



## **BOARD POLICY**

## **IMPLEMENTATION REPORTS**

AS OF DECEMBER 2022

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# RESOURCE PLANNING AND CLEAN ENERGY ANNUAL REPORT

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*May 18, 2022*

# RESOURCE PROCUREMENT ACTIVITIES

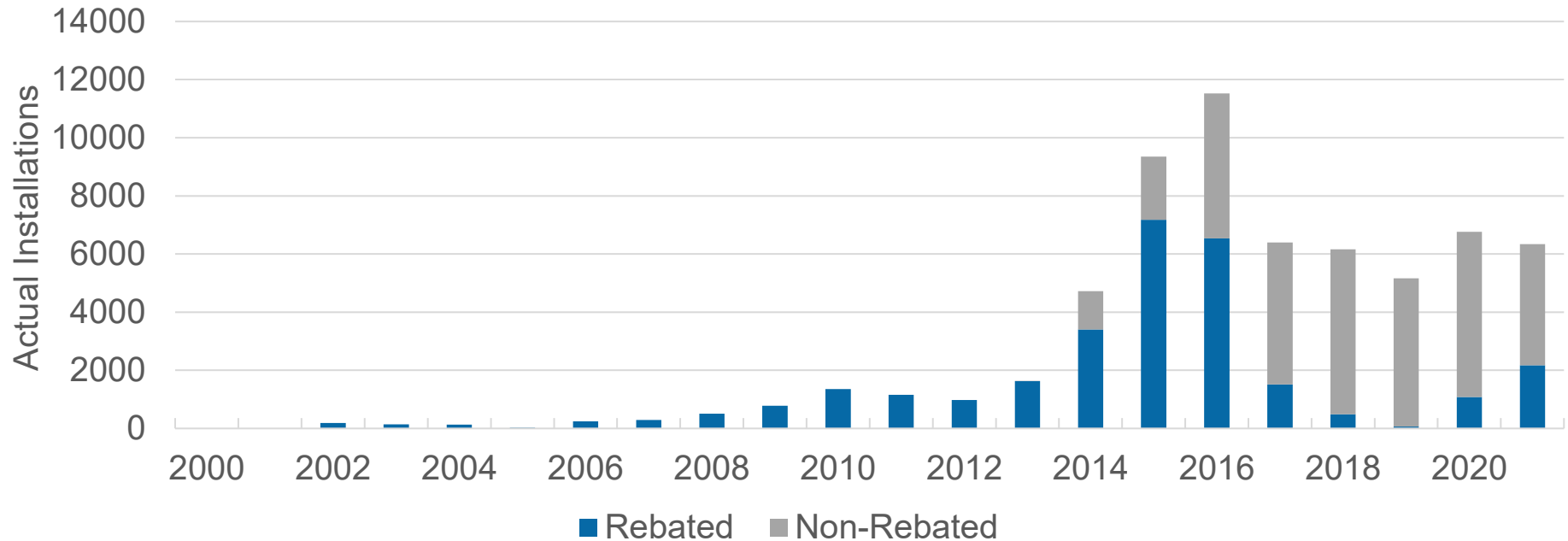
Procurement	Date of Issuance	Operational (MW)	Under Development (MW)
FIT I	July 2012	38.8	0
FIT II	October 2013	30.3	1.6
280 MW RFP	October 2013	48.9	0
FIT II (Fuel Cells)	March 2014	6.0	0
South Fork RFP *	June 2015	10	130
2015 Renewable RFP	December 2015	0	58.9
FIT III	September 2016	14.0	4.0
FIT IV (Fuel Cells)	September 2016	7.4	0
FIT V	June 2020	0	20.0
Bulk Energy Storage	April 2021	Pending	Pending
<b>Total</b>		<b>155.4</b>	<b>214.5</b>

\* Does not include demand reduction programs.



# ROOFTOP SOLAR PROGRAM

**As of 12/31/2021, rooftop solar installations totaled 63,859 systems and 505 MW (AC)**



*\*As of December 31, 2021*

# CLEAN ENERGY

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## **2021 PSEGLI Bulk Energy Storage RFP**

- RFP issued in April 2021 for 175 MW of Energy Storage Resources
- Open to all commercially viable storage technologies
- Proposals received in July 2021
- Expected selection of projects in August 2022

## **2022 Integrated Resource Plan (IRP)**

The IRP will identify:

- Reliable, CLCPA compliant, cost-effective options for meeting future demand
- System changes needed by 2030 with the focus on existing generation
- Solicited and incorporated public comments on the Scope of Work
- Expected completion in Q4 2022, with additional opportunities for public comments

# INTERCONNECTION INITIATIVES

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- The Y49 cable tripped on March 12, 2022 due to fault at a location in Yonkers. The cable is under repair and is expected to be back in service in May.
- NYPA plans to reconductor the Long Island land-based portion of the Y49 cable with an expected in-service date of June 2023.
- PSEG Long Island is currently working on a short-term extension of the NYPA contract, which is currently set to expire in November 2022.
- The Neptune cable is currently derated to 375 MW due to a transformer failure at the Newbridge substation. A new transformer is expected to be commissioned and the cable is expected to be at 660 MW capacity by August 2022.

## **FOR CONSIDERATION**

May 18, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments to the Board Policy on Resource Planning and Clean Energy

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### **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”); (ii) finding that LIPA has complied with the Policy since the last annual review; and (iii) approving amendments to the Policy, which resolution is attached hereto as **Exhibit “A.”**

### **Background**

By Resolution No. 1372, dated July 26, 2017, the Board adopted the Policy. The last annual report on the Policy was in June 2021, and the last amendments to the Policy were made in July 2020.

The Policy sets objectives for resource planning, power supply procurement, portfolio management, and energy efficiency programs that support LIPA’s purpose 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.

#### **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 2022 LCR of 99.5% 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”), the existing

fossil-fuel generation will be phased-out in a manner that continues to satisfy the LCR, which is expected to increase over time as more intermittent resources are added to the system.

- Implementation of the CLCPA will require the total replacement of existing fossil fuel generation by 2040 with renewable energy, energy storage, and other carbon-free technologies.
- The load forecast declines through the mid-2020s and thereafter begins to grow as electrification of heating and transportation takes hold. 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 2022 load forecast update.
- PSEG Long Island is currently in the process of developing LIPA's 2022 Integrated Resource Plan ("IRP"), with the scheduled completion by the end 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 Renewable Energy Certificate ("REC") purchases from the New York Energy Research and Development Authority ("NYSERDA"). See the discussion of 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 2021.
- 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.
- NYPA ("New York Power Authority") conducted a life extension and modernization study of the NYPA-owned Y-49 cable from Yonkers to Long Island. NYPA has engaged contractors to reconnector the land-based facilities on the Long Island side. LIPA's contract with NYPA for the use of the cable is currently scheduled to terminate in November 2022. PSEG Long Island and LIPA are working with NYPA to extend the contract until the Y-49 reconnectoring project is completed.
- LIPA entered into a new capacity purchase to reimburse NYPA for its costs (net of market revenues) to repair and continue to operate the Richard M. Flynn Power Plant (the "Plant"), a 150-megawatt gas- and oil-fired combined cycle generating unit located in Holtsville, which NYPA had planned to retire rather than repair after the generator failed in April 2021. LIPA had determined that the Plant's capacity will be needed to assure system reliability for the next several years, especially in light of ongoing reliability concerns for several of LIPA's interties with neighboring utilities. The facility was repaired and returned to service in November 2021.
- Heat rate (i.e., fuel efficiency) and availability of the legacy National Grid-owned generation fleet that supplies power to LIPA under a cost pass-through arrangement continue to be better than the industry average for comparable technologies.
- Nine Mile Point Unit 2's equivalent availability during 2021 was 99.7%. Its capacity factor, based on its average annual Dependable Maximum Net Capability (DMNC) of 1,300 MW, was 98.0%. Exelon completed a refueling outage of the unit in March 2022.
- PSEG Energy Resources & Trade has met or exceeded all contractual performance targets in

2021, 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, solar power, and capacity imports, including:
  - Request For Proposal ("RFP") issued April 2021 for up to 175 MW of energy storage projects, in compliance with the storage mandate in the CLCPA, with proposals received in July 2021 for sites offered by LIPA in addition to sites owned by developers or acquired from third parties;
  - Community Solar feed-in tariff for up to 20 MW of new renewable resources whose benefits will be directed toward low and moderate-income customers; and
  - 2021 Off Island Capacity RFP for purchase of up to 345 MW of capacity from generating facilities located in the ISO-New England control area for import over the Cross Sound Cable to help meet LIPA's capacity requirements for the period May 2023 through April 2024 and maintain valuable firm delivery rights into the Long Island load pocket, which would otherwise expire for lack of use under applicable NYISO rules.

### Clean Energy

"Procuring cost-effective renewable resources, 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 was undersupplied in Tier 1 RECs to meet its share of the State Clean Energy Standard for 2021. LIPA's REC requirement for 2021 equates to 2.04% of the total energy supplied, whereas LIPA's Tier 1-eligible (facilities that began operation since 2015) contracts supply about 1.4% of the load. For 2022, we also expect to be undersupplied with the requirement being 3.25%. Accordingly, LIPA has established a Clean Energy Compliance Fund to invest in future clean energy projects or REC purchases through NYSERDA, or LIPA procurements, in a manner consistent with the NYSERDA Alternative Compliance Payment fund, when such projects produce sufficient RECs.
- LIPA plans to meet a major portion of its future Tier 1 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 future ORECs.

- In 2021, residential and commercial energy efficiency programs resulted in 1.27 million MMBtu of energy savings (56.3 MW of incremental demand savings and 375,789 MWh), which is approximately 116% of the goal of 1.09 million MMBtu of energy savings.
- Long Island continues to have the most robust rooftop solar market in the State with nearly 64,000 photovoltaic systems installed. In 2021, customer-side installed capacity increased 61 MW (AC) with incremental annualized energy savings of 77,000 MWh.
- As of year-end 2021, there is also approximately 9.6 MW of behind-the-meter customer storage installed, virtually all in conjunction with photovoltaic installations.
- The Dynamic Load Management (“DLM”) program was deployed throughout the summer in 2021, in coincidence with both the New York State and Long Island peak days resulting in an estimated savings of \$200,000 as an offset against 2022 capacity costs. The commercial program was deployed eight times and the residential program was deployed seven 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 been engaged with the NYISO in assessing long-term market structure issues associated with CLCPA implementation, including renewable integration, transmission buildout, need for flexible generation capacity, reserve and regulation requirements.
- LIPA is working through the NYISO Stakeholder process on developing market rules for Energy Storage, Solar, and Offshore Wind resources. LIPA is engaged with stakeholders to revise market rules to more accurately recognize contributions of renewable energy resources and storage while eliminating existing rules that do not align with New York State Energy Policy goals.
- LIPA is engaged with the NYISO to evaluate new transmission facilities needed to integrate Offshore Wind. LIPA will have the opportunity to exercise its “Right of First Refusal” to construct necessary upgrades to existing LIPA-owned transmission facilities associated with the new bulk transmission facilities to be selected by NYISO.
- LIPA is coordinating with the DPS and other New York State Transmission Owners to develop a statewide least-cost plan for local transmission upgrades needed to integrate renewables in support of CLCPA goals.
- LIPA has completed revisions to expand the LI Choice program, so Long Island residents can purchase clean energy from qualified community aggregators as well as retail energy service companies (“ESCOs”).
- LIPA has worked with Neptune and outside counsel to challenge PJM’s cost allocation for new transmission facilities under the Regional Transmission Expansion Planning process. Working also with other merchant transmission providers, LIPA has achieved a settlement with the PJM Transmission Owners, dramatically reducing charges through 2028.

### Annual Review of the Policy

The Board hired Leading Resources, Inc. to review the Board policies and facilitate discussion amongst the Trustees on amending certain policies. A working group of Trustees participated in various meetings to develop and draft amendments to the Policy. The draft amendments to the Policy have been shared with the entire Board.

The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit “B”**. The Policy has been renamed the Board Policy on Clean Energy and Power Supply.

### **Recommendation**

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

### **Attachments**

<b><u>Exhibit “A”</u></b>	Resolution
<b><u>Exhibit “B”</u></b>	Board Policy on Clean Energy and Power Supply



**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE  
BOARD POLICY ON RESOURCE PLANNING AND CLEAN ENERGY**

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**WHEREAS**, the Resource Planning and Clean Energy Policy (the “Policy”) was originally approved by Resolution No. 1372, dated July 26, 2017; and

**WHEREAS**, the last annual report on the Policy was in June 2021, and the last amendments to the policy were made in July 2020; and

**WHEREAS**, the Board 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 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; and

**BE IT FURTHER RESOLVED**, that the Board hereby approved the amendments to the Policy as set forth in **Exhibit “B”**.

Dated: May 18, 2022

Board Policy: **Clean Energy and Power Supply**

Policy Type: **Purpose**

Monitored by: **Oversight and Clean Energy Committee**

Board Resolution: **#1372, approved July 26, 2017**  
**#1421, amended July 25, 2018**  
**#1487, amended July 24, 2019**  
**[#1551], amended July 22, 2020**  
**[#xxxx], amended May 18, 2022**

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LIPA's vision for clean energy and power supply is to provide clean, reliable, resilient electricity to our customers at an affordable cost that both maintains the economic competitiveness of our region and minimizes the economy-wide greenhouse gas emissions of Long Island and the Rockaways by encouraging the electrification of vehicles, buildings, and equipment.

To achieve our vision for **Clean** energy, LIPA will:

- Achieve a **zero-carbon electric grid by 2040**, while meeting or exceeding LIPA's share of the clean energy goals of New York's Climate Leadership and Community Protection Act ("CLCPA"), including those for renewables, offshore wind, distributed solar, and storage.
- Demonstrate innovation and be recognized among the **leading utilities** in reducing economy-wide greenhouse gas emissions through **energy efficiency** and **beneficial electrification**.
- Improve equity for disadvantaged communities, as measured by meeting or exceeding LIPA's share of New York's **environmental justice** goals as defined by the CLCPA and the Climate Justice Working Group, including ensuring that disadvantaged communities receive 40% of the overall benefits of clean energy, energy efficiency, energy assistance, and energy transportation investments, but not less than 35% of the overall benefits of spending on clean energy and energy efficiency programs, projects or investments.

To achieve our vision for **Reliable Power Supply**, LIPA will:

- Plan for a power supply portfolio that meets or exceeds industry standards for reliability, as demonstrated through **Integrated Resource Plans** conducted no less than every five years and by implementing the actionable recommendations of those plans in a timely manner.

To achieve our vision for **Affordability**, LIPA will:

- Consider the benefits and costs of its clean energy programs and power supply to achieve the **greatest value** for our customers.
- Competitively procure the **least-cost resources and programs** that meet our clean energy and reliability objectives, including using our not-for-profit, tax-exempt cost of capital to finance assets or pre-pay for energy, and using LIPA-owned land or exercising LIPA's rights

to acquire generating sites.

- Regularly demonstrate efforts to **minimize cost and maximize performance** with contractual counterparties and through **advocating with regulatory authorities** for fair cost allocations for Long Island and Rockaways electric customers.

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



# BOARD POLICY ON CUSTOMER EXPERIENCE

November 16, 2022

# BOARD POLICY ON CUSTOMER EXPERIENCE

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It is the LIPA Board's policy to:

- Deliver **top quartile performance** in J.D. Power's utility residential and business customer satisfaction and on industry-standard customer service metrics
- Continually **improve customer satisfaction**, ease of interaction, and value as measured by internal, end-to-end customer transaction assessments
- **Invest in technologies to enhance the service**, flexibility, convenience, and cost-effectiveness of billing, payment, appointments, emergency restoration, and other customer interactions
- Target simple, accurate, and **proactive customer communications** across customer segments and socioeconomic groups, with attention to low-income and disadvantaged communities
- Evaluate the success of our rate options, clean energy programs, and other offerings by customer adoption and satisfaction and use the information to regularly review and **improve our offerings**

# OVERALL ASSESSMENT

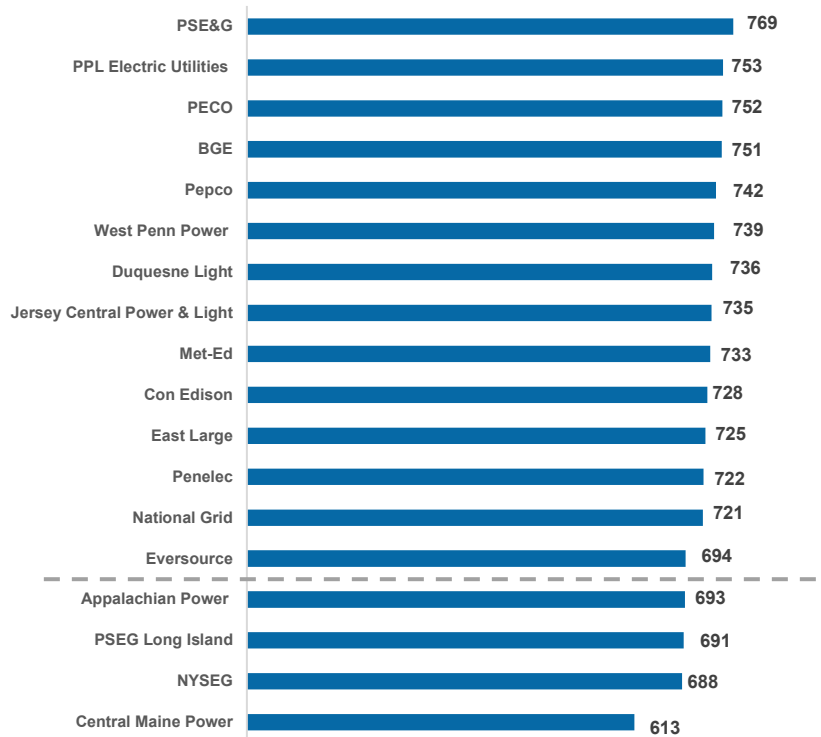
Performance has been mixed over the last year with strides made in billing, outage, and COVID-19 financial recovery, but challenges with Call Center performance and the lingering resolution of Isaias remediation efforts that negatively impacted customer trust

- J.D. Power **remains in the fourth quartile** for business and residential
- Call Center performance has **significantly declined** over the last year
- Billing is delivering **strong performance** in all metrics
- Delivery of several strategic projects has **improved the customer experience and operational performance**
- Implementation of customer transactional assessments has provided insights into opportunities for process improvements by allowing a **deeper understanding** of transactional satisfaction and cost per transaction
- **Supporting low-income customers** and having a structured approach to resuming collections was a focus, and numerous initiatives were implemented
- Customer adoption of time-of-use (TOU) rate options and clean energy programs is another bright spot, with TOU rate enrollment meeting metric targets and strong uptake continuing in net metering, heat pumps, and behind-the-meter battery incentives

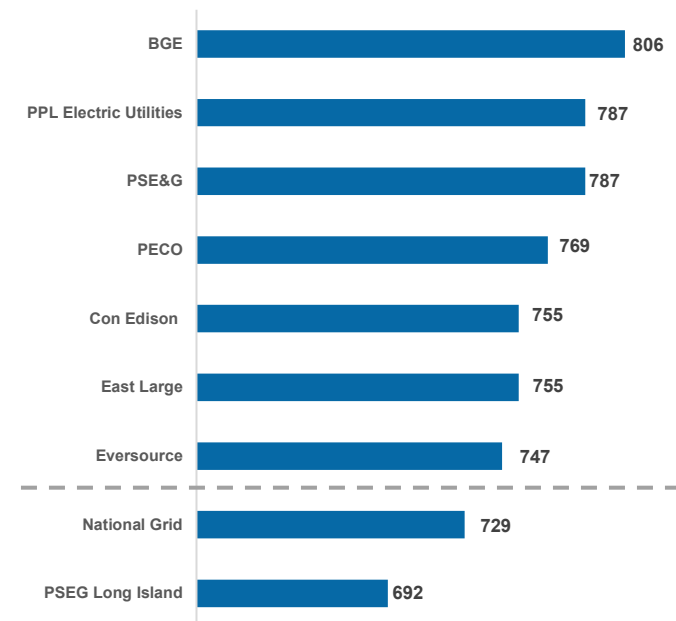
# J.D. POWER – CUSTOMER PERCEPTION

## PSEG Long Island has continued to perform in the fourth quartile of J.D. Power Residential surveys in 2022

**J.D. Power- Electric Residential - East Large (Q1-Q3)**



**J.D. Power- Electric Business - East Large (Wave 1)**



*The wave 1 score for four utilities had a small sample size and were not included in the rankings, although the score of each utility was above PSEG Long Island.*

# J.D. POWER – LIPA BEST PRACTICES LEARNINGS

**LIPA staffed formed a cross-functional team to identify score drivers. This effort helped refine metrics for 2023. Findings include:**

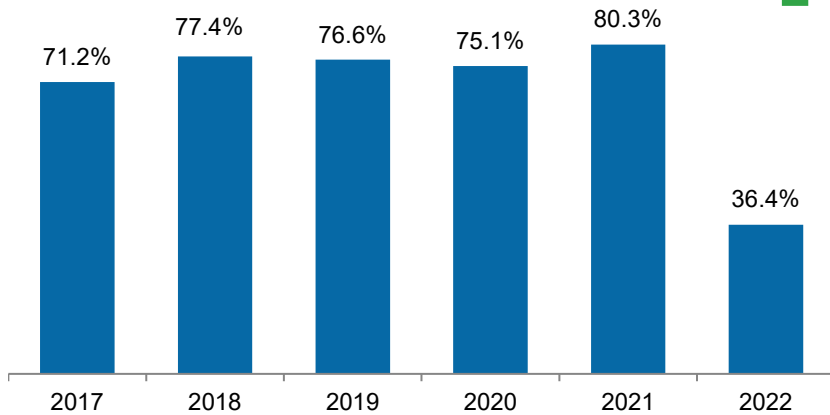
- **Proactive outage communications** via text, including proactive identification of an outage and notification when restored, improve satisfaction. While outage communications are available, **proactive identification** via AMI is not, and customers are not **consistently receiving restoration notifications**. Outage information satisfaction is part of the **2023 metrics**.
- Customers often remember an outage that occurred before a survey period, which negatively impacts the results. **Perfect Power and communicating customer-specific reliability** information regularly can **improve awareness and recall**. **2023 metrics** continue to focus on reliability investment.
- Customers value **real-time payment posting**. A study will assess the feasibility of streamlining the posting process as part of **2023 metrics**.
- **Customers relying on digital channels** and phone support can be a customer care dissatisfier. Implementing **a chatbot** is part of the **2023 metrics** and will add to the digital experience.
- **A tactical customer satisfaction plan and regular assessment of results compared to the plan** are needed to drive improvement at the expected rate. This more intentional approach will commence as part of **2023 metrics**.



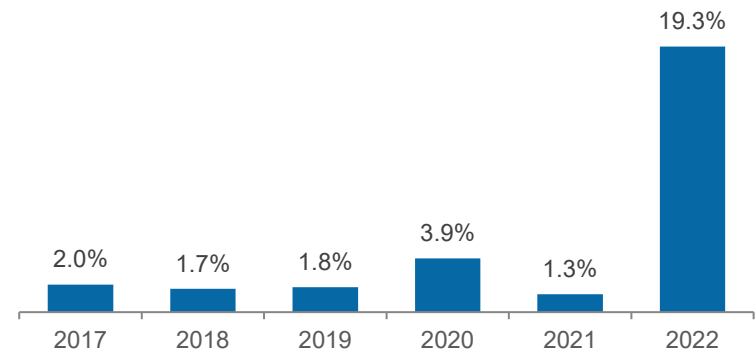
# CALL CENTER PERFORMANCE CHALLENGES

Call Center Performance has struggled in 2022 due to high staff vacancies. PSEG Long Island is developing a Call Center Recovery Performance Improvement Plan to be delivered to LIPA in November 2022.

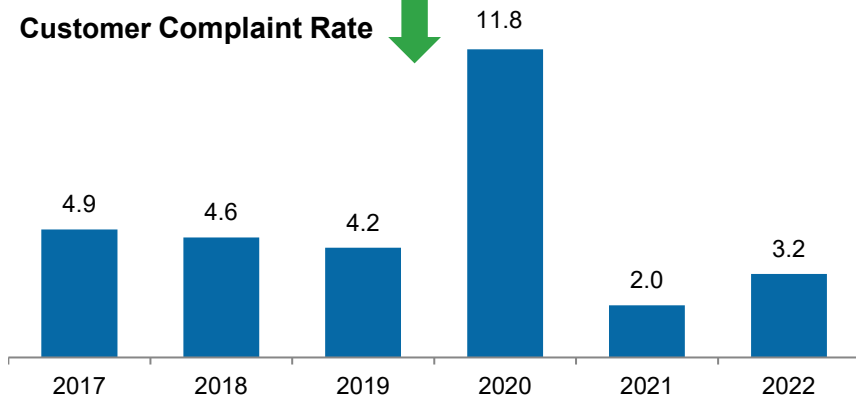
**Contact Center Service Level by Live Agent**



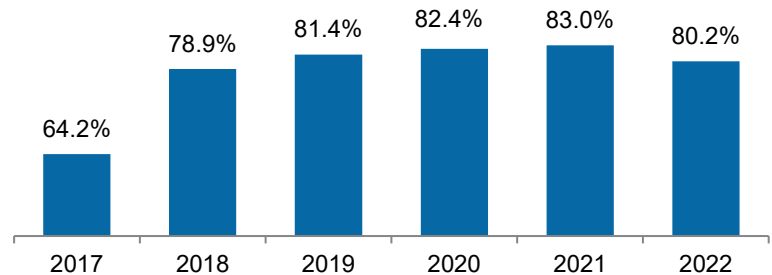
**Percent Abandon Rate**



**Customer Complaint Rate**



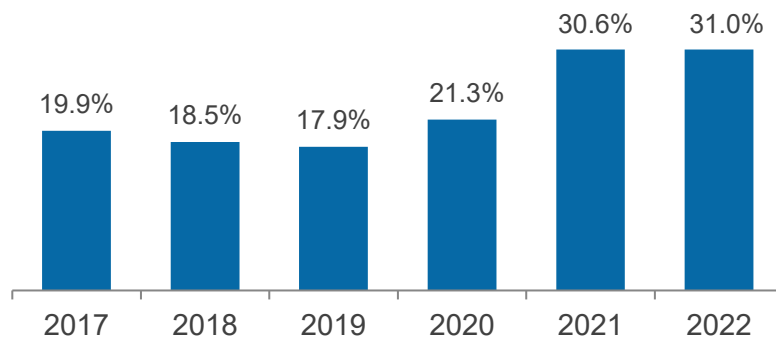
**First Call Resolution**



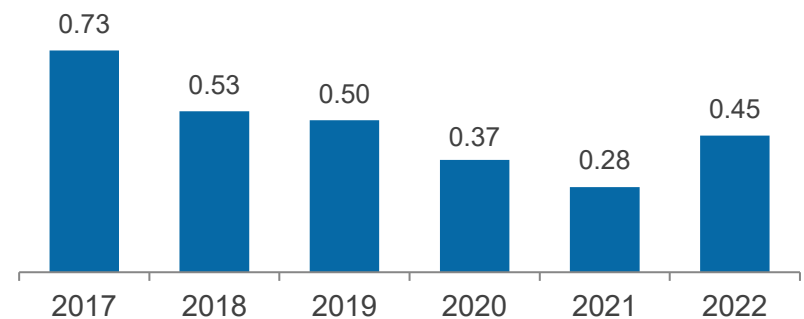
# KEY COLLECTION METRICS

COVID-19 moratorium, delayed start in resuming collections, a data-focused collection resumption plan, and arrears low-income forgiveness are impacting collection performance.

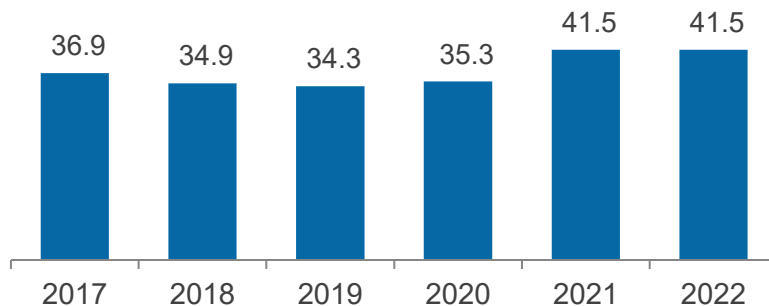
**AR > 90**  
(Negative Impact from COVID)



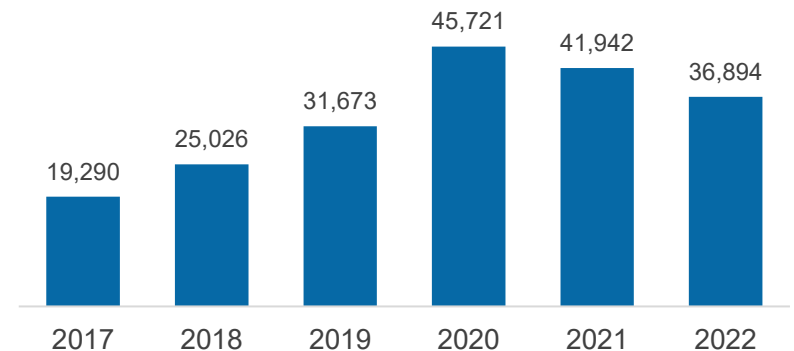
**Net Write-Offs (\$/Billed Rev)**  
(Positive impact from COVID)



**Days Sales Outstanding**



**LMI Discount Enrollment**



# CUSTOMER TRANSACTIONAL ASSESSMENT

- Evaluate current transaction channels to determine satisfaction, ease, and cost across billing, payment, payment arrangement, service change, and outage transactions
- Drive continuous improvement of customer transactions
- Minimize dissatisfying and highly expensive channels and assist customers in transitioning to those that are satisfying and efficient

## Cost per Transaction Analysis

- Local offices are the most expensive customer channel.
- Email is a costly channel. The current email application and methodology will be replaced in 2023.
- Service changes are the longest live agent call and will be automated in 2023 and 2024, increasing satisfaction and reducing cost.

