

**LIPA COMMUNITY ADVISORY BOARD
MEETING AGENDA
Monday, June 12, 2023
12:00 PM**

- I. Welcome & Introductions (*5 minutes*)
- II. Time-of-Day Rates for 2024 (*15 minutes*)
- III. Overview of LIPA Bills and Rates (*20 minutes*)
- IV. Low-Income Discount Discussion (*20 minutes*)
- V. Legislative Commission Update (*15 minutes*)
- VI. Round Table Discussion (*15 minutes*)

Next Meeting Dates:

Wednesday, September 20, 2023

8:00 – 9:30 AM

LIPA Board Room – Uniondale, NY



COMMUNITY ADVISORY BOARD

June 12, 2023

A G E N D A

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PSEG Long Island 2022 Performance

02

Time-of-Day Rate – Implementation Update

03

LIPA's Department of Energy Grant Submission

04

Legislative Commission Update

05

Suffolk County Planning Commission – Unified Solar Permit

06

Roundtable Discussion

07

Tour of the Jones Beach Energy & Nature Center



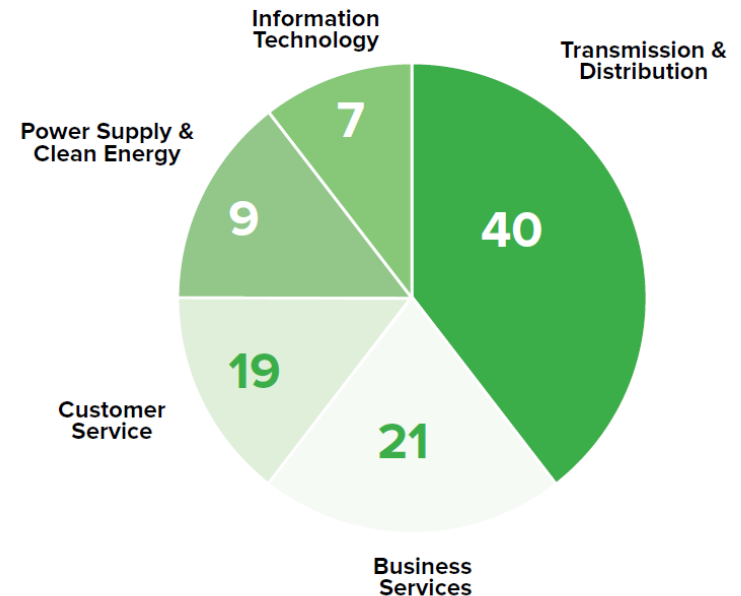
PSEG Long Island's 2022 Performance

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PSEG LONG ISLAND 2022 METRICS

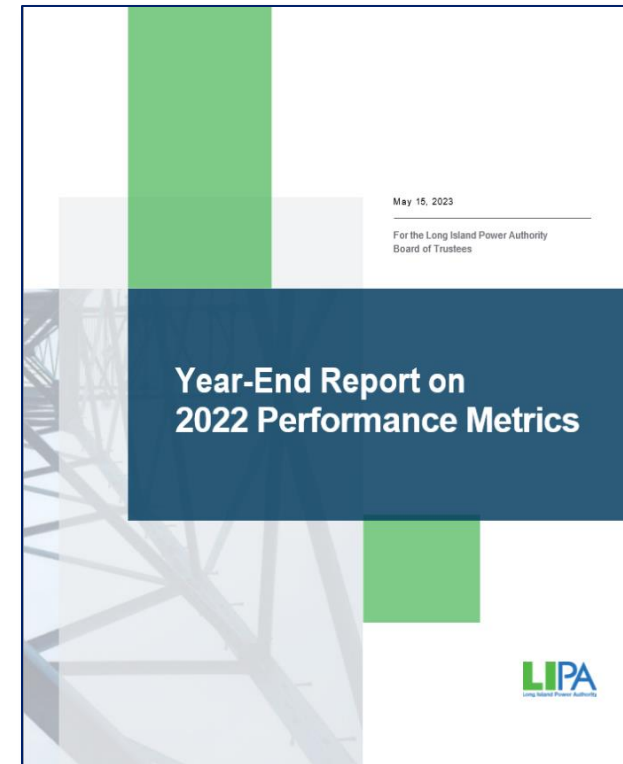
- For 2022, LIPA and PSEG Long Island mutually negotiated [**96 PSEG Long Island Performance Metrics**](#), distributed across all the management services provided by PSEG Long Island to LIPA and its customers
- This was the first year under the reformed PSEG Long Island contract, which became effective on April 1, 2022. For 2023 and future years, metrics are set by the LIPA Board with the concurrence of the Department of Public Service (DPS)
- Metrics are designed to be achievable levels of performance that are **objectively verifiable**, with **budgeted** funds to achieve this performance
- **\$21 million of Variable Compensation** was at-risk based on these performance standards. PSEG Long Island was also paid fixed fees for operating services of \$56.7 million, and affiliated companies were paid \$19 million for power supply and fuel management services and \$24.6 million for other services (primarily IT)

