

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 300th MEETING

HELD ON JUNE 23, 2021

The Long Island Power Authority (“LIPA”) was convened for the three hundred time at 11:34 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on June 18, 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 June 23, 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:

Mark Fischl, Acting Chair (in person)
Drew Biondo (in person)
Rev. Alfred Cockfield (in person)
Sheldon Cohen (in person)
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; Anna Chacko, General Counsel; Rick Shansky, Senior Vice President of Power Supply and Whole Markets; Billy Raley, Senior Vice President of T&D Oversight; and Jen Hayen, Director of Communications. Participating via video conferencing were Mujib Lodhi, Chief

Information Officer; Tamela Monroe, Chief Financial Officer; Donna Mongiardo, Vice President-Controller; Justin Bell, Vice President of Public Policy and Regulatory Affairs; 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, was Paul Napoli, Vice President of Power Markets.

Acting Chair Fischl welcomed everyone to the 300th meeting of the Long Island Power Authority Board of Trustees. Acting Chair Fischl introduced and offered his congratulations, to LIPA's newly appointed Board Trustee, Reverend Alfred Cockfield, II.

Acting Chair Fischl stated that the first 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:

1642. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 19, 2021 MEETING OF THE BOARD OF TRUSTEES OF THE LONG ISLAND POWER AUTHORITY

RESOLVED, that the Minutes of the meeting of the Authority held on May 19, 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.

Requested Action

The Board of Trustees of the Long Island Power Authority (the "Board") is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, LIPA (collectively "LIPA") have complied with the Board Policy on Staffing and Employment (the

“Policy”); (ii) approving the annual report for the Policy, and (iii) approving certain minor edits to the Policy, which resolution is attached hereto as Exhibit “A.”

Background - Board Policy on Staffing and Employment

By Resolution No. 1338, dated January 25, 2017, the Board adopted the Policy with the purpose of fostering a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization. The Board last reviewed and amended the Policy on June 24, 2020.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual report.

The Policy requires the Board “Appoint and, if necessary, discharge the CEO; evaluate the performance of and determine the compensation of the CEO; and with the advice of the CEO, appoint the other Board-appointed Officers specified in the LIPA’s By-laws.”

- The Board completed the CEO’s annual performance evaluation at its March 2021 Board meeting. The CEO’s performance evaluation was prepared by the Chair of the Governance, Planning and Personnel Committee with the assistance of a third-party human resources consultant and 360-degree anonymous feedback from all Trustees as well as LIPA’s management Executive Committee.**
- The Board reviewed the salary of LIPA’s CEO of \$311,121. A survey of 21 public power utilities of similar size to LIPA found an average salary for the position of \$505,847 with a range of \$254,000 to \$1.1 million. LIPA was the third largest utility, ranked by customers, to participate in the survey. LIPA’s CEO salary was ranked 19 out of the 21 utilities.**
- One Board-appointed Officer, Chief Financial Officer Tamela Monroe, was hired in 2020.**

The Policy authorizes and directs the Chief Executive Officer to:

“Manage the organization and staffing, including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization”; and “Maintain staffing at the minimum level necessary to ensure that the Authority meets its obligations with respect to its bonds and notes and all applicable statutes and contracts and oversight of its service provider.”

- The CEO affirms that he has managed LIPA’s staffing levels at the minimum level necessary to execute the Authority’s goals and mission.**
- LIPA staff consists of 59 full-time employees and five part-time employees.**

The Policy directs the CEO to “develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion...including: (a) an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities...(b) a Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee...and (c) a record retention policy that complies with applicable New York State laws and regulations.”

- **The Employee Handbook includes all components required by the Policy, comports with all applicable law, and is regularly updated to incorporate changes in human resources best practice. The Handbook is revised and updated as necessary on an ongoing basis.**
- **All employees certified their compliance with the Code of Ethics and Conduct.**
- **LIPA maintains a Record Retention policy that applies to all LIPA records including:**
 - **records related to the Authority’s subsidiary, Long Island Lighting Company d/b/a LIPA and d/b/a Power Supply Long Island;**
 - **records provided by its Service Providers, vendors, and contractors; and**
 - **records generated, kept, and maintained on behalf of the Utility Debt Securitization Authority.**

The Policy directs the CEO to “Establish and administer compensation practices and benefits for the Authority’s staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual’s knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to the Authority’s mission and values.” The Policy contains further guidance on such practices.

- **The Director of Human Resources and Administration completed an annual salary benchmarking analysis for all staff positions using industry specific and national salary data. That benchmarking analysis is consistent with the criteria provided in the Board’s Policy and was used to establish a salary range for each position.**
- **LIPA has an active performance appraisal and enhancement system that includes monthly “check-ins” with supervisors and an annual performance evaluation. As required by the Policy, individual employee performance and contribution are considered in setting salaries and merit increases.**

The Policy directs the CEO to “refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation that exceeds the range set for the position by a benchmarking survey, without Board approval.” and “unless authorized in writing by the CEO, employment at the Authority shall be on an at will basis.”

- **All LIPA employees are at-will employees.**

- No employment offer exceeded the salary range set for the position.

The Policy directs the CEO to “Establish policies and programs that support and encourage the personal and professional development of employees, including: programs for continuing education, tuition reimbursement, and professional development; core skills continuing education; performance appraisal and enhancement; management and leadership training; and utility and public power industry learning.”

- LIPA provides in-house training and development program for employees that includes certain leadership and management training seminars and programs including classes and certificate programs provided by eCornell; time management courses and seminars; Executive Presentation Skills classes; Strategies for Successful Remote Work Arrangements; Leading Virtual Teams; Diversity and Inclusion seminars including Creating Cultures of Belonging, Dialogue on Systemic Racism, Diversity Equity and Inclusion, and Uncovering Unconscious Bias and Microinequities; multiple health and wellness lunch and learn lectures; Cyber Security training; and coaching and seminars regarding providing effective feedback, performance excellence and creating employee development plans, among other opportunities.
- LIPA further encourages professional development through: (i) industry webinars, conferences, and training; (ii) reimbursement of professional certifications and memberships; (iii) educational assistance programs; and (iv) a personal development program that incorporates 360-degree feedback, among other initiatives.

The Policy requires LIPA to “conduct an annual engagement survey and utilize the results to design programs and initiatives to maintain an annual employee engagement score among the top 10 percent of benchmarked companies.”

- LIPA conducted the annual engagement survey in December 2020, and survey results place LIPA’s score above industry and top company benchmarks and among the top 10% of all benchmarked companies.
- LIPA’s engagement score continues to increase year over year.
- The survey questionnaire was augmented in 2020 to include additional items measuring the concepts of diversity and inclusion.

Lastly, the Policy directs the CEO to “maintain a succession plan to address the inevitable turnover of executives and staff with the least possible interruption to the operations of the Authority.”

- The CEO has identified the names and order of appointment of three direct reports to serve as Acting Chief Executive Officer in the event of his absence, disability,

incapacity or resignation, until such time as the Board appoints an interim or permanent successor, as provided for in the LIPA By-Laws.

