



## **BOARD POLICY**

## **IMPLEMENTATION REPORTS**

AS OF MARCH 2024

# **TABLE OF CONTENTS**

(click on the title of each Policy to view its corresponding report)

## **STRATEGIC DIRECTION POLICIES**

- [Clean Energy and Power Supply](#)
- [Customer Experience](#)
- [Transmission & Distribution Operations](#)
- [Customer Value, Affordability and Rate Design](#)
- [Fiscal Sustainability](#)
- [Economic Development and Community Engagement](#)
- [Safety](#)
- [Information Technology and Cyber Security](#)
- [Strategic Planning and Performance Management](#)
- [Social and Environmental Justice](#)

## **BOARD OPERATING POLICIES**

- [Construction of Transmission and Distribution Projects](#)
- [Enterprise Risk Management](#)
- [Power Supply Hedging Program](#)
- [Taxes and PILOTs](#)
- [Staffing and Employment](#)
- [Public Policy Transmission Planning](#)
- [Investment](#)
- [Asset Management](#)

## **BOARD GOVERNANCE POLICIES**

- [Governance and Agenda Planning](#)
- [Audit Relationships](#)



# Annual Report on Board Policy on Clean Energy and Power Supply

May 10, 2023

# LIPA BOARD POLICY ON CLEAN ENERGY AND POWER SUPPLY

LIPA's policy 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.

- **Clean Energy**
  - Zero-carbon electric grid by 2040
  - Meet or exceed LIPA's share of the clean energy goals of the CLCPA
  - Lead in energy efficiency and beneficial electrification
- **Power Supply Planning**
  - Conduct Integrated Resource Plans no less than every five years
  - Implement actionable recommendations of resource plans in a timely manner
- **Affordability**
  - Competitively procure the least-cost resources and programs that meet our clean energy and reliability objectives
  - Minimize cost and maximize performance with contractual counterparties
  - Advocate for fair rules and regulations
- **Environmental Justice and Disadvantaged Communities**
  - Ensure DACs receive 40% of CLCPA-driven benefits of clean energy, EE investments etc.

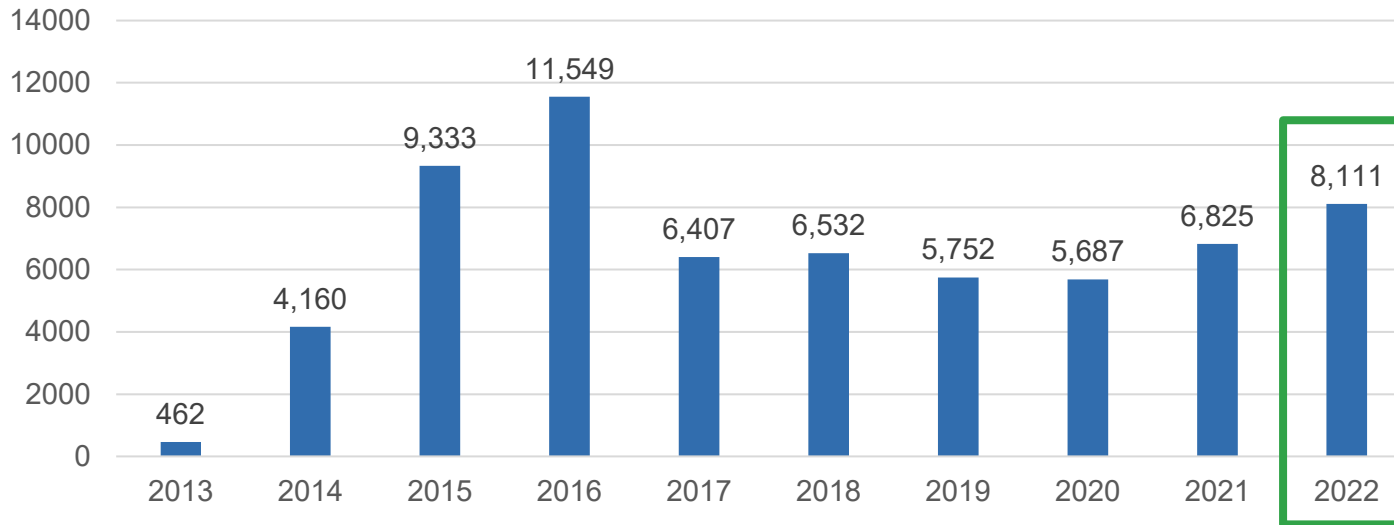


# MEETING THE BOARD'S EXPECTATIONS FOR CLEAN ENERGY

- Achieve a zero-carbon electric grid by 2040, while meeting or exceeding LIPA's share of the clean energy goals of the CLCPA
  - 2,300 MW of offshore wind projects connecting to LI are under development
  - LIPA's energy storage RFP has resulted in selection of five projects amounting to 329 MW for contract negotiations
  - Long Island has over 900 MW of utility-scale, distributed, and rooftop solar projects, leading the state in solar deployment and already exceeding 2025 goals
  - LIPA is working with NYISO, developers and other stakeholders on transmission projects to integrate offshore wind and other clean energy resources
  - LIPA's proposal for a \$250 million federal grant for T&D investments supporting Distributed Energy Resources has received an initial favorable determination from USDOE
  - Existing clean energy commitments are sufficient to reduce LIPA's carbon emissions by 70% (from 2010 levels) by 2030

# LOCAL SOLAR INSTALLATIONS ON THE RISE

New Solar Interconnection on Long Island and the Rockaways



**Newsday**  
March 12, 2023

**TOP STORIES**

**LI solar installations  
increase 19% in '22**

- LIPA's long-standing support for the rooftop solar market has created the **most vibrant solar market** in New York, with approximately 40% of the State's rooftop solar
- In 2022, solar installations across Long Island **increased 19%** with **8,111 new installations** while there was a 16% decrease nationwide
- The new installations represent **79.3 MW of solar added to the grid** throughout LIPA's service territory
- LIPA is on track to exceed its share of the State's 10,000MW 2030 rooftop solar goal **at least three years early**

# MEETING THE BOARD'S EXPECTATIONS FOR CLEAN ENERGY AND POWER SUPPLY PLANNING

- Plan for a reliable and clean power supply portfolio
  - PSEG LI has completed studies for LIPA's 2023 Integrated Resource Plan for Q2/Q3 release
  - Existing Long Island capacity and currently planned additions will meet LIPA's minimum Locational Capacity Requirement ("LCR") through at least 2030
  - All third-party-owned generation under contract with LIPA has met or exceeded contract targets
- Demonstrate innovation and leadership in reducing economy-wide GHG emissions through energy efficiency and beneficial electrification
  - LIPA's residential and commercial energy efficiency programs have exceeded the goal of 1.15 million MMBtu of energy savings
  - With over 20,000 heat pump installations on Long Island, LIPA has reached two-thirds of its goal of 30,000 heat pumps by 2025
  - LIPA has funded an \$88 million plan to build out the infrastructure to support more than 4,700 chargers across LI by 2025

# 2023 INTEGRATED RESOURCE PLAN (IRP)

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- IRP focuses on:
  - Reliable, CLCPA compliant, cost-effective options for meeting future demand
  - System changes needed by 2030 with the focus on retirement of existing generation
- Anticipated release of findings to the public in Q2/Q3 2023
- Additional follow-up studies planned for 2023 and 2024
  - Update Long Island generation resource adequacy analysis, reflecting any system and reliability criteria changes
  - Review storage needs and identify preferred LI points of interconnection
  - Complete Climate Vulnerability Study and Resilience Plan

# INTERCONNECTION INITIATIVES TO SUPPORT RELIABILITY

- Y-49 cable life extension and modernization
  - NYPA currently reconductoring the Long Island land-based portion of the Y49 cable
  - Expected in-service date of June 2023
- Restoring the Neptune cable import capability
  - Cable was de-rated to 375 MW for a portion of 2022, due to a transformer failure at Newbridge SS
  - New transformer was installed last fall, returning the line to its full 660 MW capacity for 2023
- 345/138kV, 450 MVA transformer spares for Y49, Y50, and Neptune Interties
  - In 2020, we experienced 2 separate failures of this class transformer (Newbridge & Shore Road)
  - LIPA acquired a new spare in July 2022
  - NYPA recently procured an additional spare
- Long Island Public Policy Transmission Project
  - In August 2021, NYISO issued RFP to increase LI export capability and ensure the full output of 3,000 MW of offshore wind is deliverable to the rest of the State
  - 7 projects shortlisted; award expected in 2<sup>nd</sup> half of 2023

# MEETING THE BOARD'S EXPECTATIONS FOR AFFORDABILITY

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- Consider the benefits and costs of its clean energy programs and power supply to achieve the greatest value for customers
- Competitively procure the least-cost resources and programs, including using our not-for-profit cost of capital and using LIPA-owned land and generation sites
  - In Sept. 2022, LIPA selected 329 MW of energy storage proposals for competitive contract negotiations. All are structured as build-own-operate-transfer contracts to take advantage of LIPA's access to tax-free debt to lower financing costs.
  - LIPA plans to meet a major portion of its future CLCPA renewable and storage needs by participating in statewide competitive programs administered by NYSERDA
  - LIPA continues to advance an electricity pre-payment to save customers money using our tax-exempt cost of capital.

# MEETING THE BOARD'S EXPECTATIONS FOR AFFORDABILITY

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- Regularly demonstrate efforts to minimize cost and maximize performance with contractual counterparties and through advocating with regulatory authorities for fair cost allocations
  - LIPA successfully challenged PJM's cost allocation of costs for allocating the costs of transmission system upgrades to LIPA's wheeling service charges saving customers \$64 million through 2028
  - LIPA and Con Ed successfully petitioned the PSC to reduce the cost allocation for offshore wind transmission to downstate utilities from over 75% to their load share ratio (13% for LIPA) and more equitably share the costs statewide
  - LIPA, along with other stakeholders, submitted comments to the PSC opposing a \$1 billion Con Edison proposal to allocate costs statewide for a Brooklyn transmission hub initially needed to support reliable service to Con Edison's own customers

# MEETING THE BOARD'S EXPECTATIONS FOR EQUITY

- Improve equity for disadvantaged communities, by meeting or exceeding LIPA's share of New York's environmental justice goals for the energy sector
  - DACs to receive up to 40% of the overall benefits of clean energy, energy efficiency, energy assistance, and energy transportation investments under the CLCPA
  - LIPA's Community Solar feed-in tariff will provide up to 20 MW of new renewable resources whose benefits will be directed toward low and moderate-income customers
  - LIPA is funding 50 scholarships over the next 5 years for students from underserved communities seeking careers in the electric utility industry
  - New York Clean Transportation Prize, with \$10 million funding from LIPA, made awards in Nov. 2022, including a micro-shuttle in two LI disadvantaged communities (Brentwood and Rockaways)
  - LIPA's 2023 budget funds \$4 million for the LI Regional Clean Energy Hub, a partnership with NYSERDA and Cornell to assist communities in adopting clean energy and EE
  - LIPA's \$30,000 grant to the Shinnecock Nation assists income-eligible residents in applying for discounts on electric service and rebates for EE and heat pumps
  - LIPA is participating in the statewide process to define disadvantaged communities and meet its share of CLCPA goals



# PROGRESS TO DATE ON LIPA'S CLEAN ENERGY GOALS

## UPDATE ON LIPA'S CLEAN ENERGY GOALS



**906 MW of 1310 MW (DC)**  
of solar by **2030**



**20,080 of 30,000**  
of heat pumps by **2025**



**33,174 of 180,000**  
light-duty EVs by **2025**



**198.5 MW of 750 MW**  
of battery storage by **2030**



**212 MW of 1,125 MW** of  
offshore wind by **2030**



**3.5 TBtu of 7.9 TBtu** of  
energy efficiency by **2025**

\* Includes 175 MW of pending utility-scale battery contract awards



# Discussion

## Questions?

## **FOR CONSIDERATION**

May 10, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report on the Board Policy Clean Energy and Power Supply

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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 approving the annual report on the Board Policy on Clean Energy and Power Supply (the “Policy”), and finding that LIPA has complied with the Policy since the last annual review, which resolution is attached hereto as **Exhibit “A.”**

### **Background**

The Board originally adopted the Policy in June 2017. The last annual report and amendments to the Policy was in May 2022. The Policy sets LIPA’s vision for clean energy and power supply “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.” 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. The Policy provides:

“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.”
  - As of year-end 2022, LIPA has made significant progress toward meeting the State’s goals. Through direct procurements and purchases of renewable energy credits, LIPA is on target to meet or exceed its share of statewide goals for renewables, offshore wind, distributed solar, and storage.
  - With regard to offshore wind, the CLCPA aims to achieve 9,000 MW by 2035, of which at least 3,000 MW is expected to be interconnected to Long Island. Currently, three projects totaling 2,300 MW are under development. LIPA is supporting the interconnection plans for all three projects. The 130 MW South Fork Wind project is

under construction and is expected to be in service late in 2023. The South Fork project is the State's first offshore wind project and it was proposed as part of a portfolio of solutions to the growing energy needs of the South Fork. LIPA has a contract to purchase the full output of the project, including its offshore wind renewable energy credits (ORECs). LIPA also intends to purchase ORECs from NYSERDA associated with other offshore wind projects, such that LIPA will satisfy its pro rata share of the State's 2035 goal.

- The CLCPA seeks to achieve 10,000 MW (dc) of distributed solar by 2030. LIPA has already achieved its share of the State's 2025 goal, with over 900 MW of utility-scale, distributed, and rooftop solar projects in service, and is on track to exceed the 2030 goal at least three years early. Long Island continues to have the most robust rooftop solar market in the State (accounting for approximately 40% of the statewide solar market as compared to 13% of the state's load) with nearly 72,000 photovoltaic systems installed. In 2022, customer-side installed capacity increased 79 MW (AC) with incremental annualized energy savings of 100,000 MWh. This was a 19% increase over 2021, while nationwide solar installations decreased 16%.
  - In April 2021, PSEG Long Island issued a Request for Proposals ("RFP") for at least 175 MW of energy storage projects to be in service by 2025. In September 2022, LIPA selected 329 MW of energy storage for competitive contract negotiations, which remain in progress. Additional procurements (directly by LIPA and/or through NYSERDA) are anticipated to meet LIPA's share of the State's 2030 goal of 6,000 MW. As of year-end 2022, there is also approximately 15.7 MW of behind-the-meter customer storage installed, virtually all in conjunction with photovoltaic installations.
  - LIPA is engaged with the New York Independent System Operator ("NYISO") and other utilities to review NYISO's evaluation of proposals for the Long Island Offshore Wind Export Public Policy Transmission Project, with the goal of maximizing benefits and minimizing costs. The project's goal is to reinforce the LIPA system and develop new interconnections to Con Edison's system, enabling at least 3,000 MW of offshore wind to be connected to Long Island and exported to the rest of New York State.
  - LIPA continues to coordinate with the Department of Public Service ("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 submitted to the Department of Energy ("DOE") a proposal seeking a federal grant for \$250 million towards \$500 million of T&D investments to enhance interconnection capacity for Distributed Energy Resources. LIPA was notified on February 24 of an initial determination of support by DOE and invited to submit a full grant application in May 2023.
  - All the above initiatives are expected to reduce LIPA's carbon footprint by 70%+ of 2010 levels by 2030.
  - LIPA's Integrated Resource Plan, to be completed in 2023, will lay out additional actions for CLCPA compliance, particularly through 2030.
- "Demonstrate innovation and be recognized among the leading utilities in reducing economy-wide greenhouse gas emissions through energy efficiency and beneficial electrification."
    - In 2022, LIPA's residential and commercial energy efficiency programs resulted in 1.22 million MMBtu of energy savings (29.8 MW of incremental demand savings and

- 328,701 MWh), which is approximately 106% of the goal of 1.15 million MMBtu of energy savings for the year.
- In 2022, PSEG Long Island deployed over 7,000 heat pumps across all customers under the home comfort heat pump incentive program. As of December 2022, there were over 20,000 heat pump installations on Long Island, two-thirds of LIPA's goal of 30,000 heat pumps by 2025.
  - LIPA has funded an \$88 million plan to build out the infrastructure to support more than 4,700 chargers across Long Island and the Rockaways by 2025.
- 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.”
    - In 2020, LIPA offered a 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. As of 2022, PPA's have been executed for 3.0 MW with awards made to three other projects for 11.0 MW. Accordingly, eligible customers are now being identified as beneficiaries of this clean energy to help meet the goals for disadvantaged communities.
    - In 2022, LIPA launched a new community college scholarship program to fund 50 scholarships over the next 5 years for students seeking education and training in careers related to the electric utility industry. The LIPA Scholarship will provide full tuition, fees, and books to students with the goal of attracting local talent from specified underserved communities on Long Island and the Rockaways.
    - In 2022, LIPA committed to fund a New York Clean Transportation Prize Award of up to \$10 million for innovative projects that expand access to clean, electric transportation and lower vehicle emissions in historically disadvantaged communities. Awards were announced in November 2022, including a project to provide micro-shuttle service in two communities on Long Island (Rockaways and Brentwood) led by Circuit Transit Inc.
    - In 2022, LIPA funded a \$30,000 grant to the Shinnecock Nation to assist income-eligible residents in learning about and applying for LIPA's low and moderate-income assistance programs. Customers receive discounts on electric service and enhanced rebates for energy efficiency and clean technologies (e.g. heat pumps).
    - LIPA's 2023 Budget funds a \$4 million Long Island Regional Clean Energy Hub, which is to be established and run in partnership with NYSERDA and Cornell Cooperative Extension over the next four years, so as to partner with community-based organizations in providing outreach and education services in clean energy and energy efficiency, and integrating those with social services, housing, economic development, health, and training, particularly in disadvantaged or underserved communities.
    - LIPA is participating in the statewide process to define disadvantaged communities and meet its share of CLCPA goals. As part of the 2023 OSA performance metric, there is an analytics project focused on creation of a LIPA dashboard to measure performance against the disadvantage communities goal. Reporting begins September

1, 2023.