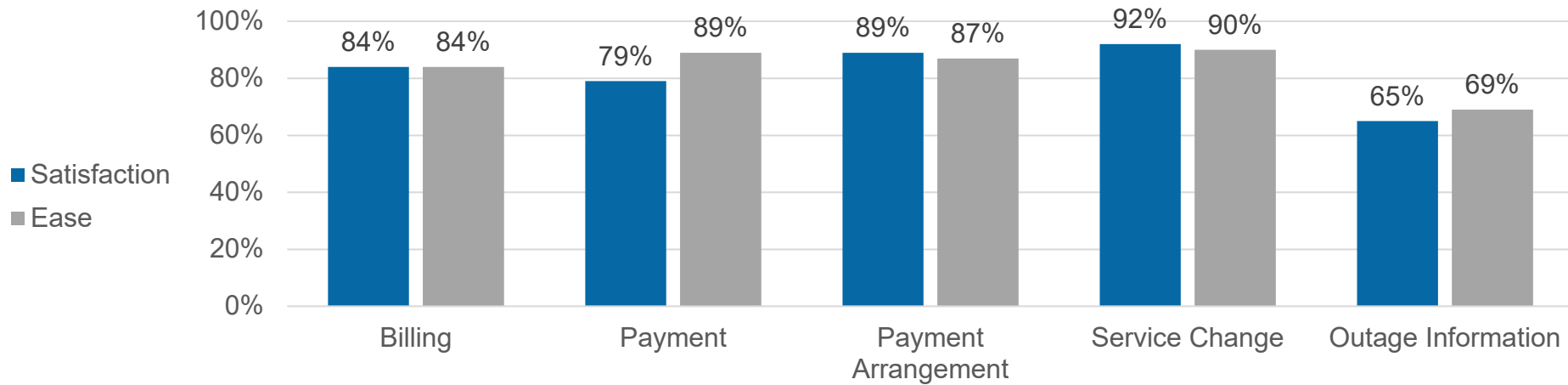
Customer Channel	2021 Cost Per Transaction
Local Offices*	\$25.03
Email	\$21.87
Live Agent Phone	\$ 7.81
MyAccount/Mobile App	\$ 0.95
IVR	\$ 0.19
Text	\$ 0.03

*\*Based on 2019 costs and customer visits*

# CUSTOMER TRANSACTION SURVEY RESULTS

- Satisfaction for outage information and payments are the lowest-scoring transactions
- Overall, live agent phone transactions were more satisfying than digital channels, although the sample size for billing, payment arrangement, and service change transactions was not sufficient to validate this result
- Results for the 2022 survey require additional supporting customer and operational data to better understand customer sentiment by channel, segment, and activity. This work was incorporated into 2023 metrics
- Frequent customer complaints and suggestions in the verbatims were used to refine 2023 metrics

**2022 YTD September Survey Results**

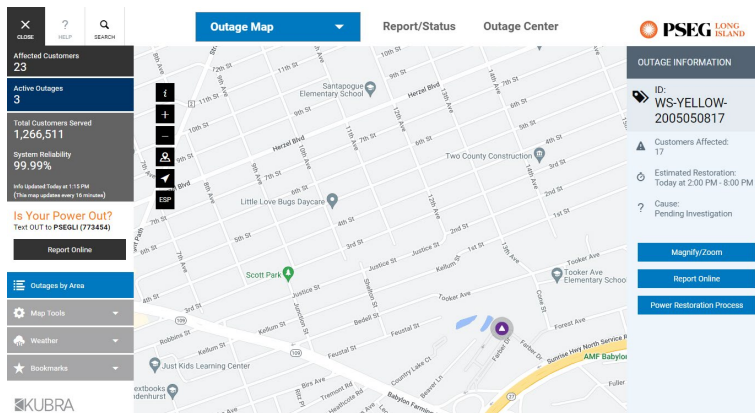


# CUSTOMER OUTAGE ENHANCEMENTS

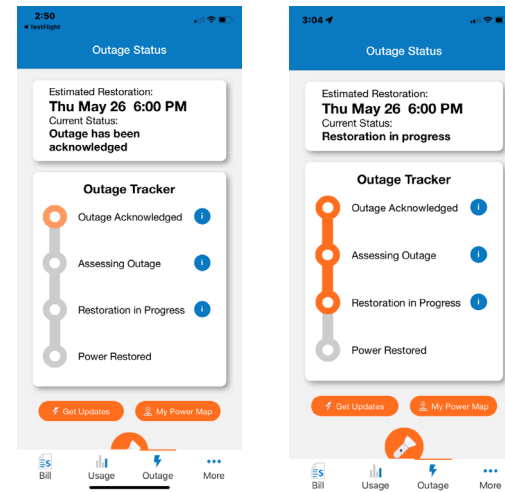
## Focus on how to enhance outage communication

- Allow more detailed tracking of the customer outage on the mobile application
- Enable text notification for Life Support Equipment to conduct wellness checks
- Include time ranges for estimated time to restore communication to be deployed in December 2022
- AMI outage information to be integrated into the Outage Management System to allow greater visibility of outages in a storm
- Bill credit for outages longer than three days to be implemented by year end

### Time Ranges for ETRs (Outage Map)



### Outage Status Tracker



# OTHER IMPROVEMENTS



- Implementation of a consolidated bill print vendor saved \$1.2 million annually
- Enabling remote disconnect of residential non-payment termination improved the safety and effectiveness of field collectors

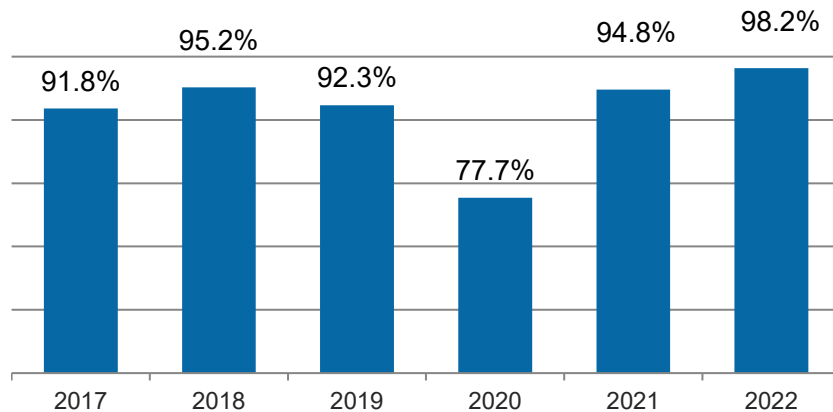
## Enhanced Mobile Application Experience

- Enabled real-time customer communication of how usage consumed since the last bill compares with the same time last year to improve understanding and allow time to adjust consumption, if desired, to reduce the upcoming bill
- Allowed ability to enroll in a payment agreement on the mobile application

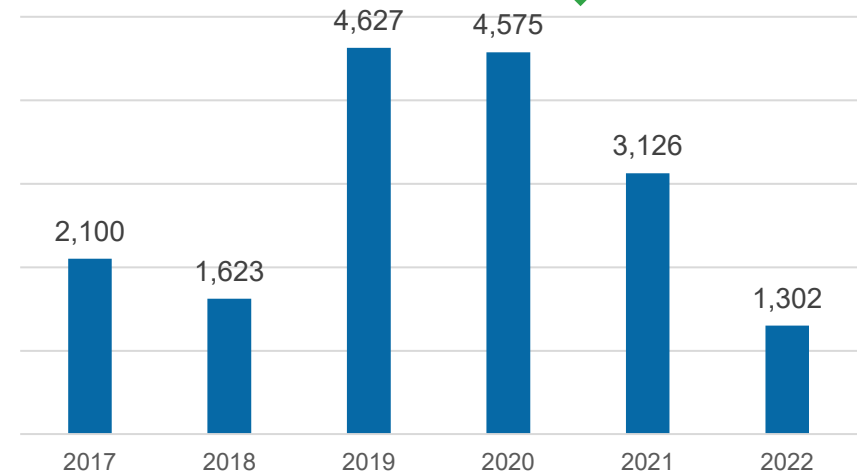
# ACCURATE & TIMELY BILLING

- Billing performance has significantly improved over the previous several years due to AMI
- Billing exceptions are down 54% year over year

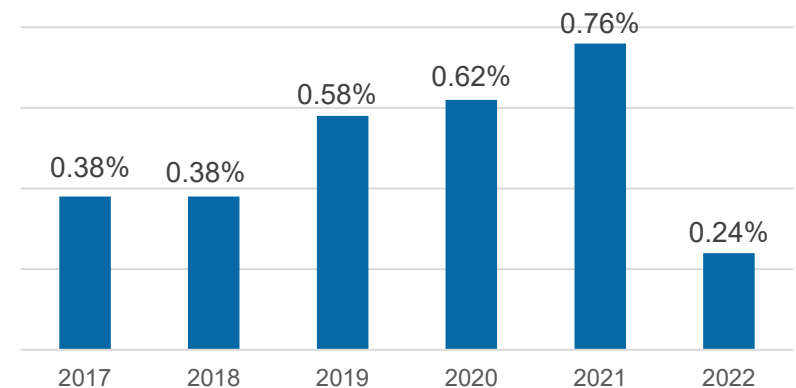
% Billing on Time



Estimated bills > 3



Cancel and Rebill %



# LOW INCOME CUSTOMER EFFORTS WERE A PRIORITY

**Increased bill discounts:** On July 1, we increased the base bill discount by 33%. An additional 6.7% COL increase proposed

**Continuation of shut-off moratorium:** Extended pandemic shut-off moratorium for low-income customers

**Enhanced rebates for heating/cooling and efficiency:** Proposing \$7 million in new funding for low-income home heating/cooling, efficiency, and weatherization in 2023

**Automation of enrollment in low-income programs:** Designed project and metric that enabled automated enrollment or renewal of 22,700 low-income customers

**Outreach to customers eligible for COVID emergency assistance:** Helping over 15,900 customers enroll and receive aid totaling \$43 million

**Arrears reduction program:** Bill credit to low-income customers to eliminate arrears accrued through 5/1/2022

## CUSTOMER BENEFIT:



*Lower electric bills*



*Protection from service disconnection*



*Lower future energy costs*



*Ease of participation*



*Reduced debt*

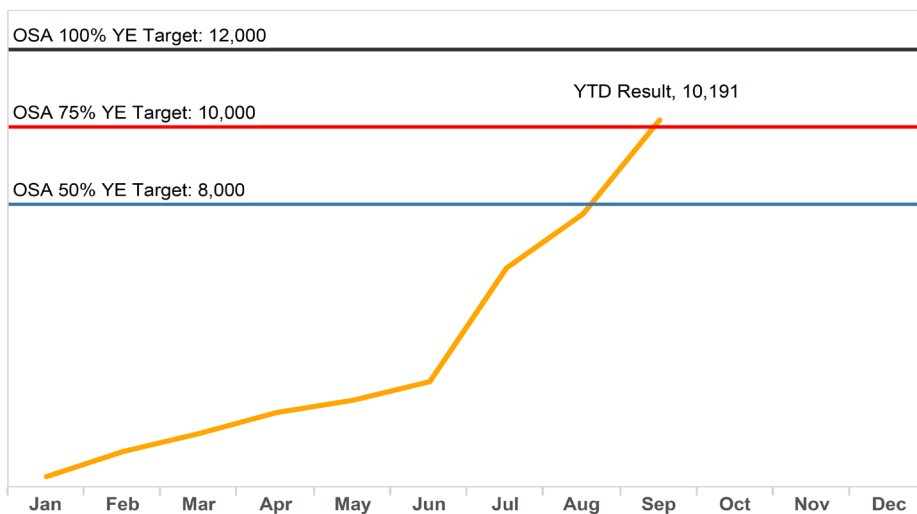


*Elimination of debt incurred up to May 2022*



# CUSTOMER ADOPTION OF RATE OPTIONS

- Smart meter data analytics are used to identify, target for enrollment, and provide monthly charging insights and alerts to 15,000 EV owners
- Projected enrollment in optional time-of-use rates to exceed 10,000 in 2022
- 2023 Metrics include preparation to transition to time-of-use as the standard rate offering in 2024



**PSEG LONG ISLAND** 700 Brentwood Court

Hello, Jonathan!

### YOUR MONTHLY EV TRACKER

June 1, 2022 - June 30, 2022  
Why & how is my EV charging monitored?

You spent **\$150**  
on EV home charging last month

LAST MONTH	PREVIOUS MONTH
<b>\$150</b>	<b>\$140</b>

+10%

You're averaging \$100 per month on EV home charging in the last 12 months.

A Time Of Use rate\* could have helped you **save \$25** on your EV charging last month.

You are currently on a basic rate plan. Customers who are on a Time Of Use rate\* and charge during **super off peak hours (11pm - 6am)** save 33% on average.

Check out when you charged your EV in the last few months [here](#) to figure out how much you could save by switching to a Time Of Use rate\*.

With a TOU rate plan, you can pay less by shifting your energy use to super off-peak hours.

**MAKE THE SWITCH**

\*Time Of Use Rate Plans  
With a TOU rate plan, you can pay less by shifting your energy use to super off-peak hours.  
Super Off-Peak: Approx 12¢ per kWh  
Your Current Plan  
Everyday - Approx 16¢ per kWh (Average)

Disclaimer: The above rates include delivery (per kWh) & power supply (per kWh) charges. They can vary on a monthly basis.

[I don't have an EV](#) | [I don't charge my EV at home](#)

**PSEG LONG ISLAND** 700 Brentwood Court

Hello, Jonathan!

You're receiving this email because your energy use suggests you might have an EV. To learn more about how your energy usage is analyzed watch this [video](#).

PSEG Long Island's new Time of Use rates could **save you up to 40%\*** on your EV charging.

It's easy to enroll in TOU - **sign up and start saving!** And of course, you can always switch back to your basic plan any time you want.

**MAKE THE SWITCH**

[I don't have an EV](#) | [I don't charge my EV at home](#)

To better track your EV charging, we offer tools including:

- Your [EV profile](#)
- Your hourly EV charging patterns
- Timely alerts whenever you charge at a higher rate
- Monthly email report to track your approximate EV charging cost

Did you find the content in this email helpful?

**yes** **no**

[f](#) [t](#) [in](#) [v](#) [e](#)

All numbers shown are estimates based on your energy consumption at home.  
\*For all TOU rates, only overnight Super Off Peak hours are discounted up to 40% off the standard rate.

This smart alert email was sent to [a\\_user@yahoo.com](#)

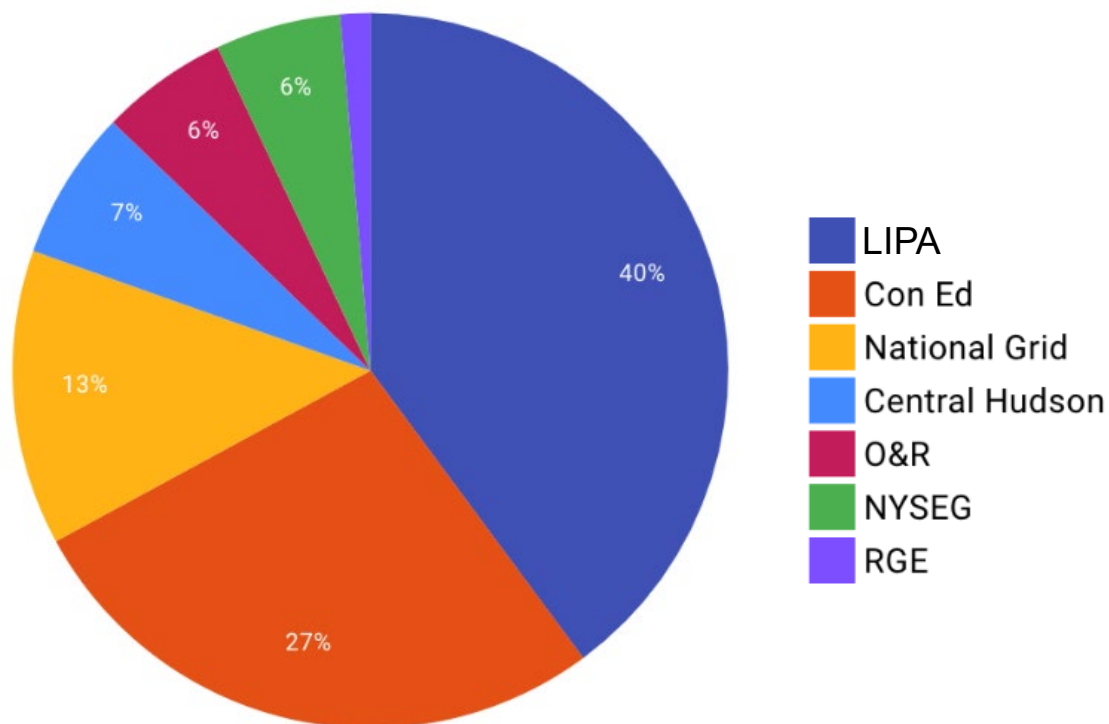
[Unsubscribe](#) [Privacy Policy](#)

PSEG Long Island - 15 Park Drive - Melville - NY - 11747 - 1-800-490-0025

# CUSTOMER ADOPTION OF CLEAN ENERGY

- LIPA has 40% of New York's solar projects, the most of any utility
- Long Island and the Rockaways added 6,825 solar projects in 2021 (the most in five years!) and is on track for similar performance in 2022
- PSEG Long Island is expected to meet 2022 adoption goals for heat pumps and EV fast chargers

**Solar Projects by Utility**





**DISCUSSION**

Questions?

## **FOR CONSIDERATION**

November 16, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of the Annual Report on the Board Policy on Customer Experience

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### **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 Experience (the “Policy”); and (ii) finding that LIPA has complied with the Policy, which resolution is attached hereto as **Exhibit “A.”**

### **Background**

In July 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 reviewed and amended by the Board at its meeting in November 2021. At that time, the Board worked with Leading Resources, Inc. to review the Policy and to facilitate discussion amongst the Trustees on amending the Policy. At that November 2021 meeting, the Board adopted a revised Customer Service Policy, and renamed it the Customer Experience Policy. The Policy provides that “the Chief Executive Officer, or his or her designee, will report annually to the Board on compliance with the key provisions of the Customer Experience Policy.”

### **Compliance with the Policy**

Performance for 2022 continues to be overshadowed by poor storm performance in 2020 and COVID-19 financial impacts. Failure to successfully resolve open performance improvement plans has negatively impacted customers’ trust. While strides are being made with improvements to billing and outage enhancements, significant vacancies in the Call Center have left a poor customer contact experience.

This report covers customer experience activities from the Board’s November 2021 review to the present. PSEG Long Island’s performance on several 2022 Performance Metrics has fallen short of the desired results, as further described below. 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, as LIPA staff continues to work with PSEG Long Island to improve service delivery to customers.

Compliance with each element of the Policy is discussed in detail below, including areas designated for improvement.

“Deliver top quartile performance in J.D. Power’s utility residential and business customer satisfaction studies and on industry-standard customer service metrics.”

- PSEG Long Island remains in the fourth quartile for both Residential and Business satisfaction and is unlikely to achieve the third quartile target for 2023. Despite requests from LIPA, PSEG Long Island failed to develop an effective plan to address JD Power performance drivers or best practices. Instead, they felt focusing on 2022 Performance Metrics would deliver the desired results in the JD Power surveys.
- LIPA created a cross-functional internal team accountable for driving success in each of the JD Power score drivers. The team members reviewed best practices, interviewed top performers, and defined operational metrics for tactical and strategic improvement opportunities. The 61 insights identified were shared with PSEG Long Island, and several 2023 metrics were built based on these learnings. In addition, the 2023 metrics for JD Power were expanded to include the requirement that PSEG Long Island complete a tactical plan that integrates best practices and a defined approach to achieving the Board’s JD Power objectives.
- PSEG Long Island has not met the Call Center Service level for answer rate all year, and performance has consistently deteriorated throughout the year due to staff vacancies. LIPA provided numerous recommendations throughout the year and has requested that PSEG Long Island develop a Project Implementation Plan to address poor Call Center in the short and long term. This plan was requested for October 2022; however, PSEG Long Island asked for additional time and LIPA anticipates receiving it in November 2022.
- PSEG Long Island has made significant improvements in billing performance. The results include the following:
  - Billing cycle on-time delivery improved from 94.8% to 98.2%.
  - Cancels and rebills reduced from 0.76% down to 0.24%.
  - The number of estimates on active accounts decreased from 3,126 to 1,302 and is anticipated to decline to 700 by year-end.
  - Unauthorized use on accounts decreased from 2,256 to 352 accounts.
- For the first half of 2022, PSEG Long Island reported the lowest complaint rate with the New York Department of Public Service compared to the other utilities in the State. As of June, complaint rates increased due to the resumption of collections and issues in the Call Center, although, as of September, PSEG Long Island is still performing within the top quartile. Continued challenges with the Call Center may put the performance at risk.

“Demonstrate continual improvement in customer satisfaction, ease of interaction, and value as measured by internal, end-to-end customer post-transaction assessments”

- PSEG Long Island implemented customer transactional surveying in January of 2022 to understand customers’ overall satisfaction and ease of execution for the following completed transactions: billing, payment, payment agreement, move-in and out, and outage transactions. In addition, the foundation was built to understand the fundamental cost per transaction based on channel.

- PSEG Long Island made preliminary recommendations in August about proposed opportunities, which will be further refined by the end of the year.
- LIPA reviewed the customer transaction feedback and data, PSEG Long Island recommendations, the customer survey approach, and cost-per-transaction analysis to provide recommendations on how to improve the customer experience and data collection on transactional performance for deeper customer insights. These were included in the 2023 metrics. PSEG Long Island does not find customer transactional surveys to have the same value as LIPA in identifying improvements for customers; however, they are an industry best practice and performed by leading utilities.

“Invest in technologies to enhance the service, flexibility, convenience, and cost-effectiveness of billing, payment, appointments, emergency restoration, and other customer interactions. Ensure simple, accurate, and proactive customer communications related to customer billing, energy usage, emergency response, and estimated times of restoration.”

- PSEG Long Island efforts included both long- and short-term projects designed to enhance the customer experience. Longer-term projects include establishing the foundation to implement a state-of-the-art Customer Information System, Customer Contact platform, and credit card processor replacement.
  - This year’s work included building the Customer Information System program’s expected outcomes and clearly documenting the current environment and associated business processes.
  - In 2022, PSEG Long Island began the design and build of the new Customer Contact platform, which will expand capabilities for customers to resolve issues twenty-four hours a day, seven days a week and facilitate a more fluid process by allowing customers to express what they want without having to follow scripted predefined patterns. Once implemented in 2023, the new system will also allow for enhanced analytics and expanded reporting at a lower cost than the current system.
  - PSEG Long Island procured a new credit card processing vendor in 2022, which will save the utility \$700,000 a year in residential credit card fees and provide customers with more modern payment methods and features when implemented in 2023.
- In 2022, PSEG Long Island improvements for emergency communications include the integration of Automated Meter Infrastructure (AMI) data into the Outage Management System (OMS), expansion of the mobile application to allow more detailed tracking of outage status, inclusion of time ranges in estimated time to restore (ETR) communications, and enablement of text notification to conduct wellness checks for life support equipment customers during a storm.
- PSEG Long Island implemented a new bill print vendor, which resulted in cost savings of \$1.2 million in 2022.
- PSEG Long Island delivered tools that will enhance the cost-effectiveness of field collector performance and improve safety by automating field disconnect and contacting customers scheduled for termination prior to the visit to allow for making a payment and/or payment agreement. Since the notification started in July 2022, they resolved 25% of the accounts

without dispatching a collector and collected \$4.5 million.

- PSEG Long Island added information to the mobile application to allow customers to understand exactly where they are with usage and days left in the billing cycle to allow them to improve control of their cost of usage. They also added the ability to enroll in a payment arrangement via the mobile channel.

“Effectively target communications across customer segments and socioeconomic groups, with particular attention to low income and disadvantaged communities”

- PSEG Long Island conducted three marketing campaigns to validate the effectiveness of third-party segmentation analysis for more targeted residential customer communications. Conversion rates did not prove to be more successful for customers marketed to through the segmentation approach as opposed to traditional messaging. The segmentation model was developed pre-pandemic, and a new segmentation approach appears warranted.
- PSEG Long Island outreach and expanded assistance included delivery of financial assistance notices and conducting assistance webinars. Since November 2021, 15,912 customers have received about \$43 million in assistance from COVID-19 emergency programs. PSEG Long Island implemented an arrears management forgiveness program in partnership with the state Energy Assistance Working group to assist 7,876 low-income customers with past due arrearage as a result of COVID-19. \$20,399,413 in arrears forgiveness was provided through the initial rollout of this program, which customers may continue to benefit from through December 31, 2022.
- As part of 2022 metrics, a program was developed to automate the enrollment of low to moderate-income customers into the Household Assistance Rate. This enrollment would also make them eligible for the arrears forgiveness program. The automation project allowed for the automatic renewal of 14,365 households and identified 8,335 new enrollees. However, overall enrollment in the Household Assistance Rate has trended downward due to a significant number of customers not renewing their enrollment.

“Evaluate the success of our rate options, clean energy programs, and other offerings by customer adoption and satisfaction and use the information to regularly review and improve our offerings”

- Customer uptake of time-of-use rate pilots, while slow to take hold in the beginning of 2022, surged in the second half of the year due to expanded marketing and outreach efforts. PSEG Long Island is currently on track to achieve its 2022 metric target of 12,000 enrollments.
- Enrollment in the Household Assistance Rate (HAR or bill discounts) has trended downward throughout most of 2022. PSEG Long Island is not projected to meet its HAR enrollment metric.
- Electric vehicle programs continue to be popular among customers. Thousands of residential customers have applied for and received Smart Charger incentives. Make-ready infrastructure incentives were also popular in 2022. PSEG Long Island is expected to meet

its metric for DC Fast Charging incentives; however, Level 2 Charging incentives have seen less uptake. PSEG Long Island has implemented a methodology to identify electric vehicle customers and began sending personalized monthly charging alerts.

- Long Island continues to be a leader in customer adoption of rooftop solar through LIPA's net metering, Community Distributed Generation, and Value of Distributed Energy Resources tariffs. In 2022, we added over 6,800 solar projects, a five-year high. With 40% of the State's solar projects, LIPA has more projects in total than any other New York utility, despite being only 12.5% of the State's electric load.

### **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 are two risks related to this Policy. The first risk 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 adverse reputational impact." The second risk is related to decreased call center performance which could result in negative customer perception and reputational impact.

The Customer and Stakeholders' Dissatisfaction risk is rated as a high-level risk. In the customer experience area, 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. PSEG Long Island has worked to improve relationships with customers and the media and has developed an updated crisis communications plan. While progress has been made in improving mitigations, this remains a significant risk to the Authority.

The Decreased Call Center Performance risk has emerged over the course of 2022, with an increased number of calls being unanswered and wait times exceeding acceptable levels. This risk is the result of staffing constraints and has worsened over the course of the year. PSEG Long Island will miss its 2022 performance metrics in this area. PSEG Long Island is in the process of filling staff vacancies, but prior plans have fallen short. Other plans to help mitigate this risk in the short term include increased overtime for Call Center staff, reviewing productivity, and increased reliance on surge vendor support beyond outage calls. LIPA is working with PSEG Long Island to identify and implement additional actions to mitigate this risk; however, in its current state the risk is increasing and not being sufficiently managed to meet agreed-upon metrics and overall customer expectations. As described above, LIPA has requested PSEG Long Island to develop a Project Implementation Plan to address call center performance in the short term as well as long-term opportunities for improvement.



### **Annual Review of the Policy**

As discussed above, the Policy was last updated in November 2021, where a working group of Trustees together with its consultant Leading Resources, Inc. provided substantial edits to the Policy to more fully reflect the Board's strategic direction in this area. As such, LIPA Staff has reviewed the Policy for this annual review 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 CUSTOMER EXPERIENCE**

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**WHEREAS**, in July 2017, the Board originally adopted what was then known as the Customer Service Policy (the “Policy”) for the purpose of providing a framework to achieve a high level of customer service and satisfaction; and

**WHEREAS**, the Policy was last reviewed and amended by the Board at its meeting in November 2021 where the Board, among other substantial edits, renamed the Policy to the Board Policy on Customer Experience to more fully reflect the Board’s strategic direction in this area; 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 16, 2022

## **FOR CONSIDERATION**

May 18, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**REQUEST:** Approval of the Annual Report on the Board's Policy on Transmission and Distribution Operations

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### **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") Operations (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 originally adopted the Policy. The last annual review of the Policy was completed in May 2021, and the Board last amended the Policy in November 2021. The amendments to the Policy in November 2021 changed the name of the Policy from T&D System Reliability to T&D Operations.

The Policy now provides that: "LIPA's vision for our transmission and distribution system is to achieve industry-leading reliability, improve resiliency by minimizing outages and reducing restoration times after significant system disruptions, and leverage modern system design and technology to provide value to all customers. The Policy also provides for an annual reporting requirement that "[t]he Chief Executive Officer, or his or her designee, will report annually to the Board on the key provisions of this 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 last annual review. Compliance with each element of the Policy is discussed in detail below.

As set forth in the Policy, "[t]o achieve our vision for reliability, LIPA will":

"provide top decile reliability (i.e., top 10% of peer utilities) as measured by system average outage duration, excluding major events."

- Through the reduction of outages, and outage duration, by utilizing enhanced vegetation management, comprehensive circuit inspections, and the addition of circuit protection devices, LIPA has taken steps to improve reliability with the vision of achieving top decile

reliability (i.e., top 10% of peer utilities) as measured by system average outage duration.

- The LIPA Board approved a vegetation management budget for 2022 that is approximately 41% above prior-year levels, reflecting three new vegetation management performance metrics for 2022. The 2022 PSEG Long Island performance metrics also include six reliability metrics.
- PSEG Long Island's 2019 actual performance versus the top decile in minutes was 51.4/51.4. For 2020, that same comparison was 66.0/54.3, which was outside of the top decile. PSEG Long Island's actual performance for 2021 was 54.7 minutes, however, the 2021 benchmarks are not yet available for comparison purposes.
- 2022 PSEG Long Island performance metrics, which were negotiated with PSEG Long Island, set a system average outage duration target of 59.0 minutes, which is approximately eight percent above the most recent top decile benchmarks currently available.

