

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 304th MEETING

HELD ON NOVEMBER 17, 2021

The Long Island Power Authority (“LIPA”) was convened for the three hundred and fourth time at 11:08 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on November 12, 2021, and electronic notice posted on the LIPA’s website.

In compliance with New York State Open Meeting Law and in furtherance of COVID-19 public 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 November 17, 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)
Elkan Abramowitz (in person)
Valerie Anderson Campbell (in person)
Drew Biondo (in person)
Rev. Alfred Cockfield (in person)
Sheldon Cohen (in person)
Nancy Goroff (in person)
Laureen Harris (in person)
Ali Mohammed (via video conferencing)

Representing LIPA, in person, were Thomas Falcone, Chief Executive Officer; Bobbi O’Connor, Chief Administrative Officer & Board Secretary; Tamela Monroe, Chief Financial Officer; Mujib Lodhi, Chief Information Officer and Senior Vice President of Customer Experience; Carolyn MacKool, Director of Customer Experience Oversight; and

Andrew Berger, Communications Assistant. Participating via video conferencing were Anna Chacko, General Counsel; Rick Shansky, Senior Vice President of Power Supply and Whole Markets; Billy Raley, Senior Vice President of T&D Oversight; 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.

Acting Chair Fischl welcomed everyone to the 304th meeting of the Long Island Power Authority Board of Trustees.

After his opening remarks, 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:

1679. APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE OCTOBER 29, 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 October 29, 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 (the “Board”) of the Long Island Power Authority (“LIPA” or the “Authority”) is requested to authorize the use of up to \$30,000,000 (the “Authorized Amount”) currently held in the Revenue Fund for the purpose of retiring, redeeming or defeasing LIPA bonds or notes as described below.

Proposed Retirement of Authority Bonds or Notes

LIPA has various series of outstanding bonds and notes that may, depending on market conditions, be advantageously be retired or defeased.

The General Resolution permits LIPA to use amounts held in the Revenue Fund, and not needed for the payment of Operating Expenses or any of the other purposes mandated under the General Resolution, to be withdrawn and used for any lawful purpose of the Authority. Such purposes may include the purchase or redemption of any bonds, notes or other obligations of the Authority. Prior to such withdrawal, LIPA must determine that, taking into account, among other considerations, anticipated future receipts of Revenues and other moneys constituting part of the Trust Estate under the General Resolution, the Authorized Amount is not needed for Operating Expenses or for any of the other purposes specified under the General Resolution.

It is proposed that LIPA authorize the use of up to \$30,000,000 of Authority moneys (the “Authorized Amount”) currently held in the Revenue Fund to be applied to the payment, redemption or defeasance of its bonds or notes to the extent that the Chief Executive Officer or Chief Financial Officer determines that such payment, redemption or defeasance will lower debt service payable by the Authority or otherwise be advantageous. We have determined that the Authorized Amount is not required to be applied to the payment of any amounts required to be paid or to be otherwise applied in accordance with the General Resolution.

To the extent that LIPA has entered into interest rate swap agreements relating to any of the Authority’s bonds and notes which may be retired or defeased with moneys proposed to be withdrawn from the Revenue Fund it is anticipated that such interest rate swap agreements will either be reallocated to other bonds or notes of the Authority, assigned to or assumed by other counterparties, or terminated, as and to the extent determined by the Chief Executive Officer or Chief Financial Officer.

Recommendation

Based upon the foregoing, I recommend that the adoption of the resolution attached hereto to permit the withdrawal of the Authorized Amount from the Revenue Fund for the purpose of retiring, redeeming or defeasing outstanding Authority bonds or notes.

1680. AUTHORIZATION RELATING TO THE REDEMPTION AND DEFESANCE OF OUTSTANDING AUTHORITY INDEBTEDNESS

WHEREAS, the Long Island Power Authority (the “Authority”) has various series of outstanding bonds and notes under its Electric System General Resolution, dated May 13, 1998, as amended (the “General Resolution”) that may, depending on market conditions, be advantageously be retired or defeased; and

WHEREAS, the Authority wishes to authorize the use of up to \$30,000,000 of Authority moneys (the “Authorized Amount”) to be applied to the redemption or defeasance of its bonds or notes to the extent that the Chief Executive Officer or Chief Financial Officer determines that such redemption or defeasance will lower debt service payable by the Authority or otherwise be advantageous; and

WHEREAS, the Authorized Amount is not required to be applied to the payment of any amounts required to be paid or otherwise applied in accordance with the General Resolution; and

WHEREAS, to the extent that the Authority has entered into interest rate swap agreements relating to any of the Authority’s bonds and notes which may be retired or defeased pursuant to this resolution it is anticipated that such interest rate swap agreements will either be reallocated to other bonds or notes of the Authority, assigned to or assumed by other counterparties, or terminated, as determined by the Chief Executive Officer or Chief Financial Officer; and

