

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE 299th MEETING**

**HELD ON MAY 19, 2021**

*The Long Island Power Authority (“LIPA”) was convened for the two-hundred-and-ninety-ninth time at 11:02 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on May 14, 2021, and electronic notice posted on the LIPA’s website.*

*In compliance with Governor Andrew M. Cuomo’s Executive Order No. 202.1 on COVID-19 safety, the following guidelines were publicly posted and followed:*

*The Long Island Power Authority is taking steps to minimize the risk of exposure for the public and our employees. As such, LIPA will not be permitting in-person access to its May 19, 2021 Board meeting. Members of the public are encouraged to observe the live stream of the Board meeting posted at the LIPA website. The meeting will also be recorded and posted to LIPA’s website for later viewing*

*The following LIPA Trustees were present:*

**Ralph Suozzi, Chairman (via video conferencing)**  
**Mark Fischl, Acting Chair (in person)**  
**Elkan Abramowitz (in person)**  
**Drew Biondo (via video conferencing)**  
**Sheldon Cohen (in person)**  
**Peter Gollon (via video conferencing)**  
**Laureen Harris (via video conferencing)**  
**Ali Mohammed (via video conferencing)**

**Representing LIPA, in person, were Thomas Falcone, Chief Executive Officer; Bobbi O’Connor, Chief Administrative Officer & Board Secretary; Rick Shansky, Senior Vice President of Power Supply and Whole Markets; and Jen Hayen, Director of Communications. Participating via video conferencing were Anna Chacko, General**

Counsel; Mujib Lodhi, Chief Information Officer; Tamela Monroe, Chief Financial Officer; Billy Raley, Senior Vice President of T&D Oversight; Ken Kane, Senior Advisor to Operations Oversight; Donna Mongiardo, Vice President-Controller; Tom Locascio, Director of External Affairs; Jason Horowitz, Assistant General Counsel and Assistant Secretary to the Board; and Osman Ahmad, IT-Consultant.

Representing PSEG Long Island, via video conferencing, were Daniel Eichhorn, President and COO; Paul Napoli, Vice President of Power Markets; John O'Connell, Vice President of Transmission and Distribution, Peggy Keane, Vice President of Construction and Operations and Rick Walden, Vice President of Customer Services.

*Acting Chair Fischl welcomed everyone to the 299th meeting of the Long Island Power Authority Board of Trustees.*

*Acting Chair Fischl stated that the first item on the agenda was Consideration of a Resolution Recognizing the Dedicated Service of Chairperson Ralph Suozzi.*

*After several words of recognition and thanks were provided by Tom Falcone and the Trustees, upon a motion duly made and seconded, the following resolutions were approved by the Trustees.*

**1629. THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY RECOGNIZES THE DEDICATED SERVICE OF CHAIRPERSON RALPH V. SUOZZI**

**WHEREAS, Chair Ralph V. Suozzi is a lifelong Long Island resident and a graduate of Long Island University C.W. Post; and**

**WHEREAS, Chair Suozzi has a distinguished record of service to his community, previously as Mayor of the City of Glen Cove and most recently as Village Administrator for the Village of Garden City; and**

**WHEREAS, Chair Suozzi was appointed Chairperson of the Board of Trustees on December 27, 2013 after Superstorm Sandy and provided the necessary leadership to an entirely new Board of Trustees during a challenging time in LIPA's history; and**

**WHEREAS, during Trustee Suozzi's term as Chair, using his more than 30 years of business and public sector experience, the Board undertook record investments to enhance electric reliability and storm resiliency, achieved four credit upgrades to the highest ratings in LIPA's history, all while holding electric rate increases below the rate of inflation; and**

**WHEREAS, during that same time, LIPA made great strides to advance New York State's transition to a carbon-free electric grid, including the approval of the first offshore windfarm in federal waters, three of the largest solar farms in New York, and new initiatives to promote the beneficial electrification of heating and transportation; and**

**WHEREAS, over the last year, Chair Suozzi's calm leadership provided direction during the COVID-19 pandemic and in the aftermath of Tropical Storm Isaias; and**

**WHEREAS, Chair Suozzi is widely recognized as respectful, thoughtful, patient, and genuine; and**

**WHEREAS, Chair Suozzi diligently served the people of Long Island and the Rockaways during his tenure on the LIPA Board and used his experience in business and government to be a vocal advocate for a smarter, cleaner, and more affordable electric grid.**

**NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees hereby duly recognizes the friendship and faithful service of Chair Ralph Suozzi.**

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*Acting Chair Fischl stated that the next item on the agenda was the Consideration of the Consent Agenda Items.*

*After questions and a discussion by the Trustees, and the opportunity for the public to be heard, upon a motion duly made and seconded, the following resolutions were unanimously adopted by the Trustees based on the memoranda summarized below:*

**1630. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE APRIL 28, 2021 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY**

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**RESOLVED, that the Minutes of the meeting of the Authority held on April 28, 2021 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.**

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### **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 Board adopted the last annual review of the Policy by Resolution No. 1525, dated May 20, 2020.

Additionally, from 2016 to 2020, LIPA 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**

LIPA 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 results in higher operational costs that disadvantage Long Island plants compared to the competitive prices of power in the regional electric markets. 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.
- In November 2020, LIPA entered into a settlement with the Town of Huntington and the Northport-East Northport School District for the Northport Power Station. The settlement will reduce LIPA’s annual property tax payments to 47% of 2020 levels by 2027. If the taxing jurisdictions fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over \$650 million, plus interest. In addition, LIPA will also make a total of \$3 million and \$14.5 million in payments over the next seven years to the Town and school district, respectively, in exchange for their discontinuing appeals of the court’s ruling that LIPA is entitled to challenge its tax assessments.
- As previously reported to the Board, in 2018 LIPA entered into settlement agreements with the Town of Brookhaven and the Village of Port Jefferson to gradually reduce

the taxes on the Port Jefferson power plant, 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. LIPA has now revised its agreement with the Village of Port Jefferson to reduce its taxes by 47% by 2027 consistent with the agreement reached for the Northport Power Station, as discussed above.

- In November 2019, LIPA entered into a tentative settlement with Nassau County for the E.F. Barrett and Glenwood Landing generating stations. The settlement was contingent on the approval of a PILOT agreement by the Nassau County Legislature. By March 31, 2021, the PILOT agreement was not approved by the Nassau County Legislature and LIPA's offer was accordingly withdrawn. LIPA anticipates a trial relating to the Barrett and Glenwood Landing power stations in late 2021 to early 2022.
- 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 continues to defend itself in litigation challenging the 2% PILOT cap on transmission and distribution property in certain jurisdictions on Long Island. A court in Suffolk County recently ruled that (1) LIPA's properties acquired from LILCO are not exempt from real-property taxation for tax years 2014/15 through 2019/20 by reason of the LIPA's failure to timely challenge their unlawful assessment as non-exempt, taxable properties by the Town Assessors during those tax years; and (2) compelling LIPA to pay over to Suffolk County the unpaid real property taxes levied against the transmission and distribution properties for tax years 2014/15 through 2019/20, with interest and penalties in the amount of approximately \$66.7 million. LIPA intends to appeal the April 1, 2021 Decision and Order. LIPA does not believe that this litigation will have a material adverse impact on its business.
- 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 2020, 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 media, stakeholders, and local leaders to discuss the impact of taxes on energy bills.

### **Annual Review of the Policy**

LIPA 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.

### **1631. 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 Board adopted the last annual review of the Policy by Resolution No. 1525, dated May 20, 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

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### **Requested Action**

The Board of Trustees of the Long Island Power Authority ("LIPA") is requested to adopt a resolution approving an amended Board Policy on Audit Relationships, as further described below.

### **Board Policy on Audit Relationships**

The Finance and Audit Committee of LIPA's Board of Trustees, in its Charter, was delegated the responsibility of reviewing LIPA's policies regarding Audit Relationships.

The Board Policy on Audit Relationships defines the expectations of the Board regarding the existing authority granted to the Finance and Audit Committee for:

- Selecting an independent certified public accounting firm to conduct annual audits of LIPA.
- The annual review of the audit plan as well as the Charter, activities, staffing, budget, and organizational structure of Internal Audit, and confirming the independence of the internal auditors.
- Monitoring, in consultation with the Vice President - Audit, the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings.
- Setting forth the procedures for the Board of Trustee's receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service ("DPS").