“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.”
  - During 2022, PSEG Long Island completed studies to inform LIPA’s 2023 Integrated Resource Plan (“IRP”). LIPA expects to release the IRP findings to the public in Q2 or Q3 2023. Additional studies are being performed in 2023 to examine local capacity needs following planned generation retirements.
  - Existing Long Island capacity and currently planned additions are expected to meet the NYISO’s minimum Locational Capacity Requirement (“LCR”) through at least 2030. The current 2023 LCR of 105.2% 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 the existing fossil-fuel generation will be phased-out in a manner that continues to satisfy the LCR and system reliability.
  - In recent years, all third-party-owned generation under contract with LIPA met or exceeded contract targets.
  - LIPA continues to work cooperatively with intertie owners to ensure continued reliable service for power imports. The New York Power Authority expects to complete extensive replacement of the Long Island land-based portion of the Y-49 cable in June 2023, which should ensure the cable will provide reliable service for many years to come. In 2022, LIPA completed the replacement of a high voltage transformer at the Newbridge Substation to restore the Neptune cable to its full design output. LIPA continues to work with Con Edison to monitor ongoing issues with the Westchester County land-based segments of the aging Y50 cable, and Con Ed is taking appropriate actions to address reliability concerns.

“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.”
  - In September 2022, LIPA selected 329 MW of energy storage proposals for competitive contract negotiations. Consistent with LIPA’s objective to repurpose fossil sites for clean energy, two of the projects are located at existing fossil generation sites that host generating units scheduled for future retirement. All the contracts are structured as build-own-operate-transfer (“BOOT”) arrangements, which achieves two important objectives for the procurement: 1) to protect LIPA from startup and

- operational risks in the first seven years of the projects' lives and 2) to take advantage of LIPA's access to tax-free debt to finance the asset acquisition at the end of the BOOT term, thereby lowering financing costs to customers.
- LIPA plans to meet a major portion of its future CLCPA-driven Tier 1 Renewable Energy Credits ("REC") and OREC ("Offshore Wind REC") targets by participating in the statewide program administered by NYSERDA, which acts as the central procurement administrator for contracting with eligible generators through annual competitive solicitations. In April 2021, the Board approved a long-term REC Purchase Agreement with NYSERDA for a fixed quantity of RECs. In 2022, NYSERDA implemented a streamlined approach to collecting funding from all load-serving entities statewide based on the quantity of RECs available to be sold and the LSE's proportionate load share.
  - LIPA continues to advance an electricity pre-payment to save customers money using our tax-exempt cost of capital.
  - In November 2022, NYSERDA submitted a proposal to the Public Service Commission for centralized statewide procurement of "indexed energy storage credits," similar to the approach used for RECs and ORECs, to achieve the CLCPA targets for energy storage. LIPA will work with NYSERDA and other stakeholders on implementation details.
- "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."
    - LIPA worked with Neptune Cable to challenge the PJM regional transmission organization's allocation of costs for new transmission facilities within its system to exports of capacity, such as LIPA's use of the Neptune cable. Working also with other merchant transmission providers, LIPA has achieved a settlement with the PJM Transmission Owners, saving customers approximately \$64 million through 2028.
    - In 2022, LIPA and Con Edison successfully petitioned the PSC to reduce the cost allocation for offshore wind transmission for downstate utilities from over 75% to their load ratio share, which is approximately 13% for LIPA. LIPA is now engaged with the NYISO and other utilities to review NYISO's evaluation of proposals for the Long Island Offshore Wind Export Public Policy Transmission Project, with the goal of maximizing benefits and minimizing costs, while preserving LIPA's right to construct certain upgrades to the LIPA system that may be needed to complete the project.
    - LIPA, along with other stakeholders, submitted comments to the PSC opposing a Con Edison proposal to construct a \$1 billion transmission hub in Brooklyn to facilitate the connection of offshore wind projects and to allocate its cost statewide. The PSC determined that the proposed facility was needed initially to support reliable service to Con Edison's own customers and that the benefit for offshore wind connections had not been sufficiently demonstrated, rejecting for the time being any charges to other utilities, including LIPA's customers.

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

LIPA Staff has reviewed the Policy and recommends no changes 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 REPORT TO THE BOARD OF TRUSTEES ON THE  
BOARD POLICY ON CLEAN ENERGY AND POWER SUPPLY**

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**WHEREAS**, the Clean Energy and Power Supply Policy (the “Policy”) was originally approved in July 2017; and

**WHEREAS**, The last annual report and amendments to the Policy was in May 2022; 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 Resource Planning and Clean Energy Policy for the period since the last annual review and approves the annual report to the Board; and

Dated: May 10, 2023



# 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

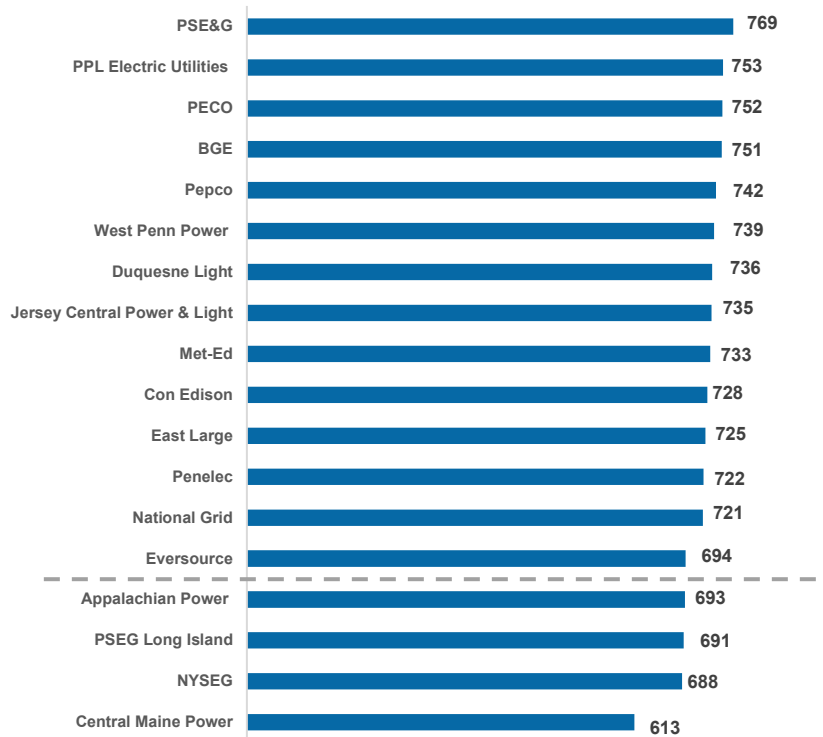
Performance has been mixed over the last year with strides made in billing, outage, and COVID-19 financial recovery, but challenges with Call Center performance and the lingering resolution of Isaias remediation efforts that negatively impacted customer trust

- 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

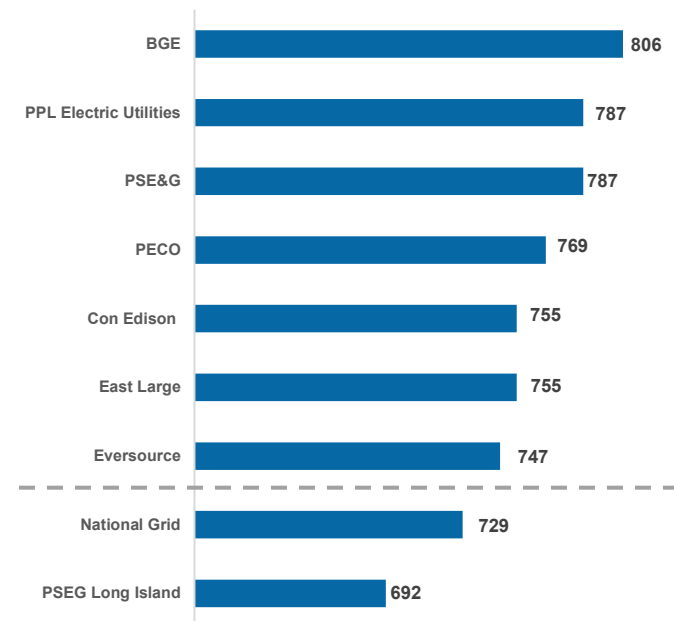
# J.D. POWER – CUSTOMER PERCEPTION

## 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

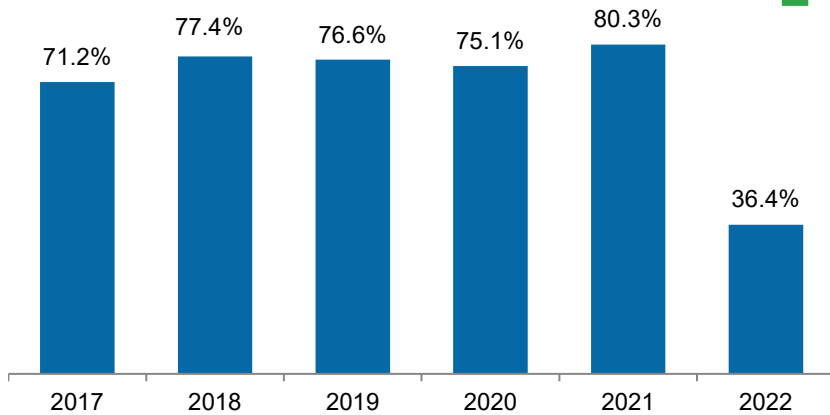
**LIPA staffed formed a cross-functional team to identify score drivers. This effort helped refine metrics for 2023. Findings include:**

- **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**.

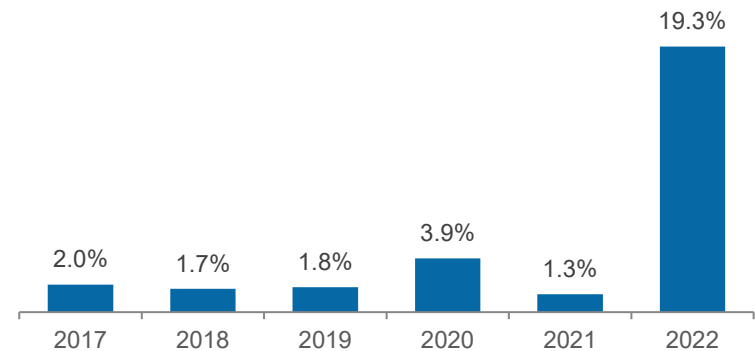
# CALL CENTER PERFORMANCE CHALLENGES

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.

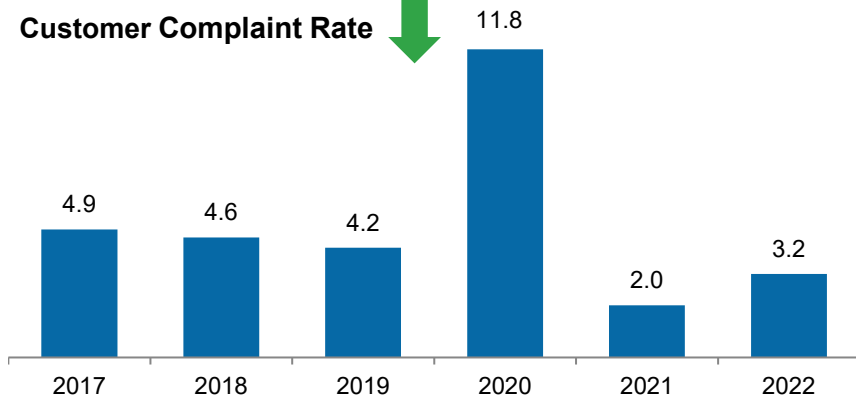
**Contact Center Service Level by Live Agent**



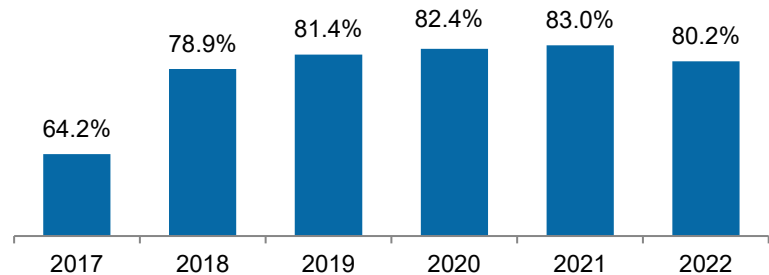
**Percent Abandon Rate**



**Customer Complaint Rate**



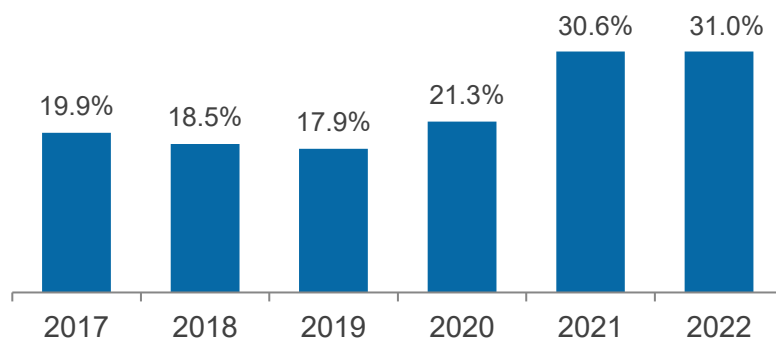
**First Call Resolution**



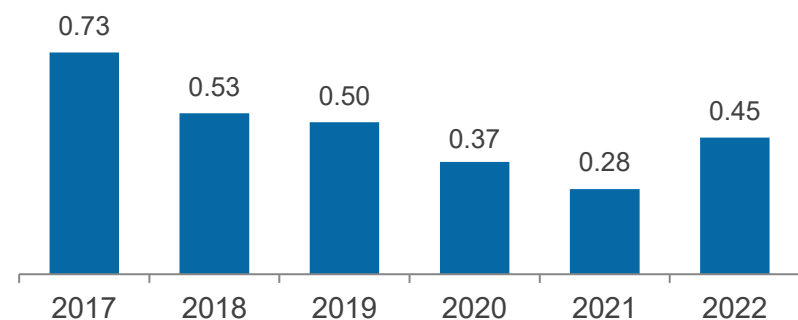
# KEY COLLECTION METRICS

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

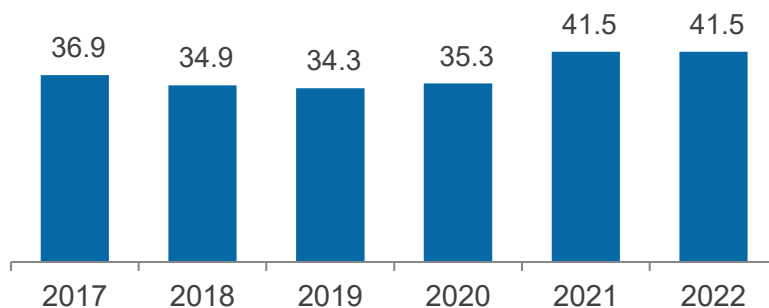
**AR > 90**  
(Negative Impact from COVID)



