exhibit VI-37 | LMS Training Modules by Course Codes SUB=Substation as of October 21, 2020 |
Table of Exhibits
(Continued)

Exhibit VI-38   PSEG-LI Training Facilities as of October, 2020 ........................................86
Exhibit VI-39   Status of PSEG-LI Training Facilities as of October, 2020 .............................87

VII. FIELD OPERATIONS REVIEW .....................................................................................89
Table of Findings

I. EXECUTIVE SUMMARY .............................................................................................................. 1

II. PURPOSE AND METHODOLOGY .......................................................................................... 5

III. COMPANY PROFILE .............................................................................................................. 7
    Finding III-1  PSEG-LI has an adequate Safety Organizational structure to support and improve its safety performance. ........................................................................................................ 20

IV. STATISTICS ANALYSIS ......................................................................................................... 21
    Finding IV-1  PSEG-LI uses a Safety Management Process that results in improved Safety Performance. ......................................................................................................................... 32

V. ASSESSMENT OF IMPLEMENTATION OF RECOMMENDATIONS FROM PREVIOUS AUDIT ............................................................................................................................ 33
    Finding V-1  PSEG-LI and PSEG Enterprise recognize the value of leading indicator metrics and have expanded their use. (Refer to Item IV-1 in Exhibit V-1) .................................. 34
    Finding V-2  A PSEG-LI engineering assessment was completed, and deficiencies corrected for all Materials & Logistics storage racks system wide. (Refer to Item IV-2 in Exhibit V-1) ......................................................................................................................... 36
    Finding V-3  PSEG-LI developed a process to assure obsolete equipment and tools are removed from service and properly tagged. (Refer to Item IV-3 in Exhibit V-1) .................. 39
    Finding V-4  PSEG-LI documented a procedure for the disposal of obsolete tools and equipment. (Refer to Item IV-4 in Exhibit V-1) .............................................................. 40
    Finding V-5  PSEG-LI has daily morning operations call which includes a review of employee safety, weather and system reliability. (Refer to Item IV-5 in Exhibit V-1) ......................... 41
    Finding V-6  PSEG-LI took steps to better document revision dates of The Health and Safety Manual but not on each page. (Refer to Item IV-6 in Exhibit V-1) ......................... 42
    Finding V-7  Health & Safety Compliance added one full time position to support both field and classroom training. (Refer to Item IV-7 in Exhibit V-1) ............................................. 42
Table of Findings  
(Continued)

<table>
<thead>
<tr>
<th>Finding V-8</th>
<th>A Learning Management System (LMS) was in place at the time of the last assessment and has since been fully implemented. (Refer to Item IV-8 in Exhibit V-1)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Finding V-9</th>
<th>PSEG Long Island established a core project team, steering committee and subteams to analyze training requirements and needs including programs and facilities. (Refer to Item IV-9 in Exhibit V-1)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Finding V-1</th>
<th>The Facilities Matrix is very comprehensive showing Current State, Minimum Future State, Moderate Future State, and Major Future State. (Refer to Item IV-9 in Exhibit V-1)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>VI. SAFETY SUPPORT PROGRAMS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding VI-1</td>
<td>PSEG-LI has developed documented procedures (protocols) for addressing the COVID-19 response.</td>
</tr>
<tr>
<td>Finding VI-2</td>
<td>PSEG-LI acted quickly and decisively to identify the hazard of COVID-19 to protect workers. It would seem that safety leadership did more than expected to mitigate the spread of the virus.</td>
</tr>
<tr>
<td>Finding VI-3</td>
<td>COVID-19 protocols set by the NY-CDC prevented on-site visits by the Consulting Team to observe compliance of PSEG-LI employees.</td>
</tr>
<tr>
<td>Finding VI-4</td>
<td>PSEGLI has identified and implemented 135 safety and health improvements from 2017 to present.</td>
</tr>
<tr>
<td>Finding VI-5</td>
<td>The culture at LIPA is one of compliance through communications.</td>
</tr>
<tr>
<td>Finding VI-6</td>
<td>PSEGLI developed a delayed start time procedure for Customer Service.</td>
</tr>
<tr>
<td>Finding VI-7</td>
<td>The Weather Advisory Policy that was in place in 2017 is in place today.</td>
</tr>
<tr>
<td>Finding VI-8</td>
<td>PSEGLI developed a number of training programs and policies to address the Dog Bite Issue as shown in Exhibit VI-7 and Exhibit VI-8.</td>
</tr>
<tr>
<td>Finding VI-9</td>
<td>PSEGLI has put into place policy and practice to train employees on identifying unsafe meters, meter pans and track and record unsafe meter locations.</td>
</tr>
<tr>
<td>Finding VI-10</td>
<td>A significant process change since the last audit is that the Safety and health team executes a location specific safety assessment covering the physical plant, vehicles, tools and equipment.</td>
</tr>
</tbody>
</table>
Table of Findings  
(Continued)

Finding VI-11  The effectiveness of written communications such as the Health and Wellness newsletter has improved since the 2017 audit..................................................................................65
Finding VI-12  The protocol for safety team meetings is detailed Chapter VII. COVID has required changes in the method of communications.................................................................65
Finding VI-13  Local operating procedures exist within the Divisions and are not consistent across the organization ................................................................................................................66
Finding VI-14  Safety Advocates continue filling their role even during storm restoration activity. They are not required to do storm restoration work.........................................................66
Finding VI-15  Effectiveness of the Training Function at PSEG-LI has improved significantly between 2017 and 2020..............................................................................................................88
Finding VI-16  Assuming the prefix of training modules are reflective of the course description, there seem to be a number of mismatches in the LMS coding of training modules..............................................................................88
Finding VI-17  PSEG-LI continues to have training facility needs in the future........................................88

VII. FIELD OPERATIONS REVIEW .............................................................................................................89
Finding VII-1  Since Schumaker & Company’s last audit, the PSEG-LI Safety group has been conducting site safety visits of all physical sites on a periodic basis.................................89
# Table of Recommendations

## I. EXECUTIVE SUMMARY

II. PURPOSE AND METHODOLOGY

III. COMPANY PROFILE

IV. STATISTICS ANALYSIS

V. ASSESSMENT OF IMPLEMENTATION OF RECOMMENDATIONS FROM PREVIOUS AUDIT

<table>
<thead>
<tr>
<th>Recommendation V-1</th>
<th>PSEG LI needs to add a last revised date to the Health and Safety Manual on each page in addition to the latest revision date. (Refer to Finding V-6.)</th>
</tr>
</thead>
</table>

VI. SAFETY SUPPORT PROGRAMS

<table>
<thead>
<tr>
<th>Recommendation VI-1</th>
<th>Identify local operating practices that exist between regions and establish one preferred practice across all regions for each one. (Refer to Finding VI-13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendation VI-2</td>
<td>Ensure that safety oversight and practices are extended to contractors and foreign crews during storm restoration (Refer to Finding VI-14)</td>
</tr>
<tr>
<td>Recommendation VI-3</td>
<td>PSEG-LI should review if current training module coding is appropriate. (Refer to Finding VI-16)</td>
</tr>
<tr>
<td>Recommendation VI-4</td>
<td>PSEG-LI should revise its current Training Facilities study in light of any operational changes necessitated by COVID-19 and work with LIPA for funding. (Refer to Finding VI-17)</td>
</tr>
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VII. FIELD OPERATIONS REVIEW

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
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I. Executive Summary

The Long Island Power Authority (LIPA) engaged Schumaker and Company, Inc. (Consultant or Schumaker & Company) to assist LIPA in the evaluation and review of the appropriateness and effectiveness of the safety initiatives of LIPA’s Service Provider, PSEG Long Island, LLC (PSEG-LI), including its Safety Standards and Procedures. Schumaker & Company was initially engaged in 2017 to perform a safety assessment. Schumaker & Company was reengaged in 2020 to conduct a follow-up assessment which resulted in this summary report. The objectives and scope of each review was very similar. In the 2017 review, PSEG-LI had only recently assumed the responsibility for LIPA operations whereas in the 2020 review, PSEG-LI had been functioning for several years. Other differences between the two studies included

- The second (2020) review also included follow-up on the original recommendations made in the 2017 review.
- The second (2020) was conducted during the COVID pandemic. Schumaker & Company’s on-site time was non-existent due to the pandemic. Specific documentation was electronically received and reviewed and ZOOM interviews were conducted during the investigations. No on-site interviews or field observations were conducted.

Schumaker & Company used a four-person consultant team (Team) to complete the project.

This report documents the findings and recommendations submitted by Schumaker & Company to LIPA.

A. Project Approach/Methodology

Our process provided the Schumaker & Company project team with a structured approach that was comprehensive and logical, as well as interactive and participative with PSEG-LI and LIPA management and staff. The process was designed to establish and sustain vital, interactive working relationships among management and staff and the Schumaker & Company project team during the course of this safety program assessment and to comply with all COVID protocols. We have refined this three-step process over many reviews, audits, and studies conducted with the same team members working on this project.

We assembled a project team with a strong working knowledge of electric utility operations, as well as current industry issues. Each individual was carefully selected according to his or her experience, technical expertise, and education in those areas for which he or she is proposed. Our consultants are mature and experienced, with advanced degrees and practical business management experience. They consistently meet high standards of professional competence within their disciplines and have the team skills needed to work collaboratively with client organizations.
Schumaker & Company brings a results-based philosophy to the safety review such as this one. These factors enable the companies to derive maximum benefit from review activities. Our project team followed a three-step study process designed to achieve vital, interactive working relationships among management and staff and our project team consultants. Specifically, the three steps were as follows:

- **Step I – Orientation and Project Planning**
- **Step II – Detailed Review**
- **Step III – Final Report Preparation**

## B. Summary of Recommendations

Our review did not necessarily highlight areas in which we might have thought PSEG LI was performing well, although there were many positive findings and conclusions contained in the report. Because the bulk of the safety assessment is generally aimed at identifying problems, deficiencies, and opportunities for improvement, it may give the reader the impression that the PSEG LI is seriously deficient. This is not the case, because many of the findings and conclusions contained in this report are positive and many of the recommendations may be designed primarily to continue or enhance existing practices.

There have been significant improvements in PSEG-LI safety indices since our last review as shown in *Chapter IV Statistical Analysis*. All of the OSHA and Motor Vehicle Accident rates have improved (trended downward). While the number of employees has increased slightly (*Exhibit IV-6*) the number of recordable incidents (*Exhibit IV-7*) has continued to decrease. PSEG-LI continued emphasis on its safety training programs (*Chapter VI Safety Support Programs*) and practices can be credited for much of this improvement. All of these activities would make PSEG-LI equal to or better than electric utilities that our project team has experience with in the Northeast and Midwest United States.

The audit produced five recommendations, which are contained in this report. The actual recommendation statements contained in the audit report are shown in *Exhibit I-1*. We have also indicated the recommendation number, page number in the report, priority, and estimated timeframe to initiate implementation efforts, and estimated benefits following implementation. The details of each recommendation can be found in the following three chapters where the associated subject matter is evaluated.
To assist PSE&G LI and LIPA management in developing implementation plans, each recommendation has been assigned a priority of “high,” “medium,” or “low” according to the following criteria:

- **High** – Designated recommendations are high priority because of their importance and urgency. These represent significant benefit potential, major improvements to service, or substantial improvements to methods or procedures.

- **Medium** – Designated recommendations are of medium priority. In some instances, the implementation of these recommendations is expected to provide moderate improvements in efficiency of Operations and Maintenance, or management methods and performance. In other instances, implementation may provide significant longer-term benefits which are less predictable.

- **Low** – Designated recommendations reflect a lower priority. In many instances, they should be studied further or implemented sometime during the next few years. Potential benefits are perceived to be either modest or difficult to measure.
II. Purpose and Methodology

A. Purpose

The Long Island Power Authority (LIPA) awarded a contract to Schumaker and Company, Inc. (Consultant or Schumaker & Company) to assist LIPA in the evaluation and review of the appropriateness and effectiveness of the safety initiatives of LIPA’s Service Provider, PSEG Long Island, LLC (PSEG-LI), including its Safety Standards and Procedures.²

Specifically, LIPA requested Schumaker & Company to:

- Conduct a work safety assessment of PSEG-LI utility practices and compare to other similarly sized utilities
- Provide recommendations and effectiveness measures to the existing initiatives/plans based on best practices of industries

Schumaker & Company used a four-person consultant team (Team) to complete the project.

This report documents the findings and recommendations submitted by Schumaker & Company to LIPA.

B. Methodology

The Team used the following three-phase work plan, including three on-site visits, to complete the project:

- **Phase I – Orientation & Planning**
- **Phase II – Detailed Reviews and Analyses**
- **Phase III – Draft Report and Final Report Preparation**

### Phase I – Orientation & Planning

During this phase the Schumaker & Company Team:

- Submitted requests for data and information to facilitate **Phase II** of the project:
  - During the first few weeks, project documents requested were a little slow at coming in due to the ongoing COVID pandemic and the occurrence of some storm events.
  - The Team did begin reviewing documents, such as the safety manual before **Phase II** began.
Biweekly video conferences were held during the project with all participants operating from their home, office, or field locations.

All information requests and responses were handled via Schumaker & Company PMIA application which supported the electronic exchange of documents and scheduling of ZOOM meetings.

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**Phase II – Detailed Reviews and Analyses**

During *Phase II*, the Team it became apparent that the COVID pandemic was not going away and in fact was going to continue to be an issue. It was decided that the project would need to be completed without the level of on-site activities that had been conducted in the previous review. Instead, Schumaker & Company consultants scheduled an extensive set of ZOOM interviews which covered PSEG-LI management and PSEG-LI safety advocates, union personnel with specific responsibilities for safety oversight. During these ZOOM interviews and our review of information responses, we were able to follow up on our previous recommendations that came out of our previous field visits.

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**Phase III – Draft Report and Final Report Preparation**

*Phase III* Team activities included:

- The preparation of a draft report using the knowledge and insight gained from reviewing and analyzing Information Responses, on-site visits, and interviews
- The submission of the draft report to LIPA for review and comment
- The revision of the draft report to incorporate LIPA’s comments
- The submission of the draft report to PSEG-LI for comments
- The preparation of the Final Report after incorporating PSEG-LI comments, if applicable
- The submission of the Final Report to LIPA
III. Company Profile

A. Background

The Transmission and Distribution System assets that provide electrical service to residential, commercial, and industrial residents on Long Island, New York are owned by the Long Island Power Authority (LIPA) that was created by the State of New York. Under an Operations Service Agreement (OSA), LIPA contracts with Public Service Electric & Gas - Long Island (PSEG-LI) for operational and maintenance activities required to deliver electric energy to Long Island residential and business customers.

LIPA, in accordance with the OSA, provides PSEG-LI with the opportunity to earn incentive compensation based on mutually agreed to metrics for Customer Satisfaction, Financial Performance, Electric Reliability, and Employee Safety. As part of its oversight responsibility, LIPA periodically requests a review of 2017-2019 PSEG-LI Employee Safety Performance.

This chapter provides an overview of the facility locations and organizational structure used by PSEG-LI in achieving its OSA Employee Safety Performance, Exhibit III-7 and Exhibit III-8.

PSEG-LI Geographic Profile

PSEG-LI serves approximately 1.1 million customers in roughly 1,230 square miles in Nassau and Suffolk counties and the Rockaway Peninsula in Queens. They operate and maintain about 1,400 miles of transmission assets and around 9,000 miles of overhead and 5,000 miles of underground distribution assets.

The PSEG-LI service area is divided into four geographical divisions for field activities. These divisions are Queens Nassau, Central, Western Suffolk, and Eastern Suffolk as shown in Exhibit III-1. PSEG-LI has staff in seventeen (17) locations on Long Island as shown in Exhibit III-2. Exhibit III-3 displays the work functions at each of the locations.

Images of each of the seventeen (17) locations are given in Exhibit III-4, Exhibit III-5, Exhibit III-6, Exhibit III-7, and Exhibit III-8.
Exhibit III-1
PSEG-LI Operational Divisions
September 20

Source: https://www.psegliny.com/buildingrenovationservices/codesandstandards/redbook
Exhibit III-2
PSEG-LI Facility Location Addresses
September 2020

Source: Information Response 87 and Consultant Analysis
Exhibit III-3
PSEG-LI Work Functions by Location
September 2020

Source: Information Response 87 and Consultant Analysis
Exhibit III-4
PSEG-LI Facilities
Arverne, Bethpage, Brentwood
November 2020

Arverne

Bethpage

Brentwood

Source: See endnote for each image
<table>
<thead>
<tr>
<th>Bridgehampton</th>
<th>Coram</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Bridgehampton Image" /></td>
<td><img src="image2" alt="Coram Image" /></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Greenlawn</th>
<th>Hewlett</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image3" alt="Greenlawn Image" /></td>
<td><img src="image4" alt="Hewlett Image" /></td>
</tr>
</tbody>
</table>

Source: See endnote for each image
Exhibit III-6
PSEG-LI Facilities
Hicksville, Lindenhurst, Melville – Cust Assist Ctr, Patchogue
November 2020

Hicksville

Lindenhurst

Melville - Cust Assist Ctr

Patchogue

Source: See endnote for each image
Exhibit III-7
PSEG-LI Facilities
Port Jefferson, Riverhead, Roslyn, Seaford
November 2020

Port Jefferson^20
Riverhead^21
Roslyn^22
Seaford^23

Source: See endnote for each image
PSEG-LI Safety Organization Profile

Executive Management Team

While all its employees have a responsibility to always work safely, PSEG-LI has specific organizations that are charged with implementing and supporting Safety Improvement Strategies and Initiatives approved by the companies Executive Management Team. The Executive Management Team is shown in Exhibit III-9. The organizations with specific Safety Teams are highlighted on the exhibit.26
Exhibit III-9
PSEG-LI Executive Management Team
June 2020

Functional Safety Teams

Exhibit III-10 shows the Safety Compliance Team within the Operation Services Organization. The team is responsible for tracking and reporting safety metrics, developing safety training modules, supporting safety activities within the Operations Services Organization, and coordination of safety activities with the T&D Operations and Customer Operations Safety Teams. There are eight (8) employees, including the Compliance Manager, in the group.26

Source: Information Response 59
Source: Information Response 59
Four (4) Safety Teams, as shown in Exhibit III-11, support safety activities within the PSEG-LI T&D Operations Organization. The four teams have fourteen (14) employees including four (4) H&S Program Manager positions one of which is vacant.

Exhibit III-11
PSEG-LI T&D Operations Safety Teams
June 2020

Source: Information Response 59 and Interviews 26, 27, and 30
The Customer Operations Organization Safety Team is given in Exhibit III-12. Customer Operations safety activities are supported by a five (5) member team including an H&S Program Manager.

### Exhibit III-12
PSEG-LI Customer Operations Safety Team
June 2020

Source: Information Response 59 and Interview 28

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### Safety Councils

PSEG-LI continues to encourage Safety Councils from local worker locations up to and including PSEG Corporate. Local employee participation is encouraged but it is voluntary. The Safety Council Structure is presented in Exhibit III-13.
B. Findings

Finding III-1  PSEG-LI has an adequate Safety Organizational structure to support and improve its safety performance.

PSEG-LI has roughly the same number of personnel devoted to the safety effort it had during our 2017 review. As discussed in other sections of this report, the safety metrics have continued to improve over the last several years, as discussed in the next chapter.

C. Recommendations

None
IV. Statistics Analysis

A. Background

OSHA has established specific mathematical calculations that enable any company to report their recordable incident rates, lost time rates, and severity rates, so that they are comparable across any industry or group. The standard base rate for the calculations is based on a rate of 200,000 labor hours. This number (200,000) equates to 100 employees, who work 40 hours per week, and who work 50 weeks per year. Using this standardized base rate, any company can calculate their rate(s) and get a percentage per 100 employees.30

In accordance with the Operating Service Agreement (OSA), PSEG-LI can receive additional compensation if PSEG-LI achieves annual Safety Performance Targets mutually agree to between LIPA and PSEG-LI. Annually, Safety Performance Targets for the following year are established for:

- OSHA Recordable Incident Rate;
- OSHA Days Away Rate (Severity); and
- Motor Vehicle Accident (MVA) Rate

PSEG-LI also monitors other non-incentive metrics as part of its Safety Management Process.

Incentive Compensation Metrics

OSHA Recordable Incident Rate

The Annual OSHA Recordable Incident Rate is defined as:

\[
\text{Annual OSHA Recordable Incident Rate} = \frac{\text{Number of Recordable Incidents} \times 200,000}{\text{Total Number of Hours Worked}}
\]

Exhibit IV-1 provides annual LIPA OSHA Recordable Incident Rate Targets and PSEG-LI performance for 2015 through June 2020. LIPA targets ranged from 2.31 in 2016 to 1.27 for 2020. PSEG-LI performance ranged from 2.34 in 2015 to 1.32 for 2019. The YTD performance in June 2020 was 0.61. Data indicates a PSEG-LI Total Incident Rate reduction of 41.5% (2.34 to 1.37) 2015 to 2019.31

Exhibit IV-1 also provides OSHA Recordable Incident Performance for PSEG-LI functional organizations. T&D Operation performance ranged from 3.1 in 2015 to 1.42 in 2019. T&D YTD June 2020 performance was 0.91. Customer Operations rates ranged from 1.77 to 0.85 in 2017. The Customer Operations rate in YTD June 2020 was 0.53. The range of rates for Business Services was 1.23 to 0.27 in 2016. Business Services rate at YTD June 2020 was 0.00.32
Exhibit IV-1
OSHA Recordable Incident Rate Performance
2015 – June 2020

OSHA Recordable Incident Rate
LIPA Target vs PSEG-LI Actual

OSHA Recordable Incident Rate
PSEG-LI Functional Organizations

Source: Information Responses 53 and 61
OSHA Days Away Rate (Severity)

The severity of OSHA Recordable Incidents is known as the OSHA Days Away Rate and is defined as:

\[
\text{Annual OSHA Days Away Rate} = \frac{\text{Annual Number of Days Away due to injury} \times 200,000}{\text{Annual Total Number of Hours Worked}}
\]

LIPA OSHA Days Away Target and PSEG-LI Total Performance for 2015 through YTD Jun20 is shown on Exhibit IV-2. LIPA targets ranged from 39.43 in 2016 to 17.00 for 2020. PSEG-LI’s range of performance was 61.11 in 2015 to 26.02 in 2016. The total rate was 12.06 at the end of June, 2020. The data indicates a 51.1% reduction (61.11 to 29.90) in PSEG-LI Total Days Away Rate between 2015 and 2019.

