BOARD POLICY

IMPLEMENTATION REPORTS

AS OF MARCH 2022
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Annual Report to LIPA Board of Trustees on Resource Planning and Clean Energy

JUNE 23, 2021
Background

The LIPA Board of Trustees Resource Planning and Clean Energy policy requires annual reporting on:

- Compliance with regulatory and environmental standards as well as the State’s clean energy goals
- Management of power supply portfolio
- Procurement of generation and distributed energy resources
- Activities representing interests of Long Island electric customers at state, regional and federal levels
- Resource adequacy of the power supply portfolio
Climate Leadership and Community Protection Act (CLCPA)

- Passed by Legislature in late June 2019
- Established statewide targets:
  - 85% reduction of GHG by 2050 (from 1990 levels)
  - 100% zero-emission electricity by 2040
  - 70% renewable energy by 2030
  - 9,000 MW of off-shore wind by 2035
  - 3,000 MW of energy storage by 2030
  - 6,000 MW of solar by 2025
  - 22 million tons of carbon reduction through energy efficiency and electrification
- REC programs
  - LIPA BOT approved participation in Tier 2 REC program (pre-2015)
  - Tier 4 is associated with bringing renewable projects into NYC via transmission (all LSE’s will pay their pro-rata share)
- Grandfathered natural gas fuel cells as renewable energy sources*

*Provides eligibility as they were subject to existing contracts prior to CLCPA, through 2029
LIPA’s Carbon Footprint (2010 vs. 2020 vs. 2030)

- LIPA’s carbon emissions expected to decrease approximately 46% by 2030 due to statewide 70% renewable energy target
  - ~1,100 MW of solar and ~2,300 MW of off-shore wind by 2030 assumed

Note: 2010 CO2 emissions based on NorthStar presentation
# Renewable Procurement Activities

<table>
<thead>
<tr>
<th>Procurement</th>
<th>Date of Issuance</th>
<th>Operational As Of June 1, 2021 (MW)</th>
<th>Projected (MW)</th>
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<tr>
<td>FIT I</td>
<td>July 2012</td>
<td>38.8</td>
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<tr>
<td>FIT II</td>
<td>October 2013</td>
<td>30.3</td>
<td>31.9</td>
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<tr>
<td>280 MW RFP</td>
<td>October 2013</td>
<td>48.9</td>
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<tr>
<td>FIT II (Non-Solar)¹</td>
<td>March 2014</td>
<td>6.0</td>
<td>6.0</td>
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<tr>
<td>South Fork²</td>
<td>June 2015</td>
<td>0</td>
<td>130.0</td>
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<tr>
<td>2015 Renewable RFP</td>
<td>December 2015</td>
<td>0</td>
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<td>FIT III</td>
<td>September 2016</td>
<td>11.4</td>
<td>18.0</td>
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<tr>
<td>FIT IV³</td>
<td>September 2016</td>
<td>0</td>
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<td>FIT V</td>
<td>June 2020</td>
<td>0</td>
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<tr>
<td>Energy Storage</td>
<td>June 2015 and April 2021</td>
<td>10</td>
<td>165-185</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>145.4</td>
<td>526.5 – 546.5</td>
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</table>

¹ Natural gas-fired fuel cells were grandfathered as they had a contract prior to CLCPA, with eligibility through 2029
² Wind
³ Yaphank Solid Waste fuel cell project (7.4 MW) is in construction
Projected CES Targets and Anticipated Supply

- Targets for Tier 1 REC obligations are set thru 2023. Other values are projected.

- LIPA established Clean Energy Compliance Fund to fund future REC purchases or renewable projects in the event of shortfalls.

- Long term Tier1 REC purchase agreement awaiting OSC approval that may provide up to 1.6M RECs each year starting 2025.

- South Fork Wind projected COD 12/31/2023.
Rooftop Solar Program

- As of 12/31/2020, rooftop solar installations total 58,112 systems and 443 MWs (AC), providing an estimated 612 GWhs per year of energy (as an offset to consumption)
- 2020 additions were 6,762 systems and 47 MWs (AC) providing an estimated 68 GWhs of energy

*As of December 31, 2020*
2020 Energy Efficiency Program

• **2020 Performance**
  - Energy savings (MWh) were 120% of goal
  - Expenses were 6% below budget

<table>
<thead>
<tr>
<th>Program</th>
<th>Energy Savings (MMBtu)</th>
<th>Energy Savings (MWh)</th>
<th>Coincident Demand Savings (MW)</th>
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<td></td>
<td>Goal</td>
<td>Achieved*</td>
<td>Goal</td>
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<td>Commercial Efficiency Program</td>
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<td>377,041</td>
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<td>Residential Programs</td>
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<td>Energy Efficient Products</td>
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<td>461,184</td>
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<td></td>
<td>35.4</td>
<td>32.7</td>
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<td>Home Comfort</td>
<td>111,021</td>
<td>83,243</td>
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<td></td>
<td>1.0</td>
<td>1.1*</td>
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<td>Residential Energy Affordability Partnership (REAP)</td>
<td>3,903</td>
<td>2,785</td>
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<td></td>
<td>0.3</td>
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<td>Home Performance</td>
<td>28,387</td>
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<td>Home Energy Management</td>
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<td>Subtotal Residential</td>
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<td>Total Portfolio</td>
<td>1,036,077</td>
<td>1,204,036</td>
<td>280,883</td>
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<td>56.8</td>
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*Per February 16, 2021 Memorandum issued by Demand Side Analytics*
Load Forecast Change From Last Year

- Comparison of NYISO Gold Book Forecasts
  - Little change in long term net load trend after making reductions for energy efficiency and renewables
  - Full recovery from Covid-19 pandemic anticipated by 2023

Long Island Peak Load Forecasts

- [Graph showing load forecasts from 2021 to 2039]
  - 2020 Before Reductions
  - 2020 After Reductions
  - 2021 Before Reductions
  - 2021 After Reductions
Resource Adequacy

- Current resources meet projected LI Locational Capacity Requirement through 2030
- PSA contract expires May 2028, most other contracts expire before 2030
  - 400 – 800 MW of potential retirements are anticipated by 2027 (not shown)
- Implementation of CLCPA will require replacement of existing fossil units with renewable, storage, and other clean energy options by 2040
  - 2021-2022 Integrated Resource Plan (IRP) will provide guidance as to the order, amount and timing of plant retirements

Note: Capacity decreases in year 2030 due to expiration of Marcus Hook contract and associated UDR

*As of May, 24, 2021*
Generating Unit Environmental Compliance

- Compliance with applicable regulatory and environmental standards
  - Air permits and continuous emissions monitoring
  - Water discharge permits – monthly sampling and reporting
  - Petroleum and chemical bulk storage
  - Waste management

- Power Supply Agreement with National Grid
  - NO\textsubscript{X} emission controls systems for legacy gas turbines are in engineering review for material procurement, installation & implementation
  - 316b of Federal Clean Water Act requires best technology available to reduce fish entrainment and impingement at circulating water intake systems
    - Port Jefferson – Installation of fish friendly traveling screens and circulating water pumps to meet updated DEC permit requirements has been completed and is now in the verification cycle
    - Northport – Installation of fish friendly traveling screens and circulating water pumps is underway. Northport 4 unit is complete, units 1, 2, & 3 on schedule for completion in 2022. All Units commence five (5) year compliance period – March 2022 to March 2027
    - E.F. Barrett – In process with NYSDEC to determine required technology. Likely outcome to be similar to Port Jefferson and Northport. No changes since last year
Generating Unit Performance  2020 vs. 2019

• All units met or exceeded contract targets
• Based on data from EIA Forms 860 and 923, Nine Mile Point 2’s 2020 capacity factor (90%) was slightly less than national average (92%). This is mainly due to a scheduled re-fueling outage that resulted in 1 month of foregone generation
• Availability of fleet is slightly lower than in 2019 (96.21% in 2020 versus 98.25% in 2019) and in line with the New York average
• Heat rate (efficiency) performance of fleet is similar to last year
• Peaking units performed better than national average
Cable Challenges 2020 - 2021

- **NYPY Y-49**
  - Three recent outages Oct 2020, Dec 2020 and Feb 2021
  - NYPY is completing a life extension evaluation
  - Current contract ends Nov 2022. Potential extension is under evaluation
Regulatory Markets – Aligning Long Island Interests

New York State and Independent System Operator Participant Process

- **Resource Adequacy** – continue to work on Capacity and Energy Market redesigns in order to align them with state renewable energy policies and targets
- **Reliability Requirements** – reviewing proposed revisions to methodologies used to determine Installed Reserve Margin and Locality Requirements
- **Transmission System Rights** – working to define Transmission Owner “Rights of First Refusal” on transmission system enhancements identified through the Public Policy Process
- **Renewable Energy** – continue to develop rules governing the participation and operation of energy storage, solar and off-shore wind resources in the NYISO Markets

Public Service Commission & DPS Staff

- **Long Island to Con Edison Transmission Cable (2020 Public Policy)** – working to define a fair cost allocation methodology for project costs
- **Retail Access** – working through a collaborative process to better align LI Choice Program rules & requirements with existing programs across New York State

LIPA PJM Challenge – FERC

- **Fair Rates for use of Neptune Cable** – challenging PJM’s export charges and cost allocation for transmission upgrades charged to imports across the Neptune Cable.
FOR CONSIDERATION
June 23, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board Policy on Resource Planning and Clean Energy

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, in
compliance 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.

**Attachments**

**Exhibit “A”** Resolution
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.

Dated: June 23, 2021
2021 Annual Report on Customer Experience

November 17, 2021
MEETING THE LIPA BOARD POLICY PRIORITIES

Achieve a high level of customer service and satisfaction by:

Funding cost effective initiatives and operations to achieve:
- First quartile in industry metrics
- First quartile in J.D. Powers & internal customer service survey by 2022

Provide programs, information, education and tools to manage energy:
- Innovative billing options
- Emerging technologies
- Enable multi-directional customer relationship for distributed resources and electric vehicles

Provide accurate, accessible, understandable communication:
- Accurate bills that can be easily interpreted and conveniently be paid
- Proactive potential weather-related and emergency situations, including restoration estimates
CUSTOMER EXPERIENCE GOALS

Funding cost effective initiatives and operations to achieve:

- First quartile in industry metrics
- First quartile in J.D. Powers & internal customer service survey by 2022
CALL CENTER AND COMPLAINT RESULTS

- Strong performance in the Call Center & Complaints (1st Quartile)
- 2022 challenge will include a 30% increase in calls due to resuming collections

Average Speed of Answer (Seconds)

- 2015: 35
- 2016: 24
- 2017: 19
- 2018: 15
- 2019: 15
- 2020: 25
- Sept 2021: 10

Percent Abandon Rate

- 2015: 1.4
- 2016: 1.1
- 2017: 0.8
- 2018: 0.7
- 2019: 0.7
- 2020: 1.4
- Sept 2021: 0.4

Contact Center Service Level by Live Agent

- 2015: 63.8%
- 2016: 71.7%
- 2017: 71.2%
- 2018: 77.4%
- 2019: 76.6%
- 2020: 75.1%
- Sept 2021: 83.4%

Customer Complaint Rate

- 2014: 10.4
- 2015: 7.7
- 2016: 5.7
- 2017: 4.9
- 2018: 4.6
- 2019: 4.2
- 2020: 11.8
- Sept 2021: 2.8
INTERNAL CUSTOMER SURVEY RESULTS

Internal survey results continue to improve. Only FCR is retained for 2022.

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<tr>
<th>Year</th>
<th>After Call Survey – Residential</th>
<th>After Call Survey – Business</th>
<th>Personal Contact Survey</th>
<th>First Call Resolution</th>
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<td>2015</td>
<td>91.6%</td>
<td>90.6%</td>
<td>92.9%</td>
<td>64.2%</td>
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<td>2016</td>
<td>92.9%</td>
<td>92.4%</td>
<td>94.6%</td>
<td>78.9%</td>
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<td>2017</td>
<td>94.4%</td>
<td>94.0%</td>
<td>95.8%</td>
<td>81.4%</td>
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<td>2018</td>
<td>94.5%</td>
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<td>2019</td>
<td>95.0%</td>
<td>95.4%</td>
<td>96.5%</td>
<td>83.1%</td>
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<td>2020</td>
<td>94.7%</td>
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<td>96.7%</td>
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<td>Sept 2021 YTD</td>
<td>95.1%</td>
<td>96.3%</td>
<td>97.7%</td>
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After Call Survey – Residential

After Call Survey – Business

Personal Contact Survey

First Call Resolution

KEY COLLECTION METRICS

- COVID 19 moratorium presents financial challenges & focus for 2022
- Continued growth in low to moderate income discount program participation

AR > 90
(Negative Impact from COVID)

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<td>20.7</td>
<td>19.9</td>
<td>18.5</td>
<td>17.9</td>
<td>21.3</td>
<td>28.4%</td>
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Net Write-Offs ($/Billed Rev)
(Positive impact from COVID)

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Days Sales Outstanding

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<td>Days</td>
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<td>34.9</td>
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LMI enrollment

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<tr>
<td>Count</td>
<td>15,828</td>
<td>18,178</td>
<td>19,290</td>
<td>25,026</td>
<td>31,673</td>
<td>45,721</td>
<td>46,102</td>
</tr>
</tbody>
</table>

- COVID 19 moratorium presents financial challenges & focus for 2022
- Continued growth in low to moderate income discount program participation

LIPA
Long Island Power Authority
Tropical Storm Isaias impacts put us on a slower path to first quartile than planned

J.D. Power- Electric Residential- East Large

J.D. Power- Electric Business- East Large
Customer's trust has started to recover but it will take time to build back to desired level
SMART ENERGY MANAGEMENT

Provide programs, information, education and tools to manage energy

- Innovative billing options
- Emerging technologies
- Enable multi-directional customer relationship for distributed resources and electric vehicles
New Rates and Bill Tools
- Board approved five new time-of-use rate options
- Self-service online Rate Analyzer tool

Electric Vehicles
- Enrolled 1,500 customers in Smart Charge Rewards (off peak charging discount)
- Incentivized 1,200 residential charge and 115 DC fast chargers

Distributed Resources
- Enrolled 822 batteries in the behind-the-meter storage program
- Implemented online interconnection portal and new (“Stage 3”) hosting capacity maps
Advanced Metering Infrastructure

- Achieved 351,502 smart meter installation in 2021 and 1,105,913 Project to date
- Below budget (cost/install) and ahead of schedule

<table>
<thead>
<tr>
<th>Commercial</th>
<th>Residential</th>
<th>System Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>105,893</td>
<td>1,000,020</td>
<td>1,105,913</td>
</tr>
</tbody>
</table>
ADVANCED METERING INFRASTRUCTURE

AMI Read Rate 99.74%

2021 YTD Avoided Truck Rolls: 63,118

- Remotely Addressing Service
- Connect/Disconnect, Special Reads/Change Name, Collections Cut-On
- Automation, Over-the-Air Programming
CUSTOMER ENGAGEMENT TOOLS

New My Smart Energy Home

Focus on how to use and understand AMI

- Enrolled 150,000 customers in the new version of Next Generation Insights tool
- Implemented new smart energy home to understand how to save in October 2021
- Developed new smart meter web tool video to help customer understand on to use the portal
- Established My Smart Energy Lab Virtual Tour on the website

New Smart Meter Web Tool & Video

New My Smart Energy Lab Virtual Tour
Provide accurate, accessible, understandable communications:

- Accurate bills that can be easily interpreted and conveniently be paid

- Proactive potential weather-related and emergency situations, including restoration estimates
• AMI helps billing on actual reads despite COVID restrictions up to 95.4% from 93.5% bill with an actual read

• Restored % of bills delivered on-time to 94.5% significantly better than 2020

• Steady growth continues in electronic bill delivery providing 1st quartile performance
COVID 19 led to the expansion of 377 additional no fee pay stations at retail locations in our service territory for a total of about 500 locations. This allows customers to pay us where they already do business.

Utilization of electronic payments continue to grow.
## Storm Response Improvements

### Damage Assessment Process Enhancements

- Provide customers with an “assessing damage” message across all channels at the onset of major storm events
- Deliver customer communications to set restoration expectations when Damage Assessment Process is implemented
- Validated higher customer satisfaction with the “assessing damage” messaging through outage customer survey

### Layered and targeted outage communication protocol

- Provide targeted alerts, text and email beyond system data for hard hit areas with a specific message (e.g., number of crews in area or type and amount of damage)
- Expand social media to use target messaging by town
- Started the process of adding links to pictures of the damage

### Ability to “ping” AMI meters remotely allows for validation of power status, avoiding unnecessary truck rolls and enabling more efficient use of manpower

- Activated AMI Storm team to monitor all AMI network devices during the storm & serves as a back-up to OMS
- Validate in AMI single outages reported in OMS to dispatch proper team
- Support mass broadcast of power status for Life Saving Equipment customers and other priority requests
2022 Focus:

1. Rebuilding customer trust
   - Deliver clear and customer targeted messaging
   - Deliver experiences that provide a better experience & meet our commitments

2. Continuous improvement to the customer experience by:
   - Understanding and addressing end to end transactional opportunities
   - Leveraging technology investments in AMI and a new customer system
   - Strong project & performance-based metric delivery with solid oversight

3. Promoting financial stewardship
   - Reduce arrears caused by pandemic moratorium & maximize use of financial assistance

Our approach will be to leverage employees and technology to educate and communicate effectively with our customers and develop a clear customer strategic roadmap.
FOR CONSIDERATION
November 17, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board Policy on Customer Service

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.

**Attachments**

**Exhibit “A”**  Resolution
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.

Dated: November 17, 2021
Agenda

• Reliability Metrics

• Reliability Improvement Programs

• Power Quality and Reliability

• NERC Compliance
Reliability Improvements
2016 to 2021 YE Forecasted

SAIFI

2016: 1.106
2017: 0.949
2018: 0.857
2019: 0.673
2020: 0.795
2021 YE Projection: 0.811

SAIDI

2016: 75.5
2017: 65.8
2018: 65.2
2019: 51.4
2020: 66.0
2021 YE Projection: 66.9

MAIFI

2016: 3.92
2017: 3.52
2018: 3.44
2019: 2.41
2020: 2.14
2021 YE Projection: 2.07

Sustained Multiple Customer Outages

2016: 65,916
2017: 41,730
2018: 38,239
2019: 14,477
2020: 23,479
2021 YE Projection: 28,819
## Improvements to Reliability Since 2016

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Improvement Since 2016</th>
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</thead>
<tbody>
<tr>
<td>SAIFI</td>
<td>↑ 27%</td>
</tr>
<tr>
<td>SAIDI</td>
<td>↑ 11%</td>
</tr>
<tr>
<td>MAIFI</td>
<td>↑ 47%</td>
</tr>
<tr>
<td>MCO</td>
<td>↑ 56%</td>
</tr>
<tr>
<td>MMCO</td>
<td>↑ 65%</td>
</tr>
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</table>

- 2016 Year End versus 2021 Year End Projections*
- MMCO based on 2020 Year End Actual
## Reliability Improvement Programs

<table>
<thead>
<tr>
<th>Reliability Programs</th>
<th>Program Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEMA Hardening</td>
<td>46% reduction in number of customer outages 1 year before versus 1 year after work completion</td>
</tr>
<tr>
<td>Power On!</td>
<td>Continuation of FEMA mainline hardening on targeted circuits 2020 program to directly benefit 70,531 customers</td>
</tr>
<tr>
<td>Less Than 500 Customers (LT5H)</td>
<td>3% Annual SAIFI Improvement through 2023. 15% total program benefit.</td>
</tr>
<tr>
<td>CIP/NOP</td>
<td>29% reduction in the number of preventable customer outages (overhead equipment and tree) 1 year before versus 1 year after work completion</td>
</tr>
<tr>
<td>Smart Grid Initiatives</td>
<td>AMI meter integration with GIS/OMS to proactively identify overloaded fuses and transformers  Machine learning (AI) to identify vine conditions</td>
</tr>
<tr>
<td>Non-Reclose Assurance (NRA) Automation</td>
<td>59% decrease in NRA outages versus 2016</td>
</tr>
<tr>
<td>Vegetation Management Program</td>
<td>32% reduction in the number of vegetation related customer outages 1 year before versus 1 year after trim</td>
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<tr>
<td>MAIFI Improvement Program</td>
<td>68% reduction in the number of momentary customer interruptions 1 year before versus 1 year after work completion</td>
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Power Quality and Reliability

JD Power – 2021 W1 Residential Results

Power Quality and Reliability Satisfaction
J.D. Power Residential 2021 W1 Results

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<td>8.00</td>
<td>7.09</td>
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<tr>
<td>East Large</td>
<td>7.66</td>
<td>7.33</td>
<td>7.49</td>
<td>7.27</td>
<td>7.60</td>
<td>7.53</td>
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<td>7.60</td>
<td>7.73</td>
<td>7.30</td>
<td>7.47</td>
<td>7.66</td>
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</tbody>
</table>

Power Quality & Reliability Trend

Power Quality & Reliability Attributes

- Provide quality electric power
- Avoid brief interruptions
- Avoid lengthy outages
- Promptly restore power after outage
- Keep informed about an outage
- Supply electricity during extreme temperatures

East Large vs. PSEG Long Island
T&D System Reliability – Compliance

• NERC Compliance
  – Completed 2021 NPCC Operations and Planning (O&P) / CIP Audit
    • Pre-Audit data request, RSAWs, and evidence: Submitted 3 Gb of data representing over 1000 files, 356 data requests for 15 Standards, 46 Requirements
    • Results: 3 Potential Noncompliance’s (PNC’s), 3 Areas of Concern (AOC’s), 27 Recommendations, 4 Positive Observations
    • Status: 2 PNC’s Pending review by NPCC and NERC, 1 PNC pending field change. AOC’s and Recommendations assessments in progress
  – FAC-008:
    • Completed an End to End review and reevaluation of facility ratings for the BES elements (Including review of: Drawings, Databases, As-built field conditions and field inspections)
    • Conducting Facility Ratings Organization Structure efficiency review in 2021 (Six Sigma)
  – NERC Evaluations of Internal Controls
    • 2020 - Completed FAC-008, TPL-007, and FAC-014
    • 2021 – Planned EICs - FAC-008 and one standard to be determined
  – 2021 Alternate Control Center (ACC) Drill completed. Operators and CNI tested the system throw-over and system operations
  – NERC Alerts addressed: CIP-0013 Supply Chain and COVID-19 awareness

• Completed annual transmission system operating studies including: Summer and Winter Studies, and G3 – Loss of Gas Study

• Environmental
  – No major incidents recorded
FOR CONSIDERATION
May 19, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

REQUEST: Approval of the Annual Report on the Board’s Policy on Transmission and Distribution System Reliability

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution: (i) approving the annual report on the Board Policy on Transmission and Distribution (“T&D”) System Reliability (the “Policy”); and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as Exhibit “A.”

Background

By Resolution No. 1371, dated July 26, 2017, the Board adopted the Policy with the purpose of maintaining a reliable and resilient T&D system at an affordable cost. The Policy was last reviewed and amended by the Board pursuant to Resolution No. 1552, dated July 22, 2020.

The Policy provides that the “Chief Executive Officer will report annually to the Board on the key provisions of the Policy.”

Compliance with the Policy

The Service Provider’s performance for 2020 has been overshadowed by poor storm performance. Details on the performance, findings, and recommendations are discussed in LIPA’s 30 and 90-Day Reports on Tropical Storm Isaias.

Nevertheless, LIPA Staff recommends that for the reasons set forth below, the Board find that LIPA has complied with the Policy since the review of the Policy last year. Compliance with each element of the Policy is discussed in detail below.

As set forth in the Policy, LIPA shall:

- “comply with the applicable standards of the North American Electric Reliability Corporation [NERC], the Northeast Power Coordinating Council [NPCC], the New York State Reliability Council, the New York Independent System Operator, and environmental regulations.”
  - From March 29 to April 1, 2021, NPCC conducted an onsite (virtual due to the pandemic) NERC Operational Audit and Critical Infrastructure Protection (CIP) Audit. Exit comments from the NPCC Auditors included several findings as well
as procedural recommendations that would further strengthen our CIP and Operational compliance.

- “fund cost-effective programs to provide a level of reliability, as measured by system average outage duration (known as System Average Interruption Duration Index or SAIDI), within the first quartile as compared to peer utilities, excluding major events.”
  - For 2020, the System Average Interruption Duration Index (SAIDI) was 65.95 minutes, which continues to rank within the first quartile of peer utilities
  - Vegetation Management – Reportable customer outages due to vegetation were 5.85% lower than 2019 and 22.1% lower than the previous five-year average.
- “fund cost-effective programs to provide a level of reliability for each customer that is within a reasonable variance from system average conditions (excluding major events) including: programs to track and improve circuit conditions that cause a customer to experience four or more sustained outages (i.e., greater than five minutes in duration) in any 12-month period; and programs to track and improve circuit conditions that cause a customer to experience multiple momentary outages (i.e., outages less than five minutes in duration).”
  - Multiple Sustained Customer Outages – PSEG Long Island targeted areas with a higher level of sustained (i.e. greater than five minutes) customer outages. The number of customers with four or more sustained outages in any 12-month period was 23,484 in 2020, which continues to rank within the first quartile of peer utilities, but higher than 2019. A major reason for the increase is due to higher branch line outages, and to reduce such outages, the 2021 Circuit Improvement Program will focus on the worst performing branch line circuits.
  - Multiple Momentary Outages – Continuing with the program to reduce customer momentary outages, PSEG Long Island reported a 65.7% improvement in 2020 due to changes it made to relay settings.
- “fund cost-effective approaches for resiliency, thereby enhancing the safe and timely restoration of electrical service after severe weather or adverse events.”
  - Completed storm hardening of 1,025 miles of distribution main line, funded by FEMA.
  - As part of the approved Phase II storm hardening program that began in 2020 (the “Power On” program), approximately 81 miles of distribution mainline were storm hardened in 2020.
  - Continuing to develop the dynamic model for the prediction of storm intensity and impact with 2020 weather events and system outages. The model is currently being used for predicting customer outages, the number of crews needed, and deployment.
- “use smart grid technologies to minimize outages, monitor system conditions, and facilitate the interconnection of renewable and distributed resources.”
As part of the Circuit Improvement Program, 148 automated distribution switches were installed in 2020 and 150 switches are scheduled to be installed in 2021.

Approximately 319,210 Smart Meters were installed in 2020, with a year-end cumulative total of approximately 753,214 since the program began. For 2021, the goal is to install an additional 345,000, of which 104,993 have been installed in the first quarter. It is anticipated that 95% of all AMI installations in the service territory will be complete by September 2021. Smart meters help detect power outages and monitor power quality.

**Annual Review of the Policy**

LIPA Staff has reviewed the Policy and proposes no changes at this time.

**Recommendation**

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

**Attachments**

**Exhibit “A”** Resolution
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON TRANSMISSION & DISTRIBUTION SYSTEM RELIABILITY

WHEREAS, the Board Policy on Transmission and Distribution System Reliability (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1371, dated July 26, 2017; and

WHEREAS, the Policy was last reviewed and amended by the Board pursuant to Resolution No. 1552, dated July 22, 2020; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the Long Island Power Authority has complied with the Transmission and Distribution System Reliability Policy for the period since the last annual review and approves the annual report to the Board.

Dated: May 19, 2021
Annual Report on Customer Value and Affordability Policy

June 23, 2021
MEETING THE POLICY PRIORITIES OF THE LIPA BOARD

- Lowest fiscally sound electric rates
- Regionally comparable electric rates
- Balance between cost & service
- Prudent rate design
- Consistent with New York State Policy
REGIONALLY COMPARABLE RATES

2020 System Average Rates

- United Illuminating: 24.2 Cents/kWh
- Consolidated Edison: 23.4 Cents/kWh
- Eversource (CL&P): 20.9 Cents/kWh
- Long Island Power Authority: 20.0 Cents/kWh
- Orange & Rockland: 16.5 Cents/kWh
- PSE&G New Jersey: 14.9 Cents/kWh

2020 Residential Average Rates

- United Illuminating: 26.1 Cents/kWh
- Consolidated Edison: 26.0 Cents/kWh
- Eversource (CL&P): 21.8 Cents/kWh
- Long Island Power Authority: 21.2 Cents/kWh
- Orange & Rockland: 18.7 Cents/kWh
- PSE&G New Jersey: 17.3 Cents/kWh
LONG TERM: LIPA’S RATES SLOW TO INCREASE

Long-Term Increase in System Average Rates
(1997-2020)

- United Illuminating: 109%
- Eversource: 99%
- O&R: 69%
- Con Edison: 67%
- Inflation: 62%
- PSE&G NJ: 49%
- LIPA: 30%
SHORT TERM: LIPA’S RATES LESS THAN INFLATION

3-Year Change in System Average Rates
(2017-2020)

- Eversource: 12%
- United: 11%
- Illuminating: 8%
- Inflation: 5%
- PSE&G NJ: 4%
- LIPA: 3%
- Con Edison: -3%
- O&R: -13%
## ACTIONS TO MANAGE 2021 RATES

### Customer Savings in 2021 from Operating Lean

<table>
<thead>
<tr>
<th>Customer Savings</th>
<th>$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discontinued investments in combined cycle plants</td>
<td>$353</td>
</tr>
<tr>
<td>LIPA Reform Act 2% Tax Cap</td>
<td>$213</td>
</tr>
<tr>
<td>Refinancing existing debt</td>
<td>$30</td>
</tr>
<tr>
<td>Renegotiating expiring power purchase agreements</td>
<td>$48</td>
</tr>
<tr>
<td>Investing in cost-effective energy efficiency</td>
<td>$19</td>
</tr>
<tr>
<td>Reduction to gas transportation costs</td>
<td>$12</td>
</tr>
<tr>
<td>Smart Meter savings</td>
<td>$11</td>
</tr>
<tr>
<td>PSA pension and retirement savings</td>
<td>$8</td>
</tr>
<tr>
<td>Power plant property tax savings</td>
<td>$13</td>
</tr>
<tr>
<td>Operating Savings and Improved Productivity</td>
<td>$10</td>
</tr>
<tr>
<td>Generating Unit Retirements</td>
<td>$1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$718</strong></td>
</tr>
</tbody>
</table>

# Highlights from Pending Rate Actions

## Table:

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Central Hudson</th>
<th>Niagara Mohawk</th>
<th>Orange &amp; Rockland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• <strong>Capital investments</strong> related to the replacement of aging infrastructure, vegetation management and targeted storm hardening.</td>
<td>• <strong>Impact of COVID-19</strong> - decline in forecasted revenues as result of reduced usage by commercial and industrial customers.</td>
<td>• <strong>Continue to provide safe and reliable service</strong> - by increasing electric storm hardening investments.</td>
</tr>
<tr>
<td></td>
<td>• <strong>Increased labor expense.</strong></td>
<td>• <strong>CLCPA climate goals</strong> - delivering on New York’s climate goals outlined in the CLCPA.</td>
<td>• <strong>Invest in community</strong> by supporting job creation and economic growth;</td>
</tr>
<tr>
<td></td>
<td>• <strong>Enhanced heat pump program.</strong></td>
<td>• <strong>Upgrading infrastructure and enhancing security</strong> - includes the replacement of aging infrastructure with modern equipment.</td>
<td>• <strong>Advance in clean energy future</strong> through innovative investments that will support distributed energy and the accommodation of increased renewable energy.</td>
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<td>• <strong>Infrastructure Modernization</strong> - replace aging infrastructure while at the same time facilitating the integration of DERs.</td>
<td>• <strong>Improving customer service</strong>, including, providing further support for energy efficiency.</td>
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<td>• <strong>Carbon emissions reductions</strong> - programs aimed at reducing carbon emissions and meeting the State’s mandates under the CLCPA.</td>
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## Drivers

- **Capital investments** related to the replacement of aging infrastructure, vegetation management and targeted storm hardening.
- **Increased labor expense.**
- **Enhanced heat pump program.**
- **Infrastructure Modernization** - replace aging infrastructure while at the same time facilitating the integration of DERs.
- **Carbon emissions reductions** - programs aimed at reducing carbon emissions and meeting the State’s mandates under the CLCPA.
- **Impact of COVID-19** - decline in forecasted revenues as result of reduced usage by commercial and industrial customers.
- **CLCPA climate goals** - delivering on New York’s climate goals outlined in the CLCPA.
- **Upgrading infrastructure and enhancing security** - includes the replacement of aging infrastructure with modern equipment.
- **Improving customer service**, including, providing further support for energy efficiency.
- **Continue to provide safe and reliable service** - by increasing electric storm hardening investments.
- **Invest in community** by supporting job creation and economic growth;
- **Advance in clean energy future** through innovative investments that will support distributed energy and the accommodation of increased renewable energy.
Questions?
FOR CONSIDERATION
June 23, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board Policy on Customer Value and Affordability

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:

![2020 System Average Rates](image)

• 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.

**Attachments**

**Exhibit “A”** Resolution
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.

Dated: June 23, 2021
TO: The Board of Trustees

FROM: Thomas Falcone

REQUEST: Approval of the Annual Report and Amendments on the Board’s Policy on Strategic Planning and Oversight

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 Strategic Planning and Oversight (the “Policy”); (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as Exhibit “A”.

Background

LIPA utilizes contracts with service providers to provide transmission and distribution operations services, fuel and power procurement, and power supply resources. Under the LIPA Reform Act and the Amended and Restated Operations Services Agreement (the “OSA”), LIPA has oversight rights and certain responsibilities with respect to those contracts, the operation and maintenance of the Long Island electric grid, and the generation assets under contract to LIPA.

By Resolution No. 1409, dated March 29, 2018, the Board adopted the Policy with the purpose of establishing the Board’s expectations for oversight by LIPA of the “service providers in a systematic manner that meets the needs and protects the interests of LIPA’s customers”. By Resolution No. 1461, dated January 23, 2019, the Board approved amendments to the Policy related to LIPA’s direct operations. By resolution No. 1547, dated July 22, 2020, the Board approved amendments to the Policy to, among other things, better define the roles of the Board and management in LIPA’s strategic planning activities.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that LIPA complied with the Policy over the last year.

The Policy requires that the Chief Executive Officer annually report to the Board on the Policy, including: (i) work plans for LIPA Staff for each year, including those related to oversight; (ii) accomplishments versus the work plan for the prior year, including those related to oversight; (iii) sufficiency of LIPA Staff and resources to achieve LIPA’s Mission, Vision, and Board Policies; and (iv) LIPA’s Oversight Framework.

2021 Work Plan Objectives, Including Oversight Activities:
• Attached as **Exhibit “D”** is the 2021 Work Plan, previously reviewed and approved by the Board on January 27, 2021. The 2021 Work Plan describes the activities that LIPA Staff intends to undertake to further LIPA’s Mission, Vision, Board Policies, and Oversight responsibilities.

• The 2021 Work Plan includes activities for which LIPA has direct responsibility, like finance and legal, and oversight activities for functions for which LIPA’s service providers, including PSEG Long Island and National Grid have direct responsibility.

• The 2021 Work Plan includes 49 projects Staff believes will move LIPA closer to the Board’s vision to be clean, achieving carbon-free reliable electricity by 2040, lean, providing electricity at the lowest possible cost, and customer-first, focusing on our customers’ needs.

**2020 Work Plan Accomplishments, Including Oversight Activities:**

• Attached as **Exhibit “E”** is the 2020 Accomplishments Report, previously reviewed and approved by the Board on January 27, 2021. The 2020 Accomplishments Report provides a summary of LIPA Staff’s 2020 accomplishments toward meeting the expectations of the LIPA Trustees, satisfying LIPA’s Oversight responsibilities, and serving the needs of LIPA’s customers.

• The 2020 Accomplishments Report documents Staff’s progress on the 37 initiatives identified in the 2020 Work Plan as activities that would further the Board’s policies in LIPA’s key performance areas such as oversight, customer service, reliability, clean energy and affordability.

• As discussed in more detail in the 2020 Accomplishments Report, Staff completed 24 of the 37 goals and made significant progress on the remaining 13, with additional work to be completed during 2021.

**Sufficiency of LIPA Staff and Resources to Achieve LIPA’s Mission, Vision, Board Policies and Oversight Objectives:**

• On August 4, 2020, Tropical Storm Isaias hit the Long Island service territory resulting in approximately 646,000 customer outages. On August 5, LIPA initiated an independent review of the root causes that led to the lapses in PSEG Long Island’s storm response (the “Isaias Task Force”). To address the deficiencies identified by the Isaias Task Force since August 2020, LIPA’s oversight going forward will include independent verification and validation across the organization. Those efforts will require additional staffing and the budget proposal that will be presented to the Board in November will include that increased staffing plan.

**Oversight Framework:**
• LIPA’s Oversight Framework consists of this Policy, the Oversight and Metrics Committee, and the Budget and Rates Committee, and is supported by the activities of other boards, committees, and functions, including the Enterprise Risk Management Committee, Executive Committee, Internal Audit, Management Review Board, Policy Advocacy Committee, and Power Supply Risk Management Committee. The Oversight Framework:
  o Prioritizes Oversight Activities, including the frequency and appropriate level of Oversight, by risk, materiality, and other measures of importance;
  o Maintains appropriate documentation of Oversight Activities;
  o Incorporates insights from LIPA’s Oversight Activities into annual budgets, projects, performance metrics, audits, and enterprise risk management activities;
  o Balances the benefits and costs of proposed plans and programs;
  o Fosters continuous improvement, innovation, benchmarking, and industry best practice, with a view to minimize cost and improve service quality; and
  o Refers Oversight observations to Service Providers for resolution.

Annual Review of the Policy

Staff proposes changes to the Policy, as detailed below and reflected in the revised Policy in Exhibit “B”.

In April 2021, the LIPA Board adopted recommendations directing PSEG Long Island to initiate development of five-year roadmaps for the following five business scopes: transmission and distribution, information technology, customer service functions, power supply and clean energy, and business services. This obligation has been incorporated into the Second Amended and Restated Operations Services Agreement with PSEG Long Island, which is still under negotiation.

The five-year roadmaps should evaluate the current state, articulate an end state vision, and identify the projects necessary to close the gap. The end state vision for the functions should take into account industry trends and customer needs and should align with the strategic direction articulated in the policies adopted for the utility by the Board. The roadmap should also include (i) a cost-benefit analysis for each project and identify (ii) the schedule for and sequencing of projects; (iii) dependency on or interaction with projects initiated by other departments; and (iv) budget requirements for project implementation and operations. The roadmap should include PIPs with greater detail for each of the projects.

In addition, as part of LIPA’s continuous improvement efforts, LIPA will be developing five-year roadmaps for the key areas of the business for which it has primary responsibility: finance and oversight.

Staff recommends amending the Policy to contemplate the work to be done related to development and periodic review and update of these Strategic Roadmaps.

Additionally, certain other non-material wording changes are proposed.
**Recommendation**

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

**Attachments**

- **Exhibit “A”** Resolution
- **Exhibit “B”** Policy on Strategic Planning and Oversight --redline
- **Exhibit “C”** Policy on Strategic Planning and Oversight --clean
- **Exhibit “D”** 2021 Work Plan
- **Exhibit “E”** 2020 Accomplishments Report
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON OVERSIGHT AND LIPA OPERATIONS

WHEREAS, the Board Policy on Oversight and LIPA Operations (the “Policy”) was most recently reviewed and approved by the Board of Trustees by Resolution No. 1547, dated July 22, 2020; and

WHEREAS, the Board has received the annual Staff report on compliance with the Policy; and

WHEREAS, the Board has reviewed the Policy and approves the changes to the Policy as recommended by Staff.

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 adoption of the Policy, approves the annual report to the Board, and approves updates to the Policy, as recommended herein.

Dated: September 22, 2021
Board Policy: Strategic Planning and Oversight

Policy Type: Operating Governance

Monitored by: Board of Trustees

Board Resolution: Resolution #1409, approved March 29, 2018,

#1461, amended January 23, 2019,

#1547, amended July 22, 2020

#XXXX, amended September 22, 2021

Board Policy on Strategic Planning and Oversight

It is the policy of the Long Island Power Authority (“LIPA”) to conduct its affairs and oversee its Service Providers in a manner that meets the needs and protects the interests of LIPA’s customers.

Service Providers in a manner that meets the needs and protects the interests of LIPA’s customer owners.

Key definitions for the purposes of this Policy are:

**Mission**

- **Purpose** is a concise statement of why LIPA exists, sometimes also referred to as Purpose, Mission.
- **Vision** is a realistic and attainable idea of what LIPA seeks to become within a defined period of time (e.g., in 5 years).
- **Board Policies** are the Policies related to key areas of LIPA’s business, adopted by the Board of Trustees, that provide additional guidance to LIPA’s management related to LIPA’s Mission, Purpose, and Vision. The current versions of the Board Policies can be found on LIPA’s website.
- **Strategy** is **Strategic Priorities** are a multi-year view of the key themes or categories of initiatives (e.g., Clean, Lean, and Customer First) that management must execute to further the Mission, Purpose, Vision, and Board Policies adopted by LIPA’s Board. These are articulated as long-term, utility-wide strategic priorities.
- **Strategic Roadmaps** are five-year plans for key business areas to translate the utility-wide strategic priorities into a prioritized set of well-defined projects.
- **Work Plan** is the annual translation of LIPA’s Mission, Purpose, Vision, Board Policies, and Strategy into performance metrics, budgets, projects, and Oversight activities, and performance metrics for a twelve-month period.
- **Oversight** refers to the actions LIPA takes to monitor and review the budgets, plans, processes, systems, programs, projects, and services of its Service Providers.
- **Oversight Framework** refers to the structures and processes used by LIPA to ensure effective Oversight.

