



CEO Report

June 23, 2021

AGENDA

01 June Board Meeting Significant Items

02 COVID-19 Impact on Electricity Sales

**03 Options Analysis Public Comments
and Next Steps**

JUNE BOARD MEETING SIGNIFICANT ITEMS

FOR DISCUSSION

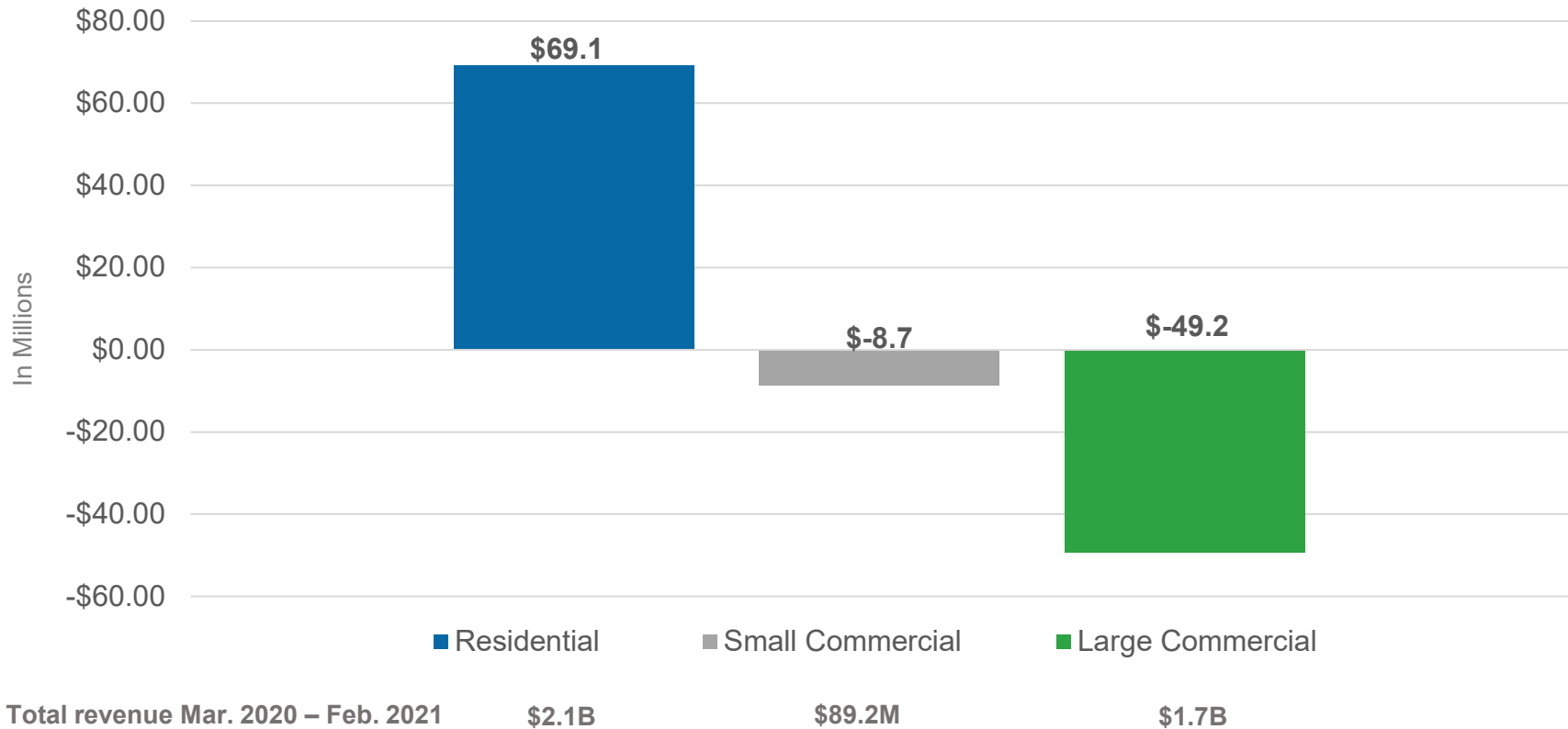
- Isaias Task Force Quarterly Report
- Update on T&D Capital Budget*
- Update to the Emergency Restoration Plan*
- Briefing on Integrated Resource Plan*
- Annual Energy Efficiency Report*