PSEG-LI Functional Organization Days Away Rate performances are also shown on Exhibit IV-2 . T&D Operation’s performance rates ranged from 89.21 in 2015 to 34.66 in 2018. T&D’s rate at the end of June 2020 was 24.25. Rates for Customer Operations ranged from 31.97 in 2018 to 8.49 in 2017. The end of June 2020 Customer Operations rate was 0.00. The range of rates for Business Services was 0.70 in 2018 to 0.00 in 2015, 2016, and 2017. The end of June 2020 Business Services rate was 0.00.
Exhibit IV-2
OSHA Days Away Rate (Severity) Performance
2015 – June 2020

OSHA Days Away Rate (Severity)
LIPA Target vs PSEG-LI Total

OSHA Days Away Rates (Severity)
PSEG-LI Functional Organizations

Source: Information Responses 53 and 61
Motor Vehicle Accidents (MVA)

LIPA and PSEG-LI agreed to an OSA Incentive Target for Motor Vehicle Accidents (MVA) beginning with calendar year 2019. The target is based on the percent change in number of MVAs from the previous year and is calculated as:

$$Annual\ Percent\ Change\ in\ MVAs = \frac{(Current\ Yr\ Num\ MVAs - Previous\ Yr\ Num\ MVAs)}{Previous\ Yr\ Num\ MVAs} \times 100$$

The percent change in number of PSEG-LI MVAs for 2016 – YTD Jun20 is given in Exhibit IV-3 which also shows OSA Targets for 2019 and 2020. The PSEG-LI annual change ranged from +17.5 in 2016 to -17.5 in 2019 with -78.9 in YTD Jun20. LIPA Targets were -5.6 in 2019 and -1.9 for 2020. 

Exhibit IV-4 gives MVAs from 2015 through the end of June 2020 by PSEG-LI Total and each Functional Organization. PSEG-LI Total MVAs ranged from a low of 90 in 2015 to a high of 126 in 2018. The YTD number of MVAs at the end of June 2020 was 24.
Interviews indicated that the implementation of the GPS (Geographic Positioning System) in field vehicles and a policy of garages not making repairs to vehicles unless an incident report for the damage is provided has contributed significantly to a reduction in MVAs.

Exhibit IV-4
Number of Motor Vehicle Accidents (MVA)
2015 – June 2020

Motor Vehicle Accidents
PSEG-LI Total and Functional Organizations

Source: Information Response 91
Non-Incentive Metrics

Fatalities

There have been no PSEG-LI fatalities during the years of 2015 through YTD June 2020.

Hours of Exposure

The “Hours of Exposure” is the number of work hours that employees are exposed to potential injury and is used as the Denominator in a number of safety metrics equations. Exhibit IV-5 provides the annual “Hours of Exposure” for PSEG-LI Total and by function. PSEG-LI Totals “Hours of Exposure” ranged from a low of 4,284,168 in 2015 to a high of 4,951,158 in 2019 with 2,617,424 YTDJun20.\(^4\)

Exhibit IV-5
Hours of Exposure
2015 – June 2020

Number of Employees

The “Hours of Exposure” in Exhibit IV-5 is directly related to the number of employees. Exhibit IV-6 shows the end-of-year number of PSEG-LI employees from 2015 through 2019 plus the number at the
end of June 2020. The number of employees increased by 224 (9.4%) from end-of-year 2015 to June 2020.\footnote{1}

Exhibit IV-6
Number of Employees
2015 – June 2020

\begin{center}
\begin{tikzpicture}
\begin{axis}[
    title={Number of Employees
    PSEG-LI Total},
    ylabel={Number of Employees},
    xlabel=YEAR,
    xmin=2015, xmax=2020,
    ymin=2000, ymax=3000,
    xtick=data,
    ytick={2000,2200,2400,2600,2800,3000},
    major grid=true,
    legend entries={PSEG-LI Total},
    legend style={at={(0.5,0.98)},anchor=north},
]
\addplot coordinates{
    (2015,2371)
    (2016,2379)
    (2017,2408)
    (2018,2487)
    (2019,2532)
    (YTDJun20,2595)
};
\end{axis}
\end{tikzpicture}
\end{center}

Source: Information Responses 50 and 71
Number of Recordable Incidents

The OSHA Recordable Incident Rates given in Exhibit IV-1 are a reflection of the number of recordable incidents. Exhibit IV-7 shows the number of PSEG-LI incidents for 2015 – YTD Jun20. The PSEG-LI Total incidents varied from a high of 50 in 2015 to a low of 26 in 2017 with 8 in YTD Jun20.¹

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Source: Information Response 53 and 61
Restricted Duty Activity

Some accidents may result in employees being able to continue to work in a different job until they medically recover to meet their normal job qualifications. These jobs are referred to as “Restricted Duty”. The number of PSEG-LI Restricted Duty Cases for 2015 – 2019 is given in Exhibit IV-8. No data for 2020 was available. PSEG-LI Total Restricted Duty Cases declined from 9 in 2015 to 3 in 2019, a 66.7% reduction.

The Number of Restricted Workdays is given in Exhibit IV-9 for PSEG-LI Total and Functional Organizations. No data for Business Services was available for 2015 and 2016. PSEG-LI Total Restricted Duty Workdays ranged from 1,242 in 2015 to 397 in 2017. There was a 32.9% (1,242 to 833) reduction in Restricted Workdays from 2015 to 2019. At YTD Jun20, there had been 381 Restricted Workdays.

Exhibit IV-8
Number of Restricted Duty Cases
2015 – June 2020

Source: Information Responses 8 and 67
Medical Treatment Cases

Some recordable incidents require treatment by Medical Professionals. PSEG-LI Total and Functional Organization’s Medical Cases for 2015 through YTDJun20 are shown in Exhibit IV-10. No data was available for Business Services for 2015 and 2016. The highest number of total cases was 15 and occurred in 2018. The lowest number of 6 occurred in 2017. There was a 38.5% reduction (13 to 8) in Medical Cases between 2015 and 2019. The total number of cases at the end of June 2020 was 1.”
B. Findings


All the Safety Metrics in Exhibit IV-1 through Exhibit IV-10 indicate a positive change between 2015 and the end of June 2020. Generally, in looking at all the exhibits, all of the trend lines are trending down.

C. Recommendations

None
V. Assessment of Implementation of Recommendations from Previous Audit

A. Background

The recommendations contained in the Schumaker & Company report “PSEG-LI Safety Assessment on behalf of Long Island Power Authority September 2017” serve as the background for this section. The report contained nine recommendations as shown in Exhibit I-1.

<table>
<thead>
<tr>
<th>Description</th>
<th>Page</th>
<th>Priority</th>
<th>Initiation Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV-1 LIPA and PSEG-LI should consider supplementing the OSHA Safety Metrics with non-OSHA “Leading Indicator” metric(s) that indicate PSEG-LI’s progress to achieve zero injuries. (Refer to Finding IV-1 and Finding IV-5.)</td>
<td>70</td>
<td>High</td>
<td>6-24 Months</td>
</tr>
<tr>
<td>IV-2 PSEG-LI should develop a process and procedure to assure, in a timely manner, that all material racks meet material storage standards through repair or replacement with replaced racks being secured for non-use until disposal. (Refer to Finding IV-12.)</td>
<td>72</td>
<td>Medium</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>IV-3 PSEG-LI should develop a process to assure tools and equipment removed from operations are properly tagged and secured until disposal. (Refer to Finding IV-12 and Finding IV-13.)</td>
<td>73</td>
<td>Medium</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>IV-4 PSEG-LI should review and/or develop a new procedure to assure the disposal of obsolete tools and equipment in a timely manner. (Refer to Finding IV-12 and Finding IV-13.)</td>
<td>73</td>
<td>High</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>IV-5 PSEG-LI Leadership should consider offering the “Customer Service Weather Alert and Delayed Start Time Policy”, with application training, to Managers of non-emergency functions as a tool to assist Managers in achieving and maintaining zero injuries and accidents. (Refer to Finding IV-15)</td>
<td>73</td>
<td>Medium</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>IV-6 PSEG-LI should formalize a process to document the latest annual review date of each page within the Safety Manual. (Refer to Finding IV-32.)</td>
<td>73</td>
<td>Medium</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>IV-7 PSEG-LI should consider the addition of clerical/administrative staffing to support the mission of the Safety organization. (Refer to Finding IV-34.)</td>
<td>74</td>
<td>High</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>IV-8 PSEG-LI should implement the Learning Management System. (Refer to Finding IV-35.)</td>
<td>74</td>
<td>High</td>
<td>6-24 Months</td>
</tr>
<tr>
<td>IV-9 PSEG-LI should develop a Training and Safety Support Resource Plan to assure that PSEG-LI has adequate facility and staffing resources for skills and safety training needed to achieve and maintain the company’s goal of zero injuries and request funding from LIPA for implementation. (Refer to Finding IV-33)</td>
<td>74</td>
<td>High</td>
<td>6-12 Months</td>
</tr>
</tbody>
</table>
B. Findings

Finding V-1  PSEG-LI and PSEG Enterprise recognize the value of leading indicator metrics and have expanded their use. (Refer to Item IV-1 in Exhibit V-1)

As described in Exhibit V-2, PSEG Long Island implemented a Tier II dashboard to communicate key leading indicators monthly to LIPA.

Exhibit V-2
PSEG-LI Response
2017 Recommendation IV-1
October, 2020

OSA Safety Targets are based on OSHA, Lost Time and MVA incidents. Notwithstanding, PSEG Long Island and PSEG Enterprise recognize the value of leading indicator metrics and have expanded their use. PSEG Long Island implemented a Tier II dashboard to communicate key leading indicators monthly to LIPA i.e. Drivers Training, Employee Training, Briotix Industrial Athlete Program Employee Encounters, Incident Analysis Actions and Safety Assessments.

Source: Information Response 83-001

Exhibit V-3 and Exhibit V-4 provides examples of the Leading Indicators.
Exhibit V-3
Tier II Leading Safety Indicator Dashboard
October 2020

Source: Information Response 83-002
Finding V-2  
A PSEG-LI engineering assessment was completed, and deficiencies corrected for all Materials & Logistics storage racks system wide. (Refer to Item IV-2 in Exhibit V-1)

Exhibit V-5 indicates PSEG-LI’s response to Recommendation IV-2 from 2017. Examples of actions taken are shown in Exhibit V-6 and Exhibit V-7.
Exhibit V-5
PSEG-LI Response
2017 Recommendation IV-2
October 2020

An engineering assessment was completed of all Materials & Logistics storage racks system wide. The results and recommendations of that assessment were reviewed by an internal team to ensure that any unsafe conditions were addressed and made safe. Racks deemed unsafe were either immediately removed from service or had their material storage loads reduced to within rated capacity of the rack. Project funding was secured and all unsafe racks were replaced.

Source: Information Response 83-001

Exhibit V-6
Hicksville Upgraded Storage Racks
October 2020

Source: Information response 83-005
Exhibit V-7
Brentwood Storage Racks
October 2020

Source: Information Response 83-007
Finding V-3  

PSEG-LI developed a process to assure obsolete equipment and tools are removed from service and properly tagged. (Refer to Item IV-3 in Exhibit V-1)

PSEG-LI’s actions taken to address obsolete ladders and tools is given in Exhibit V-8. Exhibit V-9 provides an extract from Chapter 13 of the Health and Safety Manual that was reviewed to insure it identified the proper method for handling defective equipment.

Exhibit V-8  
PSEG-LI Response  
2017 Recommendation IV-3  
October, 2020

The ladders referenced in the assessment were immediately removed from service, properly stored and re-tagged “Out-of-Service”, if determined to be damaged or obsolete. EH&S Facility and Operations Assessment Teams actively monitor for the proper tagging of unused defective equipment.

Source: Information Response 83-001
Exhibit V-9
Defective Tool Removal Procedure
as of October, 2020

13.1.1 General Requirements – Hand Tools

1) Hand tools SHALL be used only for the purpose for which they were designed.

1) Hand tools SHALL be inspected before use and maintained in good condition.

2) Defective machinery, tools or equipment SHALL NOT be used.
   a) The use of any machinery, tools, or equipment that is not in compliance with all applicable requirements SHALL be prohibited.
   a) Such machinery, tools, or equipment SHALL be identified as unsafe using one of the following methods:
      i) tagging.
      ii) locking the controls to render them inoperable.
      iii) physically removing the equipment from its place of operation.

Source: Information Responses 83-001 and 83-016

Finding V-4 PSEG-LI documented a procedure for the disposal of obsolete tools and equipment. (Refer to Item IV-4 in Exhibit V-1)

Exhibit V-10 shows the extracted purpose of the new 12 page procedure, EP-25, that was developed to standardizes the methods used for the recovery, recycling, disposal, salvage, sale of assets or inventory type material, and/or scrapping of surplus material and equipment.
Purpose of Investment Recovery Procedure EP-26
as of October 31, 2020

2. PURPOSE

2.1 This document provides guidance for PSEG Long Island’s Environmental Compliance Investment Recovery (IR) Process. This will include the sale of surplus and scrap material or equipment.

2.2 The purpose of this procedure is to standardize the methods used for the recovery, recycling, disposal, salvage, sale of assets or inventory type material, and/or scrapping of surplus material and equipment. This will serve to ensure that the company receives maximum revenue and protection of its interests in all transactions. This procedure is exclusive of fleet/transportation assets, whose disposition is addressed in CM-FL-001-0001 (Fleet Asset Disposition Procedure).

Source: Information Response 83-017

Finding V-5

PSEG-LI has daily morning operations call which includes a review of employee safety, weather and system reliability. (Refer to Item IV-5 in Exhibit V-1)

PSEG-LI’s response to 2017 Recommendation IV-5, Morning Calls, is provided in Exhibit V-11.

Exhibit V-11
Morning Operations Calls
as of October 2020

All Electric T&D operating departments participate on the daily morning operations call which includes a review of employee safety, weather and system reliability. Decisions to alter operations due to weather is considered and determined on the call. Non-essential activities are rescheduled due to weather related safety considerations.

PSEG LI also subscribes to an industry weather service which provides updates throughout the day seven days a week via email to managers. Work assignments are modified as appropriate based on weather forecasts.

Source: Information Response 83-001
Finding V-6  

PSEG-LI took steps to better document revision dates of The Health and Safety Manual but not on each page. (Refer to Item IV-6 in Exhibit V-I)

Actions taken by PSEG-LI concerning “Safety Manual Revision Dates” from 2017 Recommendation IV-6 are given in Exhibit V-12.

Exhibit V-12
Safety Manual Revision Date
as of October 2020

| The Health and Safety Manual review statement has been updated to include the following: |
| “This document shall be reviewed every 3 years or incrementally as significant changes occur.” |
| The manual is continuously updated and if interim changes are required they are issued as “Bulletins” until the next publication. |
| In 2019 the manual had undergone an entire review and revision. The chapters of the manual are separate files allowing for individual chapters to be updated as needed. The manual is also maintained online allowing employees to access the most current version at any time. |

Source: Information Response 83-001

The manual is continuously updated and if interim changes are required they are issued as “Bulletins” until the next publication.

In 2019 the manual had undergone an entire review and revision. The chapters of the manual are separate files allowing for individual chapters to be updated as needed. The manual is also maintained online allowing employees to access the most current version at any time. The current safety manual does not contain a revision page with the revision dated 2019. There is no revision page in the manual and without it, it is not possible to determine when it was last reviewed. In addition, the individual pages do not display the latest revision date on the page.

However, the COVID 19 documentation has this information on each page as shown in Exhibit VI-1. The documentation should be standardized to include this information on each page.

Finding V-7  

Health & Safety Compliance added one full time position to support both field and classroom training. (Refer to Item IV-7 in Exhibit V-I)

A consultant was also added to staff on a part time bases through 2020 to assist in course development and long-range planning for safety training. Operational training was placed under the Director – Training Support & Contractor Services along with additions in training and safety staffing.
External resources were acquired to deliver annual safety, forklift (PIT) and other training.

This year, due in part to COVID-19, much of the instructor led training was transitioned to online computer based training reducing the required “in classroom” time of staff.

The positions that were added were a health and safety advocate in Customer Operations, specifically the meter group and Health and Safety Coordinator. The consultant is no longer employed by PSEG LI.

Currently there are a total of twenty-eight (28) full time dedicated Health and Safety Professionals at PSEG Long Island including two (2) vacancies. The following is a list of the approved positions within each line of business:

**Health & Safety Compliance (PSEG LI System Wide)**

(1) - Health & Safety Manager
(3) - Health & Safety Coordinators
(1) - Health & Safety Coordinator / Trainer
(1)- Safety Training Specialist
(1) - Performance Measurement Lead

**Electric Operations**

(4) - Health & Safety Program Managers (1 vacancy)
(3) - Health & Safety Coordinators
(7) - Union Safety Advocates

**Customer Operations**

(1)- Health & Safety Program Manager
(2) - Health & Safety Coordinators
(2) - Union Safety Advocate

**Projects & Construction**

(1) - Health & Safety Coordinator (Vacant)
Corporate Medical

(1) - Occupational Health Specialist

Finding V-8  
A Learning Management System (LMS) was in place at the time of the last assessment and has since been fully implemented. (Refer to Item IV-8 in Exhibit V-1)

The Health & Safety Training Matrix has been refined and a course code system has been established within LMS. Attendance records from 2014 forward have been entered into the system. Exhibit V-13 is a subset of the Health and Training Matrix. The full matrix covers all employees and all departments.

Finding V-9  
PSEG Long Island established a core project team, steering committee and sub teams to analyze training requirements and needs including programs and facilities. (Refer to Item IV-9 in Exhibit V-1)

A consultant was brought on to work with the internal team to assess existing training and training resources and to make recommendations for improvements and efficiencies.

A facilities profile was developed with three options and presented to leadership. Options were being evaluated prior to the onset of COVID-19.
The company is currently finalizing a reentry strategy from COVID-19 which includes determining future strategies for how we operate in a post COVID-19 world. Upon completion of these studies the training plan and recommendations will be refreshed. The PSEG Long Island Facilities Management Organization has budgeted funds in the 2021 budget plan to accommodate a facility needs assessment.

Separate from the aforementioned initiative, a joint PSEG Long Island/PSE&G teamed examined current health, safety and regulatory training programs against best practices and developed a training matrix along with improvements and additions to the existing training programs.

This year PSEG Long Island Health and Safety began converting instructor led training to online computer-based training to accommodate needs brought about by COVID-19. Additional content has since been added and we are currently working with various vendors to link other external E-Learning to LMS. With these and future conversions to online training it is anticipated that classroom needs will be somewhat reduced from what they were prior to COVID-19.

**Finding V-1**

*The Facilities Matrix is very comprehensive showing Current State, Minimum Future State, Moderate Future State, and Major Future State. (Refer to Item IV-9 in Exhibit V-1)*

It also shows the facilities in NJ. A section of the Matrix is shown in *Exhibit V-14, and Exhibit V-15*
## Exhibit V-14
Facilities Profile slide 1
as of October 31, 2020

<table>
<thead>
<tr>
<th>Service Name</th>
<th>Minimum Service Size</th>
<th>Minimum Service Size</th>
<th>Total Service Size</th>
<th>By the end</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Information Response #83

## Exhibit V-15
Facilities Matrix Slide2
as of October 31, 2020

Source: Information Response #83
C. Recommendations

PSEGLI has done a very good job of implementing the recommendations from the 2017 report. There is only one follow up recommendation

**Recommendation V-1**   
PSEGLI needs to add a last revised date to the Health and Safety Manual on each page in addition to the latest revision date. (Refer to Finding V-6.)
VI. Safety Support Programs

A. COVID-19 Safety Response

Background

PSEG-LI’s COVID-19 mitigation actions as presented represent a clear response to the federal, state, and local CDC recommendations that have become a standard across the United States. The review shows the Company, at minimum, used 40 documents and developed several procedures to control the spread of the disease.  

Briotix Health seems to have been a strong partner in helping PSEG-LI to identify policies and procedures for reducing the effects of COVID-19. Partnering with a health consulting company was a good plan which seems to have helped safety leadership to develop specifics for utility workers.

Coronavirus JHAs (Job Hazard Analyses) were developed to determine the risk of interaction between possible infected employees, co-workers, contractors, visitors, and suppliers. The information provided steps to mitigate hazards and reduce the risk of exposure to COVID-19. In March 2020 PSEG-LI issued a lot of information reflecting safe behaviors and procedures to combat the spreading of COVID-19.

During interviews is became obvious that many of the decisions made by leadership to continue work in a safe manner included that of mitigation of the COVID-19 disease. These decisions included procedures for onboarding personnel during the day and night operations and contractor behavioral expectations.

Findings

Finding VI-1  PSEG-LI has developed documented procedures (protocols) for addressing the COVID-19 response.

Some of the documentation came from Briotix Health and was used in the development of the Job Hazard Analysis (JHA) of March 13, 2020. Examples of the 49 documents related to COVID 19 include:

- Exhibit VI-1 provides the first page of 7 for the COVID-19 JHA documented for Utility Operations; the version and effective date is contained on each page (although this is not the case for all documentation) and
- Exhibit VI-2 giving a partial extract from page 1 of providing Guidance for Cleaning and Disinfection.
Exhibit VI-1
COVID-19 Job Hazard Analysis
Utility Operations Page 1 of 7
as of March 13, 2020

Source: Information Response 73-001
Exhibit VI-2
COVID-19 Guidance
Cleaning and Disinfection Partial Page 1 of 2 Pages
as of March 13, 2020

Cleaning and Disinfection Guidance for COVID-19

Interim Clinic/Office Cleaning and Disinfection Guidance for COVID-19

Background:
In December 2019, a new respiratory disease called Coronavirus Disease 2019 (COVID-19) was detected in China. COVID-19 is caused by a virus (SARS-CoV-2) that is part of a large family of viruses called coronaviruses. To help prevent spread of COVID-19, clinics should continue to educate patients, visitors, and staff about proper hand and respiratory hygiene.

Hand hygiene:
Regular hand washing with soap and water for at least 20 seconds should be done:
- Before eating;
- After sneezing, coughing, or nose blowing;
- After using the restroom;
- Before handling food;
- After touching or cleaning surfaces that may be contaminated; and
- After using shared equipment like computer keyboards, phones and mice.

If soap and water are not available, use an alcohol-based hand sanitizer (with 60-95% alcohol).

Respiratory hygiene:
- Covering coughs and sneezes with tissues or the corner of elbow, and
- Disposing of soiled tissues immediately after use.

Routine Clinic/Office Cleaning/Disinfection:
Soiled and frequently touched surfaces can be reservoirs for pathogens, resulting in a continued transmission to people. Therefore, for pathogenic microorganisms that can transmit disease through indirect contact (transmission through contaminated surfaces), extra attention must be paid to surfaces that are touched most often by different individuals. As part of standard infection control practices in the clinic/office, routine cleaning should be continued.

Routine cleaning and disinfection of clinic/office settings includes:

Source: Information Response 73-002
Finding VI-2  PSEG-LI acted quickly and decisively to identify the hazard of COVID-19 to protect workers. It would seem that safety leadership did more than expected to mitigate the spread of the virus.

Finding VI-3  COVID-19 protocols set by the NY-CDC prevented on-site visits by the Consulting Team to observe compliance of PSEG-LI employees.