“improve circuit conditions that cause a customer to experience four or more sustained outages or six or more momentary outages in any 12-month period.”

- The 2022 PSEG Long Island performance metrics include metrics for sustained multiple customer outages, repeat multiple customer outages, and multiple momentary customer outages. In particular, the metric for repeat multiple customer outages targets reducing the number of customers with 4 or more sustained interruptions over a multi-year period by 80%.
- Annual reliability programs are designed to improve circuit performance, including the Circuit Improvement Program (“CIP”), the Multiple Customer Outage Program (“MCO”), and the Multiple Device Operation Program (“MDO”).
- 421 miles of branch lines were addressed on 28 circuits through the CIP program in 2021, and 155 capital system improvement jobs and improvement of 544 branch tap lines were completed in 2021 to address MCO and MDO programs.

“utilize modern system design and technology to anticipate and minimize outages, monitor system condition, provide for preventative and predictive system maintenance, and facilitate the efficient and timely interconnection of renewable and distributed resources.”

- LIPA has required the development of a roadmap for an Enterprise Asset Management System (“EAMS”) to reduce failure rates through better maintenance practices. This effort includes a complete inventory of Transmission and Distribution assets beginning in June 2022. These initiatives are incorporated into three 2022 PSEG Long Island performance metrics.
- The 2022 PSEG Long Island performance metrics also include a metric to position Automated Switching Units (“ASUs”) on circuits to ensure no more than 500 customers between devices. This will help with system configuration options and help minimize the number of affected customers during outages. 154 ASUs were added in 2021.
- The 2022 PSEG Long Island performance metrics also include a metric to operationalize reclosers to function as tripping devices to reduce the number of customers affected and the duration during Blue Sky and adverse weather events.

“safeguard people and protect facilities and functions that support operations from unauthorized

access or disruption through vulnerability assessments and risk mitigation”

- The 2022 PSEG Long Island performance metrics include four metrics related to safety.
- A Safety assessment of PSEG Long Island is in progress and will identify areas for improvement. The assessment and recommendations will be finalized in June 2022. LIPA will address the recommendations with PSEG Long Island.
- LIPA is performing a security evaluation of physical assets to identify vulnerabilities and determine risk via a third party assessment to begin June 2022.

The Policy further provides that “[t]o achieve our vision for resiliency, LIPA will”

“mitigate the effects of climate change through multi-year programs that reduce the number and duration of outages after significant system disruptions”

- The 2022 PSEG Long Island performance metrics include five metrics related to storm hardening. The storm hardening metrics continue development and execution of robust storm overhead and underground hardening plans designed to improve the mainline and branch line performance during increasingly more severe storm patterns. More than 111 miles of primary mainline were assessed and improved in 2021.
- Three new 2022 performance metrics target improved vegetation management, including improved cycle trim with vegetation intelligence to identify fast-growing species, utilizing an improved trimming technique of “circuit trim to sky,” and pre-emptive hazardous tree identification and removal of 12,000 hazard trees in 2022. LIPA approved supplemental funds to remove more than 7,100 hazard trees in 2021.
- LIPA filed applications for additional federal grants for storm hardening in 2021, which are likely to be awarded in 2022. This could allow LIPA to accelerate several hundred million dollars of storm hardening investment at low cost to customers and is a benefit of LIPA’s public power status.

“assure timely and accurate communication to customers about outages and restoration times”

- LIPA is developing strategies to enhance the outage tracker mobile application to provide greater detail about the outage journey, and to enhance the Estimated Time of Restoration (“ETR”) process to provide more accuracy giving customers the ability to plan for the outage duration. Two 2022 performance metrics target improvements in this area.

“independently verify that emergency restoration plans are complete and tested.”

- As provided for in the Second Amended and Restated Operations Services Agreement, LIPA will annually review and approve PSEG Long Island’s Business Continuity Plans (“BCPs”), workaround plans, Emergency Response Implementation Plan (“ERIP”), and the Emergency Response Plan (“ERP”).
- LIPA will observe and evaluate the effectiveness and completeness of all PSEG Long Island training exercises and drills.

### **Annual Review of the Policy**

The Policy was last updated in November 2021, where a working group of Trustees together with its consultant Leading Resources, Inc. provided substantial edits to the Policy to more fully reflect the Board's strategic direction in this area. 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 OPERATIONS**

---

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

**WHEREAS**, the last annual review of the Policy was completed in May 2021 and the Board last amended the Policy in November 2021; and

**WHEREAS**, the amendments to the Policy in November 2021 changed the name of the Policy from T&D System Reliability to T&D Operations; 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 LIPA has complied with the T&D Operations Policy for the period since the last annual review and approves the annual report to the Board.

Dated: May 18, 2022



# **Annual Report on Customer Value and Affordability Policy**

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May 18, 2022



# MEETING THE POLICY PRIORITIES OF THE LIPA BOARD

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

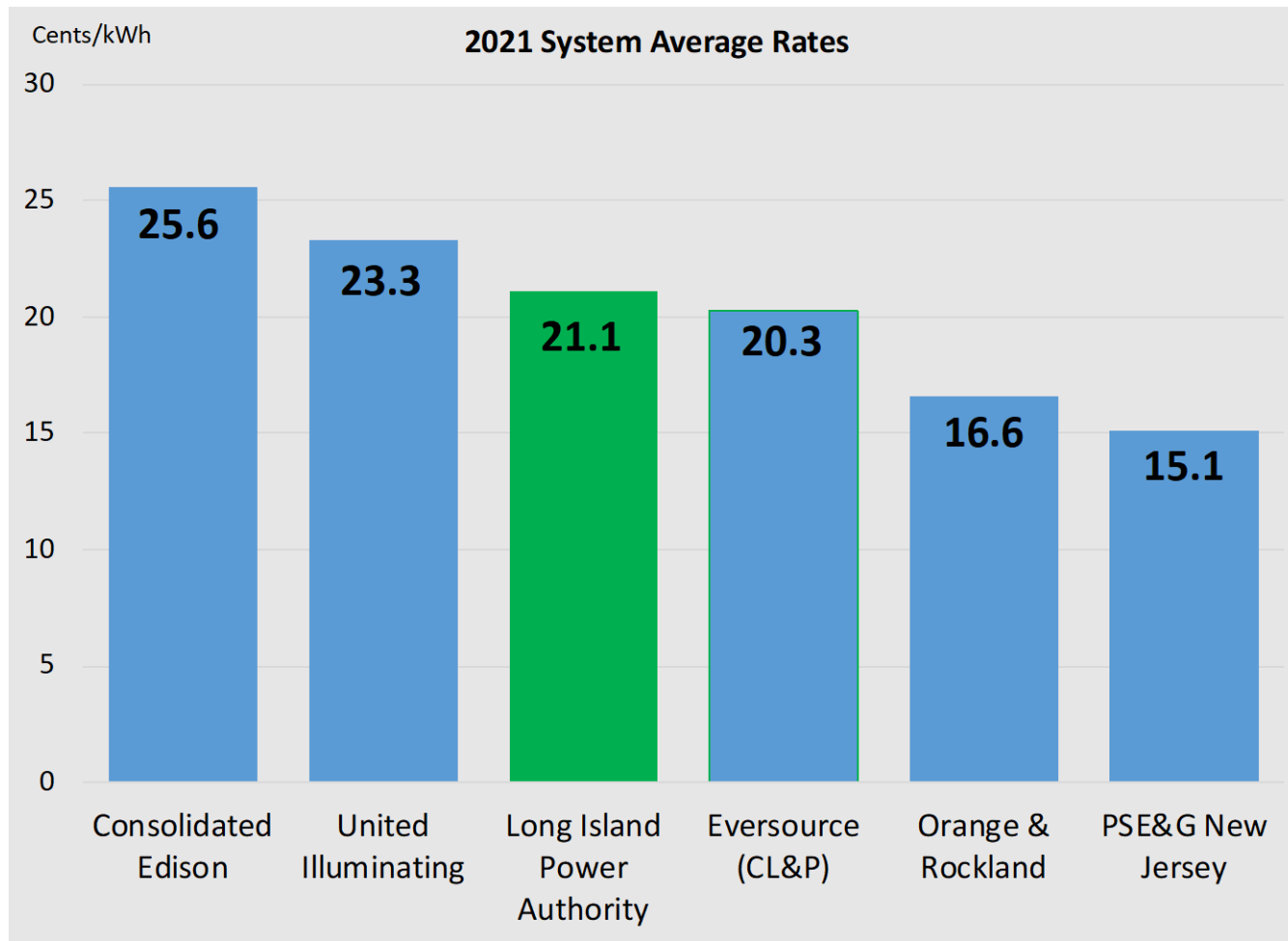
# ACTIONS TO MANAGE 2022 RATES

## \$999 Million Customer Savings in 2022 from Operating Lean

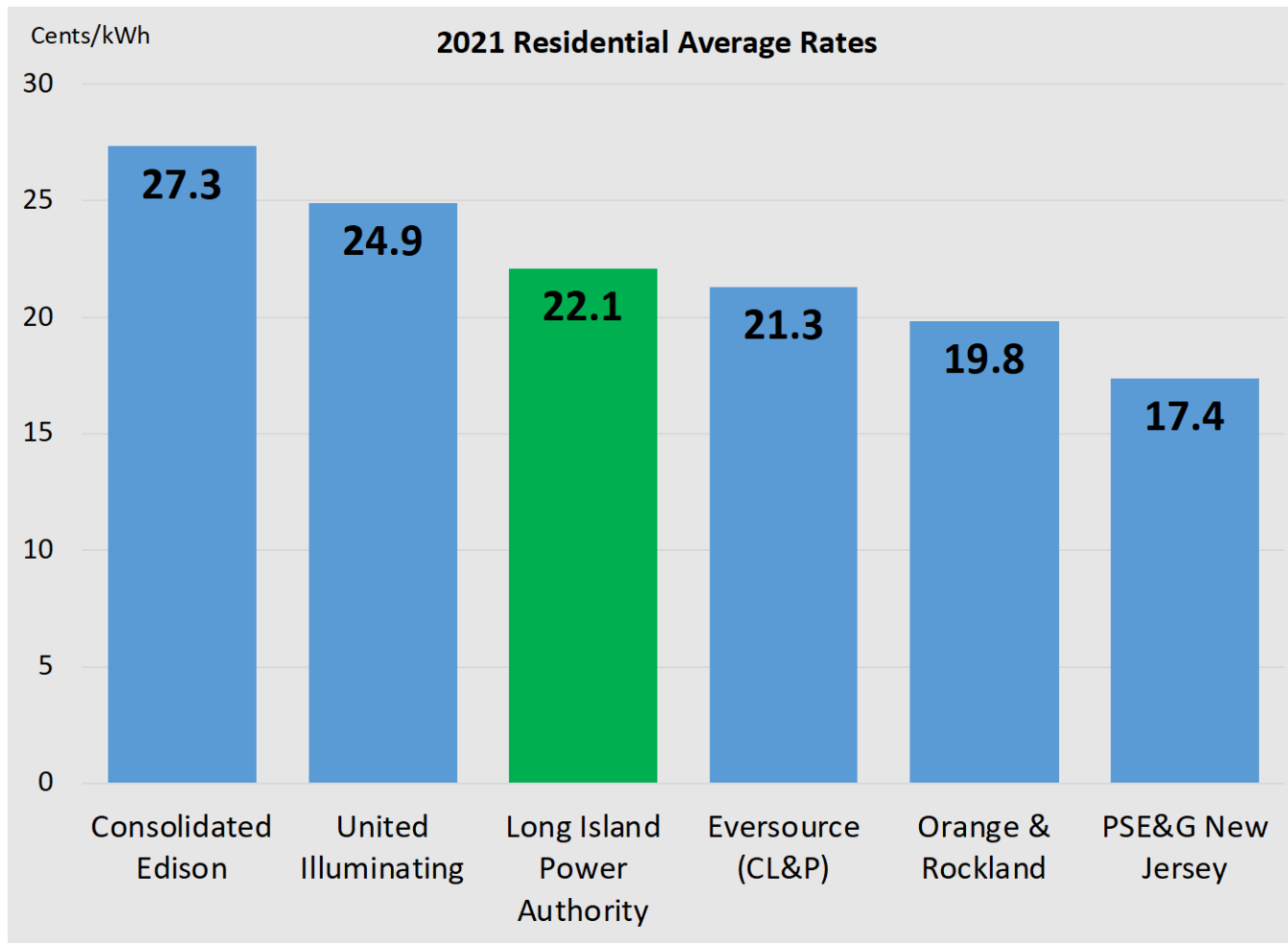
### Millions

Discontinued investments in combined cycle plants	\$348
LIPA Reform Act 2% Tax Cap	\$272
Commodity hedging (based on current prices)	\$150
Renegotiating expiring power purchase agreements	\$56
Refinancing existing debt	\$49
Reduction to wholesale market and off-island transmission costs	\$39
Investing in cost-effective energy efficiency	\$29
Power plant property tax savings	\$20
Smart Meter savings	\$17
Operating savings and improved productivity	\$11
Power plant pension and retirement savings	\$8
<b>Total</b>	<b>\$999</b>

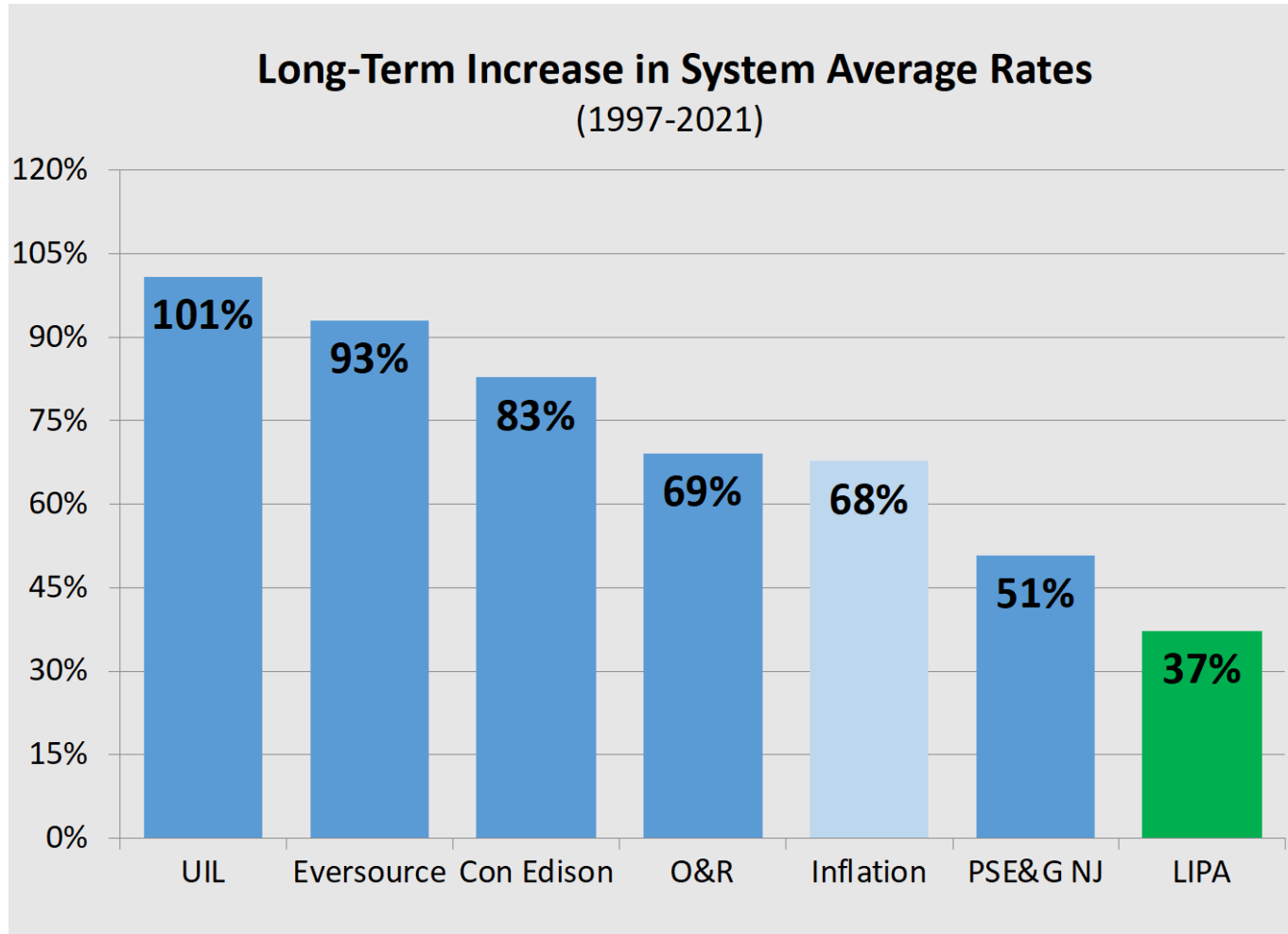
# REGIONALLY COMPARABLE RATES



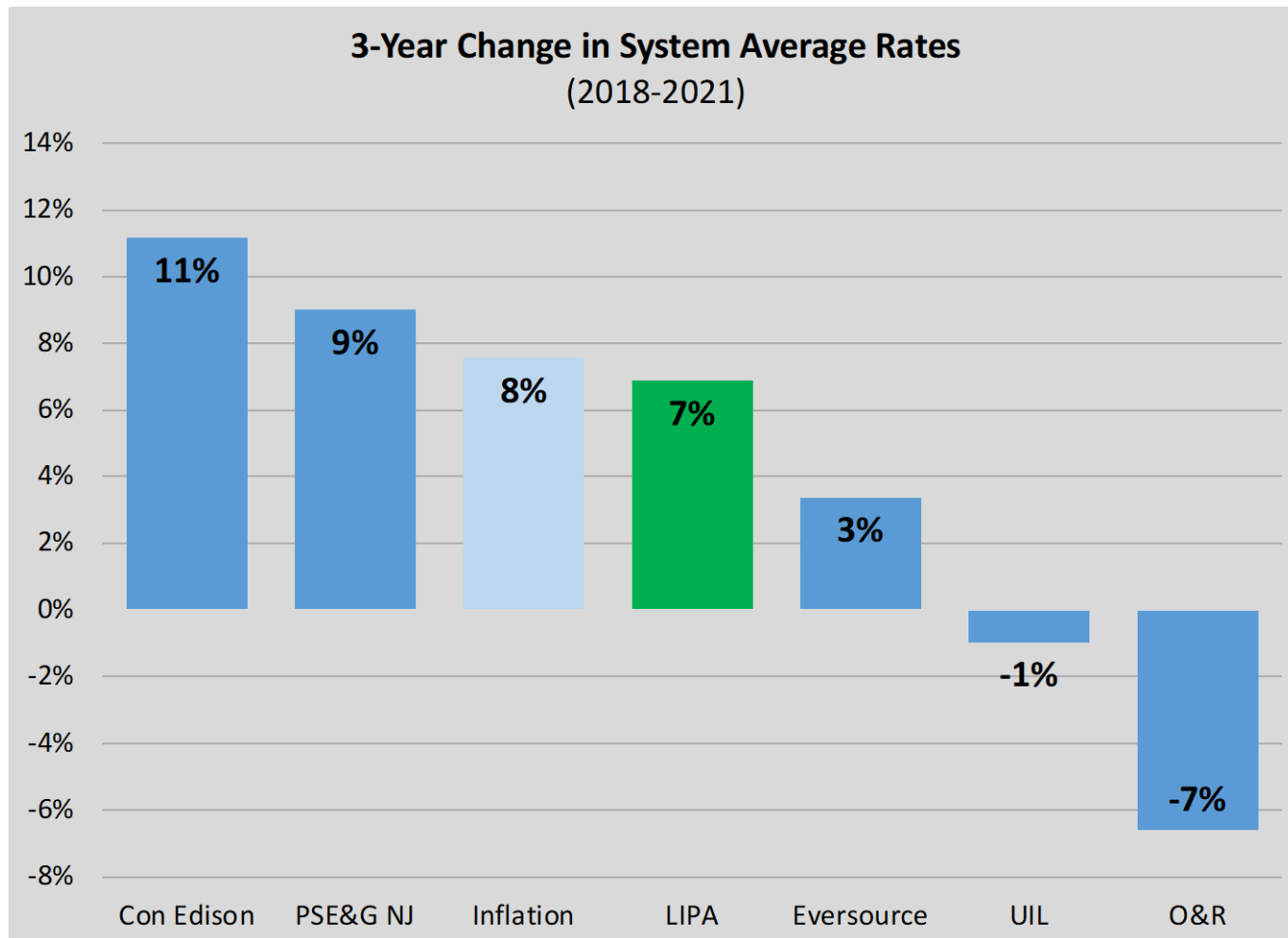
# REGIONALLY COMPARABLE RATES



# LONG TERM: LIPA'S RATES SLOW TO INCREASE



# SHORT TERM: LIPA'S RATES LESS THAN INFLATION



# Questions?

## **FOR CONSIDERATION**

May 18, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments to the Board Policy on Customer Value and Affordability

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### **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; (ii) finding that LIPA has complied with the Policy; and (iii) approving amendments to 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 in June 2021, and last amended in July 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 2021, the Board of Trustees adopted the 2022 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.
- The 2022 Budget identified \$999 million in projected savings from actions taken to operate lean, balancing cost and service to achieve the most out of every dollar.

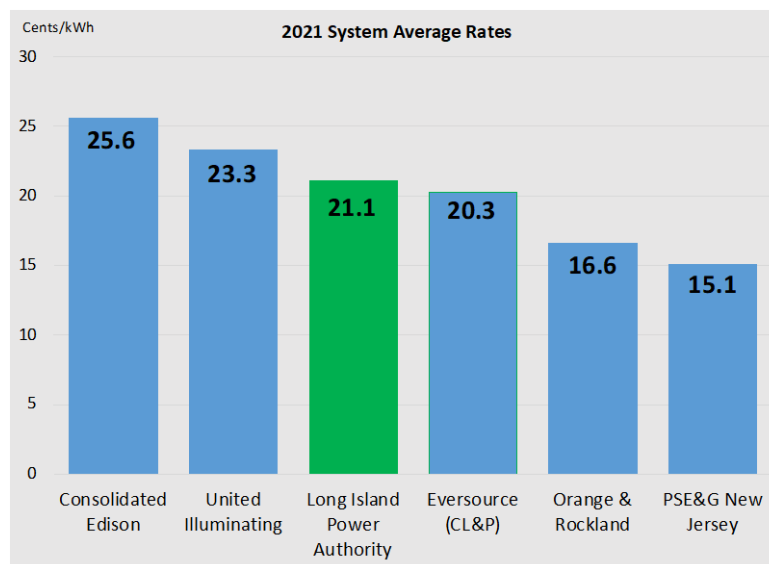


**\$999 Million Customer Savings in 2022 from Operating Lean**

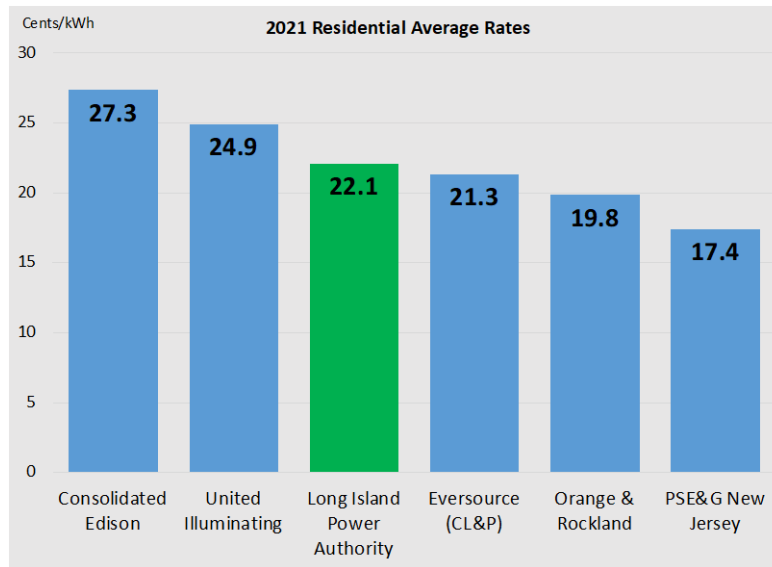
<b>Millions</b>	
Discontinued investments in combined cycle plants	\$348
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Power plant property tax savings	\$20
Smart Meter savings	\$17
Operating savings and improved productivity	\$11
Power plant pension and retirement savings	\$8
<b>Total</b>	<b>\$999</b>

*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 21.1 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 less than one cent above the regional average (20.3 cents).
- LIPA’s system average rate is 18% below the highest priced regional utility.
- The system average electric rates of the regional utilities ranged from 15.1 cents (PSE&G) to 25.6 cents (United Illuminating), as shown in the following figure:



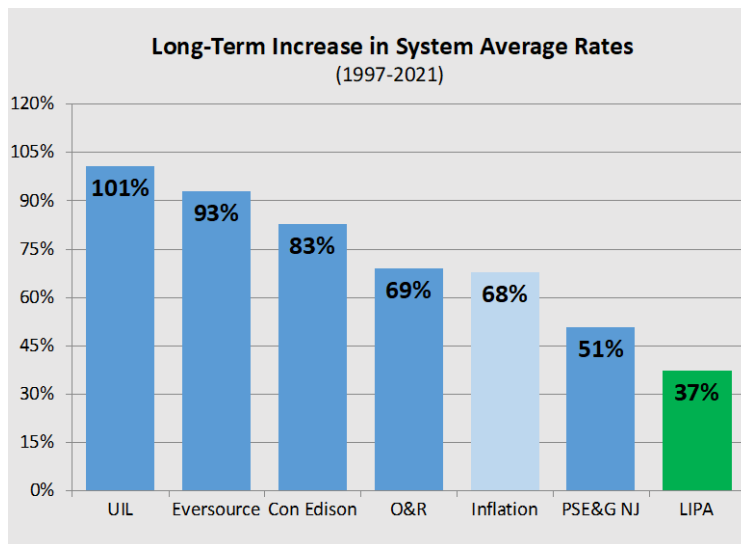
- If LIPA’s taxes, which comprise 19% of the bill, were equivalent to the national average of 6% of the bill, LIPA’s 2021 system average rate would have been 17.5 cents rather than 21.1 cents.
- Although the Policy is focused on *system average* rates, it is worth noting that LIPA’s *residential* average rate in 2021 of 22.1 cents was also competitive with the rates of our regional peer utilities, as shown in the following figure:



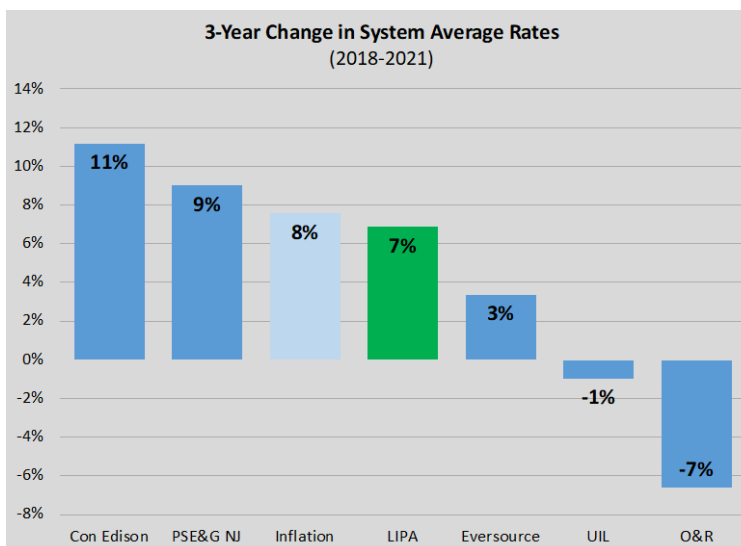
- The New York City metro area has above average labor, land, tax, and commodity costs and highly seasonal weather patterns (i.e. electricity is used for cooling in the summer while other fuels are used for heating in the winter). This causes the New York metro area to have per kilowatt-hour electric rates that are above the national average. For example, the national system average retail electric rate in 2020, according to the U.S. Energy Information Agency, was 10.6 cents per kilowatt-hour. State-by-state averages include 19.1 cents for Connecticut, 18.2 cents for Massachusetts, 14.9 cents for New York, 16.3 cents for Vermont, 13.7 cents for New Jersey, and 9.7 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 37% since LIPA took over the Long Island grid, compared to a range of 51% to 101% for the other utilities, as shown in the following figure. The consumer price index, a standard measure of inflation, increased 68%.



- Over the past 3 years, LIPA’s system average electric rates have increased 7% while other regional utilities have ranged from an 7% decrease to an 11% 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 2021, 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 continued to waive 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 increased the cap on customer participation in the NYSERDA-administered Green Jobs Green New York on-bill loan installment program, giving more customers access to low-cost financing of energy efficiency, beneficial electrification, and distributed energy resources.
- LIPA codified improvements to Long Island Choice, designed to give customers more flexibility to choose alternative suppliers and participate in Community Choice Aggregation.
- LIPA suspended daily service charges for customers affected by prolonged outages due to major storms and other emergency events.

*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 2021, LIPA made changes to the following sections of its rates and tariffs in support of greater consistency with New York policy:

- LIPA updated community distributed generation and remote crediting rules to better align with statewide versions of these programs.
- LIPA implemented a Customer Benefits Contribution Charge to recover the cost of public benefit programs fairly from all customers.
- LIPA updated its pole attachment fees and Service Initiation Charges, and updated the Service Classification 7A eligibility, for consistency with statewide policy and local municipal ordinances.
- LIPA adopted further enhancements to Community Choice Aggregation to make it available to CCAs on the same terms as the rest of the State.

### **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. A working group of Trustees participated in various meetings to develop and draft amendments to the Policy. The draft amendments to the Policy were shared with the full Board at its meeting on March 30, 2022.

The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit “B”**. The Policy has been renamed to the Board Policy on Customer Value, Affordability and Rate Design.