- LIPA's Senior Vice Presidents and Chief Officers have designated emergency successors to serve in an Acting capacity, as required by internal LIPA policy.
- The Board is briefed in Executive Session, at least annually, on the succession plan by the CEO.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management ("ERM"). Enterprise Risks are brought to the Board's attention throughout the year. While there are several risks related to Staffing and Employment, the most significant risks relate to succession planning and attracting and retaining qualified staff. The specific risks identified are:

- "Succession planning challenges due to the organizational structure which requires specialized knowledge and has limited tiers of talent behind each leadership position results in inadequate expertise to fulfill LIPA's mission and goals"; and
- "Difficulty attracting and retaining individuals with the necessary knowledge, skillsets, and experience results in challenges to fulfilling LIPA's mission and goals".

The succession planning risk is rated as a medium level risk. LIPA mitigates this risk by having emergency plans in place for the CEO and executive management positions, and a continuing initiative to identify and address gaps. Additionally, LIPA has a process in place to assist with the identification, retention, and transfer of information necessary to retain institutional knowledge.

Succession planning has been an area of focus for the Board and staff has reported on succession planning initiatives to the Governance Personnel and Planning Committee during 2021.

In prior years, the attraction and retention of qualified staff risk had been a medium level risk.

However, with the successful attraction of key personnel, LIPA has reduced this risk to a low-level concern. LIPA continues to mitigate the attraction and retention risk through review of best practices related to compensation and benefits. Additionally, LIPA selectively utilizes executive search firms to identify candidates with the necessary knowledge and experience to fill key positions. LIPA's participation and leadership in industry associations also improves its reputation and attractiveness to potential employees.

Based on the mitigation actions that are currently in place, we believe both risks are being adequately managed.

Proposed Changes to the Board Policy

The Board Policy has been revised to address certain minor suggested edits. These edits are reflected 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.

1643. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON STAFFING AND EMPLOYMENT

WHEREAS, the Staffing and Employment Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1338, dated January 25, 2017; and

WHEREAS, the Policy was last reviewed and amended by the Board on June 24, 2020; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and the changes to the Policy recommended herein are due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in attachment Exhibit “B” are hereby approved.

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority is requested to approve a resolution, attached hereto as Exhibit “A”, authorizing the Chief Executive Officer, or his designee, to engage Flexnova, Inc. to provide a Case Management System and Services for the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively, “LIPA”) for a term not to exceed five (5) years.

Background

LIPA is seeking to procure an off-the-shelf comprehensive case management and workflow software application for regulatory and public policy matters, including but not limited to rate cases and management and operations audits.

Discussion

On May 14, 2021, LIPA issued a Request for Proposals (“RFP”) for experienced firms to provide Case Management System and Services. On or before June 8, 2021, LIPA received timely proposals from three firms.

Responses from the three firms were evaluated according to the criteria set forth in the RFP by LIPA’s team composed of LIPA’s Chief Administrative Officer, LIPA’s Vice President of Public Policy and Regulatory Affairs, and one of LIPA’s Assistant General Counsels.

Technical guidance was provided by LIPA IT consultants, while LIPA’s Procurement Department, as required by State law, ensured compliance with Minority/Women Based Enterprise (MWBE), Service-Disabled Veteran-Owned Business (SDVOB) solicitation opportunities, as well as reviewed the cost aspects of each of the proposals.

Based on the evaluation, LIPA Staff recommends that Flexnova, Inc. be awarded the contract to provide a Case Management System and Services. Flexnova, Inc. demonstrated significant experience providing systems for rate case and regulatory matters to many other utilities and suitability of software to LIPA’s needs, including its ability to support external users and interface with both SharePoint and Office 365.

Flexnova, Inc.’s fees were determined to be reasonable for the scope of services provided for in the RFP.

Recommendation

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

1644. RESOLUTION AUTHORIZING THE ENGAGEMENT OF A FIRM TO PROVIDE A CASE MANAGEMENT SYSTEM AND SERVICES

NOW, THEREFORE, BE IT RESOLVED, that consistent with the attached Memorandum, the Chief Executive Officer or his designee be, and hereby is, authorized to engage Flexnova, Inc. to provide Case Management System and Services for the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA for a term not to exceed five (5) years.

Requested Action

The Trustees are requested to approve changes to LIPA’s Tariff for Electric Service, effective July 1, 2021, to increase the cap on LIPA customer participation in the New York

State Energy Research and Development Authority (“NYSERDA”) Loan Installment Program.

Background

On August 4, 2011, the Power NY Act of 2011 (the “Act”) was enacted which amends the Public Service Law to address the establishment of the Green Jobs-Green New York Program administered by NYSERDA or its designated agent. The Act expanded the Green Jobs – Green New York program administered by NYSERDA to include a loan financing program that funds energy efficiency and distributed energy resource projects for qualifying residential and small commercial customers. The Act requires electric utilities in New York, including LIPA, to provide billing and collection services to NYSERDA for the repayment of these loans.

The NYSERDA program is currently providing low-cost loans for energy efficiency and distributed energy resources, targeted at customers that might not have access to independent financing, making it easier for customers to pay for these energy efficiency improvements. The NYSERDA Loan Installment program places the responsibility on NYSERDA to create and qualify the loans and to determine the appropriate monthly charge and payment period, and ultimately bear the financial risk and responsibility for nonpayment of the loan balances.

The responsibilities of LIPA (and all the electric utilities in the State), are to:

- provide NYSERDA with account usage and payment information prior to establishing the loan;**
- place the NYSERDA Loan Installment charges on the monthly bill for each participating customer;**
- accept payments from customers for the loan installment charges and remit those payments to NYSERDA; and**
- undertake collection activities, up to and including termination of service, if the customer does not pay the NYSERDA loan installment charges.**

The LIPA Tariff currently limits participation to 5,600 customers, which is 0.5% of LIPA’s customer base as of December 31, 2011. The current cap was established for consistency with a provision of law applicable to New York’s investor-owned utilities, Public Service Law § 66-m. Section 66-m further provides that the Public Service Commission shall lift the cap applicable to the investor-owned utilities upon a finding that the program has not caused significant harm to the utility or its ratepayers. In Long Island, the relevant jurisdictional authority is the LIPA Board of Trustees. LIPA staff advises the Board that the program has been in effect since 2012, and during that time there has been no evidence of the program causing customer harm.

Proposed Action

LIPA staff requests that the Board approve Tariff changes raising the cap on LIPA customer participation in the NYSERDA Loan Installment Program to 10,000 customers. The proposed changes will also allow LIPA management to exercise discretion to implement further increases as needed, provided that LIPA management conducts a review each time participation increases by 5,000 customers, the review produces no evidence of significant customer harm, and the Board is advised of the results of any such review.

The program has significant benefits for both participating and non-participating LIPA customers.

Participating customers benefit through access to low-cost financing for energy efficiency and beneficial electrification projects that provide home comfort and convenience benefits as well as energy bill savings. Participating customers are not harmed, as they receive the full protections of the Home Energy Fair Practices Act, which prescribes the conditions and circumstances of any collections activity resulting from non-payment. Non-participating customers benefit through lower emissions and potential deferral of infrastructure upgrades through lower system load. Nonparticipating customers are not harmed, as NYSERDA covers LIPA's administrative costs and bears the ultimate financial risk and responsibility for nonpayment of loan balances.