FOR APPROVAL

- Recommendations to Improve Work Management
- Implementation Plans for Affiliate Services
- Report on the Board Policy on Resource Planning and Clean Energy
- Report on the Board Policy on Customer Value and Affordability
- Report and Amendments on the Board Policy on Staffing and Employment*
- Board Policy on Asset Management
- Budget Amendment for Real Property Purchase
- Tariff Amendments for NYSERDA On-Bill Financing

COVID-19 UPDATE: ELECTRIC SALES REVENUE BY CUSTOMER CLASS

Budget vs. Booked Delivery Revenue March 2020 - May 2021:
Revenue Decoupling Balance due to/(from) by Customer Class

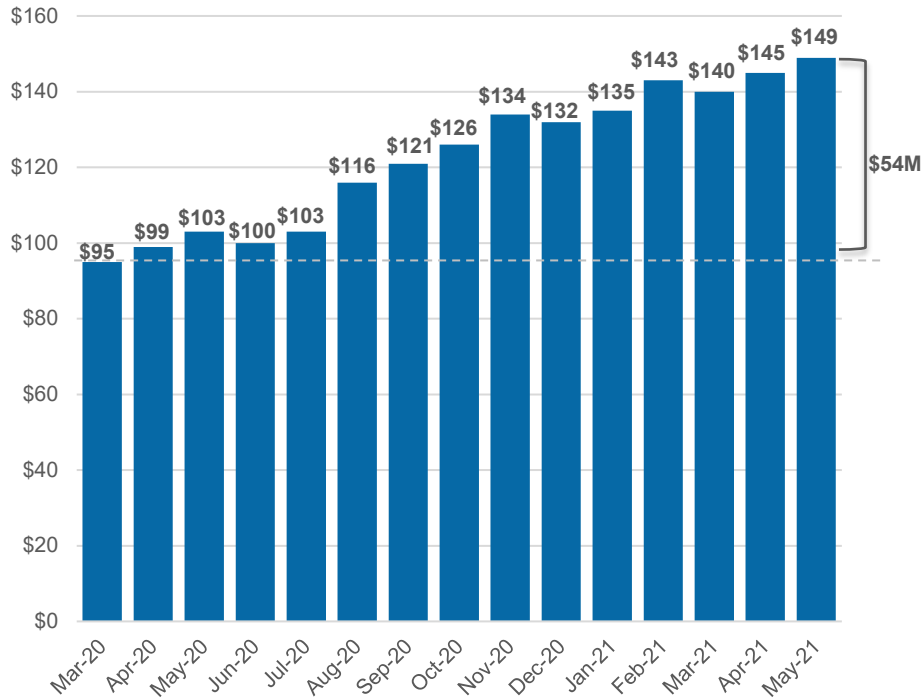


Revenue Decoupling balance from March 2020 to May 2021 changed by +\$11.2 million on sales of \$4.3 billion; includes weather-related effects on sales