### **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/untimely rate relief may lead to inadequate system investments which compromises LIPA’s ability to achieve strategic priorities” and “Existing rate design may not reflect changing customer usage patterns/expectations or provide pricing signals (e.g. time of use rates, location and demand charges) resulting in customer cross-subsidies and economic inefficiencies (i.e. grid usage optimization).”

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 the identification of new specific performance metrics in the recently reformed Operating Service Agreement to monitor electric system performance relative to budgets on an ongoing basis. LIPA 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. LIPA also maintains a Power Supply Hedging Program designed to reduce a portion of fuel and purchased power price volatility.

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 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

**Exhibit “B”** Board Policy on Customer Value, Affordability and Rate Design

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON CUSTOMER VALUE AND AFFORDABILITY**

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**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 and concurs that the changes proposed to the Policy 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 Customer Value and Affordability Policy for the period since the last annual review and approves the annual report to the Board; and

**BE IT FURTHER RESOLVED**, that the Board hereby approved the amendments to the Policy as set forth in **Exhibit “B”**.

Dated: May 18, 2022

**Board Policy:** Customer Value, Affordability, and Rate Design

**Policy Type:** Purpose

**Monitored by:** Finance and Audit Committee



**Board Resolution:** #1318, approved September 21, 2016  
#1357, amended March 29, 2017  
#1422, amended July 25, 2018  
#1488, amended July 24, 2019  
[#xxxx], amended May 18, 2022

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LIPA's vision for customer value and affordability is to maintain competitive electric rates compared to other regional utilities while transitioning to a zero-carbon electric grid, achieving industry-leading reliability, resiliency, and customer experience, and meeting the energy needs of low-income customers. Our vision for rate design is to provide customers with fair electric rates that are as simple as possible and that include opportunities for customers to save money.

To achieve our vision for **customer value**, LIPA will:

- **Prioritize investments** for our customers to balance cost and service quality, as demonstrated in the Strategic Roadmaps and Budgets reviewed and approved by the Board.
- **Communicate the benefits and cost drivers** of any rate increases to customers.
- Maximize the value to customers of our **not-for-profit** public power business model by using our tax-exempt cost of capital and eligibility for federal and state grants to reduce costs for customers.

To achieve our vision for **affordability**, LIPA will:

- Maintain **competitive electric rates**, as compared to the system average rates of those regional electric utilities that most closely resemble the costs, electric supply, and policy goals of our service territory.
- **Aggressively manage costs**, avoiding expenditures that do not advance our purpose.
- Offer programs to **low-income and disadvantaged customers** to maintain electric bills that are a reasonable percentage of household income.

To achieve our vision for **rate design**, LIPA will:

- Design electric rates that:
  - Are as **simple** and **easy to understand** as possible;
  - Provide customers with **opportunities to save money**;
  - **Equitably allocate costs** across and within customer classes; and
  - **Encourage conservation**, the efficient use of energy resources, and the transition to a carbon-free economy.
- Employ **innovative electric rate design** based on industry trends and research, stakeholder feedback in statewide proceedings, LIPA-run collaboratives, and comments from the public.

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

## **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

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### **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.”<sup>1</sup>

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

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<sup>1</sup> Lease payments are defined in Governmental Accounting Standard Board Statement No. 87



LIPA-issued debt and lease payments and 1.26x for LIPA and UDSA-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.”<sup>2</sup>

- 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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<sup>2</sup> 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 and 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 UDSA 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**

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**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



# **Economic Development Annual Update**

## **F&A Committee Presentation**

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September 28, 2022

# AGENDA

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## **Report on 2021 economic development activities**

- Large business programs
- Small business programs
  - Vacant Space Revival
  - Main Street Revitalization
- Outdoor commerce support during COVID-19 pandemic

# Large Business Programs

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## Business Development Rate

- 5-year bill credit program for new or expanding Long Island businesses
- 2021: 18 customers, \$410,000 in discounts

## Excelsior Jobs Program

- Statewide program providing utility rate discounts and tax credits to incentivize job creation, retention, and local investment
- On Long Island, over 6,200 jobs retained or added, with \$150 million in capital investment (since inception)
- 116 Long Island projects accepted in the program
- 2021: \$700,000 in discounts paid to 20 NYS-certified accounts

## Recharge New York

- Energy commodity program with lower-cost hydro and market energy provided by NYPA, with LIPA as the delivery agent
- 317 LIPA customers participate in this program, with over 71,800 jobs created or retained, with \$2.9 billion in capital investment (since inception)

# Small Business Program: Vacant Space Revival

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**Purpose:** Helping local business districts fill vacant commercial spaces

## Program Goals

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

## Incentives

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

## Participation

- 2019 – 35 customers & \$62,951 incentives
- 2020\* – 16 customers & \$55,536 incentives
- 2021\* -- 24 customers & \$16,500 of incentives

\*Program not promoted during COVID-19 shutdown



# Small Business Program: Main Street Revitalization

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**Purpose:** Revitalizing under-utilized business districts

## **Program Goals**

- Support local communities and small businesses
- Optimize the existing electric infrastructure
- Create jobs and leverage capital investment

## **Incentives**

- Up to \$100,000 grant with match, up to \$25,000 without match
- Projects with greater economic benefits to the community earn higher incentives

## **Accomplishments To Date**

- 38 projects supported and 14 additional in progress
- Projects have provided \$137 million in direct investment and created over 650 jobs
- Total LIPA-funded grants of \$921,000 awarded since 2018

# Support for Outdoor Commerce During COVID-19 Shutdowns

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## **2020 / 2021: Main Street Revitalization Outdoor Commerce Grants**

- Grants to enable & enhance outdoor commerce
- 29 individual grants provided to date, totaling \$137,000

## **2021: Chamber of Commerce Beautification Grants**

- Grants for landscaping and beautification to support outdoor commerce
- 11 individual grants provided to date
- Increased incentives in 2022 from \$2,000 to \$3,500

The background of the slide is a blue-tinted image of a car's instrument cluster. It features several analog gauges, including a speedometer on the right and a tachometer on the left. Below the gauges, there is a digital display showing the number '0359'. The overall aesthetic is clean and modern, with a focus on automotive technology.

# Questions?

# Appendix

## Video Promotions

<https://www.youtube.com/watch?v=w9haDILpms&feature=youtu.be>

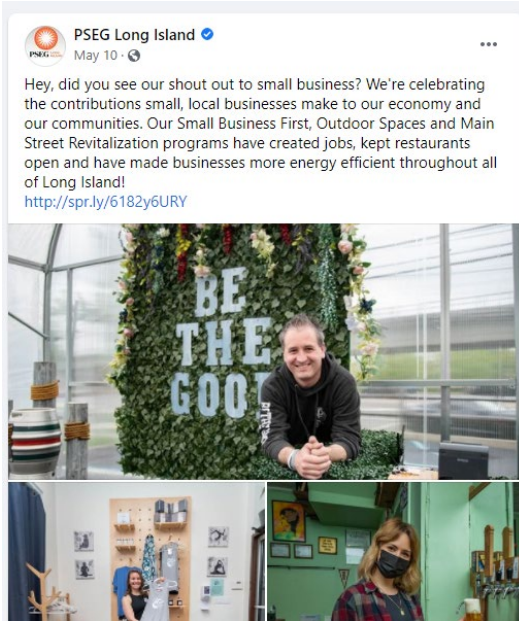


<https://vimeo.com/698275725>



# Appendix

## Print Promotions



## **FOR CONSIDERATION**

September 28, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

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

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### **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"); (ii) finding that LIPA has complied with the Policy since the last annual review; and (iii) approving 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.

### **Attachments**

**Exhibit “A”** Resolution  
**Exhibit “B”** Policy

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON ECONOMIC DEVELOPMENT AND COMMUNITY ENGAGEMENT**

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**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 Board 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 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 the Board hereby approves the amendments to the Policy as set forth in **Exhibit “B”**.

Dated: September 28, 2022



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.

**FOR CONSIDERATION**

December 14, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments on the Board Policy on Safety

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**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, adopting certain modifications to the Policy, 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 2021.

**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 2022, LIPA hired an independent third-party consultant to verify that the five recommendations emanating from the 2020 triennial Safety Assessment of PSEG Long Island were implemented. The consultant also performed onsite field observations of PSEG Long Island’s work practices and safety management processes, including a comparison to industry best practices.
- In 2023, LIPA is scheduled to conduct the third triennial Safety Assessment of PSEG

Long Island.

“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.”

- LIPA performed an independent review that PSEG Long Island benchmarked its safety performance against a nationwide panel of electric utilities. That benchmarking helps establish programs that improve safety performance. Since 2014 through year-to-date (“YTD”) 2022, there has been an improvement of approximately 80% in both the OSHA Recordable Incident Rate and the OSHA Days Away Rate. PSEG Long Island has surpassed the Board Policy standard of top quartile and is now within top decile performance for both OSHA measures, as compared to industry benchmarked peers. The OSHA Recordable Incident Rate through October 2022 is 0.59 vs. the top quartile and decile benchmarks of 0.97 and 0.76, respectively, and the OSHA Days Away Rate through October 2022 is 5.90 vs. the top quartile and decile benchmarks of 11.65 and 8.51, respectively.

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

- LIPA conducted monthly reviews of PSEG Long Island’s safety metrics via the Scorecard process. Additionally, LIPA conducts an in-depth quarterly independent verification and validation (“IV&V”) process for PSEG Long Island’s quantitative safety metrics, as described in the Quarterly Performance Metric Report.
- In August 2022, there was a fatality involving a PSEG Long Island contractor while working on the Transmission & Distribution system. This fatality resulted in PSEG Long Island failing to meet the Serious Injury Incident Rate (“SIIR”) metric target.
- As part of its IV&V process, LIPA reviewed PSEG Long Island’s motor vehicle accident rate and red-light violation performance. PSEG Long Island’s performance has improved by approximately 55% for both measures, resulting in a 2022 YTD Motor Vehicle Accident Rate performance of 6.96, compared to the top decile peer benchmark of 6.93.
- The LIPA IV&V of PSEG Long Island’s safety oversight and practices extended to contractors and foreign crews during storm restoration activities indicates that additional work is required in this area; specifically, around virtual training documentation of individual contractor attendees.
- The LIPA IV&V of the Electric Safety Standards pilot program included meeting with both the New York State Department of Public Service (“DPS”) and PSEG Long Island to review current practices and compliance. An expanded pilot program proposal will be considered for 2023.

### **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 procedures, equipment failures, and a lack of adequate training result 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 among its employees and contractors. PSEG Long Island verifies contractor safety records, reviews, authorizes contractor safety plans prior to commencement of work, and conducts required training 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 to manage its service provider by verifying OSHA-related data as part of the current monthly Scorecard meetings. Increased LIPA IV&V 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 captures high hazard related injuries. While we recognize that there has been significant improvement in many of the safety metrics, we must acknowledge that a contractor fatality occurred. Given these circumstances, we believe the management of the safety risk for contractor oversight should be reviewed.

### **Annual Review of the Policy**

LIPA Staff recommends the Board adopt certain amendments to the Policy. First, that the existing standard of safety performance in the top 25 percent of peer utilities, as measured by OSHA Recordable Incidence Rate and OSHA Days Away Rate, be updated to top 10 percent to reflect LIPA's continued focus on employee and contractor safety. Second, that there be an increased focus on eliminating fatalities and serious injuries to employees, contractors, and members of the public. Finally, that the Policy be updated to reflect the Board's more recent policy format, starting with a vision statement.

### **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

**Exhibit "B"** Policy (redline)

**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON SAFETY**

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**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 Oversight and Clean Energy Committee of the Board of Trustees has conducted an annual review of the Policy and recommended that the Board find that the Policy has been complied with and that the changes proposed to the Policy are due and proper.

**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; and

**BE IT FURTHER RESOLVED**, that the Board hereby approves the amendments to the Policy as set forth in **Exhibit “B”**.

Dated: December 14, 2022

Board Policy: **Safety**

Policy Type: **Strategic VisionDirection Operating Policies**

Monitored by: **Oversight Committee**

Board Resolution: **#1379, approved September 27, 2017**  
**#xxxx, approved December 14, 2022**

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### **Board Policy on Safety**

LIPA's vision for safety is to be recognized as a leader in employee safety while also assuring the safety of the public related to LIPA operations and facilities.

To achieve our vision for safety, LIPA will:

~~It is the policy of the Long Island Power Authority to ensure a safe environment for the dedicated workforce of its service provider and the public by:~~

- Benchmark safety to the top 10 percent of peer utilities, as measured by the OSHA Recordable Incidence Rate and OSHA Days Away Rate.
- Take steps to ~~E~~eliminateing fatalities and serious injuries to employees, contractors, and members of the public.
- Assess the operational factors that contribute to injuries (e.g., motor vehicle accidents) and the efforts to improve performance, where necessary.
- ~~Reviewing on a periodic basis~~ no less than every three years the policies, procedures, and practices of ~~the Authority's~~ service provider related to:
  - Complying with applicable health and safety laws and regulations concerning its employees, contractors, and the public;
  - Maintaining appropriate safety procedures, programs, and training for employees and contractors based on their responsibilities and duties;
  - Reporting incidents involving employees and the public promptly, ~~investigate~~investigating the cause of such incidents, and ~~take-taking~~ corrective action.

- ~~Benchmarking the safety performance of the service provider to the top 25 10 percent of peer utilities, as measured by the OSHA Recordable Incidence Rate and OSHA Days Away Rate.~~

~~Eliminating fatalities and serious injuries to employees, contractors, and members of the public.~~

- ~~Assessing the operational factors that contribute to injuries (e.g., motor vehicle accidents) and the efforts to improve performance, where necessary.~~

The Chief Executive Officer will report annually to the Board on:

- Safety performance, including comparisons to peer electric utilities;
- Initiatives to improve the safety of LIPA's operations;

- The adequacy of ~~the service provider's~~ policies, procedures, and practices related to safety; and
- ~~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.~~

Board Policy: **Safety**

Policy Type: **Strategic Direction**

Monitored by: **Oversight Committee**

Board Resolution: **#1379, approved September 27, 2017**  
**#xxxx, approved December 14, 2022**

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LIPA's vision for safety is to be recognized as a leader in employee safety while also assuring the safety of the public related to LIPA operations and facilities.

To achieve our vision for safety, LIPA will:

- Benchmark safety to the top 10 percent of peer utilities, as measured by the OSHA Recordable Incidence Rate and OSHA Days Away Rate.
- Take steps to eliminate fatalities and serious injuries to employees, contractors, and members of the public.
- Assess the operational factors that contribute to injuries (e.g., motor vehicle accidents) and the efforts to improve performance, where necessary.
- Review no less than every three years the policies, procedures, and practices of its service provider related to:
  - Complying with applicable health and safety laws and regulations concerning its employees, contractors, and the public;
  - Maintaining appropriate safety procedures, programs, and training for employees and contractors based on their responsibilities and duties;
  - Reporting incidents involving employees and the public promptly, investigating the cause of such incidents, and taking corrective action.

The Chief Executive Officer will report annually to the Board on:

- Safety performance, including comparisons to peer electric utilities;
- Initiatives to improve the safety of LIPA's operations;
- The adequacy of policies, procedures, and practices related to safety; and
- Compliance with applicable health and safety laws and regulations.



## **FOR CONSIDERATION**

December 14, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report on the Board Policy on Information Technology and Cyber Security

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### **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 Information Technology and Cyber 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**

In December 2019, the Board adopted the Policy on Information and Physical Security. The Policy delineated 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. In 2021, the prior policy was supplanted by the Information Technology and Cybersecurity Policy. The Policy provides that LIPA’s “vision for information technology and cyber security is to use technology to enhance and simplify the customer experience, improve reliability, and minimize operating costs, while ensuring robust, secure technology platforms that provide operational stability and protect customer, employee, and third-party data from unauthorized access or disruption. LIPA supports data privacy by transparently communicating how customer information is collected, used, and disclosed.”

### **Compliance with the Policy**

This report covers IT and Cyber Security activities from the Board’s December 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 Policy.

The 2022 OSA Performance Metrics incorporated seven IT metrics in support of the Policy. The metrics have proven to be a valuable tool to drive improvements to PSEG Long Island IT’s performance and to better align PSEG Long Island’s IT activities to LIPA’s priorities pursuant to the Policy. While there have been a number of successes, performance in some areas continues to fall short of the expected standards. The performance metrics have enhanced LIPA’s ability to identify and to work with PSEG Long Island management to address the remaining weaknesses and gaps in PSEG Long Island’s performance and alignment with LIPA’s priorities. Compliance

with each element of the Policy is discussed in detail below.

1. “Invest in information technology that supports the efficiency of business operations, promotes innovation, and provides long-term customer value.”

- The 2022 Performance Metrics incorporate several metrics that support this objective, including two metrics that encompass 30 specific IT projects. Some of the key IT projects are discussed below.
  - Enterprise Asset Management System (EAMS): In 2022, PSEG Long Island started the planning process to implement a full-fledged EAMS that can plan, schedule, and track all asset, work, maintenance (preventative, predictive, and corrective) and inventory activities, including by work order originator, specific support, failure, cause, parts, materials, supplies, crew time, fleet and equipment used, contractor, and other costs on all LIPA assets (inside and outside plant). The project encountered challenges initially, but LIPA was able to work with PSEG Long Island to bring it on track. An EAMS platform has now been selected, and the RFP to select a system integrator (SI) has been published. We expect the selection of the SI to be completed in early 2023 and the system implementation to start in the second quarter of 2023. The EAMs will facilitate improvements to both reliability and cost on behalf of customers.
  - Enterprise Time and Attendance System: PSEG Long Island initiated the planning and procurement efforts for a new comprehensive Enterprise Time and Attendance System to address several gaps and inefficiencies that were identified in the current business processes in an assessment conducted by LIPA, including overtime management and time reporting by field personnel. The initiative aims to address existing process deficiencies while improving and enhancing time and work management capabilities. The final selection of a new software platform and systems solution integrator is planned for 2023. The new system will provide improved work scheduling and reduced cost for customers.
  - Contact Center as a Service: In 2022, PSEG Long Island began the Contact Center as a Service project to provide a fully integrated cloud-based contact center solution allowing for numerous customer-facing improvements, including a seamless omni-channel customer experience, improved response time on resolutions, enhanced reporting, and many other enhancements. The project, which addresses Isaias Task Force recommendations 4.04 and 4.05 to integrate the high-volume voice communications design into a more powerful all-encompassing call center design and to develop a more scalable Inbound Contact Center, was significantly delayed; but is now on track for a phased deployment of the new solution in 2023.
  - Standardized Data Access Platform: The Standardized Data Access Platform project was initiated to implement the Board recommendation to improve LIPA and Department of Public Service (“DPS”) access to PSEG Long Island financial and operational data through a Standardized Data Access Platform comprised of an enterprise-wide data warehouse, a broader data lake, and tools to support reporting

and analytics. LIPA significantly reduced the scope of the project in July 2022 out of concern for the project's ability to deliver the original scope. The new scaled-down scope, focused on bringing data into the platform, is targeted for Phase 1 deployment by the end of 2022 in accordance with the Board recommendation, but LIPA remains concerned about project performance.

- GIS – Long-Term Plan, Architecture, and Technology Stack Upgrade: A Geographic Information System (GIS) Upgrade Project is in-flight to upgrade the GIS software and hardware platform to a new version by the end of 2022. The software vendor no longer supports the current version. The new version provides an upgraded map viewer and graphic work design capabilities. The metric project incorporates the development of a comprehensive GIS Long-Term Plan that provides a clear roadmap for leveraging GIS across the enterprise in a manner that optimizes business value, in accordance with a recommendation adopted by the Board.
  - Enterprise Mobility Strategy including Field Work Management: Project to define the target mobility and fieldwork management vision, business capabilities, long-term prioritized enterprise mobile plan, and long-term fieldwork management/mobile app strategy. The project is in flight and targeted for completion by the end of 2022. The project will, among other things, enhance timely communication and reduce reliance on manual processes.
  - LIPA also established an IT System Resiliency metric, which aims to minimize the probability and impact of system failures through well-designed, robust, and thoroughly exercised Disaster Recovery Plans and Business Continuity Plans (BCPs) for critical systems and processes. Performance on this metric is falling well short of the minimum acceptable standards, and LIPA will continue to work with PSEG Long Island to improve results in 2023.
2. “Deploy modern grid management technology and data analytics that enhance grid operations, customer service, utility asset management, and demand management, as measured by a Smart Grid Maturity Model level consistent with industry best practices (i.e., top 25% of utilities.)”
- The Smart Grid Maturity Model (SGMM) is a business tool stewarded by the Software Engineering Institute at Carnegie Mellon University. It was originally developed by electric power utilities for use by electric power utilities. The model provides a framework for understanding the current extent of smart grid deployment and capability within an electric utility, a context for establishing strategic objectives and implementation plans in support of grid modernization, and a means to evaluate progress over time toward those objectives.
  - In 2022, LIPA engaged a consultant to conduct an SGMM Assessment. A PSEG Long Island Current State view was prepared in the assessment, modeled after a framework from the U.S. Department of Energy (DOE) Next Generation Distribution System Platform (DSPx) reference from the Modern Distribution Grid Project.

- The preliminary assessment, which is still subject to further refinement, recommended numerous areas for technology investment, such as Advanced Metering Infrastructure (AMI), Distributed Energy Resources Management Systems (DERMS), and Advanced Distribution Management System (ADMS). Some of these initiatives are incorporated into PSEG Long Island 2022/2023 performance metrics:
    - **AMI:** AMI enhancement work completed during 2022 included improved AMI integration with the Outage Management System (OMS). In 2022, LIPA completed the comprehensive review of the AMI deployment and identified opportunities to enhance the application of the AMI platform to deliver value to our customers. LIPA incorporated a business-driven 3-Year Roadmap into the PSEG Long Island 2023 performance metrics. The plan will include LIPA recommendations and identify additional initiatives to enhance operational efficiencies, emergency communication, and customer experience. In addition, the plan will include business objectives aligned to achieve the business vision with an implementation based on value and dependency prioritization and cost estimates. The 2023 metrics will also include piloting commercial disconnects, resolving collector loading and system validation and estimation to improve AMI data availability and consistency.
    - **DERMS:** DERMS is a software platform used to manage a group of distributed energy resource (DER) assets—such as rooftop photovoltaic solar panels, behind-the-meter batteries, or a fleet of electric vehicles—to deliver grid services and balance demand with supply to help utilities achieve mission-critical outcomes. The in-flight DER Visibility pilot project (U2.0) is expected to complete in 2023. The DERMS will allow for greater integration of DER into the operations of the electric grid.
    - **ADMS:** An ADMS is a modular software platform that enables the full suite of distribution grid management and optimization tools, including functions that automate outage restoration and optimize the performance of the distribution grid. ADMS functions being developed for electric utilities include fault location, isolation, and restoration; volt/var optimization; conservation through voltage reduction; peak demand management; and support for microgrids and electric vehicles. ADMS provides benefits for the customer and the utility through a strong couple to a robust OMS, and drives more efficiency with the dispatching of crews and improved ETR calculations, restoration, and customer communications. The modular approach allows LIPA to implement the functionality in a prioritized manner with considerations to costs and benefits. To this end, the development of an ADMS Long-Term Roadmap to drive implementation decisions and investments was incorporated into the 2022 performance metrics and is expected to be completed by the end of this year, with a Phase 1 project for the deployment of advanced ADMS modules scheduled to initiate in 2023.
3. “Ensure the capacity of the information technology organization to deliver reliable, robust, and resilient systems, as measured by a Capability Maturity Model Integration level of 3 or higher.”

- In October 2022, in accordance with Performance Metric IT-1 and IT-2. PSEG Long Island reported that it had completed the steps needed to operate on a go-forward basis for all IT projects at a CMMI Level 3 maturity for the “Doing” and “Managing” categories.
  - In November 2022, LIPA engaged a third-party vendor, an ISACA|CMMI Elite Partner, to conduct a CMMI Benchmark Appraisal of the PSEG Long Island IT department. The review engagement is expected to complete in January 2023.
  - PSEG Long Island is working on filling positions per a LIPA-funded IT re-organization to improve organizational capacity.
4. “Regularly upgrade information and operational technology systems to maintain all systems within their active service life and under general support from the product vendor.”
- Metric IT-4, System and Software Lifecycle Management, was established to ensure all IT and OT assets managed by PSEG Long Island on behalf of LIPA, including but not limited to computers, communications equipment, networking equipment, hardware, software, and storage systems, are within their active service life and under general support from the product vendor.
  - A Plan to replace or upgrade end-of-life assets within two (2) years was submitted to and approved by LIPA.
5. “Conduct quarterly internal vulnerability assessments and annual third-party vulnerability assessments and penetration testing of all information and operational technology systems and promptly mitigate vulnerabilities”
- **PSEG Long Island Cybersecurity:** PSEG Long Island has reported that they have completed the Annual Penetration testing in the third quarter of 2022. PSEG Long Island is currently working on developing plans to remediate the vulnerabilities identified in the testing. PSEG Long Island has reported that they have a weekly program of vulnerability scanning of all IT assets.
  - **LIPA Cybersecurity:** LIPA’s vulnerability management team meets weekly and reviews vulnerabilities identified in systems managed by LIPA using a real-time vulnerability management/reporting tool. The team creates the remediation plan for newly identified vulnerabilities based on their criticality and reviews the remediation status of previously identified vulnerabilities. LIPA has also implemented tools to provide 24X7 monitoring and notification of any new vulnerabilities identified. The vulnerability reporting tool sends daily alerts to the Cybersecurity team.
6. “Maintain a level of 3 or higher on the NIST Cybersecurity Framework, as evaluated annually through an independent assessment”
- LIPA and PSEG Long Island have adopted the NIST Cybersecurity Framework (CSF) to drive improvements to 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, Processes, and Technology to implement defense in depth for the enterprise.

- LIPA has also established a cybersecurity default metric for PSEG Long Island under the reformed PSEG Long Island contract, effective April 1, 2022, to achieve and maintain NIST CSF Tier 3. The reformed contract provides LIPA with the right to terminate the contract should PSEG Long Island fail to maintain compliance, which provides a strong incentive for improvement. LIPA has hired a third-party evaluator for an independent review of PSEG Long Island's cyber readiness relative to the metric. We expect this work to be completed in the first quarter of 2023. LIPA will conduct an annual independent review of PSEG Long Island's NIST Cyber Security Framework compliance status.
  - LIPA issued an RFQ in the third quarter to engage a third-party evaluator for an independent assessment of LIPA's cyber security posture using the NIST CSF Framework, as well as vulnerability assessment and penetration testing of LIPA's managed systems. LIPA is currently in the process of evaluating vendor responses, and we expect the work to commence in the first quarter of 2023.
7. "Communicate how customer information is collected, used, and disclosed and ensure that, if confidential customer information is shared with a third-party for a business purpose, the third-party has robust information security practices."
- PSEG Long Island collects customers' information to provide electric service. The policy posted on the LIPA website describes what personal information is collected, when it is collected, how it is used, how this information is protected, and under what circumstances that information may be shared with a third party. LIPA is working with PSEG Long Island to have this policy published on the PSEG Long Island website and to confirm its implementation.

### **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 are several risks related to the Policy both for LIPA and PSEG Long Island. For LIPA, these risks include a cyber event resulting from unauthorized access to LIPA-managed systems that results in material financial losses, impact to LIPA's day-to-day operations, or the organization's reputation. For PSEG Long Island, these include a "cyberattack on the EMS/BCS systems that disables or allows someone to access control of the system operationally, resulting in the inability to operate the system effectively." Also, the breach of personally identifiable information (PII) could result in fraud, financial impact, and negative public perception.

Cybersecurity and PII for both LIPA and PSEG Long Island were rated medium-level risks. LIPA's Department of Innovation and Information Technology mitigates these risks with concurrent oversight of PSEG Long Island's IT department. Several of the mitigation actions noted in the Report are the completion of the annual penetration testing with remediation plans being developed for vulnerabilities identified, the adoption of the NIST cybersecurity framework with a goal of maintaining a level 3 or higher assessment, and the adoption of a Cyber Security Default Metric.

In light of the extensive efforts detailed in this Policy of both LIPA's Department of Innovation and Information Technology and PSEG Long Island's IT department, we believe these risks are being adequately managed.

### **Annual Review of the Policy**

LIPA Staff has reviewed the Policy and recommends no change 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

**Exhibit “A”**

**RESOLUTION APPROVING THE ANNUAL REPORT TO THE BOARD OF TRUSTEES  
ON THE BOARD POLICY ON INFORMATION TECHNOLOGY AND CYBER  
SECURITY**

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**WHEREAS**, the Board Policy on Information Technology and Cyber Security (the “Policy”) was approved by the Board of Trustees in November 2021; 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 14, 2022



## **FOR CONSIDERATION**

September 22, 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

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### **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:
  - Prioritizes Oversight Activities, including the frequency and appropriate level of Oversight, by risk, materiality, and other measures of importance;
  - Maintains appropriate documentation of Oversight Activities;
  - Incorporates insights from LIPA's Oversight Activities into annual budgets, projects, performance metrics, audits, and enterprise risk management activities;
  - Balances the benefits and costs of proposed plans and programs;
  - Fosters continuous improvement, innovation, benchmarking, and industry best practice, with a view to minimize cost and improve service quality; and
  - 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

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### 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~~ Strategic Roadmaps 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~~ 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~~ and 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 LIPA's Purpose and Vision.  
communicating its expectations to LIPA management in the form of \_\_\_\_\_
- ~~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 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~~ 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'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, 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.

## **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~~ Workplan** – LIPA’s CEO ~~translates LIPA’s Mission, Vision, Board Policies, and Strategy~~ will translate the Strategic Priorities and business area five-year Strategic Roadmaps into annual performance metrics, budgets, ~~projects, and~~ Oversight activities, ~~and performance metrics 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.