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

- 1. The Chief Executive Officer and the Chief Financial Officer are each authorized to withdraw up to the Authorized Amount of Authority moneys from the Revenue Fund and apply the amount withdrawn to the retirement or defeasance of Authority bonds and notes to the extent that such officer shall determine that such retirement or defeasance will lower debt service payable by the Authority or otherwise be advantageous to the Authority. The Authority hereby determines, after taking into account, among other considerations, anticipated future receipts of Revenues and other moneys constituting part of the Trust Estate, that the Authorized Amount is not needed for any of the purposes set forth in subsection (a), of Section 505 of the General Resolution and that the Authorized Amount may therefore be withdrawn from the Revenue Fund in accordance with subsection (b) of such Section 505. Prior to any such withdrawal such officer shall confirm such determination. Upon withdrawal, the Authorized Amount may be applied by such officers to the payment of scheduled debt service of such bonds and notes, the redemption of such bonds and notes prior to maturity, the defeasance of such bonds and notes and/or the purchase and cancellation of such bonds and notes, pursuant to a tender offer or otherwise, as such officer shall determine.**
- 2. Each of the Chief Executive Officer and the Chief Financial Officer is hereby authorized and directed to execute and deliver any and all documents, including, but not limited to, escrow agreements, tender agreements and any required disclosure documents and the retirement or defeasance of any bonds or notes pursuant to this resolution.**
- 3. As and to the extent that any Authority moneys are applied to the retirement or defeasance of bonds or notes of the Authority with respect to which there are existing interest rate swap agreements, the Chief Executive Officer and the Chief Financial**

Officer are each authorized to allocate such interest rate swap agreements to other outstanding Authority bonds or notes, or to terminate such agreements, as such officer may determine appropriate so as to permit the Authority to obtain the benefit of such interest rate swap agreements or to minimize the cost associated with the retirement or defeasance and, to the extent that such agreements are terminated, some or all of the costs of such termination may be funded with available Authority moneys, as determined by such officer. The Chief Executive Officer and the Chief Financial Officer are also hereby authorized to arrange for the assignment and assumption of any existing interest rate agreement to another counterparty or the amendment or termination of any such agreement, to the extent such officer determines any such assignment and assumption, amendment or termination to be advisable.

4. All terms used and not otherwise defined herein shall have the meaning set forth in the General Resolution.
5. This resolution shall take effect immediately.

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 the Power Supply Hedging Program (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.1352, dated March 29, 2017, the Board adopted the Policy to maintain an effective commodity hedging program (“Program”), focused on meeting the expectations of LIPA’s customers for reasonable stability and predictability in power supply costs. The Policy was last reviewed and amended by Resolution No. 1493, dated September 25, 2019.

The Finance & Audit Committee (“F&A Committee”) of LIPA’s Board, in its charter, was delegated the responsibility of reviewing LIPA’s practices relating to commodity risk management. The F&A Committee considers as part of its review whether LIPA and its Service Provider, PSEG Energy Resources and Trade (“PSEG ER&T”) has remained in compliance with the Policy. As set forth in the Policy, certain responsibilities were delegated by the Board to the Chief Executive Officer, including maintaining a Power Supply Risk Management Committee (“PRMC”) to oversee the activities of PSEG ER&T.

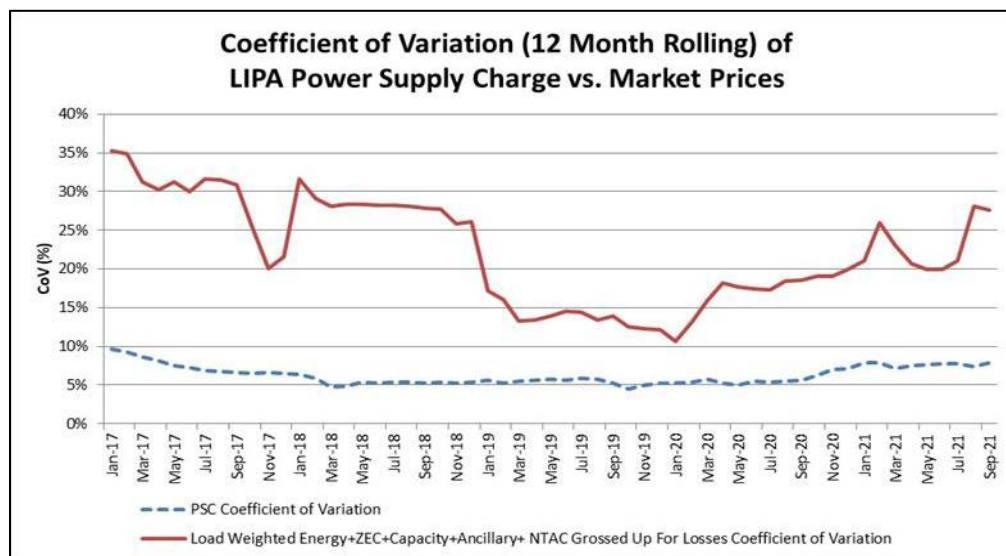
Specifically, the Policy provides that “the Chief Executive Officer, or his or her designee, will provide an annual compliance report on the Power Supply Hedging Program to the Finance and Audit Committee.”

Compliance with the Policy

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

The Policy is intended to “Mitigate a portion of the volatility of power supply costs in a programmatic and reasonable way on behalf of the LIPA’s customer-owners.”

- The PRMC approves the LIPA Hedge Plan, which identifies certain power supply cost components that can be fixed to create reasonable and stable rates. In general, actively hedging these cost components has proven to reduce the Power Supply Charge (“PSC”) volatility compared to purchasing power and fuel in the open market. As part of its biannual Hedge Program update, on May 19, 2021, Mr. Steven Oster from PSEG ER&T presented to the F&A Committee a graph indicating the actual PSC volatility as compared to the volatility customers would be exposed to based upon unhedged market prices. The following graph reflects current data indicating that the LIPA’s PSC volatility through September 2021 is just below 8%, while market price volatility is more than three times that amount at 27%. Mr. Oster will present an updated PSC volatility graph at the F&A Committee’s December 15, 2021 meeting.