#### **Proposed Changes to Board Policy**

The proposed changes to the Board Policy include (i) the change in reporting relationship to specify that the individual serving as chief audit officer reports administratively to the Chief Administrative Officer, (ii) replacing references to VP – Audit with chief audit executive, (iii) delegating to the Chief Executive Officer the power to appoint an individual to serve as chief audit executive on an interim basis, (iv) and certain other minor amendments. The proposed changes to the Policy are more specifically set forth in Exhibit "B".

#### **Recommendation**

Based upon the foregoing, I recommend the approval of the adoption of the resolution in the form attached hereto as Exhibit "A".

#### **1632. RESOLUTION APPROVING AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS**

WHEREAS, the Board of Trustees of Long Island Power Authority ("LIPA") oversees the management of the Authority, the contractual relationship with LIPA's Service Provider, and fulfillment of LIPA's mission; and

WHEREAS, as stewards of LIPA, the Trustees are responsible for setting LIPA's audit relationship policy and overseeing its fulfillment; and

WHEREAS, the Finance & Audit Committee of LIPA's Board of Trustees, in its Charter, was delegated the responsibility of reviewing LIPA's policies regarding Audit Relationships;

**WHEREAS, in LIPA's By-Laws, LIPA's Board of Trustees delegated certain responsibilities to the Chief Executive Officer for managing and directing the staff of LIPA; and**

**WHEREAS, policies addressing audit relationships have been recommended by the Finance & Audit Committee for adoption by the Board.**

**NOW, THEREFORE, BE IT IS RESOLVED, that the Trustees hereby approve and adopt the amended Policy on Audit Relationships, in accordance with the accompanying memorandum; and**

**BE IT FURTHER RESOLVED, that the Policy on Audit Relationships be subject to annual review and evaluation by the Finance & Audit Committee in accordance with the accompanying memorandum.**

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*Acting Chair Fischl stated that the next item on the agenda was the CEO's Report to be presented by Thomas Falcone.*

*Mr. Falcone presented the CEO Report and took questions from the Trustees.*

**\*\*\***

*Acting Chair Fischl stated that the next item on the agenda was the PSEG Long Island Presentation to be presented by Daniel Eichhorn.*

*Mr. Eichhorn presented the PSEG Long Island Presentation and took questions from the Trustees.*

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*Acting Chair Fischl stated that the next item on the agenda was the Discussion of Board Recommendations and Implementation Plans to be presented by Mujib Lodhi.*

*Mr. Lodhi presented the Discussion of Board Recommendations and Implementation Plans and took questions from the Trustees.*

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*Acting Chair Fischl stated that the next item on the agenda was the adoption of various recommendations and implementation plans just briefed by LIPA Staff. Upon a motion duly made and seconded, the following action items and resolutions were approved by the Trustees:*

### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to approve a resolution replacing the Isaias Task Force’s (the “Task Force”) Final Report (the “Final Report”) with a quarterly reporting requirement, which resolution is attached hereto as Exhibit “A.”

### **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 investigation of the circumstances and root causes that led to well-documented lapses in PSEG Long Island’s storm response. The Task Force was charged with providing actionable recommendations and overseeing PSEG Long Island’s remediation activities. LIPA committed to reporting the Task Force’s findings and recommendations to the Board and the public in a 30-Day Preliminary Report, a 90-Day Interim Report, and a Final Report.

The Task Force presented the 30-Day Report to the Board at the September 23, 2020 Board Meeting and released it to the public. Because of the urgency of the immediate threat of another major storm, the 30-Day Report focused on the failures of PSEG Long Island’s information technology and communication systems and their proximate causes.

On November 13, the Department of Public Service (“DPS”) provided a recommendation (the “DPS Recommendation”) to the Board as a result of its ongoing investigation of PSEG Long Island’s storm response. DPS Staff identified more than 70 potential violations of PSEG Long Island’s ERP. The DPS recommended, among other things, that LIPA:

- evaluate options to terminate PSEG Long Island as LIPA’s Service Provider;
- declare PSEG Long Island’s poor performance during Isaias as a first failure of the Major Storm Performance Metric as defined in the Amended and Restated Operations Services Agreement (“OSA”); and
- seek to either terminate or renegotiate the OSA to enable greater oversight by LIPA and DPS.

**The Task Force presented the 90-Day Report to the Board at the November 18, 2020 Board Meeting. The 90-Day Report expanded on the findings of the 30-Day Report and addressed broader questions on the effectiveness of PSEG Long Island’s management of utility operations.**

**As set forth in Appendix 2 and Appendix 3 of the 90-Day Report, the Task Force provided nearly 100 recommendations for the Board’s consideration (the “Task Force Recommendations”). The Task Force Recommendations were designed to, among other things, (i) change management incentives and accountabilities; (ii) reform information technology and emergency management; and (iii) strengthen LIPA’s oversight.**

**Between November 2020 and this Board meeting, the Board has adopted various Implementation Plans for the Task Force Recommendations and has directed the resubmission of other plans for the Task Force Review. A summary of the status of the Implementation Plans is attached hereto as Exhibit “B”.**

#### **Replacing the Task Force Final Report with Quarterly Reporting**

**As previously discussed, LIPA committed in August 2020 to reporting the Task Force’s findings and recommendations to the LIPA Board of Trustees and the public in a 30-Day Preliminary Report, a 90-Day Interim Report, and a Final Report. Both the 30-Day Preliminary Report and the 90-Day Interim Report have been submitted to the Board. On January 27, 2021, the Board adopted a resolution setting the deadline for the Final Report as May 2021.**

**The vast majority of Task Force’s recommendations were made in the 90-Day Report. PSEG Long Island’s progress in resolving the management, information technology, and communication issues has been slower than expected at the time the Task Force’s investigation began. PSEG Long Island’s progress in submitting Implementation Plans for the Task Force recommendations has also been slower and has required more revisions than anticipated.**

**Additionally, between December 2020 and April 2021, the Board adopted additional recommendations covering operational areas, including risk management, budgeting and reporting, real estate, asset management, inventory management, collections, affiliate services, strategic planning, and information technology modernization. In total, the Board has adopted over 140 recommendations, which are in various stages of implementation by PSEG Long Island. The Board has required quarterly status updates on the implementation of each of these recommendations.**

**Additionally, the Board adopted both the Phase 1 and Phase 2 Options Analyses in December 2020 and April 2021, respectively, and LIPA Staff, in connection with the Board’s direction, is holding public comment sessions in May 2021.**

**As such, LIPA Staff is requesting that in place of a Final Report, the Task Force instead provide a series of written quarterly reports with additional findings, if any, and a**

comprehensive summary of the status of the implementation of all of the Board-adopted recommendations until all such recommendations have been completed. The first such quarterly report shall be provided at the Board's June 2021 meeting.

### **Recommendation**

The issues identified by the Task Force's investigation, as well as the DPS' separate investigation, remain urgent. Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

### **1633. RESOLUTION REPLACING THE ISAIAS TASK FORCE 270-DAY REPORT WITH A QUARTERLY REPORTING REQUIREMENT**

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

WHEREAS, pursuant to Section 1020-f(y) of the Public Authorities Law, General Powers of the Authority, LIPA, in part, may "make any inquiry, investigation, survey or study which the authority may deem necessary to enable it effectively to carry out the provisions of this title. . ."; and

WHEREAS, pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement ("OSA"), LIPA, in part, has the right to "make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA's oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA's legal, contractual and fiduciary obligations. . ."; and

WHEREAS, on August 5, 2020, LIPA's Chief Executive Officer initiated an independent review of the circumstances and root causes that led to the lapses in PSEG Long Island's Tropical Storm Isaias storm restoration; and

WHEREAS, LIPA's Chief Executive Officer appointed an Isaias Task Force that was charged with both providing actionable recommendations and overseeing PSEG Long Island's remediation activities; and

WHEREAS, LIPA committed to reporting the Isaias Task Force's findings, observations, and recommendations to the LIPA Board of Trustees (the "Board") and public in a 30-Day Report, a 90-Day Report, and a Final Report; and

WHEREAS, the Task Force presented the 30-Day Report to the Board at the September 23, 2020 Board Meeting and released it to the public; and

WHEREAS, on November 18, 2020, the Task Force presented the 90-Day Report, which provided recommendations to, among other things, (i) Change Management Incentives and

Accountabilities; (ii) Reform Information Technology and Emergency Management; and (iii) Strengthen LIPA's Oversight (together with the 30-Day Report recommendations, the "Task Force Recommendations"); and

WHEREAS, between November 2020 and this Board meeting, the Board has adopted various Implementation Plans pursuant to the Task Force's Recommendations and has directed the resubmission of other plans for the Task Force Review; and

WHEREAS, pursuant to the Board's direction, LIPA's CEO and Staff developed the Phase I and Phase II Options Analysis, which detail options to improve the management of LIPA's assets; and

WHEREAS, LIPA Staff is requesting to replace the Task Force Final Report with Quarterly Reports on the status of implementation of all of the Board's recommendations, with the first such report due at the Board's June meeting; and

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby replaces the requirement for the Task Force 270-Day Final Report with a series of quarterly written reports on the status of implementation of the Board-adopted recommendations until all such recommendations have been completed, with the first such report due to the Board on or before its June 2021 meeting.

