

**LIPA COMMUNITY ADVISORY BOARD  
MEETING AGENDA  
Friday, June 17, 2022  
8:00 A.M.**

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- I. Welcome & Introductions (*10 minutes*)
- II. 2022 NYS Legislative Session Update (*30 Minutes*)
- III. Update on PPTN Cost Allocation (*10 Minutes*)
- IV. Update on LIPA Tax Cases (*10 Minutes*)
- V. Hurricane Season - Storm Hardening and Grid Resiliency Improvements (*15 Minutes*)
- VI. Look Ahead Priority Items (*15 minutes*)
- VII. Round Table Discussion (*30 minutes*)

**Next Meeting Dates:**

**July 22, 2022 – 9:00 am**

Community Advisory Board – Summer Facility Tour

E.F Barrett Power Station

**Monday, September 19, 2022**

Community Advisory Board Meeting

LIPA Board Room – Uniondale, NY



# COMMUNITY ADVISORY BOARD MEETING

June 17, 2022

# A G E N D A

01

Welcome & Introductions

02

2022 NYS Legislative Session Update

03

Update on OSW Transmission Cost Allocation

04

Update on LIPA Tax Cases

05

Hurricane Season - Storm Hardening and Grid Resiliency Investments

06

Look Ahead of Priority Items

07

Roundtable Discussion





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# WELCOME & INTRODUCTIONS

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# LIPA SENIOR LEADERSHIP

The LIPA team brings **extensive utility experience** to the organization



**Tom Falcone**

*Chief Executive Officer and Interim Chief Financial Officer*

- 20-years experience in utility sector at LIPA and as an investment banker
- Joined LIPA in 2014 as CFO; CEO since 2015
- Vice Chair of Large Public Power Council
- Previously investment banker to utilities, including for municipalization and P3 studies



**Mujib Lodhi**

*Chief Information Officer & SVP of Customer Experience*

- 20-years experience in utility sector, including senior management positions at Riverside Public Utilities, Washington Suburban Sanitary Commission, and DC Water
- Joined LIPA in 2018



**Bobbi O'Connor**

*General Counsel*

- 20-years experience in utility sector at LIPA and as counsel to utilities
- Joined LIPA in 2013 and has served in various senior legal and senior management roles
- Previously a partner at an international law firm, representing utility clients



**Billy Raley**

*Senior Vice President of Transmission and Distribution*

- 35-years of experience in the utility sector, including T&D and customer service leadership positions at Progress Energy, Georgia Power, and the Southern Company
- 8 years experience as senior consultant to utilities across country
- Joined LIPA in 2021



**Rick Shansky, P.E.**

*Senior Vice President Power Supply and Wholesale Markets*

- 40-years experience in utility sector at LIPA, LILCO, and ConEd
- Joined LIPA in 2008
- Previously held positions at ConEd and LILCO in energy management, resource planning, fuel and purchased power, and generation planning



**Carolyn MacKool**

*Director of Customer Experience*

- 33-years experience in utility sector, including director positions at DC Water and DTE Energy
- Joined LIPA in 2021

# Welcome Larry Waldman

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- Lawrence J. Waldman, CPA, has over forty years of experience in public accounting, and the Managing Partner of the Long Island office of KPMG LLP from 1994 through 2006, the accounting firm where he began his career in 1972.
- Mr. Waldman currently serves as a senior advisor to First Long Island Investors, LLC, an investment and wealth management firm since May 2016, and is currently the Chair of The Long Island Association.
- Mr. Waldman also served as a member of the State University of New York 2019 Board of Trustees and as chair of its audit committee. He previously served as the Chair of the LIPA Board of Trustees.



# MEMBER SPOTLIGHT: SAMMY CHU

## Newsday

### TOP STORIES

## NY SENATE OKs APPOINTMENT OF Liers TO MTA

Newcomer Chu, veteran Mack are confirmed to 21-member board

BY ALFONSO A. CASTILLO  
[alfonso.castillo@newsday.com](mailto:alfonso.castillo@newsday.com)

The state Senate confirmed two Long Island representatives to the Metropolitan Transportation Authority Board early Friday, filling two seats that had been vacant for more than a month and restoring Island votes on issues governing the MTA and the LIRR.

The pair were among nine MTA Board members confirmed by the Senate to the 21-member board, including six new appointments. MTA Chairman and CEO Janno Lieber said the members represent the agency's "diverse ridership," and that he looks "forward to working with them to make using the MTA's services more reliable, accessible and af-

fordable for all customers."

In addition to veteran Nassau County representative David Mack of Great Neck being reappointed to another term, the Senate installed Samuel Chu of Lindenhurst as Suffolk County's representative on the board, replacing Kevin Law, who stepped down in April.

Chu, 45, owns two Plainville energy companies — Edgewise Energy and Caltech Electric Inc. — and is vice chairman of the Suffolk County Planning Commission. Chu began his public service career working in Suffolk County Executive Steve Bellone's administration, where he rose to chief of staff.

Having grown up riding the subways in Brooklyn, later commuting to a job as a union electrician, and immersing himself in recent years on issues of clean energy and sustainability, Chu believes he is well-suited to represent Suffolk in the governing body of the largest public transportation agency in the United States.

"I'm excited to bring that per-



Samuel Chu represents Suffolk County.

spective that I don't necessarily think is on the board now," said Chu, who mentioned the electrification of the Port Jefferson branch, transit-oriented development opportunities, and the use of battery-operated trains as among the issues in which he is interested.

"I would say I'm not coming in as a complete novice," Chu said. "But I also have enough experience with organizations to know that, until you're in it, and you pore through it and immerse yourself in the details, that you can never really get to the solutions."

Among the more colorful bits of experience Chu brings to the board is as a competitive power lifter for the last 10 years. On Tuesday, he set a world record in his division, deadlifting 568 pounds.

"This is the first day that I feel a little human," Chu said Friday morning. "It wasn't great that I had to stay up til 12:30 last night

to tune into the Senate," referring to the Senate's last hours to vote on bills before it adjourned its 2022 session.

Bellone on Friday called Chu an "excellent addition to the MTA Board, as some of the LIRR's largest projects come to fruition this year" and "a new voice, with a fresh perspective for years to come."

The LIRR's \$12.2 billion East Side Access link to Grand Central, and the \$2.6 billion Third Track between Floral Park and Hicksville are both scheduled for completion by December.

Also back on the board is Mack, 80, who served as Nassau's MTA representative from 1993 to 2009, and again from 2019 until his term expired in April. A real estate executive and philanthropist whose name is emblazoned on Hofstra University's sports complex and, more recently, a Nassau police training



David Mack represents Nassau County.

facility, Mack rarely weighs in on transportation issues at MTA Board meetings.

Despite some lawmakers opposing his nomination, Mack, at a confirmation hearing last week, insisted that he remains "an asset to the MTA." Mack said he wants to address "lawlessness" in the transit system, refurbish deteriorating Long Island Rail Road bridges on Long Island, and bring back lapsed commuters.

Speaking at a meeting of the Long Island Association on Thursday, LIRR interim President Catherine Rinaldi welcomed Chu and Mack as board members, who she said are needed to ask "hard questions" and keep railroad leadership engaged.

"If you don't have somebody like that in that role, you miss something," Rinaldi said. "I think having local representation from Nassau, from Suffolk ... is really important."



# 2022 NYS LEGISLATIVE SESSION UPDATE



# NYS SESSION UPDATE: COMMISSION ON THE FUTURE OF LIPA

## The 2022 New York State budget enacted a Legislative Commission on the Future of LIPA

### Commission Overview:

- Comprised of members of the Legislature appointed in a bipartisan manner guided by an Advisory Committee of local stakeholders representing diverse interests
- Engage the community and conduct an in-depth examination of LIPA's future as a public utility, including whether LIPA should implement a full public power management model for the first time in its history

A8

### TOP STORIES

## Building a public LIPA

Work starts soon on panel to plot utility conversion

BY MARK HARRINGTON

[Mark.Harrington@newsday.com](#)

The formation of a state legislative commission to plot the future of LIPA as a fully public power utility begins in earnest this week, the start of an effort that could be a vital turning point for the utility to get back to its founding vision.