COVID-19 UPDATE: CUSTOMER AMOUNTS DUE OVER 30 DAYS

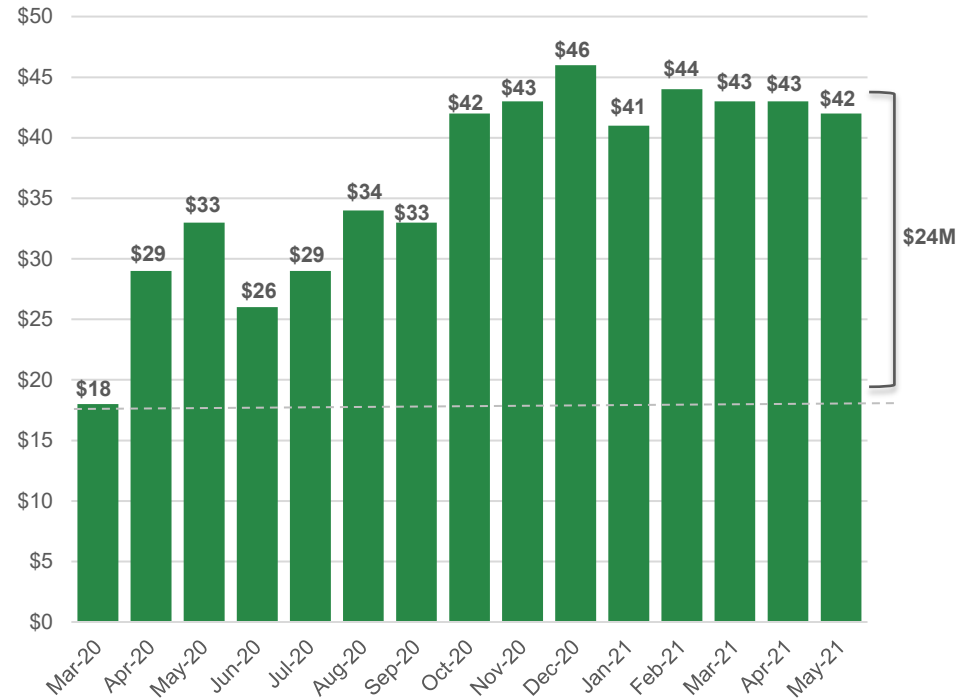
Residential

(millions)



Commercial

(millions)

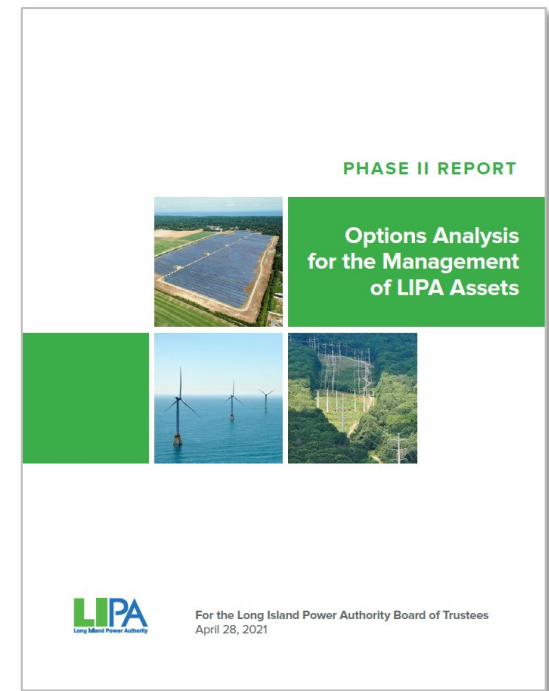


Amounts due from customers (> 30 days) have increased by \$78 million since March 2020 because of the pandemic-induced economic effects on households and businesses

OPTIONS ANALYSIS OVERVIEW

LIPA's Options Analysis Reports describe the alternatives 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
- The **Phase II Options Analysis** report released on **April 28, 2021**, describes four alternatives for the future management of LIPA assets (i) privatization, (ii) renegotiated PSEG Long Island contract, (iii) management contract with new providers, (iv) municipalization
- LIPA last offer to PSEG Long Island was sent on **May 10, 2021**. LIPA's offer includes strengthened incentives, accountability mechanisms, and oversight
- LIPA Issued an RFI for Utility Management Services on **May 19, 2021**



[*Phase II Options Analysis*](#)

PUBLIC COMMENTS ON PHASE II OPTIONS ANALYSIS

- The LIPA Board heard from elected officials, stakeholders, and customers on the future management of LIPA's assets in **public comment sessions on May 19, May 25, and May 27, 2021**, and in written comments
- Video recordings of the hearings, transcriptions, and all written comments are available online at lipower.org
- Accompanying memo includes a summary of comments and links to all comments received to date



PUBLIC COMMENTS

Public comments primarily focused on two options. Supportive comments for these options are summarized in the table:

Options	May 19 Board Meeting	Testimony at Hearings	Comments Submitted Online
Option 1: Privatization	0	0	0
Option 2: Reset PSEG Long Island Relationship and Reform the Management Contract	0	1	4
Option 3: Replace PSEG Long Island with a New Service Provider to Improve Operations	0	0	0
Option 4: Bring Operations Under LIPA Management	6	27	107

SELECTED QUOTES FOR OPTION 2

PSEG Long Island has done good work – several speakers noted PSEG Long Island has done good work since 2014 and their employees are dedicated and care about the community.