The Policy shall be “executed using financial derivative and physical supply and delivery contracts for a portion of LIPA’s projected fuel and purchased power purchases, provided, however that: the net hedge position does not exceed 90% of projected fuel and purchased power needs; and the term of any such hedge does not exceed ten years without the prior approval of the Board or a term in excess of seventy-two (72) months without the prior approval of the Finance and Audit Committee of the Board.”

- PSEG ER&T authorized traders to execute both financial and physical hedge transactions on LIPA’s behalf for defined volumes that as of December 1, 2021, would be within a 48-month hedge horizon. All transactions are monitored by PSEG Enterprise Risk Management Back-Office operations (“PSEG Back-Office”) for compliance; PSEG Back-Office generates and distributes hedge ratio position reports daily, weekly, and monthly to LIPA’s PRMC staff.
- Hedge transactions are triggered based on a time or value trigger protocol that has been established with an independent third-party hedge advisor. Time-trigger transactions allow for the accumulation of minimum required volume hedge levels under all price environments. Value-triggered transactions allow for the accumulation of additional hedge levels based on lower decile pricing levels of value versus four-year historical pricing. In addition, volumes associated with Board-approved Purchase Power Agreements (“PPAs”) having fixed prices and LIPA’s 18% ownership of Nine Mile Point 2 are included as part of the hedged volume. Currently, the PRMC has set a maximum hedge level limit of 85%.
- No hedges exceed a term of seventy-two months and the net hedge position does not exceed 90% of projected fuel and purchased power needs, meeting the requirements of the Policy.

The Policy states that the Program shall “Achieve appropriate risk mitigation and is not for purposes of financial speculation.”

- All transactions are based on PRMC Approved projected fuel and power requirements associated with LIPA-approved annual sales forecast. Specific power supply component volumes are also validated against historical actual consumption data. Each hedge transaction is reviewed by PSEG Enterprise Risk Management’s Middle-Office group (“PSEG Middle-Office”) for compliance to PRMC approved LIPA Hedge Plan and procedures.

The Policy states that the Program shall “Provide transparency regarding LIPA’s commodity risk management activities and the results of such activities.”

- PSEG ER&T, PSEG Back-Office, and PSEG Middle-Office provide to the PRMC staff on a daily, weekly, and monthly basis a hedge transaction report, hedge position report and position valuation report. In addition, the following table identifies several other required reports to the PRMC and LIPA’s F&A Committee, their distribution and reporting frequency, and the originator of the reports.

Report	Distribution	Normal Frequency	Originator
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Trading Activity Summary	PRMC Traders	Daily Weekly	Front Office Middle Office
Position Report	PRMC Traders	Weekly	Middle Office
Credit Risk Exposure Reports	PRMC Traders	Weekly	Middle Office
PRMC Meeting Minutes	PRMC	As Meetings are Held	PRMC Designated Secretary
Benchmarking	PRMC	Quarterly	Independent third-party hedge advisor
Power Supply Hedging Program	Board Finance & Audit Committee	Bi-annually	PSEG ER&T
Annual Compliance Report	Board Finance & Audit Committee	Annually	CEO or Designee

The Policy requires that “LIPA’s Chief Executive Officer shall appoint a Power Supply Risk Management Committee (“PRMC”) consisting of at least three LIPA staff, two of which must be drawn from LIPA senior management. The PRMC will establish, maintain, and monitor processes and controls, the conduct of LIPA’s Power Supply Hedging Program, and the activities of its Service Provider, PSEG Energy Resource and Trade (“PSEG ER&T”). The key provisions of the PRMC’s activities shall include”:

“Oversight and ensuring that all Program activities conducted by LIPA and PSEG ER&T are in accordance with the Board Policy.”

- LIPA’s CEO has established a PRMC in compliance with the Board Policy. All active participants of the Power Supply Hedging Program are required to read and comply with the PRMC Approved Policies, Controls and Procedures Manual for Power Supply Hedging Program (“Manual”), which incorporates the Board Policy. All active participants are required to certify compliance with the Manual and Policy by executing the Yearly Certification of Compliance with Risk Management Policy and Procedures Form.

“Determining LIPA’s tolerance for exposure to fuel and purchased power price movements and power supply cost volatility considering the costs of limiting such exposure.”

- The PRMC has approved a Manual for the hedging Program that establishes LIPA’s tolerance for exposure to fuel and purchased power price movements. The PRMC has established minimum and maximum hedging limits by time period as well as collateral posting limits.

- **The cost of the hedging Program is evaluated each day in the form of mark-to-market value of the positions and stress testing collateral exposure potential of all positions executed to limit PSC volatility.**

“Addressing all risk factors that are demonstrably quantifiable, actionable and material to the Program.”

- **The PRMC approved Manual specifically identifies authorized markets and delivery points, permissible hedge instruments, and the terms and volumes available for hedging to reduce PSC volatility. Within the Manual, there is also a specific LIPA Hedge Plan that addresses the PSC hedge components that are quantifiable, actionable and there is market liquidity available to hedge the required products and delivery points (i.e. natural gas, gas basis, power, power basis).**

“Establishing risk boundaries consistent with such tolerances and evaluating allowable financial and physical instruments in executing the Program.”

- **The PRMC approved Manual specifically identifies authorized markets, delivery points, permissible hedge instruments, terms, and volumes associated with hedging to reduce PSC volatility. Within the Manual, there is also a specific LIPA Hedge Plan which addresses the minimum and maximum hedge levels by time-period – consistent with utility peers.**

“Establishing appropriate processes and protocols to review and monitor counterparty credit worthiness on a regular basis.”

