



## Confidential Position Specification

### **Chief Financial Officer**

July 2022



## CONFIDENTIAL POSITION SPECIFICATION

<b>Position</b>	Chief Financial Officer
<b>Company</b>	Long Island Power Authority
<b>Location</b>	Uniondale, New York (Long Island)
<b>Reporting Relationship</b>	Chief Executive Officer
<b>Website</b>	<a href="http://www.lipower.org">www.lipower.org</a>

## COMPANY BACKGROUND/CULTURE

The Long Island Power Authority (LIPA) was created by an Act of the New York State Legislature in 1986 and became the retail supplier of electric service in the Counties of Nassau and Suffolk (with certain limited exceptions) and a portion of Queens County known as the Rockaways (Service Area), on May 28, 1998 by acquiring the transmission and distribution (T&D) system of the Long Island Lighting Company (LILCO). LIPA provides electric delivery service in the Service Area, which includes approximately 1.1 million customers serving 2.9 million people. The Service Area covers 1,320 of Long Island's 1,377 square miles.

LIPA owns 15,000 miles of transmission and distribution wires and has 5,800 megawatts of generation owned or under contract, with annual energy requirements of over 19 million megawatt hours. LIPA's assets exceed \$15.8 billion, with long-term debt of \$9 billion, including debt issued on the LIPA and Utility Debt Securitization Authority (UDSA) bond credits, which are rated A2/A and Aaa/AAA, respectively. LIPA's annual revenues exceed \$3.9 billion and annual capital spending is more than \$750 million.

### Board Governance and LIPA's Purpose

LIPA is governed by a nine-member Board of Trustees, five of whom are appointed by the Governor, two by the Majority Leader of the New York State Senate, and two by the Speaker of the New York State Assembly. The Chair is appointed by the Governor.

LIPA's purpose is to serve our customers and community by providing, clean, reliable, and affordable energy to Long Island the Rockaways. The Board has defined its expectations for the strategic outcomes that management will deliver in all the important aspects of providing service to customers. For each Board policy, the Board has specified objectives and related reporting requirements by management that allow the Board to monitor LIPA's performance relative to its strategic direction. Some of the elements of the Board's policies include:

#### **T&D System Reliability and Resiliency**

- Provide top decile reliability, as measured by system average outage duration;
- Improve circuit conditions that cause a customer to experience four or more outages of greater than 5 minutes or six or more outages of less than 5 minutes in any 12-month period;



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

#### **Customer Experience**

- Deliver top quartile performance in J.D. Power's utility residential and business customer satisfaction studies and on industry-standard customer service metrics;
- Ensure simple, accurate, and proactive customer communications related to customer billing, energy usage, emergency response, and estimated times of restoration;

#### **Clean Energy and Beneficial Electrification**

- Achieve a zero-emissions electric grid by 2040, while meeting or exceeding LIPA's share of the clean energy goals of the CLCPA;
- 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, by meeting or exceeding LIPA's share of New York's environmental justice goals;

#### **Customer Value and Affordability**

- Maintain competitive electric rates compared to the system average rates of regional electric utilities;
- Offer programs to low-income and disadvantaged customers to maintain electric bills that are a reasonable percentage of household income;

#### **Information Technology and Cyber Security**

- Deploy modern grid management technology and data analytics, as measured by a Smart Grid Maturity Model level consistent with the top 25% of utilities;
- Maintain a level of 3 or higher on the NIST Cybersecurity Framework, as evaluated annually through an independent assessment;

#### **Fiscal Sustainability**

- Achieve fixed charge coverage of no less than 1.40x on the combination of Authority-issued debt and lease payments and 1.20x on Authority and UDSA-issued debt and leases.
- Achieve AA-category credit ratings by reducing LIPA's debt-to-assets ratio from 92 percent to 70 percent or less by 2030.

More information about the Board's Policies and managements work plan can be found on LIPA's website at <http://www.lipower.org/purpose/>.

### **Role of the Department of Public Service**

The LIPA Board supervises, regulates, and sets policy and rates for LIPA. However, LIPA is required to submit any proposed rate increase to the New York State Department of Public Service (DPS) for review if it would increase the rates and charges by an amount that would increase LIPA's annual revenues by more than 2.5%. The DPS would then make recommendations to the Board; however, LIPA's Board retains final rate-setting power.

