



CEO REPORT

May 19, 2021

AGENDA

01 May Board Meeting Significant Items

02 Options Analysis & Upcoming Public Comment Sessions

03 Request for Proposals: Battery Storage

04 U.S. Offshore Wind Update

MAY BOARD MEETING SIGNIFICANT ITEMS

FOR DISCUSSION

- Semi-Annual Presentation from PSEG ER&T on Power and Fuel Supply Hedging*
- Update on 2020 Utility 2.0 Programs*
- Summer Preparation for Power Supply and Transmission and Distribution*
- Update on Community Choice Aggregation*

FOR APPROVAL

- PSEG Long Island Project Implementation Plans for Board Recommendations
- Capital Budget Development Process Improvements Recommendations
- Report on Board Policy on Transmission & Distribution System Reliability
- Report on Board Policy on Taxes and PILOTs*
- Board Policy on Audit Relationships*

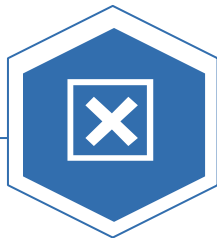


Options Analysis

LIPA'S TROPICAL STORM ISAIAS INVESTIGATIVE FINDINGS



650K
customers
lost power



Critical IT
and phone
systems
failed



1M+ calls
received
busy signals



300K+ text
messages
bounced
back



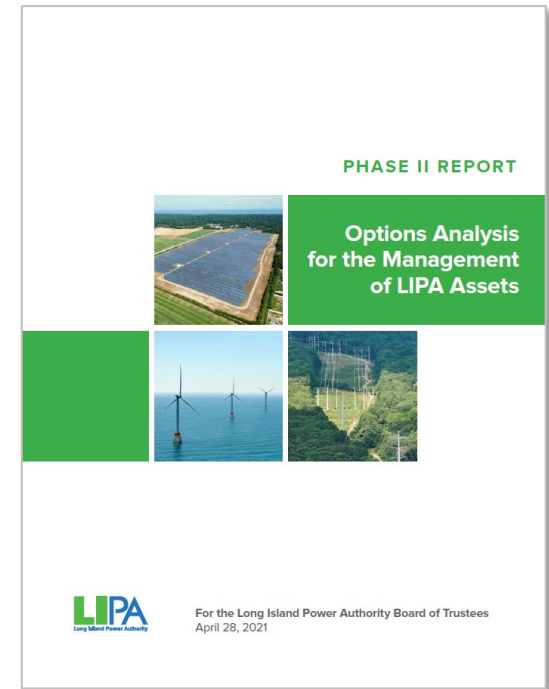
Website,
mobile app,
gov't portal
failed

- Failed IT and communication systems caused a **“fog of war”** affecting restoration efforts
- Some customers received a **dozen or more inaccurate restoration times**; restoration estimates were **extended by as many as 7 days** denying customers the ability to plan
- PSEG Long Island **lacked actionable business continuity plans** in the event of IT failures
- PSEG Long Island employees were left to perform heroic efforts to cope with **failing processes and systems**
- 90-Day Isaias Report identified the root cause of these problems as **systematic management failures at PSEG Long Island not IT failures** – these failures could have been prevented

OVERVIEW: PHASE II OPTIONS ANALYSIS

The April 2021 Phase II Options Analysis presents the Board and our stakeholders with an evaluation of the options to improve the future management of LIPA's assets

- In November 2020, the Board and the Department of Public Service (DPS) asked LIPA staff to evaluate either (i) terminating LIPA's contract with PSEG Long Island; or (ii) renegotiating that contract to alter PSEG Long Island's management structure and incentives to improve operational performance
- In December 2020, LIPA staff issued an initial framing and analysis of the range of possible restructuring options to the Board and public in a Phase I report
- Phase II report released in April 2021 carefully details the pros and cons of each option to provide the Board of Trustees, elected officials, and stakeholders the facts to make an informed decision



[Phase II Options Analysis](#)

OVERVIEW OF FOUR OPTIONS

Ownership
Model:

Private Ownership

Structural
Options:

Option 1 Sell LIPA's Assets to Private Investors

- Higher financing costs, greater tax burden
- Ineligibility for federal disaster relief under private ownership
- Requires an unrealistic \$450 to \$600 million of offsetting savings from operations to avoid higher costs to customers or cutting service

Public-Private Arrangement

Option 2 Reset the PSEG Long Island Relationship and Reform the Contract

- Strengthen PSEG Long Island management incentives and accountability to improve operations
- Strengthen LIPA oversight rights and ability to intervene to make course corrections – “trust but verify” the efforts of PSEG Long Island management