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

- ~~• The outcome of its 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~~ responsibilities 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~~Prioritizing 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;
- ~~Incorporates~~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;
- ~~Balances the benefits and costs of proposed plans and programs;~~
- ~~Fosters continuous improvement, innovation, benchmarking, and industry best practice;~~

### **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 objectivessufficiency 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:	<b>Strategic Planning and Oversight</b>
Policy Type:	<b>Governance</b>
Monitored by:	<b>Board of Trustees</b>
Board Resolution:	<b>#1409, approved March 29, 2018, #1461, amended January 23, 2019 #1547, amended July 22, 2020 #XXXX, amended September 22, 2021</b>

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### **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.



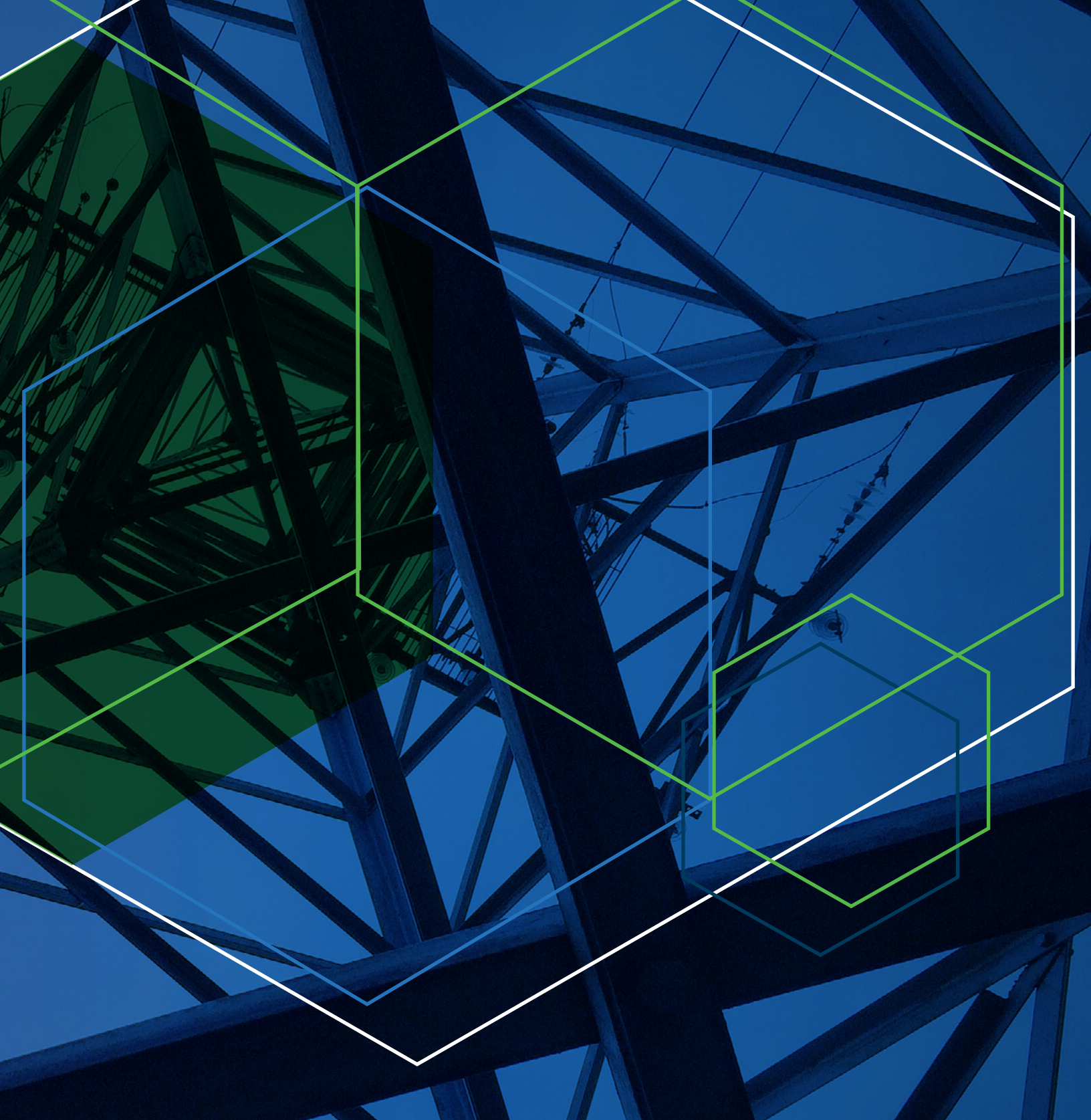


Exhibit "D"

# Annual Work Plan Report

2020-2021





customers

**1,023,221**

residential

**116,560**

commercial

2020 peak demand

**5,269**

megawatts

energy requirements

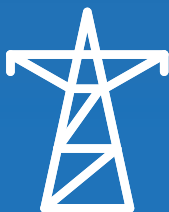
**20,104,072**

megawatt hours

generating capacity

**5,757**

megawatts



distribution system

**9,000**

miles overhead

**5,000**

miles underground

**189,000**

transformers

transmission system

**1,400**

miles

substations

**30**

transmission

**152**

distribution

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<b>EXECUTIVE MANAGEMENT</b>	<b>5</b>
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## MISSION STATEMENT

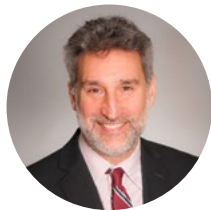
LIPA is a not-for-profit public utility with a mission to enable clean, reliable, and affordable electric service for our customers on Long Island and the Rockaways.

---

## BOARD OF TRUSTEES



**Ralph V. Suozzi**  
Chairman of the Board



**Mark Fischl**  
Vice Chairman of the Board,  
Chair, Oversight & Clean  
Energy Committee



**Elkan Abramowitz**  
Chair, Governance,  
Planning, & Personnel  
Committee



**Sheldon L. Cohen**  
Chair, Finance & Audit  
Committee



**Drew Biondo**  
Trustee



**Mathew C. Cordaro,  
Ph.D.**  
Trustee



**Peter J. Gollon, Ph.D.**  
Trustee



**Laureen Harris**  
Trustee



**Ali Mohammed**  
Trustee

### 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](http://lipower.org/mission).



## EXECUTIVE MANAGEMENT



**Thomas Falcone**  
Chief Executive Officer



**Anna Chacko**  
General Counsel



**Mujib Lodhi**  
Chief Information Officer and  
Senior Vice President of  
Customer Experience



**Tamela Monroe**  
Chief Financial Officer



**Bobbi O'Connor**  
Chief Administrative  
Officer, Secretary to the  
Board of Trustees



**Rick Shansky**  
Senior Vice President,  
Operations Oversight



**Kenneth Kane**  
Senior Advisor  
for Oversight



**Justin Bell**  
Vice President, Public  
Policy and Regulatory  
Affairs



**James Miskiewicz**  
Deputy General Counsel



**Kathleen Mitterway**  
Vice President, Audit



**Donna Mongiardo**  
Vice President,  
Controller



**Barbara Ann Dillon**  
Director of Human  
Resources and Administration



**Jennifer Hayen**  
Director of  
Communications



**Thomas Locascio**  
Director of  
External Affairs

### 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.



# 1 | **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.

## 2 | 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

# 3

## 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.



**Block Island Wind Farm,  
Rhode Island**



## 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

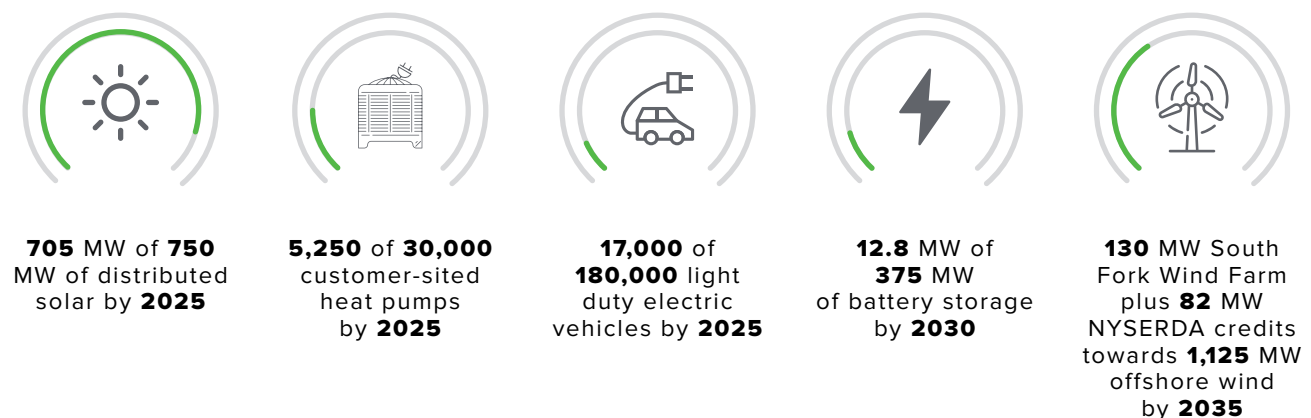
Running LIPA Clean means meeting New York State's aggressive climate goals and providing Long Island with 100 percent carbon-free energy by 2040. And it means enabling other sectors of the economy, like transportation and buildings, to decarbonize through the use of electricity. To meet our share of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





Kings Park Solar Project, Long Island

Here are some of the ways LIPA advanced its clean energy goals in 2020:

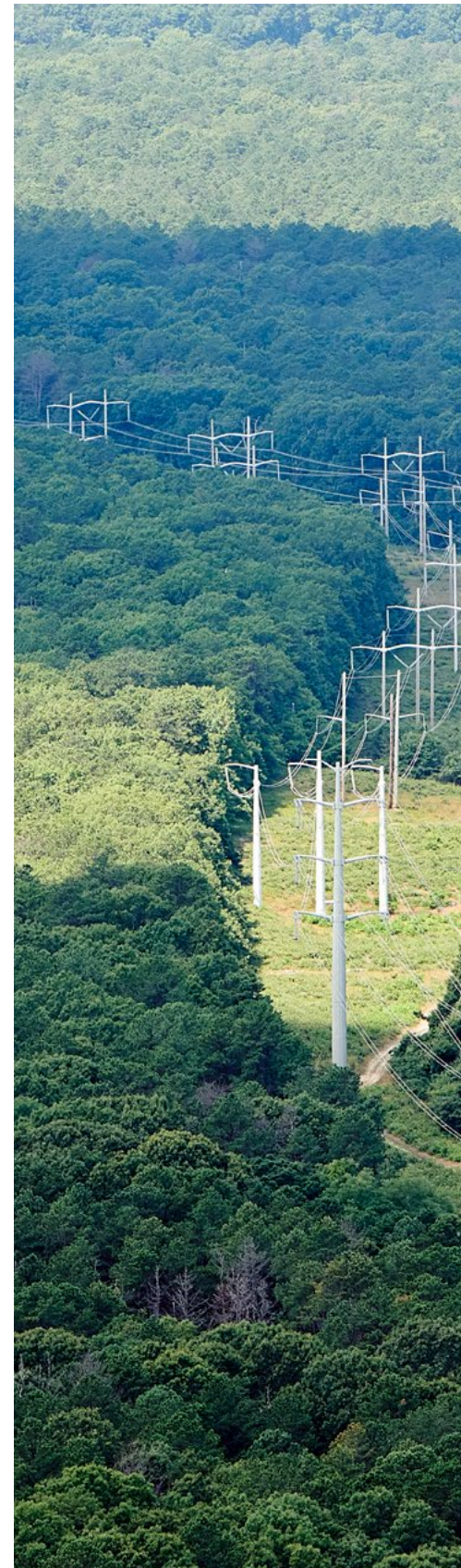
- Supporting the permitting of the transmission cable for New York's first offshore wind project, the **130 megawatt (MW) South Fork Wind Farm**;
- Studying the transmission reinforcements required to support the State's goal of **9,000 MW of offshore wind** and beginning the approval process for necessary 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;<sup>1</sup>
- 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.



## 5 | 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.

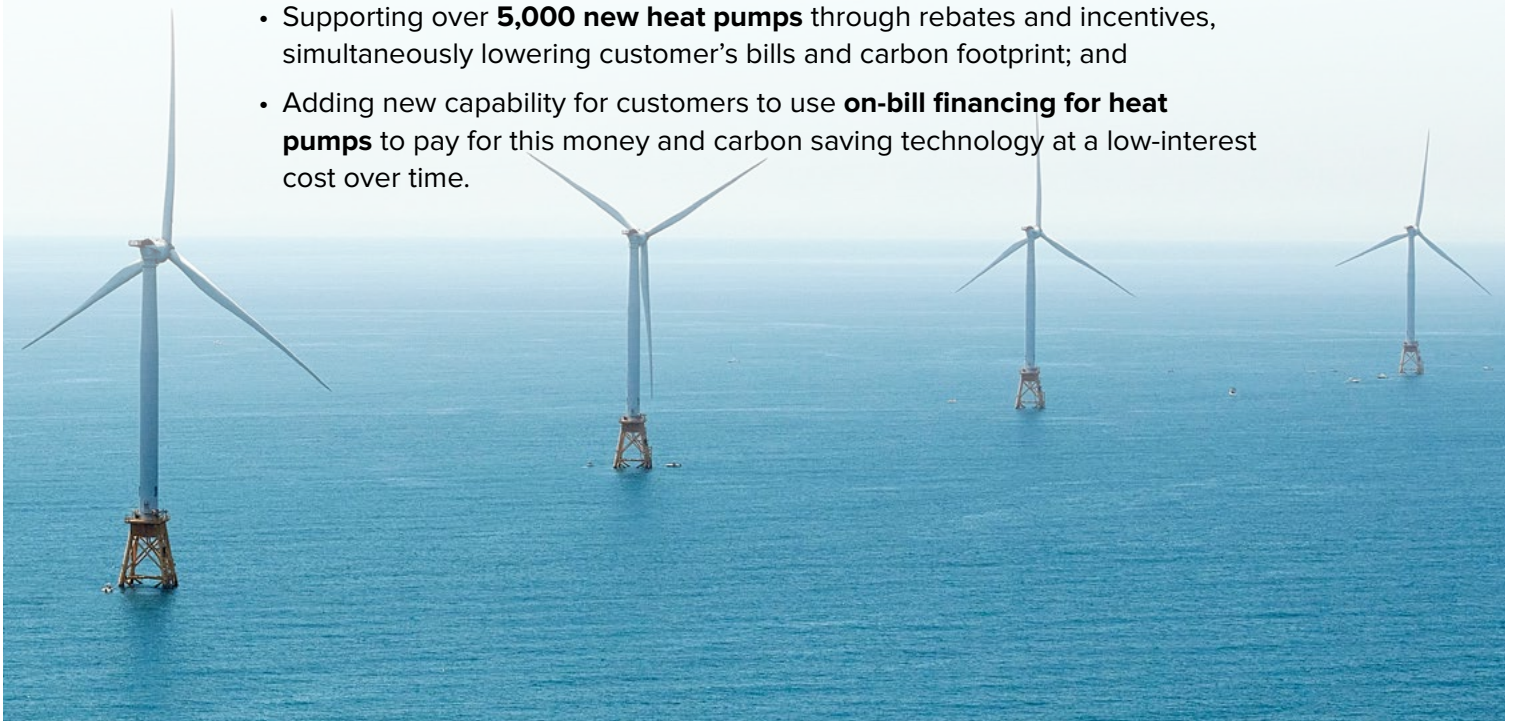
The annual Work Plan summarizes the projects that LIPA's management will undertake to further the Board's Vision and Policies, including (1) those related to LIPA's direct responsibilities, such as financing, wholesale markets policy, or rates and tariffs; and (2) oversight of the services provided to 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.





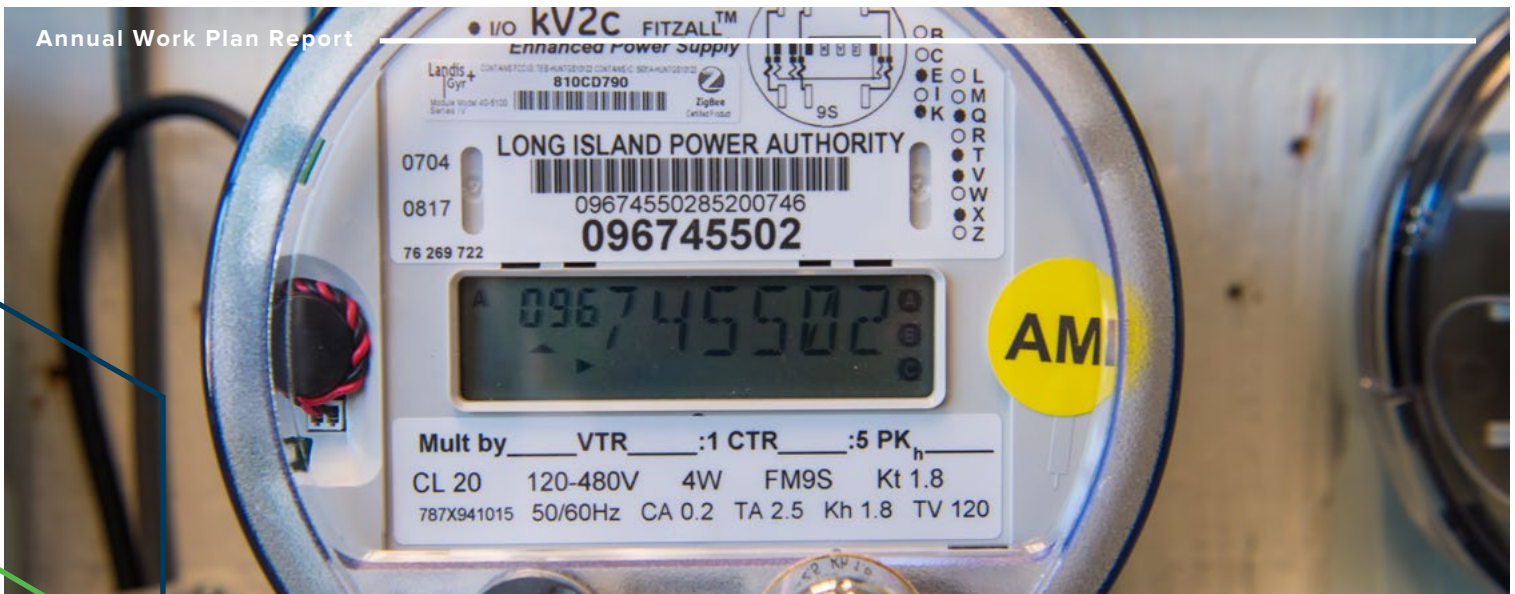


Riverhead, Long Island

## 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.

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## 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

## APPENDIX A

Department:	Administration
<b>GOAL 1</b>	
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.
<b>GOAL 2</b>	
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.
<b>GOAL 3</b>	
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.
<b>GOAL 4</b>	
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.

## APPENDIX A

Department:	Administration
<b>GOAL 5</b>	
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.
<b>GOAL 6</b>	
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.
<b>GOAL 7</b>	
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.
<b>GOAL 8</b>	
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.

## APPENDIX A

<b>Department:</b>	<b>External Affairs &amp; Communication</b>
<b>GOAL 9</b>	
<b>Team Lead:</b>	Jen Hayen
<b>Goal Description:</b>	Build out the issue fact sheets on LIPA's website. Fact sheets will provide concise information and data on major policy issues.
<b>End of Year Status:</b>	Complete
<b>Task Completed:</b>	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.
<b>GOAL 10</b>	
<b>Team Lead:</b>	Jennifer Hayen, Thomas Locascio
<b>Goal Description:</b>	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.
<b>End of Year Status:</b>	Running Behind
<b>Task Completed:</b>	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.
<b>GOAL 11</b>	
<b>Team Lead:</b>	Jen Hayen
<b>Goal Description:</b>	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.
<b>End of Year Status:</b>	Running Behind
<b>Task Completed:</b>	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 reimaged after COVID-19.
<b>GOAL 12</b>	
<b>Team Lead:</b>	Barbara Ann Dillon, Jen Hayen, Thomas Locascio
<b>Goal Description:</b>	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.
<b>End of Year Status:</b>	Running Behind
<b>Task Completed:</b>	This project is running behind because the configuration of the office is being reconsidered in light of COVID-19.



## APPENDIX A

Department:	Finance
<b>GOAL 13</b>	
Team Lead:	Chris Digilio
Goal Description:	2020 Medium Term Notes Offering Plan
End of Year Status:	Complete
Task Completed:	Developed an issuing plan and documents for \$250M note offering to be priced January 13, 2021 and close January 28, 2021.
<b>GOAL 14</b>	
Team Lead:	Chris Digilio
Goal Description:	2020 Finance Plan
End of Year Status:	Complete
Task Completed:	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.
<b>GOAL 15</b>	
Team Lead:	John Little
Goal Description:	Conduct financial strategy review and create new PFM report.
End of Year Status:	Complete
Task Completed:	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.
<b>GOAL 16</b>	
Team Lead:	Gerry Ring
Goal Description:	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.
End of Year Status:	Complete (Phase 1)
Task Completed:	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.
<b>GOAL 17</b>	
Team Lead:	Chris Digilio
Goal Description:	Implement end-to-end comprehensive review of treasury operation processes to facilitate efficiencies through incorporation into new ERP process.
End of Year Status:	Complete
Task Completed:	End-to-end comprehensive review and assessment of treasury operations process was completed and execution of the recommendations is in progress.

## APPENDIX A

Department:	Finance
<b>GOAL 18</b>	
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.
<b>GOAL 19</b>	
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.
<b>GOAL 20</b>	
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.
<b>GOAL 21</b>	
Team Lead:	Chris Digilio
Goal Description:	Private Business Use Certificate Review
End of Year Status:	Complete
Task Completed:	Revised Private Business Use Certificate completed.
<b>GOAL 22</b>	
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.
<b>GOAL 23</b>	
Team Lead:	Chris Digilio
Goal Description:	Review UDSA legislation and advocate for any changes that may produce economic benefits.
End of Year Status:	In Progress
Task Completed:	Drafted proposed UDSA legislation amendments to be introduced for consideration in 2021 to gain economic benefits for our customers.

## APPENDIX A

Department:	Finance
<b>GOAL 24</b>	
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.
<b>GOAL 25</b>	
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.

Department:	Human Resources
<b>GOAL 26</b>	
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.
<b>GOAL 27</b>	
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.

## APPENDIX A

<b>Department:</b>	<b>Human Resources</b>
<b>GOAL 28</b>	
<b>Team Lead:</b>	Barbara Ann Dillon
<b>Goal Description:</b>	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.
<b>End of Year Status:</b>	Complete
<b>Task Completed:</b>	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.
<b>GOAL 29</b>	
<b>Team Lead:</b>	Barbara Ann Dillon
<b>Goal Description:</b>	Create a 360-degree review that provides more useful assessments and is shorter, simpler and encourages comments and feedback.
<b>End of Year Status:</b>	Complete
<b>Task Completed:</b>	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.
<b>GOAL 30</b>	
<b>Team Lead:</b>	Barbara Ann Dillon
<b>Goal Description:</b>	Create an 18-month HR roadmap outlining all inflight and contemplated HR programs and noting how all programs relate to one another. Provide a comprehensive and straightforward chart of all of LIPA HR's initiatives and programs to support employee understanding of what we do, why we do it and how it all fits together.
<b>End of Year Status:</b>	Complete
<b>Task Completed:</b>	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.
<b>GOAL 31</b>	
<b>Team Lead:</b>	Barbara Ann Dillon
<b>Goal Description:</b>	Reimagining LIPA for Post Covid 19
<b>End of Year Status:</b>	In Progress
<b>Task Completed:</b>	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.

## APPENDIX A

Department:	Innovation and Information Technology
<b>GOAL 32</b>	
Team Lead:	Mujib Lodhi
Goal Description:	Create a roadmap to enhance LIPA's cybersecurity program within three years. Implement 2020 Cybersecurity enhancements: C2M2 recommendations (wave 1 priority).
End of Year Status:	Complete
Task Completed:	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.
<b>GOAL 33</b>	
Team Lead:	Mujib Lodhi
Goal Description:	Migrate Management Audit System to GoalHub Platform for management and reporting Management Audit goals.
End of Year Status:	Complete
Task Completed:	Migrated Management Audit System to a modern Platform to improve tracking and reporting of management audit recommendations.
<b>GOAL 34</b>	
Team Lead:	Mujib Lodhi
Goal Description:	Implement Phase I of LIPA's Enterprise Resource Planning system.
End of Year Status:	Complete
Task Completed:	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.
<b>GOAL 35</b>	
Team Lead:	Brian Celleri
Goal Description:	Upgrade audio visual technology in executive conference room and two small conference rooms to support video conferencing capabilities
End of Year Status:	In Progress
Task Completed:	Completed the modernization of the Audio Visual Technology in the executive conference room to better facilitate virtual meetings and collaboration.
<b>GOAL 36</b>	
Team Lead:	Danny Jagoda
Goal Description:	Review and monitor IT metrics and consider the need for any additions, deletions, or modifications
End of Year Status:	In Progress
Task Completed:	Completed the annual review of IT metrics.

## APPENDIX A

Department:	Innovation and Information Technology
<b>GOAL 37</b>	
Team Lead:	Brian Celleri
Goal Description:	Upgrade 40% of desktop hardware and operating system (Desktop/Laptop/Monitor/Windows 10) and selective Mac OS deployment based on users' needs.
End of Year Status:	Complete
Task Completed:	Completed the upgrade of LIPA's end-point infrastructure (desktop/laptop/tablets), including moving from Operating System (Windows 7) to Windows 10.
<b>GOAL 38</b>	
Team Lead:	Brian Celleri
Goal Description:	Develop an information technology asset management program for LIPA systems, including updated policies and procedures for inventory management throughout the asset life-cycle.
End of Year Status:	Complete
Task Completed:	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.
<b>GOAL 39</b>	
Team Lead:	Danny Jagoda, Faisal Bhatti
Goal Description:	Create a multi-year roadmap for IT investments for planning and 2021 rate case.
End of Year Status:	Running Behind
Task Completed:	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 Isaias.
<b>GOAL 40</b>	
Team Lead:	Mujib Lodhi
Goal Description:	<p>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.</p> <p>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.</p> <p>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.</p>
End of Year Status:	Running Behind
Task Completed:	This project is running behind because resources had to be diverted to address PSEG Long Island's response to Tropical Storm Isaias. 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.

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Department:	Internal Audit
<b>GOAL 41</b>	
Team Lead:	Kathleen Mitterway
Goal Description:	<p>The objective of the P-Card Robotic Process Automation Project is to:</p> <ul style="list-style-type: none"> <li>• Increase test coverage, by analyzing 100% of the PSEG Long Island P-Card transactions.</li> <li>• Eliminate manual testing and sampling with automated monitoring of processes.</li> <li>• Create a repeatable process which will increase PSEG Long Island</li> <li>• Begin using new data analytic tools, which will be expanded after implementing this first project</li> </ul>
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.

Department:	Legal
<b>GOAL 42</b>	
Team Lead:	Anna Chacko
Goal Description:	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.
End of Year Status:	Complete
Task Completed:	Developed repository for, and oversaw generation of, policies related to all key areas of the business to facilitate knowledge capture and transfer.
<b>GOAL 43</b>	
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.
<b>GOAL 44</b>	
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.



## APPENDIX A

Department:	Legal
<b>GOAL 45</b>	
Team Lead:	Elisa Rodriguez, Jim Miskiewicz, Maria Gomes, Mujib Lodhi
Goal Description:	<p>With IT project management, procure and customize document management system that integrates record retention policy across LIPA.</p> <p>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.</p>
End of Year Status:	In Progress
Task Completed:	Performed needs analysis with LIPA departments to determine requirements for updated document management system. Developed record retention policy.
<b>GOAL 46</b>	
Team Lead:	Anna Chacko
Goal Description:	<p>Oversee analysis by PSEG Long Island of NGRID properties to determine if ownership is more beneficial than current lease arrangements with National Grid.</p> <p>Reduce cost to LIPA, if possible.</p>
End of Year Status:	Running Behind
Task Completed:	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.





## APPENDIX A

Department:	Office of the Controller
<b>GOAL 47</b>	
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.
<b>GOAL 48</b>	
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 ensured 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.
<b>GOAL 49</b>	
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.
Department:	Operations Oversight
<b>GOAL 50</b>	
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.
<b>GOAL 51</b>	
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

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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.
<b>GOAL 52</b>	
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.
<b>GOAL 53</b>	
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 be modified as needed to address legal and regulatory changes.
<b>GOAL 54</b>	
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.
<b>GOAL 55</b>	
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.

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Department:	Operations Oversight
<b>GOAL 56</b>	
Team Lead:	Tom Simpson
Goal Description:	Complete pending power purchase agreements for new utility-scale solar projects.
End of Year Status:	In Progress
Task Completed:	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.
<b>GOAL 57</b>	
Team Lead:	Rick Shansky
Goal Description:	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).
End of Year Status:	Running Behind
Task Completed:	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.
<b>GOAL 58</b>	
Team Lead:	Donald Schaaf
Goal Description:	Assess the efficiency and effectiveness of PSEG Long Island's warehouse and inventory management practices and benchmark them against other utilities.
End of Year Status:	Running Behind
Task Completed:	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.
<b>GOAL 59</b>	
Team Lead:	Donald Schaaf
Goal Description:	Review the scalability of PSEG Long Island's Emergency Response Plan to ensure it addresses severe storms and emergencies.
End of Year Status:	Running Behind
Task Completed:	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.
<b>GOAL 60</b>	
Team Lead:	Mike Simone
Goal Description:	Oversee refinement and implementation of storm hardening proposal and circuit improvement plans for 2020-2024.
End of Year Status:	Running Behind
Task Completed:	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.

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Department:	Operations Oversight
<b>GOAL 61</b>	
Team Lead:	Rick Shansky
Goal Description:	Oversee NOx compliance plan filing to meet DEC requirement for legacy peaking generating units owned by National Grid.
End of Year Status:	Running Behind
Task Completed:	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.

