

FOR CONSIDERATION

September 27, 2023

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of Approval of the Annual Report and Amendments on the Board Policy on Asset Management

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 Asset Management (the “Policy”); (ii) finding that LIPA has substantially complied with the Policy; and (iii) approving amendments to the Policy, which resolution is attached hereto as **Exhibit “A.”**

Background

In June 2021, the Board adopted the Policy with the purpose of maintaining a robust Asset Management system for the safe, reliable, and cost-effective operation of the transmission and distribution system managed by LIPA’s Service Provider.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find LIPA has substantially complied with the Policy for the period since the review of the Policy last year. The Policy requires that the LIPA and its Service Provider will take prudent and reasonable measures to accomplish the following:

1. “Adopt the ISO Asset Management Framework that encompasses industry leading practices and achieve a maturity goal of 3.0 or greater by the end of 2023. This includes:
 - i. Maintaining a long-range asset management focus on electric distribution, substation and transmission equipment, by emphasizing risk and gap analysis, reliability centered maintenance, lifecycle cost techniques, and financial and operational metrics to improve and achieve key performance indicators (e.g. age, manufacturer, failure modes, failure rates, cost to maintain, life expectancy, end of life determination, etc.).
 - ii. Developing asset risk and lifecycle strategies, asset health indexing, asset condition and criticality, and preventive / predictive maintenance strategies.
 - iii. Ensuring accountability for annual test and inspect plan input, annual replacement capital work plan input, asset standards, and decisions on asset replacements.
 - iv. Ensuring material condition (life cycle) strategies are maintained, and equipment is replaced based on these strategies so as to maintain a high level of system reliability.”

LIPA and PSEG Long Island have accomplished the following towards this objective since the last Policy update:

- With the assistance of a third-party asset management consultant, a “Strategic Asset Management Plan” (SAMP) was completed as well as an “Asset Management Plan” (AMP) for 22 discrete assets.
 - The asset inventory program continued to gather and document overhead field assets, with the information uploaded into LIPA’s Graphical Information System. A unique number was added on each pole inventoried.
2. “Develop and maintain a modern enterprise asset management system (“EAMS”) for asset related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets. This EAMS will become the foundation of the utility's data-driven asset management decision processes. The EAMS will include a computerized multi-year component/equipment performance history to determine the effectiveness of the reliability programs.”

LIPA and PSEG Long Island have accomplished the following towards this objective since the last Policy update:

- In 2022, multiple Enterprise Asset Management Systems (EAMS) were evaluated. Maximo, an IBM product, was chosen to modernize the asset management platform.
- As per PSEG Long Island performance metric T&D-03 for EAMS implementation, a System Integrator was to be selected in 2023 to implement the Maximo EAMS software. In response to a request for proposals for System Integrators, LIPA and PSEG Long Island’s legal teams spent considerable time and effort attempting to negotiate contracts with two shortlisted bidders but were unable to negotiate a contract on acceptable terms with PSEG Long Island’s preferred vendor. Overall, the EAMS project has required extensive engagement from LIPA and PSEG Long Island senior leadership to mitigate deficiencies in PSEG Long Island’s planning and project management in 2022 and 2023. LIPA management believes it is not worth diverting focus from other critical and higher-priority projects to address ongoing EAMS implementation challenges at this time. Consequently, LIPA management has recommended putting this project on hold until the completion of other higher-priority IT projects, including the OSA-mandated System Separation project, the Time of Day (TOD) rate implementation, and cybersecurity enhancements.

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: “Lack of good (accuracy and availability) historical data centrally located results in less-than-optimal decision-making to support asset management lifecycle optimization and replacement schedule resulting in inefficient capital resource allocation and reduced reliability.”

The asset management risk has a medium rating and is being mitigated through the development of adoption of leading asset management practices pursuant to three PSEG Long Island

performance metrics (T&D-01, -02 and -03). As discussed in the June 2023 Quarterly Board report on performance metrics, LIPA has had continuing concerns about PSEG Long Island's ability to meet the asset management performance metrics. PSEG Long Island did not meet the 2022 asset management-related metric T&D-1 and the 2023 metric related to the EAMS implementation T&D-3 has experienced significant challenges. As discussed above, LIPA management recommends putting the EAMS system implementation on hold until the completion of other higher-priority IT projects due to these concerns. This remains a risk that is not mitigated to the standards set in the performance metrics.