Option 3 Seek a New Service Provider to Improve Operations

- Restart the relationship with a different partner that is better equipped to deliver
- Integrate lessons learned from the PSEG Long Island experience into new contractual framework

LIPA Management

Option 4 Bring Utility Operations Under LIPA Management

- LIPA is responsible for service delivery and directly accountable to the Long Island community
- ServCo subsidiary that employs the 2,500 customer-facing Long Island operations employees becomes a direct subsidiary of LIPA

NEXT STEPS

Continue Work on Options 2 - 4

- **Option 2 (Reform PSEG Long Island Contract):** Continue to engage with PSEG Long Island management and remain open to offers that credibly address the Board's concerns
- **Option 3 (New Service Providers):** Issue a Request for Information accompanied by an aggressive outreach effort to new potential service providers
- **Option 4 (LIPA Management):** Continue our diligence efforts

Hold Public Comment Sessions

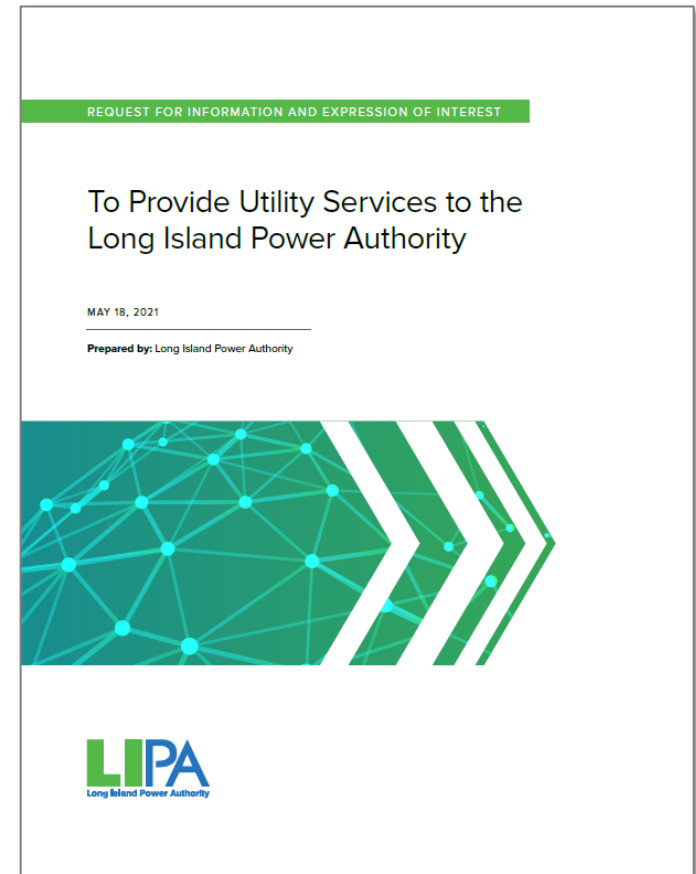
The LIPA Board of Trustees welcomes hearing from our elected officials, stakeholders, and most importantly customers on the future management of LIPA's assets

- Virtual public comment hearings starting at 6 p.m. on **Tuesday, May 25 and Thursday, May 27**. Sign up [here](#) to speak.
- Written comments may also be submitted **electronically** through the [LIPA website](#). All comments submitted will be available for public review.

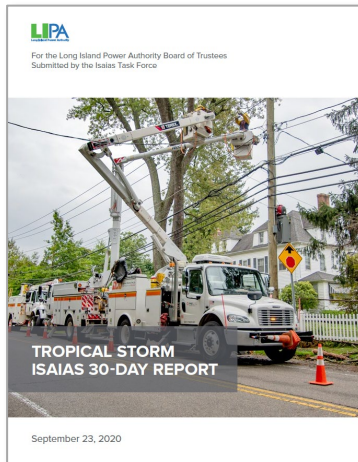
NEW: REQUEST FOR INFORMATION FOR UTILITY SERVICES

LIPA is issuing a Request for Information (RFI) to advance consideration of Option 3

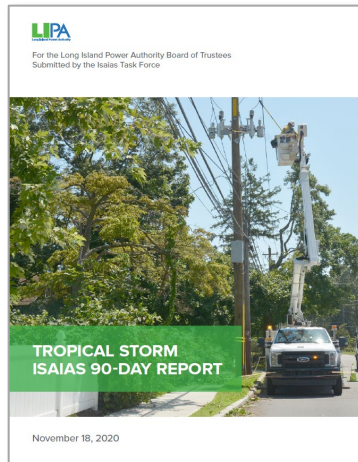
- Goal is to assess the market for providers and consortiums of providers to perform all or select portions of the Utility Management Services currently performed by PSEG Long Island
- LIPA anticipates awarded under a subsequently issued Request for Proposals (RFP) would commence on or about **January 1, 2023**
- LIPA staff has already begun an **extensive marketing campaign** to new potential providers
- Responses to the RFI are due on **July 19, 2021**