Meeting New York's nation-leading climate targets requires an "all hands on deck" strategy to deploy renewable resources, drive adoption of energy efficient technologies and solutions, and electrify heating and transportation, which will be fueled by electricity from New York's electric power industry, itself undergoing a rapid transition to carbon-free electricity. Given these necessities, the urgency of climate change mitigation and adaptation, the lack of any harm caused by the loan program, and the significant benefits to all customers, it is appropriate to raise the cap on NYSERDA financing of clean energy, energy efficiency, and beneficial electrification solutions for LIPA customers.

Financial Impacts

There is no LIPA financial impact associated with increasing the number of participants. The program is currently in operation, therefore no billing modifications or staffing changes would be required. As discussed above, administrative costs of the program are funded by NYSERDA.

Additionally, customer's unpaid NYSERDA Loan Installments do not create any liabilities for LIPA or its customers.

Department of Public Service Input

The DPS has provided a letter recommending adopting of these tariff modifications, which is attached as an exhibit.

Public Comments

LIPA held virtual public comment sessions on the proposed tariff changes on June 7, 2021 and solicited written comments. Approximately one-dozen people attended the virtual public comment sessions. No members of the public commented at the virtual sessions or submitted written comments. Transcripts of the virtual public comment sessions are available upon request.

Recommendation

For the foregoing reasons, I recommend that the Trustees approve the modifications to the Tariff for Electric Service described herein and set forth in the accompanying resolutions.

1645. APPROVAL OF MODIFICATIONS TO LIPA'S TARIFF TO INCREASE THE CAP ON CUSTOMER PARTICIPATION IN NYSERDA'S LOAN INSTALLMENT PROGRAM

WHEREAS, the Board of Trustees of the Long Island Power Authority ("LIPA") has adopted a Board Policy on Resource Planning, Energy Efficiency and Renewable Energy, which sets forth the Board's commitment to integrating cost-effective energy efficiency and distributed energy resources into the Authority's electric transmission and distributions system, (the "Board Policy on Resource Planning"); and

WHEREAS, the Board of Trustees has reviewed the proposal and determined that it is consistent with the mission and values of the Authority as set forth in the Board's policy statements, including the Board Policy on Resource Planning; and

WHEREAS, the Department of Public Service is supportive of this proposal; and

WHEREAS, following the issuance of public notice in the State Register on April 7, 2021, public hearings were held on June 7, 2021, by phone and video conference accessible to participants in Nassau and Suffolk County, and the public comment period has since expired;

NOW, THEREFORE, BE IT RESOLVED, that for the reasons set forth herein and in the accompanying Memorandum, the proposed modifications to LIPA's Tariff are hereby adopted and approved to be effective July 1, 2021; and be it further

RESOLVED, that the Chief Executive Officer and his designees are authorized to carry out all actions deemed necessary or convenient to implement this Tariff; and be it further

RESOLVED, that the Tariff amendments reflected in the attached redlined Tariff leaves are approved.

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 Discussion of Isaias Task Force Quarterly Report and Board Recommendations and Implementation Plans to be presented by Mujib Lodhi.

Mr. Lodhi presented the Discussion of Isaias Task Force Quarterly Report and Board Recommendations and Implementation Plans and took questions from the Trustees.

At this time, comments were made by the public via Zoom.

After taking public comments, 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 adopting the Isaias Task Force (the "Task Force") Quarterly Report (the "Quarterly Report") and directing PSEG Long Island to take actions to permit the independent verification and validation ("IV&V") of end-to-end tests of the communications and outage management systems ("OMS") as of May 28, 2021, 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.

The Task Force presented a 30-Day Report to the Board on September 23, 2020 and a 90-Day Report to the Board on November 18, 2020.

As set forth in Appendix 2 and Appendix 3 of the 90-Day Report, the Task Force provided actionable recommendations for the Board's consideration (the "Task Force Recommendations").

Between November 2020 and this Board meeting, the Board has adopted various Project Implementation Plans ("PIPs") for the Task Force Recommendations and has directed the resubmission of other plans for Task Force Review.

Additionally, between December 2020 and this meeting, 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 in the form of Quarterly Reports.

The Quarterly Report

The Quarterly Report, attached hereto as Exhibit "B", summarizes the status of each of the Isaias Task Force PIPs designed to correct the performance shortcomings that turned Tropical Storm Isaias into a hardship for Long Island and Rockaways electricity customers, as well as those PIPs adopted by the Board to correct other management deficiencies unrelated to the storm response.

The Quarterly Report also provides a "big picture" summary of the status of the PSEG Long Island communications and OMS systems, which failed during Isaias, worsening the impact of the tropical storm on customers and the public. As more particularly discussed in the Quarterly Report, a majority of the Isaias Task Force PIPs that were scoped were delayed, deferred, or were not resubmitted for LIPA Board approval and most of the recommendations addressing deficiencies in 11 non-storm operational and management areas are still in the early stages of execution.

Independent Verification and Validation of End-to-End Tests

On May 28, 2021, PSEG Long Island completed its most recent end-to-end system test of the communications and OMS systems, which it reports met its acceptance criteria. This is progress and systems are no doubt in better shape than last year.

Even with this progress, PSEG Long Island is far from completing the remediation of the failed systems. PSEG Long Island was unable to meet its own proposed project deadlines to implement OMS version 6.7 before this year's storm season and reverted to OMS version 5.5. The end-to-end test is of an out of date, out-of-general-use version of the OMS running on antiquated hardware. PSEG Long Island needs to move to a modern, supported system and test that.

In order to enable LIPA's IV&V, PSEG Long Island must preserve all of the test reports, test logs, and other test data from the May 28, 2021 end-to-end test of OMS version 5.5 and preserve a copy of the entire test environment as of May 28, 2021. Staff requests that the Board direct PSEG Long Island to take these actions.

Recommendation

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

1646. RESOLUTION ADOPTING THE TASK FORCE QUARTERLY REPORT AND DIRECTING PSEG LONG TO TAKE ACTIONS TO PERMIT THE INDEPENDENT VERIFICATION AND VALIDATION OF END-TO-END TESTS OF THE COMMUNICATIONS AND OUTAGE MANAGEMENT SYSTEMS

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, 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, the Board has requested 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; and

WHEREAS, LIPA Staff has submitted to the Board the first Quarterly Report; and

WHEREAS, on May 28, 2021, PSEG Long Island completed an end-to-end system test of the communications and OMS systems; and

NOW, THEREFORE, BE IT RESOLVED, that the Board adopts the Task Force Quarterly Report; and

BE IT FURTHER RESOLVED, that the Board hereby directs PSEG Long to preserve all of the test reports, test logs, and other test data from the May 28, 2021 end-to-end test of OMS version 5.5 and preserve the entire test environment as of May 28, 2021; and

BE IT FURTHER RESOLVED, that the Board hereby directs LIPA Staff to perform independent verification and validation of the May 28, 2021 end-to-end test.

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 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 in- house 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 full- time 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.

At the May 19, 2021 Board meeting, for the Board adopted the Project Implementation Plan for Recommendation 3. At that time, LIPA was still engaged with PSEG Long Island on the development of Project Implementation Plans for Recommendation 1 and 2. Leading up to the May Board meeting, PSEG Long Island had submitted draft Project Implementation Plan for Recommendation 1 and 2. However, LIPA Staff was not able to accept the plans and required PSEG Long Island to modify the plans, especially in terms of schedule and clarity.