Department:	Public Policy & Regulatory Affairs
<b>GOAL 62</b>	
Team Lead:	Justin Bell
Goal Description:	Oversee implementation of rate modernization roadmap (2020 portion). Ensure PSEG Long Island executes the 2020 portion of the rate roadmap implementation plan to achieve joint rate modernization vision.
End of Year Status:	Completed
Task Completed:	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.
<b>GOAL 63</b>	
Team Lead:	Justin Bell
Goal Description:	Lead the policy advocacy strategic initiative to produce a useful policy advocacy process and plan. Develop and document process. Organize and run Policy Advocacy Steering Committee. Match resources with priorities.
End of Year Status:	Completed
Task Completed:	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.
<b>GOAL 64</b>	
Team Lead:	Justin Bell
Goal Description:	Research experiences in other service territories with "all electric home" incentives (including SMUD's) and consider applicability in LIPA's service territory.
End of Year Status:	Completed
Task Completed:	Researched all electric home initiatives and oversaw PSEG Long Island's development of all electric home rebates, to be launched in 2021.

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Department:	Public Policy & Regulatory Affairs
<b>GOAL 65</b>	
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.
<b>GOAL 66</b>	
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 -->What projects qualify for on-bill financing -->Administration rules -->Reporting rules
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.
<b>GOAL 67</b>	
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.
<b>GOAL 68</b>	
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.
<b>GOAL 69</b>	
Team Lead:	Mark Smith
Goal Description:	Implement process to monitor applicable New York State regulatory and legislative activity and plan for compliance with same.

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<b>Department:</b>	<b>Public Policy &amp; Regulatory Affairs</b>
<b>End of Year Status:</b>	Completed
<b>Task Completed:</b>	Regulatory affairs team including LIPA and PSEG Long Island participants meets regularly to track new and on-going regulatory initiatives at the DPS and to consider and establish LIPA's participation in and responses to those regulatory issues.
<b>GOAL 70</b>	
<b>Team Lead:</b>	Justin Bell
<b>Goal Description:</b>	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.
<b>End of Year Status:</b>	In Progress
<b>Task Completed:</b>	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.
<b>Department:</b>	<b>Senior Advisor for Oversight</b>
<b>GOAL 71</b>	
<b>Team Lead:</b>	Ken Kane
<b>Goal Description:</b>	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.
<b>End of Year Status:</b>	Running Behind
<b>Task Completed:</b>	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.







## 2021 WORK PLAN PROJECTS REPORTS

## APPENDIX B

Department:	Administration Tier 1
<b>GOAL 1</b>	
Description:	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.
Strategic Initiative:	Enterprise Risk Management (ERM)
Shortened Goal Name:	ERM Deep Dive on Top PSEG Long Island Risks
Goal Type:	Team Goal
Objectives:	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.
Deliverables:	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.
Team Lead:	Corey Horowitz
<b>GOAL 2</b>	
Description:	Create a Diversity and Inclusion (D&I) Roadmap that identifies and executes best practices to support a sustainable D&I program
Strategic Initiative:	Diversity & Inclusion
Shortened Goal Name:	Create a Diversity & Inclusion Road Map
Goal Type:	Team Goal
Objectives:	This Roadmap will provide a clear vision of LIPA's 2-3 year plan for designing and executing a best practice D&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.
Deliverables:	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
Team Lead:	Barbara Ann Dillon
<b>GOAL 3</b>	
Description:	As part of LIPA's business strategy, design a two-year learning and development (L&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.
Strategic Initiative:	Staffing & Employment
Shortened Goal Name:	Develop a Multi-Year Training and Development Strategy
Goal Type:	Individual



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Department:	Administration Tier 1
Objectives:	Create a training calendar, identify resources and deliver a 2-year L&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.
Deliverables:	<ul style="list-style-type: none"> <li>• A multi-year enterprise-wide training theme and calendar</li> <li>• Specific training identified, scheduled and delivered using the most effective and efficient means.</li> <li>• Twice a year employee surveys to gather feedback on training and to monitor training needs/ requests.</li> </ul>
Team Lead:	Barbara Ann Dillon
<b>GOAL 4</b>	
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
<b>GOAL 5</b>	
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
<b>GOAL 6</b>	
Description:	Implement a process for appropriate members of LIPA staff to provide feedback up to the Board of Trustees, as requested by the Board.

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<b>Department:</b>	<b>Administration Tier 1</b>
<b>Strategic Initiative:</b>	Governance
<b>Shortened Goal Name:</b>	360-Reviews for LIPA Board
<b>Goal Type:</b>	Team Goal
<b>Objectives:</b>	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.
<b>Deliverables:</b>	An annual review of Board performance conducted by appropriate members of staff and coordinated by the CAO.
<b>Team Lead:</b>	Bobbi O'Connor
<b>GOAL 7</b>	
<b>Description:</b>	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.
<b>Strategic Initiative:</b>	Staffing & Employment
<b>Shortened Goal Name:</b>	Next Level Employee Feedback Project
<b>Goal Type:</b>	Individual
<b>Objectives:</b>	<p>To provide critical and constructive feedback to employees to bring them to next level performance.</p> <p>This project will support management employees by providing training and coaching to:</p> <ol style="list-style-type: none"> <li>1. Set and communicate high expectations regarding staff development and performance (moving from what it is to what it should be);</li> <li>2. Provide candid and effective feedback;</li> <li>3. Solicit and receive candid feedback from staff; and</li> <li>4. Proactively address lingering performance issues.</li> </ol>
<b>Deliverables:</b>	<ol style="list-style-type: none"> <li>1. Provide training on conducting effective performance evaluations (the written evaluation (January) and the performance evaluation meeting (March 15);</li> <li>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);</li> <li>3. Deliver training for department heads and directors on conducting effective staff meetings (April);</li> <li>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.</li> <li>5. Develop quarterly anonymous employee survey for each department: <ul style="list-style-type: none"> <li>- communicate with department employees the value and importance of their feedback</li> <li>- discuss survey results with department heads</li> </ul> </li> </ol>
<b>Team Lead:</b>	Barbara Ann Dillon

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Department:	Administration Tier 1
<b>GOAL 8</b>	
Description:	Carry-over project: Preparing for a post-COVID Workplace
Strategic Initiative:	N/A
Shortened Goal Name:	Re-Imagine LIPA
Goal Type:	Team Goal
Objectives:	To prepare our workplace and our policies to support a post-COVID workforce.
Deliverables:	Post-COVID policies and an office environment to meet the needs of the organization and our workforce
Team Lead:	Barbara Ann Dillon

Department:	External Affairs & Communication Tier 1
<b>GOAL 9</b>	
Description:	Complete the review of LIPA's mission and vision and continue with progress on implementing a brand strategy.
Strategic Initiative:	Governance
Shortened Goal Name:	Carryover: Brand Strategy
Goal Type:	Team Goal
Objectives:	An effective brand strategy can enhance reputation, attract talent, increase employee engagement, and give clarity to LIPA's role on Long Island.
Deliverables:	Brand strategy provides a central, unifying idea around which all behavior, actions, and communications are aligned.
Team Lead:	Jennifer Hayen
<b>GOAL 10</b>	
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

## APPENDIX B

Department:	Finance Tier 1
<b>GOAL 11</b>	
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
<b>GOAL 12</b>	
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
<b>GOAL 13</b>	
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

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Department:	Finance Tier 1
<b>GOAL 14</b>	
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
Department:	Finance
Goal Type:	Team Goal
Objectives:	<ul style="list-style-type: none"> <li>- Strengthen PSEG Long Island budget planning process to ensure accurate budgets, improved planning, and more informative variance explanations.</li> <li>- Develop a unified, stable, flexible and transparent platform for budget development, financial planning, and monitoring.</li> <li>- System to be managed by LIPA and PSEG Long Island</li> <li>- System should provide for forecasting and what-if scenarios</li> <li>- System with built-in controls to reduce human error</li> <li>- Expandable to incorporate both published budget templates as well as drill down to supporting calculations and worksheets</li> <li>- Supports reporting of project balance sheet, capital structure, and associated ratios: Debt-to-asset ratio, 2.5% Delivery Revenue Test, Project Cost Variances</li> </ul>
Deliverables:	<ol style="list-style-type: none"> <li>1. Recommendations on PSEG Long Island budget process</li> <li>2. New budget development system</li> <li>3. New platform for long-term modeling</li> </ol>
Team Lead:	Gerry Ring
<b>GOAL 15</b>	
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
Goal Type:	Individual
Objectives:	Enhancement of the Treasury department operations and deliverables through improvements in strategy and operations.
Deliverables:	<ol style="list-style-type: none"> <li>1. Execute the plan to improve business processes</li> <li>2. Execute the plan to update policies/procedures where appropriate</li> <li>3. Execute the plan for Finance Long Term</li> <li>4. Execute the plan to improve Investor Relations</li> <li>5. Execute the plan to Integrate Finance in ERM framework</li> <li>6. Execute the plan to develop and implement Data Analytics</li> </ol>
Lead:	Tamela Monroe

## APPENDIX B

Department:	Finance Tier 1
<b>GOAL 16</b>	
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
Shortened Goal Name:	LIBOR benchmark transition
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
<b>GOAL 17</b>	
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
Shortened Goal Name:	Develop and execute CCA/ESCO strategy
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

## APPENDIX B

Department:	Innovation and Information Technology Tier 1
<b>GOAL 18</b>	
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
<b>GOAL 19</b>	
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
<b>GOAL 20</b>	
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
<b>GOAL 21</b>	
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

## APPENDIX B

<b>Department:</b>	<b>Innovation and Information Technology Tier 1</b>
<b>Goal Type:</b>	Team Goal
<b>Objectives:</b>	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.
<b>Deliverables:</b>	Phase II completion
<b>Team Lead:</b>	Donna Mongiardo, Mujib Lodhi
<b>GOAL 22</b>	
<b>Description:</b>	Complete strategic roadmap development for Phase I projects for data analytics and begin implementation.
<b>Strategic Initiative:</b>	N/A
<b>Shortened Goal Name:</b>	Enhance Data Access & Analytics
<b>Goal Type:</b>	Individual
<b>Objectives:</b>	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).
<b>Deliverables:</b>	Roadmap for data analytics
<b>Team Lead:</b>	Mujib Lodhi
<b>GOAL 23</b>	
<b>Description:</b>	Comprehensive review of PSEG Long Island storm performance
<b>Strategic Initiative:</b>	Customer First
<b>Shortened Goal Name:</b>	Isaias Task Force
<b>Goal Type:</b>	Team Goal
<b>Objectives:</b>	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.
<b>Deliverables:</b>	30, 90 and 270-Day Reports
<b>Team Lead:</b>	Mujib Lodhi, Rick Shansky



## APPENDIX B

Department:	Internal Audit Tier 1
<b>GOAL 24</b>	
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
<b>GOAL 25</b>	
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
<b>GOAL 26</b>	
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:	<p>The objective of the P-Card Robotic Process Automation Project is to:</p> <ul style="list-style-type: none"> <li>• Increase test coverage, by analyzing 100% of the PSEG Long Island P-Card transactions.</li> <li>• Eliminate manual testing and sampling with automated monitoring of processes.</li> <li>• Create a repeatable process which will increase PSEG Long Island</li> <li>• Begin using new data analytic tools, which will be expanded after implementing this first project</li> </ul>
Deliverables:	A repeatable process to analyze 100% of the P-Card transactions monthly and a Results Storyboard (visualization of results).
Team Lead:	Kathleen Mitterway

## APPENDIX B

Department:	Legal Tier 1
<b>GOAL 27</b>	
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

Department:	Operations Oversight Tier 1
<b>GOAL 28</b>	
Description:	Oversee update of the 20-year Integrated Resource Plan.
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: <ul style="list-style-type: none"> <li>• Meeting the clean energy requirements of the Climate Leadership and Community Protection Act (CLCPA), and</li> <li>• NYS Reliability Council and NYISO reliability planning criteria.</li> </ul>
Deliverables:	2021 Integrated Resource Plan
Team Lead:	Tom Simpson

<b>GOAL 29</b>	
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

## APPENDIX B

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

## APPENDIX B

Department:	Senior Advisor for Oversight Tier 1
<b>GOAL 33</b>	
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
<b>GOAL 34</b>	
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
<b>GOAL 35</b>	
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

## APPENDIX B

Department:	Administration Tier 2
<b>GOAL 36</b>	
Description:	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.
Strategic Initiative:	ERM
Shortened Goal Name:	Develop a Risk Correlation Matrix
Goal Type:	Team Goal
Objectives:	Identify common drivers and triggers for risks, increase communication and awareness between SMEs for inter-related risks, and help to better inform resource allocations.
Deliverables:	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.
Team Lead:	Jessica Dehnert
<b>GOAL 37</b>	
Description:	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.
Strategic Initiative:	Clean
Shortened Goal Name:	Implement Climate Financial Disclosure Best Practices
Goal Type:	Team Goal
Objectives:	<ul style="list-style-type: none"> <li>• Review State climate financial disclosure recommendations</li> <li>• Review industry best practices</li> <li>• Implement State recommendations, as modified if needed by industry best practices or LIPA-specific considerations</li> <li>• Test new process in 2021</li> </ul>
Deliverables:	<ul style="list-style-type: none"> <li>• Summary of State recommendations and best practices</li> <li>• (If State recommendations adopted) Complete CDP (Carbon Disclosure Project) questionnaire in 2021</li> </ul>
Team Lead:	Bobbi O'Connor

Department:	External Affairs & Communication Tier 2
<b>GOAL 38</b>	
Description:	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.
Strategic Initiative:	N/A
Shortened Goal Name:	LIPANet 2.0
Goal Type:	Team Goal
Objectives:	Our goal is to have LIPANet be a collection of knowledge designed to connect teams across locations and departments.

## APPENDIX B

<b>Department:</b>	<b>External Affairs &amp; Communication Tier 2</b>
<b>Deliverables:</b>	Ensure intranet design is engaging and there is a plan for content to be up-to-date, accurate, vetted, and detailed.
<b>Team Lead:</b>	Jen Hayen
<b>GOAL 39</b>	
<b>Description:</b>	Continue with work of 2020 history project to create a visual timeline in office, as well as page on lipower.org.
<b>Strategic Initiative:</b>	N/A
<b>Shortened Goal Name:</b>	Carryover: History of LIPA
<b>Goal Type:</b>	Individual
<b>Objectives:</b>	Create a history of LIPA for website and employees.
<b>Deliverables:</b>	Provide an education tool for employees, customers, and stakeholders to understand our past and goals as we look towards the future.
<b>Team Lead:</b>	Jen Hayen
<b>GOAL 40</b>	
<b>Description:</b>	Complete an undergrounding project with an interested municipality (party) using the tariff.
<b>Strategic Initiative:</b>	Customer First
<b>Shortened Goal Name:</b>	Completion of Undergrounding Project
<b>Goal Type:</b>	Team Goal
<b>Objectives:</b>	Identify an interested municipality (party) and utilize the relatively new undergrounding tariff to complete an undergrounding project.
<b>Deliverables:</b>	Work with a local municipality (party) to identify, develop, construct, and finance an undergrounding project using LIPA's tariff for financing.
<b>Team Lead:</b>	Michael Deering
<b>GOAL 41</b>	
<b>Description:</b>	Develop educational and informational materials and opportunities to maximize exposure to, and value provided by, JBENC.
<b>Strategic Initiative:</b>	Customer First
<b>Shortened Goal Name:</b>	Develop Educational Programs for JBENC
<b>Goal Type:</b>	Individual
<b>Objectives:</b>	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.
<b>Deliverables:</b>	Educational programs for various constituencies (including businesses; consumers; colleges, vocational and trade schools). Up-to-date JBENC website.
<b>Team Lead:</b>	Michael Deering

## APPENDIX B

Department:	Finance Tier 2
<b>GOAL 42</b>	
Description:	Develop guidelines for when and how green bonds or sustainability bonds should be incorporated into LIPA's processes for planning and issuing bonds.
Strategic Initiative:	Clean
Shortened Goal Name:	Develop green bond guidelines
Goal Type:	Individual
Objectives:	Incorporate green bonding into regular LIPA financing processes to the extent reasonable, following State recommendations.
Deliverables:	New guideline or process document. Sell green bonds as part of 2021 new money bond sale.
Team Lead:	Chris DiGilio
<b>GOAL 43</b>	
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
<b>GOAL 44</b>	
Description:	Carryover: Obtain approval of a prepay transaction from AG/OSC and execute transaction.
Strategic Initiative:	Lean
Shortened Goal Name:	Prepay transaction
Goal Type:	Team Goal
Objectives:	Obtain approval of transaction from AG/OSC and execute transaction.
Deliverables:	Completion of a prepay transaction.
Team Lead:	Chris Digilio

## APPENDIX B

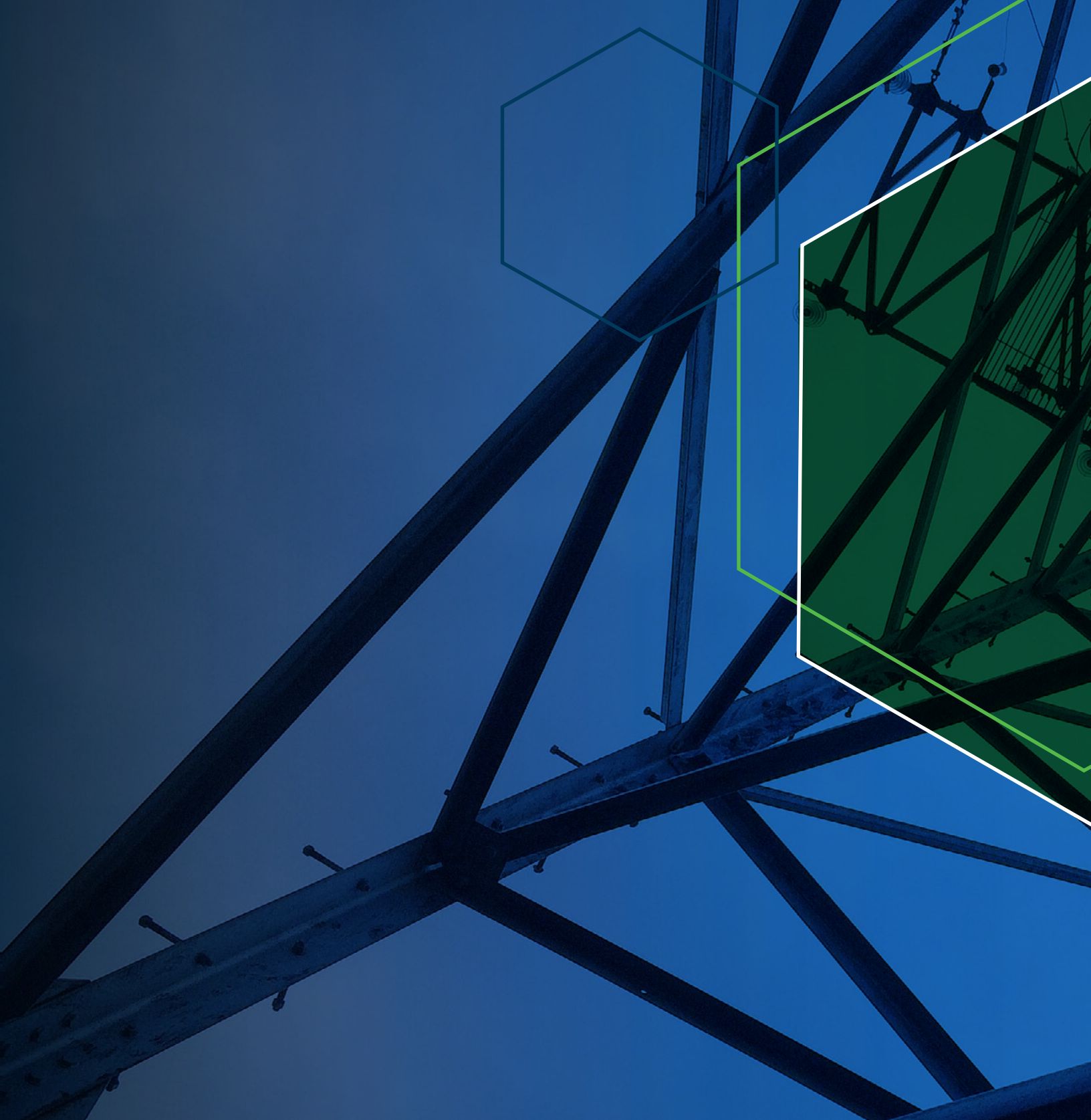
Department:	Legal Tier 2
<b>GOAL 45</b>	
Description:	Carryover Goal from 2020: Develop comprehensive long-range plan for LIPA facilities including operational sites.
Strategic Initiative:	Lean
Shortened Goal Name:	Management of LIPA Properties and Facilities
Goal Type:	Team Goal
Objectives:	Comprehensive long-range plan for LIPA facilities including operational sites
Deliverables:	<ul style="list-style-type: none"> <li>• Continue to meet with PSEG Long Island to obtain resources to develop long range plan</li> <li>• Continue to meet with National Grid to facilitate separation of colocated sites</li> </ul>
Team Lead:	Mujib Lodhi
<b>GOAL 46</b>	
Description:	Carryover Goal from 2020: Work with DoIT to deploy an enterprise document and records management system that integrates record retention policies across LIPA.
Strategic Initiative:	N/A
Shortened Goal Name:	Enterprise Document and Records Management System
Goal Type:	Team Goal
Objectives:	Simplify and automate LIPA's management, retention and disposition of records in compliance with NYS and federal requirements.
Deliverables:	Integrate software with retention regulations and train Staff and implement enterprise-wide
Team Lead:	Jim Miskiewicz, Mujib Lodhi
Department:	Operations Oversight Tier 2
<b>GOAL 47</b>	
Description:	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 PSEGLI, DPS and LIPA. Establish procedure for measuring customer/contractor satisfaction for this process.
Strategic Initiative:	Clean
Shortened Goal Name:	Improve PSEGLI Interconnection process for Distributed Resources
Goal Type:	Team Goal
Objectives:	Align with the CLCPA by facilitating DER readiness as a leader in interconnection processing and policy.
Deliverables:	Utility benchmark study Proposed revisions to SGIP Customer satisfaction measurement procedure Case Escalation process/Ombudsman
Team Lead:	Pete Mladinich



## APPENDIX B

Department:	Operations Oversight Tier 2
<b>GOAL 48</b>	
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

Department:	Legal Tier 3
<b>GOAL 49</b>	
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:	<ol style="list-style-type: none"> <li>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.</li> <li>2. DoIT to meet with vendor to determine license with Caseworks, based on prior research with this and other potential vendor.</li> <li>3. Rates and Legal to coordinate with DoIT in meeting with vendor, understanding capabilities of platform and for sharing access with PSEG Long Island.</li> <li>4. Purchase platform install and implement, with training for all users.</li> </ol>
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](#)



# **BOARD POLICY ON CONSTRUCTION OF T&D PROJECTS**

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September 28, 2022

# BOARD POLICY ON CONSTRUCTION OF T&D PROJECTS

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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.

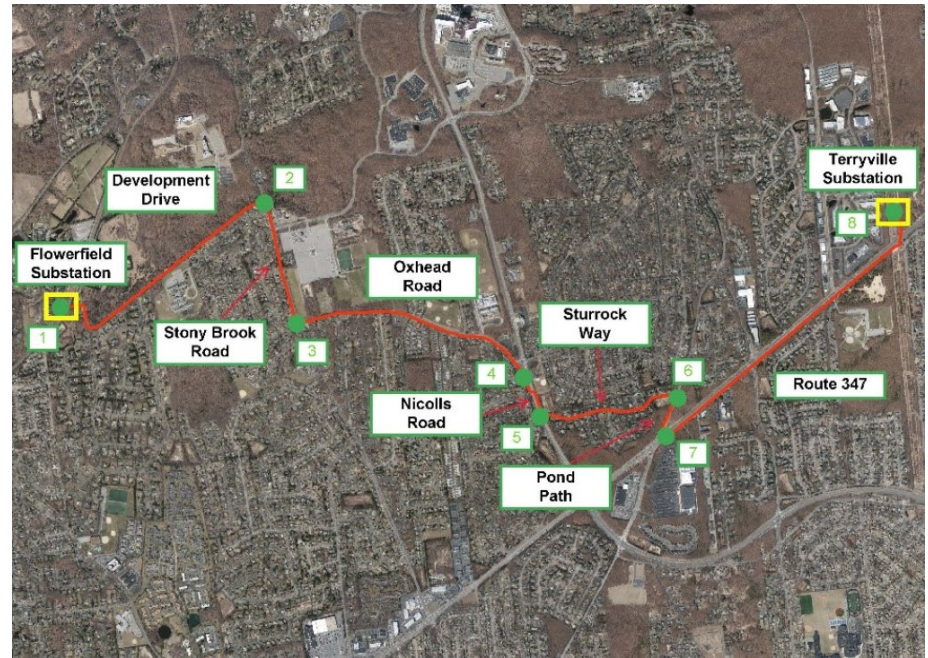
- Utilizes an existing Right of Way
- The cost of the proposed underground project (under existing overhead transmission) is estimated to be \$45.5 million, while the cost of an overhead alternative is estimated to be \$56.1 million
- Underground Justification provided in May 2022
- *The environmental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

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- 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

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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**

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**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



# Enterprise Risk Management Discussion

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September 28, 2022



# Topics for Discussion

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2022 Risk Summary



Supply Chain Disruption Deep Dive

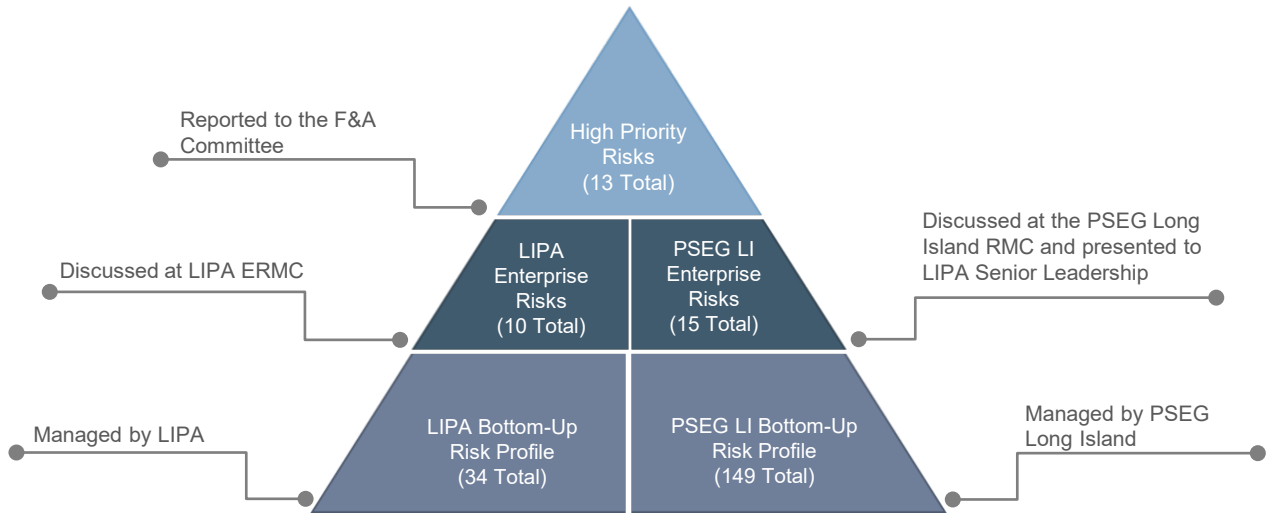


ERM Program Progress and Recommendations


# 2022 Summary of Risks & Criteria

**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 and approved by 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



# 2022 High-Priority Risk for Discussion– Supply Chain Disruption

Risk	Trend	Risk Mitigation	Metrics & PIPs
<p><b>Supply Chain Disruptions</b> - Increased industry demand combined with limited manufacturing capacity results in unprecedented material delivery lead times, which could lead to project delays and/or stock outs</p> <p><i>Managed by - PSEG Long Island</i></p>		<ul style="list-style-type: none"> <li>• Reduced reliance on single source supply for critical inventory and identified rental suppliers with limited capacity to supply critical three phase pad mount transformers as an emergency contingency</li> <li>• Reduced turnaround time of internally reconditioned distribution pole top and three phase pad mount transformers</li> <li>• Increased inventory on hand by outsourcing a portion of transformer repair work to third-party suppliers</li> <li>• Authorization of alternative equipment/modification of equipment specifications has resulted in increased production flexibility and additional suppliers</li> </ul>	<p><b>2022 Metrics:</b></p> <ul style="list-style-type: none"> <li>• T&amp;D-35 Construction - Project Milestones Achieved</li> </ul> <p><b>PIPs:</b></p> <ul style="list-style-type: none"> <li>• IMR-18 (IM7) - Inventory Policies do not formally incorporate the Concept of Safety stock</li> <li>• IMR-20 (IM9) - Inventory Policies do not incorporate Storm Clauses</li> </ul>

# Supply Chain Disruptions – Current Outlook

- Labor shortages stemming from COVID-19 continue to ripple through supply chains contributing to material shortages and an inability for suppliers to meet increasing demands
- Lockdowns in China and port closings have created a logistics capacity shortage and rise in shipping costs
- The conflict in Eastern Europe has created volatility in commodity prices for metals & fuel
- Increased inflation has exacerbated price impacts related to key commodities

# Supply Chain Disruptions Impacting PSEG Long Island – Distribution Transformers

## Market disruptions

- Beginning in Q4 '21, lead times began increasing dramatically due to labor shortages from COVID-19 and raw material availability
  - Pole-top units typically available in 10-12 weeks increased to 52 weeks+\*
  - Pad-mounts typically available in 10-12 weeks increased to 80 weeks+\*

## Impact

- Manufacturers moved from a commodity-based process to allocating production slots for customers with long term agreements
  - PSEGLI historically relied on a small supply base and existing contracts were expiring at the end of '21. Certain suppliers communicated an inability to fulfill existing orders, or significantly extended lead times

