

LONG ISLAND POWER AUTHORITY

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING

HELD ON SEPTEMBER 28, 2022

The Finance and Audit Committee of the Long Island Power Authority (“LIPA”) was convened at 10:51 a.m. at the Jones Beach Energy and Nature Center, located in Jones Beach State Park, 150 Bay Parkway, Wantagh, NY, pursuant to legal notice given on September 23, 2022, and electronic notice posted on the LIPA’s website.

The following LIPA Trustees were present:

**Sheldon L. Cohen, Committee Chairman
Mark Fischl, Committee Member
Elkan Abramowitz, Committee Member
Laureen Harris, Committee Member
Valerie Anderson Campbell
Drew Biondo
Rev. Al Cockfield
Nancy Goroff
Ali Mohammed**

Representing LIPA, in person, were Thomas Falcone, Chief Executive Officer; Bobbi O’Connor, General Counsel & Board Secretary; Billy Raley, Senior Vice President of Transmission & Distribution; Donna Mongiardo, Vice President-Controller; Jessica Dehnert, Senior Manager of Enterprise Risk Management; Mark Smith, Senior Manager of Rates; and Andrew Berger, Communications Assistant. Participating via video conferencing was Jason Horowitz, Assistant General Counsel and Assistant Secretary to the Board.

Representing PSEG Long Island, in person, were Gregory Filipkowski, Chief Information Officer; Richard Tinelli, Manager of Regulatory Requirements; and Premal Patel, Manager of Accounting Services.

Chair Cohen welcomed everyone to the Finance and Audit Committee meeting of the Long Island Power Authority Board of Trustees.

Chair Cohen stated that the first item on the agenda is the adoption of the minutes from the July 27, 2022 Committee meeting.

Upon motion duly made and seconded, the minutes of the July 27, 2022 meeting were approved unanimously.

Chair Cohen stated that next item on the agenda is the Overview of Financial Results to be presented by Donna Mongiardo; Gregory Filipkowski, Rich Tinelli and Prem Patel of PSEG LI.

Ms. Mongiardo and Messrs. Filipkowski, Tinelli and Patel presented the Overview of Financial Results and then took questions from the Trustees.

Chair Cohen stated that the next item on the agenda is the Discussion of Internal Audit Activities to be presented by Billy Raley.

Mr. Raley presented the Discussion of Internal Audit Activities and then took questions from the Trustees.

Chair Cohen stated that the next item on the agenda is Consideration of Recommendation to Approve the Annual Report and Amendments on the Board Policy on Economic Development and Community Engagement to be presented by Mark Smith.

Mr. Smith presented the following action item and took questions from the Trustees:

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution recommending that the Board: (i) approve the annual report on the Board Policy on Economic Development and Community Engagement (the “Policy”); (ii) find that LIPA has complied with the Policy since the last annual review; and (iii) approve certain amendments to the Policy 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 the Policy on August 11, 2021.

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 the Policy, LIPA and its service provider are directed to “[a]ttract 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.” The Policy also provides that LIPA will “[o]ffer economic development rates and programs consistent with those offered by other utilities in the state or best practices within the electric utility industry.”

In 2021, LIPA's economic development rates and programs achieved the following results:

- 38 large business accounts received discounted power through our Business Development Rate and legacy New York State programs, such as the Excelsior Jobs program in 2021. These businesses received approximately \$1.1 million in discounts in 2021.
- 317 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 created or retained over 71,800 jobs.
- 24 small business customers opened new accounts through the Vacant Space program in 2021, which encourages new businesses to occupy spaces that have been vacant for at least one year. Total incentives awarded during 2021 were \$16,500.
- A total of \$156,000 in incentives were awarded to support 12 community projects through the Main Street Revitalization program in 2021. Since 2019 these projects leveraged over \$137 million in private investment while creating over 650 jobs. The Policy further provides that LIPA and the service provider will “[e]ngage 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. In 2021, 29 grants totaling \$137,000 were given out. Also, beginning in 2021, the program expanded to include 11 grants up to \$2,000 for landscaping and beautification for the purpose of supporting outdoor commerce in business districts affected by COVID-19.