Recommendations

None
B. Review of PSEG-LI Corrective Action Reports for 2017, 2018, and 2019

Background

PSEGLI has a rigorous process for identifying safety improvements as shown in Exhibit VI-3

Exhibit VI-3
Identification of Safety improvements
as of October 31, 2020

Employees are encouraged to report unsafe conditions and to make recommendations for health and safety improvements. This is part of our culture and there are many avenues to do this:

- Employees can and are expected to Stop the Job if the test that anything is unsafe or if they are simply not sure of something.
- Employees can speak freely with their supervisors.
- If they are not comfortable with speaking with a supervisor, the can go to any of the 11 union safety advocates, any one of 17 MAST Safety Professionals or place a call or send a text anonymously to the Health and Safety Compliance area through a dedicated line.
- Any employee has the ability to submit a facilities related ticket for facilities issues that need to be addressed.
- Any employee can lodge a complaint through the ethics process and safety is included among the annual ethics training exercises that employees must complete each year.

There is also a safety council process that is structured in three levels:

- Level One is a local council by department and/or yard. The Level One Council is sponsored by an area manager and led by union personnel. They typically meet every couple of weeks to once per month.
- Level Two is a business unit council. The council is sponsored by the VP of the business unit and the members elect their leadership. This is typically represented employees with the exception of the Business Services Council which has few represented employees in comparison to other areas. The Level One Councils roll up to the Level Two Councils. Action items that can not be resolved at the level one or that impact multiple areas within the business unit are brought up to the Level Two Council. Level Two Councils typically meet every other month. The membership of the Level Two Council consists of all of the Level One Council Co-Chairs, Chair, and Recording Secretaries, the BU Directors Safety Advisors, A representative from Health & Safety Compliance and other key individuals.
- Level Three is an umbrella over all business units. The Level Three Council is sponsored by the President and CEO of PSEG Long Island and chaired by the Manager of Health and Safety Compliance. Any items not reached at the Level Two or which cross business units roll up to the Level Three Council. The Level Three Council also serves as an avenue to push out PSEGLI wide initiatives and health and safety priorities. The council is made up of all of the Vice Presidents, The directors to which the health and safety professionals report up to. The union leadership, the chairpersons and recording secretaries from each of the Level Two Councils, representatives from Human Resources and Industrial Relations, The lead Safety Advocate, and other select individuals.

The safety council structure allows for items to be posted up to the next level and for direction to be filtered back down. This structure is very effective and does not allow far or items to sit unaddressed for very long. Many changes and improvements to PPE training, and work methods originate at the safety councils. New and improved PPE is continuously being reviewed and approved for use where appropriate. Today, employees have many more options to items such as gloves, safety glasses, work shoes and small tools than they ever had in the past.

Over the past few years we have invested in hazard recognition and Normalization of Deviance and Partners in Leadership training - all for the purpose of getting employees to identify hazards and take ownership in getting them addressed. We challenge employees to look for better and safer ways to do their jobs.

In addressing this question it is hard to determine just what ideas have originated from a safety council but it is safe to say that many of the health and safety improvements listed in the attached spreadsheet did originate at the council level and most would have been discussed at council meetings at some point. This is only a partial list and we are still collecting and compiling items from various sources in the company.

Source: Information Response #74

Findings

Finding VI-4 PSEGLI has identified and implemented 135 safety and health improvements from 2017 to present.

A subset of the improvements made are shown in Exhibit VI-4
### Exhibit VI-4
Safety and Health Improvements 2017 to 2019
as of October 31, 2020

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduced Biostix stretching program</td>
<td></td>
</tr>
<tr>
<td>In 2020, the company introduced a new employee communications app called &quot;LINK&quot; which allows us to deliver health and safety communications directly to employees including those that do not have company</td>
<td></td>
</tr>
<tr>
<td>T&amp;D Electric Operations held all hands safety updates for their personnel through Covid-19</td>
<td></td>
</tr>
<tr>
<td>T&amp;D Operations now sends out weekly incident summary reports to division managers</td>
<td></td>
</tr>
<tr>
<td>Fully implemented Contractor Authorization to Commence Work Process</td>
<td></td>
</tr>
<tr>
<td>Created and upgraded JHAs for work in customer homes, field work, office work and working in high heat</td>
<td></td>
</tr>
<tr>
<td>Introduced new PPE including: Balacivas, FR face cover, reusable face cover, disposable face cover, anti fog</td>
<td></td>
</tr>
<tr>
<td>Proactive vehicle cleaning using Goldshield</td>
<td></td>
</tr>
<tr>
<td>Internal Contact Tracing and deep cleaning by PSEG LI or landlords</td>
<td></td>
</tr>
<tr>
<td>Implemented Covid-19 compliance assessments</td>
<td></td>
</tr>
<tr>
<td>Implanted special protocols for mutual assistance contractors coming in to assist from restricted states. SHE personnel conducted random assessments of staging and operating areas to ensure compliance</td>
<td></td>
</tr>
<tr>
<td>Daily Pandemic meetings were held with PSEG LI Leadership, BCP Leads and other key people. The Health &amp; Safety Manager served as the Safety lead (ISO) and reported out at each of these meetings. Frequency adjusted to three times and twice per week over the coming months as required by the incident response</td>
<td></td>
</tr>
<tr>
<td>Direction provided by Corporate Medical and Corporate H&amp;S on policy and PPE issues.</td>
<td></td>
</tr>
<tr>
<td>Early in the incident response a cross river team of H&amp;S and Materials and Logistics personnel was convened to meet several times a week to review Covid related safety and PPE issues for consistency and to ensure</td>
<td></td>
</tr>
</tbody>
</table>

Source: Information Response #74

### Recommendations

None
C. Culture/Leadership

When an organization has a culture where lots of material is produced to communicate safety procedures the issue becomes implantation and compliance in the field. Field observations must be increased as more information is sent out to confirm compliance. This puts a strain on not only leadership but employees and can lead to possible strict adherence only when observers are present. This part of the report will come as a result of continued findings during the interview process and documentation review.

Background

Some of the items reviewed included:

- Review the distributed safety culture presentations provided to all field and office employees such as the Driver Winter Preparedness and Winter Weather Stress and other presentations provided throughout the year
- Review the evacuation training for new members of the Call Center Building Emergency Action Team
- Review monthly safety culture presentations for all Customer Services employees
- Review effectiveness of the safety captain rotations

Findings

Finding VI-5  The culture at LIPA is one of compliance through communications.

Safety management seems to be good at acquiring, producing, and providing leadership and employees with lots of digital communications. During this time of the pandemic associated with the coronavirus it seems that safety has been very diligent in sending out requirements for reducing exposure and spreading of COVID-19. It remains to be seen if the procedures are being followed.

When an organization has a culture where lots of material is produced to communicate safety procedures the issue becomes implantation and compliance in the field. Field observations must be increased as more information is sent out to confirm compliance. This puts a strain on not only leadership but employees and can lead to possible strict adherence only when observers are present.

Recommendations

None
D. Hazard Identification

Background

Items addressed included:

- Review the effectiveness of the delayed start time due to unsafe weather conditions for Meter Services field employees on several occasions
- The view the issued Weather Advisory alerts to all Customer Service employees in advance of bad weather conditions
- Cross River Dog Bite analysis team developing a program to address dog bite prevention
- Review the Meter Reading Unsafe Meter Program and Hazard Identification Program for all Meter Services
- Safety and Health team safety audits of physical plant.

Findings

Finding VI-6  PSEGLI developed a delayed start time procedure for Customer Service.

It is shown in Exhibit VI-5. Delayed start times have been used many times and when implemented they are usually system wide and decided by vice president. level or higher. It is felt this practice is effective in preventing motor vehicle accidents and slips and falls\(^6\). The decision is communicated to field personnel using various means such as conference calls, telephone calls and face to face conversations\(^6\).
Exhibit VI-5
Delayed Start Time Due to Inclement Weather Conditions
as of October 31, 2020

1. **Introduction/Objectives:**
   1.1. The purpose of this procedure is to provide guidelines for delaying employee start times due to inclement weather conditions.

2. **Responsibilities:**
   2.1. All employees are responsible for maintaining a healthy and safe work environment. To achieve this, unsafe and/or substandard work conditions must be reported to supervision. Violation of this policy may result in disciplinary action up to and including termination.

3. **Process:**
   3.1. During inclement weather conditions, the Customer Services safety team along with management personnel shall determine if a delay in start time is warranted for Customer Services personnel.
   3.2. A conference call will be led by the Customer Services safety team and shall include management personnel where the weather conditions across Long Island shall be discussed.
   3.3. If it is determined that the weather conditions pose an undue hazard or threat to the health and safety of Customer Services personnel, a delayed start time will be implemented.
   3.4. If inclement weather is present when employees are commuting to work, employees are advised to take every precaution and are encouraged to allow extra travel time to arrive to work safely.
   3.5. Customer Service personnel will remain indoors until the Customer Services safety team and management personnel deem the conditions are safe.

Source: Information Response 18

Delayed start times have been used many times and when implemented they are usually system wide and decided by V.P. level or higher.

**Finding VI-7**  The Weather Advisory Policy that was in place in 2017 is in place today
Finding VI-8  PSEGLI developed a number of training programs and policies to address the Dog Bite Issue as shown in Exhibit VI-7 and Exhibit VI-8.

All employees in measurement services are also equipped with a dog horn and Halt. Dog bites have been in steady decline as shown in Exhibit VI-9 which attests to the effectiveness of the program as dog bites have been reduced from 5 in 2017 to 1 in 2020".
Exhibit VI-7
Dog Bite Safety Awareness Program
as October 31, 2020

PSEG – LONG ISLAND
Safety Culture Presentation,
Dog Bite Awareness Training
DONATO BARRUCO
SAFETY SUPERVISOR – CUSTOMER SERVICES

Source: Information Response #20
Exhibit VI-8
Dog Safety
as of October 31, 2020

20.3 Dog Safety

20.3.1 Purpose
The purpose of this procedure is to provide guidance for employees to minimize the dangers posed by dogs when entering customer premises.

20.3.2 Scope
Covers all PSEG Long Island employees who may encounter dogs in their work environment, including but not limited to Meter Services Employees, Collections and Electric Service employees.

20.3.3 Avoidance of Dog Attacks/Bites
20.3.3.1 Prior to entering a customer’s yard, the employee shall review the Ion information (if so equipped) regarding the possible presence of a dog (see Figure 20.10 for dog-related Ion codes) and search for visual clues for the presence of a dog (i.e., water dish, burned out patches of lawn, dog run, fences).

In addition, employees shall follow training guidance by rattling gate, whistling, or somehow making noise prior to entry into a customer yard so as not to startle an animal.

20.3.3.2 The most effective protection from dog attack is to have the customer confine, or otherwise positively control, the animal(s) during the employee’s time on the premises. Employees shall not enter a customer’s yard where dogs are present unless the dog is secured in a kennel, dog run, or in the house. If the employee is working in the house, the dog must be behind a closed or secured door, away from where the employee is working. Chains, ropes, collars, or customer hand held dogs are not acceptable. If the dog cannot be secured, do not enter the property.

20.3.3.3 Meter Services employees are required to carry a minimum of one form of dog deterrent to be with the employee during the course of their work assignment (e.g. air horn, hawk spray).

Where the presence of a dog is not initially known, or for other reasons control is not effective, secondary protection may be achieved by use of this dog deterrent equipment.

Instructions governing the use of dog repellant tools are as follows:

1) It shall be used with discretion solely to repel an attacking dog who pose an immediate threat which cannot be avoided.

2) It shall not be used under any other condition.

3) If the repellant is used, the employee shall report to his supervisor the facts of the incident which justified its use.

20.3.3.4 As with any injury sustained on-the-job, report any dog bites immediately to your supervisor. Dog bites that break the skin require medical attention and proper cleansing of the wound.

In dog bite cases, the employee or supervisor shall attempt to identify the owner and obtain evidence that the dog has had required inoculations.

Source: Information Response 20
Finding VI-9  PSEGLI has put into place policy and practice to train employees on identifying unsafe meters, meter pans and track and record unsafe meter locations.

*Exhibit VI-10, Exhibit VI-11.* The hazardous meter and meter pan program is working well and is improving with time. Conditions are found by meter readers, Automated Meter Reading trouble flags, and trouble ticket investigations. Conditions are investigated, and pictures taken and reviewed by a supervisor. Unsafe meters and pans are tagged with a yellow sticker and employees do not work on any pan or meter with a yellow tag. Customers are notified and responsible to correct any unsafe condition before any company employee can work at that pan and meter. Locations with unsafe meter and meter pans are entered into a data base and tracked for resolution. All Employees in Measurement services are trained in the identification of unsafe meters and meter pans.
Exhibit VI-10
Long Island/Customer Partnership for Safety
as of October 31, 2020

PSEG Long Island/Customer Partnership for Safety

ADAM NATHANSON

Source: Information Response 21
Exhibit VI-11
Anchor Meter Pan Survey
as of October 31, 2020

ANCHOR METER PAN SURVEY

IDENTIFICATION OF HAZARDOUS "ANCHOR" (THREE PHASE) METER PANS

Policy: An Anchor Pan Survey (inspection) shall be performed upon request and the appropriate response entered into the handheld. (It is recommended to perform the following measures to identify a potentially hazardous "Anchor" three-phase meter pan.) Commercial accounts only.

Procedure: M/R shall identify meter pan, a distinctive rain cap should protrude over the front top of the meter pan.
M/R shall verify that the word "ANCHOR" is clearly engraved on the lower left hand front cover.
(If identified as Anchor, review the following):
M/R shall proceed with inspection in the following (number) order. (See below.) If answer to step 1, 2 or 3 is YES, DO NOT proceed to step 4.

1. Does meter pan cover have a sticker indicating? "HAZARDOUS METER ENCLOSURE DO NOT OPERATE"
2. Is meter glass cloudy, and/or have signs of heating, i.e. oil spots inside glass?
3. Does meter pan cover indicate signs of paint blistering?
4. Is meter pan cover hot above meter and cool below meter or the opposite?

Note: If any of the above four conditions exist, (do not reset the meter.) The customer is responsible for the meter pan if any potential hazardous conditions are present, notify the customer of what was encountered. (If the situation warrants, call the "emergency telephone" number for follow-up with the appropriate department.) M/R should input special message into the handheld.
Respond to the survey using one of the following codes:

Y Meter pan is an Anchor
N Meter pan is not an Anchor
0 No Survey-Est (ZERO = Account estimated (skipped), could not inspect)

Source: Information Response 21
Finding VI-10A significant process change since the last audit is that the Safety and health team executes a location specific safety assessment covering the physical plant, vehicles, tools and equipment.

The assessment takes a week to do. Every location is assessed annually. One region is done each month. This has resulted in identifying safety hazards and fostered improvements in the physical plant. Overall it has had a positive effect on overall safety culture.

Recommendations

None

E. Communications

Background

Items to be reviewed included:

- Review the effectiveness of the ENERGIZE Health & Wellness newsletter sent to all Customer Services employees
- Review the weekly safety calls with supervisors and safety captains
- Review bi-weekly safety calls for Customer Services MAST employees
- Review the Senior Leadership Team Weekly Safety Debrief provides the necessary information being delivered to the employees

Findings

Finding VI-11The effectiveness of written communications such as the Health and Wellness newsletter has improved since the 2017 audit.

At that time PSEGLI health and safety team had little input to the products produced by Corporate Communications PSEG and PSEGLI. Since that time the Health and Safety Team PSEGLI participates in the safety and health products produced by the respective Corporate Communication groups and enhances their effectiveness.30

Finding VI-12The protocol for safety team meetings is detailed Chapter VII. COVID has required changes in the method of communications.

Despite the prohibition of gatherings/meetings all of these safety calls both the weekly and biweekly meetings are conducted via calls.36 Information emanating from Tier 2 meetings (Region Specific teams)
and senior leadership teams is passed on through E-Mail, Texts, and word of mouth by supervisors the Safety Advocates throughout the organization.

**Finding VI-13**  
Local operating procedures exist within the Divisions and are not consistent across the organization.

**Finding VI-14**  
Safety Advocates continue filling their role even during storm restoration activity. They are not required to do storm restoration work.

This is a credit to the commitment to safety by PSEGLI. Actions speak louder than words and this is the type of action that builds a positive safety culture. However, Safety Advocates do not visit contractors or foreign crews during storm restoration. There were several accidents with foreign crews including three flash accidents during the last storm restoration.

### Recommendations

**Recommendation VI-1**  
Identify local operating practices that exist between regions and establish one preferred practice across all regions for each one. (Refer to Finding VI-13)

**Recommendation VI-2**  
Ensure that safety oversight and practices are extended to contractors and foreign crews during storm restoration (Refer to Finding VI-14.)

### F. Training

**Background**

Since 2016, PSEG-LI has made changes to its Safety Training Function and transferred responsibility for skills training to the Line Academy as shown in Exhibit VI-12. 
Exhibit VI-12
Safety Compliance Organization
Training Support
as of October, 2029

Health & Safety Compliance added one full time position to support both field and classroom training. A consultant was also added to staff on a part time bases through 2020 to assist in course development and long range planning for safety training.

Operational training was placed under the Director – Training Support & Contractor Services along with additions in training and safety staffing.

External resources were acquired to deliver annual safety, forklift (PIT) and other training.

This year, due in part to COVID-19, much of the instructor led training was transitioned to online computer based training reducing the required “in class room” time of staff.

A Learning Management System (LMS) was in place at the time of the last assessment and has since been fully implemented. The Health & Safety Training Matrix has been refined and a course code system has been established within LMS. Attendance records from 2014 forward have been entered into the system.

Source: Information Response 83-001 and Interview 28

The added position referenced in Exhibit VI-12 was the Health and Safety Training & Development Specialist (TDS) responsible for;

- Developing and maintaining Safety Training Models;
- Administering the Learning Management Information System (LMS) that is used to track all training modules and employees who have completed each;
- Assists, when requested, in the development and maintenance of Skills Training modules;
- Uploads all modules into LMS and records attendance records;
- Manages internal and external training instructors and
- Coordinates PSEG-LI use of LMS with PSEG-NJ.

Safety Training

A major responsibility of the Safety Compliance Training Function is to assure that employees complete the annual training modules required by regulatory authorities in order to maintain their skills classification. These training modules are known as Annual Expert Training (AET). Exhibit VI-13
through Exhibit VI-17 provides a more detail description of a sampling of Safety Training Modules in LMS.
### Exhibit VI-13
Sample PSEG-LI Safety Training Modules
Page 1 of 5
as of November 2020

<table>
<thead>
<tr>
<th>Item ID</th>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AET-2017</td>
<td>Annual Expert Training 2017</td>
<td>Course agenda includes: CPR/AED/First-Aid, Safety Culture, Environmental Awareness, Lead Awareness, Asbestos Awareness, Hazard Communication and SDS 3E, Online, Fire Extinguisher Usage, PPE and Hearing Protection</td>
</tr>
<tr>
<td>AET 2018 Meter Readers</td>
<td>AET 2018 - For Meter Readers Only</td>
<td>This course is only for Meter Readers for the year 2018. The modules offered include the following: Introduction (OSHA fatalities &amp; PSEG LI stats); Health &amp; Safety Manual Overview/Updates; Hazard Communication; Asbestos Awareness; Environmental Awareness &amp; Tick Prevention.</td>
</tr>
<tr>
<td>AET 2019</td>
<td>Annual Expert Training 2019</td>
<td>Introduction; Health &amp; Safety Manual; Safe &amp; Professional Driving; Hazard Communication; Respiratory Program; Asbestos Awareness; Lead Awareness; Silica Awareness; Hearing Conservation; Environmental Awareness; PPE: Hard Hats, Eye Protection, Foot Protection, Traffic Vests, FR Clothing; Fire Extinguisher Usage; Lock Out/Tag; Ladder Safety; Cargo Securement &amp; PSEG LI Worker Protection on LIRR Property; Briotix Health</td>
</tr>
<tr>
<td>AET 2019 Meter Readers</td>
<td>AET 2019 - For Meter Readers Only</td>
<td>not in LMS as of yet</td>
</tr>
<tr>
<td>FLT0002LI</td>
<td>Alert Driving</td>
<td>Online driver training offered through AlertDriving.com. Yearly programs have included the following: 2018: Parking &amp; backing, defensive parking strategies, defensive driving, avoiding collisions with pedestrians &amp; cyclists, avoiding rear-end collisions, intersections; 2019: Hazard Perception 360, 12 prioritized training lessons; 2020: 6 Motormind Lessons, 6 defensive driving lessons</td>
</tr>
<tr>
<td>FLT0005LI</td>
<td>Alert Driving - Forklift</td>
<td>Online forklift training offered through AlertDriving.com. Program includes the following lessons: 2018 &amp; 2019: Distractions, docks &amp; trailers, stability &amp; load shifting, vehicle inspection, visibility, working alongside pedestrians, elevated loads, ramps &amp; slopes, safe mindset, steering &amp; maneuvering, dangers of overloading, working alongside vehicles</td>
</tr>
<tr>
<td>SAF0002LI</td>
<td>Asbestos Awareness (AET)</td>
<td>Asbestos awareness training and the procedures for the removal of coal tar wrap on buried electrical piping systems - this is part of AET. Course is available upon request.</td>
</tr>
</tbody>
</table>

Source: Information Response 83-019
<table>
<thead>
<tr>
<th>Item ID</th>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAF0027LI</td>
<td>Asbestos Inspector Initial - New York State</td>
<td>NYS DOL requires certification of any individual that performs building asbestos surveys to be a NYS Inspector. Building Surveys include taking bulk samples of suspect building materials or writing a report regarding the asbestos present in the building. The law requires inspectors to take bulk samples to determine if suspect building materials do or do not contain asbestos; or the inspector may choose not to take samples and assume that the building materials are asbestos-containing material. Similarly, NYC requires that only persons certified by NYC as Investigators and by NYS as Inspectors may select and collect bulk samples for analysis. NYS DOL &amp; EPA require inspectors to take a 4-hour refresher course every year to maintain the certification.</td>
</tr>
<tr>
<td>SAF0028LI</td>
<td>Asbestos Inspector Refresher - New York State</td>
<td>NYS DOL requires certification of any individual that performs building asbestos surveys to be a NYS Inspector. Building Surveys include taking bulk samples of suspect building materials or writing a report regarding the asbestos present in the building. The law requires inspectors to take bulk samples to determine if suspect building materials do or do not contain asbestos; or the inspector may choose not to take samples and assume that the building materials are asbestos-containing material. Similarly, NYC requires that only persons certified by NYC as Investigators and by NYS as Inspectors may select and collect bulk samples for analysis. NYS DOL &amp; EPA require inspectors to take a 4-hour refresher course every year to maintain the certification.</td>
</tr>
<tr>
<td>FLS002LI</td>
<td>Building Emergency Action Teams (BEAT)</td>
<td>Building Emergency Action Team (BEAT) - Employees filling Team Member roles will lead the response during evacuation and emergencies. Review of BEAT Member responsibilities during an emergency event.</td>
</tr>
<tr>
<td>IEQ001LI</td>
<td>Cargo Securement</td>
<td>Course agenda includes: Cargo securement requirements; Importance of cargo securement; Fundamentals of cargo securement; Securement system &amp; components; Containing, immobilizing &amp; securing cargo; Compliant &amp; non-compliant examples. Refresher course is suggested every 3 years. Streamlined version offered in AET Training and it is a 45 minute module.</td>
</tr>
<tr>
<td>SAF003LI</td>
<td>Certified Utility Safety Professional (CUSP) Workshop &amp; Exam</td>
<td>The CUSP certification program is the only program that offers utility specific safety leadership credentials to meet the unique requirements of utilities. The CUSP workshop and exam will consist of a 1.5 day refresher. The exam will be given on the afternoon of day 2. The Blue (Non-Safety Professional) or Green (Safety Professional) exam will be offered. Additionally, you may take endorsement exams to add to your certification.</td>
</tr>
<tr>
<td>SAF005LI</td>
<td>CPR/AED/First-Aid (AET)</td>
<td>This certification course which is valid for 2 years will provide the student the knowledge, skills &amp; confidence needed to manage a medical emergency &amp; use the AED until more qualified help is available. This course is part of AET and is required to be taken on an annual basis.</td>
</tr>
<tr>
<td>FLT001LI</td>
<td>Driver Safety (AET)</td>
<td>Originally developed as part of AET Training and includes: Circle of Safety, Smith System 5 Keys, Backing &amp; Parking. Courses can be scheduled upon request.</td>
</tr>
<tr>
<td>SAF0029LI</td>
<td>Ear Fit Dual Ear Validation System Training</td>
<td>Training on the utilization of the 3M Dual-Ear Validation System by 3M. The system makes it easier to measure every employee's unique level of fit.</td>
</tr>
<tr>
<td>ENV000LI</td>
<td>Environmental Awareness (AET)</td>
<td>An overview of general environmental awareness which is administered annually. Included in AET Training. The course is available upon request.</td>
</tr>
<tr>
<td>FLS001LI</td>
<td>Fire Prevention and Extinguisher Usage (AET)</td>
<td>Refresher course on fire prevention and extinguishers offered in AET Training. This course is available upon request.</td>
</tr>
</tbody>
</table>