**Strategic Plan and the Work Plan Planning Process**

LIPA’s Strategic Plan involves a strategic planning process includes several activities, including:

- **Defining LIPA’s Mission** complementary elements, defined below, that articulate strategy at different levels of granularity and across different time horizons. These elements should be collectively coherent, ensuring strategic alignment from the Board-defined Purpose, Vision;
- **Development** and periodic review of Board Policies to provide additional guidance to LIPA management in key areas related to LIPA’s Mission and Vision;
- Identification of a multi-year Strategy for management to achieve LIPA’s Mission, Vision, and Board Policies;
- Creation and execution of the annual Work Plan that translates LIPA’s Strategy into budgets, projects, Oversight activities and performance metrics for a twelve-month period; and annual budget.
- Reporting to LIPA’s Board by management on each Board Policy and on Strategy and the annual Work Plan.

LIPA’s Purpose and Vision – The Board of Trustees is responsible for:

- defining LIPA’s Mission and Vision, along with its expectations in key operational areas in the form of Board Policy;
- 1. and periodically reviewing Board Policy reports, which are provided to the Board on a regular basis in accordance with the manner prescribed in each Board Policy; and communicating its expectations to LIPA management in the form of LIPA’s Purpose and Vision.
- Board Policy.

LIPA’s Chief Executive Officer (“CEO”) Policies – The Board of Trustees is responsible for achieving the expectations communicated by the Board in its Policies. Specifically, LIPA’s CEO is responsible for:

2. Supporting the Board in Establishing LIPA’s Mission, Vision, the development and periodic review of Board Policies – LIPA’s CEO works with the Board to provide the support additional guidance to management on key business, operating, and analysis necessary for the Board to make informed choices about LIPA’s Mission and Vision, as communicated through Board Policies. The Board’s governance areas. The Board Policies are necessarily constrained by LIPA’s current state, resources, industry trends, laws, regulations, and other factors. The CEO supports the Board by providing management’s assessment of these factors and analysis of the tradeoffs between competing objectives in the Board’s Board Policies (e.g., customer enhancements versus affordability).

Reviewing and Modifying LIPA’s Strategy – LIPA’s CEO works with the management team and Service Providers to review LIPA’s Strategy not less than every three years. LIPA’s Strategy, while periodically reviewed

3. Long-term, Utility-wide Strategic Priorities – LIPA’s CEO, in consultation with its Service Providers, is responsible for defining the long-term strategic priorities that integrate the strategic direction articulated in LIPA’s Purpose, Vision, and Board Policies. Incorporating industry trends and evolving customer needs, and incorporate insight and inputs from stakeholders and industry thought leaders. Long-term priorities, while reviewed not less than every other year, will change infrequently and only with significant changes to LIPA’s operating environment, legal and regulatory changes, and the Board’s expectations, as communicated in the form of Board Policy.

Creating

4. Five-year Strategic Roadmaps – LIPA’s CEO, in consultation with its Service Providers, will develop five-year roadmaps for key business areas to translate the long-term strategic priorities into a prioritized set of well-defined projects. The roadmaps should evaluate the current state of the business area, articulate an end state vision consistent with the Board Policies and Strategic Priorities, and identify the projects necessary to close the gap. Each roadmap will include:

- Prioritized list of projects with associated business rationale
- Cost-benefit analysis for each project
- Schedule for and sequencing of projects
- Dependency on or interaction with projects initiated by other departments
- Budget requirements for project implementation and operations
The Executing schedule below defines the timeline for development of initial Roadmaps for each business area. Thereafter, the five-year Roadmaps will be updated on a biennial cycle.

- Five-year Roadmaps for the transmission and distribution ("T&D"), information technology ("IT"), and customer service functions no later than March 31, 2022.
- Five-year Roadmaps for oversight and finance functions by March 31, 2022.
- Five-year Roadmaps for the business services and power supply and clean energy programs no later than March 31, 2023.
- Each Roadmap will be reviewed and approved by the LIPA Board.

5. **LIPA’s Annual Work Plans**

LIPA’s CEO translates LIPA’s Mission, Vision, Board Policies, and Strategy into annual performance metrics, budgets, projects, and Oversight activities, and builds the five-year Strategic Roadmaps, which together constitute the annual Work Plan. The CEO is responsible for creating the Work Plan for the Board’s consideration and ensuring it is executed in a manner that delivers the intended results.

LIPA’s CEO will consult with and report to the Board on:

- The outcome of LIPA’s Strategy reviews not less than every three years;
- The objectives of LIPA’s annual Work Plans for the coming year and the accomplishments of LIPA’s Work Plan for the prior year; and
- Any current or projected staffing and resource constraints that may limit LIPA’s ability to achieve the Mission, Vision, and Board Policies adopted by the Board.

**Oversight Objectives**

LIPA’s business model involves significant outsourcing to Service Providers, which places heightened importance on LIPA’s Oversight in the achievement of its Mission and Purpose, Vision, and the Board’s Board Policies. The Objectives of LIPA’s Oversight (“Oversight Objectives”) are to ensure that:

- The Board’s Policies, Strategic Roadmaps, and LIPA’s Strategy Work Plans are implemented as intended, in accordance with the terms of LIPA’s contractual relationships, and that LIPA and its Service Providers advance the Mission Purpose and Vision adopted by the Board of Trustees;
- LIPA’s Service Providers achieve reasonable results in accordance with expectations in exchange for the management fees and consideration paid for their services;
- LIPA’s budgets, including those of the Service Providers, are reasonable and provide value for money to our customer owners; customers;
- The business processes and systems outsourced or provided to Service Providers operate to industry standards and best practices;
- Service Providers implement continuous improvement initiatives, innovation, and benchmarking to maximize value to customers and improve service quality;
- Enterprise risks, including those managed by Service Providers, are identified, monitored, managed, and mitigated; and
- Service Providers comply with applicable policies, laws, regulations, contract standards, and ethical standards.

**Oversight Responsibilities**

The Board of Trustees is responsible for periodically Oversight are:
• Defining LIPA’s Purpose and Vision and developing Board Policies for key areas of LIPA’s business, which collectively establish the strategic and normative framework upon which Oversight activities are based;
• Reviewing and approving Five-year Strategic Roadmaps for key business areas;
• Reviewing and approving annual Workplans, which include performance metrics, budgets, and Oversight activities;
• Reviewing and approving implementation plans for certain individual projects;
• Periodically monitoring implementation progress and operational performance and associated Service Provider incentives; and
• Periodically reviewing the Oversight Framework implemented by LIPA’s CEO and the Oversight activities included in LIPA’s annual Work Plan. LIPA’s CEO is responsible for implementing.

The LIPA CEO’s responsibilities for Oversight are:

• Implementing an Oversight Framework consistent with the Oversight Objectives articulated by the Board in this Policy.

Oversight Activities
LIPA’s CEO will achieve the Board’s Oversight Objectives through an Oversight Framework that:

• Prioritizes Oversight activities, including the frequency and appropriate level of Oversight, by risk, materiality, and other measures of importance;
• Maintains Balancing the benefits and costs of Oversight activities;
• Maintaining appropriate documentation of Oversight activities;
• Incorporating Referring Oversight observations to Service Providers for resolution; and
• Incorporating insights from LIPA’s Oversight activities into the annual budgets, projects, performance metrics, Work Plan, audits, and enterprise risk management activities.

Management Reporting

• The CEO or his or her designee will report annually to the Governance Committee of the Board of Trustees on compliance with a view to minimize cost and improve service quality; and
• Refers Oversight observations to Service Providers for resolution.

Related to Oversight, the key provisions of this Policy, LIPA’s CEO will consult with and report to the Board on:

• The objectives of LIPA’s annual Work Plan for the coming year and the accomplishments of the prior year Work Plan, including Oversight activities;
• The status of the five-year Strategic Roadmaps;
• The Oversight Framework implemented by LIPA’s management team; and
• The objectives sufficiency of LIPA’s annual Work Plans for the coming year, LIPA staff and the accomplishments of LIPA’s Work Plan for the prior year related resources to achieve LIPA’s Purpose, Vision, Board Policies, and Oversight.
• The CEO or his or her designee will report annually to the Board of Trustees on compliance with the key provisions of the Policy objectives.
Board Policy on Strategic Planning and Oversight

It is the policy of the Long Island Power Authority (“LIPA”) to conduct its affairs and oversee its Service Providers in a manner that meets the needs and protects the interests of LIPA’s customers.

Key definitions for the purposes of this Policy are:

- **Purpose** is a concise statement of why LIPA exists, sometimes also referred to as Mission.
- **Vision** is a realistic and attainable idea of what LIPA seeks to become within a defined period of time (e.g., in 5 years).
- **Board Policies** are the Policies related to key areas of LIPA’s business, adopted by the Board of Trustees, that provide additional guidance to LIPA’s management related to LIPA’s Purpose and Vision. The current versions of the Board Policies can be found on LIPA’s website.
- **Strategic Priorities** are a multi-year view of the key themes or categories of initiatives that management must execute to further the Purpose, Vision, and Board Policies adopted by LIPA’s Board. These are articulated as long-term, utility-wide strategic priorities.
- **Strategic Roadmaps** are five-year plans for key business areas to translate the utility-wide strategic priorities into a prioritized set of well-defined projects.
- **Work Plan** is the annual translation of LIPA’s Purpose, Vision, Board Policies, and Strategic Roadmaps into performance metrics, budgets, and Oversight activities for a twelve-month period.
- **Oversight** refers to the actions LIPA takes to monitor and review the budgets, plans, processes, systems, programs, projects, and services of its Service Providers.
- **Oversight Framework** refers to the structures and processes used by LIPA to ensure effective Oversight.

**Strategic Planning Process**

LIPA’s strategic planning process includes several complementary elements, defined below, that articulate strategy at different levels of granularity and across different time horizons. These elements should be collectively coherent, ensuring strategic alignment from the Board-defined Purpose, Vision, and Policies to the annual Work Plan and budget.

1. **LIPA’s Purpose and Vision** – The Board of Trustees is responsible for defining and periodically reviewing LIPA’s Purpose and Vision.

2. **Board Policies** – The Board of Trustees is responsible for the development and periodic review of Board Policies to provide additional guidance to management on key business, operating, and governance areas. The Board Policies are necessarily constrained by LIPA’s current state, resources, industry trends, laws, regulations, and other factors. LIPA’s CEO supports the Board by
providing management’s assessment of these factors and analysis of the tradeoffs between competing objectives in the Board Policies (e.g., customer enhancements versus affordability).

3. **Long-term, Utility-wide Strategic Priorities** – LIPA’s CEO, in consultation with its Service Providers, is responsible for defining the long-term strategic priorities that integrate the strategic direction articulated in LIPA’s Purpose, Vision, and Board Policies, take into account industry trends and evolving customer needs, and incorporate insight and inputs from stakeholders and industry thought leaders. Long-term priorities, while reviewed not less than every other year, will change infrequently and only with significant changes to LIPA’s operating environment, legal and regulatory changes, and the Board’s expectations, as communicated in the form of Board Policy.

4. **Five-year Strategic Roadmaps** – LIPA’s CEO, in consultation with its Service Providers, will develop five-year roadmaps for key business areas to translate the long-term strategic priorities into a prioritized set of well-defined projects. The roadmaps should evaluate the current state of the business area, articulate an end state vision consistent with the Board Policies and Strategic Priorities, and identify the projects necessary to close the gap. Each roadmap will include:

- Prioritized list of projects with associated business rationale
- Cost-benefit analysis for each project
- Schedule for and sequencing of projects
- Dependency on or interaction with projects initiated by other departments
- Budget requirements for project implementation and operations

The schedule below defines the timeline for development of initial Roadmaps for each business area. Thereafter, the five-year Roadmaps will be updated on a biennial cycle.

- Five-year Roadmaps for the transmission and distribution (“T&D”), information technology (“IT”), and customer service functions no later than March 31, 2022.
- Five-year Roadmaps for oversight and finance functions by March 31, 2022.
- Five-year Roadmaps for the business services and power supply and clean energy programs no later than March 31, 2023.
- Each Roadmap will be reviewed and approved by the LIPA Board.

5. **LIPA’s Annual Workplan** – LIPA’s CEO will translate the Strategic Priorities and business area five-year Strategic Roadmaps into annual performance metrics, budgets, and Oversight activities for the Board’s consideration, which together constitute the annual Work Plan. The CEO is responsible both for creating the Work Plan for the Board’s review and ensuring it is executed in a manner that delivers the intended results.

**Oversight Objectives**
LIPA’s business model involves significant outsourcing to Service Providers, which places heightened importance on LIPA’s Oversight in the achievement of its Purpose, Vision, and Board Policies. The Objectives of LIPA’s Oversight (“Oversight Objectives”) are to ensure that:

- The Board’s Policies, Strategic Roadmaps, and Work Plans are implemented as intended, in accordance with the terms of LIPA’s contractual relationships, and that LIPA and its Service Providers advance the Purpose and Vision adopted by the Board of Trustees;
- LIPA’s Service Providers achieve reasonable results in accordance with expectations in exchange for the management fees and consideration paid for their services;
- LIPA’s budgets, including those of the Service Providers, are reasonable and provide value for money to our customers;
• The business processes and systems outsourced or provided to Service Providers operate to industry standards and best practices;
• Service Providers implement continuous improvement initiatives, innovation, and benchmarking to maximize value to customers and improve service quality;
• Enterprise risks, including those managed by Service Providers, are identified, monitored, managed, and mitigated; and
• Service Providers comply with applicable policies, laws, regulations, contract standards, and ethical standards.

Oversight Responsibilities
The Board of Trustees responsibilities for Oversight are:
• Defining LIPA’s Purpose and Vision and developing Board Policies for key areas of LIPA’s business, which collectively establish the strategic and normative framework upon which Oversight activities are based;
• Reviewing and approving Five-year Strategic Roadmaps for key business areas;
• Reviewing and approving annual Workplans, which include performance metrics, budgets, and Oversight activities;
• Reviewing and approving implementation plans for certain individual projects;
• Periodically monitoring implementation progress and operational performance and associated Service Provider incentives; and
• Periodically reviewing the Oversight Framework implemented by LIPA’s CEO.

The LIPA CEO’s responsibilities for Oversight are:
• Implementing an Oversight Framework consistent with the Oversight Objectives articulated in this Policy;
• Prioritizing Oversight activities, including the frequency and appropriate level of Oversight, by risk, materiality, and other measures of importance;
• Balancing the benefits and costs of Oversight activities;
• Maintaining appropriate documentation of Oversight activities;
• Referring Oversight observations to Service Providers for resolution; and
• Incorporating insights from LIPA’s Oversight activities into the annual Work Plan, audits, and enterprise risk management activities.

Management Reporting
The CEO or his or her designee will report annually to the Governance Committee of the Board of Trustees on compliance with the key provisions of this Policy. LIPA’s CEO will consult with and report to the Board on:
• The objectives of LIPA’s annual Work Plan for the coming year and the accomplishments of the prior year Work Plan, including Oversight activities;
• The status of the five-year Strategic Roadmaps;
• The Oversight Framework implemented by LIPA’s management team; and
• The sufficiency of LIPA staff and resources to achieve LIPA’s Purpose, Vision, Board Policies, and Oversight Objectives.
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MISSION STATEMENT

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.
GOVERNANCE MODEL
The Long Island Power Authority is governed by a local Board of Trustees. The Board supervises, regulates, and sets policy for LIPA. The Board consists of nine Trustees, five of whom are appointed by the Governor, two by the Temporary President of the State Senate, and two by the Speaker of the State Assembly.

The Trustees serve for staggered four-year terms. The LIPA Reform Act of 2013 requires that all Trustees reside on Long Island or in the Rockaways and have relevant utility, corporate board, or financial experience. Trustees are not compensated for their service.

STRATEGIC DIRECTION BY THE BOARD
The Board has defined LIPA’s mission as enabling clean, reliable, and affordable electric service for our customers. The Board has adopted a series of policies related to LIPA’s mission, operations, and governance. For each Board Policy, the Board has specified required performance reports by management that allow the Board to monitor the Authority’s performance relative to its policies.

For more information about the Board’s Policies, please visit lipower.org/mission.
OUR VISION: CLEAN, LEAN, AND CUSTOMER-FIRST
An electric utility for Long Island and the Rockaways that is focused on our customers’ needs, providing clean, reliable energy, at the least possible cost.
LIPA’s Strategic Planning Process

LIPA’s strategic planning process begins with its Board of Trustees. The Board approves LIPA’s Mission and Vision and related Board Policies. These documents define the Board’s aspirations for delivering electric service to customers and all significant aspects of the Trustee’s expectations for LIPA’s management team.

LIPA’s Chief Executive Officer and management team are responsible for developing budgets, projects, oversight activities, and performance metrics to fulfill the Board’s goals. The management team incorporates these plans into a multi-year Strategy with annual Budgets and Work Plans.

MISSION
LIPA is a not-for-profit public utility with a mission to enable clean, reliable, and affordable electric service for our 1.1 million customers on Long Island and in the Rockaways.

VISION
A trusted partner to our community, using innovation and continuous improvement to provide clean, reliable energy at the least possible cost. An industry leader known for our focus on our customers’ needs.

BOARD POLICIES
LIPA’s Board Policies relate to critical areas of our business and guide LIPA’s management related to achieving our Mission and Vision. The Board Policies are reviewed and monitored annually by the Board and revised as appropriate. The Board’s Policies are available on LIPA’s website.

STRATEGY
LIPA’s Clean, Lean, and Customer-First Strategy is a multiyear view of the key themes or types of initiatives that management must execute to further the Mission and Vision. The Strategy reflects an assessment of LIPA’s current state and the types of activities necessary to achieve LIPA’s Vision. LIPA’s management translates our Strategy into Work Plans through an annual planning process.

WORK PLAN
LIPA’s annual Work Plan turns our Strategy into budgets, projects, oversight activities, and performance metrics. Management provides the Work Plan to the Board of Trustees at the beginning of each year. Progress made in completing the Work Plan projects is reported back to the Board after the end of each year. Work Plan projects may be related to LIPA operations or LIPA’s oversight of our service provider, PSEG Long Island.

LIPA does all of this work in a manner that demonstrates its commitment to its core values of Service, Collaboration, and Excellence.
Our Values

LIPA has three values that distinguish our utility and describe how our employees work every day:

Service
In all our actions, we serve our customers, community, and the environment.

Behaviors:
- Responsible
- Efficient
- Make Well-Informed Decisions

Collaboration
We leverage the abilities of our colleagues and stakeholders to benefit our customers.

Behaviors:
- Embrace Diverse Perspectives
- Communicate Openly
- Build Trust

Excellence
We build on our successes, celebrate our wins, and learn from our mistakes.

Behaviors:
- Deliver on our Promises
- Continuously Improve on our Performance
An Overview

This annual report provides an overview of the accomplishments made on 2020 Work Plan projects. It also summarizes the projects LIPA’s management intends to undertake in 2021 to continue towards the Board’s aspirations for a Clean, Lean, and Customer-First utility for Long Island and the Rockaways.

For additional information regarding LIPA’s financial position and results of operations, see LIPA’s 2021 Budget.

Each year, LIPA’s management team reports to the Board of Trustees on key accomplishments from the prior year and Work Plans for the coming year. The planning process ensures that LIPA and its service providers prioritize the activities that provide the most significant value to our customers and continue to move us towards the Board’s goals for our customers and our service.

This annual report, along with the annual reports on each Board Policy, assists the Board in monitoring LIPA’s activities and organizational progress towards the Board’s Vision.

This report includes highlights of LIPA’s 2020 accomplishments and planned projects for 2021. Appendices A and B contain the complete list of 2020 Accomplishments and 2021 Work Plan projects.
4 2020 Work Plan Accomplishments

The 2020 Work Plan identified 37 projects or activities to further LIPA's Vision and the Board’s Policies in critical areas such as customer service, reliability, clean energy, and affordability. Through the end of 2020, LIPA staff has completed 24 of those 37 projects and made substantial progress on the remaining 13 initiatives. Some projects are multiyear activities. For multiyear projects, LIPA management monitors project milestones weekly to ensure that the project remains on schedule. LIPA also routinely adds projects throughout the year as circumstances emerge and change. The following are highlights of LIPA's performance in 2020.

CLEAN: CARBON-FREE, RELIABLE ENERGY BY 2040

Running LIPA Clean means meeting New York State’s aggressive climate goals and providing Long Island with 100 percent carbon-free energy by 2040. And it means enabling other sectors of the economy, like transportation and buildings, to decarbonize through the use of electricity. To meet our share of New York’s goals, LIPA will need:

- 750 megawatts (MW) of distributed solar by 2025;
- 30,000 customer-sited heat pumps by 2025;
- 180,000 light-duty electric vehicles (EVs) by 2025;
- 375 MW of battery storage by 2030; and
- 1,125 MW of offshore wind by 2035.

Figure 1 shows LIPA’s progress so far. While we are on track, we still have a lot to accomplish.

FIGURE 1
Long Island’s Clean Energy Scorecard

705 MW of 750 MW of distributed solar by 2025
5,250 of 30,000 customer-sited heat pumps by 2025
17,000 of 180,000 light duty electric vehicles by 2025
12.8 MW of 375 MW of battery storage by 2030
130 MW South Fork Wind Farm plus 82 MW NYSERDA credits towards 1,125 MW offshore wind by 2035
Here are some of the ways LIPA advanced its clean energy goals in 2020:

- Supporting the permitting of the transmission cable for New York’s first offshore wind project, the 130 megawatt (MW) South Fork Wind Farm;
- Studying the transmission reinforcements required to support the State’s goal of 9,000 MW of offshore wind and beginning the approval process for necessary transmission projects to integrate high levels of offshore wind on Long Island;
- Signing a power purchase agreement for a 23 MW utility-scale solar project in Calverton;
- Soliciting 25 MW of community solar projects to expand access to renewable power for qualifying low- and moderate-income residents and help address climate equity;
- Retiring 68 MW of peaking units at Glenwood Landing and West Babylon in 2020 and 2021;
- Approving five new time-of-use rate designs for residential and small business consumers, including a new off-peak electric vehicle (EV) charging rate, providing customers with an opportunity to save money by using electricity when it is cleaner and less expensive for LIPA to provide;
- Advancing the State’s goal of 180,000 EVs on Long Island by 2025 by enrolling 1,000 EV owners in Smart Charge off-peak charging program (an approximately 25 percent discount for overnight charging), rebating 900 residential EV smart chargers, and issuing demand incentives to 115 DC EV fast charging ports;
- Issuing rebates and incentives for 5,250 air source heat pumps towards a goal of 30,000 carbon-reducing heat pumps by 2025; and
- Partnering with New York State Parks to open a world class Energy and Nature Center at Jones Beach State Park to showcase ways visitors can become conscientious stewards of our environment and smart energy consumers.
LEAn: Electricity at the Lowest Possible Cost

Operating Lean means achieving a balance between cost and service to get the most out of every dollar. Highlights of LIPA’s activities in 2020 to Operate Lean include:

- Belt-tightening actions for 2021 to 2023, including deferring $60 million of existing projects from the Capital Budget and $150 million of new Capital initiatives; and cutting $15 million from the Operating Budget and deferring $80 million of new operating initiatives;
- Refinancing bonds for an estimated $70 million of present value interest savings;
- Studying the retirement of 400 to 600 MW of excess fossil fuel plant capacity with announcements in early 2021;
- Settling decade-long litigation with the Huntington Town Board and Northport-East Northport School District to gradually reduce taxes on the Northport Power Station. This agreement, combined with the previous settlement for the Port Jefferson Power Station, maintains hundreds of millions of tax benefits for the host communities while saving LIPA’s customers $364 million through 2028;
- Benchmarking PSEG Long Island’s asset management practices to the International Organization for Standardization (ISO) 55001 international standard and making recommendations for improvements;
- Making recommendations to improve the functioning and efficiency of PSEG Long Island’s budget development and monitoring practices and Enterprise Risk Management practices; and
- Reviewing and making recommendations to PSEG Long Island to manage staffing and overtime for planned and unplanned work more effectively.
CUSTOMER-FIRST: FOCUS ON OUR CUSTOMERS’ NEEDS

For LIPA, Customer-First means exceeding our customers’ expectations reliably and responsively. Highlights of LIPA’s activities that put our Customers First in 2020, include:

• Investigating PSEG Long Island response to Tropical Storm Isaias in August 2020 and making nearly 100 recommendations to improve PSEG Long Island’s management, emergency management, and information technology to address management failures during the storm;¹

• Submitting a report to the Board on the Options for the Management of LIPA Assets, which identifies opportunities to improve management accountability and alignment with Long Island customers and an alternative to save up to $815 million through 2033 by managing LIPA’s assets directly; and

• Continuing record investment levels of $802 million for 2020 – roughly three times those of a decade ago – into customer satisfaction and reliability, including storm hardening and Smart Meters, which provide better service at less cost.

The LIPA Board also took actions to ensure that customers impacted by the COVID-19 pandemic had access to essential electric service. The Board:

• Suspended customer terminations and late payment charges;
• Extended the grace period for low- and moderate-income customers to renew bill discounts;
• Suspended reconnection fees for commercial customers who disconnect electric services during pauses in business activity;
• Eased repayment terms for customers entering into deferred payment agreements; and
• Increased customer bill assistance to $17.6 million in 2021 – quadrupling the five prior years’ average funding level.

See Appendix A for a complete list of the significant projects advanced by LIPA management during 2020.

¹ See Isaias Task Force 90-Day Report
2021 Work Plan Projects

At the beginning of each year, LIPA’s management presents the Board with a Work Plan to advance the Board’s Vision for a Clean, Lean, and Customer-First utility for our customers. The planning process ensures that LIPA and its service providers prioritize the activities and projects that provide the greatest value to our customers and continue to move us forward in a rapidly changing industry.

The annual Work Plan summarizes the projects that LIPA’s management will undertake to further the Board’s Vision and Policies, including (1) those related to LIPA’s direct responsibilities, such as financing, wholesale markets policy, or rates and tariffs; and (2) oversight of the services provided to LIPA contractually by PSEG Long Island, National Grid, and other service providers. The projects in the Work Plan go beyond the day-to-day responsibilities of LIPA’s staff. During the year, LIPA’s management reviews the Work Plan weekly, and sometimes projects are added, revised, delayed, or canceled due to changing priorities. We will report back to the Board on the 2021 Work Plan’s accomplishments at the first Board meeting of 2022.

As discussed above, 2021 will be a year of significant change for LIPA as we pursue options for different operating models going forward. The uncertainty around that requires that our plans include flexibility to adapt to changing circumstances. Therefore, management has separated the 2021 projects into Tier 1 projects, which are “must do’s,” and Tier 2 projects, which may be delayed based on changing priorities during the year. Below are highlights of the Tier 1 projects for 2021, including oversight activities.
CLEAN: CARBON-FREE, RELIABLE ELECTRICITY BY 2040

LIPA will advance the clean energy goals of the State and the Board by:

• Conducting a new Integrated Resource Plan to determine the least-cost mix of generation and transmission to ensure continued system reliability while planning for an orderly transition away from fossil fuels;

• Issuing a request for proposals for 175 to 200 MW of utility-scale energy storage to help address offshore wind intermittency and ensure that LIPA meets its share of New York’s storage goals;

• Advancing State approvals for necessary transmission infrastructure to allow developers to interconnect high levels of offshore wind to the Long Island electric grid;

• Contracting with the New York State Energy Research and Development Authority (NYSERDA), who will act as LIPA’s procurement agent for 100 to 200 MW of Renewable Energy Credits, to supplement LIPA’s clean energy procurements;

• Investing in EV make-ready infrastructure to support 24 DC fast chargers and 254 level two chargers;

• Signing up 1,000+ customers for residential EV smart charger rebates and enrolling up to 245 new DC fast charging ports in demand incentives;

• Enrolling another 1,000+ EV owners in Smart Charge off-peak charging rewards;

• Supporting over 5,000 new heat pumps through rebates and incentives, simultaneously lowering customer’s bills and carbon footprint; and

• Adding new capability for customers to use on-bill financing for heat pumps to pay for this money and carbon saving technology at a low-interest cost over time.
LEAN: ELECTRICITY AT THE LOWEST POSSIBLE COST

To stay focused on operating Lean, LIPA will:

- **Reform the budget development process** with PSEG Long Island to ensure alignment between budgets and work plans and enhanced accountability and transparency, including more robust variance monitoring. These changes will uncover further opportunities to operate our business efficiently and better allocate our resources to our most important priorities;

- Complete studies of generation retirements and **retire 400 to 600 MW of excess Long Island fossil-fuel generation** over the next several years;

- Advance either a settlement or litigation to reduce the **excessive tax bills** on the Glenwood Landing and E.F. Barrett Power Plants in Nassau County;

- Prepare and file the **$225 million Tropical Storm Isaias claim** with the Federal Emergency Management Agency with appropriate support, reducing the storm costs for our customers;

- Continue to advance **revised cost allocations for transmission and gas transportation services** at the Federal Energy Regulatory Commission and Public Service Commission to address formulas that overburden LIPA with excess costs for the services rendered;

- Deploy **data analytics** to evaluate PSEG Long Island’s **fleet management** practices; and

- Enhance the PSEG Long Island **Enterprise Risk Management** program to achieve greater transparency, better risk analysis, and improved monitoring of risk mitigation plans.
CUSTOMER-FIRST: FOCUSED ON OUR CUSTOMERS’ NEEDS

To demonstrate our continued commitment to our customers, LIPA will:

• Better align accountabilities and responsibilities with our customers by either terminating or substantially renegotiating our contract with PSEG Long Island to address the systematic management failures uncovered by LIPA’s investigation of PSEG Long Island’s response to Tropical Storm Isaias;

• Oversee PSEG Long Island’s implementation of nearly 100 reforms ordered by the LIPA Board to enhance management, emergency management, and information technology at our service provider;

• Advance LIPA’s claim and seek recovery of $70+ million in damages due to PSEG Long Island’s mismanagement of LIPA’s assets so that our customers do not bear the costs of these failures;

• Complete a 270-day final report by the Isaias Task Force to make additional recommendations and inform the Board and public about the progress in addressing the PSEG Long Island management failures during the storm;

• Seek legislation to permit the refinancing of LIPA debt for savings and to fund additional storm hardening at a lower cost to our customers;

• Conduct an independent review of the PSEG Long Island cybersecurity program and information and operational technology and communication infrastructure to ensure robustness in serving our customers;

• Develop new metrics for analysis of emergency response effectiveness and implement oversight process improvements, including analytical assessments;

• Continue to advance record investments in customer satisfaction and reliability, including new electric rate pricing plans, online tools, smart meters, and resiliency investments; and

• Simplify the Long Island Choice program to provide customers and communities with more choices while ensuring pricing appropriately reflects the cost of serving customers.

See Appendix B for a complete list of LIPA’s 2021 projects.
Conclusion

This coming year will perhaps be the most significant in LIPA’s 22-year history as the electric grid owner serving Long Island and the Rockaways. We face important decisions regarding whether to continue our business relationship with our service provider, PSEG Long Island. We must also continue to pursue projects and activities that will help us meet the Board’s Vision for a Clean, Lean, and Customer-First utility for our customers. Our plans for the year ahead are ambitious but achievable for the betterment of Long Island and our customers.
## 2020 Work Plan Accomplishments

### GOAL 1
**Team Lead:** Bobbi O'Connor  
**Goal Description:** Generate a policy that documents all of the components of LIPA's strategic planning process, establishes an executive committee to coordinate and oversee the process and identifies the individuals involved in the process and the roles they play.  
**End of Year Status:** Complete  
**Task Completed:** Policy establishing the executive committee has created a very robust method of monitoring the status of LIPA's significant work plan projects.

### GOAL 2
**Team Lead:** Bobbi O'Connor  
**Goal Description:** Benchmark status of strategic planning process against peers or established maturity model to identify strengths and weaknesses and implement changes as appropriate.  
**End of Year Status:** Complete  
**Task Completed:** Discussed LIPA's strategic planning process with peers at three other large public power companies to compare processes and identify process improvements resulting in process improvements to incorporate risk analysis into the budgeting process.

### GOAL 3
**Team Lead:** Bobbi O'Connor  
**Goal Description:** Create a communications plan to engage employees in the components of the strategic planning process (including project plans, budgets and metrics) and explain the timing and interplay between the components.  
**End of Year Status:** Complete  
**Task Completed:** Identified opportunities to communicate aspects of the strategic planning process to the entire organization including presenting at employee staff meetings and writing an article in the monthly newsletter.

### GOAL 4
**Team Lead:** Corey Horowitz  
**Goal Description:** Leverage risk analyses to enhance business processes for LIPA and PSEG Long Island; pilot one department at LIPA and one at PSEG Long Island and present findings to Senior Staff. Identify lessons-learned and develop the process to integrate into other business processes. For LIPA we will pilot the process for strategic planning, for PSEG Long Island the pilot will be for SOS prioritization.  
**End of Year Status:** Complete  
**Task Completed:** Worked with LIPA's human resources and audit departments to leverage risk analysis to help prioritize work flows, resulting in an 18-month human resource roadmap for strategic priorities and an audit plan focused on operational audits of the key risk areas of the business. ERM integration into PSEG Long Island’s SOS prioritization process was deferred due to issues with staff time and funding and the project switched focus to working with PSEG Long Island’s internal audit department to include ERM analysis into their audit universe.
### GOAL 5
**Team Lead:** Bobbi O’Connor  
**Goal Description:** Develop trustee onboarding program to introduce new trustees to key areas of LIPA’s business and familiarize them with LIPA’s governance model.  
**End of Year Status:** Complete  
**Task Completed:** Developed a program to provide ongoing training for trustees across the key areas of LIPA’s business. Conducted workshops on governance, storm response, and risk management. Schedule was extended into 2021 at the request of trustees to allow focus to be on post-Isaias issues.

### GOAL 6
**Team Lead:** Bobbi O’Connor  
**Goal Description:** Lead relationship management strategic initiative with appropriate deliverables in 2020.  
**End of Year Status:** Complete  
**Task Completed:** LIPA retained a third-party consultant to identify areas for improvement and areas that are working well in the relationship. LIPA and PSEG Long Island leadership met four times in 2020 to discuss process improvements.

### GOAL 7
**Team Lead:** Corey Horowitz  
**Goal Description:** Maturity model for PSEG Long Island’s asset management.  
**End of Year Status:** Complete  
**Task Completed:** LIPA retained a third-party consultant to review PSEG Long Island’s asset management practices and make recommendations for process improvements which will be implemented beginning in 2021.

### GOAL 8
**Team Lead:** Bobbi O’Connor  
**Goal Description:** Review LIPA’s mission, vision and values and revise to incorporate themes identified in 2019 strategic planning process and employee feedback.  
**End of Year Status:** Running Behind  
**Task Completed:** LIPA reviewed and refreshed its values which are now Service, Collaboration, and Excellence. This project is running behind because review of LIPA’s mission and vision was deferred until 2021 at the request of trustees to allow focus to be on post-Isaias issues.
### GOAL 9

**Team Lead:** Jen Hayen  
**Goal Description:** Build out the issue fact sheets on LIPA’s website. Fact sheets will provide concise information and data on major policy issues.  
**End of Year Status:** Complete  
**Task Completed:** Generated issue-based fact sheets on key areas of the business including undergrounding, storm hardening, oversight of LIPA and PSEG Long Island, storm response oversight, distributed solar, community choice aggregation, Tropical Storm Isaias frequently asked questions, and more. Fact sheets were posted to the LIPA website and distributed to key LIPA stakeholders.

### GOAL 10

**Team Lead:** Jennifer Hayen, Thomas Locascio  
**Goal Description:** Strategic Communications — Implement brand & communications strategy. Implementing a brand strategy can enhance reputation, attract talent, increase employee engagement, and give clarity to LIPA's role on Long Island.  
**End of Year Status:** Running Behind  
**Task Completed:** LIPA reviewed, and has already implemented, a few key elements of brand strategy. This project is running behind because branding and communication strategies are dependent on business options being considered by LIPA in response to PSEG Long Island's response to Tropical Storm Isaias.

### GOAL 11

**Team Lead:** Jen Hayen  
**Goal Description:** Create a “history of LIPA” (pamphlet and digital format for intranet) for LIPA website and employees from the LILCO history, employee history, and other sources that explains LIPA’s past and where we’re headed, including use of photos of LIPA’s assets to create a connection in the office to our business and tell our story.  
**End of Year Status:** Running Behind  
**Task Completed:** Content is near final, and last steps are needed to complete this goal. The project was delayed as it was ranked as a lower priority project, and the in-office deliverable will be in conjunction with the final configuration of the LIPA suite reimagined after COVID-19.

### GOAL 12

**Team Lead:** Barbara Ann Dillon, Jen Hayen, Thomas Locascio  
**Goal Description:** Update LIPA’s Office Suite Photos Using Asset Photos. Update LIPA Office Suite messaging to communicate Vision and Values. Displaying photos of LIPA’s assets is an effective reminder and a good opportunity to provide information to guests and staff about our business and the purpose of our efforts and contributions.  
**End of Year Status:** Running Behind  
**Task Completed:** This project is running behind because the configuration of the office is being reconsidered in light of COVID-19.
<table>
<thead>
<tr>
<th>Goal</th>
<th>Department</th>
<th>Team Lead</th>
<th>Goal Description</th>
<th>End of Year Status</th>
<th>Task Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOAL 14</td>
<td>Finance</td>
<td>Chris Digilio</td>
<td>2020 Finance Plan</td>
<td>Complete</td>
<td>Developed the Detailed 2021 Finance Plan to issue Medium Term Notes and new money bonds to support the 2021 capital budget which was approved by the Board of Trustee in December 2020.</td>
</tr>
<tr>
<td>GOAL 15</td>
<td>Finance</td>
<td>John Little</td>
<td>Conduct financial strategy review and create new PFM report.</td>
<td>Complete</td>
<td>Analyzed LIPA Board financial policy to ensure metrics continue to meet our long-term financial goals. PFM provided recommendations which the Board adopted in the December 2020 meeting.</td>
</tr>
<tr>
<td>GOAL 16</td>
<td>Finance</td>
<td>Gerry Ring</td>
<td>Transition power Markets planning to new platform to improve documentation. Ensure LIPA have approval rights to changes to the model. Eliminate the weaknesses of excel based modeling and thereby strengthen controls over the overall model. Transition annual budgeting process to new platform.</td>
<td>Complete (Phase 1)</td>
<td>Obtained PSEG Long Island concurrence on the need for a single-model automated platform to develop and monitor LIPA's consolidated budget. Project in 2021 will improve budgeting process as well as review the best available software to implement.</td>
</tr>
<tr>
<td>GOAL 17</td>
<td>Finance</td>
<td>Chris Digilio</td>
<td>Implement end-to-end comprehensive review of treasury operation processes to facilitate efficiencies through incorporation into new ERP process.</td>
<td>Complete</td>
<td>End-to-end comprehensive review and assessment of treasury operations process was completed and execution of the recommendations is in progress.</td>
</tr>
<tr>
<td>Department:</td>
<td>Finance</td>
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</tr>
</tbody>
</table>
| **GOAL 18** | Team Lead: Chris Digilio  
Goal Description: Issue Letter of Credit RFP.  
End of Year Status: Complete  
Task Completed: Completed RFP, six banks were awarded and four of the six Lines of Credit were amended and/or renewed. |
| **GOAL 19** | Team Lead: Chris Digilio  
Goal Description: Issue RFP for investment banking services.  
End of Year Status: Complete  
Task Completed: Completed RFP and selection of investment banker underwriter pool. |
| **GOAL 20** | Team Lead: Gerry Ring  
Goal Description: Ensure that PSEG Long Island has staffing and overtime plans (resource loading plans) in place that effectively and efficiently address planned and unplanned workload. This includes the development of a new Monthly Overtime Report that enables PSEGLI to report on the planned and actual use of Overtime.  
End of Year Status: Complete  
Task Completed: Obtained regular reporting from PSEG Long Island to assure their review of continued use of overtime and ensure top-earners are appropriately awarded overtime as directed by union contract rules. |
| **GOAL 21** | Team Lead: Chris Digilio  
Goal Description: Private Business Use Certificate Review  
End of Year Status: Complete  
Task Completed: Revised Private Business Use Certificate completed. |
| **GOAL 22** | Team Lead: Chris Digilio  
Goal Description: Update capital spending allocation policies and procedures.  
End of Year Status: Complete  
Task Completed: Updated LIPA policy on tracking tax-exempt financed utility plant additions which identified efficiencies and implemented improvements in the monthly process. |
| **GOAL 23** | Team Lead: Chris Digilio  
Goal Description: Review USDA legislation and advocate for any changes that may produce economic benefits.  
End of Year Status: In Progress  
Task Completed: Drafted proposed USDA legislation amendments to be introduced for consideration in 2021 to gain economic benefits for our customers. |
## GOAL 24

**Team Lead:** Chris Digilio  
**Goal Description:** Complete all work necessary to pull the trigger on execution of a prepay transaction when market opportunity presents itself, including completion of RFP and vetting of transaction with OSC.  
**End of Year Status:** Running Behind  
**Task Completed:** Significant delays due to Office of State Comptroller resource challenges from COVID-19 and in-depth review of the complex transaction.