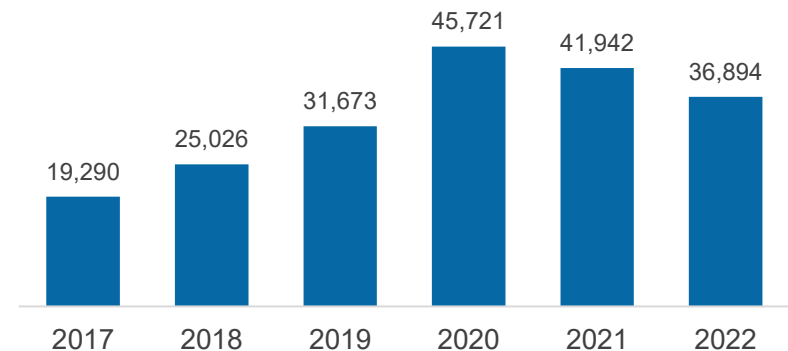
**Net Write-Offs (\$/Billed Rev)**  
(Positive impact from COVID)



**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.

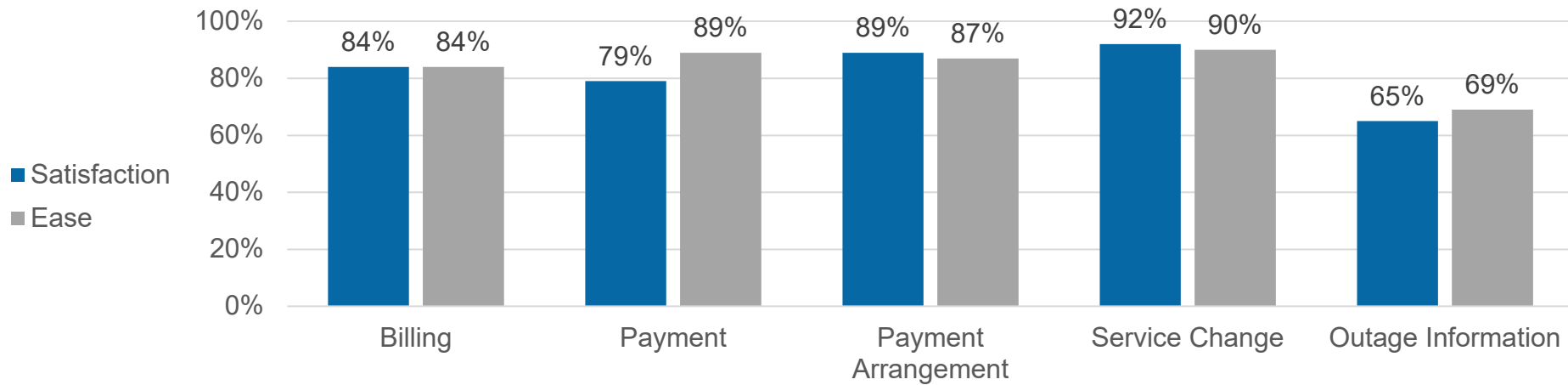
Customer Channel	2021 Cost Per Transaction
Local Offices*	\$25.03
Email	\$21.87
Live Agent Phone	\$ 7.81
MyAccount/Mobile App	\$ 0.95
IVR	\$ 0.19
Text	\$ 0.03

*\*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**

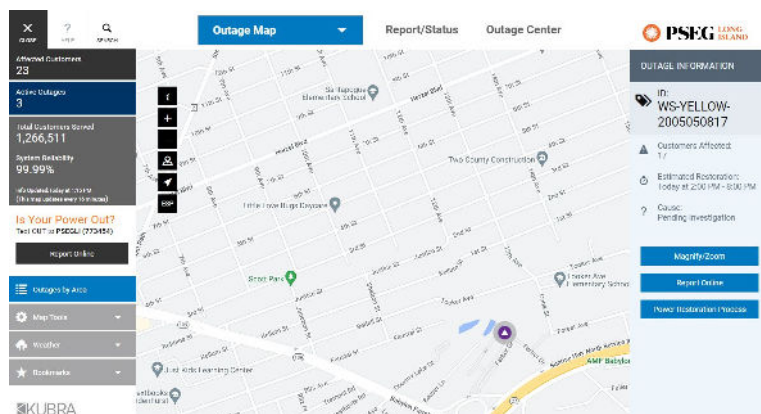


# CUSTOMER OUTAGE ENHANCEMENTS

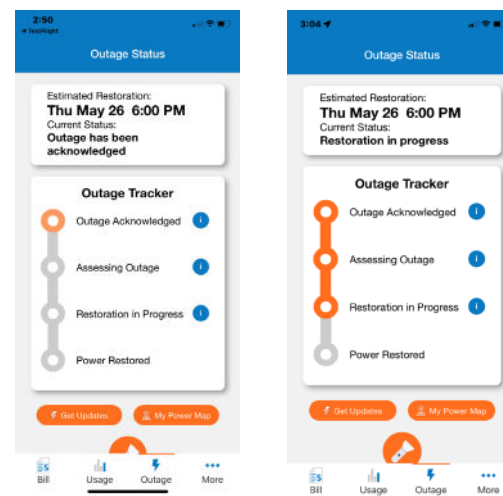
## Focus on how to enhance outage communication

- 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

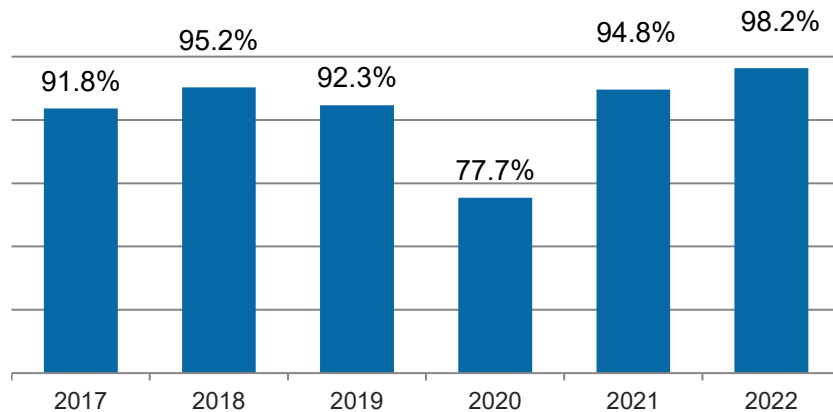
## Enhanced Mobile Application Experience

- 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

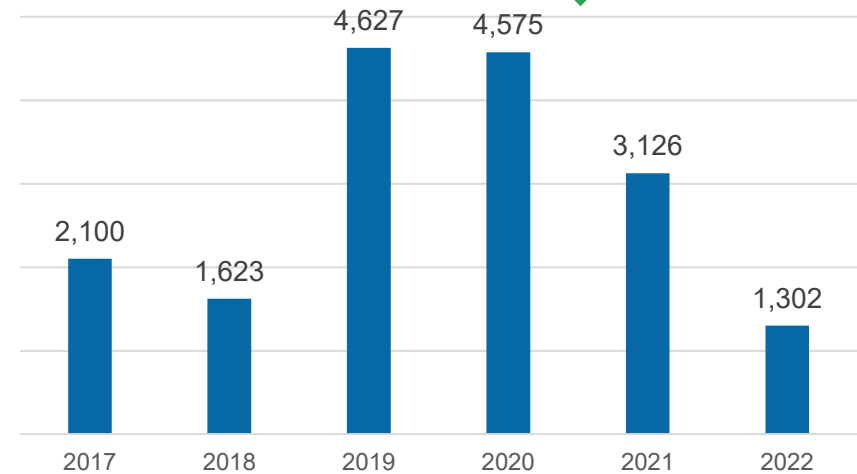
# ACCURATE & TIMELY BILLING

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

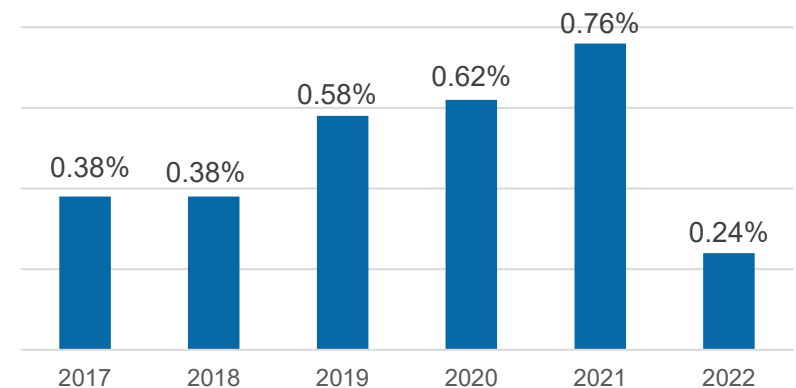
% Billing on Time



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*



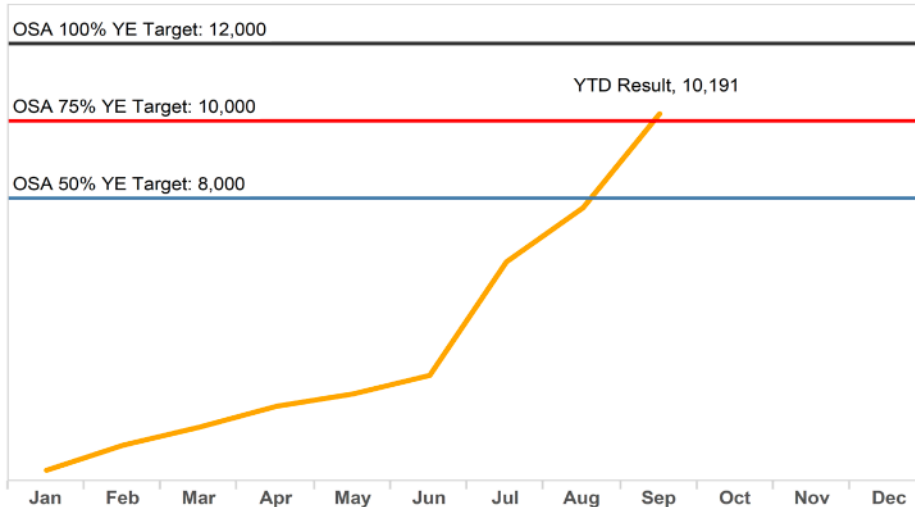
*Reduced debt*



*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 **\$150**

PREVIOUS MONTH **\$140** **+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**

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 [p\\_user@pshok.com](#)

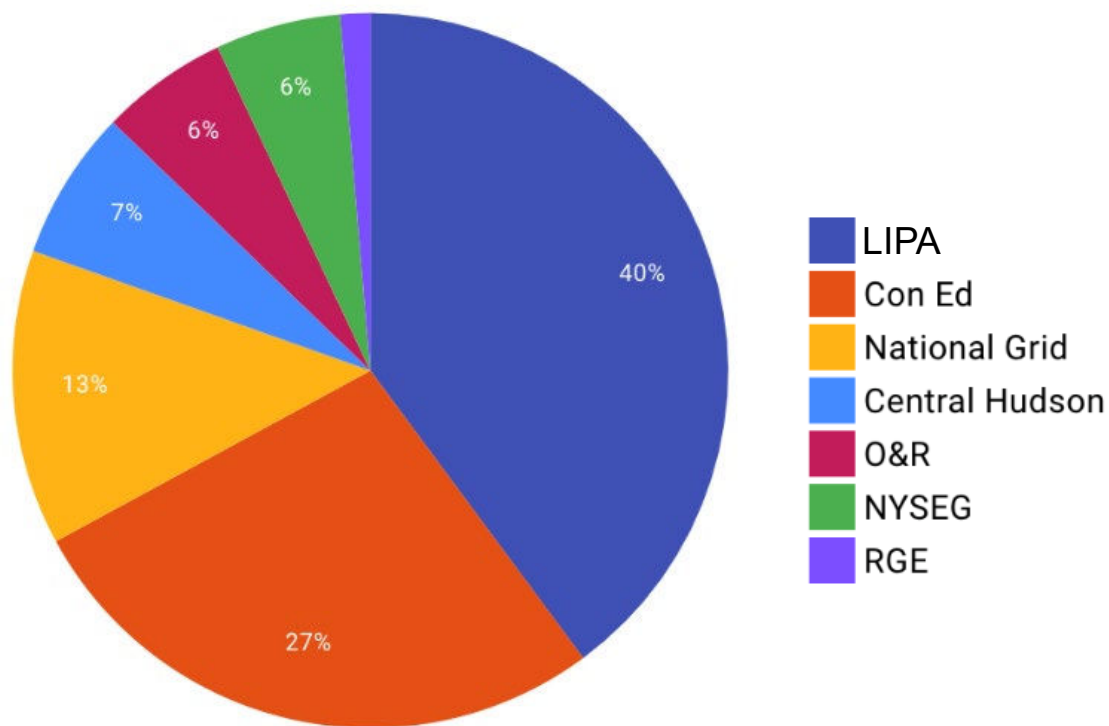
[Unsubscribe](#) [Privacy Policy](#)

PSEG Long Island - 15 Park Drive - Milledale, NY - 11747 - 1-800-469-0025

# 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**

June 28, 2023

**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's 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 2022, 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."

- LIPA has taken steps to improve reliability (as further discussed below) with the objective of maintaining the Board's policy objective of top 10% reliability among peer utilities as measured by system average outage duration (i.e. the average outage minutes per customer

per year, excluding major weather events).

- PSEG Long Island's 2022 performance for system average outage duration per customer was 56.0 minutes. Top decile was 57.1 minutes, and therefore performance was within the top decile versus peer utilities.
- The 2023 PSEG Long Island performance metrics, which were the product of input from LIPA, PSEG Long Island, and the New York State Department of Public Service, set a system average outage duration target of 57.5 minutes (T&D-07), which is slightly higher than the most recently available top decile benchmark. The 2023 year-to-date performance is tracking at a similar level as 2022.

“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 2023 performance metrics include metrics for sustained multiple customer outages (“MCO”) (T&D-10), repeat sustained multiple customer outages (T&D-12), and multiple momentary customer outages (T&D-11). In particular, the metric for repeat multiple customer outages targets reducing the number of customers with four or more sustained interruptions over a multi-year period by at least 90%. In 2022, PSEG Long Island successfully achieved all three of the metric targets in the MCO category and are meeting all three targets thus far in 2023.
- LIPA will continue to focus on improving MCO customer experience for those smaller groups of customers that have experienced outlier performance that is far worse than the overall system average. This will be addressed by focusing on improving performance for those customers that have experienced more than seven sustained outages in a year. Similarly, LIPA will continue to focus on improving performance for those customers that have experienced ten or more momentary outages in a year.
- 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”).
- There were 409 miles of branch lines addressed on 77 circuits through the CIP program in 2022, and 79 capital system improvement jobs and improvement of 513 branch tap lines were completed in 2022 to address MCO and MDO programs.

“utilize modern system design and technology to anticipate and minimize outages, monitor system conditions, 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”), including compliance with ISO 55001 asset management standards, to anticipate and minimize outages and provide the analytic tools and processes for modern preventative and predictive maintenance. This effort includes a complete inventory of Transmission and Distribution assets beginning in June 2022 that continues at present. These initiatives, which include asset inventory, governance, and system implementation, were incorporated into the 2022 and 2023 performance metrics (T&D-01 through T&D-03) as part of a multi-year implementation.
- The 2023 performance metrics also include a metric (T&D-31) to position Automated

Switching Unit Vipers (“ASUVs”) on circuits to ensure no more than 500 customers between devices and 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. This will help with system configuration options and serve to minimize the number of affected customers during outages. There were a total of 149 ASUVs added in 2022.

“safeguard people and protect facilities and functions that support operations from unauthorized access or disruption through vulnerability assessments and risk mitigation”

- LIPA engaged an independent third-party consultant to perform a security evaluation of its physical assets, with the objective of identifying vulnerabilities, determining risk and developing findings and recommendations. That assessment was completed in November 2022. The findings from the assessment were developed into actionable deliverables under a Project Implementation Plan contained in a 2023 physical security performance metric (T&D-45).
- LIPA will be undertaking a further physical security review during 2023 to continue to advance management of this risk.