The Long Island Power Authority once characterized the measure — approved as part of the state's recent budget — as a “study bill.” But it is considerably more than that, with set timelines to form a commission and advisory council for a comprehensive review and to create legislation to turn LIPA into a fully public utility by the end of 2023 — if it's clear that's the best way to go.

The final language approved by Gov. Kathy Hochul notes the legislature “hereby creates a commission to provide the legislature with the specific actions, legislation, and timeline necessary to restructure LIPA into a true, publicly owned power authority.” The commission has a \$2 million budget and a directive to produce a final report by April 1, 2023.

With PSEG's contract to manage the electric grid expiring by the end of 2025, there's little time to waste, legislators said.

“We have a very aggressive time frame to do all this work so we need to get going and get going fast,” said Assembly Speaker Carlos M. Weprin (I-Sag Harbor). He's been in contact with the Assembly Ways and Means committee to get the commission staffed and members appointed, with work on that beginning this week, Thiele said.

The commission's goal is to set up a fully public LIPA, not just study it, and not to dwell on models Thiele said have failed.

“We have plenty of experience with the private model and the third-party manager model” not working, he said, noting the Long Island Lighting Co. operated as a private company before LIPA bought its assets in the late 1990s. “The focus of this is that at the end of the process we have

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A state panel and advisory council are to create legislation to turn LIPA fully public by the end of 2023.

### FIRST IN NEWSDAY

erating LIPA, Kaminsky said he'd nevertheless “like to see the study” before deciding. “All over the country there are very good arguments for [municipal utilities, but] it's not entirely overwhelming and I want to see what the study says.”

Business groups led by the Association for a Better Long Island and the Long Island Association had requested the commission conduct a broader study of LIPA's options, including sale of the utility to a private company. But LIPA and the legislative sponsors rejected the idea.

In a statement, LIA Chief Executive Matt Cohen said the LIA “continues to evaluate the electric utility model that would offer residential and business ratepayers the most reliability, accountability and affordability.”

That is why all options should be on the table: municipalization, an improved public-private model and privatization.

The bill calls for the commission, after public hearings and consultations with an advisory council, to determine the new power utility's method of governance, lay out its plan to improve transparency, accountability and public involvement,

and to determine the impact on electric rates.

It will also determine what role, if any, the state Department of Public Service and the Public Service Commission will have over the new LIPA and examine the performance was all that great.”

Reminded that the LIPA name on the trucks was actually National Grid behind the scenes op-

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able to give our input to make sure it's a workable plan.”

Guidice said he's opposed to any prospect of making unionized workers state employees, as one past study contemplated. “It would be too much of a burden on the state system and it's not an easy transition,” he said. “Our issue is, how would that affect our ability to bargain for wages and working conditions, retirement issues?”

The law calls for a commission of eight members, three to be appointed by the Senate majority leader, three by the Assembly speaker, and one each by the minority leaders of the Senate and Assembly.

The commission will then appoint an advisory committee of 15, including representatives from business, labor, local government, Native tribes, economic development and environmental groups, energy, social justice, school districts and others. It's authorized to draw information, assistance and data from agencies such as the Department of Public Service and the utility to complete its work.

LIPA, in a statement, said it looked forward to “both working with and supporting the legislative commission in the best interests of our customers.” Meanwhile, LIPA said its new contract with PSEG will “deliver meaningful improvements” while the commission completes its work.

PSEG spokeswoman Ashley Chavira said the company “will cooperate with all appropriate requests” from the commission, but stressed PSEG remains committed to being the service provider for Long Island and the Rockaways, and maintaining that a public-private partnership is the best option for customers.

LIPA ratepayers also will have input into the commission's work and findings. Before issuing a draft report by year's end, the commission must hold at least one public hearing with a public comment period in each county on the establishment of public power by Sept. 15. It must then hold a public hearing on the draft report.

By next Feb. 1, the commission can turn the draft report over to the state comptroller for review and recommendations, with a final report due next April. The report also will “provide any legislation required to implement the public power model.”

# 2023 LOOK AHEAD: MANAGEMENT MODEL DECISIONS

**By the end of 2023, LIPA will move forward with either the recommendations of the Legislative Commission (e.g. the public power management model) or to rebid the PSEG Long Island management contract**

## **PSEG Long Island management contract expires at the end of 2025**

- Last bid for management services occurred in 2010
- Reviewing alternative management providers after 15 years is appropriate for a contract likely to be worth over \$1 billion over ten years
  - PSEG Long Island may or may not seek to extend contract
  - Office of the State Comptroller (OSC) will not consider an extension of the PSEG Long Island contract without a competitive bidding process
  - LIPA marketing efforts in 2021 indicate there would be other potential vendors, particularly if the contract is split into multiple scopes of services
  - Bid for new contractors would need to start in 2023 to allow time to select vendor(s) and transition services

**Over the next year, the Governor, State Legislature, and LIPA Board of Trustees will make significant decisions about LIPA's management model**

# LIPA'S GOVERNANCE AND MANAGEMENT STRUCTURE



## Department of Public Service

- State-wide utility regulator\*
- Provides oversight of both LIPA and PSEG Long Island through independent recommendations to LIPA Board



## Board of Trustees

- 9 volunteer residents of service area appointed by Governor and Legislature
- **Owns all assets** and contract with PSEG Long Island for day-to-day management services

## nationalgrid

### & Other Generators

- 5,800 MW of power plants under contract to LIPA



## Executive Team & Staff

- 70 utility professionals that manage LIPA affairs, including policy, electric rates, budgets, metrics, debt, and managing PSEG Long Island and other vendors



## Energy Resources & Trade

- Contracted to bid power plants and energy markets and procure fuel for power plants



## PSEG LONG ISLAND

- 19 executives at Vice President and Director level
- Shared services from PSEG affiliates (e.g., IT)

*PSEG Long Island contract only affects 19 executives and shared services from Newark*

## ServCo Subsidiary

- 2,500 employees at the Director, Manager, and staff level, including related benefit plans
- LIPA has a contractual right to transfer ServCo to LIPA or another service provider

*The LIPA Reform Act of 2013 requires that the terms and benefits of employment and union agreements of LIPA's 2,500 dedicated employees be unaffected by management transitions*



# PSEG CONTRACT: WHAT SERVICES DOES PSEG PROVIDE TO LIPA AND WHAT IS THE COST?

## 1. PSEG Provides 19 of 33 PSEG Long Island Senior Management Positions

- LIPA pays on average **\$82.8 million** per year in management fees for **19 positions**, an equivalent of **\$4.4 million per position**
  - PSEG staffs 14 of these positions; 5 are staffed by ServCo
- The total compensation for all 19 positions is estimated at **\$7.6 million per year**, or 9% of the fees LIPA pays
- Over 10 years, the cost premium over hiring management directly is estimated at **\$752 million**

## 2. PSEG Affiliates Provide Certain Services for Additional Cost

- LIPA pays an additional **\$20 million per year** for staff and IT system support from PSEG's NJ headquarters for IT, Human Resources, Treasury, Legal, and other functions. LIPA estimates it could secure **higher quality service from other providers or by insourcing at ServCo at less cost**

## 3. PSEG Provides Energy Management Services for LIPA's Generation

- LIPA pays an additional **\$19 million per year** to PSEG under a separate contract to bid LIPA's power plants and transmission into energy markets and procure fuel to supply power plants

**All other costs of operating the LIPA electric grid are a “pass through” and paid by LIPA**

# LIPA'S MANAGEMENT MODEL IS UNIQUE

LIPA's third-party management model is rare in the utility industry or business world



Very few companies in any industry outsource management of core functions

*LIPA contracts with PSEG Long Island and other providers to manage nearly all aspects of utility operations*