2022 PERFORMANCE METRICS
DISTRIBUTION BY SCOPE



PERFORMANCE METRIC REPORTING

- Throughout the year, LIPA **Independently Verified and Validated** (IV&V) PSEG Long Island's performance for each metric. Staff provided Quarterly Metrics status reports to the LIPA Board for Q1 through Q3
- PSEG Long Island submitted its 2022 Incentive Compensation Claim to LIPA on March 31, 2023
- **LIPA issued a written Year-End Report on 2022 Performance Metrics on May 15**, describing in detail LIPA's evaluation of the 96 metrics and the resulting 2022 Variable Compensation to be awarded to PSEG Long Island



[2022 Performance Metric Report](#)

METRIC PERFORMANCE MANAGEMENT

- Each metric is monitored by a LIPA team including an Executive Sponsor from LIPA's Senior Management, a Project Manager, and Subject Matter Experts.
- All metrics fall into one of two categories:
 - **53 Qualitative Metrics that are project-oriented initiatives and incorporate one or more required deliverables with defined target dates.** Required deliverables for these metrics are tracked and reviewed on an ongoing basis throughout the year
 - **43 Quantitative Metrics that specify predefined numerical measurements of performance.** Quantitative Metrics are tracked and measured using scorecards submitted monthly by PSEG Long Island, which are independently validated by LIPA staff and assessed for performance versus target

METRIC PERFORMANCE BY SCOPE

The T&D scope had the highest performance with 85% of the metrics fully met, while Customer Service and Information Technology were only 47% and 29%, respectively. Overall metric performance was **69%** fully met

Scope	# of Metrics	Met	Missed	Partial	% Fully Met*
Transmission & Distribution	40	34	6	0	85%
Business Services	21	15	5	1	71%
Power Supply & Clean Energy	9	6	1	2	67%
Customer Service	19	9	8	2	47%
Information Technology	7	2	3	2	29%
Total	96	66	23	7	69%

*% Fully Met does not include partially met metrics

PERFORMANCE METRIC DISPUTES

LIPA disagrees with PSEG Long Island's self-assessment of their performance ([link](#)) for 8 of the 96 metrics

Metric Number	Metric Name	LIPA Disposition	PSEGLI Claimed Performance Level
BS-07	Affiliate Cost Benefit Justification	Did Not Meet Metric Standards	Met Metric Standards
BS-11	Long Island Choice Reform	Did Not Meet Metric Standards	Met Metric Standards
BS-12	Advanced Metering Infrastructure (AMI) Opt-Out Fees	Did Not Meet Metric Standards	Met Metric Standards
BS-17	Project Outreach	Did Not Meet Metric Standards	Met Metric Standards
IT-1	Organizational Maturity Level – Doing	Partially Met Metric Standards	Met Metric Standards
IT-2	Organizational Maturity Level – Managing	Did Not Meet Metric Standards	Met Metric Standards
PS&CE-8	TOU Pricing Options – Space Heating & Large Commercial	Did Not Meet Metric Standards	Met Metric Standards
T&D-26	Vegetation Management Work Plan – Hazard Tree Removal	Did Not Meet Metric Standards	Met Metric Standards

INCENTIVE COMPENSATION AWARDS

Based on LIPA's evaluation, PSEG Long Island qualifies for \$14.8 million* of Variable Compensation, 71% of the amount available for 2022 of \$21.0 million. PSEG Long Island's **total compensation for operating services with fixed fees would be \$71.6 million or 92% of the available amount**

Scope	Allocated Compensation	PSEGLI Claimed Compensation	LIPA Awarded Compensation*	% LIPA Compensation Awarded	% Metrics Fully Met	% Metrics Fully or Partially Met
Transmission & Distribution	\$8,410,163.73	\$7,516,583.84	\$7,096,075.65	84%	85%	85%
Business Services	\$3,153,811.40	\$2,890,993.78	\$2,155,104.46	68%	71%	76%
Power Supply & Clean Energy Programs	\$2,102,540.93	\$1,997,413.89	\$1,787,159.79	85%	67%	89%
Customer Service	\$4,205,081.87	\$2,207,668.00	\$2,207,667.98	53%	47%	58%
Information Technology	\$3,153,811.40	\$2,207,667.98	\$1,576,905.70	50%	29%	57%
Grand Total	\$21,025,409.33	\$16,820,327.49	\$14,822,913.58	71%	69%	76%