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 2023 performance metrics include five metrics (T&D-27 through T&D-31) related to storm hardening. The storm hardening metrics require the 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 80.4 distribution miles were assessed and improved in 2022.
- Three performance metrics (T&D-24 through T&D-26) target improved vegetation management, including improved cycle trim, utilizing an improved trimming technique of “circuit trim to sky” and preemptive hazardous tree identification and removal of hazard trees. PSEG Long Island did not achieve the 2022 performance target for hazard tree removal but did achieve the other work-related targets for vegetation management.
- LIPA filed six applications for additional federal grants for storm hardening in 2021 and 2022, of which one was awarded in the 2<sup>nd</sup> quarter of 2023 (\$3.5 million for transmission crossings). The others, totaling \$450 million, are presently under review. This would 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.
- In 2023, LIPA submitted a grant application under the United States Department of Energy’s Grid Resilience and Innovation Partnerships Program (GRIP) to increase the penetration of renewable Distributed Energy Resources (DER) on LIPA’s distribution system. This grant would enable over 700 MW of hosting capacity on targeted circuits, enhancing system resiliency. The total cost of the project is estimated at \$549 million. Awards are expected to be announced during the 4<sup>th</sup> quarter of 2023.

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

- LIPA is enhancing the Estimated Time of Restoration (“ETR”) process to provide more accuracy, allowing for customers to better plan for the outage duration. The 2023 ETR metric (T&D-42) has an objective of operationalizing a minimum of two factors, such as time of day, day of week, seasonality, outage location and device type to improve the ETR accuracy and improve customer experience.

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

- LIPA independently verified and validated PSEG Long Island’s remediation of its outage management system implementation (see June 2023 report to the Board).
- Between December 2022 and May 2023, LIPA observed and made over 330 recommendations to enhance PSEG Long Island’s functional exercises related to emergency response in the event of a critical system failure. LIPA has requested PSEG Long Island provide a schedule for implementing the recommendations prior to the next exercise series in 2023.
- 2022 Performance Metric IT-3 related to System Resiliency required PSEG Long Island to update and successfully exercise its disaster recovery and business continuity plans for all critical systems and processes. PSEG Long Island did not achieve this metric in 2022, and LIPA remains concerned about PSEG Long Island’s ability to meet the 2023 performance metric, as further described in the 2022 Performance Report dated May 15, 2023 ([link](#)) and the 2023 Quarterly Performance Report dated June 2023, respectively.

### **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 three risks related to this Policy:

- a major event such as a severe storm damages the infrastructure and results in widespread, long duration outages, and negative public perception;
- protection of critical assets such as substations and the control centers are compromised and could result in outages, equipment damages and safety issues; and
- asset management risks including the lack of accurate, historical data resulting in less than optimal decision making to support lifecycle optimization and replacement schedules of aging substation equipment and a lack of a substantive cathodic program for underground transmission cables and fluid tanks.

The major event risk is the highest rated risk in the PSEG Long Island portfolio. To mitigate this risk, LIPA and PSEG Long Island have implemented numerous reliability, vegetation management, and storm hardening initiatives, as further described above. LIPA has concerns about PSEG Long Island’s failure to meet certain 2022 metrics in this area, including System Resiliency (IT-3) and the vegetation management (T&D-24 through T&D-26)<sup>1</sup> metrics. This remains a risk that is not mitigated to the standards set in the performance metrics.

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<sup>1</sup> PSEG Long Island did not achieve the three vegetation management metrics (T&D 24-26) in 2022. For one of the three metrics, PSEG Long Island did not accomplish the level of work required by the metric (hazard tree removal). For the other two, PSEG Long Island missed the cost management aspect of the metric.

The protection of critical assets risk is also a highly rated risk. To mitigate this risk, there are several substation security upgrade projects which are funded and underway, including measures outlined in performance metric 2023 T&D-45 Physical Security, which is further described above. LIPA will be undertaking a further physical security review during 2023 to continue to advance management of this risk.

The asset management risk has a medium rating and is being mitigated through the development of the Enterprise Asset Management System, as discussed above. As discussed in the Quarterly Board report on performance metrics, LIPA has concerns about the ability to meet the EAMs metrics. PSEG Long Island did not meet the 2022 EAMS metric T&D-1 and 2023 EAMS metric T&D-3 is behind schedule. This remains a risk that is not mitigated to the standards set in the performance metrics.

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

The Policy was last updated in November 2021, to 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**

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**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 2022 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: June 28, 2023



# **ANNUAL REPORT ON CUSTOMER VALUE, AFFORDABILITY & RATE DESIGN**

May 10, 2023

# POLICY PRIORITIES OF THE LIPA BOARD

The Board Policy on Customer Value, Affordability, and Rate Design 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. The Policy 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.

- **Customer Value**

- Prioritize investments
- 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

- **Affordability**

- Maintain competitive electric rates
- Aggressively manage costs
- Offer programs to low-income and disadvantaged customers

- **Rate Design**

- Simple and easy to understand
- Opportunities to save money
- Equitably allocate costs across and within customer classes
- Encourage conservation, the efficient use of energy resources, and the transition to a carbon-free economy
- Employ innovative electric rate design





# Customer Value

# MEETING THE BOARD'S EXPECTATIONS FOR CUSTOMER VALUE

- Prioritize investments to balance cost and service quality, as demonstrated in Strategic Roadmaps and Budgets
  - Identified key initiatives in the Strategic Plan ([link](#)) approved by the Board in March 2023 to advance the Board's policy objectives for clean, reliable, affordable, customer-first energy over the next five years
  - Identified key initiatives to achieve Board's objectives in 2022 and 2023 Work Plans ([link](#)), Performance Metrics ([link](#)), and Budgets ([link](#))
- Communicate the benefits and cost drivers of any rate increases
  - 2023 Budget ([link](#)) includes a plain English description of initiatives and cost drivers
  - Published Fact Sheets in plain English about key initiatives (for example, [link](#))
- Maximize the value to customers of our not-for-profit public power business model...to reduce costs for customers
  - Since 2011, obtained \$1.8 billion in Federal grants, including \$285 million in 2022 and 2023
  - Applied for \$650+ million of new FEMA storm hardening and Department of Energy grants in 2022 and 2023
  - Saved customers \$500+ million in lower financing cost (see next page) compared to New York's investor-owned utilities due to public ownership (access to tax-exempt bonds, exemption from paying dividends to shareholders and corporate income taxes)

# LOWER COST OF CAPITAL FOR PUBLIC POWER

- LIPA's cost of capital is **\$504M less** than what an investor-owned utility (IOU) would be allowed to charge for the same level of investment.
  - Return on Equity: 11.91% (IOU) minus 3.54% (LIPA) saves \$248M
  - Income Taxes @ 26.1%: 3.31% (IOU) minus 0.00% (LIPA) saves \$147M
  - Cost of Debt: 5.75% (IOU) minus 3.54% (LIPA) saves \$109M
  - Total Cost of Capital: \$851M (IOU) minus \$347M (LIPA) **saves \$504M**
- Estimates are based on the NY PSC-approved capital structure and approved rate of return for Con Edison

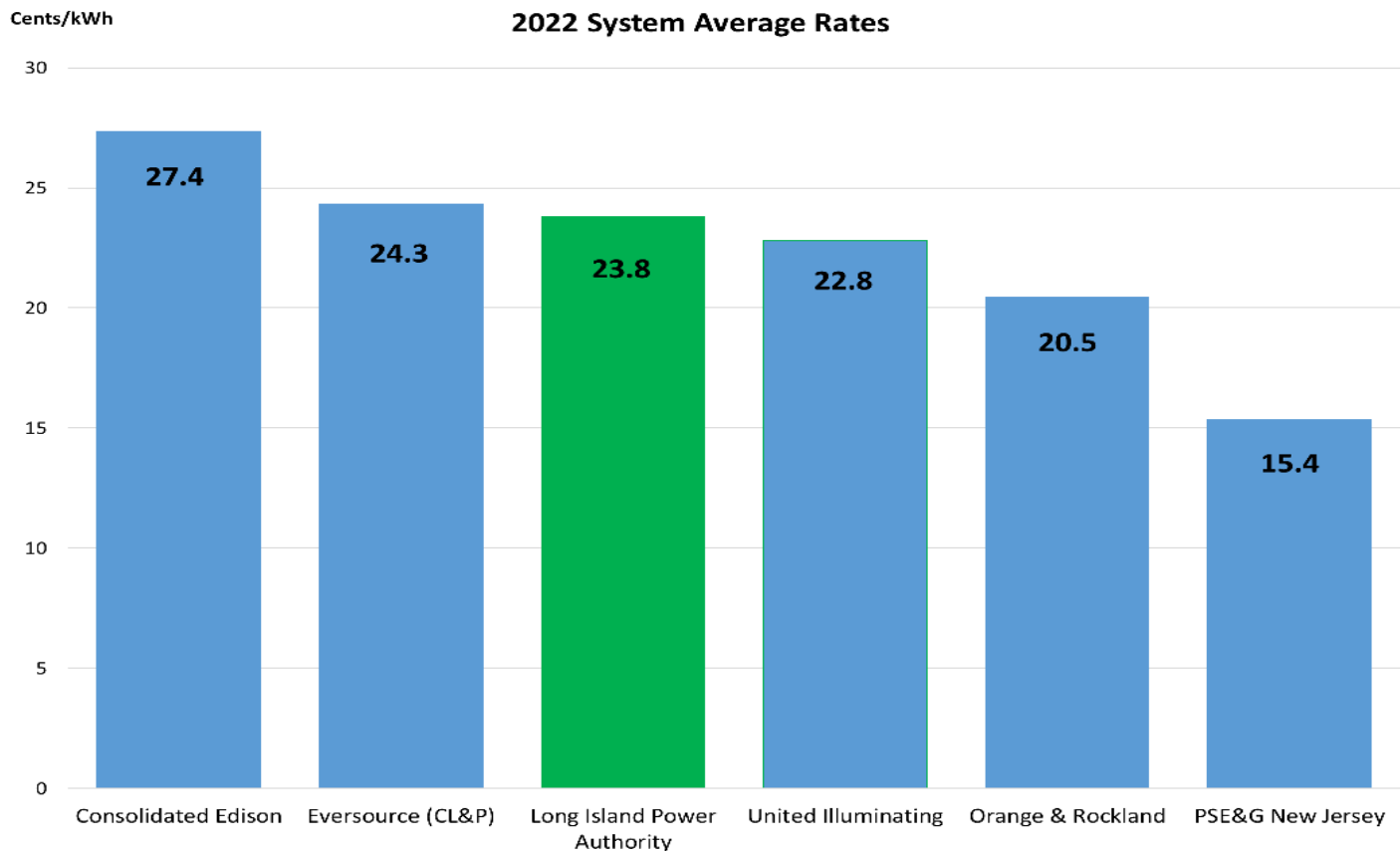
<b>Rate Base Summary</b> <b><u>2023 Approved Budget</u></b>	<b>IOU</b> <b><u>Capital</u></b> <b><u>Structure</u></b>	<b><u>Rate</u></b> <b><u>Base</u></b>	<b>PSC</b> <b><u>Allowed</u></b> <b><u>Rate</u></b>	<b>IOU</b> <b><u>Cost</u></b>	<b>LIPA</b> <b><u>Interest</u></b> <b><u>Expense</u></b>	<b>LIPA</b> <b><u>Annual</u></b> <b><u>Savings</u></b>
Shareholder Equity	48.0%	\$4,711 M	8.80%	\$415 M	\$167 M	<b>\$248 M</b>
<u>Income Taxes at 26.1%</u>			<u>3.11%</u>	<u>\$147 M</u>	<u>\$0 M</u>	<u><b>\$147 M</b></u>
Shareholder Profit (pre-tax)	48.0%	\$4,711 M	<b>11.91%</b>	\$561 M	\$167 M	<b>\$395 M</b>
Long Term Debt	50.9%	\$4,996 M	5.75%	\$287 M	\$178 M	<b>\$109 M</b>
<u>Customer Deposits</u>	<u>1.1%</u>	<u>\$107 M</u>	<u>2.45%</u>	<u>\$3 M</u>	<u>\$3 M</u>	<u><b>\$0 M</b></u>
Total Interest Expense	52.0%	\$5,103 M	<b>5.68%</b>	\$290 M	\$181 M	<b>\$109 M</b>
<b>Total Cost of Capital</b>	100.0%	<b>\$9,814 M</b>	<b>8.67%</b>	<b>\$851 M</b>	<b>\$347 M</b>	<b>\$504 M</b>

A hand holding a lightbulb against a blue background with bokeh. The word "Affordability" is centered between two horizontal white lines.

# Affordability

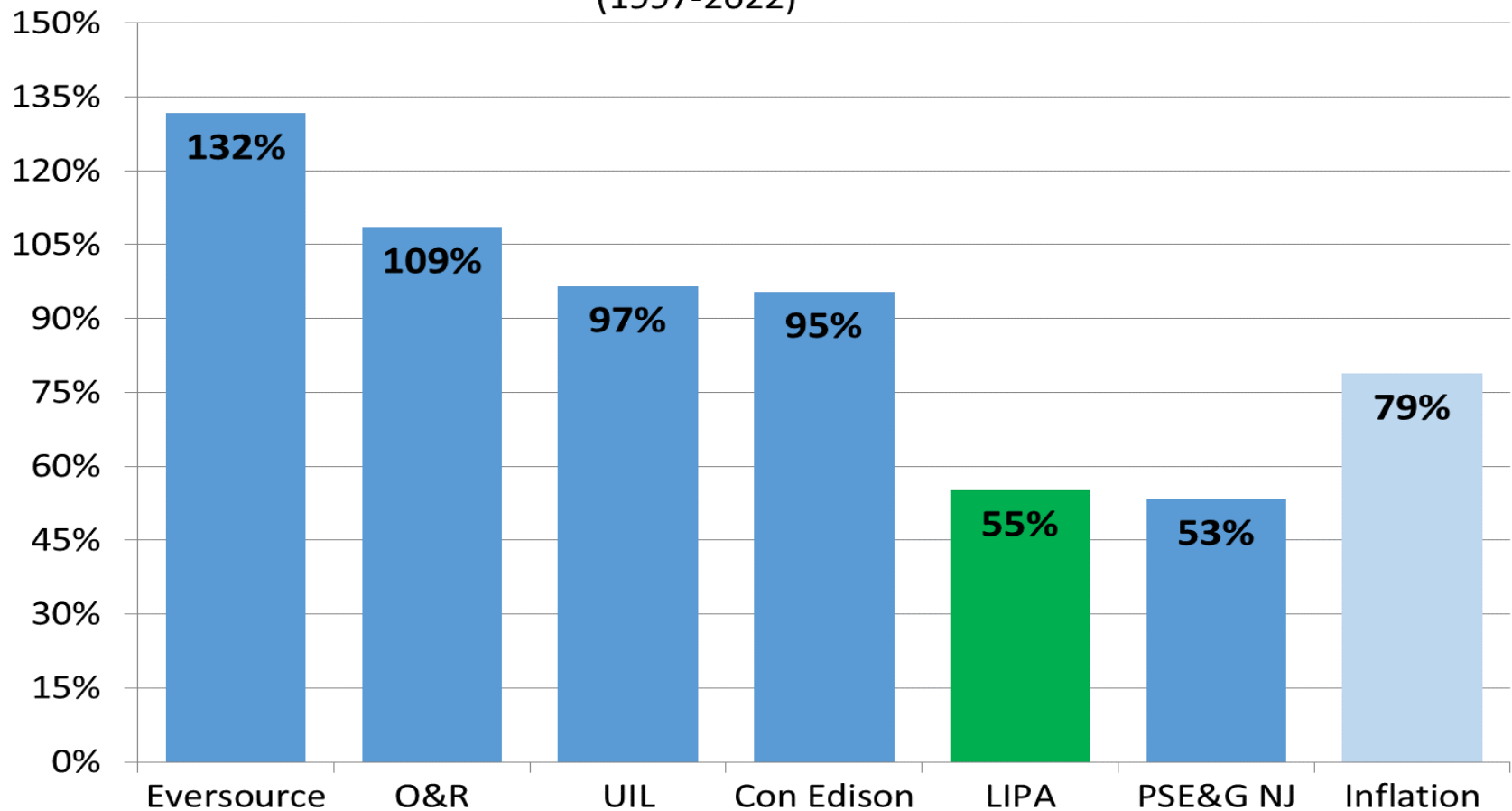
# REGIONALLY COMPARABLE RATES

*Board Policy:* 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.