# BACKGROUND ON LIPA'S MANAGEMENT MODEL: HOW DID WE GET HERE?

## In 1998, full outsourcing of management and systems was the only viable option

- LIPA had **less than a dozen employees** when it bought LILCO and contracted with the former LILCO/KeySpan (later bought by National Grid) to operate the T&D system under the **LIPA brand**
- Operation of LIPA T&D assets (e.g., billing, IT systems, staffing) were **highly integrated** with the former LILCO gas and power plant assets bought by KeySpan and **could not be separated** on the LIPA/LILCO merger timeline
- LIPA paid a fixed fee to National Grid for operations services. **Net profit was estimated at \$30 million.** KeySpan / National Grid employed the staff and owned the IT systems and processes, which were the same used by LILCO
- KeySpan was at first a locally-based company, but eventually operations grew to include upstate and New England utilities and then merged with the large UK utility, making LIPA an increasingly **small share of a large company with a distant headquarters**
- There was little cost transparency, with blended operations, employees, pension plans, and systems. The fixed fee **contract incentivized National Grid to minimize cost**



May 1998



# BACKGROUND ON LIPA'S MANAGEMENT MODEL: HOW DID WE GET HERE?

- In 2010-11, the LIPA Board approved a new “ServCo” model to begin January 1, 2014. The ServCo model separated key aspects of Long Island operations. This model was based on several key assumptions:
  - Cost of ServCo model and LIPA management would be about the same (assuming a **\$30-55 million management fee**)
  - Savings from maintaining private-sector pension and retirement benefits rather than adding employees to State plans (based on incomplete estimates and approximations)
  - Hiring another utility would help separate integrated utility management and IT systems from National Grid at a lower risk
  - LIPA would have the option to re-examine LIPA management in the future
- PSEG Long Island was selected after a competitive process to begin providing service on January 1, 2014 at a cost of **\$43.9 million (2011 dollars)** per year



# BACKGROUND ON LIPA'S MANAGEMENT MODEL: HOW DID WE GET HERE?



*Credit: Newsday*

- **Superstorm Sandy occurred while the 2-year transition to the ServCo model with PSEG was ongoing**
- **The LIPA Reform Act of 2013 renegotiated the PSEG Long Island contract and made changes to the ServCo model based on four assumptions:**
  1. PSEG Long Island's "**name on the truck**" and reputation on the line would align their interests with LIPA (i.e., a high trust contract with fewer controls were needed due to that alignment)
  2. PSEG Long Island's "name on the truck" would provide **political insulation** to LIPA and the Board
  3. PSEG would dedicate high-quality operational and technical **expertise** to manage LIPA's system
  4. LIPA couldn't pay the salaries necessary to **attract talented executives**
- The contract was renegotiated to a current cost of **\$82 million** per year, plus affiliate services of about **\$20 million**, and energy management costs of **\$19 million**

# TROPICAL STORM ISAIAS LED TO A REFORM OF THE 2013 PSEG LONG ISLAND CONTRACT

LIPA & PSEG Long Island Contract  
Receives OSC Approval of 2<sup>nd</sup> Amended &  
Restated Operations Services Agreement

April 1, 2022



- Since 2016, LIPA has made **record investments in the electric grid** – roughly 3x the capital investment as under the National Grid contract
- Tropical Storm Isaias resulted in similar **communications and emergency response failures** as LIPA experienced during Superstorm Sandy under National Grid management
- In 2021, LIPA evaluated terminating or reforming the PSEG Long Island contract. The new contract contains **eight core reforms to improve PSEG Long Island's performance**
- The new contract terms became effective April 1, 2022. LIPA will report publicly on the effectiveness of the new contract

## Eight Core Reforms of the 2013 PSEG Long Island Contract

### Strengthen Incentives and Accountability Mechanisms

- 1 Greater share of management compensation at risk based on performance
- 2 Expanded performance metrics with greater rigor covering all categories of the management services provided to LIPA
- 3 Strong gating and default metrics to discourage singularly poor performance (e.g. storms)
- 4 Strengthen Long Island-based management and accountability for Long Island operations

- 5 Require candor from service provider

### + Strengthen Oversight

- 6 Require compliance with Board recommendations to address known deficiencies
- 7 Strengthen oversight in long-term planning, project prioritization, and budget development
- 8 Partition Long Island IT systems and facilitate independent verification and validation by LIPA



# COMMISSION TIMELINE

**LIPA will be closely monitoring the work of the Legislative Commission and offer objective information and support as requested.**





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# UPDATE ON OSW TRANSMISSION COST ALLOCATION

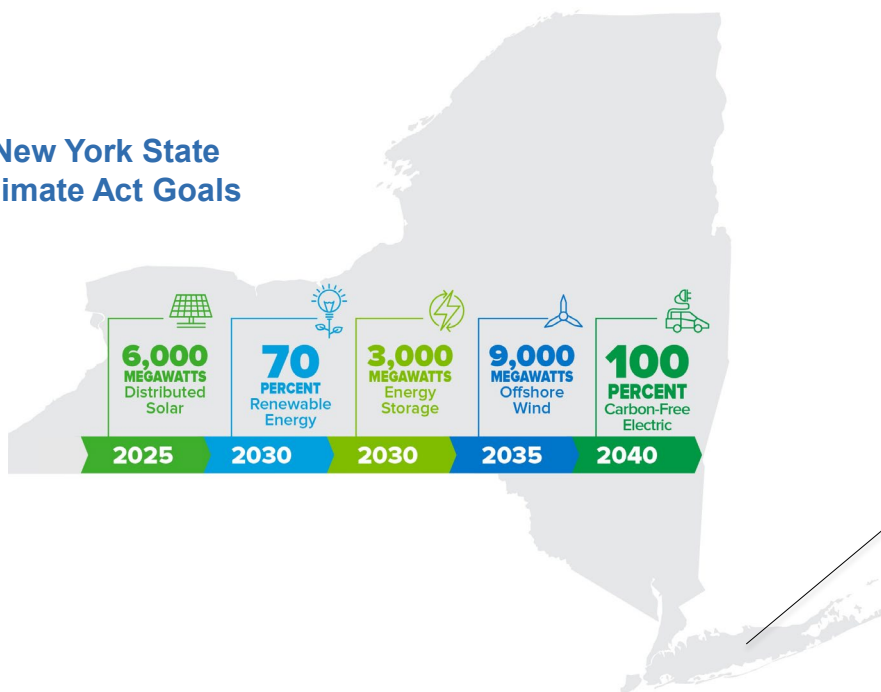
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# INVESTMENTS TO MEET CLEAN ENERGY GOALS

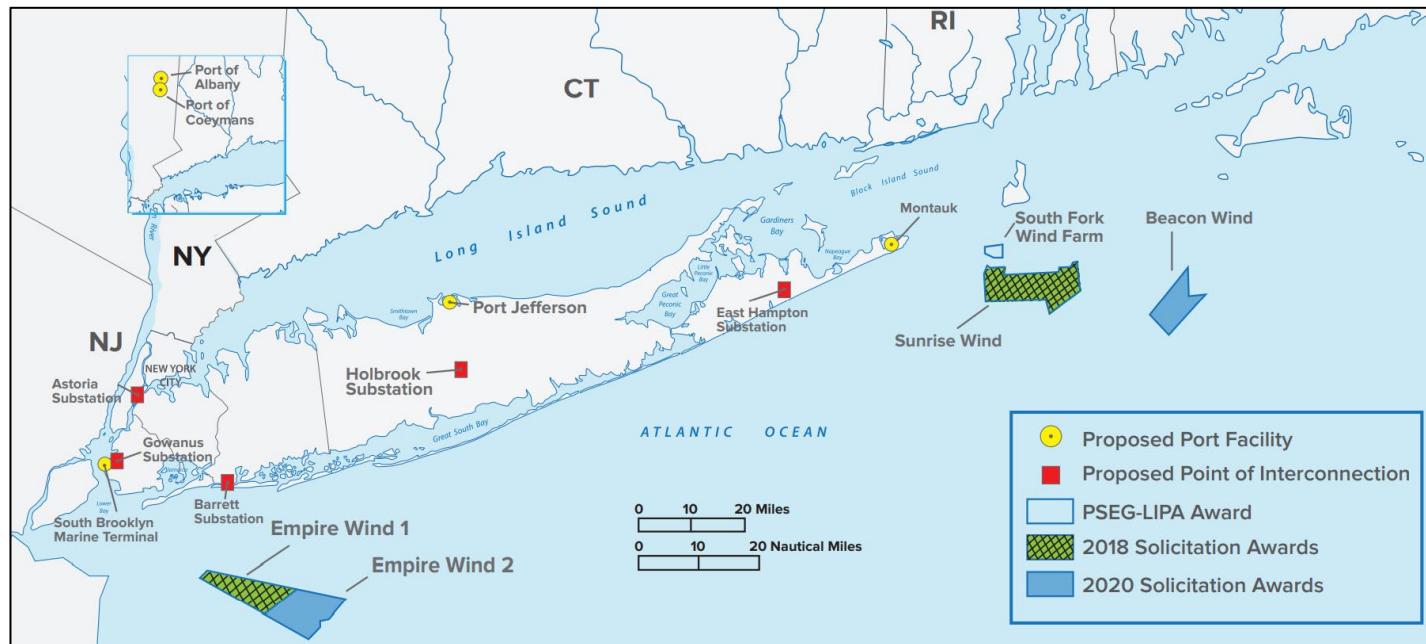
- Investing in upgrades to Long Island infrastructure to integrate offshore wind and other renewables will cost about ~\$1.5 billion by 2030
- LIPA advocated that the cost allocation on transmission needed to meet the Climate Act should be shared uniformly state-wide