- **The Manual identifies specific procedures carried out by PSEG Credit Risk Management on behalf of LIPA for managing and monitoring counterparty credit risk on an on-going basis. PSEG Credit Risk Management provides the PRMC with a credit report each week as noted above.**

“Monitoring Commodity Futures Trading Commission rulemaking and all other regulatory and legal requirements to ensure that LIPA is taking all actions required to maintain compliance with respect to any transactions under the Power Supply Hedging Program.”

- **PSEG ER&T, PSEG Corporate Legal department and LIPA’s internal and outside counsel monitor Commodity Futures Trading Commission regulatory rulemaking to determine what actions, if any, LIPA is required to undertake to assure continued compliance.**

Annual Review of the Policy

The Policy was last amended by the Board pursuant to Resolution No. 1493, dated September 25, 2019, at which time the Policy was significantly updated. LIPA Staff has completed its annual review of the Policy and has no suggested amendments 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.

1681. RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON THE POWER SUPPLY HEDGING PROGRAM

WHEREAS, the Board Policy on the Power Supply Hedging Program (the “Policy”) was originally approved by the Board of Trustees by Resolution No.1352, dated March 29, 2017; and

WHEREAS, the Policy was last reviewed and amended by Resolution No. 1493, dated September 25, 2019; and

WHEREAS, the Finance and Audit Committee of the Board of Trustees has conducted an annual review of the Policy and has recommended 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 Policy for the period since the last annual review and approves the annual report to the Board.

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) finding that LIPA has complied with the Board Policy on Enterprise Risk Management (the “ERM Policy” or “Policy”); and (ii) approving the annual report for the Policy, which Resolution is attached hereto as Exhibit “A”.

Background - Board Policy on Enterprise Risk Management

By Resolution No. 1351, dated March 29, 2017, the Board adopted the ERM Policy, focusing on the identification, assessment, management, and mitigation of risks. The Policy was last reviewed and amended by the Board by Resolution No. 1572, dated December 16, 2020.

The Finance and Audit Committee (“F&A Committee”), in its Charter, was delegated the responsibility for reviewing LIPA’s practices relating to ERM. LIPA’s Service Provider, PSEG Long Island, participates in the implementation of LIPA’s ERM Program.

Specifically, the Policy provides that “the Chief Executive Officer or his or her designee will report annually to the F&A Committee of the Board on the Policy, including: a review of the significant risks to LIPA’s mission; and compliance with the key provisions of the Policy.”

Compliance with the Policy

Performance for 2021 has been consistent with the Policy. LIPA and PSEG Long Island have maintained an ERM program designed to evaluate significant risks and corresponding mitigation activities facing the business. This Report covers ERM activities since the Board's December 2020 review to the present. While the Service Provider's performance with respect to matters identified by the Isaias Task Force has improved, several issues remain a work in progress. LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the objectives of the Policy for the period since the last annual report.

The Policy states: "Under the direction of LIPA's Chief Executive Officer, LIPA and its Service Provider shall maintain an Enterprise Risk Management Program with the following key provisions":

"An Enterprise Risk Management Committee consisting of at least three LIPA staff appointed by the Chief Executive Officer, two of whom must be drawn from LIPA's senior management, to oversee the processes and procedures of the Program."

- LIPA has an active Enterprise Risk Management Committee ("ERMC") that reviews the progress and findings of the ERM Program, including discussions of the most significant risks facing LIPA and its Service Provider. Over the last ten months, the ERMC has met eight times to discuss the various components of the Program, including the review of LIPA and the Service Provider's risk assessments and associated mitigation activities. In addition, it also reviewed the Service Provider's Annual Report and deep-dive analysis provided on select high-priority risks. The ERMC was also briefed on the status of the eight Board approved ERM performance recommendations and emerging risk trends.
- Currently, there are ten members on the Committee, including the CEO, CFO, CAO, CIO, General Counsel, and other LIPA Staff at the Senior Vice President, Vice President, and Director levels.
- The ERMC maintains an ERM Procedures Manual, which includes the integration of risk information into decision-making within Strategic Planning, Internal Audit, and other areas of the business. The ERM Procedures Manual also calls for maintaining a list of emerging risks and recognizes the Service Provider's Risk Management Committee ("RMC"), which are responsible for managing their identified risks.

"An evaluation of the most significant risks facing the LIPA and its Service Provider, and corresponding mitigation activities, reported to senior management of LIPA and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring activity between reviews."

- Since the last Board report, the ERM teams have worked with Subject-Matter Experts (“SMEs”) to develop deep-dive analyses on selected significant risks of LIPA and PSEG Long Island to understand root causes, mitigations in place, and actions that could be taken to further mitigate these risks. The risk analyses were presented to LIPA’s ERM or other special-focus committees and covered the following risks: inter-tie failures, climate regulation, customer communications during a major storm, and cyber security.
- Annually, the F&A Committee receives an update on the ERM Program highlighting the significant risks and mitigation actions facing LIPA and its Service Provider concurrent with this annual report.

“A review of the LIPA’s insurance and other forms of coverage against insurable risks, including the availability and economics of such coverage, performed each year.”

Insurance:

- The Amended & Restated Operations Services Agreement (“AR OSA”) requires LIPA to provide written notification to its Service Provider regarding the renewal of required policies, desired changes in coverages, and any requests to investigate other types of coverages. The LIPA notification is sent each December.
- During 2021, LIPA risk management and LIPA’s Insurance Advisor provided oversight of the coverages placed by PSEG Long Island as required by the AR OSA to assure prudent and economic coverage placed to protect the interest of LIPA’s bondholders and customer-owners. The policies included:
 - Excess 3rd Party General Liability
 - Property Insurance (all risks, excludes wires and poles) includes U.S. Property
 - Cyber Insurance - LIPA named insured on PSEG Long Island’s Cyber Insurance
 - Nuclear Electric Replacement for Nine Mile Point, Unit 2
- LIPA maintains its own insurance policies, including Director and Officer liability, premises general liability, and property insurance, as well as cyber event insurance and employee practices liability insurance.