## GOAL 25

**Team Lead:** Chris Digilio  
**Goal Description:** Update record retention policy associated with Authority bond issuances.  
**End of Year Status:** Running Behind  
**Task Completed:** Delayed due to timing of final audit report.

## GOAL 26

**Team Lead:** Barbara Ann Dillon  
**Goal Description:** Complete new process for succession planning to implement industry best practice.  
**End of Year Status:** Complete  
**Task Completed:** Reviewed and revised our leadership competency framework to identify and define the competencies required for success and LIPA’s Officers and Directors were assessed against these competencies to measure potential and readiness for succession and advancement. A summary of potential & succession readiness of Officers & Directors, and a list of high-potential Managers, was prepared for the CEO. An Officer succession heat map was created to show either gaps or successor candidates and the readiness of these candidates. Finally, action steps were identified to address gaps and to develop staff as successors.

## GOAL 27

**Team Lead:** Barbara Ann Dillon  
**Goal Description:** Employee Engagement — Increase employee engagement initiatives at the department level. Increase overall performance and productivity by improving employee engagement levels across the organization by aligning department and employee focus and priorities with LIPA strategy.  
**End of Year Status:** Complete  
**Task Completed:** While enterprise-wide engagement efforts continued, department leaders undertook a more active role in conducting engagement activities within their departments and directly with/for their teams. Department heads participated in a presentation about the critical role leadership plays to increase engagement. Successful, creative engagement initiatives were researched and LPA leadership was surveyed and asked to commit to selecting and delivering engagement activities for their departments.
## GOAL 28
**Team Lead:** Barbara Ann Dillon

**Goal Description:** Improve the interview process to support making the right hiring decisions to ensure we are hiring the appropriate person for the identified job using the competencies identified for job success, including by creating a uniform list of behavioral interview questions for different levels of hiring (analyst, manager, director and officer) based on industry best practices.

**End of Year Status:** Complete

**Task Completed:** New behavioral interview questions focus on how a candidate has handled different work situations in the past and require a candidate to provide concrete examples of skills and experiences that relate to the position. After identifying the competencies required for each employee level (Officer, Director, Manager, Individual Contributor) a library of competency specific questions was prepared based on best practice and peer research.

## GOAL 29
**Team Lead:** Barbara Ann Dillon

**Goal Description:** Create a 360-degree review that provides more useful assessments and is shorter, simpler and encourages comments and feedback.

**End of Year Status:** Complete

**Task Completed:** The annual 360-evaluation process was redesigned to be more focused and to solicit better feedback to employees by using a new, shorter template that requires qualitative answers to a few questions regarding an employee’s strengths and opportunities for development. Process improvements were also implemented so the 360-feedback, and the annual performance evaluation, provide actionable recommendations to include in employee annual development plans.

## GOAL 30
**Team Lead:** Barbara Ann Dillon

**Goal Description:** Create an 18-month HR roadmap outlining all inflight and contemplated HR programs and noting how all programs relate to one another.

**End of Year Status:** Complete

**Task Completed:** An 18-month roadmap was prepared to identify and prioritize all of HR’s initiatives and identifies resource needs, confirms that work is manageable and assists with prioritizing HR’s the top objectives. HR then shared the roadmap and briefed the Executive Committee and staff about the various initiatives and how they fit together to support and drive LIPA strategy.

## GOAL 31
**Team Lead:** Barbara Ann Dillon

**Goal Description:** Reimagining LIPA for Post Covid 19

**End of Year Status:** In Progress

**Task Completed:** In progress project to provide a safe, functional office environment during the pandemic and to design a post COVID workspace for a hybrid workforce (remote and in-office); fosters collaboration and communication, maximizes use of space and is agile to meet future staffing requirements.
<table>
<thead>
<tr>
<th>GOAL</th>
<th>Team Lead</th>
<th>Goal Description</th>
<th>End of Year Status</th>
<th>Task Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>32</td>
<td>Mujib Lodhi</td>
<td>Create a roadmap to enhance LIPA's cybersecurity program within three years. Implement 2020 Cybersecurity enhancements: C2M2 recommendations (wave 1 priority).</td>
<td>Complete</td>
<td>Conducted a thorough third party independent cybersecurity assessment to baseline LIPA's cybersecurity practices, policies, controls, and cybersecurity architecture. Developed a multi-year cybersecurity program that delineates the strategic objectives, management structure, business processes, and technology capabilities to implement safeguards to minimize and manage risk to acceptable levels. Implemented several cybersecurity initiatives to introduce new policies, technologies, controls, cyber architecture, and management processes to enhance LIPA's cybersecurity posture.</td>
</tr>
<tr>
<td>33</td>
<td>Mujib Lodhi</td>
<td>Migrate Management Audit System to GoalHub Platform for management and reporting Management Audit goals.</td>
<td>Complete</td>
<td>Migrated Management Audit System to a modern Platform to improve tracking and reporting of management audit recommendations.</td>
</tr>
<tr>
<td>34</td>
<td>Mujib Lodhi</td>
<td>Implement Phase I of LIPA's Enterprise Resource Planning system.</td>
<td>Complete</td>
<td>Successfully went-live with a state-of-the-art, integrated and flexible Enterprise Resource Planning (ERP) system to support Financial, Human Resources, and Procure-to-pay operations. This enterprise system will support current and future best practices and improve operations across the organization.</td>
</tr>
<tr>
<td>35</td>
<td>Brian Celleri</td>
<td>Upgrade audio visual technology in executive conference room and two small conference rooms to support video conferencing capabilities</td>
<td>In Progress</td>
<td>Completed the modernization of the Audio Visual Technology in the executive conference room to better facilitate virtual meetings and collaboration.</td>
</tr>
<tr>
<td>36</td>
<td>Danny Jagoda</td>
<td>Review and monitor IT metrics and consider the need for any additions, deletions, or modifications</td>
<td>In Progress</td>
<td>Completed the annual review of IT metrics.</td>
</tr>
<tr>
<td>Department: Innovation and Information Technology</td>
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<tr>
<td><strong>GOAL 37</strong></td>
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<tr>
<td>Team Lead: Brian Celleri</td>
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<tr>
<td><strong>Goal Description:</strong> Upgrade 40% of desktop hardware and operating system (Desktop/Laptop/Monitor/Windows 10) and selective Mac OS deployment based on users’ needs.</td>
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<td><strong>End of Year Status:</strong> Complete</td>
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<tr>
<td><strong>Task Completed:</strong> Completed the upgrade of LIPA's end-point infrastructure (desktop/laptop/tablets), including moving from Operating System (Windows 7) to Windows 10.</td>
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<td><strong>GOAL 38</strong></td>
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<tr>
<td>Team Lead: Brian Celleri</td>
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<tr>
<td><strong>Goal Description:</strong> Develop an information technology asset management program for LIPA systems, including updated policies and procedures for inventory management throughout the asset life-cycle.</td>
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<td><strong>End of Year Status:</strong> Complete</td>
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<tr>
<td><strong>Task Completed:</strong> Implemented a revised Asset Management program to ensure accurate and efficient tracking and management of LIPA's computing assets to improve management controls and strengthen security capabilities.</td>
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<td><strong>GOAL 39</strong></td>
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<tr>
<td>Team Lead: Danny Jagoda, Faisal Bhatti</td>
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<tr>
<td><strong>Goal Description:</strong> Create a multi-year roadmap for IT investments for planning and 2021 rate case.</td>
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<tr>
<td><strong>End of Year Status:</strong> Running Behind</td>
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<tr>
<td><strong>Task Completed:</strong> Developed roadmap for IT investments which will evolve as LIPA considers its business options as a result of PSEG Long Island’s response to Tropical Storm Isaías.</td>
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<td><strong>GOAL 40</strong></td>
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<tr>
<td>Team Lead: Mujib Lodhi</td>
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</tr>
<tr>
<td><strong>Goal Description:</strong> Create a multi-year LIPA data analytics roadmap/strategy, including easier data access for LIPA employees to PSEG data (e.g., data warehouse) and set up data analytics as a service within IT to help departments implement data analytics. Implement phase I (POC) for 2020. Identify and implement a 2020 data analytics use case for FO/OO. Increase collaboration and effectiveness between departments (FO and OO) through enhanced use of data analytics (Tableau) to enable customized analysis and routine reporting of PSEG LI information. Data Analytics - In partnership with Internal Audit, work with PSEG Long Island to develop a repeatable P-card exception reporting workflow to analyze 100% of the P-card transactions monthly.</td>
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<tr>
<td><strong>End of Year Status:</strong> Running Behind</td>
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<tr>
<td><strong>Task Completed:</strong> This project is running behind because resources had to be diverted to address PSEG Long Island’s response to Tropical Storm Isaías. In 2021, staff will create a multi-year LIPA data analytics roadmap/strategy, and set up data analytics as a service within IT to help departments implement utility data analytics to provide actionable intelligence to improve business performance.</td>
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</table>
## APPENDIX A

### Annual Work Plan Report

<table>
<thead>
<tr>
<th>Department:</th>
<th>Internal Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 41</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Kathleen Mitterway</td>
</tr>
</tbody>
</table>
| Goal Description: | The objective of the P-Card Robotic Process Automation Project is to:  
| | • Increase test coverage, by analyzing 100% of the PSEG Long Island P-Card transactions.  
| | • Eliminate manual testing and sampling with automated monitoring of processes.  
| | • Create a repeatable process which will increase PSEG Long Island  
| | • Begin using new data analytic tools, which will be expanded after implementing this first project |
| End of Year Status: | In Progress |
| Task Completed: | Developed a P-Card Robotic Process Automation workflow to analyze 100% of the PSEG Long Island P-Card transactions monthly. |

<table>
<thead>
<tr>
<th>Department:</th>
<th>Legal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 42</strong></td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Anna Chacko</td>
</tr>
<tr>
<td>Goal Description:</td>
<td>Policy Management -- Inventory all departments to create written policies and procedures for all material functions and develop a “policy on policies” setting forth criteria by which policies may be promulgated and developed departmentally or by authority of the CEO.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Complete</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Developed repository for, and oversaw generation of, policies related to all key areas of the business to facilitate knowledge capture and transfer.</td>
</tr>
</tbody>
</table>

| **GOAL 43** |                 |
| Team Lead:  | Maria Gomes |
| Goal Description: | Develop process for annual review of LIPA vendors. |
| End of Year Status: | Complete |
| Task Completed: | Developed survey questions incorporating input from the various departments. Identified and tested portal to facilitate surveys launching 2 test surveys for 2 vendors; after successful testing, portal was utilized to review actual vendor. |

<p>| <strong>GOAL 44</strong> |                 |
| Team Lead:  | Anna Chacko |
| Goal Description: | Review structure of 1997 deal and determine whether the underlying rationale for LILCO still exists. |
| End of Year Status: | In Progress |
| Task Completed: | Concluded that LILCO can and should be merged into LIPA based on conversations with corporate and tax counsel. |</p>
<table>
<thead>
<tr>
<th>Department:</th>
<th>Legal</th>
</tr>
</thead>
</table>

**GOAL 45**

<table>
<thead>
<tr>
<th>Team Lead:</th>
<th>Elisa Rodriguez, Jim Miskiewicz, Maria Gomes, Mujib Lodhi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Description:</td>
<td>With IT project management, procure and customize document management system that integrates record retention policy across LIPA. The objective is to provide all LIPA staff with a digitally-based document management system that is easy-to-use within normal work, provides institutional knowledge as well as litigation functionality through a user-friendly search function, and integrates with a hosting, cloud-based system that retains and automatically disposes of records in compliance with state and federal law and regulation as applicable. The digital system would also, in time, serve as a replacement to costly paper archiving.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>In Progress</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Performed needs analysis with LIPA departments to determine requirements for updated document management system. Developed record retention policy.</td>
</tr>
</tbody>
</table>

**GOAL 46**

<table>
<thead>
<tr>
<th>Team Lead:</th>
<th>Anna Chacko</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Description:</td>
<td>Oversee analysis by PSEG Long Island of NGRID properties to determine if ownership is more beneficial than current lease arrangements with National Grid. Reduce cost to LIPA, if possible.</td>
</tr>
<tr>
<td>End of Year Status:</td>
<td>Running Behind</td>
</tr>
<tr>
<td>Task Completed:</td>
<td>Studied the call center and the primary transmission control center. Both efforts were unsuccessful for different reasons. Made recommendations for the Board's consideration to improve real estate management in 2021.</td>
</tr>
</tbody>
</table>
### GOAL 47

**Department:** Office of the Controller  
**Team Lead:** Donna Mongiardo  
**Goal Description:** Bifurcate National Grid and LIPA poles and evaluate revenue optimization opportunities for the telecommunication portfolio after bifurcation is completed.  
**End of Year Status:** Complete  
**Task Completed:** LIPA ensured PSEG Long Island bifurcated the telecommunication leases from National Grid by December 31, 2020 allowing LIPA to earn its 100% share of the lease payments and eliminate National Grid’s management of such master leases which were never transitioned after PSEG Long Island became service provider.

### GOAL 48

**Department:** Operations Oversight  
**Team Lead:** Donna Mongiardo  
**Goal Description:** Develop a FEMA process for close-out of 428 grant that streamlines consultant review of documentation and most efficiently provides for collection of the remaining funds under the letter of understanding.  
**End of Year Status:** Complete  
**Task Completed:** LIPA reviewed the mitigation circuit binders with NYS Dept of Homeland Security and ensuring they concurred with FEMA on the documentation necessary in such binders. A bi-weekly meeting with all related parties ensure a constant submission of additional circuits to obtain a complete review of all circuit binders within a 2-year period.

### GOAL 49

**Department:** Operations Oversight  
**Team Lead:** Donna Mongiardo  
**Goal Description:** Evaluate PSEG Long Island’s process for managing telecommunication assets and maximizing revenues from same.  
**End of Year Status:** Not Started  
**Task Completed:** This project was moved to 2021.

### GOAL 50

**Department:** Operations Oversight  
**Team Lead:** Tom Simpson  
**Goal Description:** Oversee PSEG Long Island’s completion of the mandated Northport repowering study by 4/1/20, including evaluation of possible retirement of one or more steam units.  
**End of Year Status:** Complete  
**Task Completed:** The report concluded that repowering would not produce net benefits for customers, but that retirement of one steam unit would produce significant savings without hurting reliability.

### GOAL 51

**Department:** Operations Oversight  
**Team Lead:** Donald J. Schaaf  
**Goal Description:** Undertake a survey of other utilities to identify best practices in storm response drills to maximize the benefit of PSEG Long Island’s drills.  
**End of Year Status:** Complete
### GOAL 52

**Department:** Operations Oversight  
**Task Completed:** The survey and assessment of PSEG Long Island’s storm drills were included in LIPA's 90-Day Report on Tropical Storm Isaias.

**Team Lead:** Timothy Lederer  
**Goal Description:** Oversee development of Deferred Payment Agreements Report to improve management of receivables.  
**End of Year Status:** Complete  
**Task Completed:** The report was completed and is being used by LIPA and PSEG Long Island to improve collection practices.

### GOAL 53

**Team Lead:** Mike Deering  
**Goal Description:** Oversee the development and implementation of multi-year (through 2025) energy efficiency program and budget consistent with NYS standards.  
**End of Year Status:** Complete  
**Task Completed:** Oversaw development and implementation of three-year plan that is three-year plan that will modified as needed to address legal and regulatory changes.

### GOAL 54

**Team Lead:** Dave Clarke  
**Goal Description:** Oversee completion of the offshore wind (OSW) transmission study in order to, (i) understand OSW interconnection costs by landfall location, (ii) understand optimum mix of OSW landfall on Long Island versus New York City (iii) advocate for an OSW Public Policy Transmission Need and (iv) inform plans for generation sites under the Power Supply Agreement.  
**End of Year Status:** In Progress  
**Task Completed:** PSEG Long Island completed a study of the optimal interconnection plan for 3,000 MW of offshore wind on Long Island, with another 6,000 MW connected to New York City. In July 2020 LIPA submitted a letter to the Public Service Commission recommending a public policy transmission need involving an additional intertie between Long Island and the Con Edison system. The Public Service Commission is reviewing the need as part of a broader power grid study to be completed in 2021.

### GOAL 55

**Team Lead:** Dave Clarke  
**Goal Description:** Represent LIPA customer interests in the Public Service Commission’s Resource Adequacy Proceeding, including advocating for appropriate allocation of costs for clean, dispatchable generating plants needed for integration of renewable resources.  
**End of Year Status:** In Progress  
**Task Completed:** LIPA submitted comments in the Resource Adequacy proceeding, advocating for fair treatment of renewable resources in the state’s electricity markets. Advocacy for fair treatment of renewable resource integration costs (both generation and transmission) is continuing through the Public Service Commission proceedings and the New York Independent System Operator’s stakeholder process.
<table>
<thead>
<tr>
<th>GOAL</th>
<th>Team Lead</th>
<th>Goal Description</th>
<th>End of Year Status</th>
<th>Task Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>56</td>
<td>Tom Simpson</td>
<td>Complete pending power purchase agreements for new utility-scale solar projects.</td>
<td>In Progress</td>
<td>The power purchase agreement (PPA) for the Calverton solar project was completed and approved in 2020. The PPA for the Riverhead solar project cannot be completed until the project’s Article 10 siting process is finished.</td>
</tr>
<tr>
<td>57</td>
<td>Rick Shansky</td>
<td>Develop a battery storage roadmap for LIPA’s share of New York State’s energy storage goals (1,500 MW statewide by 2025 and 3,000 MW by 2030) and oversee establishment and implementation of plans for meeting LIPA’s resulting 2025 goal (approx. 200 MW by 2025).</td>
<td>Running Behind</td>
<td>This project is running behind because additional analysis was required to develop the storage RFP. During 2020, assessment of distribution system opportunities was conducted and regulatory and contract structure issues were evaluated.</td>
</tr>
<tr>
<td>58</td>
<td>Donald Schaaf</td>
<td>Assess the efficiency and effectiveness of PSEG Long Island’s warehouse and inventory management practices and benchmark them against other utilities.</td>
<td>Running Behind</td>
<td>An independent consultant was engaged to review PSEG Long Island’s inventory management practices. Work was delayed by Tropical Storm Isaias. The consultant’s findings and recommendations will be included in LIPA’s 270-Day Report.</td>
</tr>
<tr>
<td>59</td>
<td>Donald Schaaf</td>
<td>Review the scalability of PSEG Long Island’s Emergency Response Plan to ensure it addresses severe storms and emergencies.</td>
<td>Running Behind</td>
<td>The scalability of systems, logistics, and staffing was assessed. Work was delayed by Tropical Storm Isaias. LIPA’s findings will be included in LIPA’s 270-Day Report.</td>
</tr>
<tr>
<td>60</td>
<td>Mike Simione</td>
<td>Oversee refinement and implementation of storm hardening proposal and circuit improvement plans for 2020-2024.</td>
<td>Running Behind</td>
<td>The performance of hardened circuits was assessed and the continuation of the mainline hardening program was determined to be the most cost-effective investment for 2021. Work was delayed by Tropical Storm Isaias. An assessment of hardening options for 2022 and beyond will be included in LIPA’s 270-Day Report.</td>
</tr>
<tr>
<td>GOAL 61</td>
<td>Team Lead:</td>
<td>Goal Description:</td>
<td>End of Year Status:</td>
<td>Task Completed:</td>
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<tr>
<td></td>
<td>Rick Shansky</td>
<td></td>
<td></td>
<td>This project is running behind schedule because discussion of contractual issues has extended longer than expected. During 2020, the NOx Compliance Plan was submitted and two unit retirements were announced.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GOAL 62</th>
<th>Team Lead:</th>
<th>Goal Description:</th>
<th>End of Year Status:</th>
<th>Task Completed:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Justin Bell</td>
<td></td>
<td></td>
<td>The Rate Modernization Roadmap was completed in early 2020, setting the agenda for planned changes to LIPA’s tariffs over the next several years. The initiatives are intended to keep pace with NY’s REV and VDER policies, implement rate changes that promote community distributed generation and electric vehicle penetration, and complement the activities envisioned for Utility 2.0.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GOAL 63</th>
<th>Team Lead:</th>
<th>Goal Description:</th>
<th>End of Year Status:</th>
<th>Task Completed:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Justin Bell</td>
<td></td>
<td></td>
<td>The Policy Advocacy Committee has been assembled to include the relevant participants from LIPA and PSEG Long Island. The committee meets monthly to address and promote the activities needed to define, analyze, and implement the policies that support LIPA’s mission and strategy.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GOAL 64</th>
<th>Team Lead:</th>
<th>Goal Description:</th>
<th>End of Year Status:</th>
<th>Task Completed:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Justin Bell</td>
<td></td>
<td></td>
<td>Researched all electric home initiatives and oversaw PSEG Long Island’s development of all electric home rebates, to be launched in 2021.</td>
</tr>
</tbody>
</table>
### GOAL 65
**Team Lead:** Justin Bell

**Goal Description:**
Oversee PSEG Long Island’s analysis of the long-term impacts (5 and 10 years out) of increased electrification on the sales forecast. Ensure that PSEG Long Island’s long-term sales forecast properly incorporates the impact of electrification of transportation, heating, and other sectors.

**End of Year Status:** Completed

**Task Completed:**
The source and criteria utilized on long term projections of electrification of transportation, heat pumps and energy efficiency was reviewed and found consistent with other forecasts. These projections were included in the final approved 2021 sales forecast.

### GOAL 66
**Team Lead:** Mark Smith

**Goal Description:**
Lead LIPA’s oversight of PSEG Long Island’s development and implementation of new on-bill financing programs. Ensure new on-bill program’s structure facilitates strategic objective of promoting electrification and contains appropriate controls that minimize socialization of costs.

**End of Year Status:** Completed

**Task Completed:**
A two-year on-bill pilot program for residential customers will be initiated in 2021. The focus of the loan program will initially be restricted to heat pumps. The loan program will utilize $10M of LIPA capital as funding for the customer loans.

### GOAL 67
**Team Lead:** Justin Bell

**Goal Description:**
Oversee rate pilots and modernization plan.

**End of Year Status:** Completed

**Task Completed:**
Rate pilots and modernization plans for updating the tariff have been proposed to and approved by the Board for 2020.

### GOAL 68
**Team Lead:** Justin Bell

**Goal Description:**
Ensure continuity of LIPA rates and tariff functions through knowledge transfer activities within the rates group.

**End of Year Status:** Completed

**Task Completed:**
Knowledge transfer plans have been prepared in 2020 for implementation in 2021 and continuously into the future, covering areas such as cost of service measurement, modern rate design, tariff review processes, and load research and analysis.

### GOAL 69
**Team Lead:** Mark Smith

**Goal Description:**
Implement process to monitor applicable New York State regulatory and legislative activity and plan for compliance with same.
### GOAL 70
**Team Lead:** Justin Bell  
**Goal Description:** Create a CCA and ESCO strategy for the DPS customer choice proceeding. Oversee development of CCA or CCA-like options and strategy for DPS proceeding.  
**End of Year Status:** In Progress  
**Task Completed:** DPS-led initiative to review LI Choice and CCA options on Long Island have been delayed at the request of outside participants. Initial comments were provided on time in December and the reply comments have been postponed until the second half of January 2021. DPS will determine the schedule for follow-on activities, which are expected to continue through 2021.

### GOAL 71
**Team Lead:** Ken Kane  
**Goal Description:** Create an oversight roadmap across LIPA and implement strategies in 2020 that advance that roadmap towards where we want to be in 5 years. Think longer term about where we want to be a few years from now so that we can work backwards and plan for the right tools, budgets and staff to meet our objectives.  
**End of Year Status:** Running Behind  
**Task Completed:** This project is running behind as revisions to Policy (CEO-POL-005) and agreement on a model annual oversight report took longer than anticipated. During 2020 the Policy was finalized, the report format agreed upon and several oversight Annual Reports were presented. Remaining reports to be presented by March 2021.
<table>
<thead>
<tr>
<th>Department: Administration</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 1</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td>Conduct a deep dive analysis of the top risks of PSEG Long Island. The analysis will include documenting the drivers which can cause the risk event to occur, an understanding of the consequences, and the mitigation actions currently being utilized to prevent it.</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td>Enterprise Risk Management (ERM)</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td>ERM Deep Dive on Top PSEG Long Island Risks</td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Team Goal</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td>The objective of this project is to provide LIPA and PSEG Long Island senior management with a critical view of the organization’s top risks along with the current mitigation strategies including projects dedicated to addressing the risk event. This will provide senior management the opportunity to modify mitigation actions where they deem it appropriate. The main objective is to reduce the probability that these significant risk events will occur.</td>
</tr>
<tr>
<td><strong>Deliverables:</strong></td>
<td>There will be meetings scheduled with senior management on all top risks of PSEG LI after a deep dive analysis is performed and mitigation actions are documented and evaluated by the ERM team.</td>
</tr>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Corey Horowitz</td>
</tr>
<tr>
<td><strong>GOAL 2</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td>Create a Diversity and Inclusion (D&amp;I) Roadmap that identifies and executes best practices to support a sustainable D&amp;I program</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td>Diversity &amp; Inclusion</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td>Create a Diversity &amp; Inclusion Road Map</td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Team Goal</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td>This Roadmap will provide a clear vision of LIPA’s 2-3 year plan for designing and executing a best practice D&amp;I strategy in furtherance of the Board’s Policy on Diversity and Inclusion. It will set out a wide range of initiatives to foster and promote a diverse and inclusive workplace and society in a sustained and systematic way.</td>
</tr>
<tr>
<td><strong>Deliverables:</strong></td>
<td>Provide a three-year strategic roadmap to help LIPA further develop a culture that values diversity and inclusion and sets out clear approaches and targets. It will set out our diversity and inclusion vision, our strategic goals and the steps we will take to realize this vision</td>
</tr>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Barbara Ann Dillon</td>
</tr>
<tr>
<td><strong>GOAL 3</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td>As part of LIPA’s business strategy, design a two-year learning and development (L&amp;D) strategy to develop LIPA’s workforce’s capabilities, skills and competencies and bring LIPA’s performance and the performance of individuals to the next level.</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td>Staffing &amp; Employment</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td>Develop a Multi-Year Training and Development Strategy</td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Individual</td>
</tr>
<tr>
<td>Department: Administration Tier 1</td>
<td></td>
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<tr>
<td><strong>Objectives:</strong> Create a training calendar, identify resources and deliver a 2-year L&amp;D plan that provides the training needed to support and develop employees in the competencies LIPA has identified as necessary for success, will bring us to the next level of performance and are how we measure and evaluate employees; and the values we are expected to model. The multi-year theme is Path to Success: People, Projects, Processes. Within this theme, training will use multiple training channels: On-line classes/seminars, virtual instructor led training, webinars, coaching.</td>
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<tr>
<td><strong>Deliverables:</strong> • A multi-year enterprise-wide training theme and calendar • Specific training identified, scheduled and delivered using the most effective and efficient means. • Twice a year employee surveys to gather feedback on training and to monitor training needs/requests.</td>
<td></td>
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<tr>
<td><strong>Team Lead:</strong> Barbara Ann Dillon</td>
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</table>

**GOAL 4**

**Description:** This project involves working with LIPA Subject Matter Experts (SMEs) to fully understand, identify areas that require additional development, and utilize the PSEG Long Island department risk profiles and their mitigation strategies to identify areas of risk that require priority attention.

**Strategic Initiative:** ERM

**Shortened Goal Name:** Utilization of PSEG Long Island Department Risk Profiles

**Goal Type:** Team Goal

**Objectives:** Enhance the ERM program to more closely partner with LIPA SMEs to better utilize PSEG Long Island department-level risk profiles and follow-up on the implementation and effectiveness of mitigation strategies for top risks and those requiring more thorough development of mitigation actions within each department at PSEG Long Island.

**Deliverables:** The deliverable will be joint presentations (ERM and LIPA department personnel) to the LIPA ERMC in 2021 on the top risks in each department, including drivers and mitigation strategies.

**Team Lead:** Corey Horowitz

**GOAL 5**

**Description:** Coordinate Board’s review of LIPA’s Policy Governance Model and implement necessary changes and recommendations from the Board.

**Strategic Initiative:** Governance

**Shortened Goal Name:** Policy Governance Model Review

**Goal Type:** Team Goal

**Objectives:** To facilitate the Board’s review of its governance model and implement resulting changes and process improvements, including any necessary amendments to existing Board Policies or creation of new policies.

**Deliverables:** Revised Policy Governance Model that reflects input from the Board.

**Team Lead:** Bobbi O’Connor

**GOAL 6**

**Description:** Implement a process for appropriate members of LIPA staff to provide feedback up to the Board of Trustees, as requested by the Board.
<table>
<thead>
<tr>
<th>Department: Administration</th>
<th>Tier 1</th>
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</thead>
<tbody>
<tr>
<td><strong>Strategic Initiative:</strong> Governance</td>
<td></td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong> 360-Reviews for LIPA Board</td>
<td></td>
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<tr>
<td><strong>Goal Type:</strong> Team Goal</td>
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<tr>
<td><strong>Objectives:</strong> In order to respond to the Board’s request to provide feedback on its performance from staff, we will implement a form of 360-review to provide members of staff who have significant interaction with the Board the opportunity to provide constructive and meaningful feedback to the Board related to its performance.</td>
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<tr>
<td><strong>Deliverables:</strong> An annual review of Board performance conducted by appropriate members of staff and coordinated by the CAO.</td>
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<tr>
<td><strong>Team Lead:</strong> Bobbi O’Connor</td>
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</tbody>
</table>

**GOAL 7**

<p>| Description: Provide training and coaching to enhance the effectiveness of the feedback provided to staff to drive performance and solicit feedback for continued development as a manager/leader. Feedback channels include monthly Check-Ins, Annual Performance Appraisal, preparing and monitoring annual development plans, and real-time feedback for improvement and recognition. |
| <strong>Strategic Initiative:</strong> Staffing &amp; Employment |
| <strong>Shortened Goal Name:</strong> Next Level Employee Feedback Project |
| <strong>Goal Type:</strong> Individual |
| <strong>Objectives:</strong> To provide critical and constructive feedback to employees to bring them to next level performance. This project will support management employees by providing training and coaching to: 1. Set and communicate high expectations regarding staff development and performance (moving from what it is to what it should be); 2. Provide candid and effective feedback; 3. Solicit and receive candid feedback from staff; and 4. Proactively address lingering performance issues. |
| ** Deliverables:** 1. Provide training on conducting effective performance evaluations (the written evaluation (January) and the performance evaluation meeting (March 15)); 2. Provide support on drafting development focused Annual Development Plans for each employee based on the performance evaluation and multi-rater (360) feedback (March 31); 3. Deliver training for department heads and directors on conducting effective staff meetings (April); 4. Enhance the Check-In process by shifting the focus from tasks/projects/work to an employee development focus by revising the template to focus on values, competencies and behaviors needed for success and the employee’s annual development plan; and coaching supervisors about providing employees the opportunity to regularly discuss their development and professional growth. 5. Develop quarterly anonymous employee survey for each department: - communicate with department employees the value and importance of their feedback - discuss survey results with department heads |
| <strong>Team Lead:</strong> Barbara Ann Dillon |</p>
<table>
<thead>
<tr>
<th>Department: Administration</th>
<th>Tier 1</th>
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<tbody>
<tr>
<td><strong>GOAL 8</strong></td>
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</tr>
<tr>
<td><strong>Description:</strong></td>
<td>Carry-over project: Preparing for a post-COVID Workplace</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td>Re-Imagine LIPA</td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Team Goal</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td>To prepare our workplace and our policies to support a post-COVID workforce.</td>
</tr>
<tr>
<td><strong>Deliverables:</strong></td>
<td>Post-COVID policies and an office environment to meet the needs of the organization and our workforce</td>
</tr>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Barbara Ann Dillon</td>
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<thead>
<tr>
<th>Department: External Affairs &amp; Communication</th>
<th>Tier 1</th>
</tr>
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<tbody>
<tr>
<td><strong>GOAL 9</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td>Complete the review of LIPA’s mission and vision and continue with progress on implementing a brand strategy.</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td>Governance</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td>Carryover: Brand Strategy</td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Team Goal</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td>An effective brand strategy can enhance reputation, attract talent, increase employee engagement, and give clarity to LIPA’s role on Long Island.</td>
</tr>
<tr>
<td><strong>Deliverables:</strong></td>
<td>Brand strategy provides a central, unifying idea around which all behavior, actions, and communications are aligned.</td>
</tr>
<tr>
<td><strong>Team Lead:</strong></td>
<td>Jennifer Hayen</td>
</tr>
</tbody>
</table>

| **GOAL 10**                                  |        |
| **Description:**                             | Develop quarterly newsletter to engage stakeholders on important and timely issues and activities related to LIPA’s operations. |
| **Strategic Initiative:**                    | Customer First |
| **Shortened Goal Name:**                     | Quarterly stakeholder newsletter |
| **Goal Type:**                               | Individual |
| **Objectives:**                              | Develop and issue a quarterly newsletter for stakeholders in addition to periodic constant contact updates on important and timely issues and activities. |
| **Deliverables:**                            | Issue quarterly newsletters tied into Trustees meeting agendas and coordinated with schedule of Community Advisory Board meetings. |
| **Team Lead:**                               | Jennifer Hayen |
### GOAL 11

**Description:** Identify and update financial policies for new ERP system processes.

**Strategic Initiative:** N/A

**Shortened Goal Name:** Update financial policies and control objectives

**Goal Type:** Team Goal

**Objectives:** Updates to financial processes and control objectives to ensure policies and controls are effective and efficient.

**Deliverables:** Updated financial policies.

**Team Lead:** Donna Mongiardo

### GOAL 12

**Description:** PSEG Long Island is engaging a consultant to study charging infrastructure needed to support Long Island's 2025 light-duty ZEV goal and evaluate fleet services programs. LIPA's 2021 project is to review the study results and determine any additional steps needed to create a long-term EV roadmap for Long Island.

**Strategic Initiative:** Clean

**Shortened Goal Name:** Evaluate results of PSEG Long Island’s EV consultant study and determine next steps toward 2025 EV goal and long-term EV roadmap

**Goal Type:** Individual

**Objectives:** Identify and map out programs and resources needed to achieve Long Island’s EV goals.

**Deliverables:** An assessment of PSEG Long Island's study results and recommended next actions for development of a long-term EV roadmap.

**Team Lead:** Mark Smith

### GOAL 13

**Description:** Under LIPA's direction, PSEG Long Island established a new regulatory tracking spreadsheet last year. However, updating is manual and updates are circulated by email. Opportunities to submit comments are occasionally missed or discovered late. Staffing and roles are not always clear. Project is to evaluate opportunities for improvement and then implement.

**Strategic Initiative:** N/A

**Shortened Goal Name:** Improve regulatory tracking and commenting process

**Goal Type:** Team Goal

**Objectives:** Establish a regulatory tracking process through which opportunities to comment are identified consistently and early, escalated appropriately, and decisions about whether to comment and “who does what by when” are made according to a clear and effective process.

**Deliverables:** A new regulatory tracking system and documented process.

**Team Lead:** Justin Bell
### GOAL 14

**Description:**
Review PSEG Long Island budget development process, make recommendations to strengthen the process in order to ensure department level budgets are aligned with workplans and the decision-making process provides for accountability and transparency. Develop a new Budget Development System that is robust, reliable and supports the enhanced budget process. The system should provide for budget development, budget forecasting and long-range planning required to support Power Markets needs.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Develop and implement a Budget Process Improvement Program and associated New Budget Development System

<table>
<thead>
<tr>
<th>Department:</th>
<th>Finance</th>
<th>Tier 1</th>
</tr>
</thead>
</table>
| **Objectives:** | - Strengthen PSEG Long Island budget planning process to ensure accurate budgets, improved planning, and more informative variance explanations.  
- Develop a unified, stable, flexible and transparent platform for budget development, financial planning, and monitoring.  
- System to be managed by LIPA and PSEG Long Island  
- System should provide for forecasting and what-if scenarios  
- System with built-in controls to reduce human error  
- Expandable to incorporate both published budget templates as well as drill down to supporting calculations and worksheets  
- Supports reporting of project balance sheet, capital structure, and associated ratios: Debt-to-asset ratio, 2.5% Delivery Revenue Test, Project Cost Variances |
| **Deliverables:** | 1. Recommendations on PSEG Long Island budget process  
2. New budget development system  
3. New platform for long-term modeling |

| Team Lead: | Gerry Ring |

### GOAL 15

**Description:**
The implementation of 2020 Treasury Operations Review project will incorporate the recommendations from the Treasury Management System & Process Assessment (implementation in process) with the opportunities from the ERP implementation to improve efficiency within the Treasury functions.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Treasury Operations Process Improvements

<table>
<thead>
<tr>
<th>Department:</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal Type:</strong></td>
<td>Team Goal</td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td>Enhancement of the Treasury department operations and deliverables through improvements in strategy and operations.</td>
</tr>
</tbody>
</table>
| **Deliverables:** | 1. Execute the plan to improve business processes  
2. Execute the plan to update policies/procedures where appropriate  
3. Execute the plan for Finance Long Term  
4. Execute the plan to improve Investor Relations  
5. Execute the plan to Integrate Finance in ERM framework  
6. Execute the plan to develop and implement Data Analytics |

| Lead: | Tamela Monroe |
### GOAL 16

**Description:** LIBOR is the global reference rate for unsecured short-term borrowing in the interbank market. It is utilized as a benchmark for short-term interest rates and is used for pricing in LIPAs swap agreements. The benchmark will be discontinued in the fourth quarter of 2021. The project is to convert the swaps to a new benchmark.

**Strategic Initiative:** N/A

<table>
<thead>
<tr>
<th>Shortened Goal Name</th>
<th>LIBOR benchmark transition</th>
</tr>
</thead>
</table>

**Goal Type:** Team Goal

**Objectives:** Convert the existing swaps which contain the LIBOR benchmark to a new benchmark.

**Deliverables:** Maintain an executable swap portfolio with appropriate documentation

**Team Lead:** Tamela Monroe

### GOAL 17

**Description:** Carried over from 2020, this goal is to develop and execute a strategy to ensure that the rates we charge CCA and ESCO customers appropriately reflect the cost of serving those customers and are consistent with State policy.

**Strategic Initiative:** Clean

<table>
<thead>
<tr>
<th>Shortened Goal Name</th>
<th>Develop and execute CCA/ESCO strategy</th>
</tr>
</thead>
</table>

**Value Ranking:** Tier 1

**Goal Type:** Team Goal

**Objectives:** Obtain Board approval of tariff changes needed to ensure that the rates we charge CCA and ESCO customers appropriately reflect the cost of serving those customers and are consistent with State policy.

**Deliverables:** Tariff proposal to update Long Island Choice. Proposal will likely include a new non-bypassable charge to CCA/ESCO customers, in place of the existing bill credit and adjustment process.

**Team Lead:** Justin Bell
### GOAL 18
**Department:** Innovation and Information Technology  
**Tier:** Tier 1

**Description:** Implement Carryover from 2020 Cybersecurity enhancements: C2M2 recommendations (wave 2 priority). Implementation of Administrative and Technical Controls Phase 1 thru 3.

**Strategic Initiative:** Physical and cyber security

**Shortened Goal Name:** LIPA Cyber Security Enhancements

**Goal Type:** Individual

**Objectives:** Implement cybersecurity initiatives identified in 2020 roadmap to enhance LIPA's cybersecurity by one level within three years.

**Deliverables:** Implementation of Administrative and Technical Controls

**Team Lead:** Mujib Lodhi

### GOAL 19

**Description:** Conduct Independent review of the PSEG LI Cybersecurity program (Design, Management, and Architecture)

**Strategic Initiative:** Physical and cyber security

**Shortened Goal Name:** PSEG Long Island Cyber Security Review

**Goal Type:** Individual

**Objectives:** Perform independent verification and validation of PSEG Long Island cybersecurity posture.

**Deliverables:** IV&V Report

**Team Lead:** Mujib Lodhi

### GOAL 20

**Description:** Conduct Independent review of the PSEG LI IT/OT Communication Infrastructure (Design and Architecture)

**Strategic Initiative:** Strategic planning and oversight

**Shortened Goal Name:** PSEG Long Island IT/OT Communication Infrastructure Review

**Goal Type:** Individual

**Objectives:** Perform independent verification and validation of PSEG Long Island key communication infrastructure resiliency vs redundancy. (Preventive controls and measure in place to reduce the system disruptions).

**Deliverables:** IV&V Report

**Team Lead:** Mujib Lodhi

### GOAL 21

**Description:** Implement Phase II of LIPA's Enterprise Resource Planning system (ERP-Business Process Improvements). Carryover from 2020

**Strategic Initiative:** N/A

**Shortened Goal Name:** ERP Modernization and Business Process Improvement Initiative
<table>
<thead>
<tr>
<th>Department:</th>
<th>Innovation and Information Technology</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Type:</td>
<td>Team Goal</td>
<td></td>
</tr>
<tr>
<td>Objectives:</td>
<td>Complete the finance department end-to-end business Process improvement (BPI) initiative, including AP, Accounting, etc. In partnership with the CFO, identify business process improvement and automation opportunities to enhance business performance.</td>
<td></td>
</tr>
<tr>
<td>Deliverables:</td>
<td>Phase II completion</td>
<td></td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Donna Mongiardo, Mujib Lodhi</td>
<td></td>
</tr>
</tbody>
</table>

**GOAL 22**

**Description:** Complete strategic roadmap development for Phase I projects for data analytics and begin implementation.