Source: Information Response 83-019
### Exhibit VI-15
Sample PSEG-LI Safety Training Modules
Page 3 of 5
as of November 2020

<table>
<thead>
<tr>
<th>Item ID</th>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAF0016LI</td>
<td>Flagging</td>
<td>Course will review the purpose of traffic control, when needed, responsibilities of flagger, proper protocol, types of work zones, proper placement &amp; flagging procedures, personal protective equipment, night flagging &amp; Supervisor responsibilities.</td>
</tr>
<tr>
<td>SAF0008LI</td>
<td>Frontline Hazard ID/Incident Prevention</td>
<td>A Frontline course that includes the following topics: Safety &amp; Health Management Systems, Standards, Measuring Safety, Incident Response, Training, Hazard Identification &amp; Risk Tolerance, Planning Safe Work, Hazard Prevention &amp; Control</td>
</tr>
<tr>
<td>SAF0009LI</td>
<td>Frontline Human Performance</td>
<td>A Frontline course - learn to apply Human Performance tools to reduce errors &amp; manage controls. Specifically, participants will be able to: 1) Identify error likely situations during work planning 2) Establish safety by design &amp; defense in depth aimed at eliminating consequential error 3) Predict, manage &amp; eliminate error likely situations 4) Understand the anatomy of events &amp; apply lessons learned from past events to prevent recurrence of similar events 5) Identify &amp; apply appropriate Human Performance tools based on performance mode</td>
</tr>
<tr>
<td>SAF0010LI</td>
<td>Frontline Normalization of Deviation</td>
<td>Upon completion of this Frontline course, participants will be able to define normalization of deviation, factors that contribute to normalization of deviation, and how it can be avoided. Specifically, they will: 1) Gain situation awareness by identifying hazards during work planning and execution 2) Recognize factors that influence normalization of deviation and risk tolerance 3) Identify, acknowledge and eliminate normalization of deviation and risk tolerance as they occur.</td>
</tr>
<tr>
<td>SAF0011LI</td>
<td>Frontline Safety Leadership</td>
<td>A Frontline course - designed to make you a more effective leader &amp; maximize your leadership potential. Upon completion of this course you will: 1) Understand how leadership is defined &amp; measured along with what is required to be an effective leader 2) Use your influence to align your team &amp; create a successful culture 3) Achieve performance by establishing &amp; being responsible for expectations of excellence.</td>
</tr>
<tr>
<td>SAF0014LI</td>
<td>Frontline Standards &amp; Operations</td>
<td>A Frontline Course - Upon completion of this course, participants will understand the purpose of standards &amp; operations &amp; how standards &amp; operations fits into safety &amp; health management systems. Specifically, they will understand: 1) The relationship between incident prevention &amp; standards &amp; operations 2) How to communicate &amp; adhere to standards while avoiding normalization of deviation 3) Know the role &amp; functions of Hazard Communication (AET) Provide employees with effective information and training on hazardous chemicals in their work area, safety data sheets and labeling. This is part of the AET training. Training is also available upon request.</td>
</tr>
<tr>
<td>SAF0001LI</td>
<td>Hazard Communication (AET)</td>
<td></td>
</tr>
<tr>
<td>PPE0002LI</td>
<td>Hearing Conservation (AET)</td>
<td>Hearing protection awareness. This class was originally a part of AET 2018. Course is available upon request.</td>
</tr>
<tr>
<td>FAL0001LI</td>
<td>Ladder Safety (AET)</td>
<td>A review of ladder safety and the associated OSHA requirements for both portable and fixed ladders. This course is part of AET Training and is available upon request.</td>
</tr>
<tr>
<td>SAF0003LI</td>
<td>Lead Awareness (AET)</td>
<td>Understanding of exposure to lead, its related health effects, air monitoring requirements and exposure limits. This is a part of AET. Course is available upon request.</td>
</tr>
<tr>
<td>SAF0032LI</td>
<td>LIRR-PSEG-LI Worker Protection on LIRR Property</td>
<td></td>
</tr>
<tr>
<td>ELE0001LI</td>
<td>Lockout/Tagout (AET)</td>
<td>OSHA lock out / tag out (control of hazardous energy sources) awareness level. This is a part of AET Training. The course is available upon request. Note: This course is not intended to meet the requirements or cover transmission and distribution system switching, tagging, or control.</td>
</tr>
</tbody>
</table>

Source: Information Response 83-019
## Exhibit VI-16
### Sample PSEG-LI Safety Training Modules
**Page 4 of 5**
as of November 2020

<table>
<thead>
<tr>
<th>Item ID</th>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAF0006LI</td>
<td>OSHA 30 Hour - Construction</td>
<td>OSHA 30 Hour Certification Course that will focus on OSHA Construction Standards. This course is appropriate for any employee with safety responsibilities. Upon completion of the course OSHA will issue a certification card.</td>
</tr>
<tr>
<td>SAF0021LI</td>
<td>OSHA 30 Hour - General</td>
<td>OSHA 30 Hour Certification Course that will focus on OSHA General Industry Standards. This course is appropriate for any employee with safety responsibilities. Upon completion of the course OSHA will issue a certification card.</td>
</tr>
<tr>
<td>PPE0003LI</td>
<td>Personal Protective Equipment (AET)</td>
<td>This overview includes: hard hats, eye protection, prescription eyewear program, foot protection, traffic vests and FR clothing. This course is part of AET and is available upon request.</td>
</tr>
<tr>
<td>IEQ0011LI</td>
<td>Powered Industrial Truck Forklift Training - Initial</td>
<td>Purpose of this training is to help you become an authorized powered industrial truck (lift truck) operator -- an operator who has the knowledge and skills to operate a lift truck in a safe and professional manner.</td>
</tr>
<tr>
<td>IEQ0021LI</td>
<td>Powered Industrial Truck Forklift Training - 3 yr. Refresher</td>
<td>Purpose of this training is to maintain the authorized status of powered industrial truck (lift truck) operator -- maintain &amp; update the knowledge and skills to operate a lift truck in a safe and professional manner.</td>
</tr>
<tr>
<td>IEQ0031LI</td>
<td>Powered Industrial Truck - Boom Attachment &amp; Rigging Awareness</td>
<td>Boom attachment training objectives include Manufactures Equipment Description, Safety Messages and Lifting Capacity; PSEGLI Safety Rules; OSHA Attachment requirements; Boom inspection requirements; Rigging Equipment Awareness &amp; Inspection, followed by practical demonstration of device.</td>
</tr>
<tr>
<td>IEQ0041LI</td>
<td>Powered Industrial Truck Forklift Training - Remedial/Supplemental</td>
<td>The purpose of this training course is due to an unwanted event, either the Operator has 1) been observed operating lift in an unsafe manner 2) been involved in a near miss incident or an accident 3) receives an evaluation that reveals that the operator is not</td>
</tr>
<tr>
<td>IEQ0081LI</td>
<td>Powered Industrial Truck/Forklift - Train The Trainer</td>
<td>not in LMS as of yet</td>
</tr>
<tr>
<td>DWC0001LI</td>
<td>Reporting &amp; Recording Practices for Workplace Injuries/Illnesses &amp; Personal Illness Absences Course</td>
<td>Review of Supervisor &amp; Manager’s responsibilities as they pertain to worker’s compensation, injury reporting, FMLA &amp; disability administration. Training also includes Supervisor &amp; Manager’s responsibilities regarding notification &amp; recordkeeping requirements.</td>
</tr>
<tr>
<td>PPE0011LI</td>
<td>Respiratory Protection (AET)</td>
<td>Designed to meet the standards of respiratory use - awareness level only. This is part of AET Training and is available upon request. This program only covers policies regarding the use of respirators and does not meet the requirements for employees assigned respirators.</td>
</tr>
<tr>
<td>FLT0011LI</td>
<td>Safe and Professional Driving (AET)</td>
<td>New module developed for AET 2019 to reiterate the 2018 Initiative - Safe and Professional Driving Commitment requested of all PSEG Long Island Team Members. Course is available upon request.</td>
</tr>
<tr>
<td>SAF0004LI</td>
<td>Silica Awareness (AET)</td>
<td>Full silica awareness training created in 2017 to meet the new OSHA standard. Delivered stand-alone or as part of AET Training. This course is also available on request.</td>
</tr>
<tr>
<td>SAF0007LI</td>
<td>SIMS Mandatory Refresher Training - How to Enter an Incident</td>
<td>How to enter an incident into SIMS and send an alert</td>
</tr>
</tbody>
</table>

Source: Information Response 83-019
There are 255 Safety and Skills Training Modules in LMS. *Exhibit VI-18 through Exhibit VI-37* give a listing of all the modules by reference course code. Modules highlighted in yellow are in the process of being uploaded to LMS.
### Exhibit VI-18

**LMS Training Modules by Course Codes**

**AET = Annual Expert Training**

**as of October 21, 2020**

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABB Gas Circuit Breaker Overhaul</td>
<td>AET 2017</td>
</tr>
<tr>
<td>ACB-VCB Breaker Training- Substation Operations</td>
<td>AET 2018</td>
</tr>
<tr>
<td>Advanced Metering Infrastructure</td>
<td>AET 2018 Meter Readers</td>
</tr>
<tr>
<td>Aerial Lift Rescue / Bucket Rescue</td>
<td>AET 2019</td>
</tr>
<tr>
<td>AET 2015</td>
<td>AET 2019 Meter Services</td>
</tr>
<tr>
<td>AET 2016</td>
<td>AET 2020</td>
</tr>
<tr>
<td>AET 2017</td>
<td>AET 2020 Meter Services</td>
</tr>
<tr>
<td>AET 2018 - For Meter Readers Only</td>
<td>AET 2020.Module 1</td>
</tr>
<tr>
<td>AET 2019 - For Meter Services Only</td>
<td>AET 2020.Module 11</td>
</tr>
<tr>
<td>AET 2020 - For Meter Services Only</td>
<td>AET 2020.Module 13</td>
</tr>
<tr>
<td>AET 2020 - Module 1: Introduction (online)</td>
<td>AET 2020.Module 14</td>
</tr>
<tr>
<td>AET 2020 - Module 3: Safe Driver Overview (online)</td>
<td>AET 2020.Module 16</td>
</tr>
<tr>
<td>AET 2020 Module 4: Pinch Points (online)</td>
<td>AET 2020.Module 17</td>
</tr>
<tr>
<td>AET 2020 Module 5: Slips, Trips &amp; Falls (online)</td>
<td>AET 2020.Module 18</td>
</tr>
<tr>
<td>AET 2020 Module 7: Asbestos Awareness (online)</td>
<td>AET 2020.Module 2</td>
</tr>
<tr>
<td>AET 2020 Module 8: Lead Awareness (online)</td>
<td>AET 2020.Module 3</td>
</tr>
<tr>
<td>AET 2020 Module 9: Silica Awareness (online)</td>
<td>AET 2020.Module 4</td>
</tr>
<tr>
<td>AET 2020 Module 10: Respiratory Awareness (online)</td>
<td>AET 2020.Module 5</td>
</tr>
<tr>
<td>AET 2020 Module 15: Fire Extinguisher Usage (online)</td>
<td>AET-2016</td>
</tr>
<tr>
<td>AET 2020 Module 16: Cargo Securement (online)</td>
<td>DOT0000LI</td>
</tr>
<tr>
<td>AET 2020 Module 17: Protection of PSEGLI Personnel on Long Island</td>
<td>DWC0001LI</td>
</tr>
<tr>
<td>AET 2020 Module 18: Environmental Awareness (online)</td>
<td>ELE0001LI</td>
</tr>
<tr>
<td>AET 2020 Module 19: Environmental Hazards: Ticks, Bees &amp; Poisonous</td>
<td>ELE0004LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
### Exhibit VI-19
LMS Training Modules by Course Codes
DOT = Department of Transportation
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>AET 2020 Module 16: Cargo Securement (online)</td>
<td>DOT0000LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018

### Exhibit VI-20
LMS Training Modules by Course Codes
DWC= Disability & Workers Compensation
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>AET 2020 Module 17: Protection of PSEGLI Personnel on Long Island</td>
<td>DWC0001LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
### Exhibit VI-21

**LMS Training Modules by Course Codes**

ELE=Electrical 1 of 2

as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>AET 2020 Module 18: Environmental Awareness (online)</td>
<td>ELE0001LI</td>
</tr>
<tr>
<td>AET 2020 Module 19: Environmental Hazards: Ticks, Bees &amp; Poisonous</td>
<td>ELE0004LI</td>
</tr>
<tr>
<td>Alert Driving</td>
<td>ELE0005LI</td>
</tr>
<tr>
<td>Alert Driving - Forklift</td>
<td>ELE0006LI</td>
</tr>
<tr>
<td><strong>Alternating Current &amp; Transformers</strong></td>
<td>ELE0007LI</td>
</tr>
<tr>
<td>Apprentice Aerial Lift Training</td>
<td>ELE0008LI</td>
</tr>
<tr>
<td>SSM Apprentice Basic Electric Training</td>
<td>ELE0009LI</td>
</tr>
<tr>
<td>Apprentice Energized Secondary Training</td>
<td>ELE0010LI</td>
</tr>
<tr>
<td>Apprentice/Lineman/Overhead Foreman-Driver Training</td>
<td>ELE0011LI</td>
</tr>
<tr>
<td>Apprentice Line Worker - 2 Year Review</td>
<td>ELE0012LI</td>
</tr>
<tr>
<td>Apprentice Line Worker - 3 Year Review</td>
<td>ELE0013LI</td>
</tr>
<tr>
<td>Apprentice Primary Training 2019</td>
<td>ELE0014LI</td>
</tr>
<tr>
<td>Apprentice Relay Technician Orientation Module 1</td>
<td>ELE0015LI</td>
</tr>
<tr>
<td>Apprentice Relay Technician Orientation Module 2</td>
<td>ELE0016LI</td>
</tr>
<tr>
<td>Apprentice Relay Technician Orientation</td>
<td>ELE0017LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module1- Introductory</td>
<td>ELE0018LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 2-OSHA Regulatory</td>
<td>ELE0019LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 3 Basic Electric</td>
<td>ELE0020LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 4 Equipment Training</td>
<td>ELE0021LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 5 De- energized Secondary</td>
<td>ELE0022LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 6- Energized Secondary</td>
<td>ELE0023LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 7</td>
<td>ELE0024LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 9-OH Transformer Theory</td>
<td>ELE0025LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 10-UG Transformer Theory</td>
<td>ELE0026LI</td>
</tr>
<tr>
<td>Apprentice Splicer: Module 11- Basic Primary Splicing</td>
<td>ELE0027LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 12 Switching/Switchgear</td>
<td>ELE0028LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 13-Cable Pulling</td>
<td>ELE0029LI</td>
</tr>
<tr>
<td>Apprentice Splicer: Module 14- Specialty Splices</td>
<td>ELE0030LI</td>
</tr>
<tr>
<td>Apprentice Splicer: Module 15: 2 Year Review</td>
<td>ELE0031LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 8- Secondary Storm Restoration</td>
<td>ELE0032LI</td>
</tr>
<tr>
<td>Apprentice Splicer:Module 16-OH Primary Restoration</td>
<td>ELE0034LI</td>
</tr>
<tr>
<td>Apprentice Splicer: Module 18-3 Year Review</td>
<td>ELE0035LI</td>
</tr>
<tr>
<td>Apprentice SSM Technician Orientation Module 1</td>
<td>ELE0036LI</td>
</tr>
<tr>
<td>Arc Flash &amp; Arc Blast</td>
<td>ELE0037LI</td>
</tr>
<tr>
<td>Asbestos Awareness (AET)</td>
<td>ELE0038LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
### Exhibit VI-22
LMS Training Modules by Course Codes
ELE=Electrical 2 of 2
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYS Asbestos O&amp;M - Initial</td>
<td>ELE0039LI</td>
</tr>
<tr>
<td>NYS Asbestos O&amp;M - Refresher</td>
<td>ELE0040LI</td>
</tr>
<tr>
<td>NYS Asbestos Supervisor - Initial</td>
<td>ELE0041LI</td>
</tr>
<tr>
<td>NYS Asbestos Supervisor - Refresher</td>
<td>ELE0042LI</td>
</tr>
<tr>
<td>NYS Asbestos Inspector - Initial</td>
<td>ELE0043LI</td>
</tr>
<tr>
<td>NYS Asbestos Inspector - Refresher</td>
<td>ELE0044LI</td>
</tr>
<tr>
<td>NYS Asbestos Management Planner - Initial</td>
<td>ELE0045LI</td>
</tr>
<tr>
<td>NYS Asbestos Management Planner - Refresher</td>
<td>ELE0046LI</td>
</tr>
<tr>
<td>Basic Electricity</td>
<td>ELE0047LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018

### Exhibit VI-23
LI LMS Training Modules by Course Codes
ENV=Environmental
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Relaying Principals</td>
<td>ENV0001LI</td>
</tr>
<tr>
<td>Batteries &amp; Chargers</td>
<td>ENV0002LI</td>
</tr>
<tr>
<td>Bite Testing Substation Batteries</td>
<td>ENV0003LI</td>
</tr>
<tr>
<td>Briotix Digging</td>
<td>ENV0004LI</td>
</tr>
<tr>
<td>Briotix Desk, Mobile Office &amp; Vehicle Ergonomics</td>
<td>ENV0005LI</td>
</tr>
<tr>
<td>Briotix Pole Hole Digging</td>
<td>ENV0006LI</td>
</tr>
<tr>
<td>Briotix PRO Fit Strengthening Presentation</td>
<td>ENV0007LI</td>
</tr>
<tr>
<td>Briotix PRO Fit Stretching Education</td>
<td>ENV0008LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
### Exhibit VI-24
LMS Training Modules by Course Codes
**ERG= Ergonomics**
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Briotix Using Hot Sticks / Pulling Elbows</td>
<td>ERG0001LI</td>
</tr>
<tr>
<td>Briotix Cable Bending (used to be called wire bending)</td>
<td>ERG0002LI</td>
</tr>
<tr>
<td>Briotix Wire Jacking</td>
<td>ERG0003LI</td>
</tr>
<tr>
<td><strong>Briotix Wire Pulling</strong></td>
<td><strong>ERG0004LI</strong></td>
</tr>
<tr>
<td>Briotix Pulling Services</td>
<td>ERG0005LI</td>
</tr>
<tr>
<td>Briotix Ladder Usage</td>
<td>ERG0006LI</td>
</tr>
<tr>
<td>Briotix Hanging Grounds</td>
<td>ERG0007LI</td>
</tr>
<tr>
<td>Briotix Balance Training &amp; Education</td>
<td>ERG0008LI</td>
</tr>
<tr>
<td>Briotix Extendo Stick Training</td>
<td>ERG0009LI</td>
</tr>
<tr>
<td>Briotix Wrist Injury</td>
<td>ERG0010LI</td>
</tr>
<tr>
<td>Briotix Operating Substation Switches</td>
<td>ERG0011LI</td>
</tr>
<tr>
<td>Briotix Snow Shoveling</td>
<td>ERG0012LI</td>
</tr>
<tr>
<td>Briotix Ground Rod Driving</td>
<td>ERG0013LI</td>
</tr>
<tr>
<td>Briotix Bucket Ergonomics</td>
<td>ERG0014LI</td>
</tr>
<tr>
<td>Briotix Slips, Trips &amp; Falls</td>
<td>ERG0015LI</td>
</tr>
<tr>
<td><strong>Briotix Elbow Discomfort Prevention</strong></td>
<td><strong>ERG0016LI</strong></td>
</tr>
<tr>
<td><strong>Briotix Neck Discomfort Prevention</strong></td>
<td><strong>ERG0017LI</strong></td>
</tr>
<tr>
<td><strong>Briotix Shoulker Discomfort Prevention</strong></td>
<td><strong>ERG0018LI</strong></td>
</tr>
<tr>
<td>Buchholz Relay Training: Installation, Operation, Maintenance &amp; Testing</td>
<td>ERG0019LI</td>
</tr>
<tr>
<td>Building Emergency Action Teams (BEAT)</td>
<td>ERG0020LI</td>
</tr>
<tr>
<td>CAD Training Manual for Management Team</td>
<td>ERG0021LI</td>
</tr>
<tr>
<td>CAD Training Manual for Management Team</td>
<td>ERG0022LI</td>
</tr>
<tr>
<td>Capacitors &amp; Capacitor Banks</td>
<td>ERG0023LI</td>
</tr>
<tr>
<td>Cargo Securement</td>
<td>ERG0024LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018

### Exhibit VI-25
LMS Training Modules by Course Codes
**FAL=Fall Protection**
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carpal Tunnel Prevention</td>
<td>FAL0001LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
### Exhibit VI-26
LMS Training Modules by Course Codes  
**FLS=Fire Safety**  
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coronavirus (COVID-19): PPE &amp; JHAs Accessing Customer</td>
<td>FLS0001LI</td>
</tr>
<tr>
<td>Coronavirus (COVID-19): JHA- Precautions While Working in Close</td>
<td>FLS0002LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018