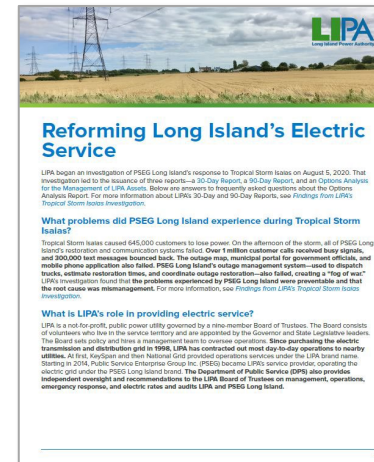
FOR MORE INFORMATION



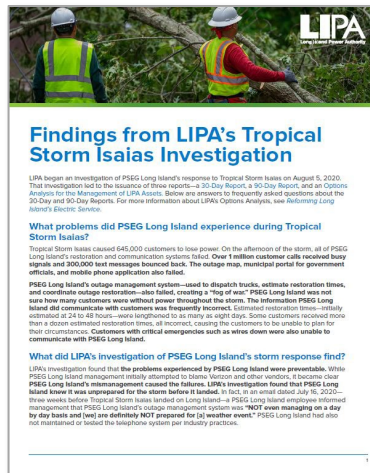
[30-Day Report](#)



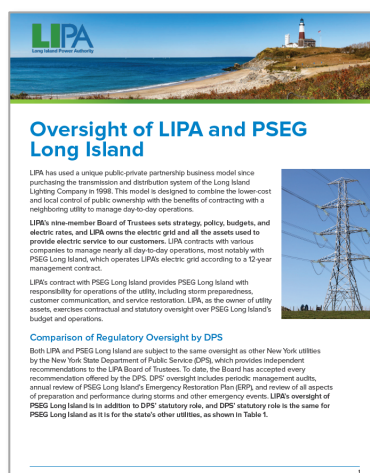
[90-Day Report](#)



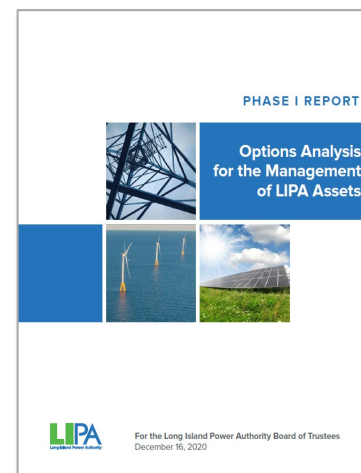
[Fact Sheet](#)



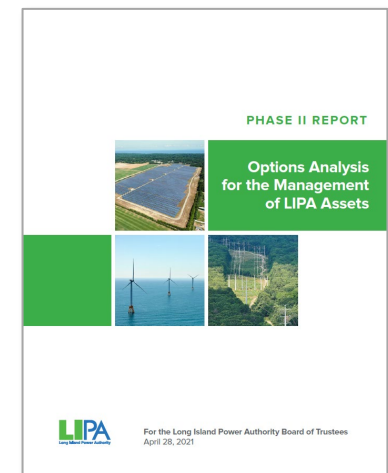
[Fact Sheet](#)



[Fact Sheet](#)



[Phase I Options Analysis](#)



[Phase II Options Analysis](#)



Request for Proposals: Battery Storage

NEW: BATTERY STORAGE RFP

PSEG Long Island recently issued a Request for Proposals (RFP) on LIPA's behalf to obtain 175 megawatts of new grid-connected bulk energy storage projects

- Through the Climate Leadership and Community Protection Act, there is a state-wide goal to implement 3,000 MW of battery storage by 2030
- LIPA would own and operate selected projects
- Energy storage projects will provide economic and reliability benefits to the electric grid
- Commercial operation date no later than December 31, 2025
- For more information, [click here](#)



5MW Battery in Montauk, New York

A photograph of offshore wind turbines in the ocean, with a large turbine in the foreground and several others in the distance. The image is overlaid with a blue gradient and a green triangle in the bottom left corner.

U.S. Offshore Wind Update

FIRST U.S. OFFSHORE WIND PROJECT APPROVED



Biden-Harris Administration Approves 800MW Vineyard Wind for Massachusetts

- U.S. Department of Interior has issued the final federal approval needed for the construction and operation of the first large-scale, offshore wind project in the U.S.
- Since January, the Bureau of Ocean Energy Management has also initiated the environmental review of two other offshore wind projects, **including the South Fork Wind Farm**