- **Ross Burns** touted PSEG Long Island’s “outstanding job in both managing the power grid and engaging the community” and urged LIPA to consider all the factors when making this decision, concluding that “PSEG Long Island has handled storms better than any company in the past. The company should not be judged by a single mishap, but rather by the myriad other instances of outstanding performance.”
- **Aaron Binder**, a PSEG Long Island employee, said he is “proud to work for PSEG Long Island and ... proud of what the company has accomplished” in the last seven years including, “reduced wait times in its call center,” and noted that PSEG Long Island has been one of the “most improved utilities in the nation.”
- **William L. Doering** said “I cannot see how any other entity could do better unless they can guarantee that they are more capable and prove they have the equipment and employees to cope with storms like Isaias. I vote to leave PSEG Long Island intact and keep pushing to make them better as we experience unpredictable mother nature.”
- **George Rathbaum**, a PSEG Long Island customer, said he was “extremely happy with PSEG Long Island service, both operationally and customer service-wise.” George notes that PSEG Long Island employees are “incredibly dedicated” and does “not think we should end the relationship with PSEG Long Island over ... one stumble and fall.”

SELECTED QUOTES FOR OPTION 4

The benefits of public power – Many speakers referenced Long Island’s long history with various private providers and the benefits of public power as underscoring their support for Option 4.

- **Brookhaven Town Supervisor Ed Romaine** noted that he has advocated for a “full public utility” since 1985.
- **Lisa Tyson, Director of the Long Island Progressive Coalition**, cited that nationally, public utilities are “offering 13 percent cheaper rates and 46 percent shorter outage times than private utilities.”
- **New York State Assemblyman Fred W. Thiele** said, “Millions of customers across Long Island depend on LIPA to meet their energy needs. In 1986, when LIPA was created, the vision of its sponsors was the creation of a public power company to replace Long Island’s unaccountable, profit-driven, private utility (LILCO). It is imperative that we return to that vision. Long Islanders deserve a power company that is transparent and accountable directly to the ratepayers.”
- **Fred Harrison, a Merrick resident and volunteer with Food and Water Watch**, said, “The facts as presented by the staff in each of their updates options analysis point to the benefits of a nonprofit electric utility system. Those facts have been out there for five months. That’s five months and \$35 million in lost ratepayer savings.”
- **Michael Menser, Associate Director of the CUNY Science and Resilience Institute**, cited a report from the Smart Electric Power Association that shows numerous examples of municipal utilities providing better service and with better collaborations.

SELECTED QUOTES FOR OPTION 4

A Public Entity is Critical to Long Island's Renewable Energy Future – Several speakers spoke about the importance of aggressively tackling renewable energy and that LIPA should be a leader in the implementation of state goals.

- **Alexander Dillon, a teacher from Cedarhurst**, cited the CLCPA as “one of the most compelling reasons for Option 4” noting that sustainability would be best produced *by a public entity, not a for-profit one*.
- **George Povall, representing All Our Energy**, noted that “in other places where they municipalized, they’ve been able to expand on renewable energy much easier” while noting that savings from municipalization can be redirected to clean energy, as well as rate relief and resiliency.
- **Martin Melkonian, an Economics Professor at Hofstra University**, noted the benefits of public power and fighting climate change. “We are facing a climate change catastrophe with continued use of fossil fuels. We need a rapid and accelerated move to greater conservation and cleaner alternative energy. We cannot leave the dramatic reduction of carbon to market forces alone. A public power company is far more likely to make the required investments to achieve a green Long Island.”

SELECTED QUOTES FOR OPTION 4

PSEG Long Island has not been a reliable partner – Many commenters noted that PSEG Long Island has not been forthright with LIPA and their performance is not showing progress under J.D. Power performance metrics.

- **Paul Merkelsen, a Port Washington resident**, noted PSEG's performance as 143 out of 144 utilities and said, "This model doesn't work... we have to really question whether privately-owned companies can deal with this."
- **Peter Schlusser said**, "municipal utilities operate reliability, have high customer satisfaction ratings, and are well managed." He continued "the failure is solely of PSEG's managerial failure, incompetence, lack of experience, or just not caring. The technology was not their problem, I assure you, the people management was."
- **Jay Blackman** said, "After many months of public discussion concerning PSEG's mismanagement in the period following Tropical Storm Isais, they have proven to be unable to respond to the challenges of maintaining the electric grid that is necessary for our day-to-day lives."
- **Ruth Cohen**, said, "PSEG lied about its preparedness for the tropical storm, its immediate response to the storm, and the number of upgrades it made after the storm... Time and time again in public meetings over the past few months, PSEG has continued to obfuscate the truth and avoid accountability. They have demonstrated themselves to be untrustworthy partners in managing our energy system with transparency and public oversight. PSEG can't fix the problem because they are the problem."