### Exhibit VI-27
LMS Training Modules by Course Codes  
**FLT=Motor Vehicle**  
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coronavirus (COVID-19): JHA- Precautions While Working in Close</td>
<td>FLT0001LI</td>
</tr>
<tr>
<td>CPR/AED/First-Aid (AET)</td>
<td>FLT0002LI</td>
</tr>
<tr>
<td>Crane Operator - Initial</td>
<td>FLT0003LI</td>
</tr>
<tr>
<td>Crane Operator - Refresher</td>
<td>FLT0004LI</td>
</tr>
<tr>
<td>Crane Operator Certification (Cranes 101)</td>
<td>FLT0005LI</td>
</tr>
<tr>
<td>Certified Utility Safety Professional (CUSP) Workshop &amp; Exam</td>
<td>FLT0006LI</td>
</tr>
<tr>
<td>Certified Utility Safety Professional (CUSP) Prep Course</td>
<td>FLT0007LI</td>
</tr>
<tr>
<td>Damage Survey Training</td>
<td>FLT0008LI</td>
</tr>
<tr>
<td>Defensive Driving by CDT</td>
<td>FLT0009LI</td>
</tr>
<tr>
<td>DILO SF6 Multi-Analyzer Review</td>
<td>FLT0010LI</td>
</tr>
<tr>
<td>Doble Power Factor Training</td>
<td>FLT0011LI</td>
</tr>
<tr>
<td>Dog Awareness</td>
<td>FLT0012LI</td>
</tr>
<tr>
<td>Driver Safety (AET)</td>
<td>FLT0013LI</td>
</tr>
<tr>
<td>DOT Vehicle Inspection Reporting (DVIR) &amp; Incident Reporting</td>
<td>FLT0014LI</td>
</tr>
<tr>
<td>Ear Fit Dual Ear Validation System Training</td>
<td>FLT0015LI</td>
</tr>
<tr>
<td>Electrical Burns</td>
<td>FLT0016LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
### Exhibit VI-28
LMS Training Modules by Course Codes
**HRS=Human Resource Services**
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enclosed Space Rescue</td>
<td>HRS0001LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018

### Exhibit VI-29
LMS Training Modules by Course Codes
**IEQ=Industrial Equipment**
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Awareness (AET)</td>
<td>IEQ0001LI</td>
</tr>
<tr>
<td>Fire Extinguisher Usage (AET)</td>
<td>IEQ0002LI</td>
</tr>
<tr>
<td>First Class Lineman/Overhead Foreman-Train the Trainer for Hurt Man</td>
<td>IEQ0003LI</td>
</tr>
<tr>
<td>Flagger Safety Training (online)</td>
<td>IEQ0004LI</td>
</tr>
<tr>
<td>Forklift Courses:</td>
<td>IEQ0005LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Forklift (Initial) - Class 1, 4 &amp; 5</td>
<td>IEQ0006LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Forklift (Refresher) - Class 1, 4 &amp; 5</td>
<td>IEQ0007LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Forklift (Initial) - Class 1, 4 &amp; 5 (Online)</td>
<td>IEQ0008LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Forklift (Refresher) - Class 1, 4 &amp; 5 (Online)</td>
<td>IEQ0009LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Forklift -</td>
<td>IEQ0100LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Forklift -</td>
<td>IEQ0101LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Forklift -</td>
<td>IEQ0102LI</td>
</tr>
<tr>
<td>Powered Industrial Truck - Semi- Annual Assessment (Warehouse Only)</td>
<td>IEQ0103LI</td>
</tr>
<tr>
<td><strong>Powered Industrial Truck/Forklift - Train the Trainer</strong></td>
<td>IEQ0104LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Forklift Attachment - Cuff Links &amp; Beams</td>
<td>IEQ0105LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Forklift - Motorized Pallet Jack - Class 3</td>
<td>IEQ0106LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Rough Terrain Forklift, Pettibone Cary-Lift</td>
<td>IEQ0107LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Rough Terrain Forklift, Pettibone Cary-Lift</td>
<td>IEQ0108LI</td>
</tr>
<tr>
<td>Powered Industrial Truck/Rough Terrain Forklift, Sellick S12041-4PS -</td>
<td>IEQ0109LI</td>
</tr>
<tr>
<td>Frontline Hazard ID/Incident Prevention</td>
<td>IEQ0110LI</td>
</tr>
<tr>
<td>Frontline Human Performance</td>
<td>IEQ0111LI</td>
</tr>
<tr>
<td>Frontline Normalization of Deviation</td>
<td>IEQ0112LI</td>
</tr>
<tr>
<td>Frontline Safety Leadership</td>
<td>IEQ0113LI</td>
</tr>
<tr>
<td>Frontline Standards &amp; Operations</td>
<td>IEQ0114LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
### Exhibit VI-30
LMS Training Modules by Course Codes  
**MAT=Materials Handling**  
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
<th>Source: Information Response 83-018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GIS-Gas Insulated Switchgear- Insight</td>
<td>MAT0001LI</td>
<td></td>
</tr>
</tbody>
</table>

### Exhibit VI-31
LMS Training Modules by Course Codes  
**MST=Measurements Service Training**  
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
<th>Source: Information Response 83-018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handling Aggressive Customers</td>
<td>MST0901LI</td>
<td></td>
</tr>
<tr>
<td>Hazard Communication (AET)</td>
<td>MST0902LI</td>
<td></td>
</tr>
<tr>
<td>Refresher Training - Heavy Equipment</td>
<td>MST0903LI</td>
<td></td>
</tr>
<tr>
<td>DOT Hazardous Materials Transportation</td>
<td>MST1001LI</td>
<td></td>
</tr>
<tr>
<td>40 Hour Hazardous Waste Operations - Initial</td>
<td>MST1002LI</td>
<td></td>
</tr>
<tr>
<td>Hazardous Waste Operations - Refresher</td>
<td>MST1003LI</td>
<td></td>
</tr>
<tr>
<td>Hearing Protection (AET)</td>
<td>MST1004LI</td>
<td></td>
</tr>
<tr>
<td>How to Read a Meter</td>
<td>MST1005LI</td>
<td></td>
</tr>
<tr>
<td>Human Performance &amp; Error Prevention Tools</td>
<td>MST1006LI</td>
<td></td>
</tr>
<tr>
<td>Job Briefings - Workshop</td>
<td>MST1007LI</td>
<td></td>
</tr>
<tr>
<td>Ladder Safety (AET)</td>
<td>MST1008LI</td>
<td></td>
</tr>
<tr>
<td>Lead Awareness (AET)</td>
<td>MST1009LI</td>
<td></td>
</tr>
<tr>
<td>Level 1 Thermography Training Class</td>
<td>MST1010LI</td>
<td></td>
</tr>
<tr>
<td>Line Construction 2019</td>
<td>MST1011LI</td>
<td></td>
</tr>
<tr>
<td>LIRR-PSEGLI Worker Protection on LIRR Property</td>
<td>MST1012LI</td>
<td></td>
</tr>
<tr>
<td>Lockout/Tagout (AET)</td>
<td>MST1013LI</td>
<td></td>
</tr>
<tr>
<td>Material &amp; Logistics Process Overview</td>
<td>MST1014LI</td>
<td></td>
</tr>
</tbody>
</table>
## Exhibit VI-32
LMS Training Modules by Course Codes
**PPE=Personal Protective Equipment**
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDT Training Manual PowerPoint for Management</td>
<td>PPE0001LI</td>
</tr>
<tr>
<td>MDT Training Manual PowerPoint for Union</td>
<td>PPE0002LI</td>
</tr>
<tr>
<td>Metal Coils Endorsement Class Permit Preparation @ CDT</td>
<td>PPE0003LI</td>
</tr>
<tr>
<td>Meter Form Types &amp; Uses</td>
<td>PPE0004LI</td>
</tr>
<tr>
<td>Meter Adapter Types</td>
<td>PPE0005LI</td>
</tr>
<tr>
<td>Meter Pan Types</td>
<td>PPE0006LI</td>
</tr>
<tr>
<td>Mirror Calibration Stations</td>
<td>PPE0007LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018

## Exhibit VI-33
LMS Training Modules by Course Codes
**RES=Restoration Training**
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Detented &amp; Additive Metering</td>
<td>RES0001LI</td>
</tr>
<tr>
<td>Network Training</td>
<td>RES0002LI</td>
</tr>
<tr>
<td>New Business Installation</td>
<td>RES0003LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
## Exhibit VI-34
LMS Training Modules by Course Codes
RSQ=Rescue
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYS Safety Excavation Code Rule 753 Certification Class</td>
<td>RSQ0001LI</td>
</tr>
<tr>
<td>OI-20002 General Rules for Safe Operation of the Electric Transmission</td>
<td>RSQ0002LI</td>
</tr>
<tr>
<td>OI-30005 Work Permits</td>
<td>RSQ0003LI</td>
</tr>
<tr>
<td><strong>Operation of a Meter</strong></td>
<td><strong>RSQ0005LI</strong></td>
</tr>
<tr>
<td>OSHA 30 Hour - General</td>
<td>RSQ0006LI</td>
</tr>
<tr>
<td>OSHA 30 Hour - Construction</td>
<td>RSQ0007LI</td>
</tr>
<tr>
<td>OH Refresher Training &quot;LIRR Wire Down Training&quot;</td>
<td>RSQ0008LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018

## Exhibit VI-35
LMS Training Modules by Course Codes
SAF=Safety 1 of 2
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-Line Diagram Review</td>
<td>SAF0001LI</td>
</tr>
<tr>
<td>Personal Protective Equipment (AET)</td>
<td>SAF0002LI</td>
</tr>
<tr>
<td><strong>Personal Protective Equipment</strong></td>
<td><strong>SAF0003LI</strong></td>
</tr>
<tr>
<td>Personal Protective Equipment -</td>
<td>SAF0004LI</td>
</tr>
<tr>
<td>PFIELD Training Manual for Union Team</td>
<td>SAF0005LI</td>
</tr>
<tr>
<td>PFIELD Training Manual for Management Team</td>
<td>SAF0006LI</td>
</tr>
<tr>
<td>PFIELD Training Manual for Management Team</td>
<td>SAF0007LI</td>
</tr>
<tr>
<td>PFIELD Training Manual for Union Team</td>
<td>SAF0008LI</td>
</tr>
<tr>
<td>PI Logger Inspection Tours</td>
<td>SAF0009LI</td>
</tr>
<tr>
<td>PMH Pad Mounted Gear Training</td>
<td>SAF0010LI</td>
</tr>
<tr>
<td><strong>Poison Ivy Prevention</strong></td>
<td><strong>SAF0011LI</strong></td>
</tr>
<tr>
<td>Pole Top Rescue</td>
<td>SAF0012LI</td>
</tr>
<tr>
<td>Professional Driver Training West</td>
<td>SAF0013LI</td>
</tr>
<tr>
<td>Refresher Training for Electric Service</td>
<td>SAF0014LI</td>
</tr>
<tr>
<td>Remedial Driver Training: 1 on 1</td>
<td>SAF0015LI</td>
</tr>
<tr>
<td>Reporting &amp; Recording Practices for Workplace Injuries/Illnesses</td>
<td>SAF0016LI</td>
</tr>
<tr>
<td>Resistance is Futile: Meters &amp; Test Equipment</td>
<td>SAF0017LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
### Exhibit VI-36

**LMS Training Modules by Course Codes**

SAF=Safety 2 of 2  
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respiratory Protection Program Awareness (AET)</td>
<td>SAF0018LI</td>
</tr>
<tr>
<td>Respiratory Protection N95 Masks (Non-AET)</td>
<td>SAF0019LI</td>
</tr>
<tr>
<td>Respiratory Protection Half Mask w/ Cartridges (Non-AET)</td>
<td>SAF0020LI</td>
</tr>
<tr>
<td>Respiratory Protection Program (Non-AET)</td>
<td>SAF0021LI</td>
</tr>
<tr>
<td>Work Area Protection</td>
<td>SAF0022LI</td>
</tr>
<tr>
<td>Rigging - Initial</td>
<td>SAF0022LI</td>
</tr>
<tr>
<td>Rigging - Refresher</td>
<td>SAF0023LI</td>
</tr>
<tr>
<td>Rigging &amp; Signalman</td>
<td>SAF0024LI</td>
</tr>
<tr>
<td>Safe &amp; Professional Driving (AET)</td>
<td>SAF0025LI</td>
</tr>
<tr>
<td>Safe Driver Training by CDT</td>
<td>SAF0026LI</td>
</tr>
<tr>
<td>SAP Time Entry Training</td>
<td>SAF0027LI</td>
</tr>
<tr>
<td>SAP Training Manual for Management Team</td>
<td>SAF0028LI</td>
</tr>
<tr>
<td>SAP Training Manual for Management Team</td>
<td>SAF0029LI</td>
</tr>
<tr>
<td>Secondary Safety Switches</td>
<td>SAF0030LI</td>
</tr>
<tr>
<td>SF6 Leak Detection</td>
<td>SAF0031LI</td>
</tr>
<tr>
<td>Silica Awareness (AET)</td>
<td>SAF0032LI</td>
</tr>
<tr>
<td>SIMS-How to Enter an Incident</td>
<td>SAF0033LI</td>
</tr>
<tr>
<td>Smith System Driver Training</td>
<td>SAF0034LI</td>
</tr>
<tr>
<td>Smith System Train the Trainer</td>
<td>SAF0035LI</td>
</tr>
<tr>
<td>Smith System: 5 Keys to Forward &amp;</td>
<td>SAF0036LI</td>
</tr>
<tr>
<td>Smith System: Driving Space (online)</td>
<td>SAF0037LI</td>
</tr>
<tr>
<td>Snow Blower Training</td>
<td>SAF0038LI</td>
</tr>
<tr>
<td>Snow Removal Operations (plowing/shoveling/snow blowers)</td>
<td>SAF0039LI</td>
</tr>
<tr>
<td><strong>Spotter Training</strong></td>
<td>SAF0040LI</td>
</tr>
<tr>
<td>SSM Bucket Rescue</td>
<td>SAF0042LI</td>
</tr>
<tr>
<td>Refresher Training-SSM Electrical Print Reading Class: Modules 1-3</td>
<td>Snow Blower Safety</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018
### Exhibit VI-37
LMS Training Modules by Course Codes
SUB=Substation
as of October 21, 2020

<table>
<thead>
<tr>
<th>Course Name</th>
<th>Course Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSM Enclosed Space Rescue</td>
<td>SUB0001LI</td>
</tr>
<tr>
<td>Stop The Bleed</td>
<td>SUB0002LI</td>
</tr>
<tr>
<td>Stop The Bleed - Train the Trainer</td>
<td>SUB0003LI</td>
</tr>
<tr>
<td>Substandard Conditions</td>
<td>SUB0004LI</td>
</tr>
<tr>
<td>Substandard Condition Reporting</td>
<td>SUB0005LI</td>
</tr>
<tr>
<td>Substation Awareness</td>
<td>SUB0006LI</td>
</tr>
<tr>
<td>Substation Fundamentals 1</td>
<td>SUB0007LI</td>
</tr>
<tr>
<td>Substation Overview</td>
<td>SUB0008LI</td>
</tr>
<tr>
<td>Substation Operations Initial Multi Training-2 Day</td>
<td>SUB0009LI</td>
</tr>
<tr>
<td>Service Section Training</td>
<td>SUB0010LI</td>
</tr>
<tr>
<td>Synchronizing Training</td>
<td>SUB0011LI</td>
</tr>
<tr>
<td>Tekhanderlker Operator Training</td>
<td>SUB0012LI</td>
</tr>
<tr>
<td>Testing a Meter</td>
<td>SUB0013LI</td>
</tr>
<tr>
<td>Texas Ave. Safety Review</td>
<td>SUB0014LI</td>
</tr>
<tr>
<td>2020 PSEG Texas Ave. - Presentation Review</td>
<td>SUB0015LI</td>
</tr>
<tr>
<td>Tick Prevention (AET)</td>
<td>SUB0016LI</td>
</tr>
<tr>
<td>Timing Breakers</td>
<td>SUB0017LI</td>
</tr>
<tr>
<td>Transformer Gaskets</td>
<td>SUB0018LI</td>
</tr>
<tr>
<td>Transformers In-Service Test</td>
<td>SUB0019LI</td>
</tr>
<tr>
<td>Transformer Theory GP 1 for New Hires</td>
<td>SUB0020LI</td>
</tr>
<tr>
<td>Transformer Theory OH - Refresher</td>
<td>SUB0021LI</td>
</tr>
<tr>
<td>Transformer Theory UG - Refresher</td>
<td>SUB0022LI</td>
</tr>
<tr>
<td>Transformer Turns Ration (TTR)</td>
<td>SUB0023LI</td>
</tr>
<tr>
<td>Two Man Restoration Training</td>
<td>SUB0024LI</td>
</tr>
<tr>
<td>Utility Transmission &amp; Distribution</td>
<td>SUB0025LI</td>
</tr>
<tr>
<td>V-Watch Personal Voltage Detector Review</td>
<td>SUB0026LI</td>
</tr>
<tr>
<td>V-Watch -Personal Voltage Detector - Initial/Refresher Training</td>
<td>SUB0027LI</td>
</tr>
<tr>
<td>Wires &amp; Cables</td>
<td>SUB0028LI</td>
</tr>
</tbody>
</table>

Source: Information Response 83-018

### Training Facilities

PSEG-LI continues to use its Training Facilities in Hicksville as shown in Exhibit VI-39. Exhibit VI-39 also show its Bethpage location where it has secured classroom training facilities. The Bethpage space can be configured for 1, 2, or 3 classrooms. Additionally, PSEG-LI has contracted with third party vendors to send employees for specialty training.⁷⁶
During the last three years, PSEG-LI initiated a study of its Training Facility needs and continues with that study as shown in *Exhibit VI-39.*
Exhibit VI-39
Status of PSEG-LI Training Facilities
as of October, 2020

PSEG Long Island established a core project team, steering committee and sub teams to analyze training requirements and needs including programs and facilities.

A consultant was brought on to work with the internal team to assess existing training and training resources and to make recommendations for improvements and efficiencies.

A facilities profile was developed with three options and presented to leadership. Options were being evaluated prior to the onset of COVID-19.

The company is currently finalizing a reentry strategy from COVID-19 which includes determining future strategies for how we operate in a post COVID-19 world. Upon completion of these studies the training plan and recommendations will be refreshed. The PSEG Long Island Facilities Management Organization has budgeted funds in the 2021 budget plan to accommodate a facilities needs assessment.

Separate from the aforementioned initiative, a joint PSEG Long Island/PSE&G teamed examined current health, safety and regulatory training programs against best practices and developed a training matrix along with improvements and additions to the existing training programs.

This year PSEG Long Island Health and Safety began converting instructor led training to online computer based training to accommodate needs brought about by COVID-19. Additional content has since been added and we are currently working with various vendors to link other external E-Learning to LMS. With these and future conversions to online training it is anticipated that classroom needs will be somewhat reduced from what they were prior to COVID-19.

Source: Information Response 83-001
Findings

Finding VI-15  Effectiveness of the Training Function at PSEG-LI has improved significantly between 2017 and 2020.

The improved effectiveness is demonstrated by the addition of a Training Specialist and contract personnel, vastly improved utilization of LMS, movement to on-line courses, and additional classrooms.

Finding VI-16  Assuming the prefix of training modules are reflective of the course description, there seem to be a number of mismatches in the LMS coding of training modules.

Examples include:

♦ ENV0001LI for “Basic Relaying Principals”
♦ HRS0001LI for “Enclosed Space Rescue”

Finding VI-17  PSEG-LI continues to have training facility needs in the future.

Technology, move to on-line training, operational changes, and replacement of the aging workforce that retires with new employees will continue to put pressure on for training facilities.

Recommendations

Recommendation VI-3  PSEG-LI should review if current training module coding is appropriate. (Refer to Finding VI-16.)

Recommendation VI-4  PSEG-LI should revise its current Training Facilities study in light of any operational changes necessitated by COVID-19 and work with LIPA for funding. (Refer to Finding VI-17.)
VII. Field Operations Review

A. Background

Due to the COVID Pandemic, field observations were not possible on this project.

B. Findings

Finding VII-1 Since Schumaker & Company’s last audit, the PSEG-LI Safety group has been conducting site safety visits of all physical sites on a periodic basis.