Additionally, the DPS undertakes comprehensive and regular management and operations audits of LIPA and PSEG Long Island, as it does for investor-owned utilities in the State, every five



years. The next DPS management and operations audit is expected to commence in the fourth quarter of 2022.

## **PSEG Long Island Management Contract**

LIPA's management functions like a utility holding company, with a senior management team supported by a staff totaling approximately 75. Since the LILCO merger in 1998, LIPA has managed most of its assets using a series of contracts.

PSEG Long Island became LIPA's management contractor on January 1, 2014. PSEG Long Island manages day-to-day T&D system operating functions as well as certain administrative support functions under the Second Amended and Restated Operations Services Agreement (the "OSA"). LIPA provides service to customers under the PSEG Long Island brand name. The OSA can be viewed in its entirety on LIPA's website ([link](#)).

The OSA (as amended effective April 1, 2022) provides for an annual fixed management services fee (approximately \$39.9 million in 2022), a variable compensation pool (approximately \$21.0 million in 2022) and a compensation pool subject to DPS reduction (approximately \$16.6 million in 2022), all indexed for inflation. The variable compensation pool is earned based on performance relative to Performance Metrics and certain Gating Performance Metrics (as such terms are defined in the OSA). The compensation pool subject to DPS reduction is paid to PSEG Long Island unless the Board accepts a DPS recommendation to reduce the pool after a DPS determination that PSEG Long Island failed to follow its Emergency Response Plan or failed to provide safe, adequate, and reliable service to LIPA customers.

The PSEG Long Island management company consists of 19 employees at the director level and higher. ServCo, a subsidiary service company of PSEG Long Island, provides 14 of the senior managers at the director level or higher (and currently five of the 19 PSEG Long Island senior manager positions) and substantially all the Operations Services under the OSA. ServCo consists of approximately 2,500 employees, including the legacy LILCO employees that transitioned employment to ServCo upon the effectiveness of the OSA. Upon the termination of the OSA, PSEG Long Island will transfer all Membership Interests in ServCo to LIPA or, at LIPA's direction, its designee, at no cost.

LIPA has policy-making and oversight responsibilities and obligations for the operation and maintenance of its assets. LIPA's specific rights and responsibilities include:

- to establish the vision and strategic direction of the utility;
- to determine all T&D System rates and charges and establish policies that govern those rates and charges;
- to review and approve the consolidated budget;
- to review and approve all power supply procurements and wholesale contracts;
- financing the business and operations;
- access to and ownership of T&D System information systems;
- the right to approve the appointment or replacement of PSEG Long Island's President and Chief Operating Officer and any other Senior Manager who is a Vice President level, Managing Director level, or above.



## Performance Metrics

Each year, LIPA and PSEG Long Island, with the involvement of the DPS, develop operating and capital budgets and related Performance Metrics for the services provided by PSEG Long Island. LIPA established 96 Performance Metrics for 2022. LIPA's performance metrics for PSEG Long Island for 2022 can be found on LIPA's website ([link](#)).

## Legislative Commission on the Future of LIPA

New York State's 2022 budget enacted a legislative commission (the "Commission") to investigate and report to the legislature on the establishment of a public power model for the operation of LIPA, whereby the authority would directly operate the utility. The Commission will report to the legislature on the specific actions, legislation, and timeline necessary to restructure LIPA to bring T&D System operations under Authority management no later than December 31, 2025.

The Commission is to hold public hearings on the public power model of management by September 30, 2022 and issue a draft report to members of the legislature no later than December 31, 2022. The State Comptroller will have the discretion to review the draft report and issue any recommendations no later than February 1, 2023. The Commission will hold additional public hearings no later than February 15, 2023 and issue a final report no later than April 1, 2023, including any legislation required to implement the public power model of operations.

A Phase II Options Analysis ([link](#)) presented to LIPA's Board on April 28, 2021, found that the public power model of operations was feasible and financially attractive, with estimated annual savings of \$75 to \$80 million per year. The Phase II Analysis concluded that LIPA would need to hire up to 12 new employees, transition 2,500 ServCo employees to LIPA management, and segregate certain information technology systems on shared platforms with PSEG Long Island's New Jersey-based affiliates. The Phase II Analysis further concluded that such a change in business model would require the support of the state's elected officials, LIPA's customers, and stakeholders.

The management contract with PSEG Long Island expires on December 31, 2025. If the Commission declines to proceed with the establishment of the public power model of operations of LIPA, LIPA management anticipates beginning to competitively procure a management contractor for the period beginning January 1, 2026 by year-end 2023.