# LIPA'S RATES INCREASED SLOWER THAN INFLATION

Long-Term Increase in System Average Rates  
(1997-2022)





# ACTIONS TO MANAGE 2023 RATES

*Board Policy:* **Aggressively manage costs**, avoiding expenditures that do not advance our purpose.

Operating Lean	\$ Millions
Discontinued investments in combined cycle plants	\$353
LIPA Reform Act 2% Tax Cap	\$340
Commodity Hedging (based on current prices)	\$147
Renegotiating expiring power purchase agreements	\$49
Smart Meter savings	\$45
Power plant property tax savings	\$40
Refinancing existing debt	\$40
Investing in cost-effective energy efficiency	\$22
Reduction to wholesale market and off-island transmission	\$16
Operating savings and improved productivity	\$13
Power supply pension and retirement savings	\$8
<b>TOTAL</b>	<b>\$1,073 MILLION</b>

# ACTIONS TO MANAGE FUTURE RATES IN THE STRATEGIC PLAN

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- Establish a business process optimization practice
- Maximize grants and low-cost funding sources
- Minimize costs through securitization of debt and tax-exempt financing
- Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources
- Reduce LIPA's reliance on debt funding (financial deleveraging) to achieve upgrades in LIPA's credit ratings that will lower the cost of future borrowing



# ASSISTANCE TO LOW-INCOME & DISADVANTAGED CUSTOMERS

*Board Policy:* Offer programs to low-income and disadvantaged customers to maintain electric bills that are a reasonable percentage of household income.

- Increased monthly utility bill discounts for low-income customers by 33% in 2022 and 7.6% in 2023
- Provided arrears forgiveness relief to low-income customers consistent with the Statewide Energy Affordability Policy (EAP)
  - In 2022, LIPA forgave \$25 million of past-due bills for nearly 11,000 low-income customers as part of Phase I of New York's COVID-19 electric bill credit program
  - In February 2023, LIPA provided \$38 million to help an additional 38,800 residential customers and 750 small commercial customers with past-due electric bills associated with the pandemic
- Automated the enrollment of customers in the low-income rate discount program who have received a HEAP and/or SNAP award from Social Services
- Established bill credits for low- and moderate-income customers who participate in the Solar Communities program
- Expanded rebates paid out to heat pumps for low-income customers to \$4.5 million in 2022 resulting in a fivefold increase in the number of installations



# Rate Design

# CREATING OPTIONS THAT REDUCE BILLS AND MANAGE COSTS

*Board Policy:* 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; Encourage conservation, the efficient use of energy resources, and the transition to a carbon-free economy; and Employ innovative electric rate design based on industry trends and research, stakeholder feedback in statewide proceedings and LIPA-run collaboratives, and comments from the public.

- Developed modern Time of Day (TOD) rates for residential customers that offer customers more opportunities to manage their bills and encourage customers to reduce their use of energy during high cost, high carbon hours
  - Significant stakeholder engagement was received during that process from customer groups, solar industry participants, and the DPS
  - Experimental Voluntary Time of Use (VTOU) rates were piloted as a precursor to the larger Time of Day rate program with 13,434 customers added in 2022
  - Introduced a modern voluntary time of use (VTOU) rate with a 4-hour peak period for medium-sized commercial customers that offers more opportunities to save and helps reduce the peak load of the utility
- Lowered the daily charge to the largest commercial customers and shifted bill impacts to the demand charge to encourage more efficient use of the electric system
- Improved the Community Choice Aggregation (CCA) and Long Island Choice (LIC) Programs, bringing them up to Statewide standards and defining the “shoppable” portion of the bill

A hand holding a lightbulb against a blue background with bokeh lights.

# Discussion

Questions?

## **FOR CONSIDERATION**

May 10, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report on the Board Policy on Customer Value, Affordability, and Rate Design

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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 approving the annual report on the Board Policy on Customer Value, Affordability, and Rate Design (the Policy) for the period since the last annual review and finding that LIPA has complied with 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 and amended by the Board in May 2022.

### **Compliance with the Policy**

LIPA 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. The Policy provides that: *“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.”*
  - The Strategic Plan ([link](#)) approved by the Board in March 2023 identified the key initiatives that will advance the Board’s policy objectives for clean, reliable, affordable, customer-first energy over the next five years.
  - The 2022 and 2023 Work Plan ([link](#)) and Performance Metrics ([link](#)) identified the actions and the resulting level of performance needed to achieve the Board’s



objectives.

- The 2023 Budget ([link](#)) identified \$1,073 million in projected savings from actions taken to operate lean, balancing cost, and service to achieve the most out of every dollar.

Operating Lean	\$ Millions
Discontinued investments in combined cycle plants	\$353
LIPA Reform Act 2% Tax Cap	\$340
Commodity Hedging (based on current prices)	\$147
Renegotiating expiring power purchase agreements	\$49
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Reduction to wholesale market and off-island transmission	\$16
Operating savings and improved productivity	\$13
Power supply pension and retirement savings	\$8
<b>TOTAL</b>	<b>\$1,073 MILLION</b>

- *“Communicate the benefits and cost drivers of any rate increases to customers.”*
  - The 2023 Budget ([link](#)) includes a plain English description of initiatives and cost drivers that provided maximum readability and understanding by the public. The budget proposal was covered by the local print media and several broadcast news organizations leading up to public comment hearings in both counties as required by the LIPA Act. Fact sheets were also provided on the LIPA website that communicated rate opportunities related to:
    - Residential Time of Day Rates.
    - COVID-19 Bill Credit (arrears forgiveness) Program.
    - Customer Benefit Contribution Charge.
    - Long Island Choice and Community Choice Aggregation.
    - Distributed Solar Generation.
  - Fact Sheets were also provided on topics of general interest including efforts to reduce the property tax burdens on LIPA’s rates, and efforts to achieve LIPA’s goals for clean energy and manage costs.
  - All LIPA Fact Sheets are located on the LIPA website at this [link](#).
- *“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.”*

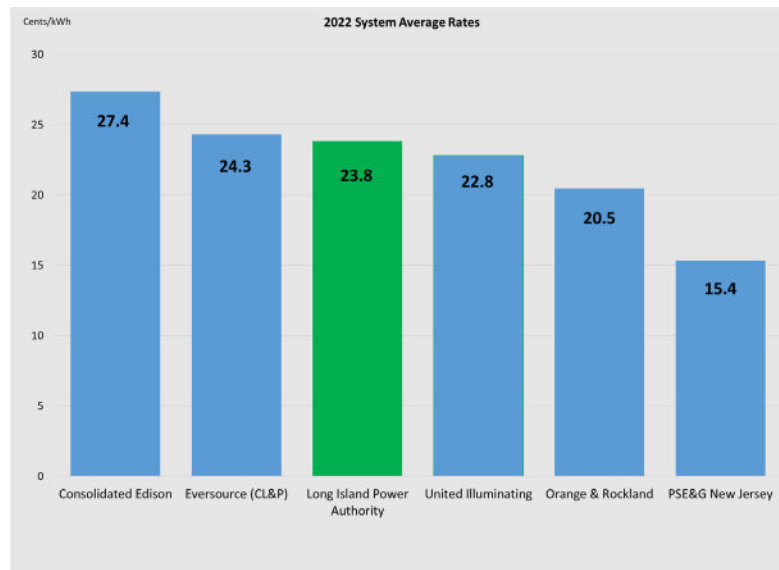
- Since 2011, LIPA has obtained approximately \$1.8 billion in Federal grants that reduced the financial impact of storms on customers and funded extensive capital improvements that increased the resiliency of LIPA’s electric grid.
- LIPA applied for \$650+ million of new FEMA storm hardening and Department of Energy grants in 2022 and 2023.
- Customers also continue to benefit from LIPA’s status as a public power authority with access to tax exempt debt, exemption from Federal and State income taxes, and no requirement to earn profits or pay dividends to any shareholders. The ongoing annual benefits of LIPA’s public power status is estimated to be over \$500 million a year compared to Consolidated Edison of New York, the adjacent investor-owned utility that is regulated by the New York Public Service Commission. As an investor-owned utility under NY PSC regulation, LIPA would have charged its customers \$415 million for shareholder profits and \$147 million in income taxes on those profits. LIPA’s lower cost of tax-exempt debt saved customers \$395 million compared to the regulated utilities in New York. LIPA’s lower cost of debt saved an additional \$109 million compared to the taxable debt available to the regulated utilities.

	IOU		PSC		LIPA	LIPA
<b>Rate Base Summary</b>	<b>Capital</b>	<b>Rate</b>	<b>Allowed</b>	<b>IOU</b>	<b>Interest</b>	<b>Annual</b>
<b><u>2023 Approved Budget</u></b>	<b><u>Structure</u></b>	<b><u>Base</u></b>	<b><u>Rate</u></b>	<b><u>Cost</u></b>	<b><u>Expense</u></b>	<b><u>Savings</u></b>
Shareholder Equity	48.0%	\$4,711 M	8.80%	\$415 M	\$167 M	<b>\$248 M</b>
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Total Interest Expense	52.0%	\$5,103 M	<b>5.68%</b>	\$290 M	\$181 M	<b>\$109 M</b>
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*“To achieve our vision for affordability, LIPA will:”*

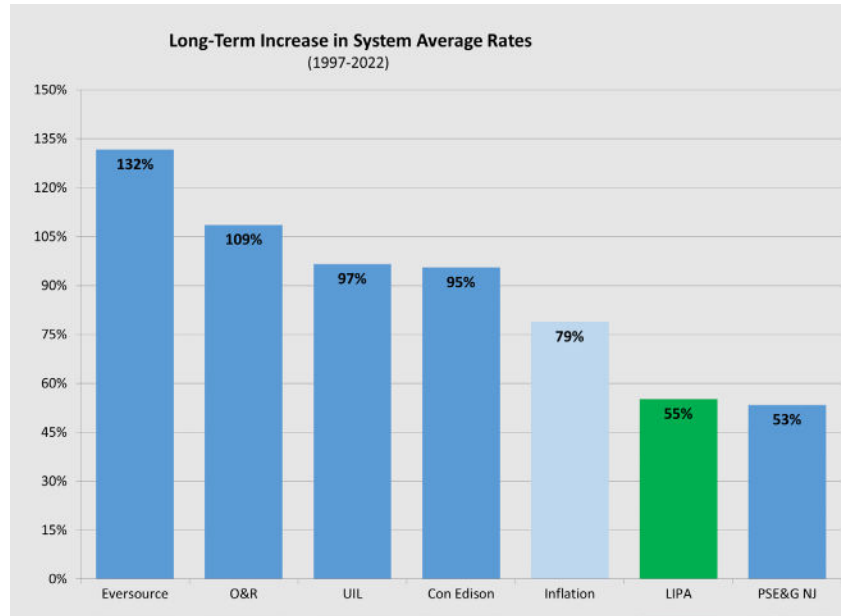
- *“Maintain competitive electric rates, as compared to the system average rates of those regional electric utilities that most closely resemble the costs, electric supply, and policy goals of our service territory.”*
  - In December 2022, the Board of Trustees adopted the 2023 Budget and Rate Update, 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.
  - LIPA’s system’s average electric rate was 23.8 cents in 2022. Compared to the other five major regional utilities listed in the Policy that surround LIPA’s service territory, LIPA’s system’s average rate is 13% below the highest priced regional

utility. The system's average electric rates of the regional utilities ranged from 15.4 cents (PSE&G New Jersey) to 27.4 cents (Con Edison), 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 2022 system average rate would have been 20.5 cents rather than 23.8 cents.
- 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 2022, according to the U.S. Energy Information Agency, was 12.5 cents per kilowatt-hour. State-by-state averages include 21.1 cents for Connecticut, 21.5 cents for Massachusetts, 18.4 cents for New York, 17.2 cents for Vermont, 15.0 cents for New Jersey, and 12.0 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 five utilities that surround the LIPA service territory rather than utilities in other regions of the country or state.
- LIPA's system average rates have been competitive on a long-term basis, having risen more slowly than most other regional utilities during LIPA's stewardship of the Long Island grid (see chart below). LIPA's rates increased 55% since LIPA took over the Long Island grid, compared to a range of 95% to 132% for the other utilities, as shown in the following figure. The consumer price index, a standard measure of inflation, increased 79% during this period.





- *“Offer programs to low-income and disadvantaged customers to maintain electric bills that are a reasonable percentage of household income.”*
  - LIPA implemented a 33% increase in the monthly bill discounts for low-income customers in 2022 and an additional 7.6% in 2023.
  - LIPA provided arrears forgiveness relief to low-income customers consistent with the Statewide Energy Affordability Program (“EAP”).
    - In 2022, LIPA forgave \$25 million of past-due bills for nearly 11,000 low-income customers as part of Phase I of New York’s COVID-19 electric bill credit program.
    - In February 2023, LIPA implemented Phase II of the COVID-19 electric bill credit program, providing approximately \$38 million to help an additional 38,800 residential customers and 750 small commercial customers with past-due electric bills that were associated with the COVID-19 pandemic.
  - LIPA automated the enrollment of customers in the low-income rate discount program who have received a HEAP and/or SNAP award from Social Services.
  - LIPA continued to participate in the DPS’s Energy Affordability Policy Working Group.
  - LIPA established bill credits to low- and moderate-income customers who participate in the Solar Communities program.
  - LIPA expanded rebates paid out to heat pumps for low-income customers to \$4.5 million in 2022 resulting in a fivefold increase in the number of installations.

*“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.”*

- To assist with affordability during the COVID-19 pandemic, LIPA suspended residential disconnections for non-payment until mid-July 2022 and eased the terms of deferred payment agreements.
- LIPA provided for \$25 daily bill credits and food and medicine spoilage reimbursements for customers experiencing prolonged outages during widespread outage events.
- *“Employ innovative electric rate design based on industry trends and research, stakeholder feedback in statewide proceedings, LIPA-run collaboratives, and comments from the public.”*
  - LIPA developed modern Time of Day (“TOD”) rates for residential customers that offer customers more opportunities to manage their bills and encourage customers to reduce their use of energy during high cost, high carbon hours.
    - Modern TOD rates are scheduled to become the standard rate for residential service starting in 2024.
    - Significant stakeholder engagement was received during that process from customer groups, solar industry participants and the DPS.
    - Experimental Voluntary Time of Use (“VTOU”) Rates were piloted as a precursor to the larger Time of Day rate program with 13,434 customers added in 2022.
  - LIPA introduced modern VTOU rates for medium sized commercial customers (with peak demand between 7 kW and 145 kW) that offers a 4-hour peak period (3pm – 7pm) on weekdays excluding holidays that gives larger customers more opportunities to manage their electric bills, saving them money and helping to reduce LIPA’s peak load.
  - LIPA lowered the daily charge to the largest commercial customers and increased demand charges, which shifted bill impacts to send a stronger price signal regarding the cost of peak load.
  - LIPA improved the Community Choice Aggregation (“CCA”) and Long Island Choice (“LIC”) Programs, bringing them up to Statewide standards consistent with the investor-owned utilities (“IOUs”) and defining the “shoppable” portion of the bill.
  - LIPA modified its interconnection procedures to align with New York State’s cost sharing framework.
  - LIPA implemented the statewide program enabling annual bill credits for customers located in a Renewable Host Community.

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

LIPA Staff has reviewed the Policy and proposes no changes at this time.

### **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 day 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 through the identification of new specific performance metrics in the 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 portions of fuel and purchased power price volatility.

Regarding the risk related to rate design, the LIPA Board recently approved the implementation of a TOD rate for all customers with an opt out option and a one-year guarantee bills will not raise compared to the flat rate or the difference will be refunded. Implementation of the TOD rate structure carries its own risk such as project execution and implementation, and the potential for negative customer reaction. To help mitigate these issues, extensive system testing is being conducted to timely resolve any vulnerabilities, the program will be phased in over an extended period, and extensive customer outreach will be facilitated to educate and respond to concerns.