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### **Requested Action**

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is being requested to adopt a resolution, attached hereto as Exhibit "A", approving PSEG Long Island Implementation Plans to improve the management of LIPA Real Estate and Facility Assets and Records (the "Real Estate and Facility Recommendations"), which recommendations that were adopted by the Board on January 27, 2021.

### **Background**

PSEG Long Island is responsible for "real estate management, easements, leases and agreements, pole attachments (including billing and collection for pole attachment fees, as well as maintaining a complete inventory of type and location of each attachment and plans for revenue optimization), joint use agreements, and telecommunications for the provision of electric service."

By way of background, in 1998, the LILCO real estate and facility assets were generally divided between LIPA, as the owner of the electric Transmission and Distribution ("T&D") system, and MarketSpan, which retained the former LILCO power plants and gas system. From 1998 forward, the custodian of the real estate and facility records has changed as MarketSpan became KeySpan and eventually National Grid and, also, as LIPA has changed Service Providers. It is our understanding now that the real property and facility records

are stored in the National Grid-owned Hicksville facility. These are vital property records, not only for ownership purposes, but for statutorily required reporting and for compliance with financing covenants and Internal Revenue Service regulations.

Since at least the beginning of 2020, LIPA, PSEG Long Island, and National Grid have discussed the potential reconfiguration of certain properties and facilities that were part of the 1998 merger. This effort requires a comprehensive look at the facilities currently owned and leased by LIPA and the space needs of the employee population at these locations, especially in a post-COVID work environment. Additionally, both PSEG Long Island and National Grid have expressed interest in separating certain operational facilities. Finally, as a parallel effort, PSEG Long Island has been looking for a location for a new Primary Transmission Control Center (“PTCC”). All of these workstreams are necessary efforts for LIPA’s ongoing operations.

While LIPA has worked with PSEG Long Island to make progress on these issues since at least the beginning of 2020, the efforts have not appreciably advanced and require greater focus and a more organized management approach, including timelines and deliverables, to address LIPA’s ongoing concerns in a comprehensive and timely manner.

This effort is critical to ensuring an accurate and comprehensive understanding of LIPA’s real property and facility assets and will ensure that LIPA and PSEG Long Island are focusing their efforts on the long-term viability of the LIPA real estate portfolio in a manner that is best suited for the workforce and provides the highest value to our customers.

### **Recommendations**

On January 27, 2021, the Board adopted the following five recommendations:

- Develop a long-term strategy for LIPA’s real estate and facility assets, including a post-COVID-19 space needs analysis;
- Develop a comprehensive and formal strategy for the development of a new PTCC and Alternate Control Center;
- Develop a joint strategy with National Grid for separation of existing operations centers, including, among others, those located at Hicksville, Riverhead, Roslyn, and Hewlett;
- Hire an outside consultant to perform a comprehensive review of the existing real property records to confirm accuracy, identify gaps, and make recommendations or process improvements; and
- Develop a succession plan for current long-serving PSEG Long Island real estate professionals to ensure knowledge capture and transfer.

The Board requested that PSEG Long Island prepare Project Implementation Plans for these recommendations no later than February 8, 2021. On February 4, 2021, PSEG Long Island submitted to LIPA Staff the proposed Implementation Plans for the Real Estate and Facility Recommendations.

LIPA Staff provided PSEG Long Island with comments on each of the Implementation Plans. On February 24, 2021, the Board rejected the Implementation Plans and directed PSEG Long Island to revise them consistent with LIPA Staff comments. Based upon LIPA Staff comments, PSEG Long Island resubmitted the Implementation Plans. The resubmitted plans now appropriately respond to LIPA Staff comments and LIPA Staff recommends that the Board adopt the Implementation Plans as set forth 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.

### **1634. RESOLUTION ADOPTING PSEG LONG ISLAND IMPLEMENTATION PLANS FOR THE MANAGEMENT OF LIPA REAL ESTATE AND FACILITY ASSETS AND RECORDS RECOMMENDATIONS**

WHEREAS, pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement (“OSA”), LIPA, in part, has the right to “make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA’s legal, contractual and fiduciary obligations. . .”; and

WHEREAS, additionally, the OSA provides that PSEG Long Island is responsible for “real estate management, easements, leases and agreements, pole attachments (including billing and collection for pole attachment fees, as well as maintaining a complete inventory of type and location of each attachment and plans for revenue optimization), joint use agreements, and telecommunications for the provision of electric service.”; and

WHEREAS, each of the Real Estate and Facility Recommendations is critical to ensuring an accurate and comprehensive understanding of LIPA real property and facility assets will ensure that LIPA and PSEG Long Island are focusing their efforts on the long-term viability of the LIPA real estate portfolio in a manner that is best suited for the workforce and provides the highest value to our customers and will require the development and preparation of an Implementation Plan to ensure that the recommendations are acted on in a timely manner; and

WHEREAS, on January 27, 2021, the Board adopted the Real Estate and Facility Recommendations; and

**WHEREAS, on February 4, 2021, PSEG Long Island submitted to LIPA Staff the proposed Implementation Plans for the Real Estate and Facility Recommendations; and**

**WHEREAS, on February 24, 2021, the Board rejected the Implementation Plans and directed PSEG Long Island to revise them consistent with LIPA Staff comments; and**

**WHEREAS, based upon LIPA Staff comments, PSEG Long Island resubmitted the Implementation Plans that now appropriately respond to LIPA Staff comments, and LIPA Staff recommends that the Board adopt the Implementation Plans.**

**NOW, THEREFORE, BE IT RESOLVED, the Board hereby adopts the Implementation Plans for the Real Estate and Facility Recommendations.**

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is being requested to adopt a resolution, which resolution attached hereto as Exhibit “A”, approving PSEG Long Island Implementation Plan to improve the processes related to billing and collections for reimbursable costs for damage done to LIPA’s T&D system, which is managed by PSEG Long Island through its Damage Tracking System (“DTS”), and other non-product billings (the “Collections Recommendations”), which recommendations that were adopted by the Board on February 24, 2021.

### **Background**

In 2017 and 2018, LIPA expressed its concerns to PSEG Long Island’s collection department with respect to issues surrounding non-product billings and miscellaneous receivables. LIPA asked for resolution on the increasing receivable balances related to billings for damage done to LIPA’s system.

DTS receivable balances grew by 25 percent from approximately \$8 million to over \$10 million by the end of 2017. Subsequently, PSEG Long Island did a review of the process and decided to outsource the collection process similar to its customer receivables using DebtNext software.

Based on the latest report provided by the PSEG Long Island collections team, DTS invoices continue to have a low collection ratio. Over the past two years, amounts collected have averaged only 19% of billings. Furthermore, miscellaneous non-product receivables need to be analyzed to improve aging information and the management of such receivables.

