

## **FOR CONSIDERATION**

June 23, 2021

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of a Board Policy on Asset Management

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution, attached hereto as **Exhibit “A”**, approving the proposed Board Policy on Asset Management (the “Policy”), which Policy is attached hereto as **Exhibit “B”**.

### **Discussion**

LIPA has a commitment to maintaining a robust Asset Management system for the safe, reliable, and cost-effective operation of the T&D system that is managed by its Service Provider. This Policy complements LIPA’s Mission Statement regarding the stewardship of assets by ensuring that our assets are utilized efficiently and in accordance with sound fiscal and operating practices. The Policy also complements the Board’s Policy on Transmission & Distribution (“T&D”) System Reliability, which aims to provide highly reliable and resilient electric service to our customers.

LIPA’s T&D System is an integrated electric system consisting of overhead and underground facilities, equipment, and other assets used to provide the transmission and distribution of electric capacity and energy from seven transmission interconnections and approximately 20 on-Island generation sites to homes and business on Long Island and the Rockaways. The T&D System includes approximately 15,000 miles of lines, 182 substations, and 192,000 transformers.

The 2013 and 2018 NorthStar Management and Operations Audits (“Audit”) identified weaknesses and issued recommendations for improvement in the Asset Management programs of LIPA’s service providers. Specifically, the 2013 Audit contained a recommendation (Recommendation 12.4.3) to “Establish an asset management model that supports the LIPA T&D preventive maintenance program.” As of the 2018 Audit, implementation of this recommendation was deemed to be “Ongoing.” The 2018 Audit noted that “In interviews with NorthStar, LIPA and PSEG LI explained that the Asset Management Program is in its infancy. Although certain goals have been identified for the program, the program is not currently operating at full capacity.” The 2018 Audit contained a recommendation (Recommendation #18) to “Complete development of the Computerized Maintenance Management System (“CMMS”)” as well as to complete the implementation of the 2013 recommendations.

In 2020, LIPA hired the Woodhouse Partnership (“TWPL”), a firm with international expertise in asset management across many sectors, including the utility sector, to evaluate PSEG Long Island’s asset management programs and policies. This review followed the aforementioned findings of significant weaknesses in National Grid’s and then PSEG Long Island’s management of LIPA’s assets in 2013 and 2018. The TWPL review, among other things, evaluated PSEG Long Island’s

asset management practices and processes relative to an asset management maturity model using ISO 55001 standards. On a scale of 0 (innocent) to 4 (beyond ISO), with 3 being “competent,” TWPL rated PSEG Long Island’s asset management program between 0 (innocent) and 2 (developing) along the 27 program components prescribed by ISO.

In response to the TWPL review, the Board adopted seven recommendations related to enhancing asset management, including the adopting of the ISO Asset Management Framework, the development of a Strategic Asset Management Plan, and the implementation of an Enterprise Asset Management System.

At its May 21, 2021 meeting, LIPA’s Board adopted a resolution regarding the approval of certain Project Implementation Plans related to TWPL’s recommendations to improve PSEG Long Island’s asset management policies and practices.

The proposed Policy articulates the Board’s principles for asset management and ensures consistent annual monitoring of the asset management program for adherence to these principles, which will result in greater reliability and lower cost for the electric customers of Long Island and the Rockaways.

**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”** Asset Management Policy

**RESOLUTION APPROVING THE ADOPTION OF THE BOARD POLICY ON ASSET  
MANAGEMENT**

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**NOW, THEREFORE, BE IT RESOLVED**, that consistent with the accompanying memorandum, the proposed Board Policy on Asset Management, in the form attached hereto, is hereby approved.

Dated: June 23, 2021

Board Policy: **Asset Management**  
Policy Type: **Operating**  
Monitored by: **Oversight and Clean Energy Committee**  
Board Resolution: **#xxxx, approved June 23, 2021**



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**Board Policy on Asset Management**

It is the policy of the Long Island Power Authority (“LIPA”) to maintain a robust Asset Management system for the safe, reliable, and cost-effective operation of the transmission and distribution system managed by its Service Provider. LIPA and its Service Provider will take prudent and reasonable measures to accomplish the following:

- Adopt the ISO Asset Management Framework that encompasses industry leading practices and achieve a maturity goal of 3.0 or greater by the end of 2023. This includes:
  - Maintaining a long-range asset management focus on electric distribution, substation and transmission equipment, by emphasizing risk and gap analysis, reliability centered maintenance, lifecycle cost techniques, and financial and operational metrics to improve and achieve key performance indicators (e.g. age, manufacturer, failure modes, failure rates, cost to maintain, life expectancy, end of life determination, etc.)
  - Developing asset risk and lifecycle strategies, asset health indexing, asset condition and criticality, and preventive / predictive maintenance strategies.
  - Ensuring accountability for annual test and inspect plan input, annual replacement capital work plan input, asset standards, and decisions on asset replacements.
  - Ensuring material condition (life cycle) strategies are maintained, and equipment is replaced based on these strategies so as to maintain a high level of system reliability.
- Develop and maintain a modern enterprise asset management system (“EAMS”) for asset-related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets. This EAMS will become the foundation of the utility's data-driven asset management decision processes. The EAMS will include a computerized multi-year component/equipment performance history to determine the effectiveness of the reliability programs.

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