<table>
<thead>
<tr>
<th>Strategic Initiative:</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortened Goal Name:</td>
<td>Enhance Data Access &amp; Analytics</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Individual</td>
</tr>
</tbody>
</table>

**Objectives:** Create a multi-year LIPA data analytics roadmap/strategy and set up data analytics as a service within IT to help departments implement data analytics. In partnership with Finance, Operations Oversight and Internal Audit, identify and implement 2021 data analytics use cases to increase collaboration and effectiveness between departments and enhance oversight of PSEG Long Island through improved use of data analytics to enable customized analysis on data received from PSEG Long Island (e.g., financials, grid monitoring, outage management, system hardening, affiliate charges, fleet, etc. (We will also look at the utilities analytics use cases). |

<table>
<thead>
<tr>
<th>Deliverables:</th>
<th>Roadmap for data analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team Lead:</td>
<td>Mujib Lodhi</td>
</tr>
</tbody>
</table>

**GOAL 23**

**Description:** Comprehensive review of PSEG Long Island storm performance

<table>
<thead>
<tr>
<th>Strategic Initiative:</th>
<th>Customer First</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortened Goal Name:</td>
<td>Isaias Task Force</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Team Goal</td>
</tr>
</tbody>
</table>

**Objectives:** Conduct a comprehensive, independent review of PSEG Long Island’s communications and service restoration systems before, during, and after Isaias, to: Identify root causes (operational and technical) of failures, Report to the LIPA Board and public on Task Force findings and recommendations for immediate and long-term corrective actions, and oversee PSEG Long Island’s implementation of corrective actions. |

<table>
<thead>
<tr>
<th>Deliverables:</th>
<th>30, 90 and 270-Day Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team Lead:</td>
<td>Mujib Lodhi, Rick Shansky</td>
</tr>
</tbody>
</table>
### GOAL 24

**Description:** Internal Audit and ERM will work together to identify the top enterprise risks to LIPA and PSEG Long Island to develop the 2022 Audit Plan.

**Strategic Initiative:** ERM

**Shortened Goal Name:** Take the Internal Audit Plan to the next level and integrate ERM into audit planning

**Goal Type:** Team Goal

**Objectives:** To ensure that the 2022 Internal Audit Plan includes the top enterprise risks to LIPA and PSEG Long Island.

**Deliverables:** 2022 Internal Audit Plan that includes the top enterprise risks to the LIPA and PSEG Long Island.

**Team Lead:** Kathleen Mitterway

### GOAL 25

**Description:** Evaluation of PSEG Long Island’s fleet management practices using data analytics.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Fleet Management

**Goal Type:** Team Goal

**Objectives:** Evaluate the efficiency of PSEG Long Island’s fleet management practices, including decisions regarding repairing or replacing fleet, and use evaluation as a test case for development of data analytics dashboards and procedures.

**Deliverables:** Recommendations for process improvements in fleet management. Data analytics data collection practices, dashboards, and requirements for a data analytics dashboard.

**Team Lead:** Kathleen Mitterway

### GOAL 26

**Description:** A repeatable P-Card exception reporting workflow to analyze 100% of the P-Card transactions monthly.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Carryover - P-Card Robotic Process Automation ("RPA")

**Goal Type:** Team Goal

**Objectives:**
- Increase test coverage, by analyzing 100% of the PSEG Long Island P-Card transactions.
- Eliminate manual testing and sampling with automated monitoring of processes.
- Create a repeatable process which will increase PSEG Long Island
- Begin using new data analytic tools, which will be expanded after implementing this first project

**Deliverables:** A repeatable process to analyze 100% of the P-Card transactions monthly and a Results Storyboard (visualization of results).

**Team Lead:** Kathleen Mitterway
# GOAL 27

### Department:
Legal

### Tier 1

#### Description:
Carryover Goal from 2020: LIPA LILCO Merger

#### Strategic Initiative:
N/A

#### Shortened Goal Name:
Merger of Subsidiary into LIPA

#### Goal Type:
Team Goal

#### Objectives:
- IRS private letter ruling and preparation of the transaction.

#### Deliverables:
- Private letter ruling establishing there are no tax consequences to the merger; merger of subsidiary extinguishing LILCO.

#### Team Lead:
Alex Pozdnyakov

---

# GOAL 28

### Department:
Operations Oversight

### Tier 1

#### Description:

#### Strategic Initiative:
Clean

#### Shortened Goal Name:
Integrated Resource Plan

#### Goal Type:
Team Goal

#### Objectives:
- Analyze the potential transmission and generation needs for long term system reliability under a range of scenarios and in the context of economic and policy considerations, including:
  - Meeting the clean energy requirements of the Climate Leadership and Community Protection Act (CLCPA), and
  - NYS Reliability Council and NYISO reliability planning criteria.

#### Deliverables:
- 2021 Integrated Resource Plan

#### Team Lead:
Tom Simpson

---

# GOAL 29

### Description:
Carryover: Develop a battery storage roadmap for LIPA’s share of New York State’s energy storage goals (1,500 MW statewide by 2025 and 3,000 MW by 2030) and oversee establishment and implementation of plans for meeting LIPA’s resulting 2025 goal (approx. 200 MW by 2025).

#### Strategic Initiative:
Clean

#### Shortened Goal Name:
Battery Storage Roadmap

#### Goal Type:
Team Goal

#### Objectives:
- Make sure sufficient energy storage gets installed on Long Island to meet LIPA’s share of New York State’s energy storage goals.

#### Deliverables:
- BES PPAs and new T&D deferral storage projects for 2021 Utility 2.0 Plan.

#### Team Lead:
Tom Simpson
<table>
<thead>
<tr>
<th>Department: Operations Oversight</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 30</strong></td>
<td></td>
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<tr>
<td><strong>Description:</strong></td>
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<tr>
<td>Develop metrics for analysis of emergency response effectiveness and implement oversight process improvements, including analytical assessments.</td>
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<tr>
<td><strong>Strategic Initiative:</strong></td>
<td></td>
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<tr>
<td>Customer First</td>
<td></td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td></td>
</tr>
<tr>
<td>Analytical Assessment of Emergency Response</td>
<td></td>
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<tr>
<td><strong>Goal Type:</strong></td>
<td></td>
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<tr>
<td>Team Goal</td>
<td></td>
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<tr>
<td><strong>Objectives:</strong></td>
<td></td>
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<tr>
<td>Improve oversight of emergency response and implement analyses of response effectiveness.</td>
<td></td>
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<tr>
<td><strong>Deliverables:</strong></td>
<td></td>
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<tr>
<td>Updated emergency oversight policy, “use cases” and metrics for assessment of emergency response effectiveness.</td>
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<tr>
<td><strong>Team Lead:</strong></td>
<td></td>
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<tr>
<td>Donald Schaaf</td>
<td></td>
</tr>
<tr>
<td><strong>GOAL 31</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td></td>
</tr>
<tr>
<td>Carryover of 2020 project to evaluate hardening strategy and alternatives and establish the plan for expenditures through 2025.</td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td></td>
</tr>
<tr>
<td>Customer First T&amp;D reliability</td>
<td></td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td></td>
</tr>
<tr>
<td>Storm hardening business case evaluation</td>
<td></td>
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<tr>
<td><strong>Goal Type:</strong></td>
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<tr>
<td>Team Goal</td>
<td></td>
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<tr>
<td><strong>Objectives:</strong></td>
<td></td>
</tr>
<tr>
<td>Identify the most cost-effective program(s) for improving the resiliency and reliability of the T&amp;D system following Tropical Storm Isaias.</td>
<td></td>
</tr>
<tr>
<td><strong>Deliverables:</strong></td>
<td></td>
</tr>
<tr>
<td>Evaluation of the most cost-effective hardening programs and identification of needed changes or additions to capital budget line items, including Power On, Multiple Customer Outage program, Next Outage program, etc.</td>
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<tr>
<td><strong>Team Lead:</strong></td>
<td></td>
</tr>
<tr>
<td>Michael Simione</td>
<td></td>
</tr>
<tr>
<td><strong>GOAL 32</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Description:</strong></td>
<td></td>
</tr>
<tr>
<td>Manage LIPA/PSEG Long Island participation in the PSC’s T&amp;D Planning and Public Policy Transmission Planning proceedings, providing policy and strategic guidance on cost/benefit analysis and cost allocation.</td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong></td>
<td></td>
</tr>
<tr>
<td>Clean</td>
<td></td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong></td>
<td></td>
</tr>
<tr>
<td>Manage LIPA/PSEG participation in the PSC’s T&amp;D Planning and Public Policy Transmission Planning proceedings</td>
<td></td>
</tr>
<tr>
<td><strong>Goal Type:</strong></td>
<td></td>
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<tr>
<td>Team Goal</td>
<td></td>
</tr>
<tr>
<td><strong>Objectives:</strong></td>
<td></td>
</tr>
<tr>
<td>Assure fair treatment of LIPA T&amp;D projects and approval of necessary public policy projects with fair allocation of costs across the state.</td>
<td></td>
</tr>
<tr>
<td><strong>Deliverables:</strong></td>
<td></td>
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<tr>
<td>LIPA filings and PSC decisions on same.</td>
<td></td>
</tr>
<tr>
<td><strong>Team Lead:</strong></td>
<td></td>
</tr>
<tr>
<td>Michael Simione</td>
<td></td>
</tr>
</tbody>
</table>
## GOAL 33

**Description:** LIPA and PSEG Long Island need to prepare an application and seek approval for the use of the excess FEMA grant funds. Currently the plan is to apply these excess funds to continuing Storm mitigation activities.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Use of excess Sandy related grant Funds

**Goal Type:** Team Goal

**Objectives:** To be granted permission to use the excess funds as proposed to FEMA to continue storm mitigation activities on the overhead system.

**Deliverables:** Prepare a summary of proposal. Deliver high level proposal to DHSES. Once feedback on proposal is granted begin the process of completing the proposal for FEMA.

**Team Lead:** Kenneth Kane

## GOAL 34

**Description:** Oversee the preparation of the claim by PSEG Long Island for Tropical Storm Isaias to ensure that materials are prepared in a manner that allows for the use of data analytics to ensure timely application, appropriate support and eventual FEMA recovery.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Oversee FEMA Isaias reimbursement process

**Goal Type:** Team Goal

**Objectives:** To file the Isaias claim during 2021 and maximize future recovery through use of data analytics to ensure proper documentation and support.

**Deliverables:** Project Worksheets

Invoice packages and other support, such as procurement records, vendor invoices, proof of payment, etc. to be presented to DHSES to support costs incurred.

**Team Lead:** Kenneth Kane

## GOAL 35

**Description:** Review and update LIPA storm invoice review procedure and review effectiveness of storm invoice reviews and process. Review opportunities to utilize accounting staff for FEMA claims review. Review opportunities for automation through continuous auditing software of storm invoices.

**Strategic Initiative:** Lean

**Shortened Goal Name:** Update LIPA storm invoice review procedures for FEMA compliance

**Goal Type:** Team Goal

**Objectives:** To ensure the storm invoice procedures are appropriate and reflect best practices. To review the effectiveness of our review procedures, opportunities to use accounting staff to review FEMA claims, and opportunities to deploy continuous auditing software for all storms.

**Deliverables:** Updated procedure document, new staffing plan to review storm invoices using accounting staff, trained accounting staff, implementation of continuous auditing software.

**Team Lead:** Kenneth Kane, Mujib Lodhi
### GOAL 36

**Department:** Administration  
**Tier:** Tier 2

<table>
<thead>
<tr>
<th>Description</th>
<th>Develop a risk correlation matrix that identifies inter-dependencies between risks across business units to improve and align mitigation strategies, increase awareness between SMEs, and inform resource allocations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Initiative</td>
<td>ERM</td>
</tr>
<tr>
<td>Shortened Goal Name</td>
<td>Develop a Risk Correlation Matrix</td>
</tr>
<tr>
<td>Goal Type</td>
<td>Team Goal</td>
</tr>
<tr>
<td>Objectives</td>
<td>Identify common drivers and triggers for risks, increase communication and awareness between SMEs for inter-related risks, and help to better inform resource allocations.</td>
</tr>
<tr>
<td>Deliverables</td>
<td>Risk correlation matrix tying major risks to those across the organization that could impact the outcome of the risk, facilitation of cross-functional conversations between SMEs who own risks that are inter-dependent with risks in other lines of business.</td>
</tr>
<tr>
<td>Team Lead</td>
<td>Jessica Dehnert</td>
</tr>
</tbody>
</table>

### GOAL 37

**Department:** External Affairs & Communication  
**Tier:** Tier 2

<table>
<thead>
<tr>
<th>Description</th>
<th>Review State-recommended climate disclosure process and PSC Order for utilities together with industry best practices. Develop and execute plan to incorporate recommendations into annual financial disclosure process.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Initiative</td>
<td>Clean</td>
</tr>
<tr>
<td>Shortened Goal Name</td>
<td>Implement Climate Financial Disclosure Best Practices</td>
</tr>
<tr>
<td>Goal Type</td>
<td>Team Goal</td>
</tr>
</tbody>
</table>
| Objectives | • Review State climate financial disclosure recommendations  
• Review industry best practices  
• Implement State recommendations, as modified if needed by industry best practices or LIPA-specific considerations  
• Test new process in 2021  |
| Deliverables | • Summary of State recommendations and best practices  
• (If State recommendations adopted) Complete CDP (Carbon Disclosure Project) questionnaire in 2021 |
| Team Lead | Bobbi O'Connor |

### GOAL 38

**Department:** External Affairs & Communication  
**Tier:** Tier 2

<table>
<thead>
<tr>
<th>Description</th>
<th>With the implementation of the new LIPANet in 2020, we will look to understand current user engagement among staff, and potentially consider implementing a LIPANet 2.0 for 2021-2022 to drive increases in use.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Initiative</td>
<td>N/A</td>
</tr>
<tr>
<td>Shortened Goal Name</td>
<td>LIPANet 2.0</td>
</tr>
<tr>
<td>Goal Type</td>
<td>Team Goal</td>
</tr>
<tr>
<td>Objectives</td>
<td>Our goal is to have LIPANet be a collection of knowledge designed to connect teams across locations and departments.</td>
</tr>
<tr>
<td>Department:</td>
<td>External Affairs &amp; Communication</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>Ensure intranet design is engaging and there is a plan for content to be up-to-date, accurate, vetted, and detailed.</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Jen Hayen</td>
</tr>
</tbody>
</table>

**GOAL 39**

**Description:** Continue with work of 2020 history project to create a visual timeline in office, as well as page on lipower.org.

**Strategic Initiative:** N/A

**Shortened Goal Name:** Carryover: History of LIPA

**Goal Type:** Individual

**Objectives:** Create a history of LIPA for website and employees.

**Deliverables:** Provide an education tool for employees, customers, and stakeholders to understand our past and goals as we look towards the future.

**Team Lead:** Jen Hayen

**GOAL 40**

**Description:** Complete an undergrounding project with an interested municipality (party) using the tariff.

**Strategic Initiative:** Customer First

**Shortened Goal Name:** Completion of Undergrounding Project

**Goal Type:** Team Goal

**Objectives:** Identify an interested municipality (party) and utilize the relatively new undergrounding tariff to complete an undergrounding project.

**Deliverables:** Work with a local municipality (party) to identify, develop, construct, and finance an undergrounding project using LIPA's tariff for financing.

**Team Lead:** Michael Deering

**GOAL 41**

**Description:** Develop educational and informational materials and opportunities to maximize exposure to, and value provided by, JBENC.

**Strategic Initiative:** Customer First

**Shortened Goal Name:** Develop Educational Programs for JBENC

**Goal Type:** Individual

**Objectives:** Work in coordination with director and educational staff of JBENC, NYS Parks staff, and PSEG Long Island staff to develop educational programs, seminars, conferences and other informational materials for JBENC.

**Deliverables:** Educational programs for various constituencies (including businesses; consumers; colleges, vocational and trade schools). Up-to-date JBENC website.

**Team Lead:** Michael Deering
<table>
<thead>
<tr>
<th>Department: Finance Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 42</strong></td>
</tr>
<tr>
<td><strong>Description:</strong> Develop guidelines for when and how green bonds or sustainability bonds should be incorporated into LIPA's processes for planning and issuing bonds.</td>
</tr>
<tr>
<td><strong>Strategic Initiative:</strong> Clean</td>
</tr>
<tr>
<td><strong>Shortened Goal Name:</strong> Develop green bond guidelines</td>
</tr>
<tr>
<td><strong>Goal Type:</strong> Individual</td>
</tr>
<tr>
<td><strong>Objectives:</strong> Incorporate green bonding into regular LIPA financing processes to the extent reasonable, following State recommendations.</td>
</tr>
<tr>
<td><strong>Deliverables:</strong> New guideline or process document. Sell green bonds as part of 2021 new money bond sale.</td>
</tr>
<tr>
<td><strong>Team Lead:</strong> Chris DiGilio</td>
</tr>
</tbody>
</table>

| **GOAL 43** |
| **Description:** Evaluate PSEG Long Island's process for managing telecommunication assets and maximizing revenues from such asset attachments. |
| **Strategic Initiative:** Lean |
| **Shortened Goal Name:** Carryover - Telecommunication attachment revenue optimization |
| **Goal Type:** Team Goal |
| **Objectives:** To ensure PSEG Long Island is properly reviewing the asset portfolio for additional opportunities for telecommunication attachments to increase revenue opportunities. |
| **Deliverables:** Process document from PSEG Long Island on its plan to market the telecommunication asset portfolio. |
| **Team Lead:** Donna Mongiardo |

<p>| <strong>GOAL 44</strong> |
| <strong>Description:</strong> Carryover: Obtain approval of a prepay transaction from AG/OSC and execute transaction. |
| <strong>Strategic Initiative:</strong> Lean |
| <strong>Shortened Goal Name:</strong> Prepay transaction |
| <strong>Goal Type:</strong> Team Goal |
| <strong>Objectives:</strong> Obtain approval of transaction from AG/OSC and execute transaction. |
| <strong>Deliverables:</strong> Completion of a prepay transaction. |
| <strong>Team Lead:</strong> Chris DiGilio |</p>
<table>
<thead>
<tr>
<th>Department:</th>
<th>Legal Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 45</strong></td>
<td></td>
</tr>
<tr>
<td>Description:</td>
<td>Carryover Goal from 2020: Develop comprehensive long-range plan for LIPA facilities including operational sites.</td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>Lean</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>Management of LIPA Properties and Facilities</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Team Goal</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Comprehensive long-range plan for LIPA facilities including operational sites</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>• Continue to meet with PSEG Long Island to obtain resources to develop long range plan • Continue to meet with National Grid to facilitate separation of colocated sites</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Mujib Lodhi</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th><strong>GOAL 46</strong></th>
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<tbody>
<tr>
<td>Description:</td>
<td>Carryover Goal from 2020: Work with DoIT to deploy an enterprise document and records management system that integrates record retention policies across LIPA.</td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>N/A</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>Enterprise Document and Records Management System</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Team Goal</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Simplify and automate LIPA’s management, retention and disposition of records in compliance with NYS and federal requirements.</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>Integrate software with retention regulations and train Staff and implement enterprise-wide</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Jim Miskiewicz, Mujib Lodhi</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department:</th>
<th>Operations Oversight Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOAL 47</strong></td>
<td></td>
</tr>
<tr>
<td>Description:</td>
<td>Research best practices around the country for DER interconnection process. Streamline SGIP simplifying document into user friendly format targeted at stakeholders. Provide transparency of the steps in the SGIP process for oversight and stakeholder. Establish an escalation process that is transparent for stakeholders as well as PSEG LI, DPS and LIPA. Establish procedure for measuring customer/contractor satisfaction for this process.</td>
</tr>
<tr>
<td>Strategic Initiative:</td>
<td>Clean</td>
</tr>
<tr>
<td>Shortened Goal Name:</td>
<td>Improve PSEG LI Interconnection process for Distributed Resources</td>
</tr>
<tr>
<td>Goal Type:</td>
<td>Team Goal</td>
</tr>
<tr>
<td>Objectives:</td>
<td>Align with the CLCPA by facilitating DER readiness as a leader in interconnection processing and policy.</td>
</tr>
<tr>
<td>Deliverables:</td>
<td>Utility benchmark study Proposed revisions to SGIP Customer satisfaction measurement procedure Case Escalation process/Ombudsman</td>
</tr>
<tr>
<td>Team Lead:</td>
<td>Pete Mladinich</td>
</tr>
</tbody>
</table>
### GOAL 48

**Department:** Operations Oversight  
**Tier:** Tier 2  
**Description:** Assess PSM and FM Metrics against industry best practices and identify desired changes  
**Strategic Initiative:** Strategic planning and oversight  
**Shortened Goal Name:** PSM/FM Metric review and Benchmark study  
**Goal Type:** Team Goal  
**Objectives:** Benchmark the current PSM and FM metrics with other utilities performing such services. Review current PSM and FM metrics for desired changes in metrics or targets.  
**Deliverables:** Benchmark how PSM and FM Metrics compare with PSM and FM Metrics of other utilities (e.g., Con Edison, NYPA, LPPC members). Develop recommendations for new or changed metrics and/or targets for future PSM/FM metric negotiations.  
**Team Lead:** Ben Chu

### GOAL 49

**Department:** Legal  
**Tier:** Tier 3  
**Description:** IT, Rates and Legal to work together to adopt a platform for LIPA and its service provider to house interrogatory requests (IRs) and document requests and responses, such as the Caseworks platform.  
**Strategic Initiative:** N/A  
**Shortened Goal Name:** Caseworks Platform for IRs  
**Goal Type:** Team Goal  
**Objectives:** To have a single coordinated shared platform with PSEG Long Island for all document requests and IRs from Staff and other parties and to manage all responses to such requests from DPS and in various proceedings and litigation.  
**Deliverables:** 1. Come to an understanding with PSEG Long Island on the value of a shared platform owned by LIPA and not tied to PSEG NJ to maximize efficiency in responding to IRs in the short timeframe provided for DPS and other requests.  
2. Do IT to meet with vendor to determine license with Caseworks, based on prior research with this and other potential vendor.  
3. Rates and Legal to coordinate with DoIT in meeting with vendor, understanding capabilities of platform and for sharing access with PSEG Long Island.  
4. Purchase platform install and implement, with training for all users.  
**Team Lead:** Anna Chacko and Mujib Lodhi
March 19, 2021

Dear Stakeholders:

Section 2800 of New York’s Public Authorities Law requires the Long Island Power Authority (LIPA) to file reports describing, among other things, its operations and accomplishments, mission statement, and measurements. The enclosed Annual Work Plan Report summarizes the accomplishments of LIPA's staff towards the objectives presented to the Board in 2020 and the projects that are planned for 2021. The 2021 projects build on 2020's accomplishments and advance LIPA’s mission to enable clean, reliable, and affordable electric service and the Board’s vision to be **Clean, Lean, and Customer First**.

With sincere regards,

/s/ Bobbi O'Connor

2020-2021 Annual Work Plan Report
FOR CONSIDERATION
September 22, 2021

TO: The Board of Trustees

FROM: Thomas Falcone


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 Construction of Transmission and Distribution Projects (the “Policy”); and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as Exhibit “A”.

Background

By Resolution No. 1383, dated September 27, 2017, the Board adopted the Policy with the purpose of supplementing existing requirements and practices and to guide consistent decision-making related to: (i) the evaluation of system-wide benefits and costs for underground construction of projects where such benefits may exceed their costs; and (ii) public outreach prior to construction of major projects. The Policy was last reviewed on September 23, 2020.

Compliance with the Policy

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

The Policy requires that the Chief Executive Officer annually report to the Board on compliance with the key provisions of the Policy. The key provisions of the Policy require that LIPA and PSEG Long Island:

“For transmission projects designed for voltages 65 kV and above that are not subject to Article VII, prepare a pre-construction report containing an advantage-disadvantage analysis using standardized criteria for evaluating the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by New York utilities subject to Title 16 of the New York Codes, Rules and Regulations (“NYCRR”) Part 102⁴, such report to be done sufficiently far in advance of construction to inform the public outreach and project planning process”:

• The report to the Board in 2020 detailed the proposed construction of a new 69kV transmission line from the Ruland Road substation to the Plainview substation, mainly located in the Town of Oyster Bay and partly located in the Town of Huntington. In compliance with the Policy, PSEG Long Island prepared the required analysis that
evaluated the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects similar to the criteria used by other New York utilities. That analysis led to the conclusion that substantial portions of the line had to be underground for technical reasons. The Plainview to Ruland construction is currently ongoing.

- PSEG Long Island has now proposed the construction of a new underground 69kV transmission cable from the Bridgehampton substation in the Town of Southampton to the Buell substation located in the Town of East Hampton (approximately 5.2 miles). The new underground cable is designed to be installed below grade. In compliance with the Policy, as part of the ongoing environmental review, PSEG Long Island will prepare the required analysis that evaluates the system-wide benefits and costs to the public of construction of overhead versus underground transmission projects.

“Maintain a special tariff for undergrounding to provide a financing mechanism that allows local communities to pay for the additional cost of undergrounding all or a portion of a transmission or distribution project where insufficient systemwide benefits exist to justify allocation of the incremental expense throughout the Service Area.”

- As previously reported to the Board, in December 2017, the Board adopted changes to LIPA’s Tariff for Electrical Service (the “Tariff”) to create a financing program that allows a local community to request an overhead line be undergrounded.
- The Tariff provisions allow the requesting municipality the option of paying either the full incremental cost of undergrounding in advance of construction or paying the cost in the form of an incremental consumption charge for a period of 20 years.
- LIPA and PSEG Long Island prepared a brochure on the undergrounding program, which was electronically distributed to local elected officials and is available on both the LIPA and PSEG Long Island websites. A formalized process was also developed by PSEG Long Island with LIPA oversight to ensure the effective implementation of the Tariff provisions.
- A project was completed during 2021 in the Village of Westhampton utilizing the Tariff.

“LIPA and its Service Provider will conduct outreach to affected public officials, civic leaders, and communities in advance of the construction of transmission and distribution projects in a manner appropriate to each project, including visual representations of the proposed project as built, if appropriate, consistent with industry best practices, as mutually agreed upon by LIPA and its Service Provider, and in consultation with the Department of Public Service”:

- PSEG Long Island outreach is integrated into capital project planning, design and construction, and both LIPA and Department of Public Service review project scoring and outreach plans.
- PSEG Long Island scores each project scoring using outreach tiers based on various factors, including project need, community impact, governmental impact, media landscape, permitting and regulatory requirements, aesthetic impacts, and environmental, historical, cultural, and construction considerations. An outreach plan is developed for each specific project. The outreach tiers are used as a guideline, and outreach tools are then tailored to
each project’s specific circumstances.

- Tier 1 project activities may include: (i) developing collateral materials; (ii) conducting media and regulatory audits to determine the outreach landscape and identification of stakeholders; (iii) briefing impacted officials; and (iv) notifying impacted customers.

- Tier 2 project activities may include: (i) all Tier 1 activities; (ii) mailings or door hangers to impacted customers; (iii) follow-up with impacted officials; and (iv) sharing project information on the PSEG Long Island’s website and social media accounts.

- Tier 3 project activities may include: (i) all Tier 1 and 2 activities; (ii) engaging in early design discussions; (iii) conducting early outreach and partnering with elected officials; (iv) hosting open houses; (v) collaborating with third-party experts; (vi) implementing a print and/or broadcast media communications plan; and (vii) email updates to impacted customers.

- Since the last annual report to the Board, there were seven T&D specific projects designated as Tier 2 projects, none at Tier 3 level. These Tier 2 projects included 2 new circuit projects in the Arverne and St. James/Stony Brook areas. Also, at the Tier 2 level were two conversion and reconductoring (C&R) projects in Fire Island and Woodsburgh/Hewlett Neck. Finally, there were 3 other projects at the Tier 2 level for various work in the Rockaway Beach, Glenwood Landing and East Garden City areas.

**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. There is one risk related to the Policy. That risk is: “Transmission and Distribution and generation capital projects could lead to controversy with stakeholders, negative public perception, and SEQRA and other litigation.”

This risk is rated as a medium level risk. LIPA mitigates this risk with concurrent oversight of PSEG Long Island’s project identification, planning, and development process for significant projects and through its legal and external affairs teams working closely with PSEG Long Island’s External Affairs to monitor compliance with the Policy of the communication with towns and the public for significant projects. Based on the mitigation actions in place, LIPA Staff believes this risk is adequately managed.

**Annual Review of the Policy**

LIPA Staff has completed its 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.

**Attachments**

**Exhibit “A” Resolution**
RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON THE CONSTRUCTION OF TRANSMISSION AND DISTRIBUTION PROJECTS

WHEREAS, the Board Policy on the Construction of Transmission and Distribution Projects (the “Policy”) was originally approved by the Board of Trustees Resolution No. 1383, dated September 27, 2017; and

WHEREAS, the Policy was last reviewed by the Board pursuant on September 23, 2020; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

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

Dated: September 22, 2021
FOR CONSIDERATION
March 30, 2022

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board Policy on Debt and Access to the Credit Markets

Requested Action

The LIPA Board of Trustees (the “Board”) is requested to adopt a resolution: (i) finding that LIPA has complied with the Board Policy on Debt and Access to Credit Markets (the “Policy”); and (ii) approving the annual report for the Policy.

Background

By Resolution No. 1319, dated September 21, 2016, the Board adopted the Policy with the purpose of serving the long-term interests of LIPA’s customers by adopting sound financial plans in each year. Sound financial plans ensure ready access to borrowing on reasonable terms necessary to fund the infrastructure investments that maintain the reliability and resiliency of the Long Island electric system. Such financial plans contemplate prudent levels of borrowing that will accommodate efficient access to the capital markets and thereby minimize the long-term cost of providing electric service to our customer-owners. The last annual report to the Board was presented on March 29, 2021.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy for the period since the last annual review. The Policy requires that LIPA achieve the lowest long-term cost to our customer-owners by adopting budgets and financial plans that meet the following objective:

“Support credit ratings of at least A2/A”

- In 2021, LIPA’s three ratings were reaffirmed at A2, A, A, from Moody’s, S&P Global, and Fitch Ratings, respectively. Fitch indicated a “positive” outlook to its rating.

“For 2020 and 2021, achieve fixed-obligation coverage ratios of no less than (i) 1.35x on the combination of LIPA-issued debt and lease payments; and (ii) 1.15x on the combination of LIPA issued debt, Utility Debt Securitization Authority (“UDSA”)-issued debt, and lease payments.”

- For the period ended December 31, 2021, LIPA achieved coverage ratios of 1.40x for

1 Lease payments are defined in Governmental Accounting Standard Board Statement No. 87
LIPA-issued debt and lease payments and 1.26x for LIPA and USDA-issued debt and lease payments.

- The 2022 Budget is set to meet a 1.40x fixed-obligation coverage ratio, as required by the Policy for 2022.

“Generate sufficient cash flow from revenues to maintain the issuance of new debt as a percentage of capital spending at 64 percent or less as measured on a three-year rolling average; however, allow this percentage to exceed 64 percent target on a forward-looking three-year rolling average in 2022 as LIPA responds to the effects of the COVID-19 pandemic and Tropical Storm Isaias.”

- New debt as a percentage of capital spending for the three-year rolling average for the period ended December 31, 2021 was approximately 63%.

“Maintain (i) cash on hand at each month end of at least $100 million in the Operating Fund and $150 million in the Rate Stabilization Fund, and (ii) cash on hand and available credit of at least 120 days of operating expenses.”

- Cash on hand at the end of each month exceeded the target of $100 million.
- As of December 31, 2021, the Operating and the Rate Stabilization funds totaled $129 million and $162 million, respectively.
- During 2021, cash on hand and available credit exceeded the target of at least 120 days available for operating expenses.
- As of December 31, 2021, 300 days of operating expenses were available in cash and credit.

“Annually pre-fund obligations to LIPA’s Service Provider for pension costs from operating expenses in a fiscally sound manner, as measured by an actuarial services firm no less than every other year.”

- As measured by an actuarial services firm, LIPA funded $37.4 million to the PSEG Long Island pension plan trust account.
- As of December 31, 2021, the PSEG Long Island pension plan trust account had assets valued at $422 million compared to a benefit obligation of $596 million.

“Annually pre-fund obligations to LIPA’s Service Provider for Other Post-Employment Benefits (“OPEBs”) to a dedicated OPEB Account in a fiscally sound manner, as measured by an actuarial services firm no less than every other year.”

- As measured by an actuarial services firm, LIPA funded $51.5 million to the LIPA OPEB account in 2021.
- LIPA’s OPEB account to prefund the OPEB benefits of PSEG Long Island employees had assets valued at $581 million compared to a benefit obligation of $640 million.

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2 After notifying the Finance and Audit Committee, LIPA’s Chief Executive Officer or Chief Financial Officer are authorized to withdraw funds from the OPEB Account if there are insufficient revenues to pay reasonable and necessary Operating Expenses or to make payments on bonds or parity obligations. The OPEB Account is therefore deemed available to make such payments, acting as a reserve fund. Any withdraws for such purposes will be repaid within twelve months.
“Pre-fund LIPA’s OPEB Trust in a fiscally sound manner, as measured by an actuarial service firm no less than every other year.”

- The funding levels have been reviewed by an actuarial services firm within the last two years.
- The LIPA OPEB Trust for LIPA employees had assets valued at $30 million compared to benefit obligations of $23 million.

“Pre-fund LIPA’s Nuclear Decommissioning Trust Fund in a fiscally sound manner, as measured by an actuarial service firm, no less than every other year.”

- As measured by an actuarial services firm, LIPA funded $0.3 million to the NDTF in 2021.
- The NMP2 Nuclear Decommissioning Trust Funds had assets valued at $184 million compared to a liability of $87 million.
- The funding levels have been reviewed by an actuarial services firm within the last two years.

**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. One such enterprise risk is related to liquidity. Specifically, the risk identified is, “Insufficient liquidity to cover obligations greater than 60 days (i.e., loss of revenue stream) results in the inability to make debt service payments, pay USDA Bondholders, and cover operating expenses.”

This risk is rated as a medium-level risk and is mitigated by LIPA’s ability to access capital markets, borrow from rate stabilization funds, and borrow from a revolving line of credit or in the commercial paper market. In September 2021, all three rating agencies reaffirmed LIPA’s credit ratings, with one credit agency revising LIPA’s outlook from Stable to Positive, helping to reduce this risk by providing confidence in LIPA’s ability to access capital markets.

Based on LIPA’s credit ratings and ability to access capital markets, we believe this risk is being adequately managed. LIPA’s liquidity remains strong, well above the 120-day minimum required by the Policy as noted above.

**Annual Review of the Policy**

LIPA Staff has reviewed the Policy and suggests no 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.
Attachments

**Exhibit “A”**  Resolution
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON DEBT AND ACCESS TO THE CREDIT MARKETS

WHEREAS, the Board Policy on Debt and Access to the Credit Markets (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1319, dated September 21, 2016;

WHEREAS, the last annual report to the Board was presented on March 29, 2021; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

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

Dated: March 30, 2022
Topics for Discussion

- 2021 Risk Summary
- ERM Program Recommendations
- Next Steps
High-priority risks can significantly impede both LIPA and PSEG Long Island’s ability to achieve their respective goals.

- There are 13 risks that have been deemed high-priority and represent the most significant risks to the organization; these risks are reviewed with senior management.

- **Risk Trending** is defined as a year-over-year comparison of the state of the risk which is determined by considering new mitigation actions, changes to the environment of the risk, or event(s) that have occurred since the risk was last reviewed. Risks are rated as: Increasing, Decreasing, or Stable.
# 2021 High-Priority Risk for Discussion– Loss of Multiple Tie-lines

<table>
<thead>
<tr>
<th>Risk</th>
<th>Trend</th>
<th>Risk Mitigation</th>
<th>Communications</th>
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</table>
| Loss of multiple tie-lines - Multiple cable failures could result in the inability to meet demand and require implementation of load curtailment measures up to and including load shedding Managed by - PSEG Long Island |       | • Evaluated asset condition for all interties, as a result developed plans to reconductor Y49  
  • Improved spare strategy by increasing the number of spare transformers  
  • Increased outreach to cable owners to provide increased transparency of annual equipment maintenance plans  
  • Proposed improvements to the Cathodic Protection Program to better prioritize maintenance  
  • Added a drill for load shedding and reviewed procedures | • Regular intertie outage communications to BOT, June presentation, and pertinent news articles  
  • Board approval of NYPA power supply contract to mitigate risk |
Multiple tie-lines fail resulting in the inability to meet demand requiring load curtailment requiring implementation of load curtailment measures up to and including load shedding

*Note: 901 & 903 typically work in conjunction with the power imported on the Y50 intertie, and export power to Con-Ed
ERM Board Policy Compliance

• Over the course of 2021, there have been notable improvements to the ERM Program through implementation of the eight board recommendations approved in December 2020; detail on the progress of each of the eight recommendations provided on the following slide

• Improvements to the program will continue to be identified and implemented to ensure best-practices are being integrated; two metrics have been agreed to for 2022 related to making improvements to the annual report and development of Key Risk Indicators to monitor changes in select high-priority risks
# ERM Recommendations for PSEG Long Island – Update

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Status</th>
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<tbody>
<tr>
<td>(01) Provide for LIPA SMEs and ERM team participation in all risk discussions</td>
<td>Complete</td>
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<tr>
<td>(02) Create a culture of accountability by designating management-level owners</td>
<td>Complete</td>
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<tr>
<td>for each risk mitigation strategy and related action plans</td>
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<tr>
<td>(03) Establish a joint SharePoint site so that risk information, can be</td>
<td>Complete</td>
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<tr>
<td>accessed in real-time by LIPA SMEs</td>
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<tr>
<td>(04) Produce a comprehensive annual risk report by June 1(^{st})</td>
<td>Complete</td>
</tr>
<tr>
<td>(05) Perform deep dive analysis on high-priority risks</td>
<td>In-process, Major Storm – Communications and Cyber Security to be</td>
</tr>
<tr>
<td></td>
<td>completed by 12/31/21; Four risk reviews in 2022</td>
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<tr>
<td>(06) Develop a risk correlation matrix to better understand end-to-end impacts</td>
<td>In-process, Framework developed; proof of concept tested; PSEGLI to</td>
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<td>and better inform needed mitigation strategies</td>
<td>utilize LIPA’s framework in 2022</td>
</tr>
<tr>
<td>(07) Provide risk training to all SMEs participating in the annual risk</td>
<td>Training deck in review; formal workshops to be held Q4’21</td>
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<tr>
<td>assessment process</td>
<td></td>
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<tr>
<td>(08) Develop a process so that if a high-risk event or condition is identified</td>
<td>Process developed; requires LIPA oversight to ensure adoption and</td>
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<tr>
<td>it will trigger a risk review that is elevated to senior management</td>
<td>utilization</td>
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Next Steps

• Q1’22 LIPA ERM and SMEs will oversee PSEG Long Island’s ERM risk assessment process

• Over the course of 2022, LIPA ERM will focus on:
  • Guiding PSEG Long Island in making improvements to their annual report
  • Overseeing the development and implementation of Key Risk Indicators for certain risks
  • Implementing best practices as identified through peer-to-peer benchmarking efforts
FOR CONSIDERATION
November 17, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board’s Policy on Enterprise Risk Management

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 ERMC 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
Terrorism
  o Cyber Insurance - LIPA named insured on PSEG Long Island’s Cyber Insurance
  o 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.

**Attachments**

**Exhibit “A” Resolution**
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.

Dated: November 17, 2021
**Objective:** Mitigate a portion of Power Supply Charge (PSC) volatility

Hedging activity has resulted in PSC volatility through September 2021 at 8%, while wholesale spot market is more than 3x that at 27%
Governance of the Power Supply Hedging Program

Power Supply Risk Management Committee (PRMC)

Must have at least 3 members, 2 from Senior Staff

- 9 LIPA Staff sit on the PRMC, chaired by the CFO and comprised of 5 Senior Staff
- PRMC meets monthly with the PSEG ER&T staff and discuss:
  - Current hedge position; market changes; counterparty credit health, compliance with the LIPA Hedge Plan protocols and limits stated in LIPA’s Procedures Manual and review of quarterly benchmarking to ensure optimal Hedge Program performance
  - Conduct annual review of the internal Policy, Controls and Procedures Manual

Transparency of the Power Supply Hedging Program

- PSEG ER&T provides PRMC daily, weekly, and monthly hedging activity reports
**Maximum net hedge level: 90% of projected fuel and power needs**

- Current yearly and individual monthly hedge levels are below 90%

<table>
<thead>
<tr>
<th>Hedge Level</th>
<th>Balance of 2021</th>
<th>Calendar 2022</th>
<th>Calendar 2023</th>
<th>Calendar 2024</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>76%</td>
<td>64%</td>
<td>51%</td>
<td>40%</td>
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</tbody>
</table>

**As of Oct. 29, 2021**

**Maximum hedge term: 72 months**

- PRMC approved hedge term is 48 months in LIPA Hedge Plan, currently hedges extend out 38 months to December 2024 and in January 2022 hedges will extend out 47 months

**All hedges are for the purpose of appropriate risk mitigation**

- Transactions are based on time or value triggers not market speculation

**Counterparty Credit Review**

- PSEG Credit Management reports credit exposure weekly and monthly and performs quarterly counterparty credit health review
- Currently there are no credit concerns with any of LIPA’s financial counterparties
Questions?
REQUESTED ACTION
November 17, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board’s Policy on the Power Supply Hedging Program

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.