### **Recommendations**

On February 24, 2021, the Board adopted the following recommendations:

1. Provide an Implementation Plan to materially improve the DTS billing and collections process, with expected costs and benefits, recommendations, and timelines. A step in

**the Implementation Plan should include a review of the end-to-end process currently used for DTS and delivering a report to LIPA that includes:**

- **An analysis of the improvements realized by outsourcing to DebtNext and the costs of such outsourcing, including programming costs;**
  - **Comparison of DTS invoice collection rates prior to DebtNext and since its implementation, including analysis by each collection agency;**
  - **An analysis of the average lag time from the damage event to the date the estimated bill is sent to the payee, grouped by year and damage class, before and after implementing DebtNext;**
  - **A review of the effectiveness of methodologies used to prioritize accounts for collections;**
  - **Analysis of DTS receivables in aging buckets based on the original invoice date;**
  - **Evaluating the five largest causes of DTS write-off and identifying improvements in the end-to-end process that would reduce write-offs;**
  - **Identifying how collection Key Performance Indicators (e.g., Collector Effectiveness Index [“CEI”], Days Collections Outstanding) are tracked and used to improve collections effectiveness for DTS; and**
  - **Benchmarking PSEG Long Island’s end-to-end process and outcomes relative to other New York utilities, including by DTS write-off rates.**
- 2. Provide access to the DebtNext platform to one (1) LIPA user, who should be able to view transactions and run all reports.**
- 3. Provide an Implementation Plan to improve the billing and collections process for miscellaneous non-utility billings. A step in the Implementation Plan should include delivering improved reports to LIPA that includes:**
- **Analysis of such receivables in aging buckets based on the original invoice date;**
  - **Identification of department/person responsible for resolution; and**
  - **Recommended action for collection of these long-term outstanding receivables.**

**On March 26, 2021, PSEG Long Island submitted to LIPA Staff the proposed Implementation Plan for the Collections Recommendations. LIPA Staff subsequently provided PSEG Long Island with comments. Based upon LIPA Staff comments, PSEG Long Island resubmitted the Implementation Plan on April 22, 2021. The resubmitted plan now**



appropriately responds to LIPA Staff comments and LIPA Staff recommends that the Board adopt the Implementation Plan as set forth 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.

### **1635. RESOLUTION ADOPTING PSEG LONG ISLAND IMPLEMENTATION PLAN FOR COLLECTIONS FOR DAMAGE BILLING AND OTHER NON-PRODUCT BILLINGS**

WHEREAS, pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement (“OSA”), LIPA, in part, has the right to “make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA’s legal, contractual and fiduciary obligations. . .”; and

WHEREAS, based on LIPA’s findings after review of the DTS and non-product receivables, the collection ratio continues to be low and LIPA Staff has concerns about the efficiency of the current processes for collections of such billings; and

WHEREAS, LIPA has developed recommendations for PSEG Long Island to develop improved analysis and collections for such billings; and

WHEREAS, On February 24, 2021, the Board adopted the Collection Recommendations; and

WHEREAS, on March 26, 2021, PSEG Long Island initially submitted to LIPA Staff the proposed Implementation Plan, which was revised for resubmission on April 22, 2021; and

WHEREAS, based upon LIPA Staff review of the Implementation Plan, LIPA Staff recommends that the Board adopt the Implementation Plan.

NOW, THEREFORE, BE IT RESOLVED, the Board hereby adopts the Implementation Plan for the Collection Recommendations.

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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 certain

**Implementation Plans to improve PSEG Long Island’s asset management policies and practices (the “Asset Management Recommendations”).**

### **Background**

**PSEG Long Island operates and maintains approximately 14,000 miles of transmission and distribution (“T&D”) assets owned by LIPA. Asset management is a core utility responsibility and, pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement (“OSA”), LIPA, in part, has the right to “make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA’s legal, contractual and fiduciary obligations...” Additionally, the OSA provides that PSEG Long Island is responsible for “...the accuracy of the plant records, maps and maintenance databases concerning capital assets.”**

**In 2020, LIPA hired the Woodhouse Partnership (“TPWL”), 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 findings of significant weaknesses in National Grid’s and then PSEG Long Island’s management of LIPA’s assets in 2013 and 2018 by the New York State Department of Public Service (“DPS”) as part of Management and Operations Audits, which PSEG Long Island was responsible for remedying.**

**TPWL evaluated PSEG Long Island’s asset management practices and processes relative to an asset management maturity model using International Standards Organization (“ISO”) 55001 requirements. On a scale of zero (innocent) to four (beyond ISO), with three being “competent,” TPWL rated PSEG Long Island’s Asset Management program between zero (innocent) and two (developing) along the 27 program components prescribed by ISO.**

**The systems currently supporting PSEG Long Island’s management and maintenance functions are fragmented and siloed and do not lend themselves to a comprehensive enterprise-wide understanding of system assets. Asset data is spread out between various departmental data systems with limited data quality assurance. These fragmented systems impede the effective implementation of current generation data-driven asset management programs. The Computerized Maintenance Management System (“CMMS”) upgrade that PSEG Long Island is planning to implement is only a partial step and we believe it is necessary to implement an integrated Enterprise Asset Management System (“EAMS”) to fully realize the potential benefits of modern asset management techniques.**

**Additionally, over the past several years, PSEG Long Island has implemented policies and procedures to strengthen Property, Plant and Equipment (“PP&E”) records, beginning with a project to improve record-keeping related to sub-station assets and a separate project for “outside plant” (i.e. the poles, wires and associated equipment). While PSEG Long Island has made improvements, a recent physical survey of select circuits including over 5,000 poles**

within five individual towns across the service territory indicates that additional work remains. For example, there is a discrepancy of 35% between records and the physical inventory of Third-Party Attachments. With regards to Asset Collection (i.e. capacitors, protective devices, fuses, riser switches, and transformers), the physical inventory in one town found 24 more transformers than the 27 shown in the mapping system. Additionally, with regards to the identification of double wood poles, the physical inventory identified 170 locations while the statewide notification system (i.e. National Joint Utilities Notification System) had 73.

These discrepancies indicated the need for a comprehensive inventory of PP&E records.

**Asset Management Recommendations Adopted February 24, 2021, as Amended on March 29, 2021**

In response to the TPWL review, the Board adopted the following recommendations related to asset management:

1. **Adopt the ISO Asset Management Framework** – adopt the principles and standards prescribed by ISO 55000 and 55001 as an asset management framework and develop a three-year roadmap with milestones and steps toward a maturity goal of three by the end of 2023. The roadmap should be presented for LIPA approval by April 30, 2021.
2. **Annual Reliability Assessment of Plant Asset Performance** – within 90 days of each year-end, PSEG Long Island should perform and report results of an annual reliability assessment of plant asset performance. The report must include a plan and timeline to address identified deficiencies.
3. **Develop Asset Management Plans** – complete the development of asset management plan for transmission, distribution, and substation infrastructure (preventative maintenance, upgrade/replacement of transformer, breaker, switchgear, poles, underground cable, switches (ASU), capacitor, etc.) with annual reviews and three-year comprehensive updates. The Asset Management Plans should be presented to LIPA for approval by June 2021.
4. **Capture Additional Data into the Computerized Maintenance Management System** – Complete the development of the CMMS in accordance with the 2013 and 2018 Management and Operations Audit Recommendations and then expand data capture to include all T&D assets.
  - **Complete CMMS upgrade by the end of 2021, including at least one-third of T&D assets.**
  - **Develop a plan to bring all T&D assets within CMMS within three years, including field verification. Deliver this plan to LIPA by August 2021.**

