

Board Policy: **Employee Relations**

Policy Type: **Strategic Direction**

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**  
**#1643, amended June 23, 2021**  
**#xxxx, amended September xx, 2022**



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LIPA’s vision for employee relations is to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical, productive, and accountable workplace committed to LIPA’s Purpose, Vision, and Values.

To achieve our vision for employee relations, LIPA’s Chief Executive Officer will:

- Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity, Equity and Inclusion and ensure an ethical, safe, and discrimination / harassment free work environment.
- Maintain staffing at the level necessary to ensure that LIPA meets its obligations with respect to its bonds and notes, statutes, contracts, and oversight of its service providers.
- Establish and administer compensation practices and benefits for LIPA’s staff that are sufficient to attract and retain a qualified, experienced workforce, as evidenced by compensation benchmarking studies; motivate and reward individual performance and contribution; and encourage organizational responsiveness to LIPA’s Purpose.<sup>1</sup>
- Establish policies and programs that support and encourage the personal and professional development of employees.
- 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 the key provisions of this Policy.

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<sup>1</sup> LIPA’s CEO will 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.

Board Policy: **Evaluation of the CEO’s Performance**



Policy Type: **Board-Staff Linkage**

Monitored by: **Governance, Planning, and Personnel Committee**

Board resolution: **#xxxx, approved July 27, 2022**

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The Chief Executive Officer’s job performance shall be evaluated by comparing the organization’s results, operations, and his/her personal performance, leadership, and accomplishments in accordance with the policies established by the Board.

Specifically:

- The Board will annually evaluate the CEO’s performance by comparing: (i) 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 CEO’s cost of living adjustments (“COLA”) will be 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.
- To maintain compensation that is competitive with the public power industry, the Board will annually review a compensation benchmarking survey of CEO positions of public power utilities of similar size and complexity. If the CEO’s performance “meets expectations” or better and compensation is ten percent or more below the average of the benchmarking survey, the COLA shall be increased by three percent. If compensation is 15 percent or more below average, the COLA shall be increased by five percent.
- The Governance, Planning, and Personnel Committee (the “Committee”) shall facilitate the annual CEO performance evaluation in coordination with LIPA’s Director of Human Resources and Administration, who shall prepare an evaluation form that facilitates measuring the CEO’s performance, as provided for in this Policy. In accordance with this Policy and LIPA’s By-laws, the Committee shall be authorized to make recommendations to the Board regarding the performance of the CEO.

Board Policy: **Fiscal Sustainability**

Policy Type: **Operating Policies**

Monitored by: **Finance and Audit Committee**

Board Resolution: **#1319, approved September 21, 2016**  
**#1354, amended March 29, 2017**  
**#1473, amended March 20, 2019**  
**#1498, amended December 18, 2019**  
**#1579, amended December 16, 2020**  
**#xxxx, amended September xx, 2022**



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LIPA’s vision for **fiscal sustainability** is to meet the Board’s policy goals to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA’s assets and result in the lowest long-term cost to customers.

To achieve our vision for fiscal sustainability, LIPA will:

- Decrease LIPA’s leverage and cost of capital by:
  - Achieving AA-category credit ratings via reducing LIPA’s debt-to-assets ratio from 92 percent to 70 percent or less by 2030.
  - Maximizing grants and low-cost funding sources.
  - Minimizing costs through securitization of debt and tax-exempt financing.
  - Pre-funding long-term liabilities on an actuarially sound basis including (1) pension costs, (2) Other Post-Employment Benefits (“OPEBs”)<sup>1</sup>; and (3) the Nuclear Decommissioning Trust Fund.
  - Maintaining fixed-obligation coverage ratios of no less than 1.40x on LIPA-issued debt and lease payments; and 1.20x on the combination of LIPA-issued debt, UDSA-issued debt, and lease payments.
  - Minimizing LIPA’s need for coverage while maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories (e.g. storms).
  
- Maintain cash-on-hand and available credit sufficient to fund business operations in emergencies, as measured by month-end balances of at least:
  - \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund.
  - 150 days of operating expenses.

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<sup>1</sup> Service Provider OPEBs will be funded to a dedicated OPEB Account. 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 withdrawals for such purposes will be repaid within twelve months.

- Develop budgets and financial plans that maximize customer value and aggressively manage costs.
- Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources.
- Provide LIPA's customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA's financial performance and plans.

The Chief Executive Officer shall report annually to the Board on compliance with the key provisions of this Policy.

Board Policy: **Economic Development and Community Engagement**

Policy Type: **Strategic Direction**

Monitored by: **Finance and Audit Committee**

Board Resolution: **#1356, approved March 29, 2017**  
**#1470, amended March 20, 2019**  
**#1537, amended June 24, 2020**  
**#xxxx, amended September xx, 2022**



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LIPA's vision for **economic development and community engagement** is to promote the economic growth and vitality of our service territory by encouraging the efficient use of utility plant and equipment and by attracting personnel to LIPA and its service provider who are purpose-oriented and dedicated to Long Island and the Rockaways.

LIPA will achieve our vision of economic development and community engagement by:

- Attracting both large and small commercial customers to the service territory and helping such customers grow their businesses through electric rates that are discounted below LIPA's average cost of service<sup>1</sup>;
- Offering economic development rates and programs consistent with those offered by other utilities in the State or best practices within the electric utility industry;
- Engaging in community events, volunteerism, educational programs, and selected grant-making consistent with LIPA's powers, duties, and purpose and the framework of this Policy, with a general preference for engaging with governmental entities, not-for-profit organizations, and businesses located in the service area<sup>2</sup>.
- Endeavoring to be an agent of local economic development as a large purchaser of goods and services. In doing so, in selecting among alternatives, LIPA will take into consideration the operational, environmental, and economic benefits to the service territory, including any impact on long-term local employment.

The Chief Executive Officer, or his or her designee will report annually to the Finance and Audit Committee of the Board of Trustees on the key provisions of this Policy.

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<sup>1</sup> The discounted rates will be above LIPA's marginal cost of serving new electric load or retaining existing load by using facilities and assets that would otherwise be underutilized.

<sup>2</sup> The policy does not promote the use of customer funds for charitable causes unrelated to a power, duty or purpose of LIPA granted pursuant to applicable law. LIPA's Chief Executive Officer is delegated authority to contract with grant partners where LIPA's commitment of financial and in-kind resources does not exceed \$1 million.