

CEO Report

LIPA Board of Trustees Meeting

March 27, 2024



Presented by: Thomas Falcone, Chief Executive Officer

The Power is Yours [™]

Discussion Topics





South Fork Wind project update



Overview of residential electric rates



Battery storage and our commitment to safety



Tenure and accomplishments



Remembering Our Colleague



Remembering our friend and colleague, **Danay Spencer**



Danay Spencer 1988 - 2024



South Fork Wind Project Update



South Fork Wind Announcement | March 14, 2024

Celebrating the completion of **South Fork Wind**

Earlier this month, Governor Hochul celebrated the completion of the first operational offshore wind farm in federal waters.

- Congratulations to our Board and to our LIPA staff, past and present, who brought this historic project to life.
- Thank you to our partners, the New York State Energy Research and Development Authority, PSEG Long Island, Orsted, and Eversource Energy.





New York's first offshore wind farm: South Fork Wind

South Fork Wind is fully operational, providing clean, renewable energy to Long Island and the Rockaways.

- ✓ First operational offshore wind farm in U.S. federal waters
- \checkmark 12 offshore wind turbines
- ✓ 130 megawatts of renewable energy
- \checkmark Powering up to 70,000 homes
- ✓ Reducing 300,000 tons of carbon emissions yearly
- ✓ First offshore wind project of many forecast to provide up to half of Long Island's electricity by 2030





Celebrating the completion of South Fork Wind



Pictured from left to right: Robert Rodriguez, Secretary of State; David Manning, LIPA Trustee; Governor Kathy Hochul; Thomas Falcone, Chief Executive Officer; Dominick Macchia, LIPA Trustee; and Doreen Harris, NYSERDA President and CEO.



Overview on Residential Rates



Typical Monthly Residential Bill Breakdown (2023 – 2024)

- The **residential bill** consists of multiple charges that recover various costs.
- Charges are based on:
 - usage (kWh or days) times price (\$/kWh, \$/day); or
 - percent of other charges (e.g., revenue and sales taxes).
- The Board approves rates for Delivery Service in the budget each year.
- All other rates are based on **Board-approved** formulas that recover specific costs.
- Bills depend on actual usage and electricity costs; the Budget uses forecasts of weather, customer usage, and commodity/electricity costs.

Bill Charges	2023 Budget	2023 Actual	2024 Budget
Deliver Service	\$84.68	\$86.14	\$91.09
Power Supply	\$83.77	\$74.87	\$82.04
Delivery Energy Resources (DER)	\$3.74	\$3.74	\$3.30
Delivery Service Adjustment (DSA)	-\$0.01	-\$0.01	\$1.64
Revenue Decoupling Mechanism (RDM)	-\$6.01	-\$6.13	\$0.02
New York State Assessment (NYSA)	\$0.52	\$0.45	\$0.58
Merchant Function Charge (MFC)	\$1.74	\$1.73	\$2.29
Suffolk Property Tax Adjustment	\$2.20	\$1.83	\$0.51
Revenue-Based PILOTs	\$2.30	\$2.32	\$2.62
Sales Tax	\$2.48	\$2.35	\$2.63
Total Bill	\$175.42	\$167.28	\$186.71
Use per Customer (kWh/month)	723	716	715



Explanation of charges

Charge	Costs Recovered	Billing Factor
Delivery Service	Delivery ServicePSEG Long Island operations and maintenance plus LIPA operations and maintenance plus transmission and distribution property taxes plus debt service minus other income	
Power Supply	Power supply capacity, commodity, and renewables	kWh
Merchant Function Charge (MFC)Other costs related to power supply (bad debt, collections expenses, procurement, and working capital)k		kWh
Distributed Energy Resources (DER)	Energy efficiency and Utility 2.0 program expenses	kWh
Delivery Service AdjustmentVariances in debt service, storm expense, pensi and OPEBs, and bad debt related to pandemics		Percent of delivery revenues
Revenue Decoupling Mechanism	Variances in revenues	Percent of delivery revenues
New York State Assessment	Department of Public Service and other government assessments	Percent of above charges
Suffolk Property Tax Adjustment	Settlement costs from Suffolk County customers	Percent of above charges
Revenue-Based PILOTS	Revenue taxes are assessed by state and local municipalities	Percent of above charges
Sales Tax	Collected on behalf of the state and counties	Percent of above charges

Actual Customer Bill

DETAILS OF CURRENT ENERGY CHARGES Rate 180 - Residential, General Use

- 50% Delivery & System Charges The cost to deliver electricity: includes operation and maintenance of the electric system and certain transition charges of \$0.020661/kWh on behalf of the Utility Debt Securitization Authority, the owner of such transition charges. Basic Service : 29 day(s) @ \$.4800 = MFC : 1076 KWH @ \$.002407 = First 242 KWH @ \$.0916 = Next 834 KWH @ \$.0916 = 45% Power Supply Charges The cost of electricity: includes the purchase of fuel (e.g. oil and gas) used to produce electricity and electricity purchased directly. 1076 KWH @ \$.094425 = 5% Taxes & Other Charges DER Charge 1076 KWH @ \$.005228 = Delivery Service Adjustment Revenue Decoupling Adjustment
 - NY State Assessment0.60Revenue-Based PILOTS3.05Suffolk Property Tax Adjustment4.31Sales Tax @ 2.5 %5.55

100% Total Charges \$ 227



How we present the typical residential bill

The 2024 budget shows the progression from (i) the 2023 approved budget to (ii) the 2023 actual to (iii) the 2024 proposed budget.

Budgets are based on forecasts (i.e., proposed), with actual based on real rate data for that same year.

- In 2023, actual bills were 4.6% below forecast:
 - Significant credits were passed through in the 2023 power supply charge, producing lower bills.
 - Energy use was lower than forecast in 2023, predominantly due to milder-than-normal weather in both winter and summer.
- Estimated bills in the 2024 Budget are expected to be 5.6% higher than projected in the 2023 Budget (\$186.71 vs. \$176.86).
- Estimated bills in 2024 are expected to be 11.6% higher than 2023 *actual* bill (\$186.71 vs. \$167.28) but lower than the 2022 actual bill (\$194.34):
 - ~\$15/month due to higher power supply costs and expiration of one-time credits received in 2023 (see next page for details).
 - \$4.95/month due to increased costs for Delivery Service in 2024 based on the budget.



Reasons for changes from the 2023 budget to the 2024 budget

Charge	2023 Budget to 2023 Actual ¹	2023 Actual to 2024 Budget
Delivery Service	Summer use was higher than budgeted	 Increase in Delivery (T&D) revenue requirements (i.e. the operating and capital budget items voted on by the Board each December)
Power Supply ²	\$290M lower commodity prices\$114M credit on NGrid property taxes	 \$106M from higher commodity prices \$47M net increase in renewables Loss of \$74M credit on taxes (\$40M ongoing credit)
Distributed Energy Resources ³	 Final rate was 1.4% higher than budgeted 	 \$15M decline in budgeted spending (voted on each December) \$8M increase as 2023 refund expires
Delivery Service Adjustment ³	 Final rate was 5.1% lower than budgeted 	 \$32M arrears forgiveness program (bad debt related to the pandemic) Past overbudget storm expense fully collected (was \$22M in 2023) \$21M lower debt service cost (net of interest earnings) and \$0.6M higher pension/OPEB expense than budgeted due to changes in interest rates during year
Revenue Decoupling Mechanism ³	 Final rate was 0.3% higher than budgeted 	 \$74M credit in 2023 related to higher than budgeted 2022 sales, reduced to \$6M credit in 2024 for related to on budget 2023 sales \$15M under-recovery in 2023 offset by \$8M EAP appropriation

Note: 1. Monthly energy use fell from 723 kWh budgeted to 716 kWh actual, reducing all bill components by ~1%.

2. Updated monthly to incorporate actual costs and updated projections.

3. Budgeted rates reflect actual results through September. Final year-end adjustment reflect October and November actual results and new December estimate.



Power supply costs are a key reason for changes in budgeted and actual bills

- The LIPA Budget has shown the prior year's forecast, actual, and variance for typical residential bills each year since 2020, with explanatory comments for the major drivers.
- Fluctuations in power supply costs tend to explain the majority of the variance between the budget and the actual typical bill and the change in projected bills from year to year.
- Use per customer also plays a role in both the variances between budget and actual, and the projected increase or decrease from budget to budget.

Year	Budget Typical Bill (\$)	Power Supply Variance (\$)	All Other Variances (weather, usage, etc) (\$)	Actual Typical Bill (\$)	Power Supply Variance (%)	All Other Variances (weather, usage, etc) (%)
2019	154.94	-0.25	1.31	156.00	-0.2	0.8
2020	155.06	6.15	6.41	167.62	4.0	4.1
2021	163.83	8.96	3.23	176.03	5.5	2.0
2022	169.28	19.60	5.45	194.34	11.6	3.2
2023	175.42	-8.90	0.76	167.28	-5.1	0.4
2024	186.71					



Commodity costs are volatile and hard to predict

Natural gas prices drive the commodity cost of electricity in the Northeast.

- Market prices fluctuate constantly, and customers pay the actual costs on a dollar-for-dollar basis each month.
- Higher loads in the peak hours of the day cause less efficient generators to be added to the supply mix, especially in the summer months.
- Capacity costs and property taxes on power plants also play a role in setting the cost of power supply.
- LIPA's budgets use the actual commodity costs at the time the budget is prepared.

Energy Product Prices Change Daily

Wholesale Spot Petroleum Prices, 3/11/24 Close

Product	Area	Price	Change*
Crude Oil	WTI	78.87	-0.1 븆
(orbanol)	Brent	83.44	-1.0 븆
	Louisiana Light	81.62	+0.1 🔶
Gasoline (RBOB)	NY Harbor	2.31	+2.3 🔺
(organon)	Gulf Coast	2.58	+13.2 🔺
	Los Angeles	2.76	+2.5 🔺
Heating Oil (\$/gallon)	NY Harbor	2.60	+0.6 🔺
	Gulf Coast	2.47	+0.9 🔺
3:2:1 Crack Spread (\$/barrel)	Gulf Coast (LLS)	26.76	+48.0 🔺
Low-Sulfur Diesel	NY Harbor	2.67	+0.4 🔺
(organon) -	Gulf Coast	2.58	+0.9 🛧
	Los Angeles	2.60	+0.6 🛧
Propane (\$/gallon)	Mont Belvieu, TX	0.75	-3.8 🔶

Retail Petroleum Prices (AAA 2), 3/11/24 (\$/gallon)

Regular Gasoline	U.S. Average	3.39	-0.1 🔶
Diesel	U.S. Average	4.04	-0.4 🔶

Select Spot Prices for Delivery Today

	(Natural Gas \$/million Btu)		Electricity (\$/MWh)	Spark
Region	Price	Percent Change*	Price	Percent Change*	Spread (\$/MWh)
New England	1.47	-13.4 븆	22.54	-18.5 🔶	12.24
New York City	1.35	-9.0 🕈	26.41	-14.7 븆	16.96
Mid-Atlantic	1.33	-11.2 븆	22.33	-20.0 븆	13.02
Midwest	1.38	-6.6 븆	18.17	-6.9 🔶	8.51
Louisiana	1.54	+0.4 🔺	20.25	0.0	9.46
Houston	1.31	+10.2 🔺	16.75	-36.8 🔶	7.57
Southwest	1.30	-7.0 븆	17.00	+223.8 🔶	7.90
Southern CA	1.60	+1.7 🔺	11.39	+65.3 🔺	0.19
Northern CA	2.54	-2.9 븆	25.32	-24.0 🔶	7.52
Northwest	1.42	-0.7 🔶	27.50	-25.6 🔶	17.56



Henry Hub Natural Gas - Historic and Foward Prices



Updated Prices as of 3/8/2024

 Projected as of 10/31/2023
 Projected as of 3/8/2024 (LIPA's Annual Budget)



Residential use has fluctuated over the past five years

Residential Use – Normalized Weather versus Actual

Residential use per customer was declining at a fairly steady pace from 2011 through 2019 until the COVID-19 pandemic in 2020. Actual use varies with the weather as electric cooling is the single largest end use in homes, resulting in sizable variances in revenue collected from residential customers. Budgets are based on forecasts of normalized weather.





Variances in energy sales **impact the revenue decoupling mechanism**

Variances in energy sales are the biggest driver of variances in budgeted revenues.

The Revenue Decoupling Mechanism (RDM):

- Trues up the Delivery Revenues to the level approved by the Board.
- Reconciles actual revenues to budget, with a credit or surcharge to customers in the following year.
- Can be affected by other revenue events, such as the \$9 million state appropriation in 2023.

	2019	2020	2021	2022	2023	2024
Revenue Decoupling Mechanism (RDM)	-	-\$2.08	-\$5.11	-\$3.12	-\$6.01	\$0.02
RDM (Percent of Delivery Service Revenue)	-	-2.8%	-6.2%	-3.8%	-7.1%	0.0%
Use per customer variance	2.1%	8.9%	4.0%	6.2%	0.9%	-



Battery Storage & Commitment to Safety



New York's Fire Safety Working Group

The safety of our customers, our communities, and first responders is paramount.

- The Inter-Agency Fire Safety Working Group released 15 initial recommendations, outlining enhanced safety standards for battery energy storage systems, addressing preventative and responsive measures as well as best practices.
- The Working Group accepted public comments on these draft recommendations for incorporation into the final recommendations to be submitted to the Code Council for inclusion in the next edition of the Fire Code of New York State.
- Developers will engage with the local community to explain how the specific design of the lithium-ion battery acts to reduce the chances of fire; how, should a fire occur, automatic fire suppression systems engage; how first responders should act during a fire event at a battery storage facility; and in the event of a fire, ensure proper venting of the battery system.



New York State Inter Agency Fire Safety Working Group Fire Code



Energy storage is a key component to achieving our shared clean energy goals for a fully decarbonized electric grid

- Placing energy storage in locations where the projects can provide electric grid benefits, there is adequate interconnection capacity available, and they can be permitted.
- For utility-scale batteries, LIPA will contract for storage, working with the developers and owners of these projects. Ultimately, the developer decides where to attempt to develop a battery energy storage system when putting a bid into LIPA. LIPA will only contract for a fraction of the storage systems proposed to it.
- In alignment with the State's Working Group, LIPA plans to continue with the three proposed sites from the 2021 Battery Storage RFP, including the Town of Islip, Shoreham, and West Babylon. But like any land use development, the local community needs to be reasonably satisfied that the battery storage facilities are safe.

OPINION

Battery storage is essential; so is safety

Recent fires show more work is needed to safeguard clean energy technology

energy from renewable sources

BY JULIE TIGHE Guest essay

New York generates more power from renewable energy than any state in the Eastern United States. Clean hydropower provides 21% of the state's energy generation, with another 8% from wind capacity and 5% from solar capacity. New York is poised to significantly enhance its renewable output by adding 9,000 megawatts of offshore wind power - more than current wind and solar combined - by 2035. Just last week, Gov. Kathy Hochul awarded two offshore wind projects off the coast of Long Island that will generate more than 1,700 megawatts of clean energy. However, to unleash the full potential of renewable energy we need the ability to store the energy generated from these projects and distribute it back to the grid when power demand is greatest. To do this, we need battery storage technology. Battery storage facilities store

and release it to the grid when power is needed most. The facilities have a small footprint and are typically found alongside existing solar, wind, or other industrial energy distribution sites. Battery storage systems increase supply reliability stabilize the cost of energy, and are essential to supplying our homes and communities with emission-free power. This is particularly important for environmental justice communities that have borne a disproportionate burden of polluting fossil fuels. However, as with all new technology, New Yorkers need assurance that battery storage facilities will be developed and operated safely. In the last year, three fires at battery storage sites in East Hampton and upstate Chaumont and Warwick led to understandable concerns from local communities. To evaluate these incidents, Hochul launched the Inter-Agency Fire Safety Group - led by experts from the Division of

Hampton, where a fire broke out in May 2023. from illegal e-bike batteries. Still, local communities have Homeland Security and Emervalid questions about potential



There is work to be done to understand and mitigate battery storage fire incidents. But we The lithium-ion battery storage facility on Cove Hollow Road in East are encouraged by these initial steps. Continued collaboration between state agencies, battery manufacturers, utility compafire impacts, including risks to nies, and local communities -Long Island's sole source alongside the establishment of aquifer. The state working robust safety and siting stangroup must continue its analysis dards - is essential to protect and provide detailed, fact-based

strong as possible to ensure

safety.

the well-being of our communi ties and advance this crucial renewable energy technology. As we forge ahead, continued adherence to this model will ensure a safe, effective energy transition that benefits all New Yorkers.

THIS GUEST ESSAY reflects the views of Julie Tighe, president of the New York League These requirements must be as of Conservation

Newsday: March 05, 2024



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Tenure and Accomplishments



Serving our customers has been a privilege and an honor

Together, over the past 10 years, we have strived to be the utility our customers deserve.

- ✓ Setting our vision
- $\checkmark\,$ Reliability and resiliency
- ✓ Fiscal sustainability
- ✓ Clean energy
- ✓ Affordability
- ✓ Accountability for performance
- ✓ Transparency for our stakeholders
- ✓ People and culture
- $\checkmark\,$ The value of public service



Questions?

Thomas Falcone Chief Executive Officer

lipower.org





March 18, 2024

Chair Tracey A. Edwards of the Long Island Power Authority, and Acting Chair Robert O. Gurman of the Utility Debt Securitization Authority 333 Earle Ovington Blvd, Suite 403 Uniondale, New York 11553

(Sent via email)

Dear Chair Edwards and Acting Chair Gurman,

After a decade of service, I am writing to submit my resignation, effective May 31, 2024, as Chief Executive Officer of the Long Island Power Authority and the Utility Debt Securitization Authority. It has been an extraordinary journey, both challenging and rewarding, in seeking to be the electric utility our customers deserve.

Antonio Machado asked, "What have you done with the garden entrusted to you?" I am proud to say we have tended this garden with care and dedication. We've nurtured it through seasons of change, and it has flourished under our collective efforts. Together, our accomplishments are too numerous to mention. Some of the highlights include:

Setting our Vision. Ten years ago, LIPA had yet to articulate its objectives and create a framework to balance cost and quality of service.¹ This lack of definition manifested in limited planning, inadequate investments, poor customer service, a high debt burden, and long-term unaddressed problems. In 2016, the board and management established the policy governance framework that has supported our progress since. The board's policy goals include top 10% reliability among peer utilities, top 25% customer experience, a zero-carbon grid by 2040, information technology and cybersecurity benchmarked to industry standards, regionally competitive electric rates, and fiscal sustainability.² These objectives are the basis of our strategic planning, budgets, performance metrics, work plans, and enterprise risk management program — all of which serve to prioritize competing goals and measure progress.

Reliability and Resiliency. In 2014, LIPA simply did not have the financial capacity to make the investments necessary to improve the reliability and resiliency of the electric grid. LIPA's efforts to contain costs led to inadequate capital investment, maintenance, tree trimming, and information technology systems. These tradeoffs became painfully evident during Hurricane Irene and Superstorm Sandy. Since then, LIPA's balanced approach to improving service while maintaining fiscal sustainability has permitted an over 300% increase in capital spending – a record \$6.4 billion

¹ DPS Management and Operations Audit dated September 13, 2013, Recommendations 7.4.2, 7.4.3, 4.4.3, 4.4.4, among others (<u>link</u>)

² LIPA 2024 Budget, Figure 1 (<u>link</u>)



investment in the electric grid since 2016 – reducing power outages by 37% and providing top 10% reliability to our customers, while maintaining rate adjustments below the rate of inflation.³

Fiscal Sustainability. Ten years ago, LIPA had the lowest credit ratings of any of its peer utilities and was on negative outlooks for further downgrades by all three major rating agencies.⁴ LIPA chronically missed its budgets and financial targets, and a rate freeze in 2014 and 2015 had a budget imbalance of over \$100 million. In addition to high debt levels, pension and post-employment benefits were underfunded by over \$450 million.⁵ Over the last decade, LIPA's financial profile has been transformed, with four credit rating upgrades and a positive outlook for another upgrade reflecting that "the gradual but consistent deleveraging trend that began in 2015 will continue through 2027."⁶ LIPA has met or exceeded its financial targets each year, and its debt-to-assets ratio has declined by 25%, from 110% in 2016 to 85% in 2023, with a target of 70% by 2030.⁷ With recent changes in interest rates and investment performance, LIPA's pension and post-employment obligations are now overfunded by \$46 million.⁸ Most importantly, prudent fiscal management has saved customers over \$600 million during this period and will continue to lower costs.⁹

Clean Energy. LIPA had nation-leading energy efficiency and rooftop solar programs in 2014. We have sustained and built on that foundation. In 2016, we strategically discontinued investment in a new generation of fossil-fueled power plants, which would have hamstrung Long Island with stranded costs during the transition to clean energy. In 2017, we became the first utility in the nation to sign for a utility-scale offshore wind farm and committed to two of the largest utility-scale battery systems in the state. Beginning in 2019, LIPA advanced through study and advocacy what became the \$3.3 billion Propel NY Energy project to permit the Long Island transmission system to accept thousands of megawatts of offshore wind. In 2021, we advocated for fair cost allocation on the Propel NY project, saving our customers over a billion dollars. In 2022, LIPA became the first utility in the state (and among the leading utilities in the nation) to commit to an "opt-out" time-of-day rate. Finally, our 2023 Integrated Resource Plan (link) confirmed that LIPA is on the right path – our carbon footprint will decline 70% by 2030, with over 4,500 megawatts of offshore wind, solar, and storage additions. By 2030, offshore wind alone will provide half of Long Island's energy needs.

Affordability. Affordability has always been a paramount concern for LIPA due to our region's high cost and the inherited Shoreham legacy. Over the last decade, LIPA has sought to develop budgets and financial plans that maximize customer value while aggressively managing costs. Budget controls implemented in 2022 as part of a renegotiated service provider contract saved customers \$170 million in 2024.¹⁰ LIPA's proper implementation of the 2% tax cap on electric grid

⁹ LIPA 2023 Audited Financial Statements, Footnotes 4 and 12a

³ LIPA 2024 Budget, Figures 5, 6, and 33 (link)

⁴ LIPA 2024 Budget, Figures 29 and 30

⁵ LIPA 2023 Audited Financial Statements, Footnote 13

⁶ Fitch Ratings, July 2023 (<u>link</u>)

⁷ LIPA 2023 Audited Financial Statements, Footnote 12(h) Fixed Obligation Coverage Ratio and 12(i) Debt-to-Asset Ratio

⁸ LIPA 2023 Audited Financial Statements, Footnotes 11, 13, and 14, including LIPA obligations and contractual obligations to PSEG Long Island and National Grid

¹⁰ LIPA 2024 Work Plan, Figure 1 (<u>link</u>)



infrastructure saved customers over \$400 million in 2024.¹¹ Our settlement of decades-old power plant tax litigation saved \$66 million in 2024 (and over \$554 million through 2028) while assisting host communities in adjusting to a sustainable tax base.¹² Renegotiating power purchase agreements and seeking reductions in wholesale market costs through policy advocacy saved customers \$121 million in 2024.¹³ LIPA's efforts in obtaining federal grants for storm recovery and hardening has saved \$2 billion over the last decade.¹⁴ Meanwhile, LIPA's deployment of new budget and treasury systems in 2023 will result in better information to make future spending and investment decisions, which will drive further efficiencies.

Accountability for Performance. Ten years ago, the 2013 management audit noted "As the entity ultimately responsible for electric service on Long Island, LIPA has to keep its contractors accountable for results – all the time... LIPA has a poor track record of dealing with [its former service provider]. Some of the challenges have been the result of the [contract] itself, which offers only limited contractual or financial leverage to change [the service provider's] performance... Regardless, LIPA has historically been reluctant to force change when it had the opportunity."¹⁵

In the aftermath of Tropical Storm Isaias in 2020, LIPA and the Department of Public Service (DPS) investigated the root cause of the poor storm response and concluded that it was a management issue. The investigation resulted in 85 recommendations to avoid a reoccurrence, including significantly renegotiating the contract with our service provider to strengthen incentives, accountability, and LIPA's ability to provide oversight.¹⁶ That reformed contract became effective in April 2022, less than two years ago, and resulted in meaningful service provider compensation at risk based on performance measures objectively set by LIPA and DPS, among other changes.¹⁷

Implementing the new contract has required significant organizational change at LIPA and its service provider over the last two years, including new budget and performance metric setting and review processes and a substantial increase in the workload of the LIPA staff. These controls were lacking under all prior management contracts dating back to LIPA's purchase of the electric grid in 1998 and are essential in our highly contracted business model if we are to meet our objectives for clean, reliable, affordable, customer-first electric service. Fully utilizing these contractual enhancements is essential to achieving needed improvements in asset management, work management, storm response, clean energy, beneficial electrification, information technology, cyber and physical security, cost efficiency, and customer satisfaction, among other areas.

Transparency for our Stakeholders. Over the last decade, we have transformed the quality of our communications and greatly increased transparency for our stakeholders. We candidly communicate our realities in plain English – through budgets, quarterly performance reports, fact sheets, plans, and community events. In those areas where we fall short, we own up to it and state what we will do to get back on track. This transparency established accountability and

¹¹ LIPA 2024 Budget, Figure 34 (link)

¹² LIPA 2024 Budget, Figure 26 (link)

¹³ LIPA 2024 Budget, Figure 34 (link)

¹⁴ LIPA 2024 Budget, Figure 8 (link)

¹⁵ DPS Management and Operations Audit dated September 13, 2013, page 1-6 (link)

¹⁶ Tropical Storm Isaias, 90-Day Report (<u>link</u>)

¹⁷ LIPA Fact Sheet: Reforming Long Island's Electric Service (<u>link</u>)



credibility with our employees and stakeholders. The quality of service to our stakeholders has been recognized through several awards for industry best practices by the American Public Power Association, including awards for outstanding utility communications, the 2023 Sue Kelly Community Service Award, and the 2024 E.F. Scattergood Award for exceptional service to customers.

Our People and Culture. LIPA oversees a complex electric utility operation with relatively few people. In 2014, the utility suffered from low morale and the regular turnover of the senior leadership team.¹⁸ The 2013 management audit noted LIPA's "significant need of additional "utility management IQ" to be successful."¹⁹ Further, LIPA's public reputation was for hiring based on political connections.²⁰ Over the last ten years, LIPA has built a professional team with high utility knowledge and experience and a culture that values service to our community, collaboration, and the pursuit of excellence. Our values are the center of our hiring, promotion, performance evaluation, and pay decisions. Together, we navigated the challenges of the pandemic, changing employee expectations related to flexible work policies, the significant increase in workload following our reformed service provider contract in 2022, and the turnover of an aging workforce. By offering exciting work and by acting on our employees' feedback, our employee engagement consistently benchmarks to be among the top 10 percent of employers. Our people and our culture are the solid foundation for our future performance. Serving alongside our talented and expert public servants has been an honor and a privilege.

The Value of Public Service

Ten years ago, I joined LIPA from the private sector to serve as Chief Financial Officer. As an investment banker, I had the privilege to work with, learn from, and know the leadership of many of the nation's largest public power utilities. Joining LIPA at the time I did – in the aftermath of Superstorm Sandy and the LIPA Reform Act, with a new Board, a new service provider, a new management team, and a large set of historic challenges — was an opportunity to serve the public and apply what I had learned from so many in my career.

LIPA's challenges lived up to their reputations, but our accomplishments were the reward. Over the last decade, I have dedicated most of my time and energy to my role, often exceeding 60 or 70 hours a week. I did so with great contentment, realizing the importance of the work, as a public service. That has been possible with my wife's extraordinary understanding and support as we have parented our three amazing, talented, and loving young children.

I am as excited about LIPA's opportunities as ever. I leave with many things to do. But with a sound foundation, now is the right time to turn my attention from our shared LIPA garden to another garden entrusted to me – my family. The next leader of LIPA will navigate the clean energy transition while maintaining reliability, affordability, fiscal sustainability, and the expiration of our service provider contract in December 2025. The task ahead is enormously complex and will require the total commitment of a knowledgeable and experienced chief executive and team.

¹⁸ DPS Management and Operations Audit dated September 13, 2013, page 1-5, footnote 6 (link)

¹⁹ DPS Management and Operations Audit dated September 13, 2013, page 1-6 (link)

²⁰ "Probe eyes LIPA employees' links to pols," Newsday, November 20, 2012 (link)



As I step down, I do so with great pride in our successes over the last decade and with unwavering optimism for LIPA's future. I remain committed to the organization's well-being and will assist in any way I can during and after this transition period. I wish LIPA much continued success.

Serving the great State of New York and our customers across Long Island and the Rockaways has been an honor and a privilege.

With heartfelt appreciation to our Trustees and my colleagues,

tolono m

Thomas Falcone