<table>
<thead>
<tr>
<th>Report</th>
<th>Distribution</th>
<th>Normal Frequency</th>
<th>Originator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Activity Summary</td>
<td>PRMC Traders</td>
<td>Daily Weekly</td>
<td>Front Office, Middle Office</td>
</tr>
<tr>
<td>Position Report</td>
<td>PRMC Traders</td>
<td>Weekly</td>
<td>Middle Office</td>
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<tr>
<td>Credit Risk Exposure Reports</td>
<td>PRMC Traders</td>
<td>Weekly</td>
<td>Middle Office</td>
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<tr>
<td>PRMC Meeting Minutes</td>
<td>PRMC</td>
<td>As Meetings are Held</td>
<td>PRMC Designated Secretary</td>
</tr>
<tr>
<td>Benchmarking</td>
<td>PRMC</td>
<td>Quarterly</td>
<td>Independent third-party hedge advisor</td>
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</table>
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.

Attachments

Exhibit “A” Resolution
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.

Dated: November 17, 2021
• Pay only such taxes, payments in-lieu-of taxes (PILOTs), assessments, and fees as are required by law or by agreement to reduce excessive cost for customers;

• LIPA to avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by LIPA’s customer-owners in other jurisdictions; and

• Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.
In 2021, taxes, pilots and fees total 19% of customer bills ($702 million), including:
- $179 million for four power plants
- $51 million for all other power plants
- $302 million for transmission and distribution PILOT payments
- $120 million for sales taxes
- $37 million for revenue-based taxes
- $11 million for State assessments

Taxes are 19% of Customer Bills – 3x National Average
Northport and Port Jefferson Powerplant Settlements

- Settlements have been reached and approved on two steam power plants
- LIPA waived $875+ million tax refund liabilities owed by the Towns of Huntington & Brookhaven
- All customers will save $364 million in property tax payments for these two facilities over the next eight years
- While tax payments remain in excess of that required by law, the settlements continue to support host communities as they adjust to lower taxes from the facilities
Ongoing efforts on the Barrett and Glenwood Landing Powerplants

- In November 2019, LIPA and Nassau County had reached a tentative settlement on the E.F. Barrett and Glenwood Landing powerplant facilities that was contingent on approval of the PILOT by the Nassau County Legislature.
- By March 31, 2021, the PILOT agreement was not approved by the Nassau County Legislature and LIPA’s offer was accordingly withdrawn.
- LIPA anticipates a trial relating to the Barrett and Glenwood Landing power stations in late 2021 to early 2022.
PLANNED ACTIVITIES IN 2021

• Work with Town of Brookhaven to revise approved settlement for the Port Jefferson Power Station relative to that of the Northport Power Station settlement

• Defend against certain municipalities’ refusal to comply with the legislative cap on LIPA’s PILOT payments and respond to a Judge’s decision ordering LIPA to make additional payments

• Continue to monitor tax bills for overassessments of LIPA substations and take appropriate actions to seek fair tax bills, where appropriate
FOR CONSIDERATION
May 19, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board Policy on Taxes and PILOTs

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority is requested to adopt a resolution: (i) finding that the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively “LIPA”) have complied with the Board Policy on Taxes and PILOTs1 (the “Policy”); and (ii) approving the annual report for the Policy.

Background

By Resolution No. 1320, dated September 21, 2016, the Board adopted the Policy. The Board adopted the last annual review of the Policy by Resolution No. 1525, dated May 20, 2020. Additionally, from 2016 to 2020, LIPA published an annual tax report to update the Board and the public on LIPA’s efforts to reduce the tax burden and lower energy costs for all 1.1 million customers.

Compliance with the Policy

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

The Policy provides that LIPA should “Pay only such taxes, PILOTs, assessments, and fees as are required by law or by agreement.”

- Long Island power plants are nationally recognized as among the highest taxed commercial properties in the United States. The excessive tax burden on power plants results in higher operational costs that disadvantage Long Island plants compared to the competitive prices of power in the regional electric markets. As such, LIPA has availed itself of the lawful right to challenge excessive payment obligations on four legacy power plants for each year beginning in 2010.

- In November 2020, LIPA entered into a settlement with the Town of Huntington and the Northport-East Northport School District for the Northport Power Station. The settlement will reduce LIPA’s annual property tax payments to 47% of 2020 levels by 2027. If the taxing jurisdictions fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over $650 million, plus interest. In addition, LIPA will also make

1 The term “PILOT” is the abbreviation for Payment In Lieu of Taxes.
a total of $3 million and $14.5 million in payments over the next seven years to the Town and school district, respectively, in exchange for their discontinuing appeals of the court’s ruling that LIPA is entitled to challenge its tax assessments.

- As previously reported to the Board, in 2018 LIPA entered into settlement agreements with the Town of Brookhaven and the Village of Port Jefferson to gradually reduce the taxes on the Port Jefferson power plant, by 50 percent through 2027. If the taxing jurisdictions fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over $225 million, plus interest. LIPA has now revised its agreement with the Village of Port Jefferson to reduce its taxes by 47% by 2027 consistent with the agreement reached for the Northport Power Station, as discussed above.

- In November 2019, LIPA entered into a tentative settlement with Nassau County for the E.F. Barrett and Glenwood Landing generating stations. The settlement was contingent on the approval of a PILOT agreement by the Nassau County Legislature. By March 31, 2021, the PILOT agreement was not approved by the Nassau County Legislature and LIPA’s offer was accordingly withdrawn. LIPA anticipates a trial relating to the Barrett and Glenwood Landing power stations in late 2021 to early 2022.

- LIPA and PSEG Long Island have implemented procedures to ensure that PILOTs on each annual bill related to transmission and distribution equipment owned by LIPA do not exceed 102% of the prior calendar year’s payment, consistent with the provisions of the LIPA Reform Act.

- LIPA continues to defend itself in litigation challenging the 2% PILOT cap on transmission and distribution property in certain jurisdictions on Long Island. A court in Suffolk County recently ruled that (1) LIPA’s properties acquired from LILCO are not exempt from real-property taxation for tax years 2014/15 through 2019/20 by reason of the LIPA’s failure to timely challenge their unlawful assessment as non-exempt, taxable properties by the Town Assessors during those tax years; and (2) compelling LIPA to pay over to Suffolk County the unpaid real property taxes levied against the transmission and distribution properties for tax years 2014/15 through 2019/20, with interest and penalties in the amount of approximately $66.7 million. LIPA intends to appeal the April 1, 2021 Decision and Order. LIPA does not believe that this litigation will have a material adverse impact on its business.

- As previously reported to the Board, LIPA undertook a review of selected substations across the service territory. The review found several substations that were assessed in excess of their value. Accordingly, LIPA filed challenges on several over-assessed substations, and will continue to monitor assessed valuations of substations.

The Policy provides that LIPA should “Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by the Authority’s customer-owners in other jurisdictions.

- LIPA has sought to achieve this objective by the actions stated above.

The Policy provides that LIPA should “Inform customers of the burden of taxes, PILOTs,
assessments, and fees in their electric bills”.

- LIPA issued a Property Tax Report during 2020, which is available on its website, and was provided to community leaders, stakeholders, elected officials, media, and investors in response to inquiries related to the burden of taxes on LIPA’s customers.

- LIPA Staff regularly meets with media, stakeholders, and local leaders to discuss the impact of taxes on energy bills.

**Annual Review of the Policy**

LIPA Staff proposes no amendments to the Policy at this time.

**Recommendation**

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

**Attachments**

**Exhibit “A”**  Resolution
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON TAXES AND PILOTs

WHEREAS, the Board Policy on Taxes and PILOTs (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1320, dated September 21, 2016; and

WHEREAS, the Board adopted the last annual review of the Policy by Resolution No. 1525, dated May 20, 2020; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with.

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

Dated: May 19, 2021
Annual Report on the Board’s Policy on Safety

December 15, 2021
TOPICS FOR DISCUSSION

• Benchmarking, Measuring and Verifying Safety Performance

• Motor Vehicle Safety Performance

• Storm Contractor Safety Onboarding Improvements

• Key 2021 Oversight Initiatives

• Continuous Improvement Initiatives
PSEG Long Island participates in an OSHA benchmarking process with utilities in the United States that is used by LIPA and PSEG Long Island to set Safety Targets for the OSA (Operations Services Agreement).

**OSHA Recordable Incident Rate**

- 2014: 2.80
- 2015: 2.33
- 2016: 1.47
- 2017: 1.12
- 2018: 1.58
- 2019: 1.34
- 2020: 1.01

*Nov 2021 YTD*

**OSHA Days Away Rate (Severity)**

- 2014: 29.16
- 2015: 61.11
- 2016: 26.02
- 2017: 30.59
- 2018: 27.79
- 2019: 29.90
- 2020: 11.90
- Nov 2021 YTD*

*November based on estimated exposure hours*
The addition of automated vehicle location system (AVLS) technology reinforced by a culture of accountability mindset is delivering desired results.

Red Light Violations - By Year

MVA Count with Accident Responsibility

PSEG Vehicle  Other Vehicle
STORM CONTRACTOR SAFETY ONBOARDING IMPROVEMENTS

- Contractors are vetted for OSHA and ISNetworld safety ratings prior to arrival.

- Contractors are provided electronic copies of safety information upon call out in addition to receiving safety briefings upon arrival.

- PSEGLI ICS SHE Officer hosts a daily safety meeting with all internal and external Safety, Health and Environmental resources.
2021 KEY OVERSIGHT INITIATIVES

**Workforce Safety & Oversight**

- New OSA Serious Injury Incident Rate Metric with increased focus on in-house and contractor crew safety performance.

- The 2020 third-party safety report contained five recommendations aimed at enhancing existing practices in such areas as training, safety metrics, work practices, safety oversight, and the consolidation of training services and facilities. All recommendations were implemented and verified.

- The scope of the 2020 report was limited as a result of COVID-19, therefore, Staff issued and awarded an RFP in November 2021 to engage an independent third party to perform onsite field observations of PSEG Long Island’s work practices and safety management processes, including a comparison to industry best practices beginning in January of 2022.

- Since 2014 through year-to-date (“YTD”) 2021, there has been a 65% improvement in the OSHA Recordable Incident Rate and a 70% improvement in the OSHA Days Away Rate.

- Driving culture change in employee driving behaviors which is credited with the continued reduction of both motor vehicle accidents (12% November 2021 YTD year-over-year (“YOY”) and 54% since the inception of AVLS) and red-light violations (33% November 2021 YTD YOY and 59% since the inception of AVLS).
CONTINUOUS IMPROVEMENT INITIATIVES - 2022

- **Self Assessments**
  - Annual PSEGLI Self-Assessment and Senior/Executive Leader Certification of the Implementation of the PSEG EH&S Program Guide
  - LIPA sponsored External Independent Assessment of PSEGLI Safety Program to be Conducted in January 2022

- **Prevention Through Design** - to prevent or reduce occupational injuries, illnesses, and fatalities by engineering out risks and hazards associated with employee work activities.

- **Continued use of Ergonomics and Soft Tissue Injury Prevention Programs** - To reduce employee repetitive motion and soft tissue injuries.

- **Information Technology Systems**
  - A new PSEG Safety Information System (SIMS) is being rolled out in January that will increase functionality, user friendliness and provide easier more flexible reporting.
  - Employee ID Card readers installed in fleet vehicles will be activated and integrated with AVLS reporting, helping to track red-light camera violators.
  - PSEGLI will launch Safety Event Notifications Tool (SENT) to improve contractor safety event reporting.

- **Public and First Responder Safety** – PSEGLI will place in service two new mobile Electric Safety Education Units purchased in 2021.
TO: The Board of Trustees
FROM: Thomas Falcone
SUBJECT: Approval of the Annual Report on the Board Policy on Safety

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution finding that LIPA has complied with the Board Policy on Safety (the “Policy”) for the period since the last annual review and approving the annual report for the Policy, which resolution is attached hereto as Exhibit “A.”

Background

By Resolution No. 1379, dated September 27, 2017, the Board adopted the Policy. The Policy sets objectives to ensure a safe environment for the dedicated workforce of its service provider and the public. The Policy also establishes regular performance reporting by LIPA Staff to enable the Board to assess the adequacy of the service provider’s policies, procedures, and practices for safety, compliance with applicable health and safety laws and regulations, safety performance, including comparisons to peer electric utilities and initiatives to improve the safety of the service provider’s operations. The Policy was last reviewed by the Board in December 2020.

Compliance with the Policy

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

The Policy provides the following:

“Reviewing on a periodic basis no less than every three years the policies, procedures, and practices of the Authority’s service provider.”

- In 2020, LIPA hired Schumaker & Company (“Schumaker”) to conduct the second triennial Safety Assessment of PSEG Long Island. The 2020 Schumaker report contains five recommendations aimed at enhancing existing practices in such areas as training, safety metrics, work practices, safety oversight, and consolidation of training services and facilities. All recommendations were implemented and verified.

- For 2021, in light of the limitations on the scope of the Schumaker review as a result of COVID-19, when such restrictions are lifted, LIPA is scheduled to engage an independent third party to perform onsite field observations of PSEG Long Island’s work practices and
safety management processes, including a comparison to industry best practices.

“Benchmarking against the top quartile in safety performance of the service provider to the top 25 percent of peer utilities, as measured by OSHA Recordable Incidence Rate and OSHA Days Away Rate.”

- PSEG Long Island benchmarks its safety performance against a nationwide panel of electric utilities. That benchmarking helps establish programs that improve safety performance at PSEG Long Island. Since 2014 through year-to-date (“YTD”) 2021, there has been a 65% improvement in the OSHA Recordable Incident Rate and a 70% improvement in the OSHA Days Away Rate. PSEG Long Island has now reached top quartile performance for both OSHA measures for the first time, and is moving towards top decile performance compared to industry benchmarked peers. The OSHA Recordable Incident Rate through November 2021 is 0.97 vs. the top quartile benchmark target of 0.97 and the OSHA Days Away Rate through November 2021 is 8.79 vs. the top quartile benchmark target of 11.90. PSEG Long Island is on track to achieving its best safety performance year on record in 2021.

“Assessing the operational factors that contribute to injuries, motor vehicle accidents and red-light violations and the efforts to improve performance, where necessary.”

- PSEG Long Island has an ongoing process for assessing the factors that drive safety performance. They have built a culture of accountability using Partners in Leadership concepts, effectively changing the way people think and act throughout the organization to achieve desired results. Contractor Safety Programs are stronger through improved vetting, communications, and oversight of contractors responding to storm emergencies. Throughout COVD-19, PSEG Long Island has enhanced employee safety and regulatory training experiences by implementing new online driver, safety leadership, and annual safety training programs. In addition, they have delivered newly created Work Area Protection and Flagging training to enhance safety while working on or alongside roadways and they have enhanced forklift training to include additional practical skills. Moreover, they continue to partner with Briotix Health reducing musculoskeletal injuries through improved work techniques and pre-job stretching (40% over 2020 and 60% since 2014).

- Motor vehicle safety continues to be an area of focus in 2021, including a new remedial training program offering insurance discounts and point reductions to employees upon completion. Continued enhancements of automated vehicle location system (“AVLS”) controls and red light ticket analytics is driving culture change in employee driving behaviors and is credited with the continued reduction of both motor vehicle accidents (12% November 2021 YTD year-over-year (“YOY”) and 54% since the inception of AVLS) and red-light violations (33% November 2021 YTD YOY and 59% since the inception of AVLS).

- PSEG Long Island continues to conduct executive-level meetings with contractors to review their investigations of injuries and motor vehicle accidents. Additionally, PSEG Long Island introduced improvements to the onboarding of foreign crews during restoration efforts that stemmed from a team of Long Island and New Jersey subject-matter
experts tasked with reviewing and recommending changes to the current on boarding and oversight practices of foreign crews during restoration efforts. These include, among other actions, reviewing contractor OSHA and ISNetworld safety ratings prior to arrival; communicating safety information electronically upon call out in addition to providing onsite safety briefings upon arrival; hosting daily safety meetings with all internal and external Safety, Health and Environmental resources throughout storm events; and assigning leads for field surveys of external crews.

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. There is one risk related to the Policy; “Employees and contractors not following safety procedures and equipment failures resulting in injury/death to employees, contractors and/or member(s) of the public.”

This risk is rated as a medium level risk and is identified as one of PSEG Long Island’s top-tier risks. To mitigate this risk, PSEG Long Island’s Safety Program fosters a high level of safety awareness by its employees and contractors. PSEG Long Island verifies contractor safety records, reviews, authorizes contractor safety plans prior to commencement of work, and conducts required trainings for employees, contractors, and supervisors (e.g., Substation Awareness Training). Attendance is tracked and monitored at these training sessions. The Safety Program also includes contractor roundtables with PSEG Long Island staff to ensure adherence to the policies and procedures and identifies additional protocols for integration into these sessions. Equipment has also been installed in company vehicles to record driving data to help reduce motor vehicle incidences.

In addition to PSEG Long Island’s oversight of its contractors, LIPA continues its oversight by verifying OSHA-related data as part of the current monthly Scorecard meetings. Increased LIPA oversight of contractors will be achieved with the inclusion of all on-island contractor injuries not previously included in PSEG Long Island’s safety statistics and a new safety performance metric – Serious Injury Incidence Rate will capture high hazard related injuries. Given the oversight efforts of both organizations, the programs noted above, and the new metrics we believe the risk is adequately managed.

Annual Review of the Policy

LIPA Staff recommends no changes to the Policy.

Recommendation

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

Attachment

Exhibit “A” Resolution
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE
BOARD POLICY ON SAFETY

WHEREAS, the Board Policy on Safety (the “Policy”) was originally approved by the Board of
Trustees Resolution No. 1739, dated September 27, 2017; 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.

Dated: December 15, 2021
Economic Development and Community Engagement Annual Update

August 11, 2021
AGENDA

- Large Business programs

- Small Business programs
  - Vacant Space Revival
  - Main Street Revitalization
  - COVID19 – related programs

- Measuring Awareness / J.D. Power Surveys

- Future Considerations
Programs For Large Business

- **Business Development Rate:**
  - 5-year bill credit program for new or expanding Long Island businesses
  - 2020 participation: 14 customers, $300,000 in discounts

- **Excelsior Jobs Program:**
  - Statewide program providing utility rate discounts and tax credits to incentivize job creation, retention, and local investment
  - Statewide, over 700 projects providing 236,000 jobs and $6.75 billion in capital investment
  - 115 Long Island projects accepted in the program
  - $700,000 in discounts paid annually

- **Recharge New York:**
  - Energy commodity program with lower-cost hydro and market energy provided by NYPA, with PSEG Long Island as the delivery agent
  - Statewide, 71,450 jobs created or retained and $2.4 billion in capital investment
  - 262 PSEG Long Island customers participate in this program
Small Business Program: Vacant Space Revival

- Vacant Space Revival Program
  - Helping local business districts fill vacant commercial spaces

- Program Goals:
  - Drive economic growth in local business communities
  - Create electric revenue from existing infrastructure assets
  - Create local jobs

- Incentives:
  - Subsidizes first-year electricity costs for new businesses
  - Rate 280 credits up $1,500
  - Rate 281 credits up to $10,000

- Participation & Incentives
  - 2019 levels – 35 customers & $62,951 incentives
  - 2020 levels – 16 customers & $55,536 incentives
  - 2021 to date levels – 15 customers & $26,297 of incentives
Small Business Program: Main Street Revitalization

• **Main Street Revitalization Program**
  o Revitalizing under-utilized business districts

• **Program Goals:**
  o Support local communities and small businesses
  o Optimize the existing electric infrastructure
  o Create jobs and leverage capital investment

• **Incentives:**
  o Up to $100,000 grant
  o Projects with greater economic benefits to the community earn higher incentives

• **Accomplishments To Date:**
  o 30 projects supported and 14 additional in progress
  o Projects have provided $116 million in direct investment and created over 500 jobs
  o Estimated over $48 million in financial benefit to local business communities
  o Total PSEG Long Island grants of $746,000
New Programs Developed & Implemented In Response to COVID19:

• 2020: Small Business First:
  o $1.8M in energy efficient lighting renovations for small business at no-cost or low-cost. Designed to help businesses lower operating costs, save energy, and put contractors to work
  o Approximately 1,000 small businesses participated

• 2020: Rate 281 Demand Credits:
  o Issued credits to rate 281 customers impacted by COVID. Designed to offset the effect of ratcheted demand charges on business accounts that reduced electric usage

• 2020 / 2021: Main Street Revitalization - Chamber of Commerce Grants
  o Provided grants of up to $5,000 to Chambers of Commerce to enable & enhance outdoor commerce
  o 36 individual grants provided to date

• 2021: Chamber of Commerce Beautification Grants
  o New program providing grants of up to $2,000 to Chambers of Commerce for landscaping and beautification to improve appeal of business community
  o 6 individual grants provided to date
Awareness Measurement: COVID-19 has limited the ability to drive support and awareness of our programs

- East Large utilities, as well as PSEG Long Island have trended downward in awareness in J.D. Power surveys. PSEG Long Island recently launched a multi-channel campaign to counter this negative trend.

Percentage of PSEG Long Island Business customers who believe that utility supports economic development of local community.

J.D. POWER
Future Considerations

• Increase focus on:
  o Electrification: EV Fleets and Heat Pumps
  o Environmental Justice Communities
Questions?
Appendix

Video Promotions

https://www.youtube.com/watch?v=w9haDIlLpms&feature=youtu.be

https://vimeo.com/572580865 [vimeo.com]
Appendix

Print Promotions

**Business discounts**
Small businesses fill a major role in the local economy. PSEG Long Island is helping to support the development of our downtown areas with help from our Invest in Space Program. You may qualify for electric bill discounts of up to $10,000 when taking over a commercial space that has been vacant for a year or even if you own a property, you may apply on behalf of a future tenant. Visit PSEG LIPA’s new business to learn more or call the Business Development Center at 1-866-766-2888 to speak with one of our Economic Development specialists.

PSEG Long Island
May 10

Hey, did you see our shout out to small businesses? We’re celebrating the contributions small local businesses make to our economy and our communities. Our Small Business First, Outdoor Spaces and Main Street Revitalization programs have created jobs, kept restaurants open and have made businesses more energy efficient throughout all of Long Island!
http://spr.ly/6182y6URY

PSEG Long Island
July 6 at 12:30 PM

As COVID-19 changed our lives, our commitment to communities remained unwavering. Our Economic Development and Energy Efficiency teams created new programs to support small businesses across Long Island, like Sand City Brewing Co. in Lindenhurst. Check out how we helped them power through!

PSEG Long Island
FOR CONSIDERATION
August 11, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board’s Policy on Economic Development and Community Engagement

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 Economic Development and Community Engagement (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. 1356, dated March 29, 2017, the Board adopted the Policy with the purpose of promoting the economic growth and vitality of the service territory through the efficient use of utility plant and equipment, consistent with LIPA’s mission to its customer-owners. The Board last reviewed and approved updates to the Policy by Resolution No. 1537, dated June 24, 2020.

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 last annual review of the Policy.

The Policy requires that LIPA “promote the economic growth and vitality of its service territory.” Additionally, the Policy “encourages the efficient use of utility plant and equipment and attracts personnel to LIPA and its service provider who are mission-oriented and dedicated to Long Island and the Rockaways.” In accordance with the Policy, LIPA and its service provider will:

“Attract commercial customers to LIPA’s service territory and help such customers grow their businesses through electric rates that are discounted below LIPA’s average cost of service, without which rates such companies would not locate in the service territory.”

- 50 large business accounts received discounted power through our Business Development Rate and legacy New York State programs, such as the Excelsior Jobs program in 2020. These businesses have received approximately $1.3 million in discounts and provided over 1,200 jobs.

“Offer economic development rates and programs consistent with those offered by other utilities in the state or best practices within the electric utility industry.”
• 262 large business accounts received power through the Recharge New York program, with commodity delivered by LIPA and its agent, PSEG Long Island. Collectively, since its inception, the Recharge New York program has developed over 2,600 jobs.

• 16 small business customers opened new accounts through the Vacant Space program in 2020, which encourages new businesses to occupy spaces that have been vacant for at least one year. Total incentives awarded during 2020 were $56,000.

• A total of $255,000 in incentives were awarded to support 11 community projects through the Main Street Revitalization program in 2020. Since 2019 these projects leveraged over $116 million in private investment while creating over 500 jobs.

“Engage in community events, volunteerism, and educational programs consistent with the purpose of this Policy.”

• Due to the COVID-19 pandemic, two new programs were developed and implemented through working with the various Chambers of Commerce in our service territory. Grants of up to $5,000 to enable outdoor commerce began in 2020 and to date have given out 36 grants totaling $185,000. Beginning in 2021, the program was expanded to include grants up to $2,000 for landscaping and beautification to improve the appearance of the business community.

**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 the adoption of a resolution in the form attached hereto.

**Attachments**

**Exhibit “A”** Resolution
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON ECONOMIC DEVELOPMENT AND COMMUNITY ENGAGEMENT

WHEREAS, the Board Policy on Economic Development and Community Engagement (the "Policy") was originally approved by the Board of Trustees by Resolution No. 1356, dated March 29, 2017; and

WHEREAS, the Policy was last reviewed and amended by the Board pursuant to Resolution No. 1537, dated June 24, 2020; and

WHEREAS, the Board of Trustees 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 of Trustees hereby finds that the Long Island Power Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: August 11, 2021
FOR CONSIDERATION
June 23, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of the Approval of the Annual Report and Amendments to the Board Policy on Staffing and Employment

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.

**Attachments**

- **Exhibit “A”**  Resolution
- **Exhibit “B”**  Staffing and Employment Policy (redline)
- **Exhibit “C”**  Staffing and Employment Policy (clean)
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.

Dated: June 23, 2021
Board Policy: Staffing and Employment

Policy Type: Operating Policy

Monitored by: Governance, Planning and Personnel Committee

Board Resolution: #1338, approved January 25, 2017
#1435, amended October 24, 2018
#1485, amended July 24, 2019
#1538, amended June 24, 2020
#XXX, amended June 23, 2021

Board Policy on Staffing and Employment

It is the policy of the Long Island Power Authority (“LIPA”) to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical— and productive, and accountable workplace. In furtherance of these goals, the Board of Trustees:

• Appoints and, if necessary, discharges the Chief Executive Officer (“CEO”);
• Evaluates the performance of and determines the compensation of the CEO1;
• With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA’s By-laws2.

Furthermore, the Board of Trustees authorizes and directs the CEO to:

• Manage LIPA’s 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;
• Maintain staffing at the minimum level necessary to ensure that LIPA meets its obligations with respect to its bonds and notes, statutes, contracts, and oversight of its service provider;

1 The Board annually evaluates the CEO’s performance by comparing: (i) the LIPA’s performance to the policies established by the Board, and (ii) the skills of the CEO to the competency profile established for the position. The Board periodically reviews the CEO’s compensation using a benchmarking survey. The CEO’s cost-of-living adjustments (“COLA”), if any, are tied to performance. If the CEO’s performance “meets expectations”, the COLA equals the rate of inflation. If the CEO “significantly exceeds expectations”, the COLA equals the rate of inflation plus one percent. If the CEO’s performance is “outstanding,” the COLA equals the rate of inflation plus two percent.
2 Pursuant to LIPA’s By-laws, the Board-appointed Officers include the Chief Executive Officer, the Chief Financial Officer, and the General Counsel. The Chief Executive Officer may appoint such other Officers as he or she may from time to time deem necessary or desirable.
• Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion, meet or exceed relevant laws and regulations, and ensure an ethical, safe, discrimination/harassment free work environment, including:

  a. Employee Handbook Policies that provide guidance to employees regarding their rights, benefits, and responsibilities and that address:

  • diversity and equal employment opportunity;
  • the Americans with Disabilities Act and reasonable accommodations;
  • intolerance for workplace bullying and harassment;
  • domestic violence and prevention of violence in the workplace;
  • timekeeping practices;
  • vacation, sick time and other benefits, including family and medical leave;
  • internal transfers and promotions;
  • reasonable travel and expense reimbursement;

  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.

• Establish and administer compensation practices and benefits for LIPA’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 LIPA’s mission and values. In addition, LIPA will establish salary ranges for each position that are informed by:

  • compensation and benefits of employees with similar skills at utilities of similar size and complexity;
  • an appropriate balance of compensation practices among public and private organizations;
  • industry and regional cost-of-living trends;
  • the ability to recruit qualified personnel for a position;
  • individual employee performance and contribution; and
  • a process that permits an employee to appeal in writing any compensation decision resulting from a performance evaluation.

• Refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation to new hires that exceeds the range set for the position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment shall be on an at-will basis.

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

• 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.

• Maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to the LIPA’s operations of the Authority.

The CEO will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of this Policy.
Board Policy: Staffing and Employment

Policy Type: Operating Policy

Monitored by: Governance, Planning and Personnel Committee

Board Resolution: #1338, approved January 25, 2017
#1435, amended October 24, 2018
#1485, amended July 24, 2019
#1538, amended June 24, 2020
#XXXX, amended June 23, 2021

Board Policy on Staffing and Employment

It is the policy of the Long Island Power Authority ("LIPA") to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical, productive, and accountable workplace. In furtherance of these goals, the Board of Trustees:

- Appoints and, if necessary, discharges the Chief Executive Officer ("CEO");
- Evaluates the performance of and determines the compensation of the CEO\(^1\);
- With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA’s By-laws\(^2\).

Furthermore, the Board of Trustees authorizes and directs the CEO to:

- Manage LIPA’s 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;
- Maintain staffing at the minimum level necessary to ensure that LIPA meets its obligations with respect to its bonds and notes, statutes, contracts, and oversight of its service provider;

\(^1\) The Board annually evaluates the CEO’s performance by comparing: (i) the LIPA’s performance to the policies established by the Board, and (ii) the skills of the CEO to the competency profile established for the position. The Board periodically reviews the CEO’s compensation using a benchmarking survey. The CEO’s cost-of-living adjustments (“COLA”), if any, are tied to performance. If the CEO’s performance “meets expectations”, the COLA equals the rate of inflation. If the CEO “significantly exceeds expectations”, the COLA equals the rate of inflation plus one percent. If the CEO’s performance is “outstanding,” the COLA equals the rate of inflation plus two percent.

\(^2\) Pursuant to LIPA’s By-laws, the Board-appointed Officers include the Chief Executive Officer, the Chief Financial Officer, and the General Counsel. The Chief Executive Officer may appoint such other Officers as he or she may from time to time deem necessary or desirable.
• Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion, meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment, including:

a. Employee Policies that provide guidance to employees regarding their rights, benefits, and responsibilities and that address:
   • diversity and equal employment opportunity;
   • the Americans with Disabilities Act and reasonable accommodations;
   • intolerance for workplace bullying and harassment;
   • domestic violence and prevention of violence in the workplace;
   • timekeeping practices;
   • vacation, sick time and other benefits, including family and medical leave;
   • internal transfers and promotions;
   • reasonable travel and expense reimbursement;

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.

• Establish and administer compensation practices and benefits for LIPA’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 LIPA’s mission and values. In addition, LIPA will establish salary ranges for each position that are informed by:
   • compensation and benefits of employees with similar skills at utilities of similar size and complexity;
   • an appropriate balance of compensation practices among public and private organizations;
   • industry and regional cost-of-living trends;
   • the ability to recruit qualified personnel for a position;
   • individual employee performance and contribution; and
   • a process that permits an employee to appeal in writing any compensation decision resulting from a performance evaluation.

• Refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation to new hires that exceeds the range set for the position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment shall be on an at-will basis.

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

• 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.

• Maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to LIPA’s operations.

The CEO will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of this Policy.
TO: The Board of Trustees
FROM: Thomas Falcone
SUBJECT: Consideration of Approval of the Annual Report on the Former Board Policy on Information and Physical Security

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 former Board Policy on Information and Physical Security (the “Policy”) for the period since the last annual review; and (ii) finding that LIPA has substantially complied with the Policy, which resolution is attached hereto as Exhibit “A.”

Discussion

By Resolution No. 1500, dated December 18, 2019, the Board adopted the Policy. The Policy delineates the Board’s expectations and direction for information and physical security in accordance with public safety, operational, reputational, and compliance requirements and establishes a reporting requirement to the Board on compliance with the key provisions of the Policy. The Policy was last reviewed and amended by the Board at its meeting in December 2020. The Policy was supplanted by a new Information Technology and Cybersecurity Policy at the Board’s November 17, 2021 meeting; however, Staff is reporting on compliance with the prior Policy for activities through November 2021.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has substantially complied with the Policy. Compliance with each element of the Policy is discussed in detail below.

The Policy provides that “LIPA and its Service Provider will undertake, at a minimum, the following activities each year”:

“Annual reviews of the overall maturity of the cyber and physical security programs of LIPA and its Service Provider, consistent with industry best practices”

- LIPA and its service provider, PSEG Long Island, have adopted the NIST Cybersecurity Framework (CSF) to drive improvements to their cybersecurity programs. The Framework focuses on using business drivers to guide cybersecurity activities and considers cybersecurity risks as part of the risk management processes, including guidance on People, Process, and Technology to implement defense in depth for the enterprise.
LIPA and its service provider, PSEG Long Island, have adopted NERC’s Physical Security Standard (CIP-2 and CIP-14) to protect LIPA’s T&D assets. The physical security of each of the T&D assets is derived from a risk assessment of each asset and its impact on the power grid.

“The Service Provider will conduct quarterly internal and annual third-party vulnerability assessment and penetration testing of all Information Technology (IT) and Operational Technology (OT) assets and vulnerability assessment of facilities and functions every three years. The Service Provider will confidentially submit the vulnerability assessment and penetration testing reports, management action plans, and monthly progress report on remediation to LIPA’s Chief Information Officer”

PSEG Long Island Cybersecurity: PSEG engaged a third-party consultant to perform a vulnerability assessment and penetration test late in 2020. Due to COVID-19 limitations, the assessment was concluded in the first quarter of 2021. PSEG Long Island reported the remediation of all critical, high, and medium risks identified as a result of the assessment. Management Action Plans were not submitted to LIPA. However, PSEG Long Island reports monthly on progress to close the findings. PSEG Long Island also has a program of monthly vulnerability scanning of all assets, which are tracked in a comprehensive database and are addressed throughout the year. The Request for Proposal for the 2022 assessment has been released, and responses are pending.

LIPA Cybersecurity: LIPA engaged a third-party firm to conduct a vulnerability assessment and penetration test and performed focused timeboxed attack and penetration testing of hosts on LIPA's corporate network, including servers, workstations, and other network devices available through the internal environment. Remediation plans were developed and are being implemented. Significant improvements in the LIPA's cybersecurity management practices were made in 2021.

PSEG Long Island Physical Security: FERC reliability standards require transmission owners or operators to perform a risk assessment of their systems to identify “critical facilities,” evaluate the potential threats and vulnerabilities to those identified facilities and develop and implement a security plan designed to protect against physical attacks on those identified critical facilities. PSEG Long Island conducts Security Vulnerability Inspections (SVI) at 53 critical and NERC facilities and Physical Security Inspections (PSI) at all LIPA sites. A computer database is used for tracking inspections and the management of NERC CIP Physical Security requirements. In addition, a “Red Team” penetration test is conducted to assess the Security Command Center response.

In 2021, PSEG Long Island performed annual SVIs for 51 of the 53 identified critical facilities, with the final two facilities scheduled for completion in December 2021. There were no critical physical security deficiencies discovered during these inspections.

“The Service Provider will conduct an independent annual NIST Cybersecurity Framework and COBIT 2019 Maturity Level assessment by an assessor approved by LIPA and confidentially
submit assessment reports and management action plans, including planned initiatives to achieve targeted COBIT Maturity Level 4 (Quantitatively Managed) along with NIST CSF Tier 3 (Repeatable) by September 2021 and COBIT Maturity Level 5 (Optimizing) along with NIST CSF Tier 4 (Adaptable) by September 2022”

- PSEG Long Island will not meet its NIST-CSF/COBIT Maturity target for 2021 established in the Board policy. PSEG Long Island conducted the NIST Cybersecurity Maturity Level assessment and developed the work plan to improve the maturity level. PSEG Long Island report on progress at monthly oversight meetings. However, the evaluation and the work plan have not been submitted to LIPA. PSEG Long Island did not complete the COBIT maturity assessment. The NIST-CSF maturity target has been incorporated into the reformed contract default metrics.

“The Service Provider will develop initial 3-Year Cyber and Physical Security Strategic Plans and submit them to LIPA by June 2021; the Service Provider will review and/or update the respective Strategic Plans at least annually to consider the changing threat landscape and/or mitigation opportunities”

- To date, PSEG Long Island has not submitted an initial 3-Year Cybersecurity Strategic plan.

- In June 2021, PSEG Long Island delivered to LIPA a report outlining their physical security plans and priorities. LIPA reviewed the plan and believes there is room for improvement. In 2022, LIPA will be engaging an outside consultant to review PSEG Long Island’s physical security plans and practices and make recommendations for enhancements to be included in the 2023 budget.

“The Service Provider will develop and submit to LIPA an annual work-plan in Q4 of each year for the subsequent year, guided by the Cyber and Physical Security Strategic Plans”

- PSEG Long Island has not developed nor submitted the annual Cybersecurity Work Plan for 2022.

- Though formal Strategic and Work Plans have not been developed for Physical Security, PSEG Long Island has provided a Project Justification Document (PJD) describing 2022 planned work, which entails security upgrades at two substations. Going forward, LIPA will endeavor to align the Board Policy with the Budget and PJD processes.

“The Service Provider shall comply with all applicable standards, directives, and guidance issued by regulatory or industry advisory bodies, including the North American Electric Reliability Corporation, Federal Energy Regulatory Commission, Department of Energy, Department of Homeland Security, and New York State Department of Public Service; This would include Annual self-assessment for compliance with NERC. Quarterly reporting of any incidents of non-compliance with the applicable standards”
• In 2021 Northeast Power Coordinating Council (NPPC) Inc. conducted a scheduled audit of PSEG Long Island’s NERC compliance. The audit period was from September 28, 2018, to October 30, 2020, for CIP; February 28, 2015, to October 30, 2020 (DP: Distribution Provider, TO: Transmission Owner) and November 30, 2017, to October 30, 2020 (TOP: Transmission Operations, TP: Transmission Planner) for O&P (Operations and Planning); and covered the DP, TOP, TO and TP function(s). The audit process included a review of evidence submitted to demonstrate compliance and SME interviews conducted virtually. The audit scope included 15 standards and 46 requirements. The audit findings resulted in three potential non-compliance findings, for which remediation has been addressed. None of these findings were related to physical security.

“...The Service Provider will confidentially report no less than quarterly to LIPA’s Chief Information Officer: Service Provider’s compliance with industry and regulatory standards and exceptions. The effectiveness of the Security Programs and Policies, as indicated by various security-related Key Performance Indicators (KPIs). Implementation of additional defensive technology initiatives. Security incidents, responses, and their impact.”

• In compliance with this policy requirement, PSEG Long Island staff provided monthly briefings on the state of Cybersecurity, Key Performance Indicators, and ongoing Cyber defensive technology projects.

“The Service Provider will inform the LIPA CIO of any significant breach or other unmitigated vulnerabilities immediately upon discovery.”

• PSEG Long Island informed the LIPA CIO of all cyber incidents during 2021.

“LIPA will provide oversight, including review, Independent Verification, and Validation (IV&V) of the Services Provider’s Cyber and Physical Security Program(s) as necessary.”

• In 2022, LIPA will have a comprehensive vulnerability assessment, penetration testing, and overall cyber program evaluation conducted by an independent consultant. This assessment will include an independent review of PSEG Long Island’s NIST CSF compliance status and will provide recommendations to achieve the target outlined in the reformed PSEG Long Island contract default metrics.

• In 2021, LIPA Staff conducted regularly scheduled meetings with PSEG Long Island’s compliance group to review whether there were any issues requiring the need to self-report on any NERC standards. In 2022, LIPA will have a vulnerability assessment, and overall physical security program evaluation conducted by a third-party consultant/firm of critical infrastructure.

Annual Review of the Policy

At its meeting on November 17, 2021, the Board adopted a new policy on Information Technology and Cyber Security to replace this Policy. Moving forward, the annual reports to the Board will review compliance with the Board Policy on Information Technology and Cyber Security.
Recommendation

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

Attachments

Exhibit “A”  Resolution
RESOLUTION APPROVING THE ANNUAL REPORT TO THE BOARD OF TRUSTEES
ON THE FORMER BOARD POLICY ON INFORMATION AND PHYSICAL SECURITY

WHEREAS, the Board Policy on Information and Physical Security (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1500, December 18, 2019; and

WHEREAS, the Policy was last reviewed and amended by the Board at its meeting in December 2020; and

WHEREAS, the Oversight and Clean Energy Committee (the “Committee”) of the Board of Trustees has conducted the annual review of the Policy and has recommended that the Policy has been substantially complied with.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has substantially complied with the Policy and approves the annual report to the Board.

Dated: December 15, 2021
FOR CONSIDERATION
August 11, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Annual Report on the Board Policy on Public Policy Transmission Planning

Requested Action

The Board of Trustees (“the Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution approving the Annual Report on the Board Policy on Public Policy Transmission Planning (“the Policy”), which resolution is attached as Exhibit “A.”