- **Begin yearly audits of digital plant records to verify completeness and accuracy of newly installed and retired assets by the end of 2021.**
- 5. Strategic Asset Management Plan (SAMP) – Develop a SAMP that binds the work activities, investment commitments, and decision making through an overarching framework that would be explained and communicated throughout the organization.**
  - **Develop and present to LIPA for approval the topical outline for the first draft of the SAMP and diagnose what information is available and what information needs to be gathered or developed to prepare a SAMP by June 30, 2021.**
  - 6. Implement an Enterprise Asset Management System. Expand the scope and objectives of the planned CMMS upgrade to include a full-fledged EAMS with capabilities in maintenance management, a full-featured asset database that can accommodate all utility operational assets, comprehensive asset health monitoring, and predictive maintenance capabilities. This system should be the system of record for maintaining all operational asset data, including data for all plant assets and all field/network assets. This integrated enterprise system should provide the baseline for improving our capabilities in a data-driven, risk-based program for asset management decisions and move the utility towards a preventive and predictive approach for managing assets. The system development plan should align with PSEG Long Island’s SAMP. The new system should replace the limited, home-grown, custom CMMS and integrate asset life-cycle management, predictive maintenance, asset risk analysis, and other key asset management functions. Phase 1 of this system to go live no later than December 30, 2022.**
  - 7. Conduct a System-Wide Physical Inventory of Outside Plant Assets. PSEG Long Island should engage an outside firm to perform a system-wide physical inventory of outside plant assets for completion within three years. The physical inventory should collect detailed data on all significant physical assets belonging to the network, including poles, pole attachments, transformers, switches, line characteristics, and line-attached devices. The data developed in this physical assessment should align with asset data models in the Enterprise Asset Management System (see Recommendation No. 6). PSEG Long Island should also consider collecting relevant condition data during the physical inspection to the extent feasible.**

**On May 11, 2021 PSEG Long Island submitted to LIPA Staff a proposed Implementation Plan addressing the Asset Management Recommendations 1 through 5. That plan indicated that Recommendation 6 will be addressed as a separate implementation plan. Recommendation 7 was not addressed, and LIPA has indicated to PSEG Long Island that it expects a separate project Implementation Plan on this recommendation.**

**LIPA Staff recommends the Board adopt the Implementation Plan attached hereto as Exhibit “B”.**

In accordance with PSEG Long Island's proposed schedule, the Implementation Plan on Recommendation 6 (Implement an Enterprise Asset Management System) shall be submitted by PSEG Long Island for LIPA Staff review no later than August 31, 2021, for consideration at the Board's September meeting. LIPA Staff also expects PSEG Long Island to submit an Implementation Plan addressing Recommendation 7 (Systemwide Physical Inventory of Outside Plant Assets) for LIPA staff review no later than May 31, 2021 for consideration at its June meeting.

These efforts are critical to ensuring accurate and comprehensive property records of LIPA-owned assets and will ensure that LIPA and PSEG Long Island are focusing efforts on the long-term management of LIPA's assets to derive the greatest performance from investments for customers.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

### **1636. RESOLUTION ADOPTING CERTAIN IMPLEMENTATION PLANS RELATING TO ASSET MANAGEMENT**

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WHEREAS, pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement ("OSA"), LIPA, in part, has the right to "make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA's oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA's legal, contractual and fiduciary obligations. . ."; and

WHEREAS, additionally, the OSA provides that PSEG Long Island is responsible for "...the accuracy of the plant records, maps and maintenance databases concerning capital assets."; and

WHEREAS, the Board adopted the Asset Management recommendations at the February 24, 2021 meeting, which were then amended at the March 29, 2021 meeting; and

WHEREAS, on May 11, 2021, PSEG Long Island submitted to LIPA Staff the proposed Implementation Plans relating to certain of the Asset Management Recommendations; and

WHEREAS, the asset management recommendations previously adopted by the Board are critical to ensuring accurate and comprehensive property records of LIPA owned assets and will ensure that LIPA and PSEG Long Island are focusing their efforts on the long-term management of LIPA's assets to derive the greatest performance from investments for customers.

**NOW, THEREFORE, BE IT RESOLVED, the Board hereby adopts the Implementation Plan relating to the Asset Management Recommendations 1 through 5 attached hereto as Exhibit “B”; and**

**BE IT FURTHER RESOLVED, BE IT FURTHER RESOLVED, the Board hereby directs PSEG Long Island to submit the remaining Implementation Plans for Recommendations 6 and 7 to address the comments provided by LIPA Staff consistent with the accompanying memorandum; and**

**BE IT FURTHER RESOLVED, that the Board directs LIPA Staff, together with PSEG Long Island, to report to the Board on the completion of the Asset Management Implementation Plans no less than a quarterly until they are completed.**

**\*\*\***

### **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 certain Implementation Plans to improve PSEG Long Island’s inventory management practices (the “Inventory Management Recommendations”), which recommendations that were adopted by the Board on February 24, 2021.

### **Background**

PSEG Long Island is responsible for “Inventory Control” including (a) maintaining an inventory of equipment, spare parts, materials, and supplies and maintaining and documenting an inventory control program; (b) complying with the inventory policy provided in the Operations Manual; (c) purchasing, maintaining and storing inventory in a manner consistent with the System Policies and Procedures; and (d) completing, on an agreed-upon cycle count basis, a physical inventory of the equipment, spare parts, materials and supplies and reconciling the same with the inventory assets carried on the balance sheet and providing the information to LIPA.

In December 2017, LIPA engaged Ernst & Young, LLP (“EY”) to perform a review of inventory controls during storm events. The review included:

- Evaluation of existing policies, procedures, and guidelines in place for the request and issuance of materials/equipment from storerooms under conditions of high activity (e.g., storms).
- Understanding the systems or tools utilized in the process, including tracking, approving and/or reporting mechanisms used for materials/equipment distribution.

- Assessing the return of materials/equipment to storerooms after the storm event including, but not limited to: monitoring processes over the expected return of materials and KPI's in place, effectiveness of policies and procedures, and cost recording/record-keeping implications if unused materials/equipment are not returned, but then used in a non-storm event.

EY presented 11 findings with 14 recommendations. PSEG Long Island addressed each of the recommendations through policy and procedure changes.

In 2020, LIPA engaged PA Consulting to confirm that the EY recommendations had been implemented and to conduct a broader assessment of PSEG Long Island's inventory management practices. The PA Consulting assessment included a review of the efficiency and effectiveness of warehouse and inventory management practices, how the practices benchmark against industry standards, and where there are opportunities to improve performance. The assessment was conducted from November 2020 through January 2021, and included evaluating current inventory operations and processes, identifying current state gaps, assessing readiness of storm response, and developing recommendations for the next steps. During the course of the assessment, PA Consulting interviewed 27 PSEG Long Island personnel and observed activities and reviewed documents at two locations.

PA Consulting confirmed that the EY recommendations had all been implemented but reported 25 additional findings (collectively, the Inventory Management Recommendations) among the areas of general management, information technology, warehouse management, inventory management, and procurement practices. Based on these findings, PA Consulting promulgated over 50 remediations.

On February 24, 2021, the Board adopted the Inventory Management Recommendations and requested that PSEG Long Island prepare Implementation Plans for each of the 25 Inventory Management Recommendations no later than April 9, 2021.

On April 9, 2021, PSEG Long Island submitted to LIPA Staff 23 proposed Implementation Plans addressing the Inventory Management Recommendations. In addition, LIPA was informed that PSEG Long Island will not be submitting PIP for one recommendation. Thereafter, on April 28, 2021, the Board adopted 15 of the 23 Implementation Plans.

On May 6, 2021, PSEG Long Island submitted 3 additional Implementation Plans: (1) SP1 and IM8- Storm Contract Clauses (combined), (2) SP2 – VMI / EDI Implementation, and (3) GMIT 6 –Business Continuity Improvement. PSEG Long Island has also indicated that they will not be resubmitting any PIPs related to SAP at this time but rather will continue to meet with LIPA to discuss these plans as they relate to the Board's adoption of recommendations relating to the replacement of the Enterprise Resource Planning ("ERP") system. The relevant recommendations relating to SAP are:

1. GMIT 1 - SAP system is not innovating with the business
2. GMIT3 - Lack of standard reporting functionality

3. GMIT5 - Perform performance testing to validate the ability of the SAP system to support high volume transactions during a storm (PIP not submitted)
4. IM3 - Fundamental Inventory Metrics
5. WM1 – Bar Coding (PIP Not submitted)
6. WM2 - Exception Reporting

LIPA Staff has expressed its reservations to this approach as nearly all recommendations can be accommodated using simpler reporting and analysis tools or third-party applications plugged into existing systems rather than waiting for a multi-year plan to replace the ERP system, which will delay the needed remediations of these findings. LIPA Staff continues to urge PSEG Long Island to revise its technical approach and resubmit the relevant implementation plans for consideration at the Board’s June meeting.

A summary of the Implementation Plans is provided as Exhibit “B.”

LIPA Staff recommends the Board adopt two Implementation Plans attached hereto as Exhibit “C” and that the Board direct PSEG Long Island to resubmit the remaining Implementation Plans consistent with this Memorandum.