**Indexed for the Consumer Price Index, with an adjustment for 2022 of 5.127%*



Time-of-Day Rate Implementation Update

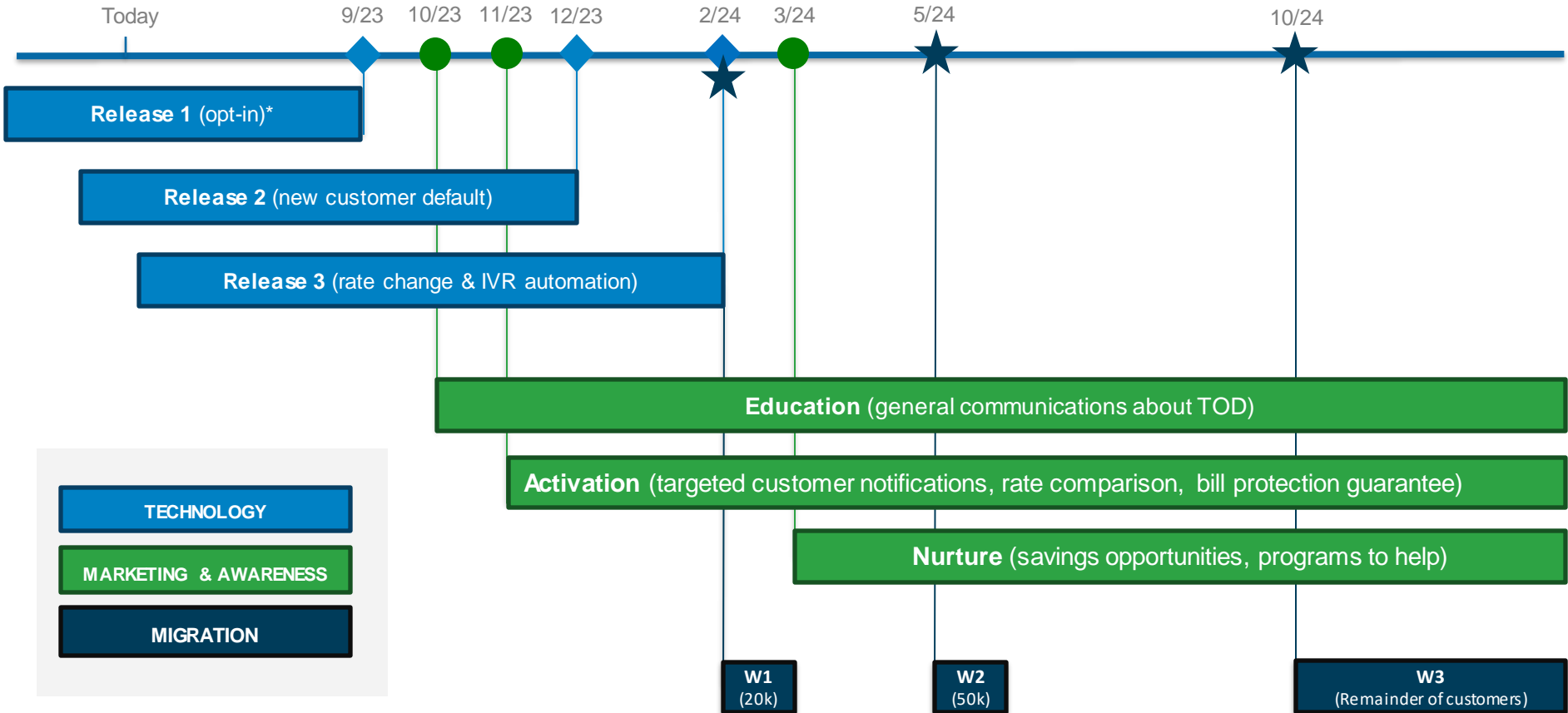
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LIPA IS MOVING TO TIME-OF-DAY RATES IN 2024