Based on the mitigation actions in place, staff believe both 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**

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

**WHEREAS**, the Customer Value, Affordability, and Rate Design Policy (the Policy) was originally approved by the Board in September 2016; and

**WHEREAS**, the Policy was last reviewed and amended by the Board in May 2022; 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; and

Dated: May 10, 2023

## **FOR CONSIDERATION**

May 10, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of the Annual Report on the Board Policy on Fiscal Sustainability

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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 Fiscal Sustainability (the “Policy”) and approving the annual report for the Policy, which resolution is attached as **Exhibit “A”**.

### **Background**

In September 2016, the Board adopted the Policy, previously known as the Board Policy on Debt and Access to the Credit Markets, with the purpose of serving the long-term interests of LIPA’s customers by adopting sound financial plans 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 LIPA’s customer-owners.

The last annual report to the Board was presented in March 2022. After the March 2022 meeting, a working group of Trustees, together with the Board’s governance consultant Leading Resources, Inc., participated in various meetings to develop and draft amendments to the Policy. In September 2022, the Board adopted amendments to the Policy, including renaming the Policy to the Board Policy on Fiscal Sustainability consistent with the Board’s Purpose and Vision.

### **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 annual review. The Policy provides that “LIPA’s vision for fiscal sustainability is to meet the Board’s policy goals to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA’s assets and result in the lowest long-term cost to customers. To achieve our vision for fiscal sustainability, LIPA will:

“Decrease LIPA’s leverage and cost of capital by:”

- “Achieving AA-category credit ratings via reducing LIPA’s debt-to-assets ratio from 92 percent to 70 percent or less by 2030.”
  - In 2022, LIPA’s three ratings were reaffirmed at A2, A, A, from Moody’s, S&P Global, and Fitch Ratings, respectively. Fitch maintained a “positive” outlook to

- its rating.
  - New debt as a percentage of capital spending for the three-year rolling average for the period ended December 31, 2022 was approximately 66%. By limiting new borrowing while paying down existing debt and fixed obligations (i.e. leases), LIPA remains on path to achieve the Board’s stated objective of a debt-to-asset ratio of 70 percent or less by 2030.
- “maximizing grants and low-cost funding sources; minimizing costs through securitization of debt and tax-exempt financing.”
  - LIPA received approximately \$276 million from the Federal Emergency Management Administration (“FEMA”) for reimbursement of costs associated with repairs to its transmission and distribution (“T&D”) system that were damaged as a result of Tropical Storm Isaias.
  - LIPA received \$7.6 million from FEMA for reimbursement of costs associated with damage to the T&D system from Hurricane Ida.
  - LIPA was awarded a competitive grant by FEMA under the Tropical Storm Isaias disaster declaration to fund a \$3.5 million project to harden three transmission expressway crossings.
  - LIPA submitted to FEMA proposals totaling approximately \$426 million seeking mitigation funding to storm harden its T&D system as provided for under the Tropical Storm Isaias disaster declaration. The application remains pending.
  - LIPA submitted to the Department of Energy (“DOE”) a proposal seeking a federal grant for \$250 million towards \$500 million of T&D investments to enhance interconnection capacity for Distributed Energy Resources. LIPA was notified on February 24 of an initial determination of support by DOE and invited to submit a full grant application in May 2023.
  - LIPA partnered with Stony Brook University to apply for a \$20 million DOE grant related to the implementation of certain projects in LIPA’s 5-year Strategic Roadmap.
  - The Utility Debt Securitization Authority (“UDSA”), LIPA’s component unit, issued approximately \$841 million to refund LIPA and UDSA outstanding indebtedness through the issuance of securitization bonds generating net present value savings of \$42 million. In addition, UDSA issued its first Green Bonds totaling \$95 million to support LIPA’s resiliency investments.
- “pre-funding long-term liabilities on an actuarially sound basis including (1) pension costs, (2) Other Post-Employment Benefits (“OPEBs”); and (3) the Nuclear Decommissioning Trust Fund.”
  - As measured by an actuarial services firm, during 2022, LIPA funded \$30 million to the PSEG Long Island pension plan trust account. As of December 31, 2022, the PSEG Long Island pension plan trust account had assets valued at \$370 million compared to a benefit obligation of \$452 million.
  - LIPA funded \$36.3 million to the LIPA OPEB account in 2022. LIPA’s OPEB account, to prefund the OPEB benefits of PSEG Long Island employees, had assets valued at \$523 million compared to a benefit obligation of \$455 million. 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 \$25 million compared to benefit obligations of \$24 million.
  - The NMP2 Nuclear Decommissioning Trust Funds (NDTF) had assets valued at \$155 million compared to a liability of \$102 million. LIPA funded \$0.3 million to the NDTF in 2022. The NDTF funding levels have been reviewed by an actuarial services firm within the last two years.
- “maintaining fixed-obligation coverage ratios of no less than 1.40x on LIPA-issued debt and lease payments, and 1.20x on the combination of LIPA-issued debt, UDSA-issued debt, and lease payments.”
  - For the period ended December 31, 2022, LIPA achieved coverage ratios of 1.45x for LIPA-issued debt and lease payments and 1.29x for LIPA and UDSA-issued debt and lease payments.
  - The 2023 Budget is set to meet a 1.40x fixed-obligation coverage ratio.
- “minimizing LIPA’s need for coverage while maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories (e.g. storms).”
  - LIPA’s Revenue Decoupling Mechanism (“RDM”) ensures that only LIPA’s budgeted and Board-approved revenues for delivery service are collected from customers in each customer class by comparing actual revenues with authorized revenues. The RDM credits (or collects) any differences to (or from) customers in the following year. For 2022, LIPA’s residential customers will be provided a credit of \$65 million in 2023 rates, and its commercial customers will be charged \$12 million.
  - LIPA’s Delivery Service Adjustment (“DSA”) provides cost recovery or refunding of overcollection for certain items that vary due to external factors, including debt service, storm restoration expenditures, non-storm emergency costs, bad debt expense, and PSEG Long Island pension and OPEBs. For 2022, LIPA’s customers will be provided a credit of \$2 million in 2023 rates.
- “Maintain cash on hand and available credit sufficient to fund business operations in emergencies, as measured by month-end balances of at least: (i) \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund, and (ii) 150 days of operating expenses.”
  - Cash on hand at the end of each month exceeded the target of \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund. As of December 31, 2022, the Operating and the Rate Stabilization funds totaled \$296 million and \$157 million, respectively.
  - During 2022, cash on hand and available credit exceeded the target of at least 150 days available for operating expenses. As of December 31, 2022, 309 days of operating expenses were available in cash and credit.
- “Develop budgets and financial plans that maximize customer value and aggressively

manage costs.”

- LIPA’s 2023 Budget sets rates and charges to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA’s assets and result in the lowest long-term cost to customers. LIPA’s 2023 Budget was approved in December 2022.
- Pursuant to the Strategic Roadmap ([link](#)) approved by the Board in March 2023, LIPA is establishing a business process optimization practice to systematically look for continuous improvement opportunities. Several projects were undertaken in the LIPA’s Work Plan and Performance Metrics to enhance operations and financial reporting that will assist in assuring value for customers' money, as detailed in those documents.
- Within the 2023 Budget, nearly \$1.1 billion of ongoing cost savings equals 26 percent of electric bills, or about \$46 per month for a typical residential customer. These savings include:

Operating Lean	\$ Millions
Discontinued investments in combined cycle plants	\$353
LIPA Reform Act 2% Tax Cap	\$340
Commodity Hedging (based on current prices)	\$147
Renegotiating expiring power purchase agreements	\$49
Smart Meter savings	\$45
Power plant property tax savings	\$40
Refinancing existing debt	\$40
Investing in cost-effective energy efficiency	\$22
Reduction to wholesale market and off-island transmission	\$16
Operating savings and improved productivity	\$13
Power supply pension and retirement savings	\$8
<b>TOTAL</b>	<b>\$1,073 MILLION</b>

- “Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources.”
  - Monthly, LIPA’s financial reporting managers provide analysis of budgeted costs versus actual spending to LIPA’s operating departments to aid in their analysis of PSEG Long Island’s resource management, ensuring the most cost-effective and efficient processes are utilized. Significant variations are identified and investigated timely.
  - Pursuant to the Strategic Roadmap ([link](#)) approved by the Board in March 2023, LIPA will be further enhancing budgeting and reporting by strengthening processes for Capital Project review and approval; enhancing both LIPA and PSEG Long Island’s financial analysis and fiscal management capabilities; and establishing integrated operational and financial performance reporting framework, among



other items.

- “Provide LIPA’s customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA’s financial performance and plans.”
  - LIPA’s annual Budget ([link](#)) was approved by LIPA’s Board on December 14, 2022, and made available on LIPA’s website. The Budget includes a letter from LIPA’s CEO that explains major initiatives and expenditures for the prior year and coming year in plain English and the main drivers of the budget and electric rates.
  - LIPA’s annual audited Financial Statements ([link](#)) were approved by LIPA’s Board on March 29, 2023, and made available on LIPA’s website and the Electronic Municipal Market Access (“EMMA”) platform for bondholders.
  - LIPA undertakes substantial quarterly and annual reporting obligations to make available its plans and evaluate its performance relative to plan, including the Strategic Plan ([link](#)), Work Plans ([link](#)), Performance Metrics ([link](#)), and Quarterly and Annual Performance Reports ([link](#)), among other items.
  - LIPA maintains Fact Sheets and videos on topics of significant interest to the public (e.g. Time of Day Rates ([link](#)), the clean energy transition ([link](#))) to explain the topics in plain English.
  - LIPA’s Transparency Plan ([link](#)) summarizes other initiatives to make its operations and decisions transparent to customers, investors, and stakeholders.

### **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, a revolving line of credit or in the commercial paper market. In August 2022 all three rating agencies reaffirmed their credit ratings for LIPA helping to further mitigate this risk by providing confidence in LIPA’s ability to access capital markets.

Based on the credit ratings and the ability to access capital markets, we believe this risk is being adequately managed. LIPA’s liquidity remains strong, well above the 150-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 the 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 FISCAL SUSTAINABILITY**

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**WHEREAS**, the Board Policy on Fiscal Sustainability (the “Policy”), previously known as the Debt and Access to the Credit Markets, was originally approved by the Board of Trustees by Resolution No. 1319, dated September 21, 2016; and

**WHEREAS**, the last annual report to the Board was presented in March 2022; 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 10, 2023



# **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



**Questions?**

# Appendix

## Video Promotions

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



<https://vimeo.com/698275725>



# Appendix

## Print Promotions

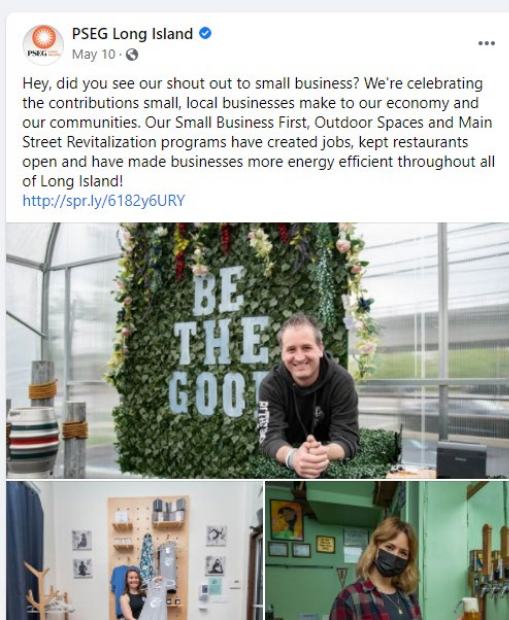


**Business discounts**

Small businesses fill a major role in the local economy. Now they're filling more empty storefronts in our downtown areas with help from our Vacant Space Program.

You may qualify for electric bill discounts of up to \$10,000 when taking over a commercial space that's been vacant for a year or more. If you own a property, you may apply on behalf of a future tenant.

Visit [PSEG.LINK/business](http://PSEG.LINK/business) to learn more or call our Business Solutions Center at 1-800-966-4818 to speak with one of our Economic Development specialists.



**PSEG Long Island** May 10

Hey, did you see our shout out to small business? We're celebrating the contributions small, local businesses make to our economy and our communities. Our Small Business First, Outdoor Spaces and Main Street Revitalization programs have created jobs, kept restaurants open and have made businesses more energy efficient throughout all of Long Island!

<http://spr.ly/6182y6URY>

The image shows a man in a black hoodie standing in front of a green wall with the text "BE THE GOOD". Below this are two smaller images: one of a woman in a blue shirt and another of a woman in a red plaid shirt.



**Lindenhurst's Sand City Brewing Gets Grant For Reviving Main St.**

The brewing received \$25,000 from PSEG Long Island for reusing vacant retail space in a downtown area.

**Jacqueline Sweet, Patch Staff**

Posted Wed, Jul 21, 2021 at 10:17 am ET • Updated Wed, Jul 21, 2021 at 10:19 am ET

1 like 254 Share

Replies (4)

The image shows two men holding a large check from PSEG Long Island to Sand City Brewing Co. for \$25,000. The check is dated May 25, 2021, and is for the Main Street Revitalization Grant.



**PSEG Long Island** July 6 at 12:30 PM

As COVID-19 changed our lives, our commitment to communities remained unwavering. Our Economic Development and Energy Efficiency teams created new programs to support small businesses across Long Island, like [Sand City Brewing Co.](#) in Lindenhurst. Check out how we helped them power through!

**Ian O'Connor**  
Tap Room manager - Sand City Brewing

The image shows a man sitting on a bench in front of a building. The PSEG logo is in the bottom right corner.

## **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**

---

**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**

February 15, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**REQUEST:** Consideration of 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 Second 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.

In March 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". In January 2019, the Board approved amendments to the Policy related to LIPA's direct operations. Thereafter in July 2020 and September 2021, 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**

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. The Policy requires "the CEO or his or her designee 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."

*Work Plan and Performance Metric Objectives and Accomplishments:*



- The LIPA annual Work Plan and PSEG Long Island Performance Metrics deliver the yearly translation of the Board’s vision and strategic direction into specific activities, projects, and budgets.
  - LIPA staff completed 20 projects from the 2022 Work Plan and extensive deliverables from 23 projects. The progress on multi-year projects continues in the 2023 Work Plan. One project from the 2022 Work Plan was deferred and ultimately canceled due to the lesser value of the project as compared to other higher priority efforts that arose during the year.
  - LIPA staff reported to the Board quarterly on PSEG Long Island’s progress against the 2022 Performance Metrics. Staff will provide an Annual Report on PSEG Long Island’s performance at the conclusion of our evaluation of the 2022 Performance Metrics.
  - The 2023 Work Plan includes 57 projects that align with the Board’s policies and corporate objectives.
  - For 2023, the Board adopted 93 PSEG Long Island Performance Metrics in December 2022, distributed across all the management services provided by PSEG Long Island to LIPA and its customers.

*The Status of the Five-Year Strategic Roadmaps:*

- The Board directed LIPA staff to craft Five-Year Strategic Roadmaps in 2021 and this requirement was incorporated into the revised OSA with PSEG Long Island, which became effective in April 2022.
- In 2022, LIPA, in conjunction with PSEG Long Island, commenced work on developing 5-Year Roadmaps to deliver on the Board’s expectations. Activities included reviewing the Board policies, identifying gaps and potential actions through consultation with LIPA and PSEG Long Island management and staff, and prioritizing and sequencing initiatives considering the risks and benefits.
- 5-Year Roadmaps will be reviewed by the Board for Customer Experience, Transmission and Distribution Operations, Information Technology and Cybersecurity, Performance Management, and Finance in February 2023, while plans for Business Services, Power Supply, and Clean Energy will come before the Board in late 2023.
- While the Roadmaps provide a five-year outlook, in adherence with the policy, the Board will receive updates on a triennial basis.
- The priorities outlined in the Five-Year Strategic Roadmaps are translated annually into Work Plans, Performance Metrics, and Budgets.

*Performance Management Framework:*

- The Performance Management Framework provides transparency and accountability to the Board and customers for the accomplishment of the Board’s strategic objectives and the funds budgeted each year. The Performance Management Framework includes:
  - **5-Year Roadmaps:** As part of the Strategic Planning process, starting from Board Policies, the 5-Year Roadmaps identify the end states and gaps to current

capabilities and prioritizes those gaps to meet the expectations of the Board and service to our customers.