#### **Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

#### **1637. RESOLUTION ADOPTING CERTAIN IMPLEMENTATION PLANS RELATING TO INVENTORY MANAGEMENT**

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WHEREAS, pursuant to Section 4.4(16) of the Amended and Restated Operations Services Agreement (“OSA”), LIPA has the right to “make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA’s legal, contractual and fiduciary obligations. . .”; and

WHEREAS, additionally, the OSA provides that PSEG Long Island is responsible for “Inventory Control” and shall maintain an inventory of equipment, spare parts, materials, and supplies and shall maintain and document an inventory control program; (b) comply with the inventory policy provided in the Operations Manual; (c) purchase, maintain and store inventory in a manner also consistent with the System Policies and Procedures; and (d) complete, on an agreed-upon cycle count basis, a physical inventory of the equipment, spare parts, materials and supplies and reconcile the same with the inventory assets carried on the balance sheet and provide the information to LIPA; and

WHEREAS, each of the Inventory Management Recommendations will address deficiencies in inventory management practices and material stocking levels that will ensure appropriate levels of inventory to respond to routine workloads and adequate material inventory during



emergency response restoration efforts, while providing the highest value to our customers; and

**WHEREAS, on February 24, 2021, the Board adopted the Inventory Management Recommendations; and**

**WHEREAS, on April 9, 2021, PSEG Long Island submitted to LIPA Staff the proposed Implementation Plans relating to the Inventory Management Recommendations; and**

**WHEREAS, on April 28, 2021, the Board adopted 15 Implementation Plans and directed PSEG Long Island to amend the remaining Implementation Plans to address the comments provided by LIPA Staff and resubmit such plans for review at the Board's May 2021 meeting.**

**NOW, THEREFORE, BE IT RESOLVED, the Board hereby adopts two Implementation Plans relating to the Inventory Management Recommendations, which Implementation Plans are attached hereto as Exhibit "C"; and**

**BE IT FURTHER RESOLVED, BE IT FURTHER RESOLVED, the Board hereby directs PSEG Long Island to amend the remaining Implementation Plans to address the comments provided by LIPA Staff and resubmit such plans for review at the Board's June 2021 meeting; and**

**BE IT FURTHER RESOLVED, that the Board directs LIPA Staff, together with PSEG Long Island, to report to the Board on the completion of the Inventory Management Implementation Plans no less than a quarterly until they are completed.**

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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", adopting certain Project Implementation Plans for the use of affiliate services to provide Shared Services, as defined in the Amended and Restated Operations Services Agreement ("OSA") by and between LIPA and PSEG Long Island, in accordance with recommendations that were adopted by the Board on March 29, 2021.

### **Background**

The use of PSEG subsidiaries as "affiliates" is permitted under the terms of the OSA. LIPA has a Pass-Through Expenditure obligation pursuant to Section 5.2(A)(7) of the OSA for certain costs incurred by the Service Provider in connection with the use of other PSEG subsidiaries, commonly referred to as "affiliate" costs. Further, pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the OSA, LIPA, in part, has the right to "make recommendations to the Service Provider, in each case as may be reasonably necessary or

appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA’s legal, contractual and fiduciary obligations. . .”

The services that PSEG Long Island typically uses affiliates to perform include: Information Technology (“IT”) system support, IT project support, Human Resources, Procurement, Treasury, and Legal Services.

However, the current procedures relating to the use of affiliates do not provide LIPA with sufficient detail to accurately determine whether the use of such affiliates is the most economic approach and in the best interest of LIPA’s customers. LIPA reimbursed PSEG Long Island a total of \$23 million for affiliate related services in 2020. Of this, \$17 million, or 75 percent of the total affiliate costs are allocated based on a formula that assigns Long Island a percentage of aggregated “pooled” costs. As a result, LIPA has little accounting detail on the majority of the affiliate costs. Lastly, affiliate costs typically come with a premium due to facility, support, and administrative overhead costs being added to direct labor costs. A “fully-loaded” affiliate cost is typically higher than the cost of PSEG Long Island in-house personnel.

#### **Board Recommendations to PSEG Long Island**

To address these issues, the Board adopted the following recommendations on March 29, 2021:

##### **1. Enhanced Affiliate Budget Transparency**

###### **a. Cost Benefit Justification**

- PSEG Long Island should prepare cost and benefit justifications for affiliate use as part of the 2022 annual budget development process. Include in the cost justification an alternative analysis comparing the cost and benefit of providing the service through an affiliate as compared to the same service using PSEG Long Island inhouse employees or by a third-party vendor. The analysis should reference the assumed ServCo employee costs, contracted rates, or proposals from vendors to perform similar work.
- For affiliate services identified that would be less costly if provided by ServCo employees or a vendor, PSEG Long Island should identify the steps it will take to secure these savings for Long Island electric customers.

###### **b. Transactional Cost Allocation**

- PSEG Long Island should minimize the use of transactional cost allocation. For service areas that use a transactional cost allocation methodology, LIPA expects these areas to shift to a direct, or “Professional” cost allocation methodology as a way to provide for increased accountability and transparency. Where a direct cost allocation is not feasible, PSEG

Long Island must provide a justification as to why it is necessary to continue to utilize a transactional method. Further, this should include a review of the basis of the allocation percentage to ensure that Long Island customers are not subsidizing New Jersey services. The detailed transactional cost information should delineate labor costs and hours by title and the use of contractors and their associated roles.

**c. IT Services**

- Over 25 percent of total affiliate charges are associated with IT Customer Support and IT Client Project Support. Therefore, the budget plan needs to document the specific projects the affiliate will be working on in the upcoming year, the estimated affiliate cost by project, as well as the affiliate role in supporting the project.

**d. Activity/Billing Hourly Rates**

- The budget submission must include supporting documentation reflecting the calculation of the Activity/Billing Hourly Rates. This should include itemizing titles and their average salaries that comprise the Activity/Billing Rate as well as include any data and formulas that reflects any adjustments to or weighting of average salaries in the calculation of the Activity/Billing Rate.

The calculation should ensure rates are an accurate representation of labor costs incurred and are not disproportionately impacted by inclusion of high salary positions in a particular Activity/Billing Rate. Positions with salaries outside a reasonable range from the average should be moved to a separate activity type.

**e. Submission Due Date**

- The affiliate cost and justification must be furnished to LIPA for review no later than August 15, 2021.

**2. Enhanced Affiliate Actual Cost Transparency**

**a. Budget Variance Report**

- PSEG Long Island must provide LIPA with a quarterly affiliate report, detailing actual use of affiliates as compared to budget including variance explanations that are grounded in the budget details provided to LIPA pursuant to Recommendation 1.

**b. Full-time Affiliate Positions**

- As part of the quarterly Budget Variance Report, detailed support must be provided for positions utilized to support PSEG Long Island at a level equivalent to one fulltime equivalent. The ServCo model anticipates a workforce dedicated to supporting PSEG Long Island at a full-time level to be a PSEG Long Island employee. An explanation should accompany this analysis that confirms the employee's transition to PSEG Long Island or a justification as to why this is not possible and why the particular PSEG employee is used to support PSEG Long Island on a full-time basis.

### **3. Former ServCo Employees**

- a. LIPA requires PSEG Long Island immediately request approval for hiring former ServCo positions by its affiliates, pursuant to its contractual obligations. The request for approval must include the work the position will perform, why it is necessary or beneficial to LIPA for the affiliate to hire the person, and how PSEG Long Island will ensure that any affiliate charges to PSEG Long Island for the position will not exceed what LIPA would have paid had the positions remained with ServCo. The request will also include an estimate of time dedicated to PSEG Long Island as an affiliate.

On April 16, 2021, PSEG Long Island submitted to LIPA Staff three proposed Project Implementation Plans to address the recommendations listed above. LIPA subsequently engaged PSEG Long Island in a discussion on the plans. As a result, PSEG Long Island resubmitted a proposed Project Implementation Plan for Recommendation 1 on May 7, 2021. LIPA has not accepted the PSEG Long Island proposed plans for Recommendations 1 and 2, which reflect a longer implementation schedule and higher thresholds for variance reporting than originally envisioned by LIPA, among other concerns. LIPA has identified these concerns to PSEG Long Island.