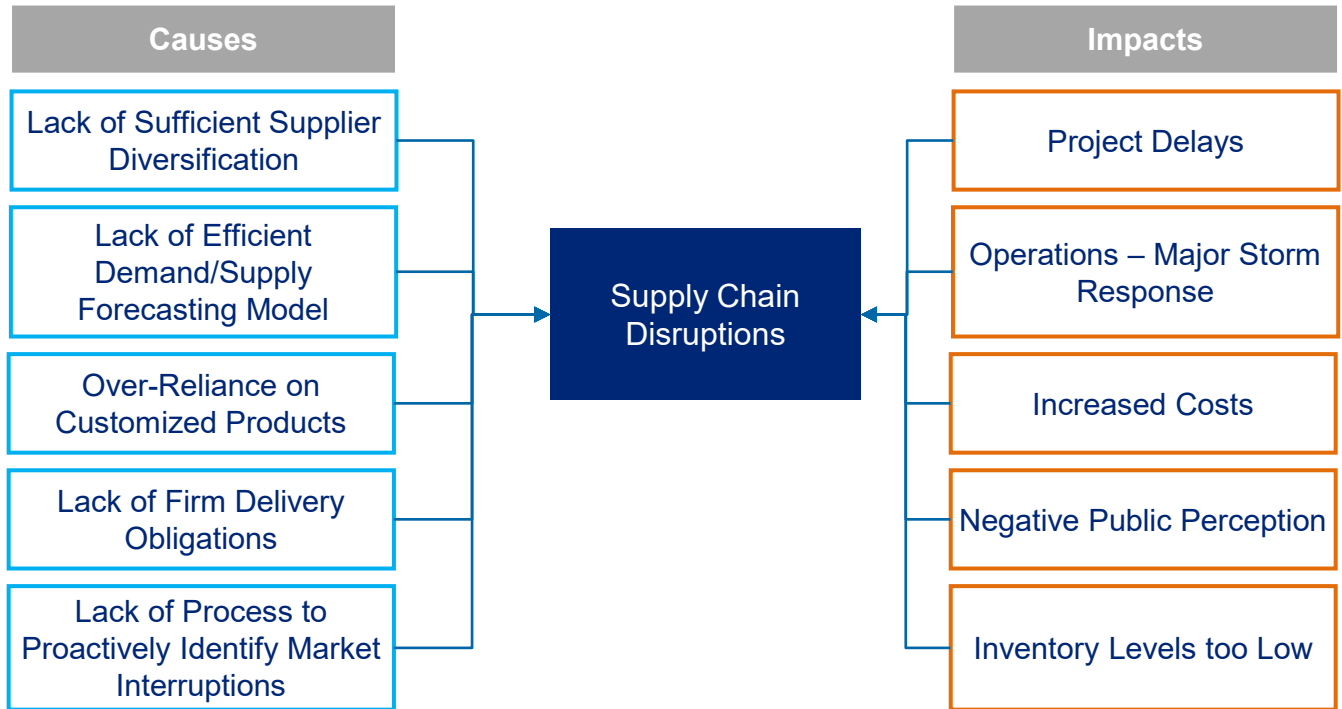
## Mitigating actions

- Efforts to diversify the supply base began immediately
- Secure contractual delivery commitments and leverage supplier relationships
- Review and approval of alternate specifications to expedite production

## Current status

- Existing storm stock and operating inventory supply position is adequate but being closely monitored and managed

# Supply Chain Disruptions – Bow-tie Analysis



# Supply Chain Disruptions – Mitigation

## Short Term Risk Mitigation Actions – Distribution Transformers

Need	Action
Supplier Diversification	<ul style="list-style-type: none"> <li>Streamline supplier qualification/onboarding process (complete)</li> <li>Identification of alternate suppliers (in process)</li> <li>Approval of additional international suppliers to supplement domestic supply (in process)</li> </ul>
Supplier Inability to Fulfill Orders	<ul style="list-style-type: none"> <li>Leverage future business with key suppliers to expedite production of transformers for Summer 2022 delivery (complete)</li> </ul>
Ability to use Alternate/Substitute Products	<ul style="list-style-type: none"> <li>Evaluation and approval of amorphous core transformers (complete)</li> <li>Evaluation of laminated wood poles and use of Class 3 poles for single phase and two-phase branch line work (complete)</li> </ul>
Use of Refurbishments	<ul style="list-style-type: none"> <li>Qualification of three new transformer refurbishment vendors (complete)</li> <li>Acceleration of refurbishment program and use of non-PSEGLI refurbished units (complete)</li> </ul>
Additional Outreach – Government and Peers	<ul style="list-style-type: none"> <li>Increase collaboration with peer utilities through direct outreach to learn and apply best practices and sourcing strategies, i.e., New York Material Sharing Group (NYMSG) (complete)</li> </ul>

## Longer Term Strategies for Improvement

**Improve predictive modeling** – Identify lack of supplier diversification, strength of contract commitments, and potential or known market risks, develop a heat map to prioritize risk level and action critical categories of materials, and create comprehensive category plans to get ahead of potential disruptions, assure supply and mitigate price increases

**Demand Supply Forecasting** – Modernize materials management process, including enhanced forecasting, and demand modeling and dashboard reporting, including supplier delivery accuracy. Centralize the operational material planning function to manage inventory and develop new processes for multi-year material demand planning integrated with procurement strategies

**Process Improvements** – Develop a Procurement Playbook, Contract Modernization, Procurement Organization Transformation

# ERM Board Policy Compliance

- Completed the biannual assessment of the ERM Program via the Gartner Maturity Model; the maturity level has remained the same
- Improvements to the program were noted in the risk assessment process and increasing risk management skills across the organization
- Areas of improvement have been identified and a roadmap is being developed
- 2022 PSEG LI ERM Metrics are on track, the two metrics are:
  - Improvements to the Annual Report – report was provided in June and included notable improvements in the level of detail provided for mitigation actions and key insights; an update to the report will be provided in December
  - Development of Key Risk Indicators for five high-priority risks – work is underway and will be complete by December



## **FOR CONSIDERATION**

September 28, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report on the Board's Policy on Enterprise Risk Management

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### **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 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 ERM Committee 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 ERM Committee 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 ERM Committee 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 3<sup>rd</sup> 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.

### **Attachments**

### **Exhibit “A”** Resolution

**RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON ENTERPRISE RISK MANAGEMENT**

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**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 Board hereby finds that LIPA has complied with the Policy for the period since the last annual review and approves the annual report on the Policy.

Dated: September 28, 2022



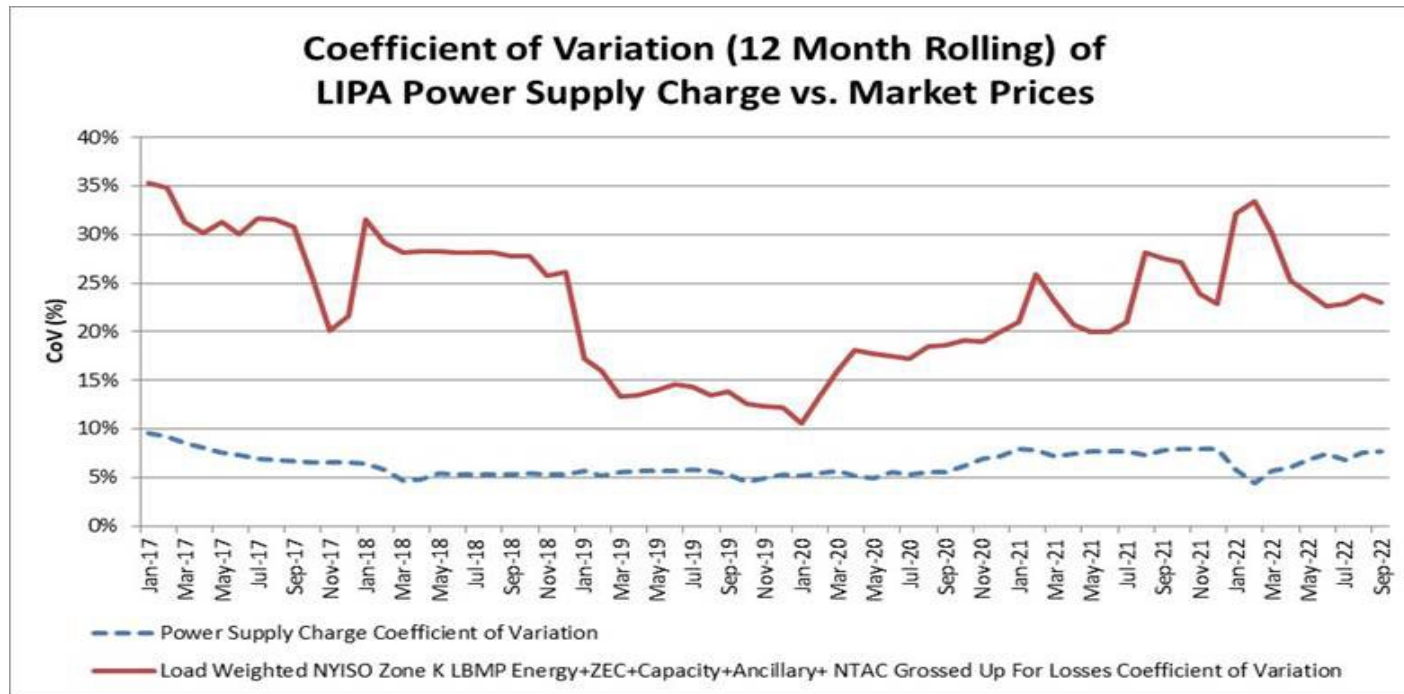
# **POWER SUPPLY HEDGING PROGRAM POLICY ANNUAL COMPLIANCE REPORT**

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November 16, 2022

# MEETING THE BOARD POLICY OBJECTIVE

**Objective:** Mitigate a portion of Power Supply Charge (PSC) volatility



Hedging activity has resulted in PSC volatility through September 2022 at 8%, while wholesale spot market volatility is nearly 3x that at 23%

# GOVERNANCE OF POWER SUPPLY HEDGING

## **Governance of the Power Supply Hedging Program**

### ***Power Supply Risk Management Committee (PRMC)***

#### ***Must have at least 3 members, 2 from Senior Staff***

- ✓ 6 LIPA Staff sit on the PRMC, chaired by the Interim CFO and comprised of 2 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

# KEY PROVISIONS OF THE POWER SUPPLY HEDGING PROGRAM POLICY

## Maximum net hedge level: 90% of projected fuel and power needs

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

	Balance of 2022	Calendar 2023	Calendar 2024	Calendar 2025
Hedge Level	69%	56%	45%	35%

*As of: Oct. 31, 2022*

## Maximum hedge term: 72 months

- ✓ PRMC approved hedge term is 48 months in LIPA Hedge Plan, currently hedges extend out 37 months to December 2025 and in January 2023 hedges will extend out 47 months to December 2026

## 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



A low-angle, upward-looking shot of a complex metal lattice tower, likely a power transmission tower, set against a clear blue sky. The perspective creates a sense of height and scale, with the tower's structure filling most of the frame. The image has a blue color overlay.

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**QUESTIONS?**

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## **FOR CONSIDERATION**

November 16, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report on the Board's Policy on the Power Supply Hedging Program

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### **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 Committee, 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."

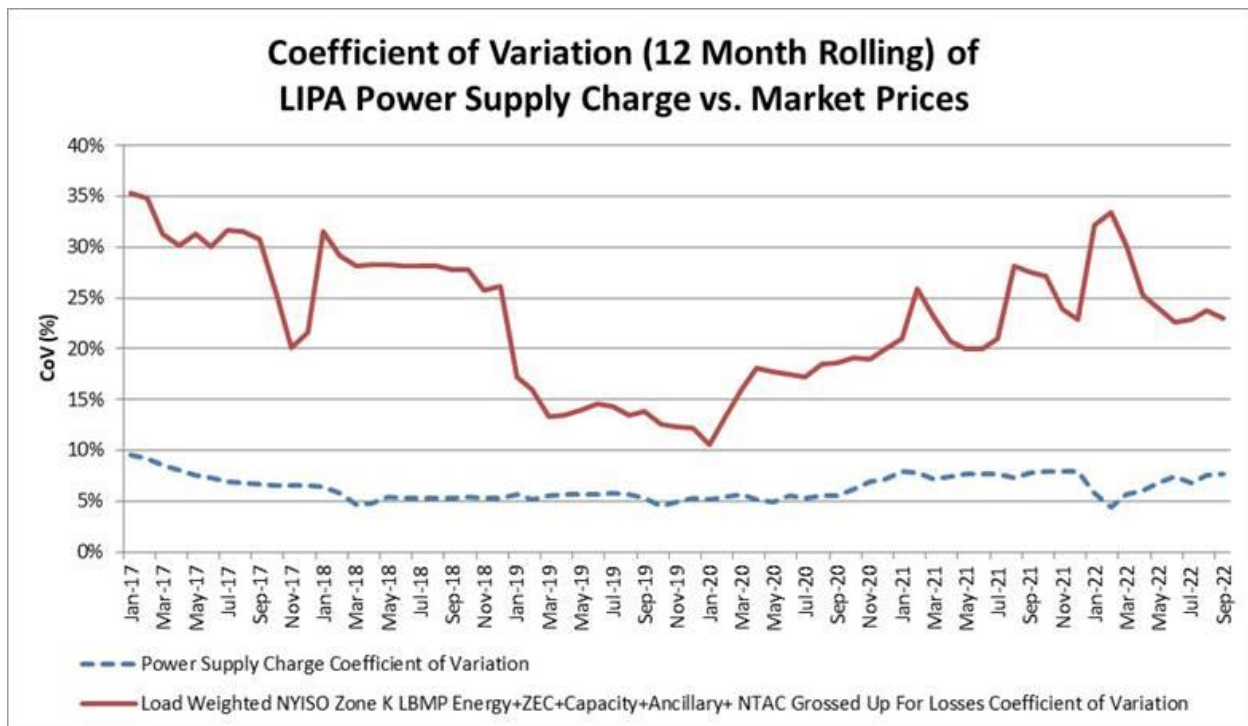
### **Compliance with the Policy**

LIPA Staff recommends that, for the reasons set forth 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 hedged to create reasonable and stable rates. In general, actively

hedging these cost components has proven to reduce the Power Supply Charge (“PSC”) volatility for LIPA’s customers compared to purchasing power and fuel in the open market. As part of its biannual Hedge Program update, on November 16, 2022, Mr. Steven Oster from PSEG ER&T will present 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 indicates that the LIPA’s PSC volatility through September 2022 is approximately 8%, while market price volatility is nearly three times that amount at 23%.



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 November 1, 2022, 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.
- 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 requirements, 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 with the PRMC-approved LIPA Hedge Plan, which is part of the LIPA Policies, Controls and Procedures Manual for Power Supply Hedging Program (“Manual”).

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.

<b>Report</b>	<b>Distribution</b>	<b>Normal Frequency</b>	<b>Originator</b>
Trading Activity Summary	PRMC Traders	Daily Weekly	Front Office Middle Office
Position Report	PRMC Traders	Weekly	Middle Office
Credit Risk Exposure Reports	PRMC Traders	Weekly	Middle Office
PRMC Meeting Minutes	PRMC	As Meetings are Held	PRMC Designated Secretary
Benchmarking	PRMC	Quarterly	Independent third-party hedge advisor
Power Supply Hedging Program	Board Finance & Audit Committee	Bi-annually	PSEG ER&T

Annual Compliance Report	Board Finance & Audit Committee	Annually	CEO or Designee
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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, 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**

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**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 (the “Committee”) of the Board of Trustees (the “Board”) 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 approves the annual report on the Policy and finds that LIPA has complied with the Policy for the period since the last annual review.

Dated: November 16, 2022



# BOARD POLICY ON TAXES AND PILOTS

May 18, 2022



# BOARD POLICY ON TAXES AND PILOTS

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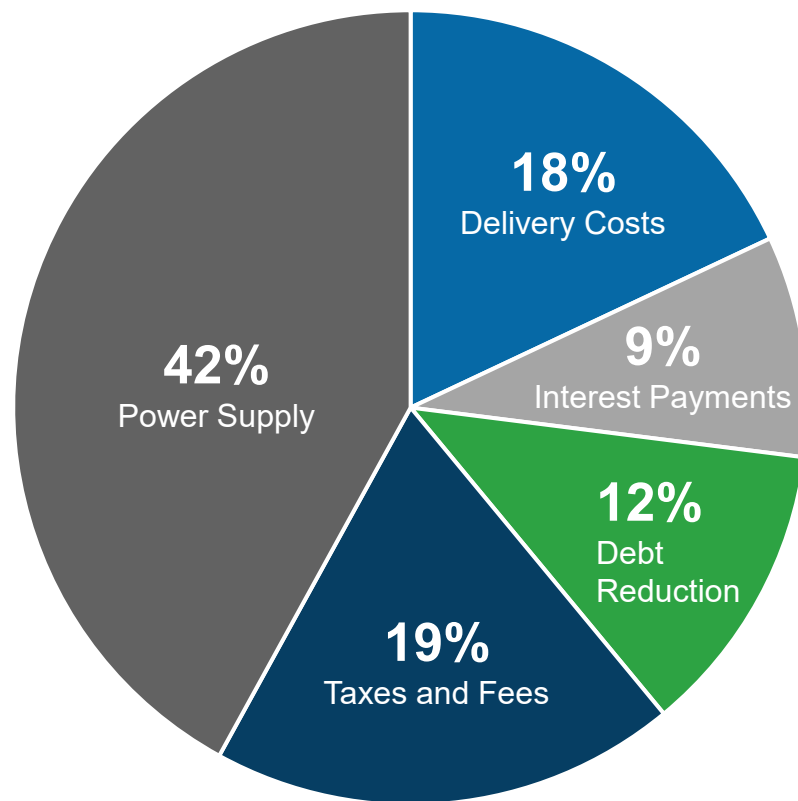
- Pay only such taxes, payments in-lieu-of taxes (PILOTs), assessments, and fees as are required by law or by agreement to reduce excessive cost for customers;
- LIPA to avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization 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.

*All Board Policies can be found [here](#).*

# YEARLY COST TO CUSTOMERS

Taxes were **LIPA's second-largest expense** at \$702 million in 2021, or approximately 19 percent of customer bills – 3x the national average and 2x the New York State average, 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

# WORKING TOWARDS A FAIR COMPROMISE

- Four legacy steam power plants (Port Jefferson, Northport, E.F. Barrett, and Glenwood Landing) were once the workhorses of the Long Island electric grid but use dated technology and run less and less each year.
- The plants will retire as New York transitions to an entirely fossil-free electric grid.
- LIPA has worked for over a decade to obtain fair assessments on the plants.

*Northport Generating Station*



# 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



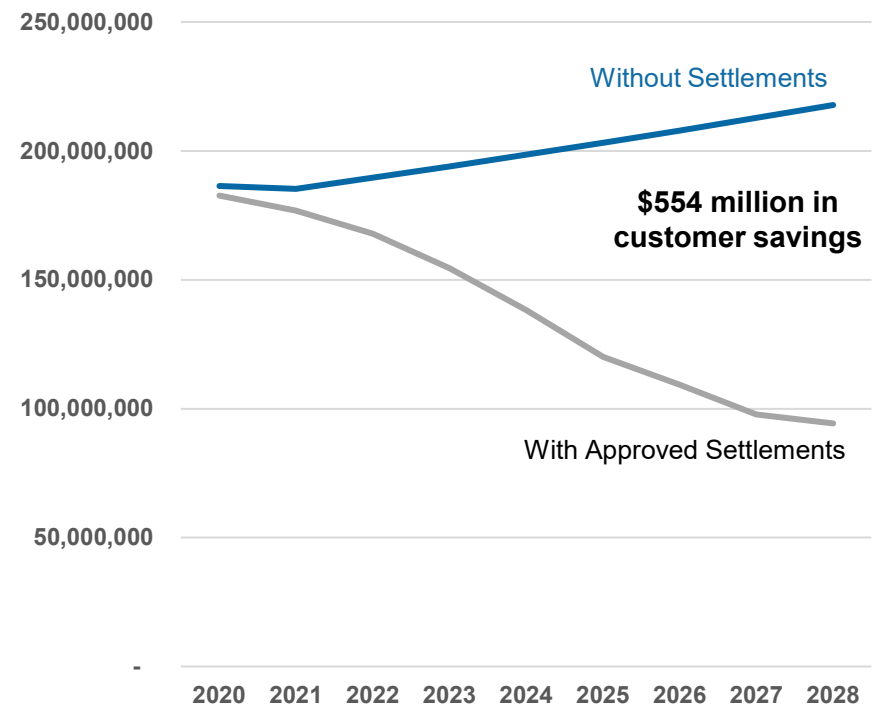
April 2022

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

# REACHING A FAIR COMPROMISE: SETTLEMENTS

- ✓ Two settlements have been approved for the Northport and Port Jefferson power plants.
- ✓ The Nassau County settlement has been approved by the county legislature for the E.F. Barrett and Glenwood Landing power plants.
- ✓ As part of the settlements, LIPA waived over \$1 billion in tax refund liabilities potentially 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.

**Customer Savings from Settlements**



# ADDITIONAL ACTIVITIES

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In 2022, LIPA will:

- Effectuate the settlement with Nassau County for the Glenwood Landing and E.F. Barrett power plants.
- 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.

## **FOR CONSIDERATION**

May 18, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

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

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### **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 PILOTs<sup>1</sup> (the “Policy”); and (ii) approving the annual report for the Policy.

### **Background**

The Board originally adopted the Policy in September 2016, and the last annual review of the Policy was adopted by the Board in May 2021.

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 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

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<sup>1</sup> The term “PILOT” is the abbreviation for Payment In Lieu of Taxes.

\$225 million, plus interest. LIPA has now revised its agreements with the Village of Port Jefferson and the Town of Brookhaven, consistent with the agreement reached for the Northport Power Station, as discussed below.

- 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 by 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 make a total of \$3 million and \$14.5 million in payments 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.
- In February 2022, LIPA entered into a settlement agreement with Nassau County for the E.F. Barrett and Glenwood Landing generating stations to gradually reduce taxes on those plants by 47% through 2027. That settlement was approved by the Nassau County Legislature on April 25, 2022. If the taxing jurisdictions fulfill the terms of the settlement, LIPA will waive a refund for back tax years estimated at over \$700 million, plus interest. In addition, LIPA has proposed settlements with the Island Park and Northshore school districts in exchange for their discontinuing appeals of the court's ruling that LIPA is entitled to challenge its tax assessments.
- 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 Suffolk County jurisdictions. On April 1, 2021, a court in Suffolk County 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. In October, 2021, a judgment was entered for the 2014/15 through 2020/21 tax years. LIPA has appealed that judgment. In addition, LIPA filed petitions to the towns in Suffolk County to mark LIPA's properties as exempt. Certain towns have marked the properties exempt, but have not issued bills that conform to the 2% cap on LIPA PILOT increases. Other towns have not acted on LIPA's petitions. LIPA does not believe that this litigation will have a material adverse impact on its business.
- As previously reported to the Board, LIPA has undertaken a review of substations across the service territory. The review found several substations that were assessed in excess of their value. Accordingly, LIPA began filing challenges on several over-assessed substations, and it will continue to monitor and challenge, where appropriate, 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 Staff regularly meets with media, stakeholders, and local leaders to discuss the impact of taxes on energy bills.
- LIPA Staff also provides a quarterly update to LIPA’s Community Advisory Board that includes a standing item on tax reduction efforts across the service territory.

### **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**

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**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 in May 2021; and

**WHEREAS**, the Finance and Audit Committee has recommended approval of the annual report to the Board; 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 18, 2022

## **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

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### **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 turn-over 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**

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**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**

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### **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 CEO<sup>1</sup>;
- With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA's By-laws<sup>2</sup>.

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;

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<sup>1</sup> 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.

<sup>2</sup> 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 ~~Handbook~~Policies that ~~provides~~provide guidance to employees regarding their rights, benefits, and responsibilities and that ~~address:~~addresses:
    - 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**

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### **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<sup>1</sup>;
- With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA's By-laws<sup>2</sup>.

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;

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<sup>1</sup> 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.

<sup>2</sup> 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.

## **FOR CONSIDERATION**

September 28, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

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

---

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 Public Policy Transmission Planning (“the Policy”); and (ii) finding that LIPA has complied with the Policy, which resolution is attached as **Exhibit “A.”**

### **Background**

The Board originally approved the Policy on Public Policy Transmission Planning in May 2018. The Policy was last amended on June 24, 2020. LIPA Staff has reviewed the Policy for this year’s annual review and recommends no changes at this time.

In August 2020, the New York Independent System Operator (“NYISO”) issued its 2020-2021 solicitation for proposed transmission needs that might be driven by Public Policy Requirements.<sup>1</sup> 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.<sup>2</sup>

By letter dated February 3, 2021, LIPA recommended to the New York Public Service Commission (“PSC”) that a need existed for at least one new bulk transmission intertie between the LIPA and Con Edison systems to enable export of offshore wind generation to the rest of New York State, in support of the Off-Shore Wind Standard (“OSW”) articulated in the Climate Leadership and Community Protection Act (“CLCPA”).

In March 2021, the PSC designated one or more Long Island ties to New York City or Westchester County as a PPTN pursuant to the CLCPA (“the March 2021 Order”).<sup>3</sup>

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Case 20-E-0497 - In the Matter of New York Independent System Operator, Inc.'s Proposed Public Policy Transmission Needs for Consideration for 2020 Transmission Planning Cycle, *Order Addressing Public Policy Requirements for Transmission Planning Purposes* (issued March 19, 2021) (March 2021 Order).

Subsequently, NYISO commenced a solicitation for proposals to fulfill the Long Island Offshore Wind Export PPTN (“LI PPTN”).

In the March 2021 Order, the PSC directed the NYISO to allocate 75% of the costs of Long Island ties to congestion beneficiaries and to share 25% of costs statewide. In April 2021, LIPA and Con Edison/O&R submitted petitions 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.

### **Recent Developments**

In October 2021, NYISO received 19 proposals from four sets of proposers addressing the LI PPTN and began to evaluate the viability and sufficiency of these projects, in accordance with the NYISO tariff. PSEG Long Island also began to consult with NYISO with respect to interconnection of the proposed projects.

In March 2022, NYISO determined that 17 of the 19 proposals were viable and sufficient, i.e., they met the technical requirements of the LI PPTN and had no evident inability to be permitted or constructed. Any cost, design, or operability issues would be reviewed by NYISO in the pending Evaluation and Selection phase of their process.

In May 2022, the PSC issued an order on rehearing, agreeing with LIPA and the other petitioners that the costs of the LI PPTN should be shared on a statewide load ratio basis.<sup>4</sup> This decision saved Long Island customers from an unwarranted cost shift of millions of dollars per year.

As of July 2022, the NYISO began the Evaluation and Selection phase of their process assessing the proposals submitted. In determining which of the eligible Public Policy Transmission Projects is the more efficient or cost-effective solution to satisfy the PPTN, the NYISO will consider the Public Policy Transmission Project’s total performance under all the selection metrics in making its determination.<sup>5</sup> These metrics include the expandability, operability and performance of the solution, availability of property rights, schedule for project completion, and potential issues associated with delay<sup>6</sup>. Accordingly, LIPA as Connecting Transmission Owner, pursuant to Attachment P of the NYISO Open Access Transmission Tariff (OATT), continues to work with NYISO to identify constructability, risk, and operability issues, as well as issues of poor system design. NYISO has reported it expects to complete its evaluation process by January 2023.

In light of the ongoing LI PPTN process, NYISO postponed the start of its 2022-23 public policy transmission planning cycle to August 31, 2022, requesting that proposed transmission needs be submitted by October 31, 2022. PSEG Long Island has begun evaluating potential needs beyond those being addressed by the LI PPTN solicitation. It is expected that ongoing studies of the State’s power grid will highlight the need for additional transmission on Long Island to enable the interconnection of more than the 3-6 GW of potential OSW projects for which the LI PPTN

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<sup>4</sup> Case 20-E-0197 - In the Matter of New York Independent System Operator, Inc.'s Proposed Public Policy Transmission Needs for Consideration for 2020 Transmission Planning Cycle, *Order on Petitions for Rehearing* (issued May 16, 2022)

<sup>5</sup> NYISO OATT Attachment Y Section 31.4.8.1

<sup>6</sup> NYISO OATT, Attachment Y Section 31.4.8.1



is being evaluated.

In August 2022, LIPA and other New York transmission owners submitted comments in response to a Notice of Proposed Rulemaking issued by the Federal Energy Regulatory Commission with regard to public policy transmission planning (“FERC NOPR”). The FERC NOPR, among other things, proposed to modify planning procedures for identifying and addressing public policy transmission needs within and between states and regions. It is anticipated that any national public policy transmission planning process changes would take place after the current LI PPTN process is completed. LIPA and PSEG Long Island will continue to monitor developments at FERC and NYISO.