## New York State Climate Act Goals





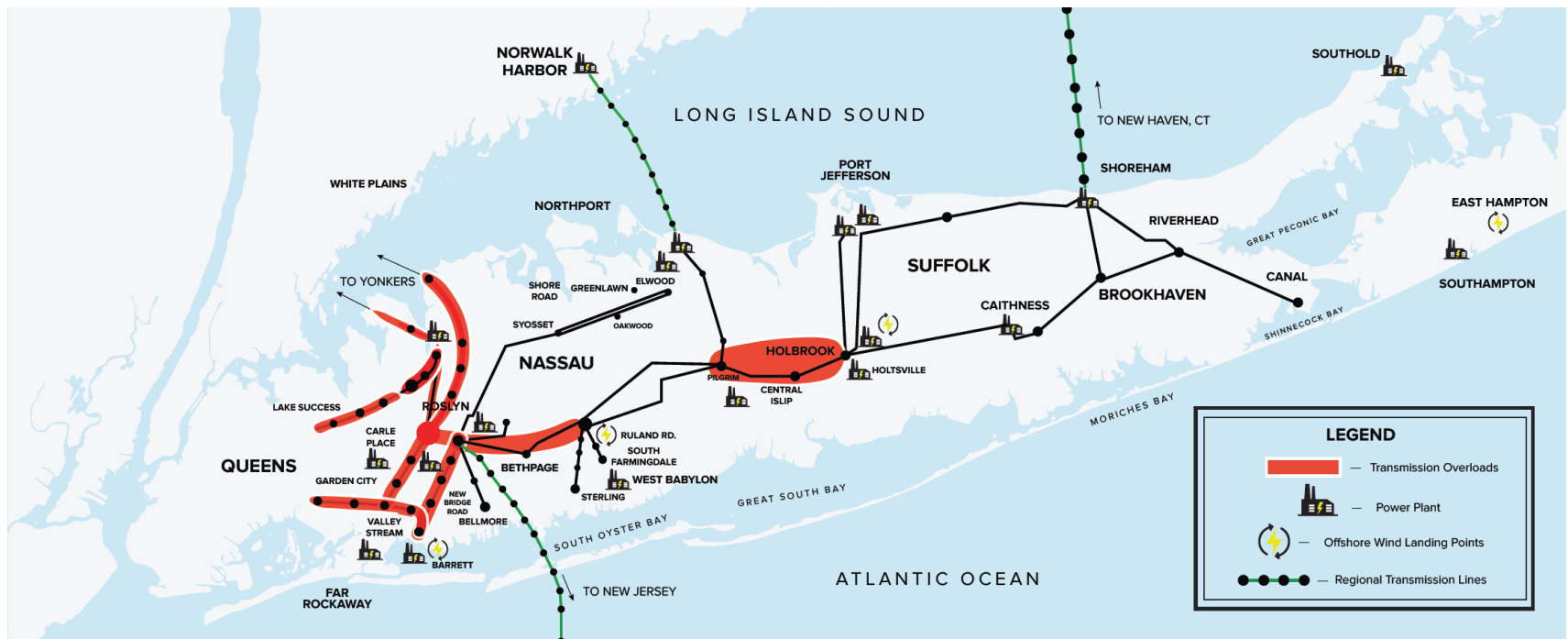
# NEW YORK OFFSHORE WIND PROJECTS



Project Name	Owner	Size (MW)	Contract Off-Taker	Interconnect Utility	In-Service Date
South Fork Wind	Joint Venture: Ørsted and Eversource	130 MW	LIPA	LIPA	2023
Empire Wind 1	Equinor Wind US LLC	816 MW	NYSERDA	ConEd	2024-25
Sunrise Wind	Joint Venture: Ørsted and Eversource	880 MW	NYSERDA	LIPA	2024-25
Empire Wind 2	Equinor Wind US LLC	1,260 MW	NYSERDA	LIPA	2026-27
Beacon Wind	Equinor Wind US LLC	1,230 MW	NYSERDA	ConEd	2028

# UPGRADING THE LONG ISLAND ENERGY GRID

- In 2020, LIPA and Con Edison conducted a regional study to connect 9,000 megawatts (MW) of offshore wind to Long Island and New York City
- In 2021, the New York State Public Service Commission (PSC) confirmed in New York State's Power Grid Study that the Long Island's transmission system requires substantial upgrades to move offshore wind-generated electricity onshore and to the rest of the state



# TIMELINE & PUBLIC SUPPORT

## Timeline

**2020**

LIPA & Con Ed conducts study of transmission upgrades necessary for 9,000 MW of offshore wind

**March 2021**

PSC determines that offshore wind transmission is a public policy need. Issues order allocating up to 75% of costs to “beneficiaries”

**May 2021**

PSC grants a limited stay on a final decision on cost allocation

**January 2021**

PSC releases initial report on New York State’s Power Grid Study

**April 2021**

LIPA & ConEd file petition for rehearing, arguing that costs should be shared statewide

**May 2022**

Final PSC ruling allocating 100% of PPTN costs statewide by load share

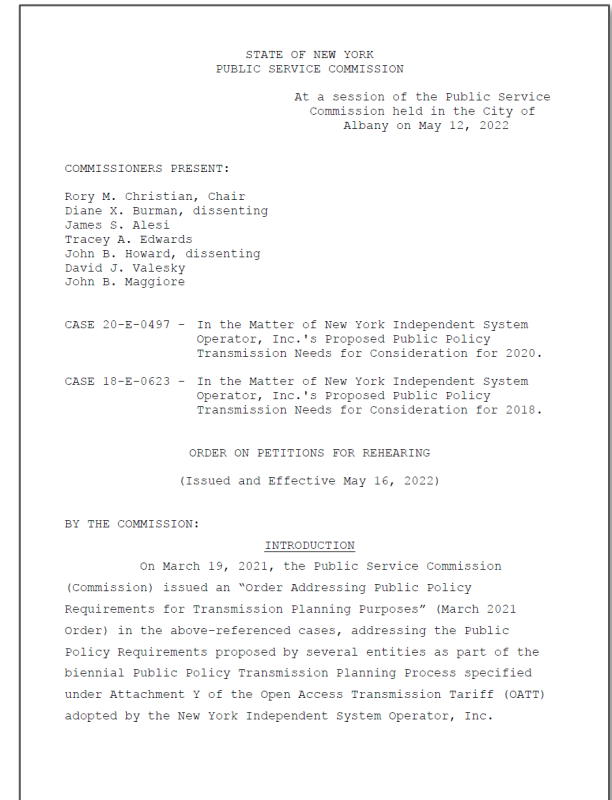
## Public Support

LIPA’s position was supported by many local and state elected officials, and organizations representing government, business, labor, and non-profits throughout the service territory