“An annual review of the maturity of the Program compared to industry best practices, will be provided to senior management and the Authority’s Internal Audit staff.”

“LIPA will conduct a biennial review of the maturity of the Program compared to industry best practices, which will be provided to the Board of Trustees, senior management, and LIPA’s Internal Audit staff.”

- The next ERM maturity assessment is scheduled for July 2022 based on the Board approved biennial review cadence. LIPA’s Internal Audit department will receive a copy of the 2022 ERM maturity assessment and diagnostic report prepared by a

third-party vendor, which measures the current maturity of the LIPA ERM Program and comparison to an industry benchmark.

Annual Review of the Policy

LIPA Staff has completed its annual review of the Policy and has no suggested amendments at this time.

Recommended Changes to the ERM Program considering Isaias Task Force Reports

The Isaias Task Force's 90-Day Report identified numerous examples where PSEG Long Island lacked transparency in its dealings with LIPA. This lack of transparency has impacted the effectiveness of LIPA's ERM Program, including inaccurate and, at times, overly confident rankings by its Service Provider of certain key risks and poor implementation of mitigation strategies. To address these issues, LIPA Staff recommended changes to the PSEG Long Island ERM Program approved by the Board in December 2020. The Board has received implementation plans for each of these recommendations and quarterly updates on the status of their implementation. Below is a status as of November 2021:

- Include LIPA SMEs and ERM team members in all risk discussions: *Completed;*
- Designate management-level owners for each risk mitigation strategy and related management action plan: *Completed;*
- Establish a joint SharePoint site so that risk information, including risk assessment, deep-dive analysis, mitigation strategies, and current status of implementation plans, can be accessed in real-time by LIPA SMEs: *Completed;*
- Produce an annual ERM report, providing a complete aggregation of all risks, effectiveness of mitigation actions for high-priority risks, areas of weakness/need improvement, and general observations, by June 1 of each year: *Completed;*
- Perform deep-dive analysis on high-priority risks, including what mitigation actions have been implemented, those underway, planned, and areas of deficiency: *In-process, the last presentation on cyber security is planned for November/December of 2021;*
- Develop a risk correlation matrix to better understand end-to-end impacts and the risks that are interrelated (especially for major storm) to better inform needed mitigation strategies: *In process, PSEG Long Island to utilize LIPA's correlation framework on a selected risk in 2022;*
- Provide risk training to all SMEs participating in the annual risk assessment process so that the expectations and value of the process are better understood by the participants: *In-process, training materials are being reviewed and sessions to be scheduled;* and
- Develop a process so that if a high-risk event or condition is identified by LIPA, or its Service Provider or personnel (e.g., when OMS was failing days before the storm), such event or condition (i) immediately triggers a risk review by the LIPA and its Service Provider's ERM teams and (ii) is elevated to both LIPA and PSEG Long Island management. *Process developed; requires ongoing review to ensure adoption and utilization.*

Recommendation

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

1682. RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON ENTERPRISE RISK MANAGEMENT

WHEREAS, the Enterprise Risk Management Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1351, dated March 29, 2017; and

WHEREAS, the Policy was last reviewed and amended by Resolution No. 1572, dated December 16, 2020; and

WHEREAS, the Finance and Audit Committee of the Board of Trustees of the Long Island Power Authority (“LIPA”) has conducted an annual review of the Policy and recommended that the Board find that the Policy has been complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board of Trustees hereby finds that LIPA has substantially complied with the Policy for the period since the last annual review and approves the annual report.

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution approving certain Board policies on LIPA’s Purpose and Vision, Transmission and Distribution (“T&D”) Operations, Customer Experience, and Information Technology (“IT”) and Cyber Security (collectively, the “Policies”), which resolution is attached hereto as Exhibit “A.”

Discussion

Long-term strategic planning is an essential element of utility governance and management. Good strategic planning requires long-range plans for each key area of the business, and a process for coordinating long-range plans with shorter-term work plans and associated budgets. The Board’s policies are key components to the utility governance model. The Policies represent the Board’s reflection of who LIPA is as an organization and why LIPA exists as a governmental utility.

The Board hired Leading Resources, Inc. to review the Board’s Policies and to facilitate discussion amongst the Trustees on amending each of the Policies. Four separate working groups of Trustees participated in various meetings to develop and draft the proposed

Policies. The Purpose and Vision working group consisted of Trustees Fischl, Harris and Biondo. The T&D Operations working group consisted of, at separate times, Trustees Fischl, Cohen, Harris, and Anderson Campbell and, also, former Trustee Gollon. The Customer Experience working group consisted of Trustees Abramowitz, Mohammed and Cockfield. And lastly, the IT and Cyber Security working group consisted of Trustees Mohammed, Cockfield, and Goroff.

The draft Polices were shared and discussed with the full Board at its meeting on September 22, 2021 and with the Governance, Planning and Personnel Committee at its meeting on October 29, 2021. These meetings were used to solicit additional feedback from all Trustees on the various aspects of each policy.

The final version of the Policies, as drafted by the Trustees, are attached hereto as Exhibits “B” through “E”. The Purpose and Vision statement replaces the current Mission and Vision statement. The T&D Operations Policy replaces the current T&D Reliability Policy. The Customer Experience Policy replaces the existing Customer Service Policy, and the IT and Cyber Security Policy replaces the existing Information and Physical Security Policy.