C. Recommendations

None

1/ RFQ: UCS-13; RFQ Title: Safety Progress Assessment; Issue Date: December 19, 2016
2/ RFQ: UCS-13; RFQ Title: Safety Progress Assessment; Issue Date: December 19, 2016
3/ RFQ: UCS-13; RFQ Title: Safety Progress Assessment; Issue Date: December 19, 2016
4/ Interviews 1 - 2
5/ https://www.lipower.org/mission/
7/ https://www.pseglny.com/buildingrenovationservices/codesandstandards/redbook
8/ Information Response 87
9/ https://geo3.ggpht.com/cbk?panoid=S4-sxZn6mdxAs8lP4LmhwW_Q&output=thumbnail&cb_client=search.gws-prod.gps6&thumb=2&w=408&h=240&thumbfov=100
10/ https://images1.cityfeet.com/12/nKQqtlD2oXZHxfB27/u6EKeoQC2dJfPENAeQNs5V5e75s/110/999-stewart-ave-bethpage-photo-5-of-8.jpg
11/ https://www.google.com/maps/place/1650+1St+Rd,+Brentwood,+NY+11717/@40.7841498,-73.2191717,3a,85y,180h,102t/data=!3m1!1e1!4m2!3m1!1s0x89e8310d05970009:0x867d46c3e23d32bc
12/ https://www.google.com/maps/place/Bridgehampton+PSEG+Garage/@40.9275913,-72.3262,342a,35y,39.39t/data=!3m1!1e3!4m13!1m7!3m6!1s0x89e8be1cb0b94d5b:0xb88bfa9a6282636021748+Montauk+Hwy,+Water+Mill,+NY+11976!3b1!8m2!3d40.9293577!4d-72.3249795!3m4!1s0x89e8be04b341f647130b65ace8m23d44.0926014d-72.3249795!3m4!1s0x89e846b0d026bd5bc0b8d58c243a30d678!2m3d44.08842134d-73.008521!3m3!1s0x89e846b0d026bd5bc0b8d58c243a30d678!2m3d44.08842134d-73.008521!3m1!1e3!4m13!1m7!3m6!1s0x89e846b0d026bd5bc0b8d58c243a30d678!2m3d44.08842134d-73.008521!3m1!1e3!4m13!1m7!3m6!1s0x89e846b0d026bd5bc0b8d58c243a30d678!2m3d44.08842134d-73.008521!3m1!1e3!4m13!1m7!3m6!1s0x89e846b0d026bd5bc0b8d58c243a30d678!2m3d44.08842134d-73.008521!3m1!1e3!4m13!1m7!3m6!1s0x89e846b0d026bd5bc0b8d58c243a30d678!2m3d44.08842134d-73.008521
50 / Information Réponse 83-001
51 / Information Response 83-001
52 / Information Réponse #83
53 / Interview #28
54 / Information Réponse #83
55 / Information Réponse #83
56 / Consultant Analysis
57 / Consultant Analysis
58 / Interviews 26, 28, 29, and 30
59 / Information Response 73-001
60 / Information Response 73-002
61 / Information Response #74
62 / Interview #26
63 / Interview #26
64 / Information Request #106
65 / Interview #33
66 / Interview #28
67 / Interview #33
68 / Interview #33
69 / Interview #30
70 / Interview #30 and #33
71 / Interview #30
72 / Information Response 83-001 and Interviews 27 and 28
73 / Interview 27
74 / Interviews 27 and 28 and Information Response 83-019
75 / Information Response 83-018
76 / Interviews 26, 27 and 28
77 / Information Response 83-00 and Interviews Information Response 83-00 26, 27, and 28
78 / Consultant conclusion
79 / Consultant conclusion
80 / Consultant conclusion
Economic Development Update

JUNE 2020
Agenda

• 2019 Year-End Snapshot

• Program Growth through 1st Quarter 2020
  – Vacant Space Revival
  – Main Street Revitalization

• New Offerings
2019 Program Results

• Large Business rate programs have provided over 1200 jobs
  • Business Development Rate (Attraction/Expansion): 27 customers with $1.89M in incentives
  • Empire Zone (grandfathered): 15 customers with $407K in incentives
  • Excelsior Jobs Program: 18 customers with $421K in incentives
  • Recharge New York (hydro and market commodity):
    – 262 customers with 64.2 MW delivered, providing over 2,600 jobs

• Small Business programs continued to ramp up:
  • Vacant Space Revival:
    – Assisted 36 customers in 2019
  • Main Street Revitalization:
    – 14 projects approved during 2019 for $273K in incentives
Program growth through 1Q2020
Increasing participation and community impact

- Vacant Space:
  - Assisting 75 customers since inception in 2018

- Main Street Revitalization:
  - $891K in grants approved since inception in 2018
  - Average capital investment $4.5M
  - Includes 5 projects in early 2020 for a total of $90K

"PSEG Long Island is proud to provide Noble Savage Brewing Company with a $25,000 ‘Main Street Revitalization’ grant for improving the economic stability and growth of Glen Cove’s business district,“ said John Keating, manager of economic development for PSEG Long Island. "We created this grant program to support Long Island’s small businesses because our economy thrives on them. In addition to the grant, we also gave Noble Savage rebates totaling nearly $600 for installing energy efficient lighting fixtures and bulbs."
New program offerings targeted to specific needs

- **New program: Small Business First:**
  - Enhanced energy efficiency program targeted to small businesses, jointly funded by EE and Eco Dev
  - No-cost / low-cost upgrades of lighting through network of Prime Efficiency Partner (PEP) contractors
  - Lower operating costs going forward with minimal investment
  - Stimulate work for contractors

- **Promote Air Source Heat Pump Program**
  - Up to $1000/ton
  - May help businesses that need to change airflow due to social distancing

- **New category of Main Street Revitalization Program**
  - $5,000 grants to be offered to Chambers of Commerce, Business Improvement Districts (BIDs)
  - Assist with facilitating outdoor commerce
  - Can be used to purchase tables, chairs, stanchions and rails, portable lighting, etc.
  - Pre-approval and Reimbursement basis, consistent with current program

- **Enhanced Vacant Space Revival Program**
  - Expectation to launch later in 2020
Questions?
<table>
<thead>
<tr>
<th><strong>For All Board Voting Items:</strong></th>
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<tbody>
<tr>
<td><strong>Title of Agenda Item:</strong> Approval of the Annual Report and Amendments on the Board Policy on Economic Development</td>
</tr>
<tr>
<td><strong>Consent Agenda:</strong> ☒ Yes ☐ No</td>
</tr>
<tr>
<td><strong>Recommendation from Committee:</strong> ☐ N/A ☒ F&amp;A; ☐ GP&amp;P; ☐ Oversight &amp; Clean Energy</td>
</tr>
<tr>
<td><strong>LIPA Presenter:</strong> Justin Bell</td>
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<tr>
<td><strong>Enterprise Risk Management Discussion:</strong> ☐ Yes ☒ No</td>
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<tr>
<th><strong>For Policy Reports Only:</strong></th>
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<tbody>
<tr>
<td><strong>Type of Policy / Report:</strong> ☒ Operating; ☐ Governance; ☐ Compliance; ☐ Mission</td>
</tr>
<tr>
<td><strong>Date of Last Report:</strong> March 20, 2019</td>
</tr>
<tr>
<td><strong>Proposed Changes to Policy:</strong> ☒ Yes ☐ No</td>
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</table>

| **Requested Action:** | The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy. |
|**Summary:** (include proposed amendments to Board Policies, if applicable) | By Resolution No. 1356, dated March 29, 2017, the Board adopted the Policy with the purpose of promoting the economic growth and vitality of its service territory and the efficient use of utility plant and equipment, consistent with the mission of LIPA to its customer-owners and consistent with LIPA’s enabling statutes and applicable law. The Board last reviewed and approved updates to the Policy by Resolution #1470, dated March 20, 2019. |
| Staff proposes the following revisions to the Policy: (i) renaming the Policy from the Board Policy on Economic Development to the Board Policy on Economic Development and Community Engagement; (ii) expanding the scope of the Policy consistent with its new name; and (iii) certain other non-material amendments to the elements of the Policy for better explanation and clarification of the purpose and intent of the Policy. |
FOR CONSIDERATION
June 24, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

REQUEST: Approval of the Annual Report and Amendments on the Board’s Policy on Economic Development

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 (the “Policy”); (ii) finding that LIPA have complied with the Policy; 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 its service territory and the efficient use of utility plant and equipment, consistent with the mission of LIPA to its customer-owners and consistent with LIPA’s enabling statutes and applicable law. The Board last reviewed and approved updates to the Policy by Resolution #1470, dated March 20, 2019.

Compliance with the Policy

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

The Policy requires that LIPA promote the economic growth and vitality of its service territory and the efficient use of utility plant and equipment by:

“Attracting commercial customers to its service territory and helping such customers grow their businesses through electric rates that are discounted below LIPA’s average cost of service, without which rates such businesses would not locate in the service territory.”

- 60 large business accounts receive discounted power through our Business Development Rate, and legacy NY State programs, such as the Excelsior Jobs program. These businesses have received approximately $2.32 million in discounts during 2019 and provide over 1,200 jobs.

“Offering economic development rates and programs consistent with those offered by other utilities in the state or best practices within the electric utility industry, in compliance with applicable law.”
• 262 large business accounts received power through the Recharge New York program, with commodity delivered by LIPA and its agent, PSEG Long Island. Collectively, since inception, the Recharge New York program has developed over 2,600 jobs.

• 36 small business customers opened new accounts through the Vacant Space program, which encourages new businesses to occupy spaces that have been vacant for at least one year. Total incentives awarded during 2019 were $31,000.

• A total of $274,000 in incentives were awarded to support 14 community projects through the Main Street Revitalization program. These projects leveraged over $1.5 million in private investment, while creating over 300 jobs.

Additionally, LIPA and its service provider are considering additional programs that may be necessary to support economic growth on Long Island in the wake of the COVID-19 pandemic.

**Annual Review of the Policy**

Staff proposes the following revisions to the Policy:

• Renaming the Policy from the Board Policy on Economic Development to the Board Policy on Economic Development and Community Engagement;

• Expanding the scope of the Policy consistent with its new name; and

• Certain other non-material amendments to the elements of the Policy for better explanation and clarification of the purpose and intent of the Policy.

The proposed changes are more specifically shown on 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**

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Description</th>
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<tbody>
<tr>
<td>“A”</td>
<td>Resolution</td>
</tr>
<tr>
<td>“B”</td>
<td>Board Policy on Economic Development (redline)</td>
</tr>
<tr>
<td>“C”</td>
<td>Board Policy on Economic Development (clean)</td>
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</tbody>
</table>
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE
BOARD POLICY ON ECONOMIC DEVELOPMENT

WHEREAS, the Board Policy on Economic Development (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 and amended by the Board pursuant to Resolution No. 1470, dated March 20, 2019; 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 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 24, 2020
<table>
<thead>
<tr>
<th>Board Policy:</th>
<th>Economic Development and Community Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Type:</td>
<td>Operating Policies</td>
</tr>
<tr>
<td>Monitored by:</td>
<td>Finance and Audit Committee</td>
</tr>
</tbody>
</table>
| Board Resolution: | #1356, approved March 29, 2017  
#1470, amended March 20, 2019  
[#xxx], amended June 24, 2020 |

### Board Policy on Economic Development and Community Initiatives Engagement

It is the policy of the Long Island Power Authority ("LIPA") to promote the economic growth and vitality of its service territory, and efficient use of utility plant and equipment by:

- Attracting commercial customers to its service territory and helping such customers grow their businesses through electric rates that are discounted below LIPA’s average cost of service\(^1\), without which rates such companies’ businesses would not locate in the service territory;
- Offering economic development rates and programs consistent with those offered by other utilities in the state or best practices within the electric utility industry, in compliance with applicable law;
- Engaging in community events, volunteerism, and educational programs consistent with the purpose of this Policy\(^2\).

The Chief Executive Officer, or his or her designee will report annually to the Finance and Audit Committee of the Board of Trustees on efforts to attract and retain businesses to the service territory and comply with the provisions of consistent with this Economic Development Policy.

\(^1\) 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.

\(^2\) 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.
Board Policy: Economic Development and Community Engagement

Policy Type: Operating Policies

Monitored by: Finance and Audit Committee

Board Resolution: #1356, approved March 29, 2017
              #1470, amended March 20, 2019
              [#xxx], amended June 24, 2020

Board Policy on Economic Development and Community Engagement

It is the policy of the Long Island Power Authority (“LIPA”) to promote the economic growth and vitality of our service territory.

This Policy furthers LIPA’s mission and is directly related to its powers and duties. In addition to benefitting LIPA’s customers, this 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. LIPA and its service provider will:

- Attract 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\(^1\), without which rates such companies would not locate in the service territory;
- Offer economic development rates and programs consistent with those offered by other utilities in the state or best practices within the electric utility industry;
- Engage in community events, volunteerism, and educational programs consistent with the purpose of this Policy\(^2\).

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

---

\(^1\) 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.

\(^2\) 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.
### BOARD AGENDA SUMMARY SHEET

<table>
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<tr>
<th>Committee or Board:</th>
<th>Date:</th>
<th>Board Meeting Date:</th>
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<tbody>
<tr>
<td>Board</td>
<td>June 12, 2020</td>
<td>June 24, 2020</td>
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</table>

*For All Board Voting Items:*

**Title of Agenda Item:** Approval of the Annual Report and Amendments on the Board Policy on Staffing and Employment

Consent Agenda: ☒ Yes ☐ No

Accompanying Presentation: ☐ Yes ☒ No

Recommendation from Committee: ☐ N/A ☒ F&A; ☒ GP&P; ☐ Oversight & Clean Energy

**LIPA Presenter:** Barbara Ann Dillon (presentation at GP&P)

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

**Enterprise Risk Management Discussion:** ☒ Yes ☐ No

*For Policy Reports Only:*

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

**Date of Last Report:** July 24, 2019

**Compliance Since Last Report:** ☒ Yes ☐ No

**Proposed Changes to Policy:** ☒ Yes ☐ No

**Requested Action:**

The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy.

**Summary:**

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 the experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization. The Board last reviewed and amended the Policy on July 24, 2019.

The Board Policy has been revised to require LIPA to conduct an Annual Employee Engagement Survey and design programs and initiatives to maintain an employee engagement score among the top 10 percent of benchmarked companies. Additionally, there are certain minor suggested edits to the Policy.
FOR CONSIDERATION
June 24, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

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

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 (“LIPA”) has complied with the Board Policy on Staffing and Employment (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 - 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 the experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization. The Board last reviewed and amended the Policy on July 24, 2019.

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 of Trustees “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 Authority’s By-laws.”

- The Board completed the CEO’s annual performance evaluation at its March 2020 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 Executive Committee.

- The Board reviewed the salary of LIPA’s CEO of $300,000. A survey of 24 public power utilities of similar size to LIPA found an average salary for the position of $481,000, with a range of $240,000 to $1.1 million. LIPA was the third largest utility, ranked by customers, to participate in the survey. LIPA’s CEO salary was ranked 22 out of the 24 utilities.

- No Board-appointed Officers were hired in 2019.

The Policy authorizes and directs the Chief Executive Officer to:
“Manage the organization and staffing of the Authority, 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 oversee the activities of the Authority’s service provider.”

- The CEO has managed LIPA’s staffing levels at the minimum level necessary to execute its goals and mission.
- LIPA staff consists of 57 full-time employees and 5 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…including: (a) an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities…and (b) an Employee Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee.”

- The Employee Handbook includes all components required by the Policy, comports with all applicable law, and was updated to incorporate changes in human resources best practice. The Handbook is revised and updated as necessary on an on-going basis.
- All employees certified their compliance with the Code of Ethics and Conduct.

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 which includes monthly “check-ins” with supervisors, and an annual performance evaluation. As required by the Policy, individual employee performance and contribution is 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 a Project Leadership certificate program (6 courses), and topics including LIPA Rates Series (Rates and Rate Cases), Giving Feedback and Providing Coaching, Writing Effective Evaluations, Cyber Security, Creating Positive Work Environments, Effective Communication, Dealing with Difficult Issues, Sexual Harassment including Managing Unconscious Bias, and on-going IT training, among others.

- 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.

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.

**Proposed Changes to the Board Policy**

The Board Policy has been revised to require LIPA to conduct an Annual Employee Engagement Survey and design programs and initiatives to maintain an employee engagement score among the top 10 percent of benchmarked companies. Additionally, there are certain minor suggested edits to the Policy. All proposed changes are more fully set forth in Exhibit “B”.

**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 two most significant risks relate to succession planning; and attracting and retaining qualified individuals. The specific risks identified are:

- “Succession planning challenges due to the limited ability to develop internal candidates or identify and attract external candidates for succession 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”.

Both risks are rated as medium level risks. LIPA mitigates the risk associated with succession planning by having emergency plans in place for the CEO and certain executive management positions, and a process in place to identify gaps. Additionally, LIPA has a process in place that provides for the identification, retention and transfer of information necessary for the continuity of services and retention of institutional knowledge.

LIPA mitigates 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 mitigations actions that are currently in place, we 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
- **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 July 24, 2019; 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 24, 2020
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
XXX, amended June 24, 2020

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 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; LIPA’s By-laws.
• With the advice of the CEO, appoints the other Board-appointed Officers specified in the Authority’s By-laws.

Furthermore, the Board of Trustees authorizes and directs the CEO to:

• Manage the LIPA’s organization and staffing of the Authority, 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 the Authority meets its obligations with respect to its bonds and notes and all applicable statutes and contracts, and oversees the activities of the Authority’s service

1 The Board annually evaluates the CEO’s performance by comparing: (i) the Authority’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.

2 Pursuant to the Authority’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.
provider;

- 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. an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities and that addresses:
     
     o diversity and equal employment opportunity;
     o the Americans with Disabilities Act and reasonable accommodations;
     o intolerance for workplace bullying and harassment;
     o domestic violence and prevention of violence in the workplace;
     o timekeeping practices;
     o vacation, sick time and other benefits, including family and medical leave;
     o internal transfers and promotions;
     o reasonable travel and expense reimbursement;
     an Employee
  
  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 the Authority’s 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 the Authority’s LIPA’s mission and values. Such practices LIPA will establish salary ranges for each position that are informed by:
  
  o compensation and benefits of employees with similar skills at utilities of similar size and complexity;
  o an -appropriate -balance -of -compensation -practices -among -public -and private organizations;
  o industry and regional cost-of-living trends;
  o the ability to recruit qualified personnel for a position;
  o individual employee performance and contribution; and
  o 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 at the Authority shall be on an at-will basis.
• Establish policies and programs that support and encourage the personal and professional development of employees, including:
  o programs for continuing education and tuition reimbursement;
  o core skills continuing education;
  o performance appraisal and enhancement;
  o management and leadership training; and
  o 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 operations of the Authority.

The CEO will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of the Staffing and Employment Policy.
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 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 CEO1;
- With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA’s By-laws2.

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;
- 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,

---

1 The Board annually evaluates the CEO’s performance by comparing: (i) the Authority’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.

2 Pursuant to the Authority’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.
and discrimination/harassment free work environment, including:

a. an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities and that 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. 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 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 AGENDA SUMMARY SHEET**

<table>
<thead>
<tr>
<th>Committee or Board:</th>
<th>Date:</th>
<th>Board Meeting Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>December 9, 2020</td>
<td>December 16, 2020</td>
</tr>
</tbody>
</table>

**For All Board Voting Items:**

Title of Agenda Item: Approval of the Annual Report and Amendments to the Board Policy on Information and Physical Security

Consent Agenda: ☒ Yes ☐ No  
Accompanying Presentation: ☐ Yes ☒ No

Recommendation from Committee: ☐ N/A ☐ F&A; ☐ GP&P; ☒ Oversight & Clean Energy

LIPA Presenter: Mujib Lodhi (presentation at Committee)  
PSEG Long Island Presenter: N/A

Enterprise Risk Management Discussion: ☐ Yes ☒ No

**For Policy Reports Only:**

Type of Policy / Report: ☒ Operating; ☐ Governance; ☐ Compliance; ☐ Mission

Date of Last Report: N/A  
Compliance Since Last Report: ☐ Yes ☒ No

Proposed Changes to Policy: ☒ Yes ☐ No

**Requested Action:**

The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy.

**Summary:**

By Resolution No. 1500, dated December 18, 2019, the Board adopted the Policy. The Policy provides the Board’s expectations and direction for information and physical security in accordance with public safety, operational, reputational, and compliance requirements and establishes a reporting requirement to the Board on compliance with the key provisions of the Policy.

LIPA Staff recommends that the Board find that LIPA has complied with the objectives of the Policy for the period since the initial adoption of the Policy. LIPA Staff also proposes to establish requirements for the Service Provider to: conduct vulnerability assessments and penetration testing and submit management action plans to LIPA; conduct an annual Cyber Security Maturity Assessment and self-assessment for NERC compliance and submit a management action plan to LIPA; and develop 3-Year Cyber and Physical security Strategic Plan and submit detailed annual Work Plan to LIPA.
FOR CONSIDERATION
December 16, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report and Amendments to the Board Policy on Information and Physical Security

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 and Physical Security (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”.

Discussion

By Resolution No. 1500, dated December 18, 2019, the Board adopted the Policy. The Policy provides the Board’s expectations and direction for information and physical security in accordance with public safety, operational, reputational, and compliance requirements and establishes a reporting requirement to the Board on compliance with the key provisions of the Policy.

Compliance with the Policy

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

The Policy provides that “LIPA and its Service Provider will undertake, at a minimum, the following activities each year”:

“Annual reviews of the maturity of the information and physical security programs of LIPA and its Service Provider, consistent with industry best practices.”

- LIPA and its service providers, PSEG Long Island, have adopted the NIST Cybersecurity Framework (CSF) as part of their cybersecurity program. The Framework focuses on using business drivers to guide cybersecurity activities and considers cybersecurity risks as part of the risk management processes, including guidance on People, Process, and Technology to implement defense in depth for the enterprise.

- PSEG Long Island -- Cybersecurity: PSEG engaged an outside consultant to perform an independent assessment of its enterprise Cybersecurity program and identified remediation plans to be implemented over the next three years.
• **PSEG Long Island -- Physical Security:** FERC reliability standards require transmission owners or operators to perform a risk assessment of their systems to identify “critical facilities,” evaluate the potential threats and vulnerabilities to those identified facilities and develop and implement a security plan designed to protect against physical attacks on those identified critical facilities.

PSEG Long Island conducts Security Vulnerability Inspections (SVI) at 53 critical and NERC facilities and Physical Security Inspections (PSI) at all LIPA sites. A computer database is used for tracking inspections and the management of NERC CIP Physical Security requirements. A “Red Team” penetration test is conducted to assess the Security Command Center response.

• **LIPA -- Cybersecurity:** LIPA conducted a comprehensive third-party review of its cybersecurity program, including vulnerability assessment and penetration testing. Remediation plans were developed and are being implemented. Significant improvements in the LIPA's Cybersecurity management practices were made in 2020. However, we recognized the need to examine information security issues from a strategic perspective and address them in an organized manner; thus, an Information Security Strategic Plan will be developed to guide the protection of LIPA’s information assets.

• **Risk Management:** 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 identified related to Cyber and Physical security:
  o Cyber Event - “Unauthorized access to IT and/or T&D systems could result in decreased operational abilities”.
  o Breach of Personal Identifiable Information (“PII”) - “Internal or 3rd party mass-breach of PII could result in loss of sensitive data and potential fraud”.
  o Physical Security Attack – “Substation security and the control centers are compromised and could result in reduced reliability”.

The Cybersecurity, PII, and physical security risks were all rated as medium level risks. Mitigation actions were identified to reduce business risks and negative impact on LIPA’s assets.

“Compliance with all applicable standards, directives, and guidance issued by regulatory or industry advisory bodies, including the North American Electric Reliability Corporation, Federal Energy Regulatory Commission, Department of Energy, Department of Homeland Security, and New York State Department of Public Service.”

• **North American Electric Reliability Corporation Critical Infrastructure Protection (NERC CIP):** is a set of requirements designed to secure the assets required for operating North America's bulk electric system. Every three years, the Northeast Power Coordinating Council (NPPC) perform an audit for compliance. The last audit was conducted in 2018, and no issues were identified. The next compliance audit is scheduled for the first quarter
of 2021. Recognizing the critical role of people to cybersecurity PSEG Long Island has undertaken various training and awareness initiatives in its efforts to stay compliant:
- Annual Cybersecurity training
- Cybersecurity awareness messages throughout the year
- Quarterly NERC CIP Awareness messages
- Quarterly Entitlement Reviews

“The Service Provider will immediately notify LIPA’s Chief Information Officer of security breaches or attempted breaches and will confidentially report no less than quarterly to LIPA’s Chief Information Officer on compliance with industry and regulatory standards and implementation of innovative defensive technology initiatives.”

- In compliance with this policy requirement, PSEG Long Island staff provided periodic briefings on the state of Cybersecurity. Historically LIPA relied on PSEG Long Island representation. In 2021, LIPA plans to conduct a comprehensive review of the PSEG Long Island’s cybersecurity program and its effectiveness.

**Annual Review of the Policy**

As shown in Exhibit “B”, LIPA Staff proposes to establish requirements for the Service Provider to:

- Conduct vulnerability assessments and penetration testing and submit management action plans to LIPA;
- Conduct an annual Cyber Security Maturity Assessment and self-assessment for NERC compliance and submit a management action plan to LIPA;
- Develop 3-Year Cybers and Physical security Strategic Plan and submit detailed annual Work Plan to LIPA.

These requirements will enhance LIPA’s oversight of the requirements of this 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 Information and Physical Security (redline)
- **Exhibit “C”** Board Policy on Information and Physical Security (clean)
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON INFORMATION AND PHYSICAL SECURITY

WHEREAS, the Board Policy on Information and Physical Security (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1500, December 18, 2019; 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 LIPA has complied with the Policy 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 16, 2020
It is the policy of the Long Island Power Authority to maintain robust information management and physical security practices for its systems and assets, including those managed by its Service Provider. LIPA and its Service Provider will take prudent and reasonable measures to accomplish:

- **Information Security.** LIPA and its Service Provider will protect customer, employee and third-party information and LIPA information systems from unauthorized access or disruption.

- **Physical Security.** LIPA and its Service Provider will safeguard its employees while at work as well as its customers and visitors to LIPA facilities. LIPA and its Service Provider will also protect its facilities and functions that support the reliability of the electric system and its operations from unauthorized access or disruption of business operations.