# PUBLIC POLICY TRANSMISSION NEEDS RULING

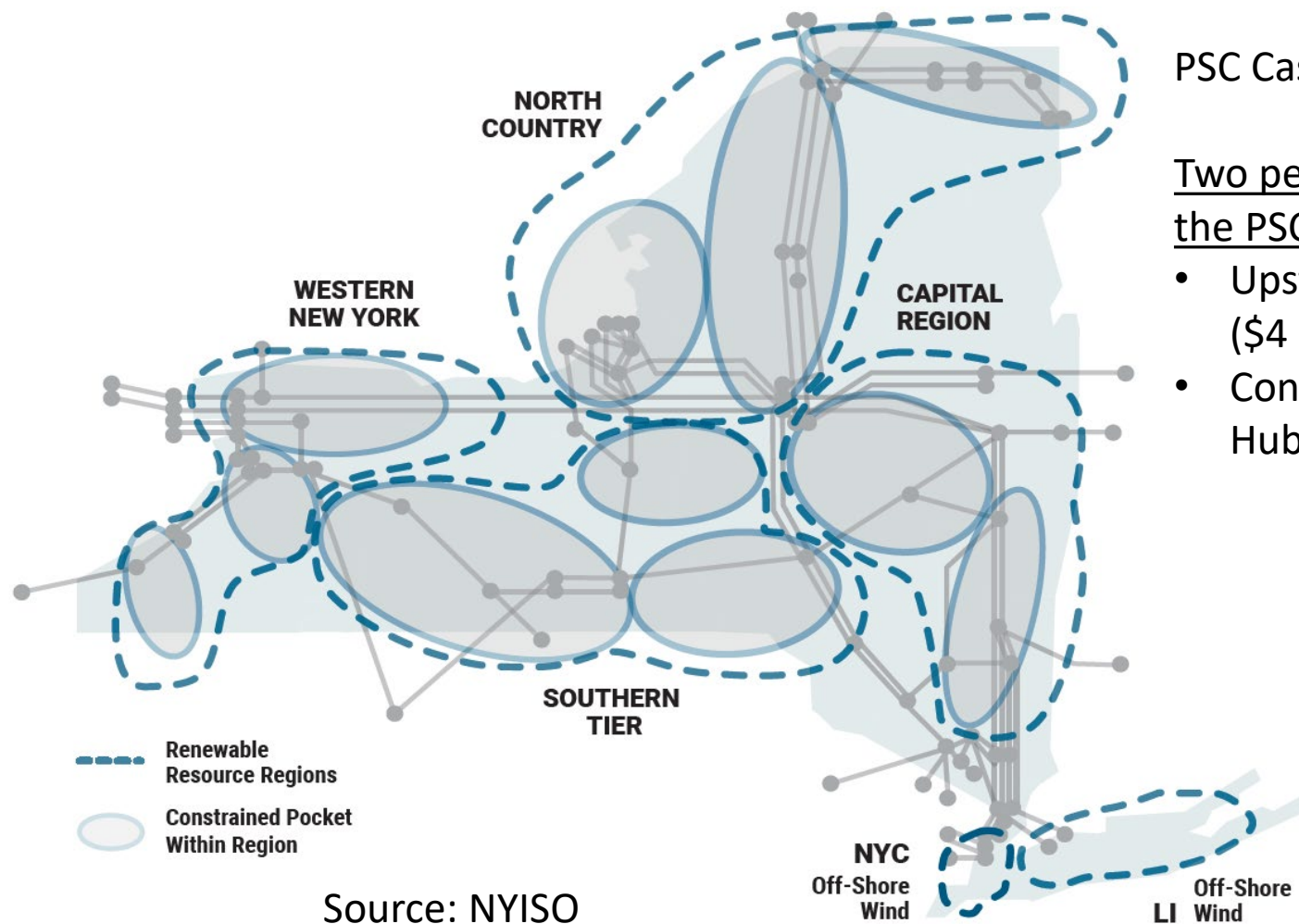
- On May 16, the PSC issued an order allocating the cost to all-electric customers in New York of transmission upgrades needed to interconnect offshore wind from Long Island to the rest of the state:
  - “...the Commission found that the CLCPA is driving the need for additional transmission facilities between Long Island and New York City, and therefore constitutes a Public Policy Requirement.”*
  - “...at least 3,000 MW of offshore wind are expected to be interconnected onto Long Island, which “illustrates an impending [transmission] need for upgrades to onshore transmission facilities to assure that the offshore wind energy expected to be injected into New York City and Long Island can be distributed to the State at large.”*
- LIPA customers will pay around 13% of the costs for these transmission projects rather than up to 75%+
- Decision will **save our customers hundreds of millions of dollars**, and potentially more over time as additional transmission projects are built beyond this initial set
- Thank you to our Community Advisory Board members for advocating for Long Island customers!!!**



[Case 20-E-0497](#)



# PSC PROCEEDING ON LOCAL TRANSMISSION TO UNBOTTLE RENEWABLE GENERATION



Source: NYISO

PSC Case 20-E-0197

Two petitions before the PSC

- Upstate regions (\$4 billion)
- Con Edison Wind Hub (\$1 billion)



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## UPDATE ON LIPA TAX CASES

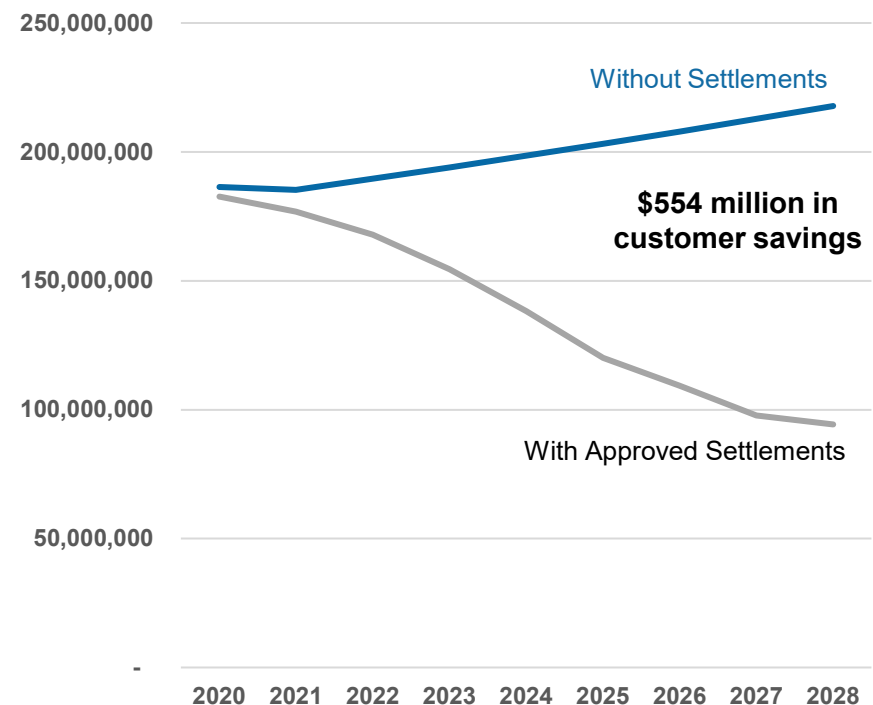
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# REACHING A FAIR COMPROMISE: SETTLEMENTS

- ✓ Settlements have been approved for the Northport, Port Jefferson, E.F. Barrett, and Glenwood Landing power plants.
- ✓ As part of the settlements, LIPA waived over \$1 billion in tax refund liabilities owed by the Towns of Huntington & Brookhaven, the Village of Port Jefferson, and Nassau County.
- ✓ LIPA customers will **save approximately \$554 million in property tax payments** for these four facilities through 2028.
- ✓ While tax payments remain in excess of that required by law, the settlements will continue to support host communities as they adjust to lower taxes and the transition to fossil-free electricity.
- ✓ **Thank you to our Community Advisory Board members who actively supported these settlements over the last decade!!!**

Customer Savings from Settlements





# TAX CERTIORARI TIMELINE

2010

LIPA Commences  
Tax Certiorari  
Litigation



September 2020

SETTLEMENT  
Town of Huntington  
Settlement for Northport  
Power Plant



December 2018

SETTLEMENT  
Town of Brookhaven & Village  
of Port Jefferson Settlement  
for Port Jefferson Power Plant



April 2022

SETTLEMENT  
Nassau County Settlement for  
E.F. Barrett and  
Glenwood Power Plants



# ADDITIONAL ACTIVITIES

In 2022, LIPA will:

- Continue to defend against certain Suffolk County municipalities' refusal to comply with the 2% tax cap on LIPA's PILOT payments and complete briefing on LIPA's appeal of the Court's decision ordering LIPA to make additional payments.
  - The City of New York and Nassau County comply with the 2% tax cap.
- Continue to monitor tax bills for overassessments of LIPA substations and take appropriate actions to seek fair tax bills, where appropriate.