## For More Information About LIPA

More information on LIPA's operations can be found on LIPA's website, including:

- [LIPA's 2022 Annual Disclosure Report](#)
- [LIPA's 2022 Budget](#)
- [LIPA's 2021 Financial Statements](#)

## Long Island and the Rockaways



Long Island, New York is approximately 20 miles wide and 110 miles long. The island is divided into four counties: Nassau, Suffolk, Brooklyn, and Queens. While western Long Island is one of the most densely populated regions in the U.S., much of eastern Long Island is a unique blend of rural farm land, vineyards, well-known beach towns (the Hamptons) and other tourist destinations, as well as education establishments such as SUNY Stony Brook.

Long Island is a significant regional economy that benefits from its proximity to Manhattan, but also generates its own income, employment, and regional output. Long Island's assets include a highly skilled labor force, close proximity to New York City, easy access to beaches, over 20 colleges/universities, and several technology and science developmental centers. Long Island also offers a highly desirable suburban lifestyle with an excellent school system, that attracts many individuals to live, work, and vacation within the area.

Long Island experiences seasonal conditions typical of the northeast United States. Summers are usually hot with high temperatures in excess of 90 degrees and winters include days with snow and icing conditions.

The median household income in Long Island is substantially above the national average and the unemployment rate is estimated at approximately 4%. The cost of housing index for Suffolk County is approximately 140% of the national average. Additional information can be found at [www.discoverlongisland.com](http://www.discoverlongisland.com).

## KEY RESPONSIBILITIES

The CFO is responsible for managing the financial actions of the company. The CFO will have strong leadership skills, excellent communication with team members and the Board, and is an expert on current financial topics in the utility industry. S/he develops, implements, directs, and controls the essential operating systems, information, and financial business of the company.

The CFO is responsible for the following:

1. Drive the company's long-range financial planning.
2. Oversee the establishment of rates and the raising of capital funding to meet budgetary needs, including ongoing communications with the bond rating agencies and investors.
3. Organize, direct, and control the financial activities required for the company including procurement, budget and rates, and accounting to meet overall objectives.
4. Manage the assets and liabilities of the company pension and other post-employment benefit plans.
5. Oversee LIPA's Power Supply Hedging Program.
6. Provide strategic leadership and interface with the Board of Trustees, PSEG Long Island, DPS, and other stakeholders regarding rates, budgets, and financial plans of the organization.
7. Assist in developing and implementing the strategic plan of the organization.
8. Represent the organization at the local, state, and national level.
9. Represent the company in the local community and maintain a high level of community



involvement.

10. Coach, mentor, and develop staff as a part of the company-wide succession strategy

## PROFESSIONAL EXPERIENCE/QUALIFICATIONS

- Proven experience as CFO/Financial Officer or relevant role.
- A minimum of eight years of management experience
- Excellent knowledge of data analysis and forecasting methods
- Ability to strategize and solve problems
- Strong leadership and organizational skills
- Excellent communication and people skills
- An analytical mind, comfortable with numbers
- Excellent verbal and written communication skills
- Thorough knowledge of financial best practices and requirements with a proven ability to provide sound and ethical financial counsel to the CEO and Board
- Thorough understanding of systems and methodologies of finance and administration
- Strong supervisory and leadership skills

## EDUCATION

A bachelor's degree from an accredited institution is required, preferably in Accounting, Finance, or Information Systems.

## COMPENSATION

The successful candidate will have a salary commensurate with a senior executive at this public organization.

## KORN FERRY CONTACTS

<b>Richard Preng</b> Senior Client Partner 200 Park Avenue 33 <sup>rd</sup> Floor New York, New York 10166 713-826-9277 Mobile <a href="mailto:richard.preng@kornferry.com">richard.preng@kornferry.com</a>	<b>Peter Bogin</b> Senior Client Partner 200 Park Avenue 33 <sup>rd</sup> Floor New York, New York 10166 347-585-8794 Mobile <a href="mailto:peter.bogin@kornferry.com">peter.bogin@kornferry.com</a>
<b>Susan Nabel</b>	<b>Christine Hurst</b>



Project Coordinator

203-406-8757

[Susan.nabel@kornferry.com](mailto:Susan.nabel@kornferry.com)

Project Coordinator

212-973-5843

[Christine.hurst@kornferry.com](mailto:Christine.hurst@kornferry.com)