- **LIPA will offer a standard Time-of-Day (TOD) rate plan for residential customers in 2024**
- LIPA will deploy services and tools to educate customers and help them make the most of the new plans. Customers who try TOD will receive a 1-year **Bill Protection Guarantee** and can switch back to their current rate plan at any time. Customers will be notified 90, 60, and 30 days before transition
- Customer migration will begin in February 2024 and extend into mid-2025



PROJECT TIMELINE



LIPA INDEPENDENT VERIFICATION & VALIDATION

Deliverable review & approval

- List of deliverables captured in Project Implementation Plan (PIP)
- Workshops/meetings to review and incorporate feedback
- Final approval

Verification of PSEG Long Island test results

- PSEG Long Island test cases
- Execution and results

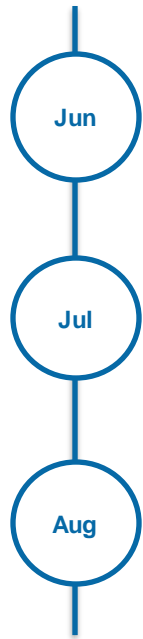
Independent validation

- Random sampling to verify accuracy of usage and bill calculations
- Comprehensive review of test databases for completeness
- Confirm number of accounts billed
- Confirm test coverage for all segments

Independent testing

- LIPA to execute tests independently and validate results
- Scope of this testing will be based on assessment from prior steps

UPCOMING ACTIVITIES



Finalize PIP

Comprehensive customer communications and marketing plan due

Release 2 – business requirements due*

Release 1 – system build complete; user acceptance testing and IV&V begins

Release 2 – design documents due; build begins*

Release 3 – business requirements due*

Release 3 – build begins*



LIPA-US Department of Energy Grant Submission

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MINIMIZING COST TO CUSTOMERS

LIPA's status as a public power utility makes it eligible for federal grants not available to investor-owned utilities and has reduced costs for customers by **\$1.8 billion over the last decade**

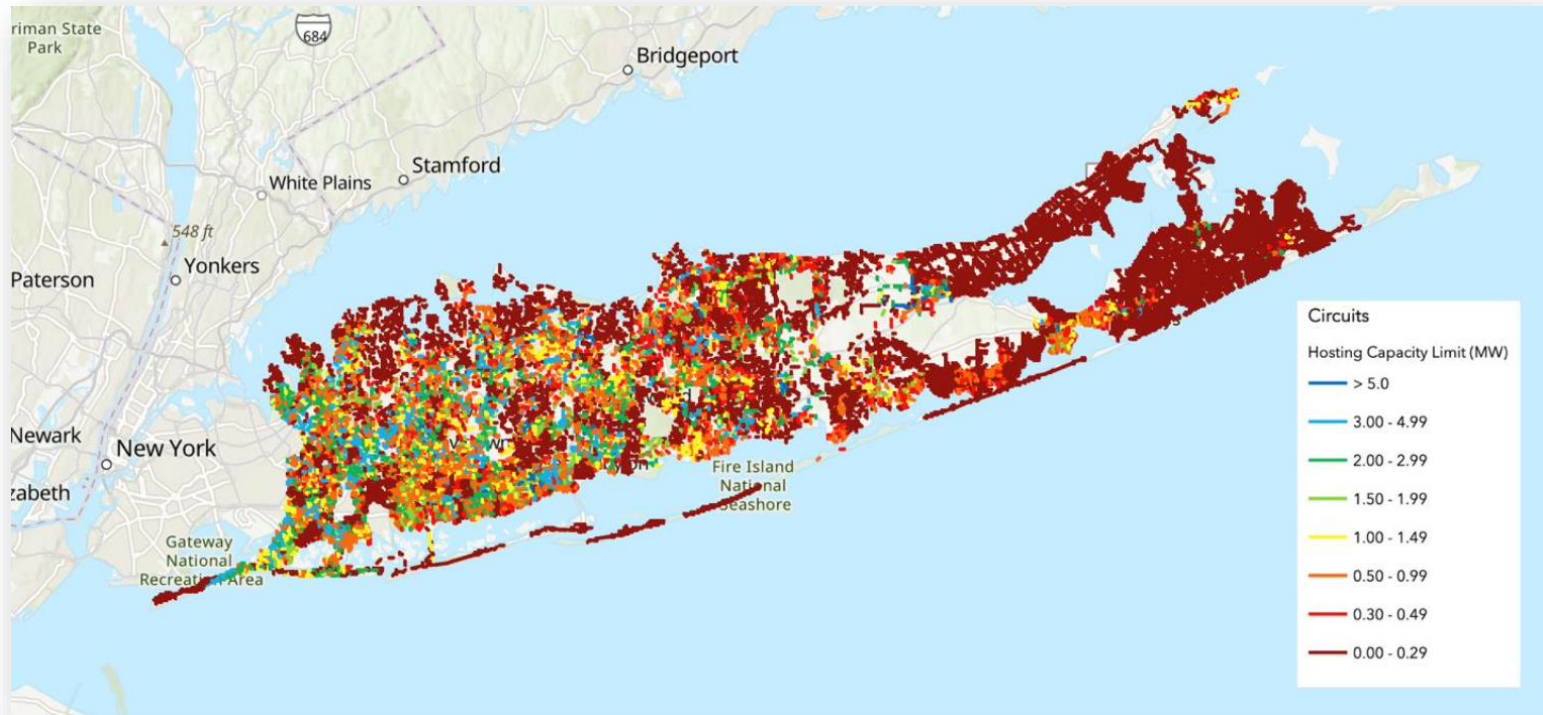
Federally Declared Weather and Other Events	LIPA Recovery Cost	Federal Grants
Tropical Storm Irene (2011)	\$170 million	\$154 million
Superstorm Sandy Restoration (2012) Superstorm Sandy Storm Hardening (2016-2020)	\$671 million --	\$660 million \$656 million
Winter Storm Nemo (2013)	\$17 million	\$11 million
Winter Storm Stella (2017)	\$14 million	\$4 million
Tropical Storm Isaias (2020) Tropical Storm Isaias Storm Hardening (2023+) Tropical Storm Isaias Mitigation Award (2023)	\$309 million --	\$276 million \$400+ million* \$4 million
COVID-19 Pandemic (2020-2022)	\$28 million	\$27 million*
Tropical Storm Ida (2021)	\$9 million	\$7 million*
TOTAL	\$1.2 BILLION	\$2.2 BILLION*