SELECTED QUOTES FOR OPTION 4

A Public Utility Should have a Revised Governance Structure – Several speakers said that while they support Option 4, they believe that there should be changes to how the Board is constituted.

- ***Harry Burger, a member of the Suffolk County Democratic Socialists of America (DSA) and Suffolk County Green Party***, called for an elected board to be chosen using ranked-choice voting.
- ***Patrick Robbins, a member of the New York City Energy Democracy Alliance***, called for “a democratic LIPA that is accountable to our communities” and proposed a direct election of members in various districts.
- ***Scott Carlin, a Hampton Bays resident and geographer at LIU Post***, proposed “the direct election of a new LIPA Board from ratepayers residing in separate districts within LIPA’s service area.”

LIPA Board Should Act Now – Several speakers noted that the Board should act now and stop delaying municipalization.

- ***John Carr, Margaret Maher, Sharon Pataky, Erin Molyneux, and others*** submitted a form letter urging the LIPA Board to “end the contract with PSEG and immediately begin the transition to a fully public power system on Long Island.”
- ***Sarika Kumar, a Jericho resident***, said, “urged the Board to act and that any further delay is “further time, money, and resources wasted on a utility model that is structurally unreliable.”



QUESTIONS?

FOR CONSIDERATION

June 23, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Summary of Public Comments about the Options Analysis Report

Background

On Tuesday, August 4, 2020, Tropical Storm Isaias landed on Long Island with rain and wind gusts of up to 70 miles per hour. The resulting damage to the electrical system caused approximately 646,000 customer outages.

On August 5, LIPA's Chief Executive Officer initiated an independent review of the circumstances and root causes that led to well-documented lapses in PSEG Long Island's storm response. LIPA's Isaias Task Force was charged with providing actionable recommendations in a [30-Day](#) and [90-Day Report](#) and with overseeing PSEG Long Island's remediation activities.

The Task Force presented the 30-Day Report to LIPA's Board of Trustees (the "Board") on September 23, 2020, and the 90-Day Report on November 18, 2020. The 90-Day Report documented that the root cause of PSEG Long Island's inadequate response to Tropical Storm Isaias was not technical failures but significant and pervasive management failures. Furthermore, the report documented that all of the failures could and should have been avoided.

On November 13, 2020, the Department of Public Service ("DPS") provided a recommendation to the Board as a result of its separate investigation. The DPS Staff identified more than 70 potential violations of PSEG Long Island's Emergency Restoration Plan. The Task Force's 90-Day Report and the DPS recommendation both suggested either termination or renegotiation of the management contract with PSEG Long Island in light of these management failures.

Concurrent with adopting the 90-Day Report and DPS recommendation, the Board asked LIPA Staff to undertake a transparent, comprehensive evaluation of the future alternatives for the management of LIPA's assets. LIPA Staff released the [Phase I](#) and [Phase II Options Analysis](#) reports on December 16, 2020, and April 28, 2021, respectively.

Public Comment Hearings

As directed by the Board, comments on the Phase II Options Analysis were accepted at LIPA's May 19, 2021 Board meeting. Two virtual public hearings were also held on May 25 and May 27, 2021, to hear from customers, stakeholders, and elected officials on the [Phase II Options Analysis](#).

At the start of both public comment hearings, LIPA's Chief Executive Officer, Thomas Falcone, presented a [high-level summary](#) on the [Phase I](#) and [Phase II Options Analysis Reports](#) and then invited participants to make a public comment.

Both of the public hearings were live-streamed. The archived videos are available on the LIPA

website. Click [here](#) for a full video recording of the May 25 hearing and [here](#) for the May 27 hearing. This public input is summarized below. All materials, transcripts, and public comments have been posted on the [LIPA website](#).

Summary of Options Analysis Public Comments

At the May 19, 2021 Board Meeting, there were a total of eight speakers with six speakers supporting municipalization.

During the two public hearings on May 25 and May 27, 2021, there were a total of 32 speakers, including two participants who spoke at both sessions, making for 30 unique comments.

Additionally, LIPA has accepted public comments on the [LIPA website](#) and via email. In total, LIPA has received 121 written comments submitted online or via e-mail. Of these 121 written comments, eight people took no position to support an option from the Options Analysis, with one person saying no to Option 2 (without supporting another option), and one person saying no to Option 4 (without supporting another option).