LIPA and its Service Provider will undertake, at a minimum, the following activities each year:

- Annual reviews of the overall maturity of the cyber and physical security programs of LIPA and its Service Provider, consistent with industry best practices for such a review;

- **The Service Provider will conduct quarterly internal and annual third-party vulnerability assessment and penetration testing of all Information Technology (IT) and Operational Technology (OT) assets and vulnerability assessment of facilities and functions every three years. The Service Provider will confidentially submit the vulnerability assessment and penetration testing reports, management action plans, and monthly progress report on remediation to LIPA’s Chief Information Officer;**

- **The Service Provider will conduct an independent annual NIST Cybersecurity Framework and COBIT 2019 Maturity Level assessment by an assessor approved by LIPA and confidentially submit assessment reports and management action plans, including planned initiatives to achieve targeted COBIT Maturity Level 4 (Quantitatively Managed) along with NIST CSF Tier 3 (Repeatable) by September 2021 and COBIT Maturity Level 5 (Optimizing) along with NIST CSF Tier 4 (Adaptable) by September 2022;**

  — The Service Provider will develop initial 3-Year Cyber and Physical Security Strategic Plans and submit them to LIPA by July 2021;

  — The Service Provider will review and/or update the respective Strategic Plans at least annually to consider the changing threat landscape and/or mitigation opportunities;
• The Service Provider will develop and submit to LIPA an annual work-plan in Q3 of each year for the subsequent year, guided by the Cyber and Physical Security Strategic Plans;

• The Service Provider shall comply with all applicable standards, directives, and guidance issued by regulatory or industry advisory bodies, including the North American Electric Reliability Corporation, Federal Energy Regulatory Commission, Department of Energy, Department of Homeland Security, and New York State Department of Public Service; This would include
  ◦ Annual self-assessment for compliance with NERC
  ◦ Quarterly reporting of any incidents of non-compliance with the applicable standards

• The Service Provider will confidentially report no less than quarterly to LIPA’s Chief Information Officer:
  ◦ Service Provider’s compliance with industry and regulatory standards and exceptions
  ◦ The effectiveness of the Security Programs and Policies, as indicated by various security-related Key Performance Indicators (KPIs)
  ◦ Implementation of additional defensive technology initiatives
  ◦ Security incidents, responses and their impact

• The Service Provider will inform the LIPA CIO of any significant breach or other unmitigated vulnerabilities immediately upon discovery;

• LIPA will provide oversight, including review, independent verification, and validation (IV&V) of the Services Provider’s Cyber and Physical Security Program(s) as necessary.

The Chief Executive Officer will report annually to the Board on compliance with the key provisions of this Policy.
It is the policy of the Long Island Power Authority to maintain robust information management and physical security practices for its systems and assets, including those managed by its Service Provider. LIPA and its Service Provider will take prudent and reasonable measures to accomplish:

- **Information Security.** LIPA and its Service Provider will protect customer, employee and third-party information and LIPA information systems from unauthorized access or disruption.

- **Physical Security.** LIPA and its Service Provider will safeguard its employees while at work as well as its customers and visitors to LIPA facilities. LIPA and its Service Provider will also protect its facilities and functions that support the reliability of the electric system and its operations from unauthorized access or disruption of business operations.

LIPA and its Service Provider will undertake, at a minimum, the following activities each year:

- Annual reviews of the overall maturity of the cyber and physical security programs of LIPA and its Service Provider, consistent with industry best practices;

- The Service Provider will conduct quarterly internal and annual third-party vulnerability assessment and penetration testing of all Information Technology (IT) and Operational Technology (OT) assets and vulnerability assessment of facilities and functions every three years. The Service Provider will confidentially submit the vulnerability assessment and penetration testing reports, management action plans, and monthly progress report on remediation to LIPA’s Chief Information Officer;

- The Service Provider will conduct an independent annual NIST Cybersecurity Framework and COBIT 2019 Maturity Level assessment by an assessor approved by LIPA and confidentially submit assessment reports and management action plans, including planned initiatives to achieve targeted COBIT Maturity Level 4 (Quantitatively Managed) along with NIST CSF Tier 3 (Repeatable) by September 2021 and COBIT Maturity Level 5 (Optimizing) along with NIST CSF Tier 4 (Adaptable) by September 2022;

- The Service Provider will develop initial 3-Year Cyber and Physical Security Strategic Plans and submit them to LIPA by June 2021; the Service Provider will review and/or update the respective Strategic Plans at least annually to consider the changing threat landscape and/or mitigation opportunities;

- The Service Provider will develop and submit to LIPA an annual work-plan in Q4 of each year for the subsequent year, guided by the Cyber and Physical Security Strategic Plans;
• The Service Provider shall comply with all applicable standards, directives, and guidance issued by regulatory or industry advisory bodies, including the North American Electric Reliability Corporation, Federal Energy Regulatory Commission, Department of Energy, Department of Homeland Security, and New York State Department of Public Service; This would include
  ◦ Annual self-assessment for compliance with NERC.
  ◦ Quarterly reporting of any incidents of non-compliance with the applicable standards.

• The Service Provider will confidentially report no less than quarterly to LIPA’s Chief Information Officer:
  ◦ Service Provider’s compliance with industry and regulatory standards and exceptions.
  ◦ The effectiveness of the Security Programs and Policies, as indicated by various security-related Key Performance Indicators (KPIs).
  ◦ Implementation of additional defensive technology initiatives.
  ◦ Security incidents, responses, and their impact.

• The Service Provider will inform the LIPA CIO of any significant breach or other unmitigated vulnerabilities immediately upon discovery.

• LIPA will provide oversight, including review, Independent verification, and validation (IV&V) of the Services Provider’s Cyber and Physical Security Program(s) as necessary.

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

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution approving: (i) LIPA’s Annual Investment Report for 2020 in the form attached hereto as Exhibit “B”; and (ii) the 2021 Board Policy on Investments in the form attached hereto as Exhibit “D.”

Annual Investment Report for 2020

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 2020 and performed consistently with Staff’s expectations given the nature of the investments.

2021 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 detail 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 27, 2020.

The proposed revisions to the Board Policy on Investments seek to clarify, update, and ensure continued compliance with various contractual and regulatory requirements. Based on LIPA Staff’s review, which was performed in consultation with LIPA’s investment advisor, bond counsel, and disclosure counsel, Staff proposes the following changes:

• updating the oversight authority for registered brokers and broker-dealers from the National Association of Security Dealers (NASD) to Financial Industry Regulatory Authority (FINRA);
• clarifying the definition of Insured Bank Deposits; and
• clarifying that Negotiable Bank Obligations will not be a permitted investment in the future.

All changes to the Policy are more particularly shown in Exhibit “C.”

**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”**  2020 Annual Investment Report
- **Exhibit “C”**  2021 Board Policy on Investments (redline)
- **Exhibit “D”**  2021 Board Policy on Investments (clean)
RESOLUTION APPROVING THE ANNUAL INVESTMENT REPORT FOR 2020
AND THE 2021 BOARD POLICY ON INVESTMENTS

RESOLVED, that the Board of Trustees hereby approves the Annual Investment Report
for the period ended December 31, 2020, in the form presented at this meeting; and

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves and adopts
the revised Board Policy on Investments in the form presented at this meeting to be
effective immediately.

Dated: March 29, 2021
Table of Contents

Section I       Annual Investment Report
Section II      Investment Policy
Section III     Auditors’ Report
Section IV      Income Summary
LONG ISLAND POWER AUTHORITY
ANNUAL INVESTMENT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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 27, 2020.

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 27, 2020 included the following modifications to the Investment Policy which were approved on September 25, 2019:

- The addition of Secured Overnight Financing Rate (SOFR) as another index option for Floating Rate Notes in consideration of the LIBOR rate sunsetting in June 2023.

- Establishment of quarterly and annual management reporting deadlines of 45 days and 90 days respectively.

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, 2020, totaling approximately $49 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 each month and are paid monthly. For the year ended December 31, 2020, LIPA paid approximately $206,000 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, 2020, LIPA paid approximately $48,000 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, 2020.
SECTION II

Investment Policy
Adopted March 27, 2020
TABLE OF CONTENTS

1. OVERVIEW OF INVESTMENT POLICY.................................................................3
1.1. Purpose and Scope ..................................................................................3
1.2. Definitions ...............................................................................................3
1.3. Management of Investment Program ......................................................4

2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT ........4
2.1. Investment Objectives ...........................................................................4
2.2. Permitted Investments ..........................................................................4
2.3. Diversification, Ratings and Maturity of Investments Reference Table ........8
2.4. Prohibited Investment Vehicles .............................................................9
2.5. Downgrades ............................................................................................9
2.6. Process for Obtaining Approval for Exceptions .....................................9
2.7. Nuclear Decommissioning Trust Funds & Other Post-Employment Benefits Account ......10

3. OPERATING PARAMETERS AND CONTROLS ....................................................10
3.1. Authorized Officers and Employees .......................................................10
3.2. Competitive Selection ...........................................................................10
3.3. Annual Investment Audit ....................................................................10
3.4. Written Contracts and Confirmations ..................................................11
3.5. Safekeeping and Custody ......................................................................11
3.6. Internal Controls ..................................................................................12
3.7. Notification Concerning Violations of Investment Policy ......................12

4. QUALIFIED FINANCIAL INSTITUTIONS ..........................................................12
4.1. Qualifications for Brokers, Dealers and Agents ...................................12
4.2. Qualifications for Investment Advisors/Managers ...............................13
4.3. Qualifications for Custodial Banks .......................................................13
4.4. Ongoing Disclosure .............................................................................13
4.5. Affirmative Action ...............................................................................13

5. REPORTING ..................................................................................................14
5.1. Management Reporting .......................................................................14
5.2. Performance Reporting .......................................................................14
6. APPLICABILITY

7. BANK AUTHORIZATION

APPENDIX A - OPERATING PROCEDURES & CONTROLS (MANUAL)

APPENDIX B – NDTF INVESTMENT PROVISIONS

APPENDIX C – OTHER POST-EMPLOYMENT BENEFIT ACCOUNT INVESTMENT PROVISIONS
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 Credit Agreement, dated as of February 1, 2019 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 22, 2022 related to Electric System General Revenue Notes, Series 2019A; 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 Operations or the Manager of Treasury Operations.

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. **Supranationals** – 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.

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. **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 Rule 2a-7.
13. **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 Operations, Manager of Treasury Operations 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.

14. **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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sector Maximum (%)</th>
<th>Per Issuer Maximum (%)</th>
<th>Minimum Ratings Requirement</th>
<th>Maximum Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>100%</td>
<td>100%</td>
<td>N/A</td>
<td>5.5 Years (5.5 year avg. life for GNMA)</td>
</tr>
<tr>
<td>GNMA</td>
<td></td>
<td>40%</td>
<td>N/A</td>
<td>10 Years</td>
</tr>
<tr>
<td>Other U.S. Government Guaranteed (e.g. AID, GTC)</td>
<td></td>
<td>10%</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB</td>
<td>75%</td>
<td>40%</td>
<td>Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Federal Agency/GSE other than those above</td>
<td></td>
<td>10%</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Supranationals where U.S. is a shareholder and voting member</td>
<td>25%</td>
<td>10%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Corporates and other Debt Obligations</td>
<td>40%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Municipals</td>
<td>25%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Agency Mortgage-Backed Securities</td>
<td>25%</td>
<td>40%</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>20%</td>
<td>5%</td>
<td>Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)</td>
<td>5.5 Year Avg. Life</td>
</tr>
<tr>
<td>Certificates of Deposit (CD)</td>
<td>50%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>3 Years</td>
</tr>
<tr>
<td>Commercial Paper (CP)</td>
<td>50%</td>
<td>5%</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>270 Days</td>
</tr>
<tr>
<td>Collateralized Investment Agreements</td>
<td>50%</td>
<td>5%</td>
<td>Two Highest LT Rating Categories</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Bankers’ Acceptances (BAs)</td>
<td>35%</td>
<td>5%</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>180 Days</td>
</tr>
<tr>
<td>Floating Rate Notes</td>
<td></td>
<td></td>
<td>Should reflect the appropriate sector requirements</td>
<td></td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>40%</td>
<td>20%</td>
<td>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</td>
<td>90 Days</td>
</tr>
<tr>
<td>Government Money Market Funds</td>
<td>100%</td>
<td>100%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAam/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>100%</td>
<td>25%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAam/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
</tbody>
</table>
### Notes:

1. Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.
2. Maximum allocation to non-government securities is 75% combined.
3. Maximum across all non-government permitted investment sectors is 5% combined per issuer.
4. Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.
5. 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.
6. 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.

### 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 Operations, Manager of Treasury Operations 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 Operations shall provide direction to the Manager of Treasury Operations 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 Operations, Manager of Treasury Operations 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 Operations, or the Manager of Treasury Operations. 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 Operations 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 National Association of Securities Dealers (NASD);
- 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 Operations 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 Operations under the supervision of the Director of Finance and Treasury Operations 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 Operations 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 Operations 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, 2020 and shall not apply to any investments initiated by the Authority on or prior to March 27, 2020. 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\(^1\) ("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.

\(^{1}\) 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
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.

<table>
<thead>
<tr>
<th>Distribution List</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Director of Finance and Treasury Operations</td>
<td>As necessary</td>
</tr>
<tr>
<td>VP and Controller</td>
<td>As necessary</td>
</tr>
<tr>
<td>Investment Manager(s)</td>
<td>As necessary</td>
</tr>
<tr>
<td>General Counsel</td>
<td>As necessary</td>
</tr>
<tr>
<td>Manager of Treasury Operations</td>
<td>As necessary</td>
</tr>
</tbody>
</table>

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 Operations and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

<table>
<thead>
<tr>
<th>Roles</th>
<th>Responsibility</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>▪ Final Approval of the policy&lt;br▪ Approval of exceptions to the policy (e.g.&lt;brnew investment types)&lt;br▪ Approval of revisions to the policy</td>
<td>▪ Annual&lt;br▪ As necessary</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>▪ Responsible for adherence to all Authority policies</td>
<td>▪ As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>▪ Approval of the policy&lt;br▪ Approval of investment strategy&lt;br▪ Approval of performance measurements&lt;br▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)</td>
<td>▪ Annual&lt;br▪ Annual&lt;br▪ Ongoing&lt;br▪ As necessary</td>
</tr>
</tbody>
</table>
### 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.

### 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).
### D. Management Reporting

<table>
<thead>
<tr>
<th>Report</th>
<th>Contents</th>
<th>Audience</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Report</td>
<td>Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis</td>
<td>Chief Financial Officer, Board of Trustees</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Annual Investment Report</td>
<td>Investment Policy, explanation of Investment Policy &amp; amendments, annual investment audit, annual investment income, total fees and commissions paid</td>
<td>Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)</td>
<td>Annually</td>
</tr>
</tbody>
</table>

### 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 database 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

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:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>35%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>20%</td>
</tr>
</tbody>
</table>

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\(^1\) 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.\(^2\)

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.

---

\(^1\) 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.

\(^2\) 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

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:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>40%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>15%</td>
</tr>
</tbody>
</table>

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\(^1\) 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\(^2\).

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.

---

\(^1\) 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.

\(^2\) 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
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

The Members
Long Island Power Authority:

We have examined Long Island Power Authority’s (LIPA) 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 during the fiscal year ended December 31, 2020. LIPA’s management 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 standards applicable to attestation engagements contained in 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 the Authority 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. Our examination does not provide a legal determination on LIPA’s compliance with specified requirements.

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, 2020.

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 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.
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.

\[(signed) KPMG LLP\]

Melville, New York
March 29, 2021
The Long Island Power Authority
Investment Report

SECTION IV

Income Summary
Long Island Power Authority
Investment Income
For the Year ended December 31, 2020

Operating Fund $ 1,809,246
Rate Stabilization Fund 5,598,714
Construction Fund I 276,098
Construction Fund II 1,952,071
OPEB Account 26,294,689
Nuclear Decommissioning Trust Fund 7,741,045
Utility Debt Securitization Authority 775,784
Bank Account Interest 4,079,296
Miscellaneous 28,952

$ 48,555,894

Not included above is the Grant Account managed by LIPA's Investment Advisor which earned $7,212 in 2020, however, in accordance with FEMA guidance such income must be returned to FEMA. Therefore, LIPA's financial statements reflect a liability to FEMA, and do not include these earnings as Investment Income.
INVESTMENT POLICY

Operating

Finance and Audit Committee

#1520, Approved March 27, 2020

Table of Contents

1. OVERVIEW OF INVESTMENT POLICY ................................................................. 3
   1.1. Purpose and Scope ....................................................................................... 3
   1.2. Definitions ................................................................................................. 3
   1.3. Management of Investment Program ......................................................... 4
2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT .......... 4
   2.1. Investment Objectives ........................................................................... 4
   2.2. Permitted Investments .......................................................................... 4
   2.3. Diversification, Ratings and Maturity of Investments Reference Table ...... 8
   2.4. Prohibited Investment Vehicles ............................................................ 9
   2.5. Downgrades ........................................................................................... 9
   2.6. Process for Obtaining Approval for Exceptions .................................... 9
   2.7. Nuclear Decommissioning Trust Funds & Other Post-Employment Benefits Account .... 10
3. OPERATING PARAMETERS AND CONTROLS ...................................................... 10
   3.1. Authorized Officers and Employees ....................................................... 10
   3.2. Competitive Selection ........................................................................ 10
   3.3. Annual Investment Audit .................................................................... 10
   3.4. Written Contracts and Confirmations ................................................ 11
   3.5. Safekeeping and Custody ..................................................................... 11
   3.6. Internal Controls .................................................................................... 12
   3.7. Notification Concerning Violations of Investment Policy ...................... 12
4. QUALIFIED FINANCIAL INSTITUTIONS ............................................................ 12
   4.1. Qualifications for Brokers, Dealers and Agents ..................................... 12
   4.2. Qualifications for Investment Advisors/Managers ................................ 13
   4.3. Qualifications for Custodial Banks ....................................................... 13
   4.4. Ongoing Disclosure ............................................................................. 13
   4.5. Affirmative Action .............................................................................. 13
5. REPORTING ..................................................................................................... 14
   5.1. Management Reporting ....................................................................... 14
   5.2. Performance Reporting ....................................................................... 14
6. APPLICABILITY ......................................................................................................................15

7. BANK AUTHORIZATION .........................................................................................................15

APPENDIX A - OPERATING PROCEDURES & CONTROLS (MANUAL) ......................................16

APPENDIX B – NDTF INVESTMENT PROVISIONS .....................................................................19

APPENDIX C – OTHER POST-EMPLOYMENT BENEFIT ACCOUNT INVESTMENT PROVISIONS .......20
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 Credit Agreement, dated as of February 1, 2019 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 22, 2022 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 Operations or the Manager of Treasury Operations.

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 Rule 2a-7.
12.14  **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 Operations, Manager of Treasury Operations 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.

13.15  **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;
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

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sector Maximum (%)</th>
<th>Per Issuer Maximum (%)</th>
<th>Minimum Ratings Requirement¹</th>
<th>Maximum Maturity ²</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>100%</td>
<td>100%</td>
<td>N/A</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>GNMA</td>
<td>40%</td>
<td></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Other U.S. Government Guaranteed (e.g. AID, GTC)</td>
<td>10%</td>
<td></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB</td>
<td>75%</td>
<td>40%</td>
<td>N/A</td>
<td>10 Years</td>
</tr>
<tr>
<td>Federal Agency/GSE other than those above</td>
<td>10%</td>
<td></td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Supranationals where U.S. is a shareholder and voting member</td>
<td>25%</td>
<td>10%</td>
<td>Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Corporates and other Debt Obligations</td>
<td>40%²</td>
<td>5%³</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Municipals</td>
<td>25%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Agency Mortgage-Backed Securities</td>
<td>25%</td>
<td>40%⁴</td>
<td>N/A</td>
<td>5.5 Year Avg. Life⁵</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>20%</td>
<td>5%</td>
<td>Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)</td>
<td>5.5 Year Avg. Life⁵</td>
</tr>
<tr>
<td><strong>Negotiable Certificates of Deposit (CD):</strong></td>
<td>50%²</td>
<td>5%³</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>3 Years</td>
</tr>
<tr>
<td>Commercial Paper (CP)</td>
<td>50%²</td>
<td>5%³</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>270 Days</td>
</tr>
<tr>
<td>Collateralized Investment Agreements</td>
<td>50%</td>
<td>5%</td>
<td>Two Highest LT Rating Categories</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Bankers’ Acceptances (BAs)</td>
<td>35%²</td>
<td>5%³</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>180 Days</td>
</tr>
<tr>
<td><strong>Insured Bank Deposits</strong></td>
<td>25%</td>
<td>FIDC limit for insurance</td>
<td>None, if fully FDIC-insured</td>
<td>2 Years</td>
</tr>
<tr>
<td>Floating Rate Notes</td>
<td></td>
<td></td>
<td>Should reflect the appropriate sector requirements</td>
<td></td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>40%</td>
<td>20%</td>
<td>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</td>
<td>90 Days</td>
</tr>
<tr>
<td>Government Money Market Funds</td>
<td>100%</td>
<td>100%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>100%</td>
<td>25%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
</tbody>
</table>
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 Operations, Manager of Treasury Operations 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 Operations shall provide direction to the Manager of Treasury Operations 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

Notes:
1. Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.
2. Maximum allocation to non-government securities is 75% combined.
3. Maximum across all non-government permitted investment sectors is 5% combined per issuer.
4. Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.
5. 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.
6. 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.
7. No new securities in this sector will be purchased.
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 Operations, Manager of Treasury Operations 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 Operations, or the Manager of Treasury Operations. 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 Operations 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 National Association of Securities Dealers (NASD) 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 Operations 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 Operations under the supervision of the Director of Finance and Treasury Operations 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 Operations 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 Operations 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, 2020 and shall not apply to any investments initiated by the Authority on or prior to March 27, 2020. 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\(^1\) ("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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\(^1\) 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.
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.

<table>
<thead>
<tr>
<th>Distribution List</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Director of Finance and Treasury Operations</td>
<td>As necessary</td>
</tr>
<tr>
<td>VP and Controller</td>
<td>As necessary</td>
</tr>
<tr>
<td>Investment Manager(s)</td>
<td>As necessary</td>
</tr>
<tr>
<td>General Counsel</td>
<td>As necessary</td>
</tr>
<tr>
<td>Manager of Treasury Operations</td>
<td>As necessary</td>
</tr>
</tbody>
</table>

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 Operations and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

<table>
<thead>
<tr>
<th>Roles</th>
<th>Responsibility</th>
<th>Frequency</th>
</tr>
</thead>
</table>
| Board of Trustees          | ▪ Final Approval of the policy  
▪ Approval of exceptions to the policy (e.g. new investment types)  
▪ Approval of revisions to the policy | ▪ Annual  
▪ As necessary  
▪ As necessary |
| Chief Executive Officer    | ▪ Responsible for adherence to all Authority policies                        | ▪ As necessary  |
| Chief Financial Officer    | ▪ Approval of the policy  
▪ Approval of investment strategy  
▪ Approval of performance measurements  
▪ Approval of minor exceptions to the policy (i.e. amounts, maturities) | ▪ Annual  
▪ Annual  
▪ Ongoing  
▪ As necessary |
Director of Finance and Treasury Operations

- Serve as custodian of the policy
- Develop investment strategy
- Review investment strategy
- Establish performance measurements
- Distribution of policy and amendments
- Annual review of policy
- Oversight of investment activity
- Invest funds as provided for in the policy
- Review performance information
- Management reporting
- Collect performance information
- Distribute performance information
- Keep abreast of developments and notify the Chief Financial Officer, as needed

Investment Manager(s)

- Develop investment strategy
- Review investment strategy
- Invest funds as provided for in the policy
- Reporting investment portfolio

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).