## Newsday

### Dispute over LIPA payments

Riverhead told  
by utility: need  
consolidated bill

BY MARK HARRINGTON  
mark.harrington@newsday.com

LIPA and the Town of Riverhead are at loggerheads over how the electric utility can make millions of dollars in payment for its properties there after LIPA said the town declined to provide it with a consolidated tax bill, according to recent correspondence shown to Newsday.

In a letter to the town May 26, LIPA chief Tom Falcone expressed a "desire" to make the payment but noted the utility and the town "have been unable to agree upon a process to allow" it because Riverhead hasn't provided a consolidated bill for taxing districts throughout the town.

"I would like to avoid additional litigation and hope that we can together work toward a solution that meets the needs



LIPA chief Tom Falcone

of all the taxpayers in the town and LIPA's electric customers," Falcone wrote.

Officials with Riverhead Town and the Riverhead school district, a primary beneficiary of the payments, didn't immediately respond to requests for comment. For the 2020-21 tax year, the town's tax bill to LIPA was \$5.2 million, but LIPA, citing a 2% state tax cap, paid \$4.7 million.

LIPA's letter said it believes that Riverhead Town's tax receiver should provide a consolidated bill listing the costs for each of the taxing jurisdictions within the town "containing all the necessary information for LIPA to confirm that the amount of its payments satisfies its obligations under the LIPA Reform Act." The law limited annual increases that LIPA can pay in local taxes to 2% a year.

LIPA and Suffolk County have been embroiled in a years-long legal dispute over the application of the cap, after several towns drew payments from Suffolk County — which disburses the money — that ignored the 2% limit.

In 2021, a state Supreme Court judge ordered LIPA to pay \$70 million in tax liens, penalties and interest resulting from tax bills sent by towns to Suffolk County on some 1,700 properties after LIPA paid taxes limited to the 2% cap. Suffolk County was obligated to make payments to the towns to pay the difference.

Suffolk County Comptroller John M. Kennedy Jr., faced with delinquencies tied to LIPA's lower payments, filed liens on the LIPA properties totaling \$58 million, arguing that LIPA was no different from other property owners who failed to pay. LIPA argued that government properties can't be foreclosed on, but the court said LIPA didn't file tax challenges for the properties on time and ordered it to pay. The case is on appeal.

Meanwhile, LIPA has filed papers to remove its properties from the tax rolls in each of the jurisdictions to remedy the problem, because LIPA, like other government entities, technically doesn't pay taxes, but instead makes payments in lieu of taxes, or PILOTS.

It's unclear how, or if, the dispute with Riverhead is related to the larger Suffolk tax dispute. In any case, LIPA said in its letter, it is willing to pay the same taxes it paid last year to the town and its taxing jurisdictions until the matter is settled.



# HURRICANE SEASON - STORM HARDENING AND GRID RESILIENCY IMPROVEMENTS

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# LIPA BOARD'S VISION FOR RELIABILITY AND RESILIENCY

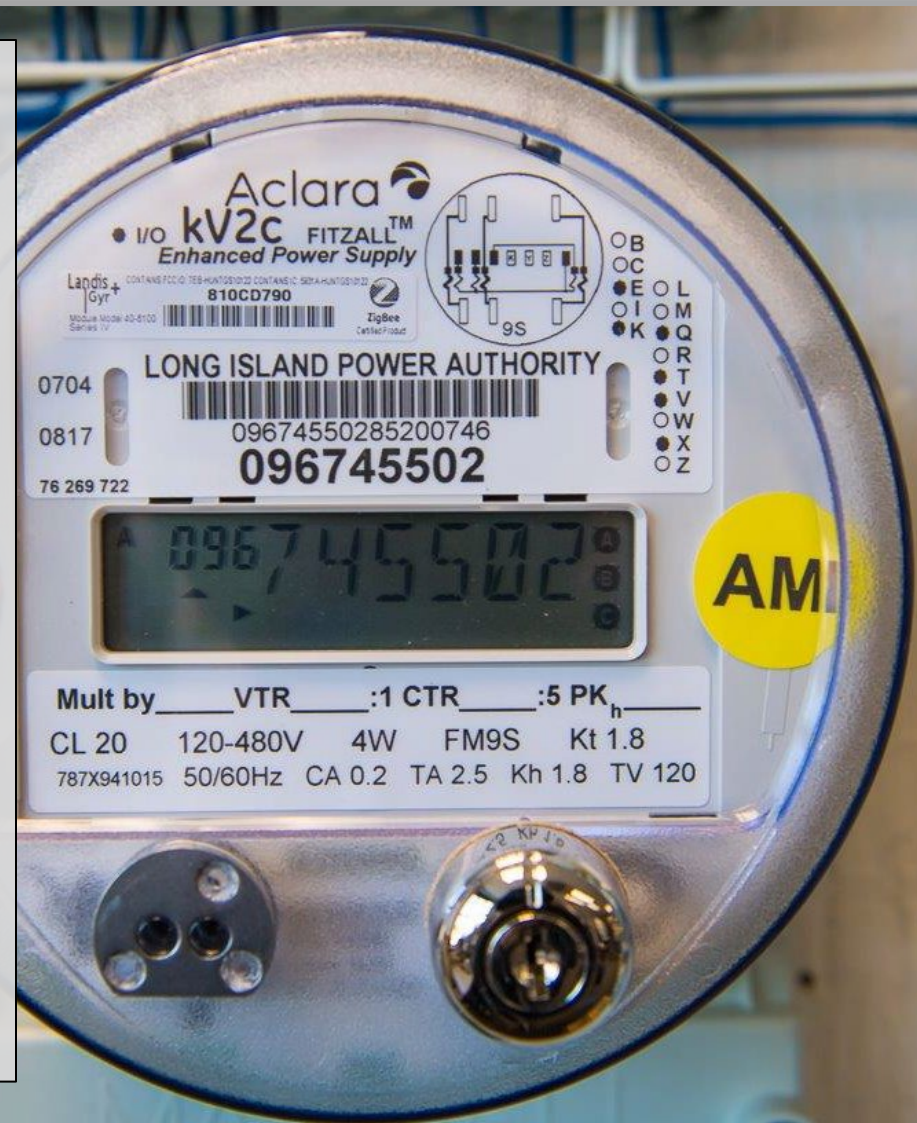
The LIPA Board of Trustees has set objectives for reliability and resiliency to measure management's performance

LIPA Board's **reliability** objectives:

- Provide **top decile levels of reliability** as measured by system average outage duration
- **Improve circuit conditions** that cause customers to experience 4 or more sustained or 6 or more momentary outages in any 12-month period
- Utilize **modern system design and technology** to anticipate and minimize outages, and provide for **preventative and predictive maintenance**