A summary of the options supported by commenters as follows:¹

Options	May 19 Board Meeting	Spoke at Hearings	Submitted Online
Option 1: Privatization	0	0	0
Option 2: Reset PSEG Long Island Relationship and Reform the Management Contract	0	1	4
Option 3: Replace PSEG Long Island with a New Service Provider to Improve Operations	0	0	0
Option 4: Bring Operations Under LIPA Management	6	27	107

Support for Option 2: Reset PSEG Long Island Relationship and Reform the Management Contract

A total of five commenters, including two PSEG Long Island employees, spoke in support of Option 2 (Reset PSEG Long Island Relationship and Reform the Management Contract). Supportive comments given at the public comment hearings or submitted through the LIPA website or via email, included:

- *Aaron Binder, a PSEG Long Island employee*, said he was “proud to work for PSEG Long Island and ... proud of what the company has accomplished” in the last seven years including, “reduced wait times in its call center,” and noted that PSEG Long Island has been one of the “most improved utilities in the nation.”
- *Martin Kennedy* said pulling the contract with PSEG Long Island would “cause a major disruption in operations just as we are going into peak hurricane season.” He urged to “keep the contract and revise LIPA oversight” as the “best option.” He also stated his belief that “government is not capable of running anything efficiently” as a reason to not support

¹ Not all comments received took a position on which option they support from the Options Analysis Report.

Option 4.

- *William L. Doering* said “I cannot see how any other entity could do better unless they can guarantee that they are more capable and prove they have the equipment and employees to cope with storms like Isaias. I vote to leave PSEG Long Island intact and keep pushing to make them better as we experience unpredictable mother nature.”
- *Ross Burns* touted PSEG Long Island’s “outstanding job in both managing the power grid and engaging the community” and urged LIPA to consider all the factors when making this decision, concluding that “PSEG Long Island has handled storms better than any company in the past. The company should not be judged by a single mishap, but rather by the myriad other instances of outstanding performance.”
- *David Fitzgerald, a PSEG Long Island employee*, said he is “one of the thousands of rank and file PSEG Long Island employees who are passionate about the work we are doing and the company we work for.” He asked LIPA to “separate the recourse or restitution you seek from PSEG for the failings during storm Isaias last year, from the evaluation of who will provide the best, safest, most reliable and cost-effective electric service for all Long Island customers.”
- *George Rathbaum, a PSEG Long Island customer*, said he was “extremely happy with PSEG Long Island service, both operationally and customer service-wise.” George notes that PSEG Long Island employees are “incredibly dedicated” and does “not think we should end the relationship with PSEG Long Island over ... one stumble and fall.”

Support for Option 4: Bring Operations Under LIPA Management

A total of 134 commenters, consisting of customers, elected officials, environmental and political advocates, and individuals, support Option 4 (Bring Operations Under LIPA Management). Themes and supportive comments for Option 4 given at the public comment hearings or submitted through the LIPA website or via email, included:

The benefits of public power – Many speakers referenced Long Island’s long history with various private providers and the benefits of public power as underscoring their support for Option 4.

- *Brookhaven Town Supervisor Ed Romaine* noted that he has advocated for a “full public utility” since 1985.
- *New York State Assemblyman Fred W. Thiele* said, “Millions of customers across Long Island depend on LIPA to meet their energy needs. In 1986, when LIPA was created, the vision of its sponsors was the creation of a public power company to replace Long Island’s unaccountable, profit-driven, private utility (LILCO). It is imperative that we return to that vision. Long Islanders deserve a power company that is transparent and accountable directly to the ratepayers.”
- *Amber Ruther, representing the New York Public Power Coalition*, noted that profit motive is a “feature not a bug” of private utilities.

- *Peter Schlusser* said, “municipal utilities operate reliably, have high customer satisfaction ratings, and are well managed.”
- *Michael Menser, Associate Director of the CUNY Science and Resilience Institute*, cited a report from the Smart Electric Power Association that shows numerous examples of municipal utilities providing better service and with better collaborations.
- *Lisa Tyson, Director of the Long Island Progressive Coalition*, cited that nationally, public utilities are “offering 13 percent cheaper rates and 46 percent shorter outage times than private utilities.”
- *Sarika Kumar, a Jericho resident*, said, “Across the country and on Long Island, publicly owned utilities have proven more affordable and reliable for residential customers. They are more responsive to customer needs, yielding better customer satisfaction.” She urged the Board to act and that any further delay is “further time, money, and resources wasted on a utility model that is structurally unreliable.”
- *Jane Fasullo, a customer*, noted her experience being a customer of multiple service providers including the Long Island Lighting Company, LIPA/National Grid, and PSEG Long Island, saying, “All of these have had significant problems for the ratepayers ranging from frequent shutdowns, long repair times following storms, high raises in cost, and company-customer communication mess-ups.” She supports public ownership, saying, “it’s time to try a single entity that is accountable for all the operations.... And it should be an entity that is answerable to its customers, not stockholders.”

