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LIPA AND PSEG LONG ISLAND REACH AGREEMENT FOR FORFEIT OF \$30 MILLION AND CONTRACT REFORMS IN RESPONSE TO FAILURES FROM TROPICAL STORM ISAIAS

Contract Reforms Strengthen Management, Accountability, and Oversight Protections for Customers on Long Island and the Rockaways

Provides Relief to Ratepayers for PSEG Long Island's Failures

UNIONDALE, NY – The Long Island Power Authority (LIPA) announced that they have reached an agreement with PSEG Long Island on a set of contract reforms that puts customers first and provides LIPA and the New York State Department of Public Service (DPS) greater oversight authority. PSEG Long Island will forfeit \$30 million to hold management accountable for their failed performance during Tropical Storm Isaias.

PSEG Long Island Forfeits \$30 Million for Tropical Storm Isaias Failures

The settlement will resolve pending litigation related to PSEG Long Island's management failures during Tropical Storm Isaias.

- \$6.6 million to reimburse customers without power for more than 72 hours for food and medicine spoilage.
- \$19.5 million in payments and credits to LIPA towards the cost of upgrading the information technology and communication systems that failed during the storm.
- \$3.9 million in contributions to Long Island-based charities.

The settlement will resolve the pending litigation related to PSEG Long Island's failures to meet contract standards during Tropical Storm Isaias.

Stronger Protections for Customers

- **Strengthened Long Island-based management team.** The President and Chief Operating Officer of PSEG Long Island will have full and final operational decision-making authority and the local executive team will be strengthened with new positions in information technology, cybersecurity, emergency response, business services, and human resources. To avoid the lack of accountability for local operations that was evident in the company's response to Tropical Storm Isaias, all Long Island employees will report to managers on Long Island. Additionally, the compensation for all PSEG Long Island employees will be linked to the performance of Long Island operations.
- **Strengthened long-term planning, budget development, and cost management.** New standards require greater long-term planning, transparency, and accountability for delivering projects and services on time and within budget that meet the needs and deliver value for customers.

- **Majority of PSEG Long Island compensation now at risk.** The reformed management contract increases the amount of PSEG Long Island's annual compensation at risk from \$10 million to \$40 million, including automatic reductions for failures to meet minimum emergency response, customer satisfaction, and reliability standards and a new DPS investigative process to reduce compensation for failures to provide safe, adequate, and reliable service to customers.
- **Strengthened Long Island-based management team.** The President and Chief Operating Officer of PSEG Long Island will have full and final operational decision-making authority and the local senior management team will be strengthened with new executive positions for information technology, cybersecurity, emergency response, business services, and human resources. All Long Island employees will report to PSEG on Long Island. Additionally, the compensation for all PSEG Long Island employees will be linked to the performance of Long Island operations.
- **Rigorous annual performance goals.** PSEG Long Island will be subject to detailed performance requirements set annually by the LIPA Board and DPS to ensure the company meets industry best practices across all the services provided to LIPA and its customers.
- **Strengthened long-term planning, budget development, and cost management.** New standards require greater long-term planning, transparency, and accountability for delivering projects and services on time and within budget to meet customer needs and deliver maximum value.

Stronger Oversight Protections for LIPA and DPS

- **Requires timely and accurate disclosure of significant operational issues.** The agreement requires timely, affirmative disclosure to LIPA and DPS of issues, such as those that occurred before and during Tropical Storm Isaias, that significantly impair PSEG Long Island's ability to provide reliable service, emergency response, cybersecurity, financial impairment, noncompliance with laws, or circumstances that may endanger public health, safety, and welfare.
- **Transparency around decisions to hire PSEG affiliates to provide services to LIPA.** New provisions ensure that PSEG Long Island's decisions to hire affiliates to perform services, including information technology services, at customer expense will deliver better quality and lower cost than competing vendors.

Long Island Power Authority Chief Executive Officer Tom Falcone said, “This agreement will enhance PSEG Long Island management’s accountability and performance while acknowledging the severity of the management failures that resulted in the poor response to Tropical Storm Isaias. Governor Cuomo’s leadership was instrumental from the first day of the storm in achieving this strong result for customers. I want to thank the LIPA Board and staff for

their dedication to the investigation that led to this result. I also want to thank the 2,500 employees of PSEG Long Island, who were let down by management failures and had to cope with inadequate tools during a major storm. It made their task even harder, and I know first-hand of their dedication to Long Island and the Rockaways.”