LIPA Staff recommends the Board adopt the Implementation Plan for Recommendation 3 attached hereto as Exhibit "B". The Implementation Plan for Recommendation 3 states that PSEG Long Island will obtain approval from LIPA for four positions hired from ServCo by a PSEG Long Island affiliate. For clarity, LIPA requests this information for all such hires from ServCo by PSEG Long Island affiliates, per the OSA, which to LIPA's knowledge is approximately thirty positions. The Implementation Plans for recommendations 1 and 2 shall be resubmitted by PSEG Long Island for LIPA Staff review no later than no later than June 1, 2021 for consideration by the Board at its June meeting.

### **Recommendation**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

### **1638. RESOLUTION ADOPTING CERTAIN IMPLEMENTATION PLANS RELATING TO AFFILIATE SERVICES**

**WHEREAS, pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement (“OSA”), LIPA, in part, has the right to “make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA’s legal, contractual and fiduciary obligations. . .”; and**

**WHEREAS, the use of PSE&G subsidiaries as “Affiliates” is permitted under the terms of the OSA; and**

**WHEREAS, the services that PSEG Long Island typically uses Affiliates to perform include IT system support, IT project support, Human Resources, Procurement, Treasury, and Legal Services.**

**Affiliate costs are charged to PSEG Long Island, and therefore funded by LIPA; and**

**WHEREAS, LIPA reimbursed PSEG Long Island a total of \$23 million for all Affiliate related services in 2020, including IT system and project support, support for the processing of Tropical Storm Isaias food and medicine spoilage claim processing as well as for handling overflow customer calls and other support during Tropical Storm Isaias; and**

**WHEREAS, the Board adopted the Affiliate Services Recommendations on March 29, 2021; and**

**WHEREAS, LIPA has developed these recommendations to incorporate into the budget development process a thorough cost justification review of Affiliate work plans and costs; and**

**WHEREAS, on April 16, 2021 and on May 7, 2021, PSEG Long Island submitted to LIPA Staff the proposed Implementation Plans.**

**NOW, THEREFORE, BE IT RESOLVED, the Board hereby adopts the Implementation Plan relating to the Affiliate Services attached hereto as Exhibit “B” as amended to address all such hires from ServCo; and**

**BE IT FURTHER RESOLVED, BE IT FURTHER RESOLVED, the Board hereby directs PSEG Long Island to resubmit the remaining Implementation Plans to address the comments provided by LIPA Staff; and**

**BE IT FURTHER RESOLVED, that the Board directs LIPA Staff, together with PSEG Long Island, to report to the Board on the completion of the Affiliate Services Implementation Plans no less than quarterly until they are completed.**

**\*\*\***

## **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 certain recommendations developed by LIPA to improve the Capital Budget development and monitoring process (the “Capital Budget Process Improvement Recommendations”) and directing PSEG Long Island to develop associated Project Implementation Plans.

## **Discussion**

Over the past several months, LIPA and PSEG Long Island have worked to improve the Operating Budget development and oversight process in accordance with the recommendations adopted by the Board on December 16, 2020. However, the Operating Budget only captures half the financial picture. In 2021, PSEG Long Island is budgeted to spend \$727 million on capital projects. This spending targets critical investments in system reliability, technology, infrastructure upgrades, and load growth requirements. The existing Capital Budget development and project oversight process shares many of the same weaknesses as the Operating Budget process that the Board has already taken steps to improve.

The main result of these weaknesses is that PSEG Long Island’s requests for Capital Budgets are routinely in excess of the funds expended. In addition, there is a high level of variance between the funds requested for the year by project and category as compared to those expended, with the result of large shifts between projects and categories of spending from those planned and approved by the Board. This leads to a loss of accountability for project delivery and controls, as well as can result in higher borrowing costs for customers. As an example, the table below shows the original Board approved Capital Budget for each year since 2014 as compared to the funds actually spent.

Year	Budget (\$M) *	Actual (\$M)	Variance (\$M)
2015	\$577	\$375	\$202
2016	\$644	\$524	\$120
2017	\$670	\$658	\$12
2018	\$695	\$591	\$104
2019	\$815	\$690	\$125
2020	\$785	\$753	\$32

*\*Does not reflect Capital Budget amendments, which are principally to roll over unspent funds.*

Prior Management Audits have pointed to needed reforms in capital project optimization, capital project estimating, risk and contingency management, project management performance reporting, the definition and quantification of work standards, and other areas that contribute to the development and management of capital projects and the Capital

**Budget. PSEG Long Island has implemented improvements in many of these areas, while some still require greater effort. An improved process governing capital project and Capital Budget review and approval, including managing changes during the year, will enhance transparency and accountability of customer funds and ensure adequate information flow to LIPA to conduct oversight on behalf of our customers.**

### **Recommendations**

**Pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement (“OSA”), LIPA, in part, has the right to “make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA’s legal, contractual and fiduciary obligations. . .”**

**LIPA Staff recommends that the Board adopt the following Capital Project and Budget Development and Monitoring Process Improvement Recommendations to be implemented with the 2022 Capital Budget.**

#### **A. Recommendation -- Capital Project and Budget Review and Approval Process**

- **Complete Project Justification Descriptions: For a project to be consider by the Board for inclusion in the LIPA Board-Adopted Consolidated Budget, which includes the PSEG Long Island Capital Budget as well as the balance of the 8-Year Capital Plan, LIPA’s Chief Executive Officer or their designee (“CEO”), must first have reviewed and approved a Project Justification Description (“PJD”) containing the project level information detailed in Section 4.13 (A) of the OSA, including:**
  - **Project location**
  - **Schedule: initiation date and expected duration**
  - **Cost Estimate:**
    - **An estimate of the amount of the costs, including the dollar amount per year if the project requires more than a year to complete. The cost estimate must be itemized by category, including in-house labor costs, contractor costs, and the level of Risk and Contingency (“R&C”) included in the project total cost estimate and the cost estimate confidence level. The level of R&C should be consistent with the inherent risk associated with a project.**
  - **Long Term Plan: Explanation of the relationship to other planned or subsequently required Capital Improvements**
  - **Project Life: Anticipated useful life of each Capital Improvement**
  - **Justification: Economic and engineering justifications for such project**
- **Preliminary Project Justification Descriptions: If PSEG Long Island is unable to provide a full and complete PJD prior to consideration of the PSEG Long Island Capital Budget by the LIPA Board, PSEG Long Island may submit a preliminary PJD as part of its Capital Budget request. Based on its sole judgment regarding the completeness of the PJD, LIPA’s CEO may recommend to the Board that the project**

be included in the LIPA Consolidated Capital Budget on a contingent basis, therefore outside of the PSEG Long Island Capital Budget. The LIPA CEO may propose to the Board that limited funds for the project be included within the PSEG Long Island Capital Budget to be used for preliminary engineering, design, and study. The remaining portion of the project funds, referred to as Contingent Project Authorization, would be excluded from the PSEG Long Island Capital Budget but included in the LIPA Consolidated Capital Budget.

The Board will delegate authority to LIPA's CEO to increase the approved PSEG Long Island Capital Budget up to the aggregate amount of Contingent Project Funding Authorization, as reflected in the LIPA Consolidated Budget, after LIPA's review and approval of a full and complete PJD. The Board's Finance and Audit Committee will be provided reports on a quarterly basis of all such actions taken by the CEO pursuant to this authority.

- **New Projects or Changes in Project Scopes Between Capital Budgets:** In the event PSEG Long Island proposes to add a new project to the PSEG Long Island Capital Budget portion of the Board-approved LIPA Consolidated Budget, or in the event of a material change in project scope from that was previously reviewed and approved, PSEG Long Island will need to submit a new PJD to LIPA's CEO for review in accordance with the process outlined above regarding the consideration of a project for inclusion in the current year LIPA approved Consolidated Budget and 8-year Plan.

PSEG Long Island may incur up to \$0.2 million in project costs for preliminary engineering, study, or design costs prior to submitting the PJD to LIPA. LIPA acknowledges that preliminary engineering, study, and design efforts are required to develop detailed project plans and project justifications.