The Policies provide clear direction to LIPA Staff. LIPA Staff will consider the Policies in its long-term strategic planning efforts, yearly work plans, and day-to-day objectives.

Recommendation

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

1683. RESOLUTION ADOPTING UPDATED BOARD POLICIES ON LIPA’S PURPOSE AND VISION, T&D OPERATIONS, CUSTOMER EXPERIENCE, AND INFORMATION TECHNOLOGY AND CYBER SECURITY

NOW, THEREFORE, BE IT RESOLVED, for the reasons set forth in the accompanying memorandum, the Board hereby adopts the Policies as set forth in Exhibits “B” through “E”.

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to approve a resolution adopting this report detailing the status of the implementation plan and results from the 2018 NorthStar Management Audit.

Background

On June 29, 2018, NorthStar’s Final Management Audit Report was released with 49 recommendations. Recommendation #3 was that “LIPA Internal Audit should perform a comprehensive audit of the implementation status of all audit recommendations annually until the next DPS audit is performed.”

The LIPA Board of Trustee's Policy on Audit Relationships establishes the Board’s expectations for Internal Audit’s review. Each annual review includes: a summary of the activities completed to date and any revisions to completion targets; and a review of the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the implementation plan for that recommendation. This report is Internal Audit’s third annual review of the implementation of the management audit.

The status of the 49 NorthStar Management Audit recommendations are summarized in the APPENDIX “A” – Management & Operations Audit Implementation Plan Progress Report to the LIPA Board of Trustees.

Summary Observations based on testing performed from September 2020 to November 17, 2021

Internal Audit completed the review of 39 of the 49 NorthStar Management Audit recommendations. During 2021, LIPA deemed 3 of the 39 to remain In-Progress. Our testing identified three recommendations where additional supporting documentation was required, which was subsequently remediated. The review of an additional 13 recommendations is expected to be completed in 2022.

In addition to Internal Audit’s testing, LIPA’s Operations Oversight Department identified thirteen recommendations where Board recommendations or adopted Project Implementation Plans will enhance the existing deliverables.

Internal Audit is also collaborating and incorporating comments by the Department of Public Service (DPS) into our review of the effectiveness of the implementation plans in addressing the NorthStar Management Audit recommendations.

Where required, Internal Audit will revisit the completed recommendations to ensure the management action plans are operating and functioning as intended.

Summary of Annual Audit Results

Recommendation #2

LIPA and PSEG LI should develop an implementation plan for all audit recommendations (new recommendations and outstanding recommendations that LIPA, PSEG Long Island and DPS determine remain relevant) within 90 days of the Final Audit Report acceptance and submit the implementation plan to the LIPA Board of Trustees and the DPS. The Report could take the form required of the investor-owned utilities.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain that:

- LIPA and PSEG Long Island filed an implementation plan with the LIPA Board of Trustees and DPS on October 24, 2018.
- LIPA submitted an Implementation Plan Progress Report to the LIPA Board of Trustees, posted the report on the LIPA website, and filed the report with DPS on September 23, 2020.

No exceptions noted.

Recommendation #3

LIPA Internal Audit should perform a comprehensive audit of the implementation status of all audit recommendations annually until the next DPS audit is performed. The results of LIPA's audit should be submitted to LIPA executive management, the LIPA Board of Trustees, PSEG Long Island, and the DPS. Within each LIPA audit:

- An evaluation of progress performance should be included.
- A progress tracking document should show activities completed to date and those in process.
- Any revisions to completion targets should be highlighted for management review.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

The submission of the second annual report to the Oversight and Clean Energy Committee of the Board, the DPS, and PSEG Long Island of the status of the implementation plan and the results of the initial annual audit on September 23, 2020.

No exceptions noted.

Recommendation #4

LIPA Financial Oversight should formally document the results of its PSEG Long Island oversight activities and assessment process annually with submission to LIPA/PSEG Long Island executive management as well as DPS.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

The 2020 Oversight Activity Reports were provided to DPS and LIPA.

No exceptions noted.

Recommendation #5

LIPA should formally request appointments or confirm extensions to Board member term periods at least six months prior to term expirations.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

The schedule prepared of trustee term expiration dates, calendar notification reminders of expirations and letters sent to the appropriate approving authorities at least six months prior to term expirations.

No exceptions noted.

Recommendation #10

Complete the process of upgrading LIPA's financial system.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- The Microsoft Dynamics Finance and Operations System Configuration and Integration, Data Conversion and Verification, System Testing and Training, Go Live and Post-implementation support.

No exceptions noted.

Recommendation #11

Determine the feasibility and cost of establishing interfaces between PSEG LI's MicroStrategy, PCM, and SAP systems to eliminate the need for manual data transfer processes. If cost effective, implement processes to allow electronic data transfer between the systems.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- PSEG Long Island management has a process in place to load budget data into SAP from the Profitability and Cost Management (PCM) system.

Observations were noted relating to supporting documentation and were subsequently remediated and validated.

Recommendation #12

LIPA should build on its recent success in "homogenizing" groups of debt covenants to increase consistency among other debt instruments.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- Debt covenants were "homogenized" to increase consistency among other debt instruments.

No exceptions noted.

Recommendation #14

Perform detailed cost-benefit analyses consistent with Transmission Planning's analyses for projects related to thermal overload.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- Internal and external stakeholders were identified, including LIPA and the Department of Public Service (DPS).
- Feedback was solicited from PSEG Long Island internal stakeholders, LIPA and DPS.
- The cost/benefit analysis approach was reviewed and a Cost Benefit Analysis User Guide and training material were created.
- Relevant personnel were trained.
- The new procedure was implemented.

