

BOARD POLICY ON CONSTRUCTION OF T&D PROJECTS

September 28, 2022

BOARD POLICY ON CONSTRUCTION OF T&D PROJECTS

It is LIPA's policy to:

- (i) Make choices for the construction of the transmission and distribution (T&D) system **in a consistent manner that balances cost for all customers with local concerns**
- (ii) To **conduct public outreach prior to the beginning of construction** in accordance with certain principles
- (iii) To **accommodate local preferences for underground construction in circumstances where system-wide benefits are insufficient to justify the incremental expense** by providing mechanisms for local choice and local funding

BRIDGE TO BUELL

The installation of a new underground 69kV cable from the Bridgehampton Substation to the Buell Substation is approximately 5.2 miles.

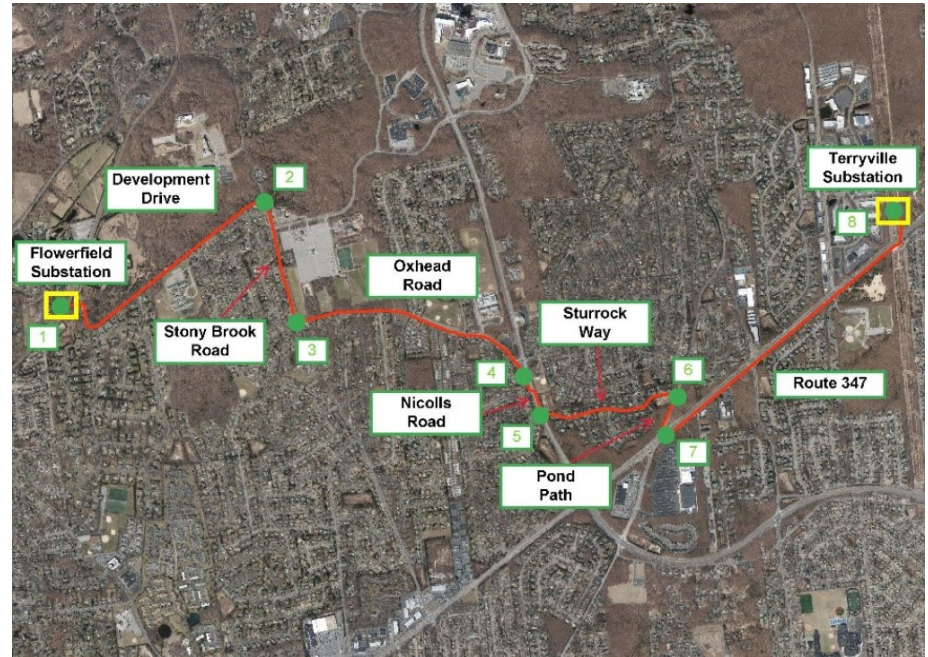
- Utilizes an existing Right of Way
- The cost of the proposed underground project (under existing overhead transmission) is estimated to be \$45.5 million, while the cost of an overhead alternative is estimated to be \$56.1 million
- Underground Justification provided in May 2022
- *The environmental review of this project remains ongoing*



FLOWERFIELD TO TERRYVILLE

The installation of a new underground 69kV cable from the Flowerfield substation to the Terryville substation is approximately 4.9 miles.

- The cost of the proposed underground project is estimated to be \$39 million, while the cost of an overhead alternative is estimated to be \$16 million.
- Underground construction was selected because of disadvantages of overhead construction that would have significant residential, communal, technical, and environmental impacts.
- Underground Justification will be provided to the Board per the Policy.



PUBLIC OUTREACH

- Outreach is integrated into capital project planning, design, and construction
- PSEG Long Island External Affairs scores each project 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
- Since the last annual update, there were a total of 12 specific projects that were scored by PSEG Long Island External Affairs as Tier 2 or Tier 3
- Two Tier 3 include: (i) converting the Belmont Substation from 33kV to 69kV; and (ii) the new Peconic River Energy Storage Interconnect Project
- Ten projects were scored as an External Affairs Tier 2, including three conversion and reinforcement projects in Belmont, Ocean Beach, Bridgehampton, and the Park Place Feeder Extension

PUBLIC OUTREACH – TIER 3 PROJECTS

PSEG Long Island's Tier 3 Outreach includes, but is not limited to: (i) conducting media and regulatory audits to **determine the outreach landscape and identification of stakeholders**; (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** (vii) mailings or door hangers to impacted customers; (viii) sharing project information on **PSEG Long Island's website and social media accounts**; and (ix) **email updates** to impacted customers.

- *Converting the Belmont Substation from 33kV to 69kV*
 - Installs two new 69kV circuits between Lake Success and Belmont substations
 - Replaces two existing 28MVA 33/13kV transformer banks with two 33MVA 69/13kV banks at the Belmont substation
- *New Peconic River Energy Storage Interconnect Project*
 - Upgrades Substation Transformers from 14MVA to 33MVA
 - Facilitates the interconnection of Peconic River Energy Storage

SPECIAL TARIFF FOR UNDERGROUNDING

- LIPA maintains 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
- Located at LIPA Tariff, Second Revised Leaf No. 85 - Charges for Undergrounding Requests
- A 2021 project in Westhampton used the existing tariff provisions
- No new projects have taken advantage of the existing Tariff funding mechanism



DISCUSSION

Questions

FOR CONSIDERATION

September 28, 2022

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report on the Board Policy on the Construction of Transmission and Distribution Projects

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 22, 2021.

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 its Service Provider, 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 102, such report to be done sufficiently far in advance of construction to inform the public outreach and project planning process”:

- PSEG Long Island previously 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 beneath existing overhead transmission. In compliance with the Policy, as part of the ongoing environmental review, the Service Provider prepared the required analysis that evaluated the system-wide benefits

and costs to the public of construction of overhead versus underground transmission projects. Consistent with the Policy, the report justifying underground construction was shared with the Board together with the Draft Environmental Impact Statement. The environmental review of the project is continuing.

- PSEG Long Island has also proposed the construction of a new underground 69kV transmission line between Flowerfield and Terryville substations in the Towns of Smithtown and Brookhaven, Suffolk County. The line would be needed for full deliverability of two new solar projects (Shoreham Solar and Riverhead Solar 1) and the South Fork battery projects under contract with LIPA. The justification of the construction method is being prepared for LIPA’s review and will be forwarded to the Board once complete.

“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.”

- LIPA’s Tariff for Electrical Service (the “Tariff”) provides 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 prepared a [brochure](#) for its Service Provider 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 with LIPA oversight to ensure the effective implementation of the Tariff provisions.
- A project was completed in 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 the Department of Public Service review project scoring and outreach plans.
- PSEG Long Island scores each project 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 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 update, PSEG Long Island reports that there were a total of 12 Transmission and Distribution specific projects that were scored by External Affairs as Tier 2 or Tier 3. Two Tier 3 include: (i) converting the Belmont Substation from 33kV to 69kV; and (ii) the new Peconic River Energy Storage Interconnect Project. Ten projects were scored as an EA Tier 2, including three conversion and reinforcement projects in Belmont, Ocean Beach, Bridgehampton, and the Park Place Feeder Extension.

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 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 low-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 that work closely with PSEG Long Island’s External Affairs to monitor compliance with the Policy and the communication with towns and the public on 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 the 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 22, 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 the Authority has complied with Policy for the period since the last annual review and approves the annual report to the Board.

Dated: September 28, 2022