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**LIPA AND PSEG LONG ISLAND REACH AGREEMENT ON
NEW REFORMED CONTRACT**

Reformed contract provides LIPA and New York State Department of Public Service (DPS) with strong oversight and customer protections

Includes \$30 million in benefits to LIPA customers for PSEG Long Island's failures during Tropical Storm Isaias

\$40 million in annual PSEG Long Island management fees now at risk based on performance under new contract terms

UNIONDALE, NY – The Long Island Power Authority (LIPA) today announced a revised management services contract and settlement with PSEG Long Island that includes reforms designed to drive performance and accountability, while providing an unprecedented level of oversight of PSEG Long Island's operations. The new contract, which meets all of the terms tentatively agreed to by the parties in June, will support customers on Long Island and the Rockaways in receiving top-tier performance, reliability, and customer service.

"Today's announcement includes all of the reforms LIPA demanded after Tropical Storm Isaias to increase oversight and accountability and put our customers' interests at the forefront of PSEG Long Island's operations. This contract is the strongest in LIPA's history and represents a real win for LIPA's customers," **said Long Island Power Authority Chief Executive Officer Tom Falcone.**

Acting Chairman of the LIPA Board Mark Fischl said, "After 15 months of investigations, recommendations, and contract negotiations, I am pleased PSEG Long Island has agreed to the common-sense reforms that the LIPA Board has insisted on. I look forward to a thorough review of the reformed contract and hearing from the public in the coming weeks."

Rory M. Christian, CEO of the Department of Public Service, said, "This new contract will result in a much greater oversight role for the Department, with new and improved mechanisms to make PSEG Long Island more accountable for its performance, and we await final public review."

Carrie Meek Gallagher, Director of the Department of Public Service's Long Island Office, said, "This agreement, which will be subject to public review, is a sound resolution to the enforcement actions recommended by the Department following our investigation into PSEG Long Island's response to Tropical Storm Isaias. PSEG Long Island will pay \$30 million for ratepayer benefits to offset the harm caused, and the new contract terms are transformative improvements that will significantly decrease the likelihood of these types of failures in the future."

Specifically, the new reformed contract includes:

Top-tier Performance for Customers

- **The majority of PSEG Long Island compensation is now at risk.** The reformed management contract increases the amount of PSEG Long Island's annual compensation at risk from \$10 million to \$40 million, including automatic reductions for failures to meet minimum emergency

response, customer satisfaction, and reliability standards, and a new DPS investigative process for failures to provide safe, adequate, and reliable service to customers.

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

Unprecedented Oversight Protections for LIPA and DPS

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

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

- The settlement resolves pending litigation related to PSEG Long Island's management failures during Tropical Storm Isaias and includes \$30 million in payments and credits towards the cost of upgrading the information technology and communication systems; reimbursements to customers for food and medicine spoilage, and contributions to Long Island-based charities.

The LIPA Board of Trustees will accept virtual public comments on the revised contract and settlement at LIPA's November 17 and December 15 Board meetings. LIPA has scheduled an additional public comment session for the evening of December 2. Written comments on the contract may also be submitted to taskforce@lipower.org.

The LIPA Board is expected to consider the contract and settlement at LIPA's December 15, 2021 Board meeting. If approved, the reformed contract will be subject to review and approval by the New York State Attorney General and Comptroller prior to the terms taking effect.

ABOUT TROPICAL STORM ISAIAS

In August of 2020, Tropical Storm Isaias hit causing PSEG Long Island's restoration and communications system to fail, leaving over half a million customers unable to communicate with their electric utility and hampering restoration efforts. Over 1 million customer calls received busy signals, 300,000 text messages bounced back, and web services and mobile phone applications failed. Customers were unable to report critical emergencies, and those that could get through received inaccurate restoration times.

Investigations by LIPA and DPS determined management was aware that critical information technology systems were not working before the storm, had inadequate business continuity plans, and had not maintained or rigorously stress-tested information technology systems. The investigations led to the adoption of 85 specific recommendations by the LIPA Board to correct information technology, management, and emergency management deficiencies at PSEG Long Island, which are all in addition to the penalties and contract reforms announced today.

ABOUT LIPA

LIPA is a not-for-profit public utility with a mission to enable **clean, reliable, and affordable** electric service for our customers on Long Island and the Rockaways. LIPA contracts with PSEG Long Island, a subsidiary of Public Service Enterprise Group Incorporated, to operate LIPA's electric system under a 12-year contract.

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