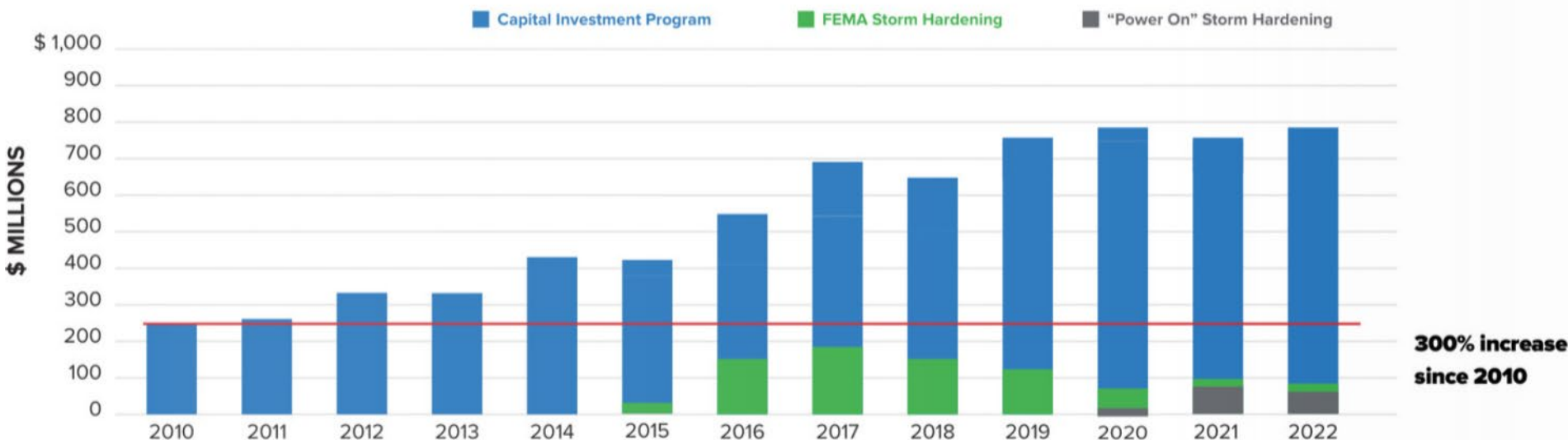
LIPA Board's **resiliency** objectives:

- Mitigate effects of climate change through multi-year programs to **reduce the number and duration of outages caused by storms**
- Assure **timely and accurate communication** to customers about outages and restoration times
- **Independently verify emergency restoration plans and testing of IT systems**



# RELIABILITY AND RESILIENCY ARE IMPORTANT TO CUSTOMERS

- Since 2016, LIPA has invested a record **\$4.9 billion** in infrastructure to improve the reliability and resiliency of Long Island's electric grid – over 3x the investment of a decade ago
- In 2020, LIPA completed a **\$730 million FEMA-funded storm hardening program**. In 2021, we began a LIPA-funded **Phase II program at \$70 million per year**





# A CUSTOMER-DRIVEN APPROACH TO GRID RESILIENCY

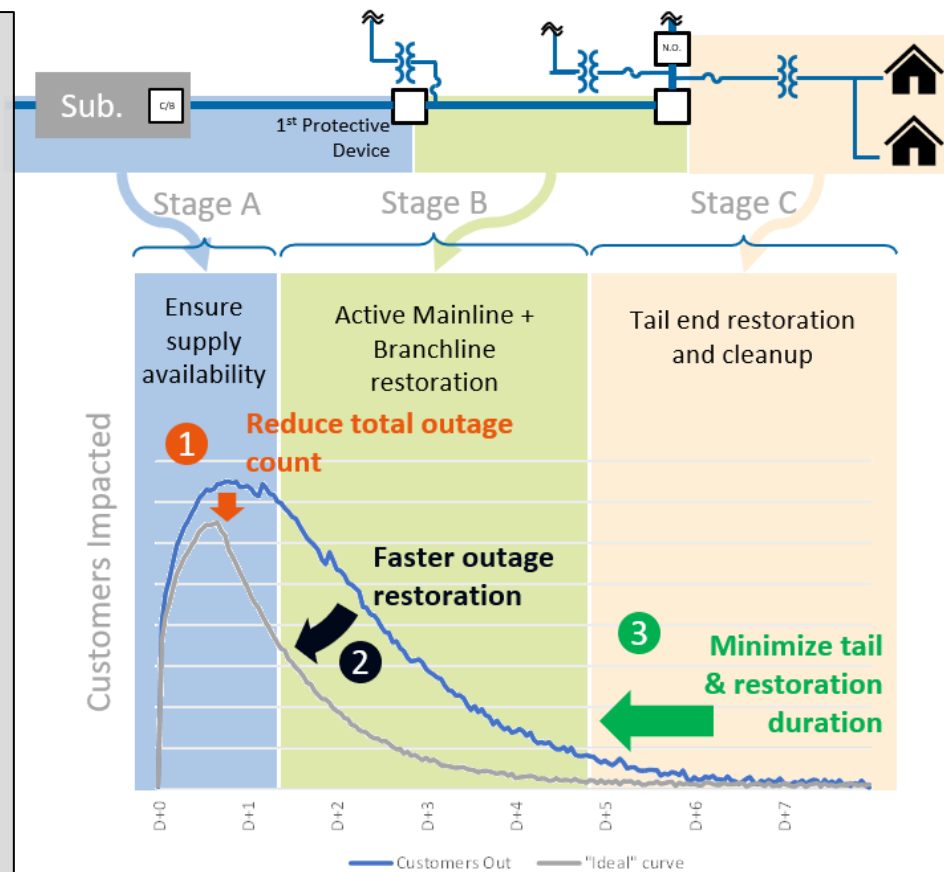
The Long Island Grid Resiliency Improvement Program seeks to **quantify and further reduce the number of customers and restoration times** after a severe weather event

## Reduce the number of outages by:

- Continuing to harden worst performing distribution circuits
- Hardening one transmission supply feed to every substation in a load pocket
- Reducing number of customers behind each protective device to less than 500
- Additional hazard tree removal and deploying intelligence to the tree trim cycle

## Shorten length of storm restoration by:

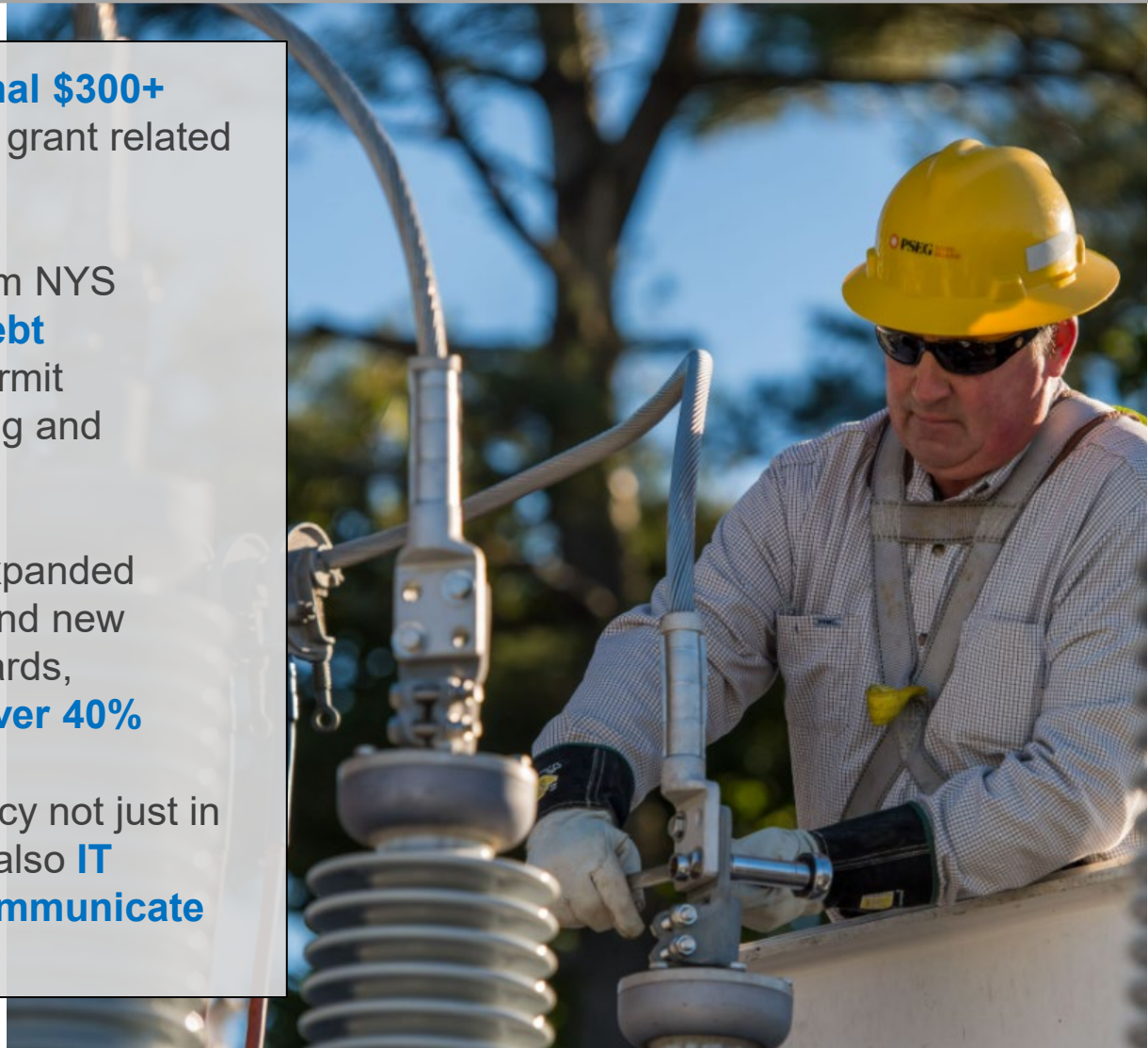
- Utilizing smart meter data for operational intelligence
- Selective undergrounding of hard to access rear-lot service
- Deploying electricians for low-voltage restoration