### **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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**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE  
BOARD POLICY ON PUBLIC POLICY TRANSMISSION PLANNING**

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**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

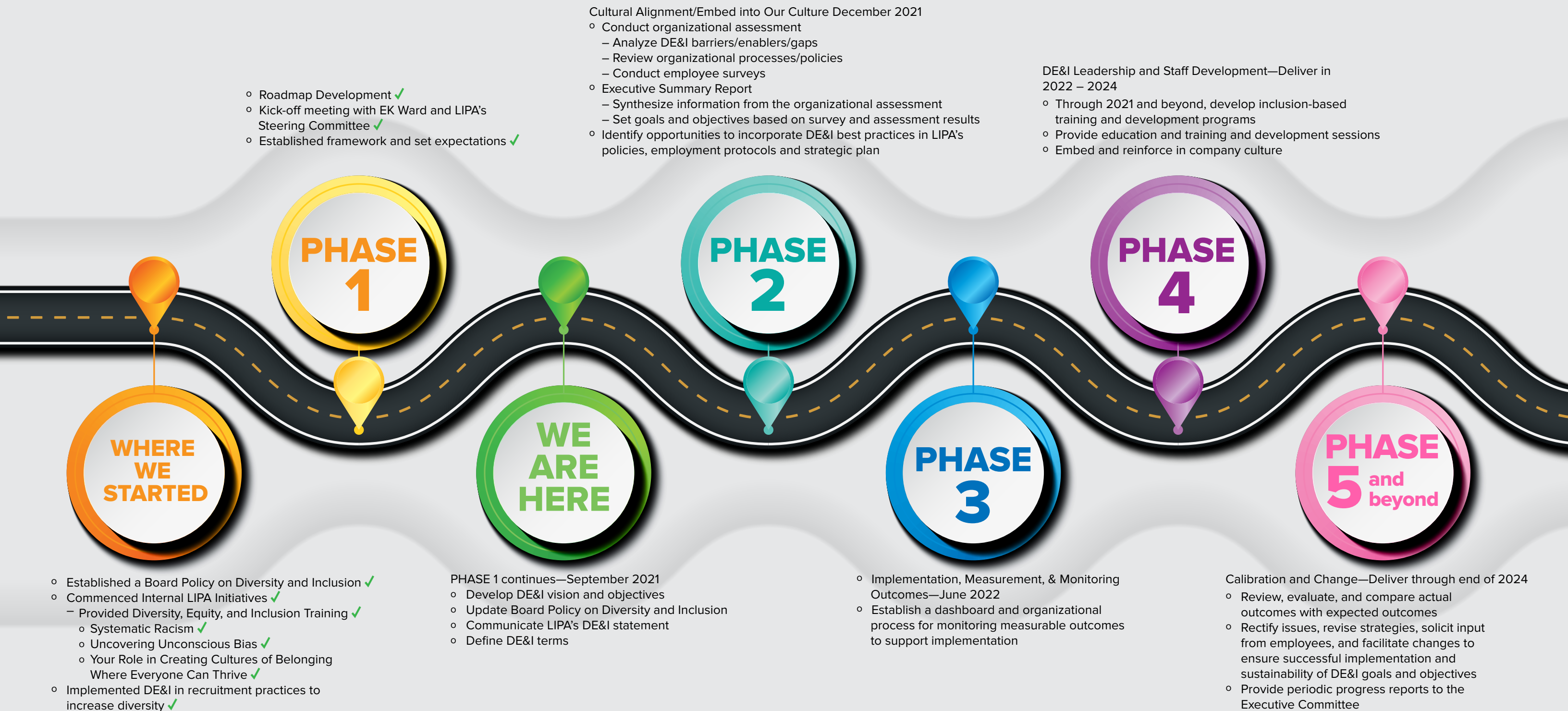
**WHEREAS**, the Board of Trustees has conducted an annual review of the Policy and affirms that the Policy has been complied with.

**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: September 28, 2022

# DE&I ROADMAP

**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.**



## **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~~ attracting, retaining, and ~~develop~~ developing a diverse workforce representative of the electric customers we serve;
- ~~encouraging~~ maintaining a positive, trusting, and inclusive workplace culture, through training and development and by ~~including~~ 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**



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### **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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Section I	Annual Investment Report
Section II	Investment Policy
Section III	Auditors' Report
Section IV	Income Summary

# The Long Island Power Authority

## Investment Report

# SECTION I

## Annual Investment Report



**LONG ISLAND POWER AUTHORITY**  
**ANNUAL INVESTMENT REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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.

# The Long Island Power Authority

## Investment Report

# SECTION II

## Investment Policy

Adopted March 29, 2021

Board Policy: **INVESTMENT POLICY**  
Policy Type: **Operating**  
Monitored by: **Finance and Audit Committee**  
Board Resolution: **#1609, Approved 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;
- 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

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement <sup>1</sup>	Maximum Maturity <sup>6</sup>
U.S. Treasury	100%	100%	N/A	5.5 Years (5.5 year avg. life <sup>5</sup> for GNMA)
GNMA		40%		
Other U.S. Government Guaranteed (e.g. AID, GTC)		10%		
Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB	75%	40% <sup>4</sup>	N/A	10 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.5 Years
Corporates and other Debt Obligations	40% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)	5.5 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.5 Years
Agency Mortgage-Backed Securities	25%	40% <sup>4</sup>	N/A	5.5 Year Avg. Life <sup>5</sup>
Asset-Backed Securities	20%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.5 Year Avg. Life <sup>5</sup>
Negotiable Certificates of Deposit (CD) <sup>7</sup>	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)	3 Years
Commercial Paper (CP)	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Collateralized Investment Agreements	50%	5%	Two Highest LT Rating Categories	5.5 Years
Bankers' Acceptances (BAs)	35% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Insured Bank Deposits	25%	FIDC limit for insurance	None, if fully FDIC-insured	2 Years
Floating Rate Notes			Should reflect the appropriate sector requirements	
Repurchase Agreements	40%	20%	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	90 Days
Government Money Market Funds	100%	100%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Money Market Funds	100%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A

**Notes:**

<sup>1</sup> Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization (“NRSRO”), unless otherwise noted. ST=Short-term; LT=Long-term.

<sup>2</sup> Maximum allocation to non-government securities is 75% combined.

<sup>3</sup> Maximum across all non-government permitted investment sectors is 5% combined per issuer.

<sup>4</sup> Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> 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 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, 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<sup>1</sup> (“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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<sup>1</sup> 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)**

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### **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.

<b>Distribution List</b>	<b>Frequency</b>
Board of Trustees	As necessary
Chief Executive Officer	As necessary
Chief Financial Officer	As necessary
Director of Finance and Treasury Operations	As necessary
VP and Controller	As necessary
Investment Manager(s)	As necessary
General Counsel	As necessary
Manager of Treasury Operations	As necessary

### **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.

<b>Roles</b>	<b>Responsibility</b>	<b>Frequency</b>
Board of Trustees	<ul style="list-style-type: none"><li>▪ Final Approval of the policy</li><li>▪ Approval of exceptions to the policy (e.g. new investment types)</li><li>▪ Approval of revisions to the policy</li></ul>	<ul style="list-style-type: none"><li>▪ Annual</li><li>▪ As necessary</li><li>▪ As necessary</li></ul>
Chief Executive Officer	<ul style="list-style-type: none"><li>▪ Responsible for adherence to all Authority policies</li></ul>	<ul style="list-style-type: none"><li>▪ As necessary</li></ul>
Chief Financial Officer	<ul style="list-style-type: none"><li>▪ Approval of the policy</li><li>▪ Approval of investment strategy</li><li>▪ Approval of performance measurements</li><li>▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)</li></ul>	<ul style="list-style-type: none"><li>▪ Annual</li><li>▪ Annual</li><li>▪ Ongoing</li><li>▪ As necessary</li></ul>

Director of Finance and Treasury Operations	<ul style="list-style-type: none"> <li>▪ Serve as custodian of the policy</li> <li>▪ Develop investment strategy</li> <li>▪ Review investment strategy</li> <li>▪ Establish performance measurements</li> <li>▪ Distribution of policy and amendments</li> <li>▪ Annual review of policy</li> <li>▪ Oversight of investment activity</li> <li>▪ Invest funds as provided for in the policy</li> <li>▪ Review performance information</li> <li>▪ Management reporting</li> <li>▪ Collect performance information</li> <li>▪ Distribute performance information</li> <li>▪ Keep abreast of developments and notify the Chief Financial Officer, as needed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ As necessary</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ Monthly</li> <li>▪ Quarterly</li> <li>▪ Weekly</li> <li>▪ Weekly</li> <li>▪ Ongoing</li> </ul>
Investment Manager(s)	<ul style="list-style-type: none"> <li>▪ Develop investment strategy</li> <li>▪ Review investment strategy</li> <li>▪ Invest funds as provided for in the policy</li> <li>▪ Reporting investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ Daily, Monthly, Quarterly</li> </ul>

### 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).

Activity to be Performed	Segregation Level
Trade Execution	Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.
Trade Confirmation	Individuals who conduct confirmations should not execute transactions.
Settlement – Disbursing and Receiving Funds	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.
Account Reconciliation	Account reconciliation activities must be segregated from trade execution activities.

#### D. Management Reporting

Report	Contents	Audience	Frequency
Management Report	Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis	Chief Financial Officer, Board of Trustees	▪ Quarterly
Annual Investment Report	Investment Policy, explanation of Investment Policy & amendments, annual investment audit, annual investment income, total fees and commissions paid	Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)	▪ Annually

#### 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

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### 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:

Asset Class	Asset Weighting
Domestic Equity Mutual Funds	35%
International Equity Mutual Funds	20%
Fixed Income Mutual Funds	25%
Fixed Income Mutual Funds – Inflation Protected Securities	20%

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<sup>1</sup> 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.<sup>2</sup>

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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<sup>1</sup> 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.

<sup>2</sup> 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**

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### **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:

<b>Asset Class</b>	<b>Asset Weighting</b>
Domestic Equity Mutual Funds	40%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds – Inflation Protected Securities	15%

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<sup>1</sup> 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<sup>2</sup>.

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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<sup>1</sup> 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.

<sup>2</sup> 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





KPMG LLP  
Suite 200  
1305 Walt Whitman Road  
Melville, NY 11747-4302

## 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.

**KPMG LLP**

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

Operating Fund	\$	30,520
Rate Stabilization Fund		(709,284)
Construction Fund I		152,948
Construction Fund II		68,443
OPEB Account		23,109,028
Nuclear Decommissioning Trust Fund		10,359,872
Utility Debt Securitization Authority		39,392
Bank Account Interest		2,684,700
Miscellaneous		30,814
	\$	<u>35,766,433</u>

*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.*

Board Policy: **INVESTMENT POLICY**  
Policy Type: **Operating**  
Monitored by: **Finance and Audit Committee**  
Board Resolution: **#xxxx, Approved ~~March 29,~~  
2021 March 30, 2022**



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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, 2019~~ March 17, 2022 among the Long Island Power Authority and JPMorgan Chase Bank, as Administrative Agent expiring on ~~March 22, 2022~~ 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 Operations~~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 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~~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);
- 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

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement <sup>1</sup>	Maximum Maturity <sup>6</sup>
U.S. Treasury	100%	100%	N/A	5.5 Years (5.5 year avg. life <sup>5</sup> for GNMA)
GNMA		40%		
Other U.S. Government Guaranteed (e.g. AIG, GTC)		10%		
Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB	75%	40% <sup>4</sup>	N/A	10 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.5 Years
Corporates and other Debt Obligations	40% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)	5.5 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.5 Years
Agency Mortgage-Backed Securities	25%	40% <sup>4</sup>	N/A	5.5 Year Avg. Life <sup>5</sup>
Asset-Backed Securities	20%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.5 Year Avg. Life <sup>5</sup>
Negotiable Certificates of Deposit (CD) <sup>7</sup>	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)	3 Years
Commercial Paper (CP)	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Collateralized Investment Agreements	50%	5%	Two Highest LT Rating Categories	5.5 Years
Bankers' Acceptances (BAs)	35% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Insured Bank Deposits	25%	FIDC limit for insurance	None, if fully FDIC-insured	2 Years
Floating Rate Notes			Should reflect the appropriate sector requirements	
Repurchase Agreements	40%	20%	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	90 Days
Government Money Market Funds	100%	100%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Money Market Funds	100%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A

**Notes:**

<sup>1</sup> Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization (“NRSRO”), unless otherwise noted. ST=Short-term; LT=Long-term.

<sup>2</sup> Maximum allocation to non-government securities is 75% combined.

<sup>3</sup> Maximum across all non-government permitted investment sectors is 5% combined per issuer.

<sup>4</sup> Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> 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~~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 Operations~~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 Operations~~ 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 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);

- 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~~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 Operations~~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~~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 27, 2020~~March 30, 2022 and shall not apply to any investments initiated by the Authority on or prior to ~~March 27, 2020~~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 designees<sup>1</sup> (“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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<sup>1</sup> 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.

Distribution List	Frequency
Board of Trustees	As necessary
Chief Executive Officer	As necessary
Chief Financial Officer	As necessary
<del>Director of Finance and Treasury</del> Director of Finance and Treasury	As necessary
VP and Controller	As necessary
Investment Manager(s)	As necessary
General Counsel	As necessary
Manager of Treasury Operations	As necessary

### 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.

Roles	Responsibility	Frequency
Board of Trustees	<ul style="list-style-type: none"><li>Final Approval of the policy</li><li>Approval of exceptions to the policy (e.g. new investment types)</li><li>Approval of revisions to the policy</li></ul>	<ul style="list-style-type: none"><li>Annual</li><li>As necessary</li><li>As necessary</li></ul>
Chief Executive Officer	<ul style="list-style-type: none"><li>Responsible for adherence to all Authority policies</li></ul>	<ul style="list-style-type: none"><li>As necessary</li></ul>
Chief Financial Officer	<ul style="list-style-type: none"><li>Approval of the policy</li><li>Approval of investment strategy</li><li>Approval of performance measurements</li><li>Approval of minor exceptions to the policy (i.e. amounts, maturities)</li></ul>	<ul style="list-style-type: none"><li>Annual</li><li>Annual</li><li>Ongoing</li><li>As necessary</li></ul>

<del>Director of Finance and Treasury-Operations</del> <u>Director of Finance and Treasury</u>	<ul style="list-style-type: none"> <li>Serve as custodian of the policy</li> <li>Develop investment strategy</li> <li>Review investment strategy</li> <li>Establish performance measurements</li> <li>Distribution of policy and amendments</li> <li>Annual review of policy</li> <li>Oversight of investment activity</li> <li>Invest funds as provided for in the policy</li> <li>Review performance information</li> <li>Management reporting</li> <li>Collect performance information</li> <li>Distribute performance information</li> <li>Keep abreast of developments and notify the Chief Financial Officer, as needed</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>Annual</li> <li>Ongoing</li> <li>Ongoing</li> <li>As necessary</li> <li>Annual</li> <li>Ongoing</li> <li>Ongoing</li> <li>Monthly</li> <li>Quarterly</li> <li>Weekly</li> <li>Weekly</li> <li>Ongoing</li> </ul>
Investment Manager(s)	<ul style="list-style-type: none"> <li>Develop investment strategy</li> <li>Review investment strategy</li> <li>Invest funds as provided for in the policy</li> <li>Reporting investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Annual</li> <li>Ongoing</li> <li>Ongoing</li> <li>Daily, Monthly, Quarterly</li> </ul>

### 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).

Activity to be Performed	Segregation Level
Trade Execution	Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.
Trade Confirmation	Individuals who conduct confirmations should not execute transactions.
Settlement – Disbursing and Receiving Funds	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.
Account Reconciliation	Account reconciliation activities must be segregated from trade execution activities.

#### D. Management Reporting

Report	Contents	Audience	Frequency
Management Report	Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis	Chief Financial Officer, Board of Trustees	▪ Quarterly
Annual Investment Report	Investment Policy, explanation of Investment Policy & amendments, annual investment audit, annual investment income, total fees and commissions paid	Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)	▪ Annually

#### 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

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### 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:

Asset Class	Asset Weighting
Domestic Equity Mutual Funds	35%
International Equity Mutual Funds	20%
Fixed Income Mutual Funds	25%
Fixed Income Mutual Funds – Inflation Protected Securities	20%

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<sup>1</sup> 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.<sup>2</sup>

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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<sup>1</sup> 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.

<sup>2</sup> 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**

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### **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:

<b>Asset Class</b>	<b>Asset Weighting</b>
Domestic Equity Mutual Funds	40%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds – Inflation Protected Securities	15%

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<sup>1</sup> 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<sup>2</sup>.

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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<sup>1</sup> 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.

<sup>2</sup> LIPA shall have until the end of the following quarter to rebalance investments into the above stated investment allocation.

Board Policy: **INVESTMENT POLICY**  
Policy Type: **Operating**  
Monitored by: **Finance and Audit Committee**  
Board Resolution: **#xxxx, Approved March 30, 2022**



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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 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 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, 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

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement <sup>1</sup>	Maximum Maturity <sup>6</sup>
U.S. Treasury	100%	100%	N/A	5.5 Years (5.5 year avg. life <sup>5</sup> for GNMA)
GNMA		40%		
Other U.S. Government Guaranteed (e.g. AIG, GTC)		10%		
Federal Agency/GSE: FNMA, FHLMC, FHLB, FFCB	75%	40% <sup>4</sup>	N/A	10 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.5 Years
Corporates and other Debt Obligations	40% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3 or equivalent)	5.5 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.5 Years
Agency Mortgage-Backed Securities	25%	40% <sup>4</sup>	N/A	5.5 Year Avg. Life <sup>5</sup>
Asset-Backed Securities	20%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.5 Year Avg. Life <sup>5</sup>
Negotiable Certificates of Deposit (CD) <sup>7</sup>	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST or Three Highest LT Rating Categories (A-1/P-1, A-/A3, or equivalent)	3 Years
Commercial Paper (CP)	50% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Collateralized Investment Agreements	50%	5%	Two Highest LT Rating Categories	5.5 Years
Bankers' Acceptances (BAs)	35% <sup>2</sup>	5% <sup>3</sup>	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Insured Bank Deposits	25%	FIDC limit for insurance	None, if fully FDIC-insured	2 Years
Floating Rate Notes			Should reflect the appropriate sector requirements	
Repurchase Agreements	40%	20%	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	90 Days
Government Money Market Funds	100%	100%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Money Market Funds	100%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A

Notes:

<sup>1</sup> Rating by at least one SEC-registered Nationally Recognized Statistical Rating Organization (“NRSRO”), unless otherwise noted. ST=Short-term; LT=Long-term.

<sup>2</sup> Maximum allocation to non-government securities is 75% combined.

<sup>3</sup> Maximum across all non-government permitted investment sectors is 5% combined per issuer.

<sup>4</sup> Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> 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, 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 designees<sup>1</sup> (“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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<sup>1</sup> 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)**

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### **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.

<b>Distribution List</b>	<b>Frequency</b>
Board of Trustees	As necessary
Chief Executive Officer	As necessary
Chief Financial Officer	As necessary
Director of Finance and Treasury	As necessary
VP and Controller	As necessary
Investment Manager(s)	As necessary
General Counsel	As necessary
Manager of Treasury Operations	As necessary

### **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.

<b>Roles</b>	<b>Responsibility</b>	<b>Frequency</b>
Board of Trustees	<ul style="list-style-type: none"><li>▪ Final Approval of the policy</li><li>▪ Approval of exceptions to the policy (e.g. new investment types)</li><li>▪ Approval of revisions to the policy</li></ul>	<ul style="list-style-type: none"><li>▪ Annual</li><li>▪ As necessary</li><li>▪ As necessary</li></ul>
Chief Executive Officer	<ul style="list-style-type: none"><li>▪ Responsible for adherence to all Authority policies</li></ul>	<ul style="list-style-type: none"><li>▪ As necessary</li></ul>
Chief Financial Officer	<ul style="list-style-type: none"><li>▪ Approval of the policy</li><li>▪ Approval of investment strategy</li><li>▪ Approval of performance measurements</li><li>▪ Approval of minor exceptions to the policy (i.e. amounts, maturities)</li></ul>	<ul style="list-style-type: none"><li>▪ Annual</li><li>▪ Annual</li><li>▪ Ongoing</li><li>▪ As necessary</li></ul>

Director of Finance and Treasury	<ul style="list-style-type: none"> <li>▪ Serve as custodian of the policy</li> <li>▪ Develop investment strategy</li> <li>▪ Review investment strategy</li> <li>▪ Establish performance measurements</li> <li>▪ Distribution of policy and amendments</li> <li>▪ Annual review of policy</li> <li>▪ Oversight of investment activity</li> <li>▪ Invest funds as provided for in the policy</li> <li>▪ Review performance information</li> <li>▪ Management reporting</li> <li>▪ Collect performance information</li> <li>▪ Distribute performance information</li> <li>▪ Keep abreast of developments and notify the Chief Financial Officer, as needed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ As necessary</li> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ Monthly</li> <li>▪ Quarterly</li> <li>▪ Weekly</li> <li>▪ Weekly</li> <li>▪ Ongoing</li> </ul>
Investment Manager(s)	<ul style="list-style-type: none"> <li>▪ Develop investment strategy</li> <li>▪ Review investment strategy</li> <li>▪ Invest funds as provided for in the policy</li> <li>▪ Reporting investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual</li> <li>▪ Ongoing</li> <li>▪ Ongoing</li> <li>▪ Daily, Monthly, Quarterly</li> </ul>

### 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).

Activity to be Performed	Segregation Level
Trade Execution	Individuals who are authorized to execute transactions should not confirm and settle the trades or conduct account reconciliation activities.
Trade Confirmation	Individuals who conduct confirmations should not execute transactions.
Settlement – Disbursing and Receiving Funds	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.
Account Reconciliation	Account reconciliation activities must be segregated from trade execution activities.



#### D. Management Reporting

Report	Contents	Audience	Frequency
Management Report	Investment portfolio, mark-to-market valuations, collateral, counterparty breakdown, investment performance vs. benchmark, variance analysis	Chief Financial Officer, Board of Trustees	▪ Quarterly
Annual Investment Report	Investment Policy, explanation of Investment Policy & amendments, annual investment audit, annual investment income, total fees and commissions paid	Chief Financial Officer, Board of Trustees. (File with Division of the Budget, State Comptroller, State Senate Finance Committee, Assembly Ways and Means Committee)	▪ Annually

#### 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

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### 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:

Asset Class	Asset Weighting
Domestic Equity Mutual Funds	35%
International Equity Mutual Funds	20%
Fixed Income Mutual Funds	25%
Fixed Income Mutual Funds – Inflation Protected Securities	20%

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<sup>1</sup> 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.<sup>2</sup>

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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<sup>1</sup> 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.

<sup>2</sup> 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**

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### **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:

<b>Asset Class</b>	<b>Asset Weighting</b>
Domestic Equity Mutual Funds	40%
International Equity Mutual Funds	25%
Fixed Income Mutual Funds	20%
Fixed Income Mutual Funds – Inflation Protected Securities	15%

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<sup>1</sup> 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<sup>2</sup>.

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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<sup>1</sup> 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.

<sup>2</sup> 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 2023**

Proposed for Board Consideration

December 14, 2022

# SUMMARY OF PROPOSED 2023 LIPA MEETINGS

Board/Committee	Number of Meetings	Average Length	Total Time
Board	7	1 hour, 30 mins.	11 hours
F&A	7	1 hour, 15 mins.	8.75 hours
Oversight & Clean Energy	5	1 hour, 10 mins.	6.0 hours
Governance, Planning and Personnel	4	50 minutes	3.25 hours
<b>Total Number of Meetings</b>	<b>23</b>	Total Time Spent*	<b>29 hours</b>

**\*The proposed Board agendas for 2023 do 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 4 or more hours; or
2. Board briefings, workshops, and training, which are in addition to the Board's meeting schedule, and may include work with the Board's governance consultant

# PROPOSED JANUARY 25, 2023 MEETINGS

## Board

- Roll call, consent agenda, CEO Report (“Routine Board Matters”) (30 mins.)
- Discussion of 5-year Strategic Roadmaps (30 mins.)
- Approval of Strategic Planning Policy (15 mins.)
- Approval of Performance Management Policy (15 mins.)
- Consideration of Capacity Purchase (10 mins.)
- Public Comment (10 mins.)

**[110 mins.]**

## Governance, Planning & Personnel

- Discussion of 2022 Projects and Accomplishments and 2023 Work Plan (30 mins.)
- Annual Governance Package (see Appendix) (10 mins.)

**[40 mins.]**

## F&A

- Routine F&A Matters (30 mins.)
- Discussion of Internal Audit Activities, Approval of 2023 Internal Audit Plan, 2023 Internal Audit Budget, and Resource Requirements (10 mins.)
- Annual Financial Package (see Appendix) (10 mins.)
- Committee’s Annual Self Report (10 mins.)
- Review of Committee’s Charter (10 mins.)

**[70 mins.]**

**Total proposed time for January meetings (approximate):**

**3.5 hours**

# PROPOSED MARCH 29, 2023 MEETINGS

## Board

- Routine Board Matters (30 mins.)
- Review and Approval of 2022 Financials (10 mins.)
- Approval of Tariff Changes (20 mins.)
- Consideration of Power Purchase Agreement Extension (10 mins.)
- Public Comment (20 mins.)
- EXECUTIVE SESSION: Board's Self Evaluation (40 mins.)

**[140 mins.]**

## F&A

- Routine F&A Matters (20 mins.)
- Discussion of ER&T 2022 Metrics Performance and Presentation on Power and Fuel Supply Management and Hedging (20 mins.)
- 2022 Audit Results from Independent Auditors (20 mins.)
- EXECUTIVE SESSION with Independent Auditors (15 mins.)
- Recommendation to Approve 2022 Financials (15 mins.)
- Fiscal Sustainability Policy (20 mins.)

**[110 mins.]**

## Gov., Planning & Personnel

- EXECUTIVE SESSION: CEO Performance and Compensation (20 mins.)
- Committee's Annual Self Report to the Board (includes results of Board's self-evaluation for 2022) (15 mins.)
- Review Committee Charter (10 mins.)

**[45 mins.]**

# PROPOSED MARCH 29, 2023 MEETINGS, CONT.

## Oversight & Clean Energy

- Briefing on Winter Storm Summary (20 mins.)
- Committee's Annual Self Report to the Board (10 mins.)
- EXECUTIVE SESSION: Cybersecurity (20 mins.)

**[50 mins.]**

**Total proposed time for March meetings (approximate):**

**5.75 hours**



# PROPOSED MAY 17, 2023 MEETINGS

## Board

- Routine Board Matters (30 mins.)
- Taxes and PILOTs Policy (15 mins.)
- Quarterly Report on 2023 Performance Metrics (30 mins.)
- Public Comment (20 mins.)

**[95 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.)
- Review of Customer Value and Affordability Policy (15 mins.)

**[70 mins.]**

## Oversight & Clean Energy

- T&D Operations Policy (20 mins.)
- Summer Preparation for Power Supply & T&D (20 mins.)
- Review Committee Charter (10 mins.)

**[50 mins.]**

# PROPOSED MAY 17, 2023 MEETINGS, CONT.

## Governance, Planning & Personnel

- Review of Values of Integrity and Responsiveness Policy (15 mins.)
- Review of Trustee Communications Policy (15 mins.)
- EXECUTIVE SESSION: Succession Planning (20 mins.)

**[50 mins.]**

**Total proposed time for May meetings (approximate)**

**4.5 hours**

# PROPOSED JUNE 28, 2023 MEETINGS

## Board

- Routine Board Matters (30 mins.)
- Discussion of 2022 Performance Metrics (20 mins.)
- Public Comment (20 mins.)

**[70 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.)
- Update on 2023 Utility 2.0 & Energy Efficiency Filing; Presentation of Annual Energy Efficiency Report (40 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.)

**[40 mins.]**

# PROPOSED JUNE 28, 2023 MEETINGS, CONT.

## **Governance, Planning & Personnel**

- Staffing & Employment Policy (15 mins.)
- Diversity, Equity, and Inclusion Policy (15 mins.)
- Purposes and Roles of the LIPA Trustees Policy (15 mins.)

**[45 mins.]**

**Total proposed time for June meetings (approximate)**

**5 hours**

# PROPOSED SEPTEMBER 27, 2023 MEETINGS

## Board

- Routine Board Matters (30 mins.)
- Construction of T&D Projects Policy (20 mins.)
- Quarterly Report on 2023 Performance Metrics (20 mins.)
- Annual Report on Public Policy Transmission Planning (15 mins.)
- Discussion of Integrated Resource Plan (30 mins.)
- Public Comment (20 mins.)

**[135 mins.]**

## F&A

- Routine F&A Matters (20 mins.)
- Review Quarterly Financials Ended June 30 (10 mins.)
- Discuss Independent Auditor's 2023 Audit Plan (20 mins.)

**[50 mins.]**

## Oversight & Clean Energy

- Briefing on Implementation of Management Audit Recommendations (20 mins.)

**[20 mins.]**

**Total proposed time for September meetings (approximate):**

**3.5 hours**

# PROPOSED NOVEMBER 15, 2023 MEETING

## Board

- Proposed 2024 Budget and Performance Metrics Presentation (60 mins.)
- Q&A (30 mins.)
- Quarterly Report on 2023 Performance Metrics (20 mins.)
- Customer Experience Policy (15 mins.)
- EXECUTIVE SESSION – Succession Planning (20 mins.)

**[145 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.)

**[95 mins.]**

Total proposed time for **November** meetings (approximate)

**4 hours**

# PROPOSED DECEMBER 13, 2023 MEETING

## Board

- Routine Board Matters (30 mins.)
- Approval of Tariff Changes (15 mins.)
- Approval of 2024 Budget and Performance Metrics (20 minutes)
- Governance and Agenda Planning Policy (15 mins.)
- Consideration of Energy Storage Contracts (10 mins.)
- Public Comment (20 mins.)

**[90 mins.]**

## F&A

- Routine F&A Matters (20 mins.)
- Approval of 2024 Budget and Performance Metrics (10 mins.)
- Approval of 2024 Plan of Finance (10 mins.)
- EXECUTIVE SESSION: Internal Audit (10 mins.)
- Approval of Tariff Changes (15 mins.)

**[65 mins.]**

## Oversight & Clean Energy

- Safety Policy (20 mins.)
- Information Technology and Cyber Security (10 mins.)
- EXECUTIVE SESSION: Cybersecurity (25 mins.)

**[55 mins.]**

**Total proposed time for December meetings (approximate):**

**4 hours**

# APPENDIX



# ANNUAL GOVERNANCE PACKAGE

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- Procurement Policy
- Property Acquisition / Disposition Policy
- Lobbying Policy
- By-Laws
- Code of Ethics and Conduct
- Trustee Communications Policy
- Whistleblower Policy

# ANNUAL FINANCIAL PACKAGE

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- Investment and Risk Policy
- Interest Rate Exchange Agreement Policy
- Prompt Payment Policy
- Investment Report

## **FOR CONSIDERATION**

December 14, 2022

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of the Annual Report on the Board's Policy on Governance and Agenda Planning

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### **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 of 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 the "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 the Policy in December 2021.

### **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 2022, no new Trustees were assigned to any 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 eight 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 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. In 2022, the Board adopted updated policies on, among others, Clean Energy and Power Supply; Customer Value, Affordability and Rate Design; Fiscal Sustainability, and Economic Development and Community Engagement. With Leading Resources, Inc., the Board will form additional working groups, as needed, to review other policies in 2023.

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 2022, the Board had a presentation from Dennis Pidherny from Fitch Ratings on trends, key drivers and utility fundamentals from the perspective of the financial community.

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 written 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 Second 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**

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**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 14, 2022