Background

By Resolution No. 1540, dated June 24, 2020, the Board approved amendments to the Policy that, among other things, directed the CEO to report annually on LIPA’s evaluation of public policy transmission needs. LIPA Staff has reviewed the Policy and does not recommend any changes at this time. Since the June 2020 report, LIPA has participated in the 2020-2021 biennial planning cycle for the determination of public policy transmission needs.

LIPA’s 2020-2021 Evaluation

In August 2020, the New York Independent System Operator (“NYISO”) issued its biennial solicitation for proposed transmission needs that might be driven by Public Policy Requirements.\(^1\) In response to that solicitation, PSEG Long Island submitted its recommended Public Policy Transmission Needs (“PPTN”), which include a need for one or more ties from Long Island to Westchester/New York City and backbone upgrades from East Garden City to Ruland Road as a result of the Off-Shore Wind Standard (“OSW”) articulated in the Climate Leadership and Community Protection Act (“CLCPA”). A total of 12 PPTN proposals involving the Long Island transmission system were referred to LIPA in October 2020.\(^2\)

LIPA evaluated the 12 proposals and concluded “that the following transmission needs constitute a Public Policy Transmission Need in the Long Island Transmission District that is driven by Public Policy Requirements:

\(^1\) A Public Policy Requirement is defined as a federal or New York State statute or regulation, including a New York Public Service Commission order, adopting a rule or regulation, that may relate to transmission planning for the New York State Bulk Power Transmission Facilities.

\(^2\) The proposals were from the following: Anbaric Development Partners, LLC; AVANGRID, Inc.; City of New York; Con Edison Transmission, Inc.; LS Power Grid New York, LLC; Nextera Energy Transmission New York; NY Transco; New York Power Authority; New York Transmission Owners; Orsted US Offshore Wind; PSEG Long Island; and Transource Energy, LLC.
• Adding at least one bulk transmission intertie cable to increase the export capability of the LIPA-Con Edison interface, that connects NYISO’s Zone K to Zones I and J.
• Upgrading associated local transmission facilities to accompany the expansion of the proposed OSW export capability. Such upgrades would include increasing capacity on portions of the existing 138 kV transmission “backbone” between the Ruland Road and East Garden City substations and converting that path to 345 kV.”

In March 2021, the Public Service Commission (“PSC”) designated one or more Long Island ties to New York City as a PPTN pursuant to the CLCPA, but declined to classify the backbone upgrade from East Garden City to Ruland Road as a PPTN, preferring to allow the NYISO evaluation process to determine such local upgrades (“the March Order”).

In the March Order, the PSC directed the NYISO to allocate the costs of Long Island ties 75% to congestion beneficiaries and to share 25% of costs statewide. In April 2021, LIPA submitted a petition for rehearing, arguing for 100% statewide load ratio cost allocation, noting that congestion beneficiaries are highly speculative, while the principal benefit of the new tie(s) would reduce OSW interconnection costs. Such benefits will flow to the purchasers of Offshore Wind Renewable Energy Certificates, which are to be allocated statewide on a load ratio cost allocation. The PSC has not yet issued a decision on LIPA’s petition.

In May 2021, NYISO began the process of identifying the constraints on the Long Island and New York City systems that proposed projects would need to be addressed to meet the identified PPTN. As part of that process, utilities and merchant transmission developers are entitled to qualify as “developers” if they wish to be eligible to construct the PPTN project or associated local upgrades. LIPA is in the process of qualifying to be a developer, should a local upgrade be identified that involves an existing LIPA transmission facility. The NYISO tariff gives LIPA the right of first refusal to construct such upgrades.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of the resolution in the form attached hereto as Exhibit “A.”

Attachment

Exhibit “A” Resolution

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4 A similar petition was filed by Consolidated Edison and Orange & Rockland Utilities.
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE 
BOARD POLICY ON PUBLIC POLICY TRANSMISSION PLANNING

WHEREAS, the Board Policy on Public Policy Transmission Planning ("the Policy") was originally approved by Resolution No. 1414, dated May 23, 2018; and

WHEREAS, the Policy was last amended by Resolution No. 1540, dated June 24, 2020; and

WHEREAS, the Board of Trustees 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 of Trustees hereby finds that the Long Island Power Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: August 11, 2021
Objective: Design a 3-year plan that identifies and executes best practices to support a sustainable DE&I program in furtherance of the Board’s Policy on Diversity, Equity & Inclusion.

DE&I ROADMAP

PHASE 1
- Established a Board Policy on Diversity and Inclusion ✓
- Commenced Internal LIPA Initiatives ✓
- Provided Diversity, Equity, and Inclusion Training ✓
- Systematic Racism ✓
- Uncovering Unconscious Bias ✓
- Your Role in Creating Cultures of Belonging Where Everyone Can Thrive ✓
- Implemented DE&I in recruitment practices to increase diversity ✓

PHASE 2
- Roadmap Development ✓
- Kick-off meeting with EK Ward and LIPA’s Steering Committee ✓
- Established framework and set expectations ✓

WHERE WE STARTED
- Cultural Alignment/Embed into Our Culture December 2021
  - Conduct organizational assessment
    - Analyze DE&I barriers/enablers/gaps
  - Review organizational processes/policies
  - Conduct employee surveys
  - Executive Summary Report
    - Synthesize information from the organizational assessment
    - Set goals and objectives based on survey and assessment results
  - Identify opportunities to incorporate DE&I best practices in LIPA’s policies, employment protocols and strategic plan

WE ARE HERE
- PHASE 1 continues—September 2021
  - Develop DE&I vision and objectives
  - Update Board Policy on Diversity and Inclusion
  - Communicate LIPA’s DE&I statement
  - Define DE&I terms

DE&I Leadership and Staff Development—Deliver in 2022 – 2024
- Through 2021 and beyond, develop inclusion-based training and development programs
- Provide education and training and development sessions
- Embed and reinforce in company culture

PHASE 3
- Implementation, Measurement, & Monitoring Outcomes—June 2022
  - Establish a dashboard and organizational process for monitoring measurable outcomes to support implementation

PHASE 4
- Calibration and Change—Deliver through end of 2024
  - Review, evaluate, and compare actual outcomes with expected outcomes
  - Rectify issues, revise strategies, solicit input from employees, and facilitate changes to ensure successful implementation and sustainability of DE&I goals and objectives
  - Provide periodic progress reports to the Executive Committee

PHASE 5 and beyond
- Roadmap and Implementation
- Executive Summary報告
- Annual Report
- DE&I Strategic Plan
- DE&I Ongoing Support
- DE&I Leadership Development
- DE&I Staff Development
- DE&I Culture Alignment
- DE&I Sustainability Plan
- DE&I Review and Evaluation
- DE&I Ongoing Support and Monitoring
- DE&I Leadership Development
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FOR CONSIDERATION
August 11, 2021

TO: The Board of Trustees
FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report and Amendments to the Board Policy on Diversity and Inclusion

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 Diversity and Inclusion (the “Policy”) for the period since adoption of the Policy in 2020; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy, which resolution is attached hereto as “Exhibit A”.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy since the adoption of the policy last year.

The Policy requires that LIPA seek to attract, retain, and develop a diverse workforce representative of the electric customers we serve by;

“Encouraging a trusting and inclusive workplace, through training and development and by including these skills in our hiring and promotion practices.”

In the past year, LIPA has held three training and development seminars focused on Diversity, Equity, and Inclusion (“DE&I”) issues, including presentations from outside consultants on the topics of systematic racism, unconscious bias, and creating cultures of belonging.

“Utilizing LIPA’s annual employee engagement surveys and related initiatives to advance our diversity and inclusion practices.”

LIPA’s engagement survey includes specific questions related to DE&I. Five additional questions were added to the 2020 survey bringing the total number of questions to nine. These questions are specifically designed to solicit input from employees on LIPA’s efforts to ensure

- that people of all cultures, backgrounds, and identities are respected and valued at LIPA; LIPA’s leadership demonstrates commitment to and support of DE&I;
- every employee can bring their authentic self to work;
- the diversity activities and learning opportunities offered have a positive impact on our culture; and
as an organization, we are not afraid to have difficult conversations.

Scores for these questions place LIPA ahead of or among top companies and the 2020 scores place two DE&I related questions among the 6 most improved items year over year.

“Overseeing the diversity and inclusion initiatives of LIPA’s service providers.”

As part of our oversight responsibilities and to learn more about PSEG Long Island’s efforts related to DE&I, LIPA’s Director of Human Resources engaged with PSEG Long Island’s DE&I manager to gain a better understanding of their DE&I efforts and priorities and to discuss training opportunities and recommendations.

“Promoting the participation of minority, women-owned, and service-disabled veteran owned businesses in procurements by LIPA and its service providers, consistent with Article 15-A of the Executive Law.”

LIPA and its service providers continuously seek opportunities to partner with vendors that are either minority, women-owned (“MWBE”), or service-disabled veteran-owned (“SDVOB”) businesses. For 2020, LIPA procured over 30% of its eligible spend from MWBE and 6% from SDVOB vendors earning a score of A+ from New York State’s Empire Development Corporation, which oversees compliance with Article 15-A.

Annual Review of the Policy

Staff proposes the following revisions to the Policy:

• Renaming the Policy from the Board Policy on Diversity and Inclusion to the Board Policy on Diversity, Equity, and Inclusion;

• Expanding the scope of the Policy consistent with its new name; and

• Certain other non-material amendments to the elements of the Policy for better explanation and clarification of the purpose and intent of the Policy.

The proposed changes are more specifically shown on 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.

Attachments

| Exhibit “A” | Resolution          |
| Exhibit “B” | Board Policy on Diversity, Equity, and Inclusion (redline) |
| Exhibit “C” | Board Policy on Diversity, Equity, and Inclusion (clean) |
RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE BOARD POLICY ON DIVERSITY AND INCLUSION

WHEREAS, the Board Policy on Diversity and Inclusion (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1542, dated 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 LIPA has complied with 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 Exhibit “B” are hereby approved.

Dated: August 11, 2021
Board Policy: Diversity, Equity, and Inclusion

Policy Type: Operating Policies

Monitored by: Governance, Planning and Personnel Committee

Board Resolution: #1542, adopted June 24, 2020
#xxxx, amended August 11, 2021

Board Policy on Diversity, Equity, and Inclusion

The Long Island Power Authority (“LIPA”) is committed to a diverse, equitable, and inclusive workplace environment that respects and values employees representing a, customers, and stakeholders for the variety of their backgrounds and personal characteristics, including, but not limited to, diversity by ethnicity, gender, gender identity, marital status, national origin, physical ability, political affiliation, race, religion, sexual orientation, veteran status, life experience, talent, thinking style, or any other characteristic protected by law.

LIPA supports fairness and equity in achieving the goals set forth in the Climate Leadership and Community Protection Act (“CLCPA”) and in Article 48 of the Environmental Justice of the Environmental Conservation Law (“ECL Art 48”), and believes that all communities are entitled to equal protection of environmental laws and regulations.

LIPA will foster and promote a diverse, equitable, and inclusive workplace and society by:

- seeking to attract, retain, and develop a diverse workforce representative of the electric customers we serve;
- encouraging a positive, trusting, and inclusive workplace culture, through training and development and by considering these skills in our hiring and promotion practices;
- utilizing LIPA’s annual employee engagement surveys and related initiatives to measure and advance our diversity, equity, and inclusion practices;
- overseeing the diversity, equity, and inclusion initiatives of LIPA’s service providers;
- promoting the participation of minority, women-owned, and service-disabled veteran-owned businesses in procurements by LIPA and its service providers, consistent with Article 15-A of the Executive Law.

In furtherance of the CLCPA and ECL Art 48, LIPA will:

- participate in the community-based planning efforts of the State’s Climate Action Council;
- create, pursue, and promote opportunities for, and eliminate barriers to, the achievement of environmental and climate justice.
The Chief Executive Officer, or his or her designee, will report annually to the Governance, Planning, and Personnel Committee of the Board of Trustees on efforts consistent with this Policy.
Board Policy: Diversity, Equity, and Inclusion
Policy Type: Operating Policies
Monitored by: Governance, Planning and Personnel Committee
Board Resolution: #1542, adopted June 24, 2020
#xxxx, amended August 11, 2021

Board Policy on Diversity, Equity, and Inclusion

The Long Island Power Authority (“LIPA”) is committed to a diverse, equitable, and inclusive environment that respects and values employees, customers, and stakeholders for the variety of their backgrounds and personal characteristics, including, but not limited to, ethnicity, gender, gender identity, marital status, national origin, physical ability, political affiliation, race, religion, sexual orientation, veteran status, life experience, talent, thinking style, or any other characteristic protected by law.

LIPA supports fairness and equity in achieving the goals set forth in the Climate Leadership and Community Protection Act (“CLCPA”) and in Article 48 of the Environmental Justice of the Environmental Conservation Law (“ECL Art 48”), and believes that all communities are entitled to equal protection of environmental laws and regulations.

LIPA will foster and promote a diverse, equitable, and inclusive workplace and society by:

• attracting, retaining, and developing a diverse workforce representative of the electric customers we serve;
• maintaining a positive, trusting, and inclusive workplace culture, through training and development and by considering these skills in our hiring and promotion practices;
• utilizing annual employee engagement surveys and related initiatives to measure and advance our diversity, equity, and inclusion practices;
• overseeing the diversity, equity, and inclusion initiatives of LIPA’s service providers;
• promoting the participation of minority, women-owned, and service-disabled veteran-owned businesses in procurements by LIPA and its service providers, consistent with Article 15-A of the Executive Law.

In furtherance of the CLCPA and ECL Art 48, LIPA will:

• participate in the community-based planning efforts of the State’s Climate Action Council;
• create, pursue, and promote opportunities for, and eliminate barriers to, the achievement of environmental and climate justice.
The Chief Executive Officer, or his or her designee, will report annually to the Governance, Planning, and Personnel Committee of the Board of Trustees on efforts consistent with this Policy.
FOR CONSIDERATION
March 30, 2022

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of: (i) the Annual Investment Report for 2021; and (ii) the 2022 Investment Guidelines (the “Board Policy on Investments”)

Requested Action

The LIPA Board of Trustees (the “Board”) is requested to adopt a resolution approving: (i) LIPA’s Annual Investment Report for 2021 in the form attached hereto as Exhibit “B”; and (ii) the 2022 Board Policy on Investments in the form attached hereto as Exhibit “D”.

Annual Investment Report for 2021

Section 2925 of the Public Authorities Law (“PAL”) requires that LIPA annually review and approve an investment report. LIPA’s investments are either: (i) managed by an investment manager in primarily short-term, highly liquid investments; or (ii) invested in broad-based, low-cost equity and fixed-income mutual funds. All investments of LIPA funds are governed by the Board Policy on Investments.

LIPA’s investments were compliant with the terms and conditions of the Policy for 2021 and performed consistently with Staff’s expectations given the nature of the investments.

2022 Board Policy on Investments

The Board is also required by Section 2925(6) of the PAL to annually review and approve the Board Policy on Investments, which detail the Board’s operative instructions to LIPA Staff regarding the investing, monitoring, and reporting of LIPA funds. The Board Policy on Investments was last reviewed and approved on March 29, 2021.

The proposed revisions to the Board Policy on Investments seek to clarify and update minor changes that occurred during the preceding year.

All changes to the Policy are more particularly shown in Exhibit “C”.

Recommendation

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

Attachments

Exhibit “A”  Resolution
Exhibit “B”  2021 Annual Investment Report
Exhibit “C”  2022 Board Policy on Investments (redline)
Exhibit “D”  2022 Board Policy on Investments (clean)
RESOLUTION APPROVING THE ANNUAL INVESTMENT REPORT FOR 2021 AND THE 2022 BOARD POLICY ON INVESTMENTS

RESOLVED, that the Board of Trustees hereby approves the Annual Investment Report for the period ended December 31, 2021, in the form presented at this meeting; and

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves and adopts the revised Board Policy on Investments in the form presented at this meeting to be effective immediately.

Dated: March 30, 2022
ANNUAL INVESTMENT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2021
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The Long Island Power Authority
Investment Report

SECTION I

Annual Investment Report
1. Investment Policy and Amendments Since Prior Year Investment Report

LIPA’s Investment Policy incorporates the investment requirements of New York State, LIPA’s General Bond Resolution, and the Nuclear Decommissioning Trust Agreements. The Investment Policy was last approved by the Board of Trustees on March 29, 2021.

The Policy details LIPA’s guidelines with respect to the purchase and sale of investments and specifies the procedures for monitoring, maintaining, accounting for and reporting of such investments. The Policy is attached in Section II.

The Investment Policy approved March 29, 2021 included the following modifications to the Investment Policy which was approved on March 27, 2020:

- An update to the oversight authority for registered brokers and broker-dealers from the National Association of Security Dealers (NASD) to Financial Industry Regulatory Authority (FINRA).

- Definition clarification of Insured Bank Deposits.

- Exclusion of Negotiable Bank Obligations as a permitted investment.

2. Result of Annual Audit

The “Independent Accountant’s Report on Investment Compliance” issued by LIPA’s auditors, KPMG LLP, is attached hereto in Section III.

3. Investment Income Record
Attached hereto in Section IV is a summary of LIPA’s investment income for the year ended December 31, 2021, totaling approximately $36 million dollars.

4. **Total Fees, Commissions, or Other Charges Paid to Investment Bankers, Brokers, Agents, Dealers and Advisors Rendering Investment Associated Services**

The majority of LIPA’s investments are managed through the services of an investment manager who provides cash management and investment advisory services. The fees for such services are based upon the average daily amortized cost basis of the investments under management each month and are paid monthly. For the year ended December 31, 2021, LIPA paid $214,681 in connection with these services. Additionally, custodial services for the investments are provided by a custodial bank. Fees for these custodial services are based upon the average daily market value of the investments held during the quarter and are paid quarterly. For the year ended December 31, 2021, LIPA paid approximately $56,185 in connection with these services.

Other short term investments are held in accounts with investment institutions and commercial banks. It is general practice in the financial community for these institutions to include the commission or transaction fee, if any, in their purchase price or to charge an investment fee that is netted from the income of the investment.

There were no other fees or charges to investment bankers, agents, dealers or advisors in connections with investment activities for the year ended December 31, 2021.
SECTION II

Investment Policy

Adopted March 29, 2021
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1. **OVERVIEW OF INVESTMENT POLICY**

1.1. **Purpose and Scope**

This policy sets forth instructions to the officers and staff of the Long Island Power Authority ("LIPA" or the "Authority") with regard to investments of monies of LIPA and its subsidiary and the monitoring and reporting of such investments. The Policy is intended to meet the provisions of the Public Authorities Law ("PAL") Section 2925, the Office of the State Comptroller’s Investment Guidelines for Public Authorities contained in 2 New York Codes, Rules and Regulations ("NYCRR") Part 201, Section 201.3, the provisions of LIPA’s enabling legislation, and the parameters established by LIPA’s Financing Documents. This Policy has been adopted by, and can only be changed by, the Board of Trustees.

1.2. **Definitions**

“LIPA” or the “Authority” means the Long Island Power Authority, a corporate municipal instrumentality of the State of New York, established pursuant to Chapter 517 of the Laws of 1986 of the State of New York.

“Eligible Banking Institution” means any commercial bank or financial institution whose long-term unsecured debt securities are rated A- or better by S&P, A3 or better by Moody’s, or A- or better by Fitch, and having its principal office within the State, as authorized by the Board of Trustees by Resolution on May 18, 2016.

“Financing Documents” means the Electric System General Bond Resolution, adopted May 13, 1998 (the “General Bond Resolution”); the Electric System General Subordinated Revenue Bond Resolution, adopted May 20, 1998 ("Subordinated Bond Resolution"); the Credit Agreement, dated as of February 1, 2019 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 22, 2022 related to Electric System General Revenue Notes, Series 2019 A; any agreement with the issuer of any Credit Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution); and any Liquidity Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution), in each case as the same may be amended and supplemented from time to time.

“Investment Funds” means monies and financial resources available for investment by LIPA and its subsidiary.

“Investment Securities” means any or all the investment obligations described in Section 2.2 hereof.

“Rating Agencies” means Standard and Poor’s Global Ratings (S&P), Moody’s Investors Service (Moody’s), and Fitch Ratings (Fitch).

“State” means the State of New York.
1.3. Management of Investment Program

1.3.1. Delegation of Investment Authority

The responsibility for implementing the investment program is delegated to the Chief Financial Officer. The Chief Financial Officer directs LIPA’s investment activities through the Director of Finance and Treasury Operations or the Manager of Treasury Operations.

Investments shall be made in accordance with this policy, including the Operating Procedures and Controls, which are attached as Appendix A. LIPA’s governing body and management are responsible for making investment decisions for the Authority and for doing so with the judgment, care, skill, prudence and diligence under the circumstances then prevailing that a knowledgeable and prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All LIPA staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in LIPA’s ability to effectively fulfill its responsibilities. All participants in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

1.3.2. Annual Review and Approval

LIPA staff involved in the investment process shall review the Investment Policy on an annual basis, or more frequently as required, and shall submit the Investment Policy to the Authority’s Finance and Audit Committee and Board of Trustees no less frequently than annually for review and approval as required by the PAL.

After any modifications to the Investment Policy, a revised policy must be distributed to Authority personnel on the approved distribution list and the Financial Institutions specified in Appendix A.

2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT

2.1. Investment Objectives

LIPA’s investment objectives, listed in order of importance, are: to conform with all applicable legal and regulatory requirements; to adequately safeguard investment principal; to provide for portfolio liquidity; and to earn reasonable rates of return.

The investment objectives for the NDTF and OPEB Accounts (described below) are to conform with all applicable legal and regulatory requirements; to earn reasonable rates of return; and to provide for portfolio liquidity, as necessary.

2.2. Permitted Investments

LIPA, subject to the requirements of Section 3.5 of this Policy, may deposit monies with Eligible Banking Institutions, as separately authorized by the Board of Trustees by Resolution on May 18, 2016. Additionally, investments shall be limited to the following types of securities ("Permitted Investments"): 
1. **U.S. Treasury & Government Guaranteed** – U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.

2. **Federal Agency/GSE** – Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).

3. **Supranational** – U.S. dollar denominated debt obligations of a multilateral organization of governments.

4. **Corporates and Other Debt Obligations** – U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity.

5. **Municipals** – Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or territory.

6. **Collateralized Investment Agreements** – Investment agreements or guaranteed investment contract with any financial institution that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period.

7. **Agency Mortgage Backed Securities** – Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs).

8. **Asset-Backed Securities** – Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases.

9. **Negotiable Bank Deposit Obligations** – Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state-chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution. *No new securities will be purchased in this sector.*

10. **Commercial Paper** – U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.

11. **Bankers’ Acceptances** – Bankers’ acceptances issued, drawn on, or guaranteed by a U.S. bank or U.S. branch of a foreign bank.

12. **Insured Bank Deposits** - Interest bearing time certificates of deposit, savings accounts or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC).

13. **Money Market Mutual Funds** – Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7.
14. **Floating Rate Notes** – Floating rate notes (FRNs) may be purchased as part of LIPA’s Portfolio if the following criteria are met:

a. FRN rate resets no less frequently than quarterly;

b. FRN rate resets with a frequency that produces a close tracking with money market rates;

c. FRN is indexed to a money market rate such as, but not limited to, Federal Funds, Secured Overnight Financing Rate (SOFR) Treasury Bills or LIBOR and correlates very highly with overall changes in money market rates even under wide swings in interest rates;

d. Any interest rate cap is at least 10%; and

e. Director of Finance and Treasury Operations, Manager of Treasury Operations or the designated Investment Manager uses pricing services, pricing matrices or “theoretical” pricing models to calculate the market value of all FRNs held in the portfolio to value the portfolio holdings.

15. **Repurchase Agreements** – Permitted provided certain conditions are met:

a. The contract is fully secured by deliverable U.S. Government Obligations as described in Section 2.2.1 having a market value of at least one hundred two percent (102%) of the amount of the obligation’s principal and accrued interest;

b. A written master repurchase agreement governs the transaction that outlines the basic rights of both buyer and seller, including:
   - events of default which would permit the purchaser to liquidate pledged collateral;
   - the relationship between parties to the agreement, which shall ordinarily be purchaser and seller;
   - method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses;

c. The repurchase agreement is transacted on a delivery or book entry versus payment basis;

d. The securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee; the Trustee shall have received written confirmation from such third party that it holds such securities free and clear of any lien as agent for the Trustee; and such third party is either
   - a Federal Reserve Bank, or
   - a bank which is a member of the Federal Reserve Bank or maintains an account with member banks to accomplish book-entry transfer of securities to the credit of the Authority and which (1) has combined capital and surplus of more than $1 billion, and (2) has a long-term debt rating of “A-“ or higher by S&P and “A3” or higher by Moody’s;

f. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;

g. The Investment Manager will value the collateral daily, and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);

h. Substitutions of collateral will be permitted only with advance written approval of the Chief Financial Officer;
h. LIPA will only enter into repurchase agreements with reputable firms that have a short-term debt rating of “A-1” or higher by S&P and “P-1” or higher by Moody’s and are:
   ▪ Broker dealers who are members of the National Association of Securities Dealers, listed on the Federal Reserve Bank of New York’s list of primary government securities dealers, and have $25 billion in assets and $350 million in capital, or
   ▪ Banks or trust companies authorized to do business in the State of New York and have $5 billion in assets and $500 million in capital;
   ▪ No more than 20% or $50 million, whichever is less, of the Investment Funds will be invested with any single repurchase agreement counterparty; and

i. The repurchase agreement shall have a term not to exceed ninety days.

Permitted investments must be authorized if the moneys being invested are subject to a legal or other restriction that precludes such investment.
## 2.3. **Diversification, Ratings and Maturity of Investments Reference Table**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sector Maximum (%)</th>
<th>Per Issuer Maximum (%)</th>
<th>Minimum Ratings Requirement</th>
<th>Maximum Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>100%</td>
<td>100%</td>
<td>N/A</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>GNMA</td>
<td>40%</td>
<td>40%</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Other U.S. Government Guaranteed (e.g. AID, GTC)</td>
<td>10%</td>
<td>10%</td>
<td>Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)</td>
<td>10 Years</td>
</tr>
<tr>
<td>Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB</td>
<td>75%</td>
<td>40%</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Federal Agency/GSE other than those above</td>
<td>25%</td>
<td>10%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Supranationals where U.S. is a shareholder and voting member</td>
<td>25%</td>
<td>10%</td>
<td>Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Corporates and other Debt Obligations</td>
<td>40%²</td>
<td>5%³</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Municipals</td>
<td>25%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Agency Mortgage-Backed Securities</td>
<td>25%</td>
<td>40%⁴</td>
<td>N/A</td>
<td>5.5 Year Avg. Life³</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>20%</td>
<td>5%</td>
<td>Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)</td>
<td>5.5 Year Avg. Life³</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit (CD)²</td>
<td>50%²</td>
<td>5%³</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>3 Years</td>
</tr>
<tr>
<td>Commercial Paper (CP)</td>
<td>50%²</td>
<td>5%³</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>270 Days</td>
</tr>
<tr>
<td>Collateralized Investment Agreements</td>
<td>50%</td>
<td>5%</td>
<td>Two Highest LT Rating Categories</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Bankers’ Acceptances (BAs)</td>
<td>35%²</td>
<td>5%³</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>180 Days</td>
</tr>
<tr>
<td>Insured Bank Deposits</td>
<td>25%</td>
<td>FIDC limit for insurance</td>
<td>None, if fully FDIC-insured</td>
<td>2 Years</td>
</tr>
<tr>
<td>Floating Rate Notes</td>
<td></td>
<td></td>
<td>Should reflect the appropriate sector requirements</td>
<td></td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>40%</td>
<td>20%</td>
<td>Counterparty (or if the counterparty is not rated by an NRSRO, then the counterparty’s parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>90 Days</td>
</tr>
<tr>
<td>Government Money Market Funds</td>
<td>100%</td>
<td>100%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>100%</td>
<td>25%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

1. Minimum Ratings Requirement refers to the highest possible credit rating that the asset must meet to be considered acceptable in that sector. The notation “N/A” indicates that the minimum rating requirement is not applicable or unspecified.

2. chilly noted

4. chilly noted

5. Average life for GNMA

6. Maturity refers to the time period over which the investment matures or can be redeemed. This can vary widely depending on the specific investment type and market conditions.

7. chilly noted

The table above details the diversification, ratings, and maturity guidelines for various sectors of investment, including U.S. Treasury, GNMA, Other U.S. Government Guaranteed investments, Federal Agency/GSE, Supranationals, Corporates and other Debt Obligations, Municipals, Agency Mortgage-Backed Securities, Asset-Backed Securities, Negotiable Certificates of Deposit (CD), Commercial Paper (CP), Collateralized Investment Agreements, Bankers’ Acceptances (BAs), Insured Bank Deposits, Floating Rate Notes, Repurchase Agreements, Government Money Market Funds, and Money Market Funds.
2.4. Prohibited Investment Vehicles

LIPA is prohibited from investing in the investments or engaging in the practices listed below:

- Investment in Auction Rate Securities (ARS);
- Home equity ABS and reverse repurchase agreements;
- Short sales (selling a specific security before it has been legally purchased);
- Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
- Investment in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices;
- Investing in any security not specifically permitted by this Investment Policy (see process below for minor exceptions).

2.5. Downgrades

The Director of Finance and Treasury Operations, Manager of Treasury Operations or the designated Investment Manager(s) shall report any credit rating downgrade resulting in violation of the Investment Policy to the Chief Financial Officer within a reasonable period of learning of the downgrade, along with any recommended action. The Chief Financial Officer or Director of Finance and Treasury Operations shall provide direction to the Manager of Treasury Operations or the Investment Manager(s) within a reasonable period of the downgrade, which would generally be to liquidate any security that does not comport with the Investment Policy and Financing Documents at the time of the downgrade. Any direction to take an action other than to liquidate such security shall be reported to the Finance and Audit Committee of the Board of Trustees.

2.6. Process for Obtaining Approval for Exceptions

Approval for new instruments not listed herein shall be obtained from the Authority’s Board of Trustees. The Board hereby authorizes minor exceptions (including ratings or diversification guidelines) to the Investment Policy with the immediate approval of the Chief Financial Officer and final approval by the Board of Trustees. Any such minor exceptions to the Investment Policy will be reported to the Finance and Audit Committee of the Board of Trustees. If the Board of

Notes:
1 Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization (“NRSRO”), unless otherwise noted. ST=Short-term; LT=Long-term.
2 Maximum allocation to non-government securities is 75% combined.
3 Maximum across all non-government permitted investment sectors is 5% combined per issuer.
4 Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.
5 The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.
6 All investments shall mature or be redeemable no later than such times as shall be necessary to provide monies needed for payments to be made from any such fund or account. Unless otherwise noted, maturity limitation is measured from the transaction’s settlement date.
7 No new securities in this sector will be purchased.
Trustees comes to the decision not to approve a minor exception the investment will be liquidated immediately.

2.7. Nuclear Decommissioning Trust Funds and OPEB Account

Sections 2.2, 2.3, 2.4 and 2.5 shall not govern the investment of the Nuclear Decommissioning Trust Funds (NDTF) for Nine Mile Point Unit 2 or the Other Post-Employment Benefits (OPEB) Account. Separate investment provisions are provided for the NDTF (Appendix B) and OPEB Account (Appendix C).

3. OPERATING PARAMETERS AND CONTROLS

LIPA has developed the following investment management controls to ensure that its assets are protected against loss, theft and misuse.

3.1. Authorized Officers and Employees

Investment decisions on behalf of the Authority shall be made by the Director of Finance and Treasury Operations, Manager of Treasury Operations or the external Investment Manager(s), under the supervision of the Chief Financial Officer.

3.2. Competitive Selection

For each transaction more than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA shall use competitive quotations. For each transaction equal to or less than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA may use either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except in the purchase of government securities at their initial auction or upon initial offering, and the most favorable quote accepted. To the extent that LIPA invests in an SEC registered mutual fund or exchange traded fund whose investment objectives and policies are consistent with this Investment Policy, the selection of a no-load, open-end fund constitutes a competitive selection.

3.3. Annual Investment Audit

An annual independent audit of all investments will be performed by the external auditors. LIPA shall comply with all legal and regulatory requirements, including those mandated by the PAL, the NYCRR, the Financing Documents, and the Investment Policy. The Annual Investment Audit shall:

- Determine whether investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of LIPA’s investment assets; and a system of adequate internal controls is maintained;
Determine whether LIPA has complied with applicable laws, regulations, the State Comptroller's investment guideline requirements, such public authority accounting directives as may be issued by the State Comptroller, and the Investment Policy; and

Be designed to the extent practical to satisfy both the common interest of LIPA and the public officials accountable to others.

The results of the Annual Investment Audit shall be set forth in a report submitted to the Chief Financial Officer, and to LIPA's Board of Trustees (the “Annual Investment Audit Report”) which shall include without limitation:

- A description of the scope and objectives of the audit;
- A statement that the audit was made in accordance with generally accepted government auditing standards;
- A description of any material weakness found in the internal controls;
- A description of any non-compliance with LIPA’s own investment policies as well as applicable laws, regulations, the State Comptroller’s investment guideline requirements, and such public authority accounting directives as may be issued by the State Comptroller;
- A statement of positive assurance of compliance on the items tested;
- A statement on any other material deficiency or reportable condition as defined by Governmental Auditing Standards identified during the audit not covered above; and
- Recommendations, if any, with respect to amendment of this Investment Policy.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Authority's fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.

3.4. Written Contracts and Confirmations

A written contract and/or a written confirmation shall be required for each investment transaction. However, LIPA shall not be required to enter into a formal written contract if the Authority’s oral instructions to its broker, dealer, agent, investment manager/advisor, or custodian with respect to such transactions are confirmed in writing or by written confirmation at the earliest practicable moment.

3.5. Safekeeping and Custody

All investment securities purchased by LIPA or held as collateral on deposits or investments shall be held by a third-party custodian who may not otherwise be a party to the investment transaction and with whom the Authority has a written custodial agreement. All securities shall be held in the name of the Authority and will be free and clear of any lien.

All investment transactions will be conducted on a delivery-vs.-payment basis. Payment for investments shall be made only upon receipt by the custodian of the physical security, or in the case of securities in book-entry form, when credited for the custodian’s account, which shall be segregated for LIPA’s sole use. The custodian shall issue a safekeeping receipt to LIPA listing the specific instrument, rate, maturity and other pertinent information. Monthly,
the custodian will also provide reports listing all securities held for the Authority, the book value of holdings, and the market value as of month-end.

The custodian may act on oral instructions from the Chief Financial Officer, the Director of Finance and Treasury Operations, or the Manager of Treasury Operations. Such instructions are to be confirmed in writing, within one business day, by an authorized signatory of LIPA.

Representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Authority shall be bonded in such a fashion as to protect LIPA from losses from malfeasance and misfeasance. If required by the Chief Financial Officer, appropriate Authority Officials may also be bonded in such a fashion.

All demand deposits, time deposits, and certificates of deposit shall be collateralized for amounts over and above Federal Deposit Insurance Corporation coverage. All collateral shall be Permitted Investments as set out in Section 2. There shall be a written custodial agreement that, among other things, specifies the circumstances under which collateral may be substituted. LIPA should not accept a pledge of a proportionate interest in a pool of collateral. The market value and accrued interest of collateral should, at least, equal the value of the investment and any accrued interest at all times. The recorded value of collateral backing any investment should be compared with current market values (mark-to-market) at the time of the initial investment and monthly thereafter to be certain that it continues to be at least equal to the value of the investment plus accrued interest. The mark-to-market reviews should use “bid” prices from a constant source. Negotiable Bank Deposit Obligations as defined in sections 2.2 and 2.3 of this policy are exempt from these collateral requirements.

3.6. Internal Controls

LIPA follows the operating procedures defined in Appendix A to control all Authority investment activity.

3.7. Notification Concerning Violations of Investment Policy

If this Investment Policy is violated, the Chief Financial Officer shall be informed immediately and advised of any corrective action that should be taken, as well as the implication of such action.

4. QUALIFIED FINANCIAL INSTITUTIONS

4.1. Qualifications for Brokers, Dealers and Agents

The Director of Finance and Treasury Operations and/or LIPA’s Investment Manager shall identify broker/dealers that are approved for investment purposes (“Qualified Institutions”) and maintain a list of such approved dealers. Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- “Primary” dealers and regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule);
- Registered as a dealer under the Securities Exchange Act of 1934;
- Member in good standing of the Financial Industry Regulatory Authority (FINRA);
- Registered to sell securities in the State; and
- The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) years.

When selecting trading partners, LIPA will also consider the firm’s quality, size, reliability, the Authority’s prior experience with the firm, the firm’s level of expertise and prior experience with respect to the contemplated transactions.

4.2. Qualifications for Investment Advisors/Managers

For the purpose of rendering investment management/advisory services to the Authority, LIPA may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

- Authorized to do business in the State as an investment manager/advisor; and
- Registered with the SEC under the Investment Advisor Act of 1940 or exempt from registration.

LIPA shall consider the firm’s capitalization, quality, size and reliability, the Authority’s prior experience with the firm, the firm’s level of expertise and prior experience with respect to the contemplated transaction.

4.3. Qualifications for Custodial Banks

To be eligible to hold Investment Securities purchased by LIPA or collateral securing its investments, a custodial bank shall be a member bank of the Federal Reserve System or maintain accounts with member banks of the Federal Reserve System to accomplish book-entry transfer of Investment Securities to the credit of the Authority. The custodian should not be the same party that is selling the Investment Securities. To be eligible to perform custodial services, the Chief Financial Officer, or his/her designee, must review the annual financial statements and credit ratings of the proposed custodian bank and based upon such review, affirmatively find that the proposed custodial bank is financially sound. Such determinations of creditworthiness shall be undertaken on a periodic basis as determined by the Chief Financial Officer.

4.4. Ongoing Disclosure

All brokers, dealers and other financial institutions described in sections 4.1, 4.2, and 4.3 shall be provided with current copies of the Authority’s Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Authority has investment transactions.

4.5. Affirmative Action

Article 15-A of the Executive Law and 9 NYCRR Part 4.21 regarding affirmative action shall apply with respect to LIPA’s investment activities. The Authority shall seek to use minority and women-owned financial firms in the conduct of LIPA’s investment activities.

5. REPORTING

Management reporting is required by the Authority to track compliance with policy guidelines, assess the performance of the portfolio, and to inform appropriate management personnel.
5.1. Management Reporting

To manage the Investment Funds effectively and to provide management with useful information, it is necessary for the Director of Finance and Treasury Operations to report reliable and timely information regarding the investment transactions that take place.

A Quarterly Management Report on the investment management program shall be prepared by the Manager of Treasury Operations under the supervision of the Director of Finance and Treasury Operations and presented to the Chief Financial Officer and LIPA’s Board of Trustees, no more than 45 days after each quarter end. The Quarterly Management Report shall include:

- A portfolio inventory;
- Credit quality of each holding (or average credit quality of each fund);
- Duration (or average maturity) of each fund;
- Mark-to-market valuations on investments and collateral;
- A breakdown of the portfolio by counterparty; and
- Portfolio position against asset allocation target

An Annual Investment Report shall be prepared by the Manager of Treasury Operations and submitted by the Chief Financial Officer to the Board of Trustees and filed with the State Division of the Budget, State Comptroller, State Senate Finance Committee, and Assembly Ways and Means Committee no more than 90 days after each year end. The Annual Investment Report may be a part of any other annual report that LIPA is required to make. The Annual Investment Report shall include the following:

- The Investment Policy is in compliance with Section 2925(3) of the Public Authorities Law and any amendments since last reported;
- An explanation of the Investment Policy and amendments;
- The results of the Annual Independent Audit (described in Section 3.3.);
- Investment income record of the Authority; and
- A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and manager/advisor rendering investment associated services to LIPA since the date of the last investment report.

5.2. Performance Reporting

Performance reporting shall be included in the Management Reports and should track performance relative to specified benchmarks and sector indices for the current period and year-to-date. The Director of Finance and Treasury Operations and Chief Financial Officer will act on any weaknesses related to the management of the assets.

6. APPLICABILITY

This Investment Policy shall govern all investments initiated by LIPA after March 27, 2020 and shall not apply to any investments initiated by the Authority on or prior to March 27, 2020. Nothing contained in these Investment Policy shall be deemed to alter, affect the validity of, modify the terms of, or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this Investment Policy.
7. **BANK AUTHORIZATION**

The Chief Executive Officer or any authorized designees\(^1\) (“Authorized Persons”) are authorized to deposit any LIPA funds in any commercial bank or financial institution whose long-term deposits are rated A- or better by Standard & Poor’s Corporation, A3 or better by Moody’s Investor Service, Inc. or A- or better by Fitch, Inc. (each such institution referred to herein as the “Bank”), either at its head office or at any of its branches.

Any LIPA funds deposited in the Bank may be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, wire transfers or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed, as applicable, on behalf of the Authority in accordance with the Financial Policies and Procedures of the Authority and its Service Provider by Authorized Persons.

\(^1\) The Chief Executive Officer’s designees under this Investment Policy shall include only persons permitted by the LIPA By-Laws, Article IV, Section 7(c) (Powers and Duties of the Chief Executive Officer) and Article VIII, Section 1 (Execution of Instruments), and any other applicable guidance or limitations provided by the LIPA Board of Trustees
A. Distribution of the Investment Policy

The policy and all subsequent amendments, revisions and updates shall be distributed to LIPA personnel per the approval of the Chief Financial Officer.