**Applications pending.*

LIPA FEDERAL GRANT PROPOSAL

- On January 13, LIPA submitted a concept paper under the Grid Resilience and Innovation Program, authorized under the Bipartisan Infrastructure Law (BIL). **LIPA is eligible for the grant as a governmental entity**
- LIPA is seeking a **federal grant of \$250 million** toward \$550 million of upgrades to the Transmission & Distribution System to allow for additional interconnection capacity for Distributed Energy Resources (DER)
- The proposal builds upon two recent actions taken by LIPA to address hosting capacity constraints and lower interconnection costs for project developers:
 - (1) a recently launched Interconnection Cost Sharing 2.0 Framework and
 - (2) a study to identify distribution system constraints and technical solutions to address those constraints on LIPA's distribution circuits, utilizing the latest distribution system modeling technology, smart inverter breakthroughs, and recently upgraded hosting capacity mapping technology
- LIPA will partner with developers and municipalities to interconnect community solar and other DERs serving low-income customers and disadvantaged communities
- LIPA Submitted a full application on May 17th
- Thank you to the many CAB Members who wrote to support our application and commitment to LIPA's proposed Community Benefits Plan!

DER HOSTING CAPACITY MAPS



Over 40% of LIPA's distribution feeder circuits have less than 1 MW of available average hosting capacity, and 22% have no capacity at all



Legislative Commission on the Future of LIPA

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NYS LEGISLATIVE COMMISSION

- New York State's 2022 Budget authorized the **Legislative Commission on the Future of LIPA** to evaluate the establishment of a full public power model on Long Island and in the Rockaways, made up of eight state legislators
- **Five public hearings** were held by the Commission throughout LIPA's service territory in November 2022 to January 2023
- The Commission issued its **draft report** ([link](#)) on April 17, 2023, laying out the steps necessary to achieve public power following the expiration of PSEG Long Island's contract in 2025
- The draft report found that **LIPA can save between \$50 million and \$80 million a year** by operating its electric grid itself without hiring an outside, for-profit utility
- LIPA has conducted its own studies on the public power model, most recently in 2021, that found similar benefits ([link](#))



Legislative Commission on the
Future of the
Long Island Power Authority

Newsday

TOP STORIES

FULLY PUBLIC LIPA WOULD MEAN LOWER RATES, STUDY SAYS

Major challenges
to convert utility
called doable

ONLY IN NEWSDAY

BY MARK HARRINGTON
mark.harrington@newsday.com

Converting LIPA to a fully public power model will result in an "overall positive benefit" for LIPA customers, with "important financial benefits" including lower rates, more accountability and greater local control, a draft study by a legislative commission found.

WHAT TO KNOW

■ Converting LIPA to a fully public power model will result in lower rates, more accountability and greater local control, a draft study by a legislative commission found.

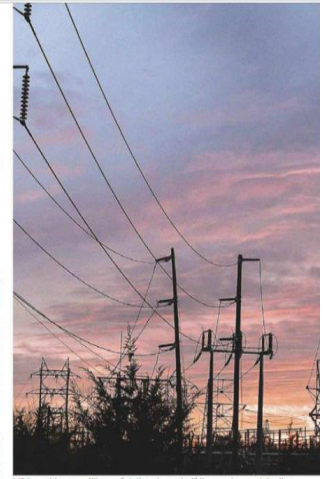
■ In a report obtained by Newsday, the commission found that all the major challenges of converting LIPA to a fully public model are doable.

■ But it also said special legislation and amendments to the original LIPA Act would be required to make it happen.

the storm, and the suit was settled with a new contract that puts more of PSEG's annual compensation at risk for a broad list of failures.

Contained in state recommendations to LIPA following the storm was one that LIPA considered fully municipalizing, taking advantage of the potential increase in service that public power entities generally show over investor-owned utilities while potentially lowering rates by eliminating the utility contractor.

PSEG said the current public-private model works best, and it has raised questions about risks LIPA faces on its own, including loss of a critical check and balance on the state



LIPA could save millions of dollars in costs if it were to municipalize

PRIVATIZATION ANALYSIS KEY TAKEAWAY: RAISES CUSTOMER COST

Among the key findings:

- Net present value (NPV) cost to customers from a sale of LIPA to private investors would be between **-\$10 billion** and **-\$14.2 billion** over 20 years
- As a public power utility, LIPA has access to federal grants and tax-exempt bonds unavailable to private utilities and is also exempt from corporate income, sales, and certain property taxes. **These benefits significantly reduce customers' bills and were not appropriately accounted for in the Lazard privatization analysis**
- Privatization would raise customer bills by **\$45 per month by year 7** after a sale, and it would get worse over time
- There is no evidence to suggest that privately owned utilities outperform or are more efficient than public power utilities. **As natural monopolies, electric grids, whether public or private, are governmental in nature**



Fact Sheet: Public Power Saves Customers Money.
Privatization Raises Customer Bills

NEXT STEPS

- The Commission will hold public hearings on their draft report in September 2023
- Following the public hearings, a final report will be issued by the Commission by the end of November 2023 and include a draft bill to implement the recommendations outlined in the final report
- The Legislature will consider the draft bill in January 2024 to implement changes to the management model as detailed in their final report
- The governor must sign any legislation passed by the Senate and Assembly for it to become law

UPCOMING DATES

SEPTEMBER 2023

PUBLIC HEARINGS ON
DRAFT REPORT

NOVEMBER 2023

FINAL REPORT
ISSUED

JANUARY 2023

2024 NYS LEGISLATIVE
SESSION BEGINS

DECEMBER 31, 2025

PSEG LONG ISLAND
CONTRACT EXPIRES

PSEG Long Island management contract expires at the end of 2025

- If the public model is not pursued, LIPA will rebid the PSEG Long Island contract in 2023. The Office of the State Comptroller (OSC) stated as part of approving the reformed PSEG Long Island contract in April 2022 that it will not consider an extension of the PSEG Long Island contract without a competitive bidding process
 - PSEG Long Island may or may not seek to extend contract
 - Bid for new contractors would need to start in Q42023 to allow time to select vendor(s) and transition to the new vendor
- Over the next year, the Governor, State Legislature, and LIPA Board of Trustees will make significant decisions about LIPA's management model

TRANSITION WILL BE NECESSARY UNDER EITHER SCENARIO

Transition activities are well-defined and can be completed within approximately 12 months

- Segregation of Long Island IT systems has already begun and will reduce transition risks
 - *All IT systems will be migrated to Long Island within the current contract (see Board-adopted [IT System Separation Plan](#))*
- T&D assets and employees (ServCo) would transition to LIPA or a new management contractor
 - *LIPA already owns or leases all T&D assets*
 - *ServCo subsidiary was created specifically to make management transitions seamless*
- Vast majority of PSEG affiliate services will be provided within ServCo by the end of the contract
- LIPA or new provider(s) would need to attract or retain replacements for PSEG LI senior managers
 - *14 management positions are currently staffed by PSEG employees*
 - *Due to overlap with LIPA positions, a public power model would require hiring about 6 new managers*



Suffolk County Planning Commission Unified Solar Permit

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Roundtable

Discussion