On June 16, 2021, PSEG Long Island provided LIPA with updated Project Implementation Plans for Recommendation 1 and 2. The updated plans addressed LIPA's concerns. As such, LIPA is submitting Project Implementation Plans for Recommendation 1 and 2 to the Board for approval.

LIPA Staff recommends the Board adopt the Implementation Plans for Recommendation 1 and 2 attached hereto as Exhibit "B". The implementation plan for Recommendation 1 provides for enhanced transparency of affiliate budgets and work plans. The implementation plan for Recommendation 2 provides for increased transparency on actual affiliate costs and budget variances.

Recommendation

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

**1647. 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 PSEG 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; and

WHEREAS, at the May 19, 2021 Board meeting, the Board adopted the Project Implementation Plan for Recommendation 3; and

WHEREAS, on June 16, 2021, PSEG Long Island provided LIPA Staff with updated Project Implementation Plans for Recommendation 1 and 2; and

WHEREAS, the updated plans address LIPA's comments, and LIPA Staff is recommending that the Board adopt the Project Implementation Plans for Recommendation 1 and 2.

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, 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 related to certain recommendations to improve the work management policies and practices of PSEG Long Island (the “Work Management Recommendations”), which resolution is attached hereto as Exhibit “A.”

Background

PSEG Long Island operates and maintains approximately 15,000 miles of transmission and distribution (“T&D”) assets owned by LIPA. The Department of Public Service (“DPS”) and its consultant, NorthStar Consulting Group (“NorthStar”), submitted management and operations audits of LIPA and PSEG Long Island to the Board in 2013 and 2018 that included recommendations to improve work management. The recommendations were adopted by the Board. In 2020, PSEG Long Island hired a third-party consultant to assess PSEG Long Island’s work management operations and progress toward addressing the findings in the NorthStar reports. Upon extensive review, the third party consultant recommended ten initiatives to strengthen business capabilities and address the NorthStar recommendations. The ten initiatives were intended to benefit LIPA customers by progressing in seven key outcome areas:

- Productivity improvement in work execution**
- More efficient deployment of capital**
- Reduced compliance backlog**
- Improved safety**
- Higher customer satisfaction**
- Improved stakeholder management/relations**
- Execution of higher priority work**

Certain of the third-party consultant recommendations complement recommendations already adopted by the Board.

Recommendations

LIPA Staff recommends the Board adopt the following additional Work Management Recommendations based on the third-party consultant findings and LIPA Staff observations:

- 1. Develop best practice-based work management processes – On March 29, 2021, the LIPA Board passed a resolution directing PSEG Long Island to develop an integrated enterprise asset management system (“EAMS”), the first phase of which would go live no later than December 2 30, 2022. Concurrent with this implementation, PSEG Long Island should focus on improving business processes and work practices so that all asset-related work is orchestrated, managed, executed, and controlled using the EAMS system. These improved business processes and management controls should be developed such that they can become integrated with and available for use during the first phase of the EAMS deployment no later than December 30, 2022.**

2. **Develop processes and systems to improve planning and tracking of work – Improve the management and organization of project Work Breakdown Structures (WBS) to the appropriate granularity and ensure that labor and other resources are tracked to the WBS elements for both operating and capital projects. To be completed by June 30, 2022.**
3. **Improve and standardize estimating, Compatible Unit Estimates (CUE), and task list management – Improve the accuracy of estimating via a consistent process and use of reusable planning artifacts with standard times (i.e. CUEs and task lists) for all work types. To be completed by June 30, 2022.**
4. **Implement Aligned Annual Work Plan and Short-Term Scheduling/Dispatch – Implement annual project/work planning-scheduling and short-term scheduling aligned with the organization’s EAMS solution. Centralize high-level scheduling and yard-level short-term work-week scheduling and dispatch with multi-week scheduling and visibility. To be completed by June 30, 2022.**
5. **Enable Mobile and Field Management – Improve the use of mobile devices and ergonomic transaction design to enhance field management of work and data collection and integrate the same to the new EAMS. To be completed by December 30, 2022.**
6. **Improve Work Management Metrics – Improve Key Performance Indicator/metric definition and dashboards/reporting for work management visibility and performance improvement. To be completed by January 31, 2022.**
7. **Clarify and Rationalize Work Management Roles – Map future state of work management processes to standardize PSEG Long Island work management roles/positions (e.g. planner, scheduler, work coordinator, router) and implement across yards. To be completed by June 30, 2022.**
8. **Implement Work Prioritization Principles – Develop key principles for work prioritization and scheduling/rescheduling. Clarify process and decision rights for developing an annual schedule and adjusting the schedule. To be completed by December 31, 2021.**

PSEG Long Island should prepare Project Implementation Plans (“PIPs”) for each Work Management Recommendation no later than July 30, 2021. The third-party consultant report contains additional detail regarding certain recommendations that should be incorporated into the PIPs. The PIPs will be presented to the Board for its consideration at its September 2021 meeting.

Recommendation

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

1648.RESOLUTION ADOPTING THE WORK MANAGEMENT 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, the Department of Public Service Management and Operations Audits in 2013 and 2018 found weaknesses in work management that PSEG Long Island was to remedy; and

WHEREAS, PSEG Long Island hired a third-party consultant, a firm with international expertise in work management across many sectors, including the utility sector, to evaluate PSEG Long Island’s work management programs and practices and found significant weaknesses in PSEG Long Island’s management of work on LIPA’s assets; and

WHEREAS, LIPA Staff developed Work Management Recommendations based on the third party consultant’s report and its own observations, as described in the accompanying memorandum; and

WHEREAS, the Work Management Recommendations complement prior recommendations adopted by the Board related to Asset Management; and

WHEREAS, each of the Work Management Recommendations require the development and preparation of a Project Implementation Plan to ensure that the recommendations are acted on in a timely manner.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the Work Management Recommendations; and

BE IT FURTHER RESOLVED, that the Board directs LIPA Staff, together with PSEG Long Island, to implement the Work Management Recommendations, including the creation of Project Implementation Plans for the Board’s consideration at its September 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 Work Management Project 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 the proposed Board Policy on Asset Management (the “Policy”), which Policy is attached hereto as Exhibit “B”.

Discussion

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

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

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

In 2020, LIPA hired the Woodhouse Partnership (“TWPL”), a firm with international expertise in asset management across many sectors, including the utility sector, to evaluate PSEG Long Island’s asset management programs and policies. This review followed the aforementioned findings of significant weaknesses in National Grid’s and then PSEG Long Island’s management of LIPA’s assets in 2013 and 2018. The TWPL review, among other things, evaluated PSEG Long Island’s asset management practices and processes relative to an asset management maturity model using ISO 55001 standards. On a scale of 0 (innocent) to 4 (beyond ISO), with 3 being “competent,” TWPL rated PSEG Long Island’s asset

management program between 0 (innocent) and 2 (developing) along the 27 program components prescribed by ISO.

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

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

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

Recommendation

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

1649. RESOLUTION APPROVING THE ADOPTION OF THE BOARD POLICY ON ASSET MANAGEMENT

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

Acting Chair Fischl stated that the next item on the agenda was the Approval of the Annual Report on the Board Policy on Resource Planning and Clean Energy to be presented by Rick Shansky and Paul Napoli.

After requesting a motion on the matter, which was seconded, Mr. Shansky 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 Resource Planning and Clean Energy (the “Policy”); and (ii) finding that LIPA has complied with the Policy since the last annual review, which resolution is attached hereto as Exhibit “A.”