Observations were noted relating to supporting documentation and were subsequently remediated and validated.

Recommendation #22

Develop and implement procedures related to quality assurance and quality controls for capital programs and projects.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- A Quality Assurance/Quality Control (QA/QC) Program Leader has been established within the Project Management Organization (PMO).
- Roles and responsibilities for the QA/QC Program have been defined.
- Written procedures for the QA/QC function have been created.
- PMO and Projects & Construction personnel have been trained on the new QA/QC Procedures.

No exceptions noted

In addition, Internal Audit performed an audit of PSEG Long Island Electric Expansion Projects – Capital Project Estimating & Playbook Procedures related to Recommendations 22 through 26. Recommendations included revising risk and contingency percentages, enhancing the scheduling tool and implementing a portfolio management system.

Recommendation #23

Address the deficiencies in project estimating by making organizational and process improvements and creating a capital project estimating function/organization equipped with appropriate tools.

- Establish an organizational group of professional estimators for transmission and distribution that will develop estimates for planning, engineering and construction.
- Use these internal estimators to set and validate baseline estimates established for contractors.
- Assess the process used to develop and update estimates for completion.

- Establish project estimating tools such as a formal data base of project estimates and support tools such as software and develop and manage an estimating data true-up process.
- Review and document inflation and escalation factors and analyses used to predict project completion costs for each project estimate.
- Review project budget numbers and cost reporting information to determine whether they represent the most currently approved budget and cost data.
- Determine whether cost and schedule systems are integrated and whether the project master schedule is appropriately integrated with the approved project budget.
- Formally document project cost reviews at each level of estimate in detail and at various stages of project completion as called for in Project Cost Management (Procedure TD-PM-002-0004).
- Review project guidelines for performing trend analyses and exception reporting.
- Evaluate how trends were identified, analyzed, brought to management's attention, and how they were resolved.
- Determine whether cost control systems, forecasting and trend analyses directed attention to bulk rates, commodities and productivity to reveal above/below average performance.
- Continuously verify the accuracy of estimates versus the actual project cost and maintain a record of updates to the estimating database.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- Documentation describing the review of inflation and escalation factors, including examples of analyses used.
- The process used to develop and update estimates for completion.
- Documentation describing how the estimating team establishes and validates baseline estimates for contractor work.
- How project cost reviews are performed at each level of estimate and during project completion, as required by procedures.
- How project budgets and actual cost information are reviewed.
- That an estimating team has been established.
- How trends were identified, analyzed, brought to management's attention, and how they were resolved.
- The establishment of project estimating tools and an estimating true-up process.
- The process to verify the accuracy of estimates versus actual project costs.
- How the project master schedule is integrated with the approved project budget, and obtained an example.
- How the project master schedule is integrated with the approved project budget, and obtain an example.
- That cost control systems, forecasting and trend analysis identified bulk rates, commodities and productivity to determine whether performance was above or below average.
- How project guidelines for trend analysis and exception reporting were reviewed.

Observations were noted relating to supporting documentation and were subsequently remediated and validated.

In addition, Internal Audit performed an audit of PSEG Long Island Electric Expansion Projects – Capital Project Estimating & Playbook Procedures related to Recommendations 22 through 26.

Recommendations included revising risk and contingency percentages, enhancing the scheduling tool and implementing a portfolio management system.

Recommendation

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

1684. RESOLUTION ADOPTING THE REPORT DETAILING THE STATUS OF THE IMPLEMENTATION PLAN AND RESULTS FROM THE 2018 NORTHSTAR MANAGEMENT AUDIT

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the Long Island Power Authority hereby adopts the report, as provided in the accompanying memorandum, detailing the status of the implementation plan, results from the 2018 NorthStar Management Audit, and describing additional activities Staff has undertaken to enhance performance in certain areas of the business.

Acting Chair Fischl stated that the next item on the agenda was the Annual Budget Presentation to be presented by Thomas Falcone and Tamela Monroe.

Mr. Falcone and Ms. Monroe presented the Annual Budget Presentation and took questions from the Trustees. The Board also took comments from members of the public on the topics covered in the Annual Budget Presentation.

Acting Chair Fischl stated that the next item on the agenda was the Consideration of the Approval of the Annual Report on the Board Policy on Customer Service to be presented by Mujib Lodhi and Carolyn MacKool.

After requesting a motion on the matter, which was seconded, Mr. Lodhi and Ms. MacKool 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 Service (the “Policy”); and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as Exhibit “A.”

Background

By Resolution No. 1370, dated July 26, 2017, the Board adopted the Policy with the purpose of providing a framework to achieve a high level of customer service and satisfaction. The Policy was last amended by the Board by Resolution No. 1576, dated December 22, 2020. The Policy provides that the “Chief Executive Officer will report annually to the Board on compliance with the key provisions of the Customer Service Policy.”

Compliance with the Policy

Performance for 2021 has been overshadowed by poor storm performance in 2020 and COVID- 19 financial impacts. Failure to successfully resolve many of the open performance improvement plans has negatively impacted customers’ trust.

Nevertheless, consistent with the Policy, PSEG Long Island’s customer service performance on the quantitative metrics included in the current contract has continued to improve. This report covers customer service activities from the Board’s December 2020 review to the present. While PSEG Long Island’s performance concerning several matters identified by the Isaias Task Force remains unacceptable, LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the Policy since the last annual review. Compliance with each element of the Policy is discussed in detail below, including areas designated for improvement.