Illustrative Restoration Curve

# NEXT PHASE OF RESILIENCY INVESTMENT

- LIPA is applying for an **additional \$300+ million** FEMA storm hardening grant related to Tropical Storm Isaias
- We have obtained approval from NYS Legislature under the **Utility Debt Securitization Authority** to permit securitization of storm hardening and resiliency projects
- In 2022, we implemented an expanded hazard tree removal program and new vegetation management standards, expanding **tree trimming by over 40%**
- It's important to think of resiliency not just in terms of grid infrastructure but also **IT systems and the ability to communicate with customers**



# FINANCIAL IMPACT OF STORMS

Storm	Cost Incurred by LIPA	Recovered from FEMA/Other Grants
Tropical Storm Irene (2011)	\$144 million	\$144 million
Superstorm Sandy (2012)	\$686 million	\$670 million
Winter Storm Nemo (2013)	\$14 million	\$11 million
Winter Storm Stella (2017)	\$14 million	\$4 million
Tropical Storm Isaias (2020)	\$295 million	\$221 million*
Tropical Storm Ida (2021)	\$9 million	\$6.75 million*
<b>TOTAL</b>	<b>\$1.1 BILLION COST</b>	<b>\$1 BILLION RECOVERED</b>

*\*expected*

LIPA is eligible for FEMA and other grants due to its status as a public power utility, **mitigating a significant portion of the financial risk of storms and impacts on customer bills**





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## LOOK AHEAD OF PRIORITY ITEMS

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# HEATING OIL PRICES & BUILDING DECARBONIZATION

- Newsday: “For the week of April 25, average heating oil prices on Long Island hit \$5.50 a gallon, according to the New York State Energy Research and Development Authority, **a 74% increase from the \$3.16-a-gallon price of a year ago**”
- Buildings produce **nearly a third** of New York's carbon emissions
- Steps need to be taken to reduce Long Island's carbon footprint, including the electrification of heat and hot water in buildings and homes
- LIPA initiatives, such as promoting cold climate heat pumps and implementing a Time-of-Day rate, can help customers **save on both carbon and money**

**Newsday**  
YOUR EYE ON LI

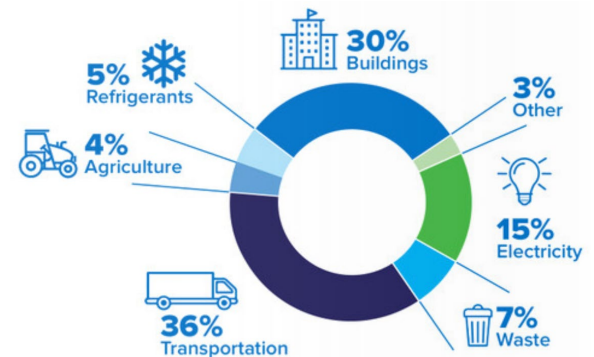
## PRICE OF HEATING OIL ON LI, NY SETTING RECORDS

Costs at \$6 per gallon in some sites, dealers say

May 11, 2022



## New York State Carbon Emission Sources



\*New York State Department of Environmental Conservation

# NEW CONSTRUCTION -- HEAT PUMP SAVINGS

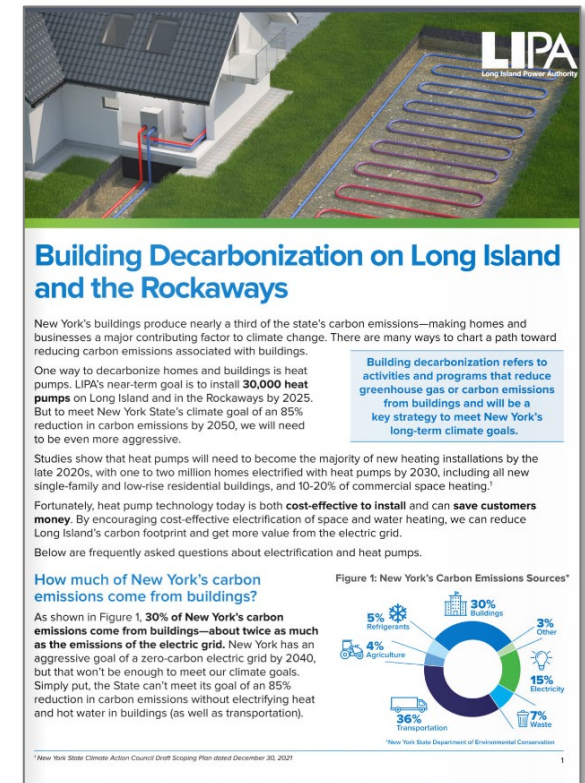
	Natural Gas	All-Electric Home
Heating and Cooling	Gas Furnace and Central Air-Conditioning	Cold Climate Heat Pump
Water Heater	Gas Water Heater	Heat Pump Water Heater
Clothes Dryer	Gas	Heat Pump
Equipment, Connection, and Installation Costs	\$22,973	\$22,418
LIPA Rebates	—	\$5,900
Net Cost with Rebates	\$22,973	\$16,518
Upfront Savings		<b>\$6,455</b>
Annual Bill Savings		<b>\$765</b>
Home Carbon Footprint (2022)		<b>-21%</b>
Home Carbon Footprint (2040)		<b>-100%</b>

# HEAT PUMP INITIATIVE

**Objective:** Leverage our customer insights, relationships, and contractor network to accelerate heat pump adoption

## Focus Areas

1. Empowering the private market and contractor network with tools and information
2. Streamlining and standardizing the customer experience
3. Leveraging utility data and insights for customer segmentation and targeting
4. Broadening our reach through statewide collaboration and partnerships



## Fact Sheet

# TIME-OF-DAY RATES

**What is a Time-of-Day Rate?** A rate structure where eligible customers can opt into to pay different rates for electricity based on the time of day they use it

## Timeline:

- **December 2021:** LIPA and the New York Solar Energy Industries Association (NYSEIA) propose phasing-in a Customer Benefit Charge and plan for a 2024 transition to opt-out time-of-day rates for residential customers
- **June 2022 – August 2022:** Stakeholder meetings
- **September 2022:** Tariff proposal
- **November 2022:** Public hearings
- **December 2022:** LIPA Board consideration
- **2023:** Customer outreach and engagement, IT improvements and testing, business process modifications, change management



# COVID ARREARS FORGIVENESS

- The New York State budget allocated **\$250 million** statewide for COVID-19 arrears forgiveness
- The Department of Public Service (DPS) is currently conducting a working group to determine eligibility and allocation of funding among utilities
- DPS and LIPA staff are considering a proposal to forgive all low-income customer arrears incurred prior to May 1, 2022
- Arrears of LIPA customers enrolled in the low-income program are approximately \$28 million
- State budget allocation to cover between \$9 million and \$10 million
- Customers eligible but not yet enrolled in the low-income program would have the opportunity to enroll by December 31, 2022 to receive the forgiveness benefit



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## ROUNDTABLE DISCUSSION

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