Background

By Resolution No. 1372, dated July 26, 2017, the Board adopted the Policy. The Policy was last reviewed and amended by the Board by Resolution No. 1551, dated July 22, 2020.

The Policy sets objectives for resource planning, power supply procurement, portfolio management, and energy efficiency programs that support LIPA’s mission and the State’s clean energy goals. The Policy also establishes regular performance reporting by LIPA Staff to enable the Board to assess performance against the objectives of the Policy.

Compliance with the Policy

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.

Planning

“Planning for a power supply portfolio that meets applicable New York State Independent System Operator and New York State Reliability Council requirements, environmental standards, and the State’s clean energy goals; and updating the Integrated Resource Plan to reassess system needs, as necessary, but no less than every five years.”

- Long Island capacity reserves and future additions are expected to meet the New York Independent System Operator’s (“NYISO”) minimum Locational Capacity Requirement (“LCR”) through 2030. The current 2021/22 LCR of 102.9% of peak load is satisfied mainly with fossil-fueled generation and a smaller contribution from renewable resources. As offshore wind and energy storage resources are interconnected into Long Island, noncompliance with the Climate Leadership and Community Protection Act of 2019 (“CLCPA”), it is expected that some of the existing fossil-fuel generation will be retired while continuing to satisfy the LCR, which is expected to increase moderately over time as more intermittent resources are added to the system.
- Implementation of the CLCPA will require the total replacement of existing fossil fuel plants by 2040 with renewable energy, energy storage, and other carbon-free technologies.
- The load forecast continues to decline through the late 2020s. Projections for electric vehicles and heat pumps, as well as load reductions for behind-the-meter solar and other distributed energy resources, are captured in the 2021 load

forecast update.

- PSEG Long Island is currently in the process of developing LIPA's 2022 IRP ("IRP"), with the scheduled completion in the second half of 2022. The IRP will identify preferred options for making the transition to a clean energy grid.
- LIPA plans to meet its share of the State's Renewable Energy Standard through future procurements or REC purchases from the New York Energy Research and Development Authority ("NYSERDA"). See discussion on Clean Energy below.

Managing the Portfolio

"Managing the power supply portfolio to minimize cost and maximize performance, including the economic scheduling of assets, power plant availability and thermal efficiency, within contractual constraints."

- All power supply portfolio contracts met or exceeded contract targets in 2020.
- A contract billing dispute with Cross Sound Cable is the subject of litigation regarding the cable owner's claim for capacity payments related to a six-month outage of the cable.
- LIPA is coordinating with NYPA on a life extension and modernization study of the LIPA- owned Y-49 cable from Yonkers to Long Island. A significant portion of the land-based facilities on the Long Island side is likely to require replacement. LIPA's contract with NYPA for the use of the cable is currently scheduled to terminate in November 2022.
- Heat rate (i.e., efficiency) and availability of the generation fleet continue to be better than the industry average for comparable technologies.
- Nine Mile Point Unit 2's capacity factor for 2020 (90.0%) was slightly less than the industry average (92.0%) due to a scheduled re-fueling outage in 2020 which resulted in one month's less production.
- PSEG Energy Resource & Trade has met or exceeded all contractual performance targets, including Neptune and Cross Sound cable performance, generation bidding to the NYISO, load forecasting, fuel procurement, and scheduling, as well as settlements and invoicing.
- PSEG Energy Resources & Trade works with each of LIPA's power supply contract generators to schedule generation outages and testing activities with the goal of reducing overall power supply costs to LIPA's customers.

Competitive Procurement

"Minimizing cost by competitively procuring generation and distributed energy resources through wholesale market purchases, bilateral contracts, and if appropriate, after balancing cost and risk, ownership or pre-payments for energy, utilizing to the extent feasible and cost-effective, Authority- owned land and rights to acquire generating sites."

- In 2020-21, PSEG Long Island initiated new procurement processes on LIPA's behalf for energy storage and solar power, including:
 - RFI (Issued March 2020)/RFP (Issued April 2021) for up to 175 MW of

energy storage projects, in compliance with the storage mandate in the CLCPA. RFI (Issued March 2020) and RFP (Issued April 2021) for up to 175 MW of energy storage projects, in compliance with the storage mandate in the CLCPA. Proposals are due in July 2021 and may include sites to be offered by LIPA in addition to sites owned by developers or acquired from third parties; and

- Community Solar feed-in tariff for up to 21.5 MW of new renewable resources whose benefits will be directed toward low- and moderate-income customers.

Clean Energy

“Procuring cost-effective renewable resources, renewable energy certificates (“RECs”), and behind-the-meter resources such as energy efficiency and demand response, including acting in coordination with other State energy authorities, if advantageous to our customers; integrating cost-effective distributed energy production and storage technologies; and enabling the economic and secure dispatch of resources deployed within the distribution system and on customer premises.”

- LIPA is undersupplied in Tier 1 RECs to meet its share of the State Clean Energy Standard for 2020. LIPA’s REC requirement for 2020 equates to about 2.8% of the total energy supplied, whereas LIPA’s Tier 1-eligible (facilities that began operation since 2015) solar contracts supply about 1.7% of the load. Accordingly, LIPA has established a Clean Energy Compliance Fund to invest in future clean energy projects or REC purchases through NYSERDA, or alternatively LIPA procurements, in a manner consistent with the NYSERDA Alternative Compliance Payment fund.
- LIPA plans to meet a major portion of its future Tier 1 and 2 REC and OREC (offshore wind REC) targets by participating in NYSERDA’s annual REC procurements. In April 2021, the Board approved a long-term REC Purchase Agreement with NYSERDA that will be used to procure Tier 1 RECs and ORECs. A separate agreement for Tier 2 RECS is currently being finalized between the parties.
- In 2020, residential and commercial energy efficiency programs resulted in 1.20 million MMBtu of energy savings (55.6 MW of incremental demand savings and 338,843 MWh), which is approximately 116% of the goal of 1.04 million MMBtu of energy savings.
- Long Island continues to have the most robust rooftop solar market in the State with more than 58,000 photovoltaic systems installed. In 2020, customer-side installed capacity increased 47 MW (AC) with incremental annualized energy savings of 68,000 MWh.
- As of year-end 2020, there is also approximately 4 MW of behind-the-meter customer storage installed, virtually all in conjunction with photovoltaic installations.
- Value of Distributed Resources (“VDER”) was instituted for demand-metered customers.

- Deployed Dynamic Load Management (“DLM”) program throughout the summer in 2020, in coincidence with both the New York State and Long Island peak days resulting in an estimated savings of \$2.5 million as an offset against 2021 capacity costs. The commercial program was deployed nine times and the residential program was deployed four times last summer.

Wholesale Market Policy

“Minimizing cost by representing the interests of Long Island electric customers in the New York and regional wholesale markets and their respective stakeholder processes, including direct engagement with Federal and State regulatory authorities.”