During the period in which LIPA retains investment manager(s), the investment manager(s) must also receive the Investment Policy and all amendments, updates, or revisions to insure compliance with the most current policy. Below is the distribution list matrix for the investment policy.

<table>
<thead>
<tr>
<th>Distribution List</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Director of Finance and Treasury Operations</td>
<td>As necessary</td>
</tr>
<tr>
<td>VP and Controller</td>
<td>As necessary</td>
</tr>
<tr>
<td>Investment Manager(s)</td>
<td>As necessary</td>
</tr>
<tr>
<td>General Counsel</td>
<td>As necessary</td>
</tr>
<tr>
<td>Manager of Treasury Operations</td>
<td>As necessary</td>
</tr>
</tbody>
</table>

B. Roles and Responsibilities in Executing the Investment Policy

The roles and responsibilities for investment management at the Authority rest primarily with the Director of Finance and Treasury Operations and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

<table>
<thead>
<tr>
<th>Roles</th>
<th>Responsibility</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>▪ Final Approval of the policy</td>
<td>▪ Annual</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of exceptions to the policy (e.g. new investment types)</td>
<td>▪ As necessary</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of revisions to the policy</td>
<td>▪ As necessary</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>▪ Responsible for adherence to all Authority policies</td>
<td>▪ As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>▪ Approval of the policy</td>
<td>▪ Annual</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of investment strategy</td>
<td>▪ Annual</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of performance measurements</td>
<td>▪ Ongoing</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)</td>
<td>▪ As necessary</td>
</tr>
</tbody>
</table>
Director of Finance and Treasury Operations

- Serve as custodian of the policy
- Develop investment strategy
- Review investment strategy
- Establish performance measurements
- Distribution of policy and amendments
- Annual review of policy
- Oversight of investment activity
- Invest funds as provided for in the policy
- Review performance information
- Management reporting
- Collect performance information
- Distribute performance information
- Keep abreast of developments and notify the Chief Financial Officer, as needed

Investment Manager(s)

- Develop investment strategy
- Review investment strategy
- Invest funds as provided for in the policy
- Reporting investment portfolio

C. Segregation of Duties

LIPA requires adequate segregation of duties to prevent possible fraud, operational errors, misappropriation of funds, unauthorized trades, concealment of trades, and manipulation of accounting records. Personnel involved in risk monitoring activities should be segregated from risk taking (i.e. executing transactions).

<table>
<thead>
<tr>
<th>Activity to be Performed</th>
<th>Segregation Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Execution</td>
<td>Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.</td>
</tr>
<tr>
<td>Trade Confirmation</td>
<td>Individuals who conduct confirmations should not execute transactions.</td>
</tr>
<tr>
<td>Settlement – Disbursing and Receiving Funds</td>
<td>Individuals who handle cash settlement on the trades should not execute the trades. Cash settlement shall be transacted by any one of the authorized Authority signatories who did not participate in the trade execution. Only one signature is required due to the nature of the transaction, i.e., transfer of assets between Authority accounts.</td>
</tr>
<tr>
<td>Account Reconciliation</td>
<td>Account reconciliation activities must be segregated from trade execution activities.</td>
</tr>
</tbody>
</table>
D. Management Reporting

<table>
<thead>
<tr>
<th>Report</th>
<th>Contents</th>
<th>Audience</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Report</td>
<td>Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis</td>
<td>Chief Financial Officer, Board of Trustees</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Annual Investment Report</td>
<td>Investment Policy, explanation of Investment Policy &amp; amendments, annual investment audit, annual investment income, total fees and commissions paid</td>
<td>Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)</td>
<td>Annually</td>
</tr>
</tbody>
</table>

E. Operating Procedures

Operating procedures for the administration of LIPA’s investment program should include the following:

- The establishment and maintenance of a system of internal controls;
- Each disbursement of funds (and corresponding receipt of Investment Securities) or delivery of Investment Securities (and corresponding receipt of funds) shall be based upon proper written authorization. If the authorization is initially given orally, there shall be documented confirmation from an authorized signatory of the Authority to the custodian;
- The process of initiating, reviewing and approving requests to buy and sell Investment Securities shall be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
- Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed, to the Authority. Delivery of obligations sold shall only be made upon receipt of funds; Custodial banks shall be required to report whenever activity has occurred in the Authority’s custodial account;
- There shall be at least monthly verification of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared against the Authority’s records;
- A record of investments shall be maintained. The records shall identify the Investment Security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and custodian of collateral;
- Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- A data base of records incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices, and related information necessary to manage the portfolio;
- Requirements for periodic reporting and a satisfactory level of accountability.
APPENDIX B – NDTF INVESTMENT PROVISIONS

NUCLEAR DECOMMISSIONING TRUST FUND
INVESTMENT PROVISIONS

To meet LIPA’s objectives of funding future liabilities for the nuclear decommissioning obligations of the Authority’s 18% share of Nine Mile Point Unit 2, while balancing long-term risk and return and providing reasonable diversification, the NDTF Account shall allocate assets in accordance with the targets for each asset class as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>35%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>20%</td>
</tr>
</tbody>
</table>

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay’s, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index\(^1\) or the Barclay’s Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting.\(^2\)

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or “sweep accounts” pending investment or for other reasons.

---

\(^1\) Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

\(^2\) LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.
OPEB ACCOUNT
INVESTMENT PROVISIONS

To meet LIPA’s objectives of funding future contractual retirement benefit obligations while balancing long-term risk and return and providing reasonable diversification, the OPEB Account shall allocate assets in accordance with the targets for each asset class as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>40%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>15%</td>
</tr>
</tbody>
</table>

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay’s, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index\(^1\) or the Barclay’s Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting\(^2\).

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or “sweep accounts” pending investment or for other reasons.

---

\(^1\) Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

\(^2\) LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.
The Long Island Power Authority
Investment Report

SECTION III

Auditors’ Report
Independent Accountants’ Report on Investment Compliance

Board of Trustees
Long Island Power Authority

We have examined the Long Island Power Authority’s (LIPA) compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York during the fiscal year ended December 31, 2021. Management of LIPA is responsible for LIPA’s compliance with the specified requirements. Our responsibility is to express an opinion on LIPA’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether LIPA complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether LIPA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on LIPA’s compliance with specified requirements.

In accordance with Government Auditing Standards, we are required to report certain findings of deficiencies in internal control; instances of noncompliance with provisions of laws, or regulations, contracts or grant agreements; and instances of fraud and abuse that are material to LIPA’s compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management of those matters. We performed our examination to express an opinion on whether LIPA complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters and accordingly, we express no such opinion. The results of our tests disclosed no matters that required to be reported under Government Auditing Standards.

In our opinion, LIPA complied, in all material respects, with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York during the fiscal year ended December 31, 2021.

This report is intended solely for the information and use of management of LIPA and New York State, and is not intended to be and should not be used by anyone other than the specified parties.

Melville, New York
March 30, 2022
The Long Island Power Authority
Investment Report

SECTION IV

Income Summary
Long Island Power Authority  
Investment Income  
For the Year ended December 31, 2021  

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$ 30,520</td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>(709,284)</td>
</tr>
<tr>
<td>Construction Fund I</td>
<td>152,948</td>
</tr>
<tr>
<td>Construction Fund II</td>
<td>68,443</td>
</tr>
<tr>
<td>OPEB Account</td>
<td>23,109,028</td>
</tr>
<tr>
<td>Nuclear Decommissioning Trust Fund</td>
<td>10,359,872</td>
</tr>
<tr>
<td>Utility Debt Securitization Authority</td>
<td>39,392</td>
</tr>
<tr>
<td>Bank Account Interest</td>
<td>2,684,700</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>30,814</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 35,766,433</strong></td>
</tr>
</tbody>
</table>

Not included above is the Grant Account managed by LIPA's Investment Advisor which earned $377 in 2021, however, in accordance with FEMA guidance such income must be returned to FEMA. Therefore, LIPA's financial statements reflect a liability to FEMA, and do not include these earnings as Investment Income.
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1. **OVERVIEW OF INVESTMENT POLICY**

1.1. **Purpose and Scope**

This policy sets forth instructions to the officers and staff of the Long Island Power Authority ("LIPA" or the "Authority") with regard to investments of monies of LIPA and its subsidiary and the monitoring and reporting of such investments. The Policy is intended to meet the provisions of the Public Authorities Law ("PAL") Section 2925, the Office of the State Comptroller's Investment Guidelines for Public Authorities contained in 2 New York Codes, Rules and Regulations ("NYCRR") Part 201, Section 201.3, the provisions of LIPA’s enabling legislation, and the parameters established by LIPA’s Financing Documents. This Policy has been adopted by, and can only be changed by, the Board of Trustees.

1.2. **Definitions**

“LIPA” or the “Authority” means the Long Island Power Authority, a corporate municipal instrumentality of the State of New York, established pursuant to Chapter 517 of the Laws of 1986 of the State of New York.

“ Eligible Banking Institution” means any commercial bank or financial institution whose long-term unsecured debt securities are rated A- or better by S&P, A3 or better by Moody’s, or A- or better by Fitch, and having its principal office within the State, as authorized by the Board of Trustees by Resolution on May 18, 2016.

“Financing Documents“ means the Electric System General Bond Resolution, adopted May 13, 1998 (the “General Bond Resolution”); the Electric System General Subordinated Revenue Bond Resolution, adopted May 20, 1998 ("Subordinated Bond Resolution"); the Amended and Restated Credit Agreement, dated as of February 1, 2019March 17, 2022 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 22, 2022March 16, 2027 related to Electric System General Revenue Notes, Series 2019 A; any agreement with the issuer of any Credit Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution); and any Liquidity Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution), in each case as the same may be amended and supplemented from time to time.

“Investment Funds” means monies and financial resources available for investment by LIPA and its subsidiary.

“Investment Securities” means any or all the investment obligations described in Section 2.2 hereof.

“Rating Agencies” means Standard and Poor’s Global Ratings (S&P), Moody’s Investors Service (Moody’s), and Fitch Ratings (Fitch).

“State” means the State of New York.
1.3. Management of Investment Program

1.3.1. Delegation of Investment Authority

The responsibility for implementing the investment program is delegated to the Chief Financial Officer. The Chief Financial Officer directs LIPA’s investment activities through the Director of Finance and Treasury Operations or the Manager of Treasury Operations.

Investments shall be made in accordance with this policy, including the Operating Procedures and Controls, which are attached as Appendix A. LIPA’s governing body and management are responsible for making investment decisions for the Authority and for doing so with the judgment, care, skill, prudence and diligence under the circumstances then prevailing that a knowledgeable and prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All LIPA staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in LIPA’s ability to effectively fulfill its responsibilities. All participants in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

1.3.2. Annual Review and Approval

LIPA staff involved in the investment process shall review the Investment Policy on an annual basis, or more frequently as required, and shall submit the Investment Policy to the Authority’s Finance and Audit Committee and Board of Trustees no less frequently than annually for review and approval as required by the PAL.

After any modifications to the Investment Policy, a revised policy must be distributed to Authority personnel on the approved distribution list and the Financial Institutions specified in Appendix A.

2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT

2.1. Investment Objectives

LIPA’s investment objectives, listed in order of importance, are: to conform with all applicable legal and regulatory requirements; to adequately safeguard investment principal; to provide for portfolio liquidity; and to earn reasonable rates of return.

The investment objectives for the NDTF and OPEB Accounts (described below) are to conform with all applicable legal and regulatory requirements; to earn reasonable rates of return; and to provide for portfolio liquidity, as necessary.

2.2. Permitted Investments

LIPA, subject to the requirements of Section 3.5 of this Policy, may deposit monies with Eligible Banking Institutions, as separately authorized by the Board of Trustees by Resolution on May 18, 2016. Additionally, investments shall be limited to the following types of securities (“Permitted Investments”):
1. **U.S. Treasury & Government Guaranteed** – U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.

2. **Federal Agency/GSE** – Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).

3. **Supranational** – U.S. dollar denominated debt obligations of a multilateral organization of governments.

4. **Corporates and Other Debt Obligations** – U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity.

5. **Municipals** – Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or territory.

6. **Collateralized Investment Agreements** – Investment agreements or guaranteed investment contract with any financial institution that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period.

7. **Agency Mortgage Backed Securities** – Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs).

8. **Asset-Backed Securities** – Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases.

9. **Negotiable Bank Deposit Obligations** – Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state-chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution. *No new securities will be purchased in this sector.*

10. **Commercial Paper** – U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.

11. **Bankers’ Acceptances** – Bankers’ acceptances issued, drawn on, or guaranteed by a U.S. bank or U.S. branch of a foreign bank.

12. **Insured Bank Deposits** - Interest bearing time certificates of deposit, savings accounts or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC).

13. **Money Market Mutual Funds** – Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7.
14. **Floating Rate Notes** – Floating rate notes (FRNs) may be purchased as part of LIPA’s Portfolio if the following criteria are met:

a. FRN rate resets no less frequently than quarterly;
b. FRN rate resets with a frequency that produces a close tracking with money market rates;
c. FRN is indexed to a money market rate such as, but not limited to, Federal Funds, Secured Overnight Financing Rate (SOFR) Treasury Bills or LIBOR and correlates very highly with overall changes in money market rates even under wide swings in interest rates;
d. Any interest rate cap is at least 10%; and
e. Director of Finance and Treasury Operations, Manager of Treasury Operations or the designated Investment Manager uses pricing services, pricing matrices or "theoretical" pricing models to calculate the market value of all FRNs held in the portfolio to value the portfolio holdings.

15. **Repurchase Agreements** – Permitted provided certain conditions are met:

a. The contract is fully secured by deliverable U.S. Government Obligations as described in Section 2.2.1 having a market value of at least one hundred two percent (102%) of the amount of the obligation’s principal and accrued interest;
b. A written master repurchase agreement governs the transaction that outlines the basic rights of both buyer and seller, including:
   - events of default which would permit the purchaser to liquidate pledged collateral;
   - the relationship between parties to the agreement, which shall ordinarily be purchaser and seller;
   - method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses;
c. The repurchase agreement is transacted on a delivery or book entry versus payment basis;
d. The securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee; the Trustee shall have received written confirmation from such third party that it holds such securities free and clear of any lien as agent for the Trustee; and such third party is either
   - a Federal Reserve Bank, or
   - a bank which is a member of the Federal Reserve Bank or maintains an account with member banks to accomplish book-entry transfer of securities to the credit of the Authority and which (1) has combined capital and surplus of more than $1 billion, and (2) has a long-term debt rating of “A-” or higher by S&P and “A3” or higher by Moody’s;
e. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;
f. The Investment Manager will value the collateral daily, and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
g. Substitutions of collateral will be permitted only with advance written approval of the Chief Financial Officer;
h. LIPA will only enter into repurchase agreements with reputable firms that have a short-term debt rating of “A-1” or higher by S&P and “P-1” or higher by Moody’s and are:
   ▪ Broker dealers who are members of the National Association of Securities Dealers, listed on the Federal Reserve Bank of New York’s list of primary government securities dealers, and have $25 billion in assets and $350 million in capital, or
   ▪ Banks or trust companies authorized to do business in the State of New York and have $5 billion in assets and $500 million in capital;
   ▪ No more than 20% or $50 million, whichever is less, of the Investment Funds will be invested with any single repurchase agreement counterparty; and

i. The repurchase agreement shall have a term not to exceed ninety days.

Permitted investments must be authorized if the moneys being invested are subject to a legal or other restriction that precludes such investment.
## 2.3. Diversification, Ratings and Maturity of Investments Reference Table

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sector Maximum (%)</th>
<th>Per Issuer Maximum (%)</th>
<th>Minimum Ratings Requirement</th>
<th>Maximum Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>100%</td>
<td>100%</td>
<td>N/A</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>GNMA</td>
<td>40%</td>
<td>10%</td>
<td>N/A</td>
<td>5.5 Years (5.5 year avg. life⁵ for GNMA)</td>
</tr>
<tr>
<td>Other U.S. Government Guaranteed (e.g. AID, GTC)</td>
<td>40%</td>
<td>10%</td>
<td>Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB</td>
<td>75%</td>
<td>40%⁴</td>
<td>N/A</td>
<td>10 Years</td>
</tr>
<tr>
<td>Federal Agency/GSE other than those above</td>
<td></td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supranationals where U.S. is a shareholder and voting member</td>
<td>25%</td>
<td>10%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Corporates and other Debt Obligations</td>
<td>40%²</td>
<td>5%³</td>
<td></td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Municipals</td>
<td>25%</td>
<td>5%</td>
<td></td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Agency Mortgage-Backed Securities</td>
<td>25%</td>
<td>40%⁴</td>
<td>N/A</td>
<td>5.5 Year Avg. Life¹</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>20%</td>
<td>5%</td>
<td></td>
<td>5.5 Year Avg. Life¹</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit (CD)</td>
<td>50%²</td>
<td>5%³</td>
<td></td>
<td>3 Years</td>
</tr>
<tr>
<td>Commercial Paper (CP)</td>
<td>50%²</td>
<td>5%³</td>
<td></td>
<td>270 Days</td>
</tr>
<tr>
<td>Collateralized Investment Agreements</td>
<td>50%</td>
<td>5%</td>
<td>Two Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Bankers’ Acceptances (BAs)</td>
<td>35%²</td>
<td>5%³</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>180 Days</td>
</tr>
<tr>
<td>Insured Bank Deposits</td>
<td>25%</td>
<td>FIDC limit for insurance</td>
<td>None, if fully FDIC-insured</td>
<td>2 Years</td>
</tr>
<tr>
<td>Floating Rate Notes</td>
<td></td>
<td></td>
<td>Should reflect the appropriate sector requirements</td>
<td></td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>40%</td>
<td>20%</td>
<td>Counterparty (or if the counterparty is not rated by an NRSRO, then the counterparty’s parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>90 Days</td>
</tr>
<tr>
<td>Government Money Market Funds</td>
<td>100%</td>
<td>100%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>100%</td>
<td>25%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Notes:
1 Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization ("NRSRO"), unless otherwise noted. ST=Short-term; LT=Long-term.
2 Maximum allocation to non-government securities is 75% combined.
3 Maximum across all non-government permitted investment sectors is 5% combined per issuer.
4 Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.
5 The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.
6 All investments shall mature or be redeemable no later than such times as shall be necessary to provide monies needed for payments to be made from any such fund or account. Unless otherwise noted, maturity limitation is measured from the transaction’s settlement date.
7 No new securities in this sector will be purchased.

2.4. Prohibited Investment Vehicles

LIPA is prohibited from investing in the investments or engaging in the practices listed below:

- Investment in Auction Rate Securities (ARS);
- Home equity ABS and reverse repurchase agreements;
- Short sales (selling a specific security before it has been legally purchased);
- Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
- Investment in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices;
- Investing in any security not specifically permitted by this Investment Policy (see process below for minor exceptions).

2.5. Downgrades

The Director of Finance and Treasury Operations, Manager of Treasury Operations or the designated Investment Manager(s) shall report any credit rating downgrade resulting in violation of the Investment Policy to the Chief Financial Officer within a reasonable period of learning of the downgrade, along with any recommended action. The Chief Financial Officer or the Director of Finance and Treasury Operations shall provide direction to the Manager of Treasury Operations or the Investment Manager(s) within a reasonable period of the downgrade, which would generally be to liquidate any security that does not comport with the Investment Policy and Financing Documents at the time of the downgrade. Any direction to take an action other than to liquidate such security shall be reported to the Finance and Audit Committee of the Board of Trustees.

2.6. Process for Obtaining Approval for Exceptions

Approval for new instruments not listed herein shall be obtained from the Authority’s Board of Trustees. The Board hereby authorizes minor exceptions (including ratings or diversification guidelines) to the Investment Policy with the immediate approval of the Chief Financial Officer and final approval by the Board of Trustees. Any such minor exceptions to the Investment Policy will be reported to the Finance and Audit Committee of the Board of Trustees. If the Board of
Trustees comes to the decision not to approve a minor exception the investment will be liquidated immediately.

2.7. Nuclear Decommissioning Trust Funds and OPEB Account

Sections 2.2, 2.3, 2.4 and 2.5 shall not govern the investment of the Nuclear Decommissioning Trust Funds (NDTF) for Nine Mile Point Unit 2 or the Other Post-Employment Benefits (OPEB) Account. Separate investment provisions are provided for the NDTF (Appendix B) and OPEB Account (Appendix C).

3. OPERATING PARAMETERS AND CONTROLS

LIPA has developed the following investment management controls to ensure that its assets are protected against loss, theft and misuse.

3.1. Authorized Officers and Employees

Investment decisions on behalf of the Authority shall be made by the Director of Finance and Treasury Operations, Manager of Treasury Operations or the external Investment Manager(s), under the supervision of the Chief Financial Officer.

3.2. Competitive Selection

For each transaction more than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA shall use competitive quotations. For each transaction equal to or less than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA may use either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except in the purchase of government securities at their initial auction or upon initial offering, and the most favorable quote accepted.

To the extent that LIPA invests in an SEC registered mutual fund or exchange traded fund whose investment objectives and policies are consistent with this Investment Policy, the selection of a no-load, open-end fund constitutes a competitive selection.

3.3. Annual Investment Audit

An annual independent audit of all investments will be performed by the external auditors. LIPA shall comply with all legal and regulatory requirements, including those mandated by the PAL, the NYCRR, the Financing Documents, and the Investment Policy. The Annual Investment Audit shall:

- Determine whether investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of LIPA’s investment assets; and a system of adequate internal controls is maintained;
Determine whether LIPA has complied with applicable laws, regulations, the State Comptroller’s investment guideline requirements, such public authority accounting directives as may be issued by the State Comptroller, and the Investment Policy; and

Be designed to the extent practical to satisfy both the common interest of LIPA and the public officials accountable to others.

The results of the Annual Investment Audit shall be set forth in a report submitted to the Chief Financial Officer, and to LIPA’s Board of Trustees (the “Annual Investment Audit Report”) which shall include without limitation:

- A description of the scope and objectives of the audit;
- A statement that the audit was made in accordance with generally accepted government auditing standards;
- A description of any material weakness found in the internal controls;
- A description of any non-compliance with LIPA’s own investment policies as well as applicable laws, regulations, the State Comptroller’s investment guideline requirements, and such public authority accounting directives as may be issued by the State Comptroller;
- A statement of positive assurance of compliance on the items tested;
- A statement on any other material deficiency or reportable condition as defined by Governmental Auditing Standards identified during the audit not covered above; and
- Recommendations, if any, with respect to amendment of this Investment Policy.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Authority’s fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.

3.4. Written Contracts and Confirmations

A written contract and/or a written confirmation shall be required for each investment transaction. However, LIPA shall not be required to enter into a formal written contract if the Authority’s oral instructions to its broker, dealer, agent, investment manager/advisor, or custodian with respect to such transactions are confirmed in writing or by written confirmation at the earliest practicable moment.

3.5. Safekeeping and Custody

All investment securities purchased by LIPA or held as collateral on deposits or investments shall be held by a third-party custodian who may not otherwise be a party to the investment transaction and with whom the Authority has a written custodial agreement. All securities shall be held in the name of the Authority and will be free and clear of any lien.

All investment transactions will be conducted on a delivery-vs.-payment basis. Payment for investments shall be made only upon receipt by the custodian of the physical security, or in the case of securities in book-entry form, when credited for the custodian’s account, which shall be segregated for LIPA’s sole use. The custodian shall issue a safekeeping receipt to LIPA listing the specific instrument, rate, maturity and other pertinent information. Monthly,
the custodian will also provide reports listing all securities held for the Authority, the book value of holdings, and the market value as of month-end.

The custodian may act on oral instructions from the Chief Financial Officer, the Director of Finance and Treasury Operations, Director of Finance and Treasury, or the Manager of Treasury Operations. Such instructions are to be confirmed in writing, within one business day, by an authorized signatory of LIPA.

Representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Authority shall be bonded in such a fashion as to protect LIPA from losses from malfeasance and misfeasance. If required by the Chief Financial Officer, appropriate Authority Officials may also be bonded in such a fashion.

All demand deposits, time deposits, and certificates of deposit shall be collateralized for amounts over and above Federal Deposit Insurance Corporation coverage. All collateral shall be Permitted Investments as set out in Section 2. There shall be a written custodial agreement that, among other things, specifies the circumstances under which collateral may be substituted. LIPA should not accept a pledge of a proportionate interest in a pool of collateral. The market value and accrued interest of collateral should, at least, equal the value of the investment and any accrued interest at all times. The recorded value of collateral backing any investment should be compared with current market values (mark-to-market) at the time of the initial investment and monthly thereafter to be certain that it continues to be at least equal to the value of the investment plus accrued interest. The mark-to-market reviews should use “bid” prices from a constant source. Negotiable Bank Deposit Obligations as defined in sections 2.2 and 2.3 of this policy are exempt from these collateral requirements.

3.6. Internal Controls

LIPA follows the operating procedures defined in Appendix A to control all Authority investment activity.

3.7. Notification Concerning Violations of Investment Policy

If this Investment Policy is violated, the Chief Financial Officer shall be informed immediately and advised of any corrective action that should be taken, as well as the implication of such action.

4. QUALIFIED FINANCIAL INSTITUTIONS

4.1. Qualifications for Brokers, Dealers and Agents

The Director of Finance and Treasury Operations, Director of Finance and Treasury, and/or LIPA’s Investment Manager shall identify broker/dealers that are approved for investment purposes (“Qualified Institutions”) and maintain a list of such approved dealers. Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- “Primary” dealers and regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule);
- Registered as a dealer under the Securities Exchange Act of 1934;
- Member in good standing of the Financial Industry Regulatory Authority (FINRA);
4.2. Qualifications for Investment Advisors/Managers

For the purpose of rendering investment management/advisory services to the Authority, LIPA may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

- Authorized to do business in the State as an investment manager/advisor; and
- Registered with the SEC under the Investment Advisor Act of 1940 or exempt from registration.

LIPA shall consider the firm’s capitalization, quality, size and reliability, the Authority’s prior experience with the firm, the firm’s level of expertise and prior experience with respect to the contemplated transaction.

4.3. Qualifications for Custodial Banks

To be eligible to hold Investment Securities purchased by LIPA or collateral securing its investments, a custodial bank shall be a member bank of the Federal Reserve System or maintain accounts with member banks of the Federal Reserve System to accomplish book-entry transfer of Investment Securities to the credit of the Authority. The custodian should not be the same party that is selling the Investment Securities. To be eligible to perform custodial services, the Chief Financial Officer, or his/her designee, must review the annual financial statements and credit ratings of the proposed custodian bank and based upon such review, affirmatively find that the proposed custodial bank is financially sound. Such determinations of creditworthiness shall be undertaken on a periodic basis as determined by the Chief Financial Officer.

4.4. Ongoing Disclosure

All brokers, dealers and other financial institutions described in sections 4.1, 4.2, and 4.3 shall be provided with current copies of the Authority’s Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Authority has investment transactions.

4.5. Affirmative Action

Article 15-A of the Executive Law and 9 NYCRR Part 4.21 regarding affirmative action shall apply with respect to LIPA’s investment activities. The Authority shall seek to use minority and women-owned financial firms in the conduct of LIPA’s investment activities.

5. REPORTING

Management reporting is required by the Authority to track compliance with policy guidelines, assess the performance of the portfolio, and to inform appropriate management personnel.
5.1. Management Reporting

To manage the Investment Funds effectively and to provide management with useful information, it is necessary for the Director of Finance and Treasury Operations to report reliable and timely information regarding the investment transactions that take place.

A Quarterly Management Report on the investment management program shall be prepared by the Manager of Treasury Operations under the supervision of the Director of Finance and Treasury and presented to the Chief Financial Officer and LIPA’s Board of Trustees, no more than 45 days after each quarter end. The Quarterly Management Report shall include:

- A portfolio inventory;
- Credit quality of each holding (or average credit quality of each fund);
- Duration (or average maturity) of each fund;
- Mark-to-market valuations on investments and collateral;
- A breakdown of the portfolio by counterparty; and
- Portfolio position against asset allocation target.

An Annual Investment Report shall be prepared by the Manager of Treasury Operations and submitted by the Chief Financial Officer to the Board of Trustees and filed with the State Division – of the Budget, State Comptroller, State -Senate Finance Committee, and Assembly Ways and Means Committee no more than 90 days after each year end. The Annual Investment Report may be a part of any other annual report that LIPA is required to make. The Annual Investment Report shall include the following:

- The Investment Policy is in compliance with Section 2925(3) of the Public Authorities Law and any amendments since last reported;
- An explanation of the Investment Policy and amendments;
- The results of the Annual Independent Audit (described in Section 3.3.);
- Investment income record of the Authority; and
- A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and manager/advisor rendering investment associated services to LIPA since the date of the last investment report.

5.2. Performance Reporting

Performance reporting shall be included in the Management Reports and should track performance relative to specified benchmarks and sector indices for the current period and year- to-date. The Director of Finance and Treasury Operations and Chief Financial Officer will act on any weaknesses related to the management of the assets.

6. APPLICABILITY

This Investment Policy shall govern all investments initiated by LIPA after March 27, 2020 and shall not apply to any investments initiated by the Authority on or prior to March 27, 2022. Nothing contained in these Investment Policy shall be deemed to alter, affect the validity of, modify the terms of, or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this Investment Policy.
7. **BANK AUTHORIZATION**

The Chief Executive Officer or any authorized designees\(^1\) ("Authorized Persons") are authorized to deposit any LIPA funds in any commercial bank or financial institution whose long-term deposits are rated A- or better by Standard & Poor’s Corporation, A3 or better by Moody’s Investor Service, Inc. or A- or better by Fitch, Inc. (each such institution referred to herein as the “Bank”), either at its head office or at any of its branches.

Any LIPA funds deposited in the Bank may be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, wire transfers or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed, as applicable, on behalf of the Authority in accordance with the Financial Policies and Procedures of the Authority and its Service Provider by Authorized Persons.

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\(^1\) The Chief Executive Officer’s designees under this Investment Policy shall include only persons permitted by the LIPA By-Laws, Article IV, Section 7(c) (Powers and Duties of the Chief Executive Officer) and Article VIII, Section 1 (Execution of Instruments), and any other applicable guidance or limitations provided by the LIPA Board of Trustees.
APPENDIX A – OPERATING PROCEDURES AND CONTROLS (Manual)

A. Distribution of the Investment Policy

The policy and all subsequent amendments, revisions and updates shall be distributed to LIPA personnel per the approval of the Chief Financial Officer.

During the period in which LIPA retains investment manager(s), the investment manager(s) must also receive the Investment Policy and all amendments, updates, or revisions to insure compliance with the most current policy. Below is the distribution list matrix for the investment policy.

<table>
<thead>
<tr>
<th>Distribution List</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Director of Finance and Treasury Operations</td>
<td>As necessary</td>
</tr>
<tr>
<td>VP and Controller</td>
<td>As necessary</td>
</tr>
<tr>
<td>Investment Manager(s)</td>
<td>As necessary</td>
</tr>
<tr>
<td>General Counsel</td>
<td>As necessary</td>
</tr>
<tr>
<td>Manager of Treasury Operations</td>
<td>As necessary</td>
</tr>
</tbody>
</table>

B. Roles and Responsibilities in Executing the Investment Policy

The roles and responsibilities for investment management at the Authority rest primarily with the Director of Finance and Treasury Operations and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

<table>
<thead>
<tr>
<th>Roles</th>
<th>Responsibility</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>▪ Final Approval of the policy</td>
<td>Annual</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of exceptions to the policy (e.g. new investment types)</td>
<td>As necessary</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of revisions to the policy</td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>▪ Responsible for adherence to all Authority policies</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>▪ Approval of the policy</td>
<td>Annual</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of investment strategy</td>
<td>Annual</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of performance measurements</td>
<td>Ongoing</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)</td>
<td>As necessary</td>
</tr>
</tbody>
</table>
C. Segregation of Duties

LIPA requires adequate segregation of duties to prevent possible fraud, operational errors, misappropriation of funds, unauthorized trades, concealment of trades, and manipulation of accounting records. Personnel involved in risk monitoring activities should be segregated from risk taking (i.e. executing transactions).

<table>
<thead>
<tr>
<th>Activity to be Performed</th>
<th>Segregation Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Execution</td>
<td>Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.</td>
</tr>
<tr>
<td>Trade Confirmation</td>
<td>Individuals who conduct confirmations should not execute transactions.</td>
</tr>
<tr>
<td>Settlement – Disbursing and Receiving Funds</td>
<td>Individuals who handle cash settlement on the trades should not execute the trades. Cash settlement shall be transacted by any one of the authorized Authority signatories who did not participate in the trade execution. Only one signature is required due to the nature of the transaction, i.e., transfer of assets between Authority accounts.</td>
</tr>
<tr>
<td>Account Reconciliation</td>
<td>Account reconciliation activities must be segregated from trade execution activities.</td>
</tr>
</tbody>
</table>
D. Management Reporting

<table>
<thead>
<tr>
<th>Report</th>
<th>Contents</th>
<th>Audience</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Report</td>
<td>Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis</td>
<td>Chief Financial Officer, Board of Trustees</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Annual Investment Report</td>
<td>Investment Policy, explanation of Investment Policy &amp; amendments, annual investment audit, annual investment income, total fees and commissions paid</td>
<td>Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)</td>
<td>Annually</td>
</tr>
</tbody>
</table>

E. Operating Procedures

Operating procedures for the administration of LIPA’s investment program should include the following:

- The establishment and maintenance of a system of internal controls;
- Each disbursement of funds (and corresponding receipt of Investment Securities) or delivery of Investment Securities (and corresponding receipt of funds) shall be based upon proper written authorization. If the authorization is initially given orally, there shall be documented confirmation from an authorized signatory of the Authority to the custodian;
- The process of initiating, reviewing and approving requests to buy and sell Investment Securities shall be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
- Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed, to the Authority. Delivery of obligations sold shall only be made upon receipt of funds; Custodial banks shall be required to report whenever activity has occurred in the Authority’s custodial account;
- There shall be at least monthly verification of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared against the Authority’s records;
- A record of investments shall be maintained. The records shall identify the Investment Security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and custodian of collateral;
- Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- A data base of records incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices, and related information necessary to manage the portfolio;
- Requirements for periodic reporting and a satisfactory level of accountability.
To meet LIPA’s objectives of funding future liabilities for the nuclear decommissioning obligations of the Authority’s 18% share of Nine Mile Point Unit 2, while balancing long-term risk and return and providing reasonable diversification, the NDTF Account shall allocate assets in accordance with the targets for each asset class as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>35%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>20%</td>
</tr>
</tbody>
</table>

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay’s, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index\(^1\) or the Barclay’s Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting.\(^2\)

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or “sweep accounts” pending investment or for other reasons.

---

\(^1\) Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

\(^2\) LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.
APPENDIX C – OPEB ACCOUNT INVESTMENT PROVISIONS

OPEB ACCOUNT
INVESTMENT PROVISIONS

To meet LIPA’s objectives of funding future contractual retirement benefit obligations while balancing long-term risk and return and providing reasonable diversification, the OPEB Account shall allocate assets in accordance with the targets for each asset class as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>40%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>15%</td>
</tr>
</tbody>
</table>

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay’s, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index\(^1\) or the Barclay’s Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting\(^2\).

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or “sweep accounts” pending investment or for other reasons.

---

\(^1\) Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

\(^2\) LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.
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Exhibit "D"
6. APPLICABILITY

7. BANK AUTHORIZATION

APPENDIX A - OPERATING PROCEDURES & CONTROLS (MANUAL)

APPENDIX B – NDTF INVESTMENT PROVISIONS

APPENDIX C – OTHER POST-EMPLOYMENT BENEFIT ACCOUNT INVESTMENT PROVISIONS
1. OVERVIEW OF INVESTMENT POLICY

1.1. Purpose and Scope

This policy sets forth instructions to the officers and staff of the Long Island Power Authority ("LIPA" or the "Authority") with regard to investments of monies of LIPA and its subsidiary and the monitoring and reporting of such investments. The Policy is intended to meet the provisions of the Public Authorities Law ("PAL") Section 2925, the Office of the State Comptroller’s Investment Guidelines for Public Authorities contained in 2 New York Codes, Rules and Regulations ("NYCRR") Part 201, Section 201.3, the provisions of LIPA’s enabling legislation, and the parameters established by LIPA’s Financing Documents. This Policy has been adopted by, and can only be changed by, the Board of Trustees.

1.2. Definitions

“LIPA” or the “Authority” means the Long Island Power Authority, a corporate municipal instrumentality of the State of New York, established pursuant to Chapter 517 of the Laws of 1986 of the State of New York.

“Eligible Banking Institution” means any commercial bank or financial institution whose long-term unsecured debt securities are rated A- or better by S&P, A3 or better by Moody’s, or A- or better by Fitch, and having its principal office within the State, as authorized by the Board of Trustees by Resolution on May 18, 2016.

“Financing Documents” means the Electric System General Bond Resolution, adopted May 13, 1998 (the “General Bond Resolution”); the Electric System General Subordinated Revenue Bond Resolution, adopted May 20, 1998 (“Subordinated Bond Resolution”); the Amended and Restated Credit Agreement, dated as of March 17, 2022 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on March 16, 2027 related to Electric System General Revenue Notes, Series 2019 A; any agreement with the issuer of any Credit Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution); and any Liquidity Facility (as defined in the General Bond Resolution or the Subordinated Bond Resolution), in each case as the same may be amended and supplemented from time to time.

“Investment Funds” means monies and financial resources available for investment by LIPA and its subsidiary.

“Investment Securities” means any or all the investment obligations described in Section 2.2 hereof.

“Rating Agencies” means Standard and Poor’s Global Ratings (S&P), Moody’s Investors Service (Moody’s), and Fitch Ratings (Fitch).

“State” means the State of New York.
1.3. Management of Investment Program

1.3.1. Delegation of Investment Authority

The responsibility for implementing the investment program is delegated to the Chief Financial Officer. The Chief Financial Officer directs LIPA’s investment activities through the Director of Finance and Treasury or the Manager of Treasury Operations.

Investments shall be made in accordance with this policy, including the Operating Procedures and Controls, which are attached as Appendix A. LIPA’s governing body and management are responsible for making investment decisions for the Authority and for doing so with the judgment, care, skill, prudence and diligence under the circumstances then prevailing that a knowledgeable and prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All LIPA staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in LIPA’s ability to effectively fulfill its responsibilities. All participants in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

1.3.2. Annual Review and Approval

LIPA staff involved in the investment process shall review the Investment Policy on an annual basis, or more frequently as required, and shall submit the Investment Policy to the Authority’s Finance and Audit Committee and Board of Trustees no less frequently than annually for review and approval as required by the PAL.

After any modifications to the Investment Policy, a revised policy must be distributed to Authority personnel on the approved distribution list and the Financial Institutions specified in Appendix A.

2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT

2.1. Investment Objectives

LIPA’s investment objectives, listed in order of importance, are: to conform with all applicable legal and regulatory requirements; to adequately safeguard investment principal; to provide for portfolio liquidity; and to earn reasonable rates of return.

The investment objectives for the NDTF and OPEB Accounts (described below) are to conform with all applicable legal and regulatory requirements; to earn reasonable rates of return; and to provide for portfolio liquidity, as necessary.

2.2. Permitted Investments

LIPA, subject to the requirements of Section 3.5 of this Policy, may deposit monies with Eligible Banking Institutions, as separately authorized by the Board of Trustees by Resolution on May 18, 2016. Additionally, investments shall be limited to the following types of securities (“Permitted Investments”):
1. **U.S. Treasury & Government Guaranteed** – U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.

2. **Federal Agency/GSE** – Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).

3. **Supranational** – U.S. dollar denominated debt obligations of a multilateral organization of governments.

4. **Corporates and Other Debt Obligations** – U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity.

5. **Municipals** – Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or territory.

6. **Collateralized Investment Agreements** – Investment agreements or guaranteed investment contract with any financial institution that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period.

7. **Agency Mortgage Backed Securities** – Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs).

8. **Asset-Backed Securities** – Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases.

9. **Negotiable Bank Deposit Obligations** – Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state-chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution. *No new securities will be purchased in this sector.*

10. **Commercial Paper** – U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.

11. **Bankers’ Acceptances** – Bankers’ acceptances issued, drawn on, or guaranteed by a U.S. bank or U.S. branch of a foreign bank.

12. **Insured Bank Deposits** - Interest bearing time certificates of deposit, savings accounts or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC).

13. **Money Market Mutual Funds** – Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule2a-7.
14. **Floating Rate Notes** – Floating rate notes (FRNs) may be purchased as part of LIPA’s Portfolio if the following criteria are met:

a. FRN rate resets no less frequently than quarterly;

b. FRN rate resets with a frequency that produces a close tracking with money market rates;

c. FRN is indexed to a money market rate such as, but not limited to, Federal Funds, Secured Overnight Financing Rate (SOFR) Treasury Bills or LIBOR and correlates very highly with overall changes in money market rates even under wide swings in interest rates;

d. Any interest rate cap is at least 10%; and

e. Director of Finance and Treasury, Manager of Treasury Operations or the designated Investment Manager uses pricing services, pricing matrices or "theoretical" pricing models to calculate the market value of all FRNs held in the portfolio to value the portfolio holdings.