The agreement-in-principal, when finalized, will be presented to the LIPA Board of Trustees for their consideration.

- **New requirements to fix known operational issues in a timely manner.** The reformed contract requires PSEG Long Island to implement plans to fix known operational issues identified by LIPA management or DPS, with oversight by the LIPA Board.
- **Requires timely and accurate disclosure of significant operational issues.** The agreement requires timely, affirmative disclosure to LIPA and DPS of issues that significantly impair PSEG Long Island's ability to provide reliable service, emergency response, cybersecurity, financial impairment, noncompliance with laws, or circumstances that may endanger public health, safety, and welfare.
- **Transparency around decisions to hire PSEG Long Island affiliates to provide services to LIPA.** New provisions ensure that PSEG Long Island's decisions to hire affiliates to perform services at customer expense will deliver better quality and lower costs than competing vendors.
- **New requirements for independent verification and validation of information technology systems.** The agreement provides new rights to LIPA to independently test and validate the performance of mission-critical information technology systems, such as those that failed during Tropical Storm Isaias. The agreement also requires PSEG Long Island to separate information technology platforms from New Jersey-based systems to ensure better accountability and oversight.

With these meaningful contract reforms, this agreement establishes a sound framework to help recalibrate and strengthen the relationship between LIPA and PSEG Long Island through improved oversight, enhanced accountability, and more efficient operations, ultimately benefitting all customers across Long Island.

Long Island Power Authority Chief Executive Officer Tom Falcone said, “Today's announcement has the reforms LIPA has been seeking to ensure accountability and performance while acknowledging the severity of the management failures that resulted in the poor response to Tropical Storm Isaias. The work of the LIPA Board and staff over the past 10 months, through their comprehensive investigation and diligence, led to PSEG Long Island being held accountable for their management failures and response to Isaias. I also want to thank the 2,500 dedicated utility employees who work tirelessly to ensure our customers receive the safe and reliable electric service they deserve.”

Vice Chairman of the LIPA Board Mark Fischl said, “After 10 months of investigations, recommendations, and contract negotiations, I am pleased PSEG Long Island has agreed to the many common-sense reforms that the LIPA Board has been asking for.”

New York State Department of Public Service Chief Executive Officer John B. Howard said, “This historic agreement ensures that PSEG Long Island customers receive the protections that they so strongly need. The Department of Public Service will ensure PSEG Long Island meets all of the new rigorous requirements, and we will diligently ensure PSEG Long Island is held accountable to meet this new regulatory standard.”

New York State Department of Public Service Special Counsel for Ratepayer Protection Rory I. Lancman said, “These penalties and reforms put Long Island and Rockaways ratepayers first, and leave no doubt that Governor Cuomo means business when he says a utility’s compensation – and its very right to operate in New York – will be tied to its performance. Going forward, PSEG Long Island's customers will benefit greatly from the stronger state oversight and enforcement authority embodied in this agreement.”

ABOUT TROPICAL STORM ISAIAS

On the afternoon of Tropical Storm Isaias, all of PSEG Long Island's restoration and communications systems failed, leaving over 500,000 customers unable to communicate with their electric utility and hampering restoration efforts. Over 1 million customer calls received busy signals, 300,000 text messages bounced back, and web services and mobile phone applications failed. Customers were unable to report critical emergencies, and those that could get through received inaccurate restoration times.

Investigations by LIPA and DPS ordered by Governor Cuomo determined management was aware that critical information technology systems were not working before the storm, had inadequate business continuity plans, and had not maintained or rigorously stress tested systems.

The investigations led to the adoption by PSEG Long Island of 85 specific recommendations by the LIPA Board to correct information technology, management, and emergency management deficiencies, which are all in addition to the penalties and contract reforms announced today.

ABOUT LIPA

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. LIPA contracts with PSEG Long Island, a subsidiary of Public Service Enterprise Group Incorporated, to operate LIPA's electric system under a 12-year contract.

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