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.

As discussed above, LIPA management recommends that the EAMS system implementation be placed on hold until the completion of other higher-priority IT projects. The draft policy previously reviewed by the Board working group called for LIPA to achieve a maturity level of 3.0 or greater on the ISO Asset Management Framework, which encompasses industry-leading practices for asset management, by the end of 2025. By placing the EAMS implementation project on hold, LIPA management recommends that this goal be achieved by the end of 2027.

The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **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

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| <u>Exhibit "A"</u> | Resolution |
| <u>Exhibit "B"</u> | Policy (redline) |
| <u>Exhibit "C"</u> | Policy (clean) |

**RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON
ASSET MANAGEMENT**

WHEREAS, the Board Policy on Asset Management (the “Policy”) was originally approved by the Board of Trustees in June 2021; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that LIPA has substantially complied with Policy, and that 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 substantially 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: September 27, 2023



Board Policy: **Asset Management**
Policy Type: **Operating**
Monitored by: **Oversight and Clean Energy Committee**
Board Resolution: **#1649, approved June 23, 2021**
#xxx, amended September xx, 2023

Board Policy on Asset Management

~~It is the policy of the~~ The Long Island Power Authority's ("LIPA") vision for to maintain a robust Asset asset Management management is to maintain a robust system for the safeclean, reliable, and cost effectiveaffordable operation of the transmission and distribution system assets managed by its Service Provider. LIPA and its Service Provider will take prudent and reasonable measures to accomplish the following:

- Adopt the ISO Asset Management Framework that encompasses industry leadingindustry-leading practices and achieve a maturity goal of 3.0 or greater by the end of 202320275. This includes:
 - Maintaining a long range asset management focus on electric distribution, substation and transmission equipment, by emphasizing risk and gap analysis, reliability centered maintenance, lifecycle cost techniques, and financial and operational metrics to improve and achieve key performance indicators (e.g. age, manufacturer, failure modes, failure rates, cost to maintain, life expectancy, end of life determination, etc.)
 - Developing asset risk and lifecycle strategies, asset health indexing, asset condition and criticality, and preventive / predictive maintenance strategies.
 - Ensuring accountability for annual test and inspect plan input, annual replacement capital work plan input, asset standards, and decisions on asset replacements.
 - Ensuring material condition (life cycle) strategies are maintained, and equipment is replaced based on these strategies so as to maintain a high level of system reliability.
- Develop and maintain a modern enterprise asset management system ("EAMS") for asset-related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets. This EAMS will become the foundation of the utility's data driven asset management decision processes. The EAMS will include a computerized multi year component/equipment performance history to determine the effectiveness of the reliability programs.

The Chief Executive Officer, or his or her designee, will report annually to the Oversight and Clean Energy Committee on the key provisions of this Policy.



Board Policy: **Asset Management**
Policy Type: **Operating**
Monitored by: **Oversight and Clean Energy Committee**
Board Resolution: **#1649, approved June 23, 2021**
#xxx, amended September xx, 2023

Board Policy on Asset Management

The Long Island Power Authority's ("LIPA") vision for asset management is to maintain a robust system for the clean, reliable, and affordable operation of the transmission and distribution system assets. LIPA will take prudent and reasonable measures to accomplish the following:

- Adopt the ISO Asset Management Framework that encompasses industry-leading practices and achieve a maturity goal of 3.0 or greater by the end of 2027.
- Develop and maintain a modern enterprise asset management system ("EAMS") for asset-related work management, capturing, managing, and reporting on all strategic and operational assets, defining the relationships between those assets, and assessing the effectiveness and efficiencies of those assets.

The Chief Executive Officer, or his or her designee, will report annually to the Oversight and Clean Energy Committee on the key provisions of this Policy.