The LIPA Board will delegate to LIPA's CEO the authority and obligation to review the addition of such new projects, or materially changed projects, to the PSEG Long Island Capital Budget. Such projects will be funded from within the Board-approved PSEG Long Island Capital Budget for the year, without additional budget authorization. The Board may at any time consider a budget amendment for such projects, if warranted.

#### **B. Recommendation -- Capital Budget Changes and Reallocations**

- **Annual Project Justification Description Updates:** PSEG Long Island should provide LIPA with annual updates to PJDs highlighting changes from the prior PJD and reflecting the current cost estimates, including R&C, schedule, and scope details as part of the annual budget process. For multi-year projects that have progressed through more advanced project design stages since the prior budget (e.g. order of magnitude, conceptual estimate, design estimate, definitive estimate), the PJD and budget request should reflect an updated R&C estimate.



- **Capital Budget Reallocation Explanations:** To fulfill PSEG Long Island’s obligation to consult with LIPA prior to reallocating budgeted funds, PSEG Long Island must submit to LIPA’s CEO a Capital Budget Reallocation Explanation form, in a format requested by LIPA, when proposing to reallocate funds within the adopted Capital Budget when projected yearend spending at the project level is forecasted to result in a variance to the Annual Budget for that project equal to or greater than 10% and \$0.5 million. The Reallocation Explanation must address:
  - The reason for increasing a project’s funding
  - Why the adopted budget did not anticipate the issue
  - The impact to the projects where funding is being reduced
  - The duration of the issue causing the reallocation
  - A description of whether the reallocation is due to a change in total project cost, scope, or duration

### **C. Recommendation -- Capital Budget Carryover**

- **Carryover Projects:** If a Capital Project funded within the Adopted LIPA Consolidated Capital Budget is delayed into the subsequent year’s Capital Budget, PSEG Long Island must identify the change in the project schedule and propose to carryover the approved Capital Budget funds from the current adopted Capital Budget to the proposed Capital Budget as part of the next year’s Capital Budget adoption process. LIPA CEO shall not recommend to the Board the re-funding of a project scope that was re-scheduled from a prior budget year if the funding was not carried over from the prior year.

To ensure the Capital Budget Process Improvement Recommendations are successfully implemented, the Board directs PSEG Long Island to develop Project Implementation Plans that outline the steps PSEG Long Island will take to conform to the Recommendations, including addressing any changes to existing policies and procedures. PSEG Long Island should submit the Project Implementation Plans no later than June 4, 2021, for consideration by the Board at its June 23, 2021 meeting.

### **Recommended Action**

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

### **1639. RESOLUTION ADOPTING CAPITAL BUDGET PROCESS IMPROVEMENT RECOMMENDATIONS AND REQUIRING PROJECT IMPLEMENTATION PLANS**

WHEREAS, pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement (“OSA”), LIPA, in part, has the right to “make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise

be necessary or appropriate to comply with LIPA's legal, contractual and fiduciary obligations. . ."; and

**WHEREAS, pursuant to Section 5.2 (B), Pass Through Expenditures: Budgets of the OSA, requires PSEG Long Island to submit the proposed Consolidated Budget for LIPA's review, revision, and approval, which includes the PSEG Long Island Operating and Capital Budgets; and**

**WHEREAS, Section 4.13 (A) of the OSA requires PSEG Long Island to include in each such Capital Budget a description of each capital project constituting Capital Improvements in sufficient detail to enable LIPA to make a fully informed analysis and assessment thereof, including (i) the project location, (ii) the planned initiation date and expected duration, (iii) an estimate of the amount of the costs including the dollar amount per year if the project requires more than a year to complete, (iv) an explanation of the relationship to other planned or subsequently required Capital Improvements, (v) the anticipated useful life of each Capital Improvement and (vi) the economic and engineering justifications for such project; and**

**WHEREAS, Section 5.2 (B) obligates PSEG Long Island to consult with LIPA prior to any reallocation of budgeted funds; and**

**WHEREAS, LIPA Staff has developed Capital Budget Process Improvement Recommendations, as described in the accompanying memorandum; and**

**NOW, THEREFORE, BE IT RESOLVED, the Board hereby adopts the Capital Budget Process Improvement Recommendations; and**

**BE IT FURTHER RESOLVED, that the Board hereby directs LIPA Staff, together with PSEG Long Island, to implement the Capital Project and Budget Development and Monitoring Process Improvement Recommendations effective with the 2022 Budget, including the creation of Project Implementation Plans for consideration by the Board at its June 2021 meeting.**

*Comments were made by the public via Zoom. Board Secretary Bobbi O'Connor also noted public comments which were submitted to the LIPA website. These comments are retained as public record.*

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*Acting Chair Fischl stated that the next item on the agenda was the Consideration of Approval of the Annual Report on the Board Policy on Transmission & Distribution System Reliability to be presented by Billy Raley.*

*After requesting a motion on the matter, which was seconded, Mr. Raley presented the following action item and took questions from the Trustees.*

### **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”); and (ii) finding that LIPA has complied with 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. 1552, dated July 22, 2020.

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**

The Service Provider’s performance for 2020 has been overshadowed by poor storm performance.

Details on the performance, findings, and recommendations are discussed in LIPA’s 30 and 90-Day Reports on Tropical Storm Isaias.

Nevertheless, LIPA 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 [NERC], the Northeast Power Coordinating Council [NPCC], the New York State Reliability Council, the New York Independent System Operator, and environmental regulations.”

- From March 29 to April 1, 2021, NPCC conducted an onsite (virtual due to the pandemic) NERC Operational Audit and Critical Infrastructure Protection (CIP) Audit. Exit comments from the NPCC Auditors included several findings as well as procedural recommendations that would further strengthen our CIP and Operational compliance.
- “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 2020, the System Average Interruption Duration Index (SAIDI) was 65.95 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 five-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 five 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 five minutes in duration).”
  - Multiple Sustained Customer Outages – PSEG Long Island targeted areas with a higher level of sustained (i.e. greater than five minutes) customer outages. The number of customers with four or more sustained outages in any 12-month period was 23,484 in 2020, which continues to rank within the first quartile of peer utilities, but higher than 2019. A major reason for the increase is due to higher branch line outages, and to reduce such outages, the 2021 Circuit Improvement Program will focus on the worst performing branch line circuits.
  - Multiple Momentary Outages – Continuing with the program to reduce customer momentary outages, PSEG Long Island reported a 65.7% improvement in 2020 due to changes it made to relay settings.
- “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 of 1,025 miles of distribution main line, funded by FEMA.
  - As part of the approved Phase II storm hardening program that began in 2020 (the “Power On” program), approximately 81 miles of distribution mainline were storm hardened in 2020.

- Continuing to develop the dynamic model for the prediction of storm intensity and impact with 2020 weather events and system outages. The model is currently being used for predicting customer outages, the 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.”
- As part of the Circuit Improvement Program, 148 automated distribution switches were installed in 2020 and 150 switches are scheduled to be installed in 2021.
- Approximately 319,210 Smart Meters were installed in 2020, with a year-end cumulative total of approximately 753,214 since the program began. For 2021, the goal is to install an additional 345,000, of which 104,993 have been installed in the first quarter. It is anticipated that 95% of all AMI installations in the service territory will be complete by September 2021. Smart meters help detect power outages and monitor power quality.

#### **Annual Review of the Policy**

LIPA Staff has reviewed the Policy and proposes no 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.

*After questions and a discussion by the Trustees, and the opportunity for the public to be heard, upon a motion duly made and seconded, the following resolutions were approved by the Trustees.*

#### **1640.RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON 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. 1552, 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 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.**

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*Acting Chair Fischl then stated that the final agenda item, Secretary's Report on Board Policies and Communications, would be in written submission only, and available at the Long Island Power Authority website for viewing.*

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*Acting Chair Fischl then announced that the next Board meeting is scheduled for Wednesday, June 23, 2021 in Uniondale.*

*Acting Chair Fischl then asked for a motion to adjourn to Executive Session to discuss litigation matters and announced that no votes would be taken and that the Board would not be returning to Open Session. The motion was duly made and seconded, and the following resolution was adopted:*

**1641. EXECUTIVE SESSION – PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW**

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**RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing litigation matters.**

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*At approximately 1:07 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter into Executive Session.*

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