A Public Entity is Critical to Long Island’s Renewable Energy Future – Several speakers spoke about the importance of aggressively tackling renewable energy and that LIPA should be a leader in the implementation of New York State’s historic Climate Leadership and Community Protection Act (CLCPA).

- *Alexander Dillon, a teacher from Cedarhurst*, cited the CLCPA as “one of the most compelling reasons for Option 4” noting that sustainability would be best produced by a public entity, not a for-profit one.
- *Ron Leonard, representing the Renewable Energy Coalition*, said that reaching the CLCPA’s standards will require “all hands on deck.”
- *George Povall, representing All Our Energy*, noted that “in other places where they municipalized, they’ve been able to expand on renewable energy much easier” while noting that savings from municipalization can be redirected to clean energy, as well as rate relief and resiliency.
- *Martin Melkonian, an Economics Professor at Hofstra University*, noted the benefits of public power and fighting climate change. “We are facing a climate change catastrophe with continued use of fossil fuels. We need a rapid and accelerated move to greater conservation and cleaner alternative energy. We cannot leave the dramatic reduction of carbon to market forces alone. A public power company is far more likely to make the required investments to achieve a green Long Island.”

PSEG Long Island has not been a reliable partner – Many commenters noted that PSEG Long Island has not been forthright with LIPA and their performance is not showing progress under J.D. Power performance metrics.

- *Paul Merkelsen, a Port Washington resident*, noted PSEG’s performance as 143 out of 144 utilities and said, “This model doesn’t work... we have to really question whether privately-owned companies can deal with this.”
- *Gail Payne, a member of the Long Island Sierra Club*, noted that PSEG Long Island has failed to live up to its promises to be more transparent and resilient.
- *Fred Harrison, a retired teacher and volunteer with Food and Water Watch*, said, “...of course, PSEG favors the profit model...there’s nothing evil about it, it’s just too expensive and puts profits before service.”
- *Dorothy Talotta, a Sea Cliff resident*, said “PSEG Long Island cannot be counted on to provide residents with reliable service. In my opinion, Long Island should not do business with a private utility company that puts profits before people.”

A Public Utility Should have a Revised Governance Structure – Several speakers said that while they support Option 4, they believe that there should be changes to how the Board is constituted.

- *Brookhaven Town Supervisor Ed Romaine* said that some, if not all of the Board should be elected.
- *Harry Burger, a member of the Suffolk County Democratic Socialists of America (DSA) and Suffolk County Green Party*, called for an elected board to be chosen using ranked-choice voting.
- *Patrick Robbins, a member of the New York City Energy Democracy Alliance*, called for “a democratic LIPA that is accountable to our communities” and proposed a direct election of members in various districts.
- *Scott Carlin, a Hampton Bays resident and geographer at LIU Post*, proposed “the direct election of a new LIPA Board from ratepayers residing in separate districts within LIPA’s service area.”

Other comments and letters submitted taking supportive positions of Option 4 included:

- In a letter to Governor Andrew M. Cuomo, 14 Long Island Assemblymembers urged that “LIPA terminate its contract with PSEG LI as soon as possible and become a true public power company.” They continued, “while some improvements were made possible under this arrangement, poor service, a lack of reliability in inclement weather and a disdain for the concerns of the public have proven intolerable.” Finally, they concluded that publicly owned utilities have proven more affordable and reliable for customers and are “more

responsive to customer needs, yielding higher customer satisfaction.”

- *Ryan Madden, Sustainability Organizer with the Long Island Progressive Coalition*, noted the organization’s work with Food and Water Watch to build “a network of supporters through the reimaged LIPA statement,” which has gained the support of “35 signatories including environmental organizations, grassroots groups, civil rights organizations, reproductive healthcare providers, statewide climate justice coalitions, business organizations, indigenous groups, and faith organizations” to support a municipal and democratized LIPA.

Conclusion

LIPA Staff reviewed the public comments and recommends the Board consider these comments when making their decision on the Options Analysis.