- LIPA has maintained ongoing opposition at the Federal Energy Regulatory Commission (“FERC”) to significant increases in PJM rates for transmission service associated with LIPA’s power purchases via the Neptune cable. Opposition is occurring along two paths.
 - LIPA has challenged PJM’s export charges for energy scheduled over the cable. Settlement negotiations are in progress. In the absence of a settlement, a hearing at FERC will likely run through Spring 2022.
 - In December 2020, LIPA and Neptune filed a complaint at FERC regarding the methodology for cost allocation for PJM regional transmission upgrades, which also has increased the level of charges to Neptune/LIPA. The complaint is pending before FERC. While there is no formal deadline for FERC action, we anticipate an initial decision by the end of 2021.
- LIPA has been engaged with the NYISO in assessing long-term market structure issues associated with CLCPA implementation, including renewable curtailment, transmission buildout, need for flexible generation capacity, reserve and regulation requirements. LIPA is working with NYISO and other market participants to revise Buyer Side Mitigation rules that prevent State-sponsored resources from participating in the NYISO capacity market.
- LIPA is engaged with the Public Service Commission (“PSC”) to establish a fair cost allocation for transmission upgrades associated with Offshore Wind. The PSC’s March 2021 order called for 25 percent of the cost of upgrades to be distributed statewide on a load-share basis, while 75 percent would be allocated to project beneficiaries. However, the upgrades are being undertaken to avoid curtailment of Offshore Wind procured by NYSERDA to achieve statewide climate goals.
- LIPA worked cooperatively with other market participants on market rules for Energy Storage, Solar, and Offshore Wind. The NYISO now requires large-scale solar projects to be dispatchable. LIPA is working with on-Island solar generators to become compliant.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and recommends 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.

1650. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON RESOURCE PLANNING AND CLEAN ENERGY

WHEREAS, the Resource Planning and Clean Energy Policy (the “Policy”) was originally approved by Resolution No. 1372, dated July 26, 2017; and

WHEREAS, the Policy was last amended by Resolution No. 1551, 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 LIPA has complied with the Resource Planning and Clean Energy Policy for the period since the last annual review and approves the annual report to the Board.

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 Customer Value and Affordability to be presented by Justin Bell.

After requesting a motion on the matter, which was seconded, Mr. Bell 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 Customer Value and Affordability (the “Policy”) for the period since the last annual review; and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as Exhibit “A”.

Background

By Resolution No. 1318, dated September 21, 2016, the Board adopted the Policy. The purpose of the Policy is to set reasonable objectives for LIPA’s electric rates and rate design and to review LIPA’s electric rates relative to other similar regional utilities each year. The Board conducts an annual review of the Policy and considers as part of its review whether LIPA has remained in compliance with the Policy and whether any updates or revisions should be made to the Policy.

The Policy was last reviewed by the Board on June 24, 2020, and last amended on July 24, 2019.

Compliance with the Policy

Staff has determined, for the reasons set forth below, that LIPA has remained in compliance with the objectives of the Policy for the period since the last annual review.

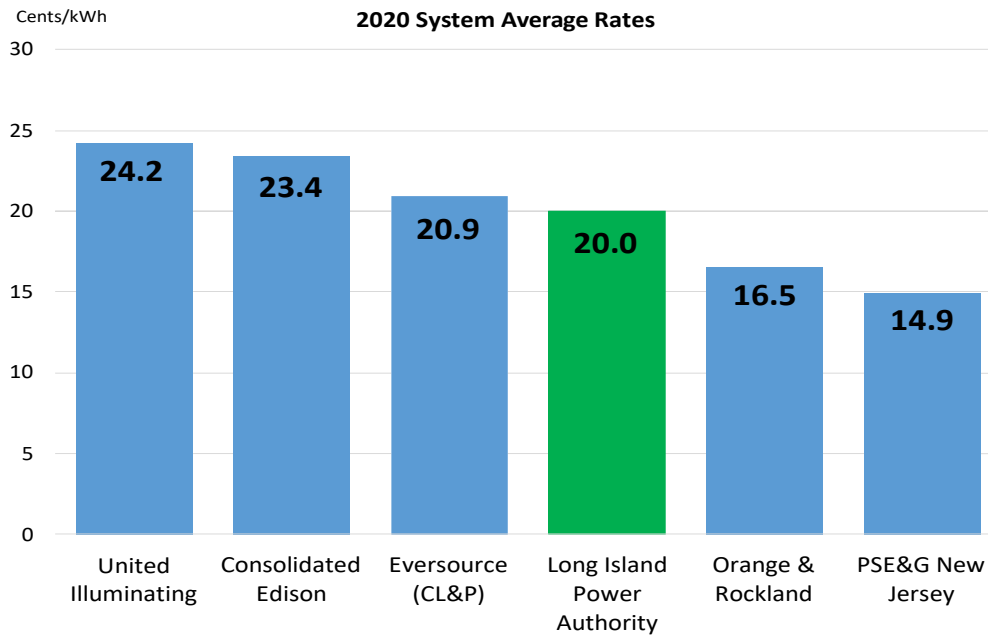
Lowest Fiscally Sound Electric Rates. The Policy states “Electric rates should be set at the lowest level consistent with sound fiscal and operating practices and applicable law and regulation, ensuring that quality service is efficiently rendered.”

- In December 2020, the Board of Trustees adopted the 2021 Budget and Rate Update, which implemented an annual budget and rate update at the lowest level consistent with sound fiscal and operating practices, as those practices are defined by Board Policy, and within the statutory threshold provided in the Public Authorities Law.

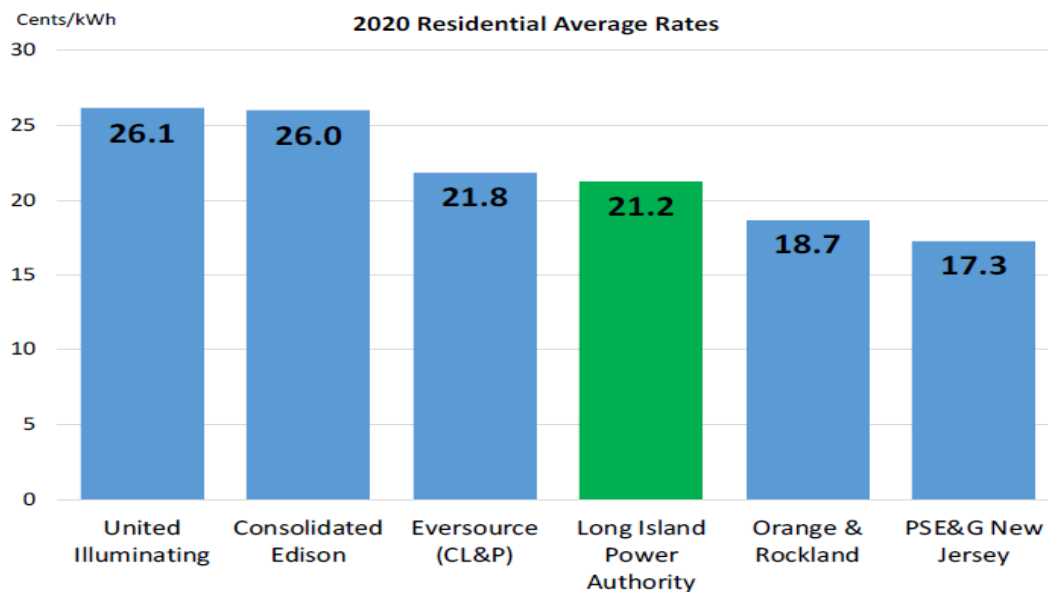
Regionally Comparable Electric Rates: The Policy states “Electric rates should be comparable to the published rates on a system average basis of other regional utilities that surround the Authority’s service territory, which most closely resemble the costs and electric/gas supply options of the Authority, including: Consolidated Edison, Orange & Rockland, United Illuminating, Eversource (formerly Connecticut Light and Power), and PSE&G.”