“Funding cost-effective initiatives and ongoing operations: (i) to provide customers with a level of service, as measured by industry-standard customer service metrics, within the first quartile of peer utilities; and (ii) so that customers report a level of satisfaction, as measured by third-party and internally-generated customer satisfaction surveys, within, where applicable, the first quartile of peer utilities by 2022.”

- PSEG Long Island will not meet its JD Powers customer satisfaction target for 2021, and LIPA and PSEG Long Island recognize that given the current position at the bottom of the fourth quartile, it will not be possible to achieve the Board’s policy of first quartile by 2022. Recovery has started, but when utilities experience issues with the significance of Tropical Storm Isaias, it takes time for their perception and trust to recover.

- The Customer complaint rate of 2.8 per 100,000 customers in 2021 is in the first quartile for New York and has continued the improvement trend demonstrated prior to Tropical Storm Isaias from a 2019 and 2020 rate of 4.2 and 11.8, respectively. Customer complaints will likely increase next year with the resumption of collections activity.
- PSEG Long Island achieved the strongest performance ever by the Call Center and first quartile performance for Average Speed of Answer at 10 seconds and Abandon Rate at 0.4% of all incoming calls. Call volumes will likely increase next year with the resumption of collections activity.
- PSEG Long Island Residential and Business After-Call and Personal Contact survey demonstrate continued improvement, with 95.1%, 96.3%, and 97.7% of respondents, respectively, indicating satisfaction with PSEG Long Island service through September 2021 and increase over prior years.
- First Call Resolution in the call center for 2021 YTD is 83.1%, consistently improving over prior years. First Call Resolution is expected to be affected next year with the resumption of collections activity.
- The COVID-19 collections moratorium has created accounts receivable challenges with increasing debt; however, PSEG Long Island has focused on communicating to customers about assistance and changes in the collection process. In addition, PSEG Long Island has continued to grow the number of customers with a low to moderate-income discount. Reducing accounts receivables and connecting our low-income customers to assistance will be an area of focused improvement in 2022.

“Supporting programs so that customers have information, education, and tools to manage their energy use according to their needs, including innovative billing options and emerging technologies and communications tools that enable multi-directional customer relationships for distributed resources and electric vehicles.”

LIPA and PSEG Long Island continued to advance multiple customer information and energy management tools in 2021:

- Launched five new time-of-use rate options and a self-service online bill comparison tool (rate analyzer), so customers can see how they would save if they changed to other available rate offerings.
- Released updated version of Next Generation Insights tool and enrolled 150,000 customers.
- Implemented several tools to improve the use and understanding of smart meter data, including My Smart Energy Home, My Smart Energy Lab virtual tool, and a video on the website explaining how to use the smart meter data and the portal.
- Enrolled 1,500 customers in Smart Charge Rewards (off-peak charging discounts).
- Incentivized 1,200 residential chargers and 115 DC fast chargers.
- Enrolled 822 batteries in the behind-the-meter storage program.
- Implemented online interconnection portal and new (“stage 3”) hosting capacity maps.

“Providing utility communications that are: accurate and easily accessible; understandable, including accurate billing that can be easily interpreted and conveniently paid; proactive regarding potential weather-related and/or emergency situations, including information on the restoration of electric outage.”

- **In 2021, 351,502 smart meters were installed, exceeding the goal of 336,000 meters. As of September 2021, a total of 1,105,913 meters have been installed. This has improved the meter reading rate from 93.5% in 2020 to 95.4% in 2021 and timely billing recovery from a low of 77.7% in 2020 to a continued positive trend of 94.5% for September 2021 year to date.**
- **Revenue collected through electronic payments continues to steadily grow, reaching 73.7% in September 2021, up from 71.1% for 2020.**
- **Expansion of 377 additional customer pay stations across Long Island bringing the total to about 500 locations where payments can be made without a service fee.**
- **Estimated time of restoration (ETR) remains an area that needs improvement. PSEG Long Island has been investigating improvements to its methodology for calculating ETRs, though its performance during Tropical Storm Isaias served to highlight the deficiencies in its approach to ETRs. ETRs are an area of focus in 2022 performance metrics.**
- **Customer survey on outage satisfaction rose with the implementation of the damage assessment protocols and setting customer expectations.**
- **Storm communication was enhanced by adding layered and targeted messaging through all channels, including social media. This allowed PSEG Long Island to inform customers more specifically about the town or community, including displaying pictures of the situation.**
- **Use of AMI technology in outages increased through validation of outage and restore, serving as a back-up option to the outage management system, identification of the type of crew to send, and supporting mass broadcast of life sustaining equipment customers and other priority requests.**

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management. Enterprise risks are brought to the Board’s attention throughout the year. There is one risk related to this Policy. That is “Customer and stakeholders’ dissatisfaction with PSEG Long Island’s response to a storm or major event can result in increased negative perception and/or averse reputational impact.”

This risk is rated as a high level risk. PSEG Long Island mitigates this risk with oversight from LIPA through extensive testing of communication systems, development of a non-digital communication library of messages (e.g., radio, outreach centers) to keep customers informed, a quality control plan to ensure consistency of messaging across communication channels, and an Emergency Response Plan for customer communication protocols during restoration. Improvements to the outage management system in 2022 will further mitigate this risk.

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.

1685. RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER SERVICE

WHEREAS, the Board Policy on Customer Service (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1370, dated July 26, 2017; and

WHEREAS, the Policy was last amended by the Board pursuant to Resolution No. 1576, dated December 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 Policy for the period since the last annual review and approves the annual report to the Board.

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, December 15, 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:

1686. 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 1:05 p.m. the Open Session of the Board of Trustees was adjourned on a motion to enter into Executive Session.