<table>
<thead>
<tr>
<th>Activity to be Performed</th>
<th>Segregation Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Execution</td>
<td>Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.</td>
</tr>
<tr>
<td>Trade Confirmation</td>
<td>Individuals who conduct confirmations should not execute transactions.</td>
</tr>
<tr>
<td>Settlement – Disbursing and Receiving Funds</td>
<td>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.</td>
</tr>
<tr>
<td>Account Reconciliation</td>
<td>Account reconciliation activities must be segregated from trade execution activities.</td>
</tr>
</tbody>
</table>
D. Management Reporting

<table>
<thead>
<tr>
<th>Report</th>
<th>Contents</th>
<th>Audience</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Report</td>
<td>Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis</td>
<td>Chief Financial Officer, Board of Trustees</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Annual Investment Report</td>
<td>Investment Policy, explanation of Investment Policy &amp; amendments, annual investment audit, annual investment income, total fees and commissions paid</td>
<td>Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)</td>
<td>Annually</td>
</tr>
</tbody>
</table>

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

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:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>35%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>20%</td>
</tr>
</tbody>
</table>

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 Index¹ 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.²

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.

¹ 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.

² 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

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:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>40%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>15%</td>
</tr>
</tbody>
</table>

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\(^1\) 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\(^2\).

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.

---

\(^1\) 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.

\(^2\) LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.
INVESTMENT POLICY

Operating

Board Resolution:

Finance and Audit Committee

#1520, Approved March 27, 2020

TABLE OF CONTENTS

1. OVERVIEW OF INVESTMENT POLICY ................................................................. 3
1.1. Purpose and Scope .................................................................................. 3
1.2. Definitions ................................................................................................ 3
1.3. Management of Investment Program ....................................................... 4
2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT ........ 4
2.1. Investment Objectives ............................................................................ 4
2.2. Permitted Investments ........................................................................... 4
2.3. Diversification, Ratings and Maturity of Investments Reference Table ........ 8
2.4. Prohibited Investment Vehicles .............................................................. 9
2.5. Downgrades ........................................................................................... 9
2.6. Process for Obtaining Approval for Exceptions ..................................... 9
2.7. Nuclear Decommissioning Trust Funds & Other Post-Employment Benefits Account .... 10
3. OPERATING PARAMETERS AND CONTROLS ................................................ 10
3.1. Authorized Officers and Employees ........................................................ 10
3.2. Competitive Selection .......................................................................... 10
3.3. Annual Investment Audit ....................................................................... 10
3.4. Written Contracts and Confirmations .................................................... 11
3.5. Safekeeping and Custody ....................................................................... 11
3.6. Internal Controls .................................................................................... 12
3.7. Notification Concerning Violations of Investment Policy .................... 12
4. QUALIFIED FINANCIAL INSTITUTIONS ....................................................... 12
4.1. Qualifications for Brokers, Dealers and Agents ..................................... 12
4.2. Qualifications for Investment Advisors/Managers ................................ 13
4.3. Qualifications for Custodial Banks ....................................................... 13
4.4. Ongoing Disclosure ............................................................................... 13
4.5. Affirmative Action ............................................................................... 13
5. REPORTING ................................................................................................ 14
5.1. Management Reporting ........................................................................ 14
5.2. Performance Reporting ......................................................................... 14
6. APPLICABILITY ........................................................................................................................................15

7. BANK AUTHORIZATION ..........................................................................................................................15

APPENDIX A - OPERATING PROCEDURES & CONTROLS (MANUAL) ..................................................16

APPENDIX B – NDTF INVESTMENT PROVISIONS .................................................................................19

APPENDIX C – OTHER POST-EMPLOYMENT BENEFIT ACCOUNT INVESTMENT PROVISIONS ....20
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 Credit Agreement, dated as of February 1, 2019 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 22, 2022 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 Operations or the Manager of Treasury Operations.

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 Rule 2a-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 Operations, Manager of Treasury Operations 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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sector Maximum (%)</th>
<th>Per Issuer Maximum (%)</th>
<th>Minimum Ratings Requirement</th>
<th>Maximum Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>100%</td>
<td>100%</td>
<td>N/A</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>GNMA</td>
<td>40%</td>
<td>10%</td>
<td>N/A</td>
<td>10 Years</td>
</tr>
<tr>
<td>Other U.S. Government Guaranteed (e.g. AID, GTC)</td>
<td>75%</td>
<td>40%</td>
<td>Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB</td>
<td>25%</td>
<td>10%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Federal Agency/GSE other than those above</td>
<td></td>
<td></td>
<td>N/A</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Supranational where U.S. is a shareholder and voting member</td>
<td>25%</td>
<td>10%</td>
<td>Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Corporates and other Debt Obligations</td>
<td>40%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Municipals</td>
<td>25%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Agency Mortgage-Backed Securities</td>
<td>25%</td>
<td>40%</td>
<td>N/A</td>
<td>5.5 Year Avg. Life</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>20%</td>
<td>5%</td>
<td>Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)</td>
<td>5.5 Year Avg. Life</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit (CD)</td>
<td>50%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>3 Years</td>
</tr>
<tr>
<td>Commercial Paper (CP)</td>
<td>50%</td>
<td>5%</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>270 Days</td>
</tr>
<tr>
<td>Collateralized Investment Agreements</td>
<td>50%</td>
<td>5%</td>
<td>Two Highest LT Rating Categories</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Bankers’ Acceptances (BAs)</td>
<td>35%</td>
<td>5%</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>180 Days</td>
</tr>
<tr>
<td>Insured Bank Deposits</td>
<td>25%</td>
<td>FIDC limit for insurance</td>
<td>None, if fully FDIC-insured</td>
<td>2 Years</td>
</tr>
<tr>
<td>Floating Rate Notes</td>
<td></td>
<td></td>
<td>Should reflect the appropriate sector requirements</td>
<td></td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>40%</td>
<td>20%</td>
<td>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</td>
<td>90 Days</td>
</tr>
<tr>
<td>Government Money Market Funds</td>
<td>100%</td>
<td>100%</td>
<td>Highest Fund Rating by all NRSOs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>100%</td>
<td>25%</td>
<td>Highest Fund Rating by all NRSOs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
</tbody>
</table>
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 Operations, Manager of Treasury Operations 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 Operations shall provide direction to the Manager of Treasury Operations 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 NDTV (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 Operations, Manager of Treasury Operations 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 Operations, or the Manager of Treasury Operations. 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 Operations 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 Operations 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 Operations under the supervision of the Director of Finance and Treasury Operations 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 Operations 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 Operations 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, 2020 and shall not apply to any investments initiated by the Authority on or prior to March 27, 2020. 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 designees1 ("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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1 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
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.

<table>
<thead>
<tr>
<th>Distribution List</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Director of Finance and Treasury Operations</td>
<td>As necessary</td>
</tr>
<tr>
<td>VP and Controller</td>
<td>As necessary</td>
</tr>
<tr>
<td>Investment Manager(s)</td>
<td>As necessary</td>
</tr>
<tr>
<td>General Counsel</td>
<td>As necessary</td>
</tr>
<tr>
<td>Manager of Treasury Operations</td>
<td>As necessary</td>
</tr>
</tbody>
</table>

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 Operations and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

<table>
<thead>
<tr>
<th>Roles</th>
<th>Responsibility</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>• Final Approval of the policy</td>
<td>• Annual</td>
</tr>
<tr>
<td></td>
<td>• Approval of exceptions to the policy (e.g. new investment types)</td>
<td>• As necessary</td>
</tr>
<tr>
<td></td>
<td>• Approval of revisions to the policy</td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>• Responsible for adherence to all Authority policies</td>
<td>• As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>• Approval of the policy</td>
<td>• Annual</td>
</tr>
<tr>
<td></td>
<td>• Approval of investment strategy</td>
<td>• Annual</td>
</tr>
<tr>
<td></td>
<td>• Approval of performance measurements</td>
<td>• Ongoing</td>
</tr>
<tr>
<td></td>
<td>• Approval of minor exceptions to the policy (i.e. amounts, maturities)</td>
<td>• As necessary</td>
</tr>
</tbody>
</table>
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).

<table>
<thead>
<tr>
<th>Activity to be Performed</th>
<th>Segregation Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Execution</td>
<td>Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.</td>
</tr>
<tr>
<td>Trade Confirmation</td>
<td>Individuals who conduct confirmations should not execute transactions.</td>
</tr>
<tr>
<td>Settlement – Disbursing and Receiving Funds</td>
<td>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.</td>
</tr>
<tr>
<td>Account Reconciliation</td>
<td>Account reconciliation activities must be segregated from trade execution activities.</td>
</tr>
</tbody>
</table>
D. Management Reporting

<table>
<thead>
<tr>
<th>Report</th>
<th>Contents</th>
<th>Audience</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Report</td>
<td>Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis</td>
<td>Chief Financial Officer, Board of Trustees</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Investment Report</td>
<td>Investment Policy, explanation of Investment Policy &amp; amendments, annual investment audit, annual investment income, total fees and commissions paid</td>
<td>Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)</td>
<td>Annually</td>
</tr>
</tbody>
</table>

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

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:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>35%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>20%</td>
</tr>
</tbody>
</table>

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\(^1\) 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.\(^2\)

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.

---

\(^1\) 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.

\(^2\) 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

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:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>40%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>15%</td>
</tr>
</tbody>
</table>

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\(^1\) 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\(^2\).

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.

---

\(^1\) 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.

\(^2\) LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.
Annual Board and Committee Agenda Planning for 2021 – Proposed for Board Consideration

December 16, 2020
SUMMARY OF PROPOSED 2021 LIPA MEETINGS

<table>
<thead>
<tr>
<th>Board/Committee</th>
<th>Number of Meetings</th>
<th>Average Length</th>
<th>Total Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>8</td>
<td>1 hour, 40 mins.</td>
<td>12.8 hours</td>
</tr>
<tr>
<td>F&amp;A</td>
<td>6</td>
<td>1 hour, 25 mins.</td>
<td>7.5 hours</td>
</tr>
<tr>
<td>Oversight &amp; Clean Energy</td>
<td>5</td>
<td>1 hour</td>
<td>5.0 hours</td>
</tr>
<tr>
<td>Governance, Planning and Personnel</td>
<td>4</td>
<td>40 minutes</td>
<td>3.0 hours</td>
</tr>
<tr>
<td>Scheduled Workshops</td>
<td>5</td>
<td>60 minutes</td>
<td>5.0 hours</td>
</tr>
<tr>
<td><strong>Total Number of Meetings</strong></td>
<td><strong>23</strong></td>
<td></td>
<td><strong>33 hours</strong></td>
</tr>
</tbody>
</table>

*The proposed Board agenda for 2021 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 and training, which are in addition to the Board’s meeting schedule, and may include work with the Board’s governance consultant, Leading Resources.
# PROPOSED JANUARY 20, 2021 MEETINGS

<table>
<thead>
<tr>
<th><strong>Board</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Roll call, pledge, consent agenda, CEO, Secretary and Operating Reports (&quot;Routine Board Matters&quot;) (30 mins.)</td>
<td></td>
</tr>
<tr>
<td>• Discussion of PSEG Long Island’s Management Actions Plans for Tropical Storm Isaias Task Force Recommendations (30 mins.)</td>
<td></td>
</tr>
<tr>
<td>• Public Comment (20 mins.)</td>
<td><strong>[80 mins.]</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Governance, Planning &amp; Personnel</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Discussion of Strategic Planning &amp; Oversight Policy, including 2020 Goals and Accomplishments and 2021 Work Plan (30 mins.)</td>
<td></td>
</tr>
<tr>
<td>• Annual Governance Package (see Appendix) (10 mins.)</td>
<td></td>
</tr>
<tr>
<td>• EXECUTIVE SESSION – SUCCESSION PLANNING (15 mins.)</td>
<td><strong>[55 mins.]</strong></td>
</tr>
</tbody>
</table>

**Total proposed time for January meetings: 2.3 hours**
PROPOSED FEBRUARY 24, 2021 MEETING

Board
• Discussion of Isaias Task Force 180-day Report (30)
• Revised Mission, Vision, and Policy on Values of Responsiveness & Integrity (15 mins.)
• Purpose and Roles of the LIPA Trustees Policy (20 mins.)
• Discussion of PSEG LI and PSEG ER&T’s 2020 OSA Metric Performance (20 mins.)
• Board Workshop – discussion of financial statements, budget timeline and process, rate cases, and refresher on the debt and access to credit policy (60 mins.)

F&A
• Routine F&A Matters (20 mins.)
• Discussion of Internal Audit Activities (20 mins.)
• Annual Financial Package (see Appendix) & Charter (15 mins.)

[125 mins.]

[55 mins.]

Total proposed time for February meetings: 3.3 hours
# PROPOSED MARCH 24, 2021 MEETINGS

<table>
<thead>
<tr>
<th>Board</th>
<th>F&amp;A</th>
<th>Gov., Planning &amp; Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Routine Board Matters (30 mins.)</td>
<td>• Routine F&amp;A Matters (20 mins.)</td>
<td>• CEO Performance and Compensation EXECUTIVE SESSION (20 mins.)</td>
</tr>
<tr>
<td>• Debt and Capital Markets Policy (20 mins.)</td>
<td>• 2020 Audit Results from Independent Auditors (20 mins.)</td>
<td>• Committee’s Annual Self-Report to the Board (includes results of Board’s self-evaluation for 2020) (15 mins.)</td>
</tr>
<tr>
<td>• Review and Approval of 2020 Financials (10 mins.)</td>
<td>• EXECUTIVE SESSION with Independent Auditors (10 mins.)</td>
<td>• Review Committee Charter (10 mins.)</td>
</tr>
<tr>
<td>• Public Comment (20 mins.)</td>
<td>• Recommendation to Approve 2020 Financials (25 mins.)</td>
<td></td>
</tr>
<tr>
<td>• EXECUTIVE SESSION – BOARD’S SELF-EVALUATION (40 mins.)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[120 mins.]
[75 mins.]
[45 mins.]
Oversight & Clean Energy

- Discussion of 2020 OSA Performance Metrics (20 mins.)
- Briefing on Winter Storm Summary (20 mins.)

[40 mins.]

Total proposed time for March meetings: 4.7 hours
# PROPOSED MAY 19, 2021 MEETINGS

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

Total proposed time for Board: 110 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.)
- Presentation from PSEG ER&T on Power and Fuel Supply Management and Hedging (20 mins.)
- Committee’s Annual Self-Report to the Board (10 mins.)

Total proposed time for F&A: 85 mins.

## Oversight & Clean Energy
- Update on Implementation of 2020 Utility 2.0 Programs (20 mins.)
- Summer Preparation for Power Supply & T&D (20 mins.)
- Review Committee Charter (10 mins.)
- Committee’s Annual Self-Report to the Board (10 mins.)

Total proposed time for Oversight & Clean Energy: 60 mins.

**Total proposed time for May meetings: 4.3 hours**
### Proposed June 23, 2021 Meetings

#### Board
- Routine Board Matters (30 mins.)
- Resource Planning and Renewable Energy Policy (25 mins.)
- Customer Value & Affordability Policy (25 mins.)
- Public Comment (20 mins.)
- Board Workshop – Legal Matters (60 mins.)

Total proposed time for Board: **160 mins.**

#### Oversight & Clean Energy
- Update on T&D Capital Budget (20 mins.)
- Review Annual Update to Emergency Restoration Plan (20 mins.)
- Presentation of Annual Energy Efficiency Report (20 mins.)
- Review Utility 2.0 Proposals (20 mins.)

Total proposed time for Oversight & Clean Energy: **80 mins.**

#### Governance, Planning & Personnel
- Staffing & Employment Policy (20 mins.)
- EXECUTIVE SESSION – SUCCESSION PLANNING (20 mins.)

Total proposed time for Governance, Planning & Personnel: **40 mins.**

**Total proposed time for June meetings:** **4.7 hours**
PROPOSED JULY 21, 2021 WORKSHOP

Board

- Board Workshop – LIPA’s Enterprise Risk Management Program (60 mins.) [60 mins.]

Total proposed time for July meetings: 1 hour
# PROPOSED SEPTEMBER 22, 2021 MEETINGS

## Board
- Routine Board Matters (30 mins.)
- Construction of T&D Projects Policy (20 mins.)
- Public Comment (20 mins.)
- **Board Workshop – Topic TBD (60 mins)**

## F&A
- Routine F&A Matters (20 mins.)
- Review Quarterly Financials Ended June 30 (10 mins.)
- Discuss Independent Auditor’s 2021 Audit Plan (20 mins.)
- Enterprise Risk Management Policy and Annual Insurance Review (30 mins.)
- Economic Development & Community Engagement Policy (15 mins.)

## Oversight & Clean Energy
- Briefing on PSEG Long Island’s Energy Efficiency & Renewables Plan (20 mins.)
- Briefing on Implementation of Management Audit Recommendations (20 mins.)

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**Total proposed time for September meetings: 4.4 hours**
PROPOSED NOVEMBER 17, 2021 BUDGET MEETING

**Board**
- Budget Presentation (60 mins.)
- Q&A (30 mins.)
- **Board Workshop – LIPA’s Oversight Practices and Procedures** (60 mins.) [210 mins.]

**F&A**
- Routine F&A Matters (20 mins.)
- Review Quarterly Financials Ended September 30 (10 mins.)
- Presentation from PSEG ER&T on Power and Fuel Supply Management and Hedging (20 mins.)
- Power Supply Hedging Policy (15 mins.) [65 mins.]

**Total proposed time for November meetings:** 3.6 hours
## PROPOSED DECEMBER 15, 2021 MEETINGS

### Board
- Routine Board Matters (30 mins.)
- Approval of 2021 Budget (10 mins.)
- Approval of 2021 Plan of Finance (20 mins.)
- Approval of Tariff Changes (15 mins.)
- Governance and Agenda Planning Policy (20 mins.)
- Public Comment (20 mins.)

### F&A
- Routine F&A Matters (20 mins.)
- Approval of 2021 Budget (10 mins.)
- Approval of 2021 Plan of Finance (10 mins.)
- Approval of 2021 Internal Audit Plan and Resource Requirements (10 mins.)
- EXECUTIVE SESSION – Internal Audit (10 mins.)
- Approval of Tariff Changes (15 mins.)

### Governance, Planning & Personnel
- EXECUTIVE SESSION – SUCCESSION PLANNING

### Oversight & Clean Energy
- Safety Policy (20 mins.)
- Information and Physical Security (15 mins.)
- EXECUTIVE SESSION – CYBER (20 mins.)

**Total proposed time for December meetings: 4.6 hours**
Appendix
ANNUAL GOVERNANCE PACKAGE

- Procurement Policy
- Property Acquisition / Disposition Policy
- Lobbying Policy
- By-Laws
- Trustee Code of Ethics and Conduct
- Trustee Communications Policy
- Whistleblower Policy
ANNUAL FINANCIAL PACKAGE

- Investment and Risk Policy
- Interest Rate Exchange Agreement Policy
- Prompt Payment Policy
- Investment Report
**BOARD AGENDA SUMMARY SHEET**

<table>
<thead>
<tr>
<th>Committee or Board:</th>
<th>Date:</th>
<th>Board Meeting Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>December 4, 2020</td>
<td>December 16, 2020</td>
</tr>
</tbody>
</table>

**For All Board Voting Items:**

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

Consent Agenda: ☐ Yes ☒ No

Accompanying Presentation: ☐ Yes ☒ No

Recommendation from Committee: ☒ N/A ☐ F&A; ☐ GP&P; ☐ Oversight & Clean Energy

**LIPA Presenter:** Bobbi O’Connor

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

Enterprise Risk Management Discussion: ☐ Yes ☒ No

**For Policy Reports Only:**

Type of Policy / Report: ☐ Operating; ☒ Governance; ☐ Compliance; ☐ Mission

**Date of Last Report:** December 18, 2019

**Compliance Since Last Report:** ☒ Yes ☐ No

**Proposed Changes to Policy:** ☐ Yes ☒ No

**Requested Action:**

The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; and (ii) finding that LIPA has complied with the Policy.

**Summary:**

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 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.” 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 and amended the Policy in December 2019.

LIPA Staff proposes no changes to the Policy.
FOR CONSIDERATION
December 16, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board’s Policy on Governance and Agenda Planning

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 Policy on Board Governance and Agenda Planning (the “Policy”) for the period since the last annual review of the Policy; and (ii) approving the annual report for 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 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.” 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 and amended the Policy in December 2019.

Compliance with the Board Policy on Governance and Agenda Planning

LIPA 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 of LIPA. In 2020, Trustee Harris was assigned to the Finance and Audit Committee based on the relevant experience from her highly-sophisticated legal practice.
- Trustees have adopted a Board Policy process to provide clear direction to LIPA Staff from the Board, acting as a whole, rather than from Trustees acting as individual members, including the Board Policy on Trustee Communication.
The Trustees have annually conducted a survey and review of their collective performance, and have instituted improvements to the Board’s governance, such as a facilitated process to review and enhance the Board Policy governance model, changes to Committee charters, the inclusion of developmental workshops on 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 six years adopted approximately 20 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 LIPA’s long-term plans and values or adapt to changing circumstances in the industry or within LIPA’s operations.

Most recently, in December 2019, the Board adopted the Information and Physical Security policy.

The Policy provides that “the Board will monitor the Board’s process, performance and activities in comparison to its governance objectives” and “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, Planning and Personnel Committee (the “Governance Committee”) conducts an annual review of the overall effectiveness of the Board.

The Policy Implementation Reports are available on the LIPA’s website.

The Policy provides that the Board “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 regularly 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); establish and maintain an outline of the core competencies required for an effective Chairperson and Committee Chairs (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 for all Trustees and specifically for the Chairperson and Committee Chairs, which are reviewed annually.

The Policy provides that the Board “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 Committee reviews the performance of the Chief Executive Officer relative to the policies of the Board.
- Annually, LIPA Staff provides the Board with the proposed agenda for all Board meetings for the Board's review and comment. Likewise, the Secretary to the Board provides periodic reports relating to compliance with each policy, as appropriate.
- LIPA’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. Similarly, for those Board policies relating to LIPA’s mission, the Service Provider and LIPA Staff report annually to the Board on progress relative to that stated policy.

**Proposed Changes to the Board Policy**

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 REPORT TO THE BOARD OF TRUSTEES ON THE BOARD GOVERNANCE AND AGENDA PLANNING 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 Policy was last amended by the Board pursuant to Resolution No. 1505, dated December 18, 2019; 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: December 16, 2020