Annual Review of the Policy

The Board hired Leading Resources, Inc. to review the Board policies and to facilitate discussion amongst the Trustees on certain policies. The amended Policy was discussed with the Board at the meeting on July 27, 2022. Specifically, the amendments include adding a bullet with respect to LIPA’s impact on local economic development as a large purchaser of goods and services, which was previously part of the Board’s Policy on Resource Planning and Clean Energy. Other minor amendments have been included on the Policy to conform this Policy with other policies previously reviewed with Leading Resources. The updated Policy is set forth on Exhibit “B”.

Recommendation

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

A motion was made and seconded, and the Trustees unanimously adopted the following resolution:

RESOLUTION RECOMMENDING APPROVAL OF 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 by the Board on August 11, 2021; and

WHEREAS, the Finance and Audit Committee (the “Committee”) has conducted an annual review of the Policy and affirms that the Policy has been complied with and concurs that the changes proposed to the Policy and due and proper.

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

BE IT FURTHER RESOLVED, that the Committee hereby recommends approval of the amendments to the Policy as set forth in Exhibit “B”.

Chair Cohen stated that the last item on the agenda is Consideration of Recommendation to Approve the Annual Report on the Board Policy on Enterprise Risk Management to be presented by Jessica Dehnert, Senior Manager of Enterprise Risk Management.

Ms. Dehnert presented the following action item and took questions from the Trustees:

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution recommending that the Board: (i) find that LIPA has complied with the Board Policy on Enterprise Risk Management (the “ERM Policy” or “Policy”); and (ii) approve 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 2022 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 from the Board’s November 2021 review to the present. 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 eight months, the ERMC has met five 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.
- Currently, there are nine members on the Committee, including the CEO/CFO, 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 is 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: transmission system vulnerabilities, major storm, and multiple tie-line failures. Over the remainder of 2022, risk analyses will be presented on the following risks: supply chain disruptions, safety, time-of-day rate implementation, and cyber-security.
- The F&A Committee receives an annual update on the ERM Program highlighting the significant risks and mitigation actions facing LIPA and its Service Provider concurrent with this annual report. Over the course of the year, there are additional presentations to the Board that discuss significant risks, which include: major storm, cyber security, safety, physical security, rates, and staffing.

“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 Second Amended & Restated Operations Services Agreement (“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 2022, LIPA risk management and LIPA’s Insurance Advisor provided oversight of the coverages placed by PSEG Long Island as required by the 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**
- **Cyber Insurance - LIPA named insured on PSEG Long Island’s Cyber Insurance**
- **Nuclear Electric Replacement for Nine Mile Point, Unit 2**
- **LIPA maintains its own insurance policies, including Director and Officer liability, premises general liability, and property insurance, as well as cyber event insurance and employee practices liability insurance.**

“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 most recent ERM maturity assessment was conducted in August 2022 in alignment with the Board approved biennial review cadence. The ERM Program improved in many areas, including the risk assessment process, and enhancing enterprise-wide risk management skills. The ERM Team is in the process of developing a roadmap that will focus on making improvements in areas such as integrating risk analysis into business practices, improving risk awareness and accountability, and over the long term, incorporating risk analysis into strategic planning. 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.

Recommendation

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

A motion was made and seconded, and the Trustees unanimously adopted the following resolution:

RESOLUTION RECOMMENDING APPROVAL 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 (the “Committee”) of the Board of Trustees of the Long Island Power Authority (“LIPA”) has conducted an annual review of the Policy and recommends that the Board find that the Policy has been complied with.

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

At approximately 9:51 a.m. Chair Cohen stated that the Committee would adjourn to Executive Session to discuss personnel matters. Chair Cohen stated that no votes would be taken and that the Committee would not be returning to public session.