15. **Repurchase Agreements** – Permitted provided certain conditions are met:

a. The contract is fully secured by deliverable U.S. Government Obligations as described in Section 2.2.1 having a market value of at least one hundred two percent (102%) of the amount of the obligation’s principal and accrued interest;

b. A written master repurchase agreement governs the transaction that outlines the basic rights of both buyer and seller, including:
   - events of default which would permit the purchaser to liquidate pledged collateral;
   - the relationship between parties to the agreement, which shall ordinarily be purchaser and seller;
   - method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses;

c. The repurchase agreement is transacted on a delivery or book entry versus payment basis;

d. The securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee; the Trustee shall have received written confirmation from such third party that it holds such securities free and clear of any lien as agent for the Trustee; and such third party is either
   - a Federal Reserve Bank, or
   - a bank which is a member of the Federal Reserve Bank or maintains an account with member banks to accomplish book-entry transfer of securities to the credit of the Authority and which (1) has combined capital and surplus of more than $1 billion, and (2) has a long-term debt rating of “A-” or higher by S&P and “A3” or higher by Moody’s;

e. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;

f. The Investment Manager will value the collateral daily, and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);

f. Substitutions of collateral will be permitted only with advance written approval of the Chief Financial Officer;
h. LIPA will only enter into repurchase agreements with reputable firms that have a short-term debt rating of “A-1” or higher by S&P and “P-1” or higher by Moody’s and are:
  ▪ Broker dealers who are members of the National Association of Securities Dealers, listed on the Federal Reserve Bank of New York’s list of primary government securities dealers, and have $25 billion in assets and $350 million in capital, or
  ▪ Banks or trust companies authorized to do business in the State of New York and have $5 billion in assets and $500 million in capital;
  ▪ No more than 20% or $50 million, whichever is less, of the Investment Funds will be invested with any single repurchase agreement counterparty; and

i. The repurchase agreement shall have a term not to exceed ninety days.

Permitted investments must be authorized if the moneys being invested are subject to a legal or other restriction that precludes such investment.
## 2.3. Diversification, Ratings and Maturity of Investments Reference Table

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sector Maximum (%)</th>
<th>Per Issuer Maximum (%)</th>
<th>Minimum Ratings Requirement</th>
<th>Maximum Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>100%</td>
<td>100%</td>
<td>N/A</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Other U.S. Government Guaranteed (e.g. AID, GTC)</td>
<td>40%</td>
<td>10%</td>
<td>N/A</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Federal Agency/GSE: FNMA, FHLMC,FHLB, FFCB</td>
<td>75%</td>
<td>40%</td>
<td>Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)</td>
<td>10 Years</td>
</tr>
<tr>
<td>Federal Agency/GSE other than those above</td>
<td>25%</td>
<td>10%</td>
<td>Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Supranationals where U.S. is a shareholder and voting member</td>
<td>25%</td>
<td>10%</td>
<td>Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Corporates and other Debt Obligations</td>
<td>40%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Municipals</td>
<td>25%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Agency Mortgage-Backed Securities</td>
<td>25%</td>
<td>40%</td>
<td>N/A</td>
<td>5.5 Year Avg. Life</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>20%</td>
<td>5%</td>
<td>Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)</td>
<td>5.5 Year Avg. Life</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit (CD)</td>
<td>50%</td>
<td>5%</td>
<td>Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)</td>
<td>3 Years</td>
</tr>
<tr>
<td>Commercial Paper (CP)</td>
<td>50%</td>
<td>5%</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>270 Days</td>
</tr>
<tr>
<td>Collateralized Investment Agreements</td>
<td>50%</td>
<td>5%</td>
<td>Two Highest LT Rating Categories</td>
<td>5.5 Years</td>
</tr>
<tr>
<td>Bankers’ Acceptances (BAs)</td>
<td>35%</td>
<td>5%</td>
<td>Highest ST Rating Category (A-1/P-1, or equivalent)</td>
<td>180 Days</td>
</tr>
<tr>
<td>Insured Bank Deposits</td>
<td>25%</td>
<td>FIDC limit for insurance</td>
<td>None, if fully FDIC-insured</td>
<td>2 Years</td>
</tr>
<tr>
<td>Floating Rate Notes</td>
<td>Should reflect the appropriate sector requirements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>40%</td>
<td>20%</td>
<td>Counterparty (or if the counterparty is not rated by an NRSRO, then the counterparty’s parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent) if the counterparty is a Federal Reserve Bank, no rating is required</td>
<td>90 Days</td>
</tr>
<tr>
<td>Government Money Market Funds</td>
<td>100%</td>
<td>100%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>100%</td>
<td>25%</td>
<td>Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)</td>
<td>N/A</td>
</tr>
</tbody>
</table>
2.4. **Prohibited Investment Vehicles**

LIPA is prohibited from investing in the investments or engaging in the practices listed below:

- Investment in Auction Rate Securities (ARS);
- Home equity ABS and reverse repurchase agreements;
- Short sales (selling a specific security before it has been legally purchased);
- Borrowing funds for the sole purpose of reinvesting the proceeds of such borrowing;
- Investment in complex derivatives such as range notes, dual index notes, inverse floating rate notes and deleveraged notes, or notes linked to lagging indices or to long-term indices;
- Investing in any security not specifically permitted by this Investment Policy (see process below for minor exceptions).

2.5. **Downgrades**

The Director of Finance and Treasury, Manager of Treasury Operations or the designated Investment Manager(s) shall report any credit rating downgrade resulting in violation of the Investment Policy to the Chief Financial Officer within a reasonable period of learning of the downgrade, along with any recommended action. The Chief Financial Officer or Director of Finance and Treasury shall provide direction to the Manager of Treasury Operations or the Investment Manager(s) within a reasonable period of the downgrade, which would generally be to liquidate any security that does not comport with the Investment Policy and Financing Documents at the time of the downgrade. Any direction to take an action other than to liquidate such security shall be reported to the Finance and Audit Committee of the Board of Trustees.

2.6. **Process for Obtaining Approval for Exceptions**

Approval for new instruments not listed herein shall be obtained from the Authority’s Board of Trustees. The Board hereby authorizes minor exceptions (including ratings or diversification guidelines) to the Investment Policy with the immediate approval of the Chief Financial Officer and final approval by the Board of Trustees. Any such minor exceptions to the Investment Policy will be reported to the Finance and Audit Committee of the Board of Trustees. If the Board of
Trustees comes to the decision not to approve a minor exception the investment will be liquidated immediately.

2.7. Nuclear Decommissioning Trust Funds and OPEB Account

Sections 2.2, 2.3, 2.4 and 2.5 shall not govern the investment of the Nuclear Decommissioning Trust Funds (NDTF) for Nine Mile Point Unit 2 or the Other Post-Employment Benefits (OPEB) Account. Separate investment provisions are provided for the NDTF (Appendix B) and OPEB Account (Appendix C).

3. OPERATING PARAMETERS AND CONTROLS

LIPA has developed the following investment management controls to ensure that its assets are protected against loss, theft and misuse.

3.1. Authorized Officers and Employees

Investment decisions on behalf of the Authority shall be made by the Director of Finance and Treasury, Manager of Treasury Operations or the external Investment Manager(s), under the supervision of the Chief Financial Officer.

3.2. Competitive Selection

For each transaction more than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA shall use competitive quotations. For each transaction equal to or less than $10 million (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), LIPA may use either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except in the purchase of government securities at their initial auction or upon initial offering, and the most favorable quote accepted.

To the extent that LIPA invests in an SEC registered mutual fund or exchange traded fund whose investment objectives and policies are consistent with this Investment Policy, the selection of a no-load, open-end fund constitutes a competitive selection.

3.3. Annual Investment Audit

An annual independent audit of all investments will be performed by the external auditors. LIPA shall comply with all legal and regulatory requirements, including those mandated by the PAL, the NYCRR, the Financing Documents, and the Investment Policy. The Annual Investment Audit shall:

- Determine whether investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of LIPA’s investment assets; and a system of adequate internal controls is maintained;
- Determine whether LIPA has complied with applicable laws, regulations, the State Comptroller’s investment guideline requirements, such public authority accounting directives as may be issued by the State Comptroller, and the Investment Policy; and
- Be designed to the extent practical to satisfy both the common interest of LIPA and the public officials accountable to others.

The results of the Annual Investment Audit shall be set forth in a report submitted to the Chief Financial Officer, and to LIPA’s Board of Trustees (the “Annual Investment Audit Report”) which shall include without limitation:

- A description of the scope and objectives of the audit;
- A statement that the audit was made in accordance with generally accepted government auditing standards;
- A description of any material weakness found in the internal controls;
- A description of any non-compliance with LIPA’s own investment policies as well as applicable laws, regulations, the State Comptroller’s investment guideline requirements, and such public authority accounting directives as may be issued by the State Comptroller;
- A statement of positive assurance of compliance on the items tested;
- A statement on any other material deficiency or reportable condition as defined by Governmental Auditing Standards identified during the audit not covered above; and
- Recommendations, if any, with respect to amendment of this Investment Policy.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Authority’s fiscal year with the Office of Budget and Policy Analysis of the Office of the State Comptroller.

3.4. Written Contracts and Confirmations

A written contract and/or a written confirmation shall be required for each investment transaction. However, LIPA shall not be required to enter into a formal written contract if the Authority’s oral instructions to its broker, dealer, agent, investment manager/advisor, or custodian with respect to such transactions are confirmed in writing or by written confirmation at the earliest practicable moment.

3.5. Safekeeping and Custody

All investment securities purchased by LIPA or held as collateral on deposits or investments shall be held by a third-party custodian who may not otherwise be a party to the investment transaction and with whom the Authority has a written custodial agreement. All securities shall be held in the name of the Authority and will be free and clear of any lien.

All investment transactions will be conducted on a delivery-vs-payment basis. Payment for investments shall be made only upon receipt by the custodian of the physical security, or in the case of securities in book-entry form, when credited for the custodian’s account, which shall be segregated for LIPA’s sole use. The custodian shall issue a safekeeping receipt to LIPA listing the specific instrument, rate, maturity and other pertinent information. Monthly,
the custodian will also provide reports listing all securities held for the Authority, the book value of holdings, and the market value as of month-end.

The custodian may act on oral instructions from the Chief Financial Officer, the Director of Finance and Treasury, or the Manager of Treasury Operations. Such instructions are to be confirmed in writing, within one business day, by an authorized signatory of LIPA.

Representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the Authority shall be bonded in such a fashion as to protect LIPA from losses from malfeasance and misfeasance. If required by the Chief Financial Officer, appropriate Authority Officials may also be bonded in such a fashion.

All demand deposits, time deposits, and certificates of deposit shall be collateralized for amounts over and above Federal Deposit Insurance Corporation coverage. All collateral shall be Permitted Investments as set out in Section 2. There shall be a written custodial agreement that, among other things, specifies the circumstances under which collateral may be substituted. LIPA should not accept a pledge of a proportionate interest in a pool of collateral. The market value and accrued interest of collateral should, at least, equal the value of the investment and any accrued interest at all times. The recorded value of collateral backing any investment should be compared with current market values (mark-to-market) at the time of the initial investment and monthly thereafter to be certain that it continues to be at least equal to the value of the investment plus accrued interest. The mark-to-market reviews should use “bid” prices from a constant source. Negotiable Bank Deposit Obligations as defined in sections 2.2 and 2.3 of this policy are exempt from these collateral requirements.

3.6. Internal Controls

LIPA follows the operating procedures defined in Appendix A to control all Authority investment activity.

3.7. Notification Concerning Violations of Investment Policy

If this Investment Policy is violated, the Chief Financial Officer shall be informed immediately and advised of any corrective action that should be taken, as well as the implication of such action.

4. QUALIFIED FINANCIAL INSTITUTIONS

4.1. Qualifications for Brokers, Dealers and Agents

The Director of Finance and Treasury and/or LIPA’s Investment Manager shall identify broker/dealers that are approved for investment purposes (“Qualified Institutions”) and maintain a list of such approved dealers. Only firms meeting the following requirements will be eligible to serve as Qualified Institutions:

- “Primary” dealers and regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule);
- Registered as a dealer under the Securities Exchange Act of 1934;
- Member in good standing of the Financial Industry Regulatory Authority (FINRA);
- Registered to sell securities in the State; and
- The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) years.

When selecting trading partners, LIPA will also consider the firm’s quality, size, reliability, the Authority’s prior experience with the firm, the firm’s level of expertise and prior experience with respect to the contemplated transactions.

4.2. Qualifications for Investment Advisors/Managers

For the purpose of rendering investment management/advisory services to the Authority, LIPA may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

- Authorized to do business in the State as an investment manager/advisor; and
- Registered with the SEC under the Investment Advisor Act of 1940 or exempt from registration.

LIPA shall consider the firm’s capitalization, quality, size and reliability, the Authority’s prior experience with the firm, the firm’s level of expertise and prior experience with respect to the contemplated transaction.

4.3. Qualifications for Custodial Banks

To be eligible to hold Investment Securities purchased by LIPA or collateral securing its investments, a custodial bank shall be a member bank of the Federal Reserve System or maintain accounts with member banks of the Federal Reserve System to accomplish book-entry transfer of Investment Securities to the credit of the Authority. The custodian should not be the same party that is selling the Investment Securities. To be eligible to perform custodial services, the Chief Financial Officer, or his/her designee, must review the annual financial statements and credit ratings of the proposed custodian bank and based upon such review, affirmatively find that the proposed custodial bank is financially sound. Such determinations of creditworthiness shall be undertaken on a periodic basis as determined by the Chief Financial Officer.

4.4. Ongoing Disclosure

All brokers, dealers and other financial institutions described in sections 4.1, 4.2, and 4.3 shall be provided with current copies of the Authority’s Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer with which the Authority has investment transactions.

4.5. Affirmative Action

Article 15-A of the Executive Law and 9 NYCRR Part 4.21 regarding affirmative action shall apply with respect to LIPA’s investment activities. The Authority shall seek to use minority and women-owned financial firms in the conduct of LIPA’s investment activities.

5. REPORTING

Management reporting is required by the Authority to track compliance with policy guidelines, assess the performance of the portfolio, and to inform appropriate management personnel.
5.1. Management Reporting

To manage the Investment Funds effectively and to provide management with useful information, it is necessary for the Director of Finance and Treasury to report reliable and timely information regarding the investment transactions that take place.

A Quarterly Management Report on the investment management program shall be prepared by the Manager of Treasury Operations under the supervision of the Director of Finance and Treasury and presented to the Chief Financial Officer and LIPA’s Board of Trustees, no more than 45 days after each quarter end. The Quarterly Management Report shall include:

- A portfolio inventory;
- Credit quality of each holding (or average credit quality of each fund);
- Duration (or average maturity) of each fund;
- Mark-to-market valuations on investments and collateral;
- A breakdown of the portfolio by counterparty; and
- Portfolio position against asset allocation target

An Annual Investment Report shall be prepared by the Manager of Treasury Operations and submitted by the Chief Financial Officer to the Board of Trustees and filed with the State Division of the Budget, State Comptroller, State Senate Finance Committee, and Assembly Ways and Means Committee no more than 90 days after each year end. The Annual Investment Report may be a part of any other annual report that LIPA is required to make. The Annual Investment Report shall include the following:

- The Investment Policy is in compliance with Section 2925(3) of the Public Authorities Law and any amendments since last reported;
- An explanation of the Investment Policy and amendments;
- The results of the Annual Independent Audit (described in Section 3.3.);
- Investment income record of the Authority; and
- A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and manager/advisor rendering investment associated services to LIPA since the date of the last investment report.

5.2. Performance Reporting

Performance reporting shall be included in the Management Reports and should track performance relative to specified benchmarks and sector indices for the current period and year-to-date. The Director of Finance and Treasury and Chief Financial Officer will act on any weaknesses related to the management of the assets.

6. APPLICABILITY

This Investment Policy shall govern all investments initiated by LIPA after March 30, 2022 and shall not apply to any investments initiated by the Authority on or prior to March 30, 2022. Nothing contained in these Investment Policy shall be deemed to alter, affect the validity of, modify the terms of, or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of this Investment Policy.
7. **BANK AUTHORIZATION**

The Chief Executive Officer or any authorized designee(s)\(^1\) (“Authorized Persons”) are authorized to deposit any LIPA funds in any commercial bank or financial institution whose long-term deposits are rated A- or better by Standard & Poor’s Corporation, A3 or better by Moody’s Investor Service, Inc. or A- or better by Fitch, Inc. (each such institution referred to herein as the “Bank”), either at its head office or at any of its branches.

Any LIPA funds deposited in the Bank may be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, wire transfers or other instruments or orders for the payment of money when made, signed, drawn, accepted or endorsed, as applicable, on behalf of the Authority in accordance with the Financial Policies and Procedures of the Authority and its Service Provider by Authorized Persons.

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\(^1\) The Chief Executive Officer’s designees under this Investment Policy shall include only persons permitted by the LIPA By-Laws, Article IV, Section 7(c) (Powers and Duties of the Chief Executive Officer) and Article VIII, Section 1 (Execution of Instruments), and any other applicable guidance or limitations provided by the LIPA Board of Trustees.
A. Distribution of the Investment Policy

The policy and all subsequent amendments, revisions and updates shall be distributed to LIPA personnel per the approval of the Chief Financial Officer.

During the period in which LIPA retains investment manager(s), the investment manager(s) must also receive the Investment Policy and all amendments, updates, or revisions to ensure compliance with the most current policy. Below is the distribution list matrix for the investment policy.

<table>
<thead>
<tr>
<th>Distribution List</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>As necessary</td>
</tr>
<tr>
<td>Director of Finance and Treasury</td>
<td>As necessary</td>
</tr>
<tr>
<td>VP and Controller</td>
<td>As necessary</td>
</tr>
<tr>
<td>Investment Manager(s)</td>
<td>As necessary</td>
</tr>
<tr>
<td>General Counsel</td>
<td>As necessary</td>
</tr>
<tr>
<td>Manager of Treasury Operations</td>
<td>As necessary</td>
</tr>
</tbody>
</table>

B. Roles and Responsibilities in Executing the Investment Policy

The roles and responsibilities for investment management at the Authority rest primarily with the Director of Finance and Treasury Operations and the Chief Financial Officer. The matrix below defines the roles and responsibilities of all parties involved in the execution of the Investment Policy.

<table>
<thead>
<tr>
<th>Roles</th>
<th>Responsibility</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Trustees</td>
<td>▪ Final Approval of the policy</td>
<td>▪ Annual</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of exceptions to the policy (e.g. new investment types)</td>
<td>▪ As necessary</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of revisions to the policy</td>
<td>▪ As necessary</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>▪ Responsible for adherence to all Authority policies</td>
<td>▪ As necessary</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>▪ Approval of the policy</td>
<td>▪ Annual</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of investment strategy</td>
<td>▪ Annual</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of performance measurements</td>
<td>▪ Ongoing</td>
</tr>
<tr>
<td></td>
<td>▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)</td>
<td>▪ As necessary</td>
</tr>
</tbody>
</table>
### Director of Finance and Treasury
- Serve as custodian of the policy
- Develop investment strategy
- Review investment strategy
- Establish performance measurements
- Distribution of policy and amendments
- Annual review of policy
- Oversight of investment activity
- Invest funds as provided for in the policy
- Review performance information
- Management reporting
- Collect performance information
- Distribute performance information
- Keep abreast of developments and notify the Chief Financial Officer, as needed

### Investment Manager(s)
- Develop investment strategy
- Review investment strategy
- Invest funds as provided for in the policy
- Reporting investment portfolio

### Segregation of Duties
LIPA requires adequate segregation of duties to prevent possible fraud, operational errors, misappropriation of funds, unauthorized trades, concealment of trades, and manipulation of accounting records. Personnel involved in risk monitoring activities should be segregated from risk taking (i.e., executing transactions).

<table>
<thead>
<tr>
<th>Activity to be Performed</th>
<th>Segregation Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Execution</td>
<td>Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.</td>
</tr>
<tr>
<td>Trade Confirmation</td>
<td>Individuals who conduct confirmations should not execute transactions.</td>
</tr>
<tr>
<td>Settlement – Disbursing and Receiving Funds</td>
<td>Individuals who handle cash settlement on the trades should not execute the trades. Cash settlement shall be transacted by any one of the authorized Authority signatories who did not participate in the trade execution. Only one signature is required due to the nature of the transaction, i.e., transfer of assets between Authority accounts.</td>
</tr>
<tr>
<td>Account Reconciliation</td>
<td>Account reconciliation activities must be segregated from trade execution activities.</td>
</tr>
</tbody>
</table>
D. Management Reporting

<table>
<thead>
<tr>
<th>Report</th>
<th>Contents</th>
<th>Audience</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Report</td>
<td>Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis</td>
<td>Chief Financial Officer, Board of Trustees</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Annual Investment Report</td>
<td>Investment Policy, explanation of Investment Policy &amp; amendments, annual investment audit, annual investment income, total fees and commissions paid</td>
<td>Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)</td>
<td>Annually</td>
</tr>
</tbody>
</table>

E. Operating Procedures

Operating procedures for the administration of LIPA’s investment program should include the following:

- The establishment and maintenance of a system of internal controls;
- Each disbursement of funds (and corresponding receipt of Investment Securities) or delivery of Investment Securities (and corresponding receipt of funds) shall be based upon proper written authorization. If the authorization is initially given orally, there shall be documented confirmation from an authorized signatory of the Authority to the custodian;
- The process of initiating, reviewing and approving requests to buy and sell Investment Securities shall be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
- Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed, to the Authority. Delivery of obligations sold shall only be made upon receipt of funds; Custodial banks shall be required to report whenever activity has occurred in the Authority’s custodial account;
- There shall be at least monthly verification of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared against the Authority’s records;
- A record of investments shall be maintained. The records shall identify the Investment Security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and custodian of collateral;
- Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- A data base of records incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices, and related information necessary to manage the portfolio;
- Requirements for periodic reporting and a satisfactory level of accountability.
APPENDIX B – NDTF INVESTMENT PROVISIONS

NUCLEAR DECOMMISSIONING TRUST FUND
INVESTMENT PROVISIONS

To meet LIPA’s objectives of funding future liabilities for the nuclear decommissioning obligations of the Authority’s 18% share of Nine Mile Point Unit 2, while balancing long-term risk and return and providing reasonable diversification, the NDTF Account shall allocate assets in accordance with the targets for each asset class as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>35%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>20%</td>
</tr>
</tbody>
</table>

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay’s, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index\(^1\) or the Barclay’s Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting.\(^2\)

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or “sweep accounts” pending investment or for other reasons.

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\(^1\) Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

\(^2\) LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.
OPEB ACCOUNT INVESTMENT PROVISIONS

To meet LIPA’s objectives of funding future contractual retirement benefit obligations while balancing long-term risk and return and providing reasonable diversification, the OPEB Account shall allocate assets in accordance with the targets for each asset class as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Asset Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity Mutual Funds</td>
<td>40%</td>
</tr>
<tr>
<td>International Equity Mutual Funds</td>
<td>25%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income Mutual Funds – Inflation Protected Securities</td>
<td>15%</td>
</tr>
</tbody>
</table>

Domestic and International Equity Mutual Funds should replicate broad-based, low cost market index strategies. These funds may be designed to replicate the composition of benchmark market indices, such as those provided by Barclay’s, CRSP, Dow Jones, FTSE, MSCI, Russell, and S&P.

Fixed Income Mutual Funds should replicate the Barclays U.S. Treasury Inflation Protected Securities Index\(^1\) or the Barclay’s Capital U.S. Float Adjusted Aggregate Bond Market Index.

The portfolio should be rebalanced on a quarterly basis when any asset class falls outside of a 5% range of its asset weighting\(^2\).

LIPA may from time to time find it necessary to hold cash, Treasury bills, money market mutual funds, investment accounts, or “sweep accounts” pending investment or for other reasons.

\(^1\) Includes the inflation-indexed securities within the Barclays U.S. Treasury Bond Index, which represents U.S. Treasury obligations with maturities of more than one year.

\(^2\) LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.
Annual Board and Committee Agenda Planning for 2022 – Proposed for Board Consideration

December 15, 2021
SUMMARY OF PROPOSED 2022 LIPA MEETINGS

<table>
<thead>
<tr>
<th>Board/Committee</th>
<th>Number of Meetings</th>
<th>Average Length</th>
<th>Total Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>7</td>
<td>1 hour, 30 mins.</td>
<td>11 hours</td>
</tr>
<tr>
<td>F&amp;A</td>
<td>7</td>
<td>1 hour, 15 mins.</td>
<td>8.75 hours</td>
</tr>
<tr>
<td>Oversight &amp; Clean Energy</td>
<td>5</td>
<td>1 hour, 10 mins.</td>
<td>6.0 hours</td>
</tr>
<tr>
<td>Governance, Planning and Personnel</td>
<td>4</td>
<td>50 minutes</td>
<td>3.25 hours</td>
</tr>
<tr>
<td><strong>Total Number of Meetings</strong></td>
<td><strong>23</strong></td>
<td><strong>Total Time Spent</strong></td>
<td><strong>29 hours</strong></td>
</tr>
</tbody>
</table>

*The proposed Board agenda for 2022 does not include:
1. A time allowance for executive sessions or emerging issues, which are likely to increase the total time spent by the Board during the year by 3-4 hours; or
2. Board briefings, workshops and training, which are in addition to the Board’s meeting schedule, and will include work with the Board’s governance consultant
# PROPOSED FEBRUARY XX, 2022 MEETINGS

**Board**

- Roll call, pledge, consent agenda, CEO, Secretary and Operating Reports (“Routine Board Matters”) (30 mins.)
- Discussion of ER&T 2021 Metrics Performance (20 mins.)
- Public Comment (20 mins.)

*50 mins.*

**Governance, Planning & Personnel**

- Discussion of 2021 Projects and Accomplishments and 2022 Work Plan (30 mins.)
- Annual Governance Package (see Appendix) (10 mins.)
- EXECUTIVE SESSION: Succession Planning (15 mins.)

*55 mins.*

**F&A**

- Routine F&A Matters (30 mins.)
- Discussion of Internal Audit Activities (10 mins.)
- Approval of 2022 Internal Audit Plan, 2022 Internal Audit Budget, and Resource Requirements (15 mins.)
- Annual Financial Package (see Appendix 10) (10 mins.)
- Committee’s Annual Self Report (10 mins.)

*75 mins.*

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**Total proposed time for February meetings:** 3 hours
# PROPOSED MARCH 30, 2022 MEETINGS

<table>
<thead>
<tr>
<th>Board</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Routine Board Matters (30 mins.)</td>
<td>[120 mins.]</td>
</tr>
<tr>
<td>• Review and Approval of 2020 Financials (10 mins.)</td>
<td></td>
</tr>
<tr>
<td>• Isaias Task Force Progress Discussion and Consideration of the Adoption of the Task Force Quarterly Report (20 mins.)</td>
<td></td>
</tr>
<tr>
<td>• Public Comment (20 mins.)</td>
<td></td>
</tr>
<tr>
<td>• EXECUTIVE SESSION: Board’s Self Evaluation (40 mins.)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>F&amp;A</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Routine F&amp;A Matters (20 mins.)</td>
<td>[90 mins.]</td>
</tr>
<tr>
<td>• 2021 Audit Results from Independent Auditors (20 mins.)</td>
<td></td>
</tr>
<tr>
<td>• EXECUTIVE SESSION with Independent Auditors (15 mins.)</td>
<td></td>
</tr>
<tr>
<td>• Recommendation to Approve 2020 Financials (15 mins.)</td>
<td></td>
</tr>
<tr>
<td>• Debt and Capital Markets Policy (20 mins.)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governance, Planning &amp; Personnel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• EXECUTIVE SESSION: CEO Performance and Compensation (20 mins.)</td>
<td>[45 mins.]</td>
</tr>
<tr>
<td>• Committee’s Annual Self Report to the Board (includes results of Board’s self-evaluation for 2021) (15 mins.)</td>
<td></td>
</tr>
<tr>
<td>• Review Committee Charter (10 mins.)</td>
<td></td>
</tr>
</tbody>
</table>
### PROPOSED MARCH 30, 2022 MEETINGS, CONT.

<table>
<thead>
<tr>
<th>Oversight &amp; Clean Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Briefing on Winter Storm Summary (20 mins.)</td>
</tr>
<tr>
<td>• Committee’s Annual Self Report to the Board (10 mins.)</td>
</tr>
<tr>
<td>• EXECUTIVE SESSION: Cybersecurity (20 mins.)</td>
</tr>
</tbody>
</table>

[50 mins.]

**Total proposed time for March meetings:** 5 hours
# PROPOSED MAY 18, 2022 MEETINGS

## Board
- Routine Board Matters (30 mins.)
- Taxes and PILOTs Policy (20 mins.)
- Review of Strategic Planning & Oversight Policy (20 mins.)
- Public Comment (20 mins.)  [90 mins.]

## F&A
- Routine F&A Matters (20 mins.)
- EXECUTIVE SESSION: Internal Audit (10 mins.)
- Review Quarterly Financials Ended March 30 (10 mins.)
- Review Audit Relationships Policy, Internal Audit Charter and Confirmation of Independence and Code of Ethics (15 mins.)
- Presentation from PSEG ER&T on Power and Fuel Supply Management and Hedging (20 mins.)
- Customer Value and Affordability Policy (15 mins.)  [90 mins.]

## Oversight & Clean Energy
- Update on Implementation of 2021 Utility 2.0 Programs (20 mins.)
- T&D Operations Policy (20 mins.)
- Summer Preparation for Power Supply & T&D (20 mins.)
- Review Committee Charter (10 mins.)
- Approval of ISO-New England Capacity Contract(s) (10 mins.)  [80 mins.]
Governance, Planning & Personnel

- Values of Integrity and Responsiveness Policy (15 mins.)
- Trustee Communications Policy (15 mins.)
- EXECUTIVE SESSION: Succession Planning (20 mins.)

[50 mins.]

Total proposed time for May meetings: 5 hours
# PROPOSED JUNE 29, 2022 MEETINGS

## Board
- Routine Board Matters (30 mins.)
- Isaias Task Force Progress Discussion and Consideration of the Adoption of the Task Force Quarterly Report (20 mins.)
- Discussion of 2021 OSA Performance Metrics (20 mins.)
- Public Comment (20 mins.)

**[90 mins.]**

## Oversight & Clean Energy
- Update on T&D Capital Budget (20 mins.)
- Review Annual Update to Emergency Restoration Plan (20 mins.)
- Resource Planning and Clean Energy Policy (20 mins.)
- Presentation of Annual Energy Efficiency Report (20 mins.)
- Review Utility 2.0 Proposals (20 mins.)
- Report on Y-49 Cable (10 mins.)

**[110 mins.]**

## F&A
- Routine F&A Matters (15 mins.)
- Investment Policy (10 mins.)
- Economic Development & Community Engagement Policy (15 mins.)
- Review Committee Charter (10 mins.)

**[50 mins.]**
<table>
<thead>
<tr>
<th>Governance, Planning &amp; Personnel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing &amp; Employment Policy (15 mins.)</td>
<td></td>
</tr>
<tr>
<td>Diversity, Equity, and Inclusion Policy (15 mins.)</td>
<td></td>
</tr>
<tr>
<td>Purposes and Roles of the LIPA Trustees Policy (15 mins.)</td>
<td></td>
</tr>
</tbody>
</table>

[45 mins.]

**Total proposed time for June meetings: 5 hours**
## PROPOSED SEPTEMBER 28, 2022 MEETINGS

<table>
<thead>
<tr>
<th>Committee</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Routine Board Matters (30 mins.)</td>
</tr>
<tr>
<td></td>
<td>• Construction of T&amp;D Projects Policy (20 mins.)</td>
</tr>
<tr>
<td></td>
<td>• Isaias Task Force Progress Discussion and Consideration of the Adoption of the Task Force Quarterly Report (20 mins.)</td>
</tr>
<tr>
<td></td>
<td>• Discussion of Integrated Resource Plan (30 mins.)</td>
</tr>
<tr>
<td></td>
<td>• Public Comment (20 mins.)</td>
</tr>
<tr>
<td></td>
<td>[120 mins.]</td>
</tr>
<tr>
<td><strong>F&amp;A</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Routine F&amp;A Matters (20 mins.)</td>
</tr>
<tr>
<td></td>
<td>• Review Quarterly Financials Ended June 30 (10 mins.)</td>
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<tr>
<td></td>
<td>• Discuss Independent Auditor’s 2023 Audit Plan (20 mins.)</td>
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<td>[50 mins.]</td>
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<tr>
<td><strong>Oversight &amp; Clean Energy</strong></td>
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<tr>
<td></td>
<td>• Briefing on PSEG Long Island’s Energy Efficiency &amp; Renewables Plan (20 mins.)</td>
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<td></td>
<td>• Customer Experience Policy (20 mins.)</td>
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<td>• Briefing on Implementation of Management Audit Recommendations (20 mins.)</td>
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<td></td>
<td>[60 mins.]</td>
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<tr>
<td><strong>Total proposed time for September meetings:</strong></td>
<td>4 hours</td>
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</table>
## PROPOSED NOVEMBER 16, 2022 MEETING

### Board
- Budget Presentation (60 mins.)
- Q&A (30 mins.)

### F&A
- Routine F&A Matters (20 mins.)
- Review Quarterly Financials Ended September 30 (10 mins.)
- Presentation from PSEG ER&T on Power and Fuel Supply Management and Hedging (20 mins.)
- Power Supply Hedging Policy (15 mins.)
- Enterprise Risk Management Policy and Annual Insurance Review (30 mins.)

**Total proposed time for November meetings: 3 hours**
PROPOSED DECEMBER 14, 2022 MEETINGS

<table>
<thead>
<tr>
<th>Board</th>
<th>100 mins.</th>
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<tbody>
<tr>
<td>• Routine Board Matters (30 mins.)</td>
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<tr>
<td>• Approval of Tariff Changes (15 mins.)</td>
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<tr>
<td>• Isaias Task Force Progress Discussion and Consideration of the Adoption of the Task Force Quarterly Report (20 mins.)</td>
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<tr>
<td>• Governance and Agenda Planning Policy (15 mins.)</td>
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<tr>
<td>• Public Comment (20 mins.)</td>
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<thead>
<tr>
<th>F&amp;A</th>
<th>75 mins.</th>
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<tbody>
<tr>
<td>• Routine F&amp;A Matters (20 mins.)</td>
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<tr>
<td>• Approval of 2023 Budget (10 mins.)</td>
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<tr>
<td>• Approval of 2023 Plan of Finance (10 mins.)</td>
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<tr>
<td>• Approval of 2023 Internal Audit Plan, 2023 Internal Audit Budget and Resource Requirements (10 mins.)</td>
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<tr>
<td>• EXECUTIVE SESSION: Internal Audit (10 mins.)</td>
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<tr>
<td>• Approval of Tariff Changes (15 mins.)</td>
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<thead>
<tr>
<th>Oversight &amp; Clean Energy</th>
<th>55 mins.</th>
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<tr>
<td>• Safety Policy (20 mins.)</td>
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<tr>
<td>• Information Technology and Cyber Security (10 mins.)</td>
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<tr>
<td>• EXECUTIVE SESSION: Cybersecurity (25 mins.)</td>
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</table>

<table>
<thead>
<tr>
<th>Total proposed time for December meetings:</th>
<th>4 hours</th>
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</thead>
</table>
ANNUAL GOVERNANCE PACKAGE

- Procurement Policy
- Property Acquisition / Disposition Policy
- Lobbying Policy
- By-Laws
- Code of Ethics and Conduct
- Trustee Communications Policy
- Whistleblower Policy
ANNUAL FINANCIAL PACKAGE

- Investment and Risk Policy
- Interest Rate Exchange Agreement Policy
- Prompt Payment Policy
- Investment Report
FOR CONSIDERATION
December 15, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board’s Policy on Governance and Agenda Planning

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 Policy on Board Governance and Agenda Planning (the “Policy”) for the period since the last annual review on the Policy; and (ii) approving the annual report for the Policy, which resolution is attached hereto as Exhibit “A.”

Background

By Resolution No. 1323, dated September 21, 2016, the Board adopted the Policy. The Policy provides that “members of the Board of Trustees of the Long Island Power Authority are fiduciaries who are collectively entrusted with responsibility for the Authority, including ensuring LIPA achieves its mission and values for the benefit of its customer-owners. The Chief Executive Officer of the Authority, including acting through the Authority’s service provider, is responsible for implementing the Board’s policies and the day-to-day operations of the Authority.”

The Board conducts an annual review of the Policy and considers as part of its annual review whether LIPA has remained in compliance with the Policy and whether any updates or revisions should be made to the Policy. The Board last reviewed and amended the Policy in December 2020.

Compliance with the Board Policy on Governance and Agenda Planning

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

The Policy provides that the Board will “Use the expertise of individual members to enhance the understanding of the Board as a body, without allowing the expertise of individual members or staff to substitute for the judgment of the Board as a whole.”

- Trustees are assigned by the Chair to Board Committees based, in part, on their individual experience outside of LIPA. In 2021, Trustees Cockfield and Goroff were assigned to the Oversight and Clean Energy Committee, and Trustee Anderson Campbell was assigned to the Governance, Planning and Personnel Committee.
- The Trustees have adopted a Board Policy Governance process to provide clear direction to LIPA Staff from the Board, acting as a whole, rather than Trustees acting as individual members, including the Board Policy on Trustee Communication.
The Trustees have annually conducted a survey and review of their collective performance, and have instituted improvements to the Board’s governance, such as a facilitated process to review and enhance the Board Policy governance model, changes to Committee charters, a process to receive constructive feedback from staff on the Board’s performance, and better use of the Board’s time through judicious use of a Consent Agenda for consensus and ministerial items.

The Policy provides that the Board will “Direct and control the Authority through the careful establishment of broad written policies reflecting the Board’s values and perspectives for the benefit of the Authority’s customer owners. The Board’s major policy focus will be on the intended long-term impacts, not on the administrative means of attaining those impacts, which are the role of the chief executive and service provider.”

The Board has over the course of seven years, adopted approximately 30 policies that focus on the intended long-term impacts, rather than the administrative means of achieving those impacts. New policies are developed, and existing policies are revised at the direction of the Board to address LIPA’s long-term plans and values or adapt to changing circumstances in the industry or within LIPA’s operations.

In 2021, the Board adopted a new policy on Asset Management.

In 2021, the Board hired Leading Resources, Inc. to conduct a review of the Board policy structure and to facilitate working group discussions to amend certain Board policies to better align with LIPA’s vision for the utility. At the November 2021 meeting, the Board adopted updated policies on LIPA’s Purpose and Vision, Transmission and Distribution Operations, Customer Experience, and Information Technology and Cyber Security.

With Leading Resources, Inc., the Board has formed additional working groups to review the following policies in 2022: Resource Planning and Clean Energy; Customer Value and Affordability; Role of LIPA Trustees; Staffing and Employment; Values of Responsiveness and Integrity; and Trustee Communications.

The Policy provides that “the Board will monitor the Board’s process, performance and activities in comparison to its governance objectives” and “Monitor the Board’s process, performance and activities in comparison to its governance objectives.”

The Board policies are reviewed by the Board or appropriate Committee annually for compliance purposes. The annual reports include information relating to performance and activities in furtherance of the Board’s governance objectives. In addition, the Governance, Planning and Personnel Committee (the “Governance Committee”) conducts an annual review of the overall effectiveness of the Board.

The Board Policy Implementation Reports are available on the LIPA’s website.

The Policy provides that the Board “Pursue continual board education and development across all areas of the Authority’s operations and Board activities, including orientation of new members in the Board’s fiduciary duties, governance process, and periodic discussion of governance process improvement.”
LIPA Staff regularly provides the Board with training opportunities, including those requested by the Trustees, in a variety of different areas, including governance, utility operations and trends, electric rates, and finance. For example, in November 2021, the Board had a presentation from Carl Mas of NYSERDA describing certain surveys undertaken by the Climate Action Council in furtherance of the Climate Leadership and Community Protection Act.

The Policy provides that “the Board will establish and maintain an outline of the core competencies required for an effective Board member (see, Appendix A of the Policy); establish and maintain an outline of the core competencies required for an effective Chairperson and Committee Chairs (see, Appendix A of the Policy); and establish and maintain a list of Trustee expectations to ensure that all Trustees have a common understanding of the requirements for a productive and engaged Board member (see, Appendix B of the Policy).”

The Board has adopted both a set of core competencies and a list of expectations for all Trustees and specifically for the Chairperson and Committee Chairs, which are reviewed annually.

The Policy provides that the Board “Systematically monitor the performance of the Chief Executive Officer and service provider relative to the policies of the Board relating to its mission and values and any limitations established by Board policy. To do so, the Board will adopt a schedule developed as part of the annual Board agenda planning process...”

Annually, the Governance Committee reviews the performance of the Chief Executive Officer relative to the policies of the Board.

Annually, LIPA Staff provides the Board with the proposed agenda for all Board meetings for the Board’s review and comment. Likewise, the Secretary to the Board provides periodic reports relating to compliance with each policy, as appropriate.

LIPA’s Service Provider regularly provides the Trustees with information relating to the Service Provider’s performance under the Amended and Restated Operations Services Agreement.

**Proposed Changes to the Board Policy**

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.

**Attachments**

**Exhibit “A”** Resolution
RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD GOVERNANCE AND AGENDA PLANNING POLICY

WHEREAS, the Board Governance and Agenda Planning Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1323, dated September 21, 2016; and

WHEREAS, the Policy was last amended by the Board pursuant to Resolution No. 1505, dated December 18, 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 LIPA has complied with the Policy for the period since the last annual review and approves the annual report to the Board.

Dated: December 15, 2021