- LIPA’s system average electric rate was 20.0 cents in 2020.
- Compared to the other five major regional utilities that surround LIPA’s service territory, listed in the Policy, LIPA’s system average rate is equivalent to the regional average (also 20.0 cents).
- LIPA’s system average rate is 17% below the highest priced regional utility.

- The system average electric rates of the regional utilities ranged from 14.9 cents (PSE&G) to 24.2 cents (United Illuminating), as shown in the following figure:



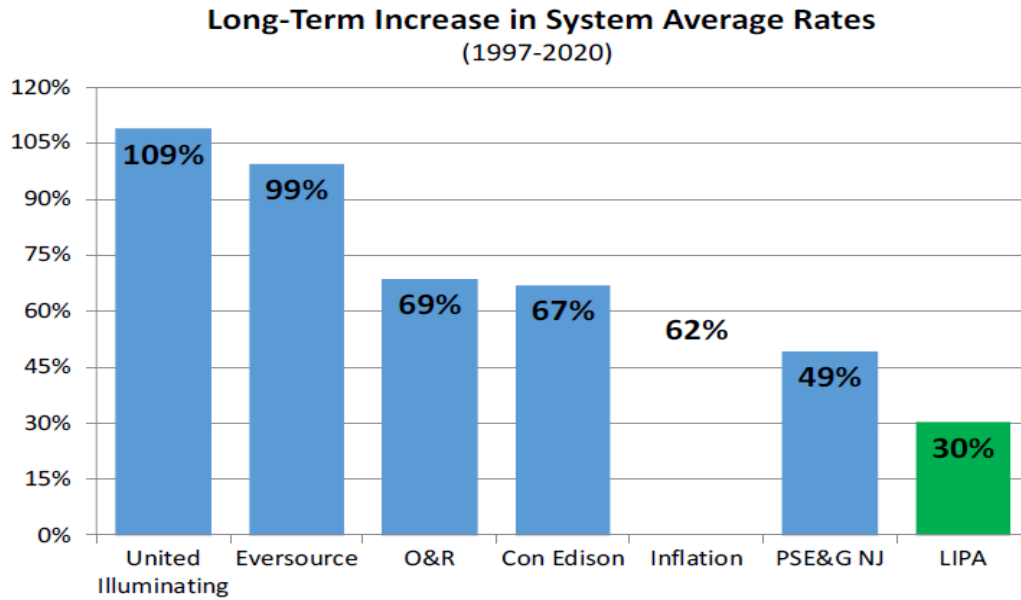
- If LIPA's taxes, which comprise 19% of the bill, were equivalent to the national average of 6% of the bill, LIPA's 2020 system average rate would have been 17.4 cents rather than 20 cents.
- Although the Policy is focused on system average rates, it is worth noting that LIPA's residential average rate in 2020 of 21.2 cents was also competitive with the rates of our regional peer utilities, as shown in the following figure:



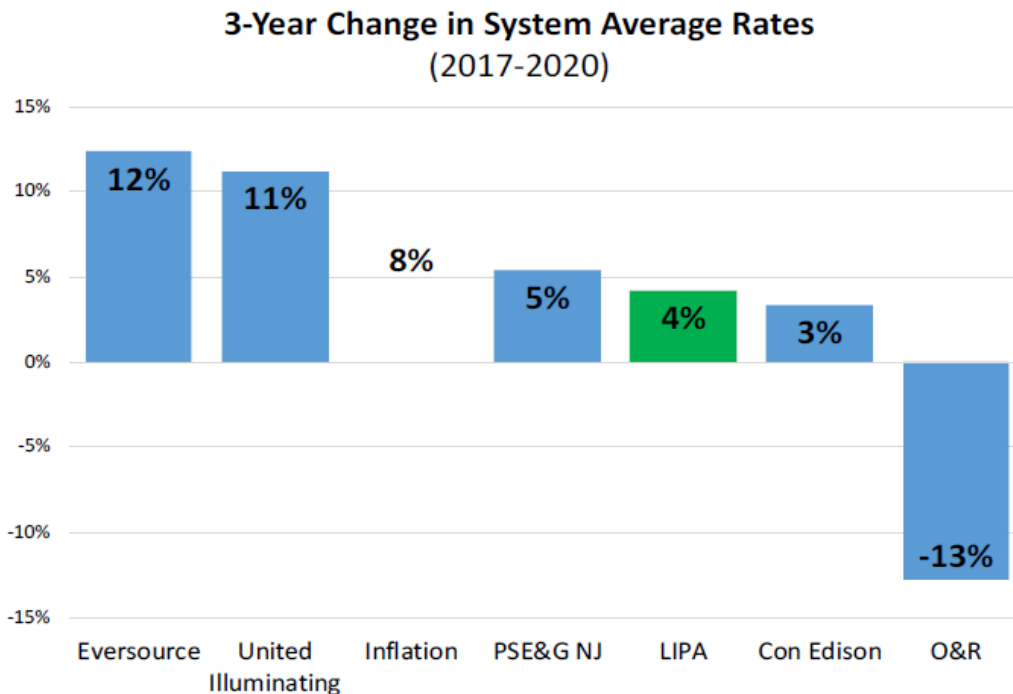
- The New York City metro area has above average labor, land, tax, and commodity costs and highly seasonal weather patterns (i.e. electricity is used for cooling in the summer while other fuels are used for heating in the winter). This causes the New York metro area to have per kilowatt hour electric rates that are above the national average. For example, the national system average retail electric rate in 2019, according to the U.S. Energy Information Agency, was 10.5 cents per kilowatt-hour. State-by-state averages include 18.7 cents for Connecticut, 18.4 cents for Massachusetts, 14.3 cents for New York, 15.4 cents for Vermont, 13.4 cents for New Jersey, and 9.8 cents for Pennsylvania.
- Even within New York, there is a significant difference in prevailing power prices between upstate and downstate. The upstate grid is primarily fueled by lower-cost hydro and nuclear power while downstate is primarily fossil-fuel fired generation. The Board's policy recognizes these significant regional differences by benchmarking to five utilities that surround the LIPA service territory rather than utilities in other regions of the country or state.

Changes in Electric Rates to Support Investments in Customer Value: The Policy states "Changes in the Authority's electric rates and bills should be similar to other regional utilities on a system average basis. Over time, we expect an appropriate balance between cost and service to result in increases to electric rates similar to the rate of inflation. In any given year, changes in electric rates may not reflect broader economic price indices due to external factors such as changes in commodity prices, law or regulation."

- LIPA's system average rates have been competitive on a long-term basis, having risen more slowly than any of the other regional utilities during LIPA's stewardship of the Long Island grid (see chart below).
- LIPA's rates increased 30% since LIPA took over the Long Island grid, compared to a range of 49% to 109% for the other utilities, as shown in the following figure. The consumer price index, a standard measure of inflation, increased 62%.



- Over the past 3 years, LIPA’s system average electric rates have increased 4% while other regional utilities have ranged from an 13% decrease to a 12% increase, as shown in the following figure.



Prudent Rate Design: The Policy states “Electric rates should: be simple and easy to understand; equitably allocate costs across and within customer classes by taking into consideration the cost to provide service; be affordable to people with low incomes and severe medical conditions; and encourage the most efficient use of utility plant by reflecting the cost

of energy at the time it is used, reducing on-peak use, and supporting energy efficiency and conservation.”

During 2020, LIPA made the following changes to its rates and tariffs in furtherance of this Policy:

- To assist with affordability during the COVID-19 pandemic, LIPA waived customer late payment charges, suspended disconnections for non-payment, waived reconnection fees (including backbilled demand and service charges), suspended the expiration of low income customer discounts, and eased the terms of deferred payment agreements and security deposits.
- LIPA added five new time-of-use rates reflecting industry best practices, to better align rates with cost of service, which varies based on the time of day, and to encourage peak conservation and more efficient use of the grid.
- LIPA approved a new solar feed-in-tariff called Solar Communities, with bill savings to be streamed to participating low and moderate-income customers.
- To mitigate customer bill volatility and promote responsible financial stewardship, LIPA approved modifications to the revenue decoupling mechanism and delivery service adjustment tariffs.
- LIPA approved a negotiated rate for sewer districts participating in the Suffolk County Coastal Resiliency Initiative as part of an effort to protect ground water sources and sustain the regional environment on Long Island for the benefit of LIPA's customers and to protect the surrounding waterways of the Great South Bay.

Consistent with New York Policy: The Policy states: “the Authority’s electric rate design and tariffs should be as consistent as possible with statewide principles. When statewide proceedings produce policies of general applicability, the Authority will adopt conforming changes to its Electric Tariff, unless there are compelling considerations that are unique to the Authority and its public power business model. Prior to adopting such changes, the Authority will hold public comment sessions and evaluate such unique considerations.”

During 2020, LIPA made changes to the following sections of its rates and tariffs in support of greater consistency with New York policy:

- LIPA made Community Choice Aggregation (CCA) available in the service territory.
- LIPA modified the Community Distributed Generation (CDG), Value of Distributed Energy Resources (VDER), and Net Energy Metering provisions of its Tariff: (1) to implement a resource capacity factor adjustment to the Community Credit component of VDER compensation; (2) to exclude new non-renewable resources

from eligibility for the VDER Environmental Value, consistent with the Climate Leadership and Community Protection Act (CLCPA); (3) to make new non-renewable resources ineligible for Net Energy Metering, consistent with the CLCPA; and (4) to clarify that a CDG project will receive the Community Credit rate in effect at the time the project qualifies for 25 years from the project's in-service date.

- LIPA updated its CDG tariff to allow for net crediting of CDG host subscription fees and CDG subscriber credits on customer bills.
- LIPA updated its standard interconnection procedures to reflect recent changes to the statewide standard interconnection procedures and to establish standard interconnection procedures for energy storage systems.
- LIPA implemented new provisions of the Public Service Law that allow landlords and prospective tenants to access the historical electric charges billed to a rental property.

Annual Review of the Policy

The Policy was last amended by the Board pursuant to Resolution No. 1488, dated July 24, 2019, at which time the Policy was significantly updated. Staff has completed its annual review of the Policy and has no suggested amendments at this time.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise risks are brought to the Board’s attention throughout the year. LIPA’s ERM program has identified two such risks related to the adequacy of rates and their related rate designs (tariffs). The two specific risks are: “Insufficient rates may lead to inadequate system investments which compromises LIPA’s ability to achieve strategic objectives” and “Existing rate design may not reflect changing customer usage patterns/expectations or provide accurate pricing signals (i.e. time of use rates, demand charges) resulting in customer cross-subsidies and economic inefficiencies.”

These risks are both rated as medium level risks. LIPA mitigates the risk of insufficient rates through an extensive analysis of its cost structure each year and by maintaining numerous specific performance metrics to monitor electric system performance relative to budgets on an ongoing basis. LIPA also utilizes a decoupling mechanism, which helps to stabilize revenues with changing weather and economic patterns, and a delivery service adjustment to recover or refund to customers variances in unpredictable costs, such as storm costs.

Regarding the risk related to rate design, LIPA implements tariffs that reflect, to the best of our ability, customer end usage patterns. Outreach is conducted with LIPA customers to better understand their needs and concerns. Additionally, LIPA monitors industry best

practices and utilizes appropriate technological advancements to ensure the reasonableness of our rate designs.

Based on the mitigations actions that are currently in place, staff believe both of these risks are being adequately managed.

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.

1651. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER VALUE AND AFFORDABILITY

WHEREAS, the Customer Value and Affordability Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1318, dated September 21, 2016; and

WHEREAS, the Policy was last amended by the Board pursuant to Resolution No. 1488, dated July 24, 2019; 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 Authority has complied with the Customer Value and Affordability Policy for the period since the last annual review and approves the annual report to the Board

Acting Chair Fischl stated that the next item on the agenda was the Consideration of Approval of Budget Amendment for Real Property Purchase to be presented by Anna Chacko.

After requesting a motion on the matter, which was seconded, Ms. Chacko 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 (the “LIPA”) is requested to adopt a resolution attached hereto as Exhibit “A” amending the 2021 Capital Budget as described below.

Discussion

In April 2021, LIPA Staff requested that PSEG Long Island initiate negotiations for the purchase of certain properties that became available for sale in 2021, which expenditures were not anticipated during the 2021 budget process.

The proximity of such currently available properties adjacent to certain LIPA substations will serve to provide more flexibility in LIPA’s future planning and expansion needs. There are numerous New York State Climate Leadership & Community Protection Act (“CLCPA”) initiatives that may drive the need for these additional properties within the next 10 years for, among other possible uses, (i) large scale injections of offshore wind; (ii) new interties; (iii) siting of battery storage; and (iv) step down equipment for the conversion of existing 138 kV lines.

As a result, it is recommended that the approved 2021 Capital Budget be increased through this amendment by the final purchase price amount of such properties, not to exceed \$30 million, as determined by LIPA’s Chief Executive Officer or his delegate.

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.

1652. RESOLUTION APPROVING AN AMENDMENT OF THE 2021 CAPITAL BUDGET

WHEREAS, the Long Island Power Authority (“Authority”), through its wholly owned subsidiary, LIPA, owns the electric transmission and distribution system serving the counties of Nassau and Suffolk and a small portion of the County of Queens known as the Rockaways; and

WHEREAS, the Board of Trustees is required to approve annual budgets for the operations of the Authority and for capital improvements; and

WHEREAS, the Board of Trustees adopted the 2021 Capital Budget at the December 16, 2020 meeting; and

BE IT FURTHER RESOLVED, that the Board of Trustees approves an increase to the 2021 Capital Budget through this amendment by the final purchase price of certain properties, not to exceed an increase of \$30 million, as determined by LIPA's Chief Executive Officer or his delegate.

Acting Chair Fischl stated that the next item on the agenda was the CFO's Report to be presented by Tamela Monroe.

Ms. Monroe presented the CFO Report and took questions from the Trustees.

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.

Acting Chair Fischl then announced that the next Board meeting is scheduled for Wednesday, September 22, 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:

1653. EXECUTIVE SESSION – PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW

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.

At approximately 1:11 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter into Executive Session.