- **PSEG Long Island Annual Performance Metrics:** LIPA develops Performance Metrics for PSEG Long Island each year. These standards create quantitative and project oriented metrics that advance the 5-Year Roadmaps and the Board's policy objectives. LIPA staff independently verifies and validates ("IV&V") PSEG Long Islands performance under the OSA, including on the Performance Metrics.
- **LIPA's Annual Work Plan:** LIPA develops and manages projects that it directly executes to advance the 5-Year Roadmaps and the Board's policy objectives.
- **Performance Reports:** LIPA staff reports to the Board quarterly and annually on PSEG Long Island's performance under the Performance Metrics and on other items of significant concern to the Board, such as Board-adopted Recommendations, reports on compliance with each Board Policy, and budget. LIPA Staff also reports annually on accomplishments of the staff Work Plan.

In 2022, LIPA established the Strategic Performance Management Office ("SPMO") to centrally organize its standards for IV&V as well as to support LIPA staff in project management and cross functional project collaboration. SPMO organizes reporting to the Board and LIPA management on the Work Plan and PSEG Long Island Performance Metrics and provides assistance to LIPA departments in defining and executing project plans, monitoring work execution, and reporting. LIPA regularly conducts performance review meetings both with internal staff and with PSEG Long Island to promote accountability and drive accurate results for progress reported at regular frequencies, such as monthly, quarterly, and annually.

#### *The Sufficiency of LIPA Staff and Resources:*

- LIPA contracts for a substantial portion of the services needed to accomplish its Vision and Purpose and relies on internal staffing and consulting support to manage the performance of vendors and its own responsibilities.
- The approved 2023 LIPA Budget includes sufficient funding for the positions and consulting resources management believes is necessary at the present time to accomplish the Purpose and strategic direction defined by the Board in policy. Management regularly reviews the sufficiency of staffing and consulting resources and makes adjustments, as necessary. The revised OSA resulted in a significant increase in the work load of the LIPA staff, which was accounted for in the 2023 Budget proposal.

#### **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"**.

### **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 Performance Management

**RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE  
BOARD POLICY ON STRATEGIC PLANNING AND OVERSIGHT**

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**WHEREAS**, the Board Policy on Strategic Planning and Oversight (the “Policy”) was most recently reviewed by the Board of Trustees on September 22, 2021; 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 finding that the amendments are due 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 adoption of the Policy, approves the annual report to the Board, and approves updates to the Policy, as recommended herein.

Dated: February 15, 2023

Board Policy: **Strategic Planning and Performance Management**

Policy Type: **Strategic Direction**

Monitored by: **Board of Trustees**

Board Resolution: **#1409, approved March 29, 2018,  
#1461, amended January 23, 2019  
#1547, amended July 22, 2020  
#1668, amended September 22, 2021  
[#xxxx, amended February 15, 2023]**



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LIPA's vision for strategic planning and performance management is to achieve the strategic objectives established by the Board in its policies and to provide transparency and accountability to the Board and customers for the realization of the Board's strategic objectives and the funds budgeted each year.

LIPA will achieve its vision by directing the Chief Executive Officer to undertake: (i) effective methods of translating the Board's strategic policy objectives into multi-year plans, annual work plans, performance metrics, budgets, and recommendations<sup>1</sup> for the Board's review and approval, and (ii) a transparent system of performance reporting to the Board and public relative to the policies, plans, metrics, budgets, and recommendations adopted by the Board.

### **Strategic and Annual Planning**

The Chief Executive Officer will prepare and submit to the Board for review and approval the following to advance the Board's policy objectives across various time horizons:

- **Five-year Long-Range Plans:** LIPA's Chief Executive Officer, in consultation with its service provider(s), will on a triennial basis develop five-year roadmaps for each key business area to advance the Board's strategic objectives. The Long-Range Plans will evaluate the current state of the business area, articulate an end-state vision to be achieved within five years, and identify the projects necessary to close the gap. Each roadmap will include:
  - Prioritized list of projects with associated business rationale and benefits
  - Schedule for and sequencing of projects
  - Dependency on or interaction with projects initiated by other business areas
  - Budget requirements for project implementation and operations

The schedule below defines the timeline for the submission to the Board of the initial Long-Range Plans for each business area:

- Transmission and distribution ("T&D"), information technology, customer experience, finance, and performance management no later than March 31, 2023.
  - Business services and power supply and clean energy programs no later than March 31, 2024.
- **LIPA's Annual Work Plan, Performance Metrics, and Budgets:** LIPA's Chief Executive Officer will translate the Board's strategic policy objectives and Five-Year Long-Range Plans into annual work plans,

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<sup>1</sup> Board recommendations as defined in the Second Amended and Restated Operations Services Agreement.

performance metrics, and budgets for the Board's review and approval. The annual work plan defines the activities LIPA staff will directly undertake for the year, while the performance metrics define the objectives that will determine PSEG Long Island's Variable Compensation for the year. The work plan and performance metrics are designed to be objectively verifiable and reasonably achievable levels of performance. The funds to achieve this level of performance are also budgeted, tying realistic plans and budgets to measurable outcomes each year. The oversight activities of LIPA staff may also result in Board recommendations to improve the operations of business areas managed by service provider(s).

### **Performance Management Reporting**

Performance management reporting provides transparency and accountability to the Board and customers for the accomplishment of the Board's strategic objectives and the funds budgeted each year. The Chief Executive Officer will prepare a written report to the Board and make it available on LIPA's website for each of the following:

- **Policy Reports:** Annual reports on LIPA's performance as compared to the key objectives of each Board strategic direction and operating policy.
- **Work Plan Reports:** Annual reports on the projects and activities LIPA staff will directly undertake to advance the Board's policy objectives and accomplishments as compared to the prior year's work plan.
- **Performance Metrics and Board Recommendation Reports:** LIPA's business model involves significant outsourcing to service provider(s), which places heightened importance on vendor performance in advancing the Board's policy objectives. Therefore, the Chief Executive Officer will separately provide quarterly and annual reports on PSEG Long Island's performance as compared to the Board-approved performance metrics and recommendations.
- **Budget Reports:** Quarterly and annual budget reports comparing actual financial results to the Board-approved financial plan, including significant variances and their causes, separately detailed between LIPA and service provider-managed budget elements.

The Chief Executive Officer is responsible for informing the Board in a timely manner of developments that in the Chief Executive Officer's reasonable judgment are (i) unique or significant operational risks to LIPA; (ii) could significantly impact LIPA's customers, reputation, or community relations; or (iii) materially compromise the ability to achieve the policies and strategic objectives established by the Board.

## **FOR CONSIDERATION**

March 29, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments to the Board Policy on Diversity, Equity, and Inclusion

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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 Diversity, Equity, and Inclusion (the “Policy”) for the period since the last annual review; (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**

In June 2020, the Board adopted the Policy. The last annual report on the Policy was in August 2021. The 2021 Policy provides that 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.”

### **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 set forth below.

The Policy provides that 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.”

- LIPA’s Human Resources department’s recruiting efforts include posting job openings on diversity-focused job boards including the New York State Department of Labor, the Professional Diversity Network, the National Forum for Black Public Administrators, and other sites as appropriate. Through the Professional Diversity Network, LIPA’s job are posted with the International Association of Women (IAW), which is one of the largest, most recognized networking organizations of professional women in the country, spanning more than 200 industries and professions; and other online employee recruitment platforms that leverage affinity groups to identify and recruit experienced and talented women, minorities,

veterans, LGBTQ and disabled persons.

“maintaining a positive, trusting, and inclusive workplace culture, through training and development and by considering these skills in our hiring and promotion practices.”

- LIPA’s employees have access to LinkedIn Learning, Percipio Learning, and Cornerstone Learning Management System. These programs provide education, training and development courses related to diversity, equity, belonging and inclusion and can be accessed by or assigned to employees as part of their professional development.
- LIPA’s monthly staff meetings include a diversity, equity, inclusion and belonging highlight to embed these in our culture and reinforce our commitment to all employees. In 2022, we used many of our all-staff meetings to provide a common language for employees by defining what certain words mean at LIPA and describing the behaviors associate with each word. Words included equity, diversity, inclusion, belonging, and more.
- The employee newsletter reinforced the Diversity, Equity, and Inclusion (DE&I) message presented at the staff meeting.

“utilizing annual employee engagement surveys and related initiatives to measure and advance our diversity, equity, and inclusion practices.”

- Each year, LIPA conducts an Employee Engagement Survey. These surveys are designed to measure and assess how motivated and engaged our employees are to perform their best at work each day.
- LIPA’s 2022 engagement remained among the top ten percent of companies with an overall score seven points above industry average benchmarks and one point above top company benchmarks (i.e. top 10%), although our score did drop from 85 to 79<sup>1</sup> between November/December 2020 and March/April 2022.
- LIPA’s engagement survey includes questions specifically related to DE&I. Employees are asked whether:
  - This organization encourages a climate in which diverse perspectives are valued.
  - I am encouraged to treat others with dignity and respect.
  - All employees are given a fair opportunity to succeed in this organization.
  - This organization values its employees.
  - People of all cultures, backgrounds, and identities are respected and valued at LIPA.
  - Diversity activities and learning opportunities offered by my organization have a positive impact on our culture.
  - My organization’s leadership demonstrates a commitment to and support of diversity and inclusion.
  - I can bring my authentic self to work.
- DE&I-related questions had an average score of 75, down from a previous average of 83. This is consistent with the overall score results.
- Results of the engagement survey are shared with management and LIPA Staff and management identifies opportunities for improvement.

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<sup>1</sup> Scores 70 and above are generally considered strong scores.



“overseeing the diversity, equity, and inclusion initiatives of LIPA’s service providers.”

- PSEG Long Island conducted multiple DE&I events for their employees. These events included:
  - Cultural Awareness and Diversity Appreciation programs such as Diwali Cultural Celebration, Honoring our Veterans event, and Hispanic Heritage month activities.
  - PSEG Long Island encourage and supports employees to join any of their numerous Employee Business Resource Groups (EBRGs). These are voluntary groups of employees that help shape and drive their diverse and inclusive culture. EBRGs help build meaningful relationships through initiatives like community outreach and volunteerism, mentorship, and professional development. In addition, PSEG Long Island’s EBRGs serve as a platform to elevate diverse perspectives and help support key business goals and priorities.

“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.”

- The State of New York annually grades each state agency and authority’s MWBE procurement efforts. LIPA and its service provider were rated “A+” for 2022.
- PSEG Long Island increased its MWBE spend by 5% and continued to meet its 30% goal.
- The PSEG Long Island Supplier Diversity Team increased training for its procurement staff and provided informative sessions to its prime vendors and contractors. That team also hosted a virtual Supplier Diversity Procurement Fair in May of 2022 promoting a greater presence of MWBEs in our supply chain and procurement activities and attended and participated at several events in person and virtually including MWBE Expos, 2022 MWBE Forum, Competitive Edge Conference.
- PSEG Long Island established a proactive approach to connect MWBEs with internal decision makers and prime contractors.
- LIPA participated and accompanied PSEG Long Island in all outreach events listed above and served on the planning committee for the Competitive Edge Conference.

Additionally, the Policy provides that “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, and create, pursue, and promote opportunities for, and eliminate barriers to, the achievement of environmental and climate justice.”

- Throughout 2021 and 2022, the State’s Climate Action Council has been at work on the State’s Scoping Plan to reach the goals set by the CLCPA, including making major strides toward achieving environmental and climate justice in the transition to a decarbonized economy. LIPA’s CEO holds a seat on the Council and LIPA’s staff have been participating in State staff working groups developing specific chapters of the Scoping Plan. Upon release of the

Draft Scoping Plan in December 2021, the working groups, which met on a monthly basis, supported the Council's outreach to a broad set of stakeholders and the public through public hearings and acceptance of comments on the Draft Scoping Plan, which lasted through the summer of 2022. In the Fall of 2022, LIPA staff continued to support the Council's efforts by incorporating the learning from public outreach into the final Scoping Plan, which was adopted in December 2022 as required by CLCPA.

- In 2022, LIPA undertook several new initiatives to benefit social and environmental justice goals, including:
  - LIPA undertook a two-phase bill forgiveness program. Low-and-moderate income (LMI) customers received a credit of the entirety of past-due account balances through May 1, 2022, while all customers received up to \$2,000 for past-due balances.
  - LIPA announced a \$30,000 grant to the Shinnecock Nation to assist income-eligible residents in learning about and applying for our LMI assistance program, which provided bill forgiveness through year-end 2022, as well as a monthly bill credit and eligibility for enhanced energy efficiency and electrification program rebates.
  - LIPA awarded a \$200,000 grant to the United Way of Long Island to support transforming their headquarters into a “net zero” building, with \$60,000 in annual energy savings that will be reinvested back into its core mission, including training for disadvantaged youth and veterans in clean energy construction.
  - LIPA funded a New York Clean Transportation Prize Award on Long Island at a cost of up to \$10 million for innovative projects expected to expand access to clean, electric transportation in historically disadvantaged communities.
  - LIPA created a community college scholarship program to support education and training in careers related to the electric industry for students from disadvantaged communities.
- LIPA engages with its stakeholders through its Community Advisory Board (CAB), among other methods. LIPA's CAB was formed in 2017 to advise LIPA's Chief Executive Officer on issues of importance to the Authority and our Long Island and Rockaways community. The CAB represents a diverse range of perspectives and has 19 members, including experts in energy, education, business, economic development, government, and finance. Members are appointed by LIPA's CEO and participate in quarterly meetings, the last which was held in March 2023, that discuss regional issues, including energy efficiency, climate and green energy goals, and other topics important to members.
- Energy Efficiency and Renewables Advisory Committee: An advisory committee comprised of stakeholders not affiliated with PSEG Long Island or LIPA advise LIPA Staff on clean and renewable energy programs and hold periodic meetings to provide input and recommendations on demand reduction goals, beneficial electrification program goals, and renewable program goals established under applicable laws or various state initiatives.

### **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, including renaming the Policy to the Board Policy on Social and Environmental Justice. The draft amendments to the Policy have been shared with the entire Board.

Pursuant to public comments received by the Board at its February 2023 meeting, the working group of Trustees reconvened prior to the March 2023 Board meeting to consider further amendments to the Policy. The final version of the amended Policy, as drafted by the Trustees, is attached hereto as **Exhibit “B”**. In drafting the final version of the Policy, the Board has considered all public comments made with respect to the proposed amendments to the Policy.

### **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 Social and Environmental Justice

**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE BOARD POLICY ON DIVERSITY AND INCLUSION**

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**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 Governance, Planning and Personnel Committee (the “Committee”) has conducted an annual review of the Policy on February 15, 2023 and recommended that the Board affirm that the Policy has been complied with 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 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: March 29, 2023

Board Policy: **Social and Environmental Justice**

Policy Type: **Strategic Direction**

Monitored by: **Governance, Planning, and Personnel Committee**

Board Resolution: **#1542, adopted June 24, 2020**  
**#1662, amended August 11, 2021**  
**[#xxxx, amended March 29, 2023]**



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LIPA's vision for social and environmental justice is to foster a workplace that promotes diversity, equity, and belonging and to promote fairness and equity in the impact of our programs on our community.

LIPA values employees, customers, and stakeholders for the variety of their backgrounds and personal characteristics, including:

- race, ethnicity, national origin, religion, gender, gender identity, sexual orientation, marital status, physical ability, political affiliation, age, veteran status, and any other characteristic protected by law; and
- other characteristics such as talents, thinking styles, and lived experiences.

LIPA will foster and promote a diverse, equitable, and inclusive workplace by:

- modeling and cultivating the organization's values of service, collaboration, and excellence and their related behaviors, which foster an open, positive, and respectful workplace, including by considering these behaviors in our hiring, performance evaluation, and promotion practices;
- attracting, retaining, and developing a diverse workforce representative of the electric customers we serve;
- utilizing annual employee engagement and climate surveys and related initiatives to measure and advance our diversity, equity, and inclusion practices; and
- overseeing the diversity, equity, and inclusion initiatives of LIPA's service providers.

LIPA supports social and environmental justice, namely achieving fairness and equity in the transition to a clean energy future, and believes that all communities are entitled to equal protection of environmental laws and regulations.<sup>1</sup>

In furtherance of social and environmental justice, LIPA will:

- pursue initiatives that promote fairness and equity in the clean energy transition;
- pursue initiatives that promote fairness and equity in the application of environmental laws and regulations; and
- promote the participation of minority, women-owned, and service-disabled veteran-owned businesses in procurements by LIPA and its service providers.

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 the key provisions of this Policy.

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<sup>1</sup> See Climate Leadership and Community Protection Act and in Article 48 of the Environmental Justice of the Environmental Conservation Law for more information.



# **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*

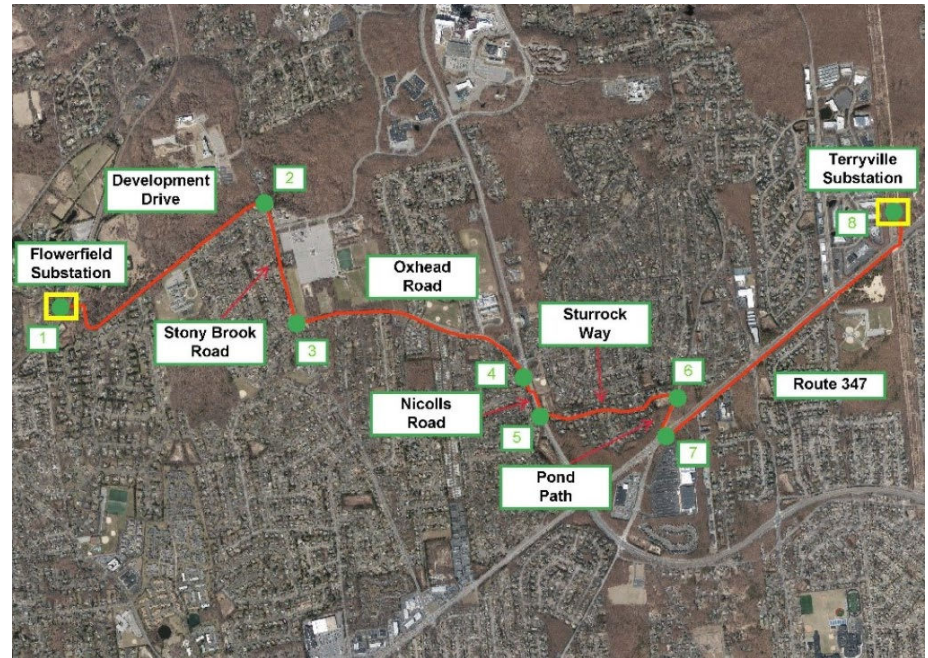




# FLOWERFIELD TO TERRYVILLE

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

A large offshore wind turbine with three white blades and a red nacelle, situated in the ocean under a blue sky with some clouds. The image is partially obscured by a white diagonal line.

# ENTERPRISE RISK MANAGEMENT – F&A COMMITTEE DISCUSSION

September 27, 2023

# TOPICS FOR DISCUSSION

- 01  ERM Process Overview
- 02  2023 Risk Summary
- 03  ERM Board Policy Review and Approval

# ERM PROCESS OVERVIEW



# RISK EVALUATION PROCESS & CRITERIA

## Risk Identification

Work with subject matter experts within each department to identify the risks that could impact their objectives.

**For example:** A major event could cause damage to infrastructure, delayed restoration, and ineffective communication with customers which could result in increased costs and negative reputation

## Risk Assessment

CRITERIA FOR EVALUATING RISKS				
Impact	Impact Categories	Likelihood	Velocity	Outlook
5 - Severe	Financial	5 - Almost Certain	High	Increasing
4 - Major	Reliability	4 - Likely	Medium	Decreasing
3 - Moderate	Reputational	3 - Possible	Low	Stable
2 - Minor	Regulatory, Legal, & Compliance	2 - Unlikely		
1 - Incidental	Environmental, Health, & Safety	1 - Highly Unlikely		



**Risk Exposure = Impact (x) Likelihood**

Work with subject matter experts to evaluate the likelihood, impact, velocity, and outlook of the risk

**For example:** Major Event risk has a severe (5) rating in multiple impact categories and is likely (4) to occur, so the risk exposure is 5x4=20

## Risk Response & Mitigation

Work with subject matter experts to determine and develop mitigation actions to manage the risk.

## Risk Monitoring

Develop a cadence and quantitative measures that monitor risk trending by working with subject matters in each department

## Risk Reporting

Report on high-priority risks periodically to the Enterprise Risk Management Committee and quarterly to the Board of Trustees. Additionally, select risks have deep-dive analysis performed and presented to leadership which includes both LIPA and PSEG Long Island.

# ERM ROLES AND RESPONSIBILITIES

**Board of Trustees**

**CEO**

**Senior  
Leadership/VPs**

**Directors**

**Front-line  
Managers**

- Sets ERM Board policy
- Provides oversight of the ERM process

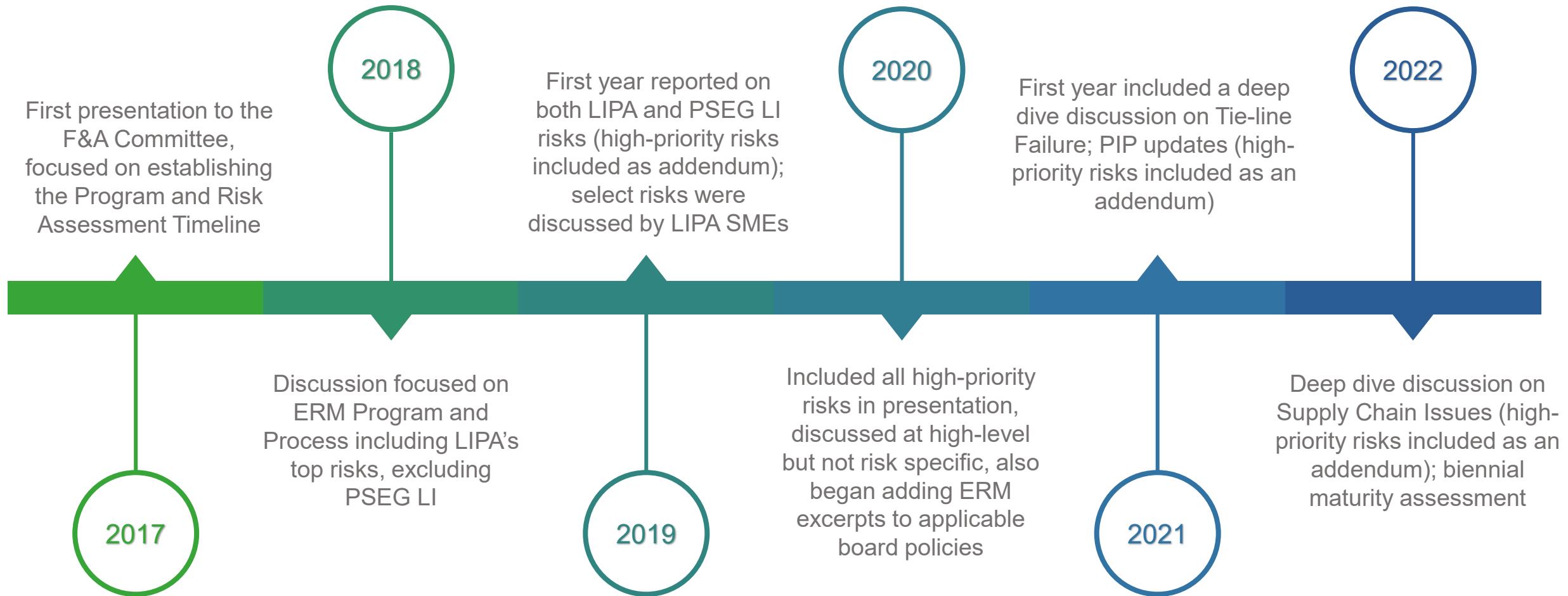
- Reviews and approves overall risk portfolios

- Reviews and approves department portfolios
- Reviews and aggregates enterprise risks at ERM meetings
- Prioritizes resources to reduce risk

- Responsible for managing department risks
- Identifies areas for improvement

- Identifies and manages risks in day-to-day operations

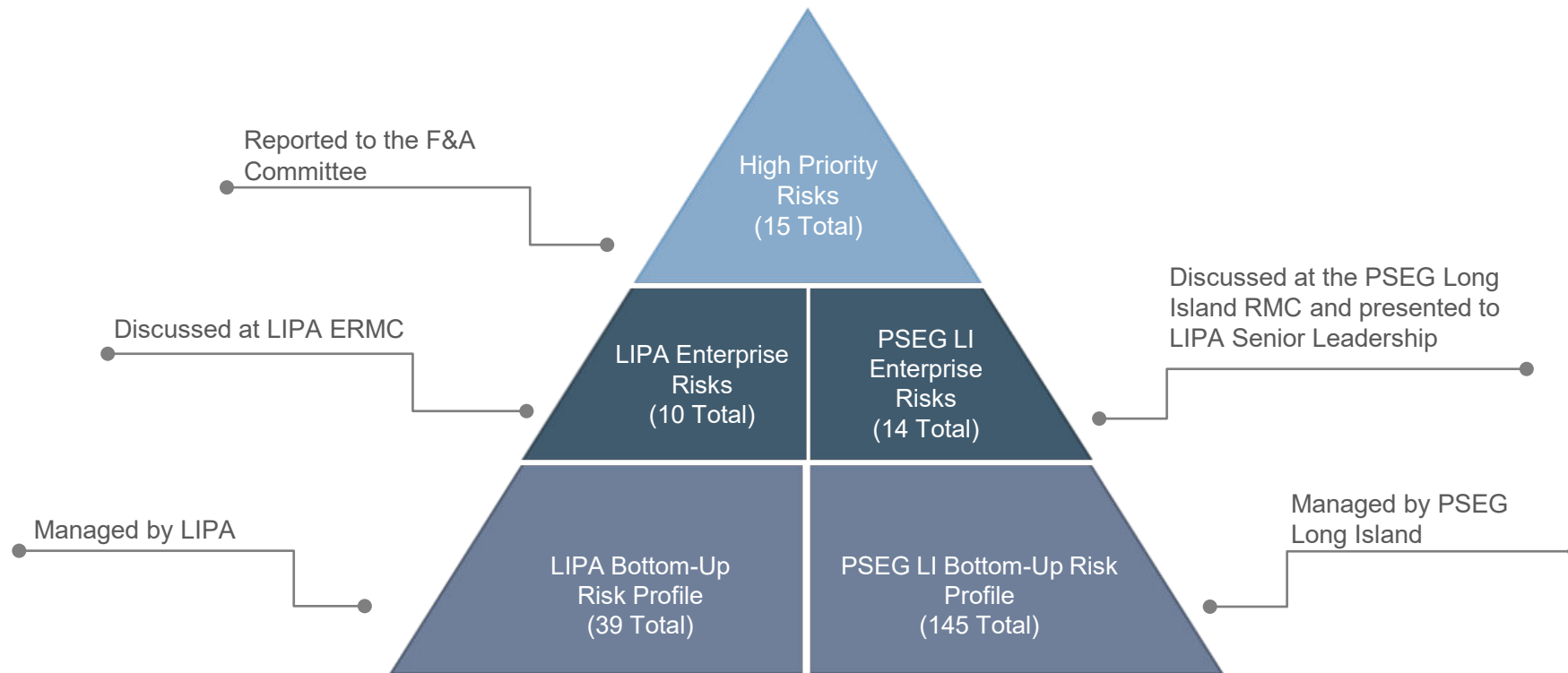
# ERM PRESENTATION TO F&A COMMITTEE - HISTORY



# 2023 SUMMARY OF RISKS

**High-priority risks** can significantly impede *both* LIPA and PSEG Long Island's ability to achieve their respective goals.

- Both LIPA and PSEG Long Island undergo a formal risk assessment process to develop their risk profiles; PSEG Long Island provides LIPA an in-depth annual report detailing their most significant risks and their mitigation actions
- There are 15 risks that have been deemed high-priority and represent the most significant risks to the organization; these risks along with their mitigation strategies and actions are reviewed and approved by senior management







# 2023 LIPA AND PSEG LONG ISLAND HIGH-PRIORITY RISKS

Category	Risk
Reliability	<b>Major Event</b> - Damage to infrastructure, delayed restoration, and ineffective communication with customers could result in increased costs and negative reputation
	<b>Physical Security Attack</b> - Substation security and/or the control centers are compromised and could result in reduced reliability and/or a safety incident
	<b>Outdated Primary Transmission Control Center</b> - Current control center condition could create increased system vulnerabilities, especially during high activity events
	<b>Safety</b> - Employees/contractors not following procedures, equipment failure, or lack of adequate training could result in an injury/death
	<b>Loss of multiple tie-lines</b> - Multiple cable failures could result in the inability to meet demand and require load curtailment measures, including load shedding
Technology	<b>Cyber Event</b> - Unauthorized access to IT and/or T&D systems could result in decreased operational abilities
	<b>Breach of Personal Identifiable Information</b> - Internal or 3rd party mass breach of PII could result in loss of sensitive data, a critical system, and potential fraud
	<b>Failure of Critical Business System</b> - A major failure of availability or performance of a critical operating technology or business system, results in extended disruption to operations or business processes, damage to systems and/or loss of data
Regulatory & Rates	<b>Regulatory/Legislative</b> - Modifications to regulations and/or legislations could result in potential changes to the business model, operational changes, and/or an increased cost of service
	<b>Business Model</b> - The outsourced business model could result in suboptimal value and increased cost to customers
	<b>Business Model Uncertainty</b> - Uncertainty regarding the future business model results in enterprise-wide challenges related to attracting and retaining talent, competing priorities impact the ability to perform necessary work, and maintaining a positive working culture at LIPA and a productive working relationship with the Service Provider
	<b>Rate Design</b> - Existing rate design may not reflect changing customer usage patterns/expectations or provide pricing signals and could result in economic inefficiencies and negative public perception
People & Reputation	<b>Talent Management</b> - Difficulty attracting/retaining individuals with the right knowledge, skillsets, and experience may impact the ability to achieve our purpose and objectives
	<b>Call Center</b> - Difficulty attracting and retaining call center personnel paired with increased call volume can result in longer hold times, decreased ability to effectively and efficiently interact with customers, and negative public perception
	<b>Reputation</b> - Negative media coverage could alter customer perception, system operations, and access to affordable capital



# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - RELIABILITY

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<b>Major Event - Damage to infrastructure</b> (system hardening/resiliency), delayed restoration, and ineffective communication with customers could result in increased costs and negative reputation <i>Managed by - PSEG Long Island</i>		<ul style="list-style-type: none"> <li>Ongoing storm hardening initiatives: Power-On, Trim to Sky, Hazard Tree, Auto-Sectionalizing Units Viper Switches (ASUVs), evaluation of eight load pockets, etc.</li> <li>Storm hardening program targeting 18% reduction compared to Isaias through 2025 and on track</li> <li>Continue identification of mutual aid including wire watchers, LV crews, and damage assessors</li> <li>Emergency storm response trainings</li> <li>Integration of OMS with AMI has improved data gathering and situational awareness during storm events</li> <li>Reevaluating the use of drone technology for assessing damage after storms</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>T&amp;D Operations</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>May Summer Prep &amp; Emergency Restoration Plan</li> <li>June Storm Hardening &amp; Resiliency Update</li> <li>Quarterly ITF Reports &amp; PIP updates</li> <li>June Final OMS report</li> <li>Annual board report</li> <li>Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>T&amp;D-24 Vegetation Management – Cycle Tree Trim w/ Vegetation Intelligence</li> <li>T&amp;D-25 Vegetation Management – Trim to Sky Circuits</li> <li>T&amp;D-26 Vegetation Management – Hazard Tree Removal</li> <li>T&amp;D-27 Storm Hardening - Overhead Hardening</li> <li>T&amp;D-28 Storm Hardening - Underground Hardening</li> <li>T&amp;D-29 T&amp;D System Enhancements</li> <li>T&amp;D-30 Storm Hardening Work Plan - ACRV Commissioning Program</li> <li>T&amp;D-31 Storm Hardening Work Plan - LT5H (ASUV) Program</li> <li>T&amp;D-42 Estimated Time of Restoration Process Enhancements</li> <li>T&amp;D-48 Program Effectiveness - Storm Hardening</li> </ul>
<b>Physical Security Attack - Substation security</b> and/or the control centers are compromised and could result in reduced reliability and/or a safety incident <i>Managed by - PSEG Long Island</i>		<ul style="list-style-type: none"> <li>Conduct security vulnerability inspections and penetration tests at all critical sites</li> <li>Substation security upgrades are either in design phase, planned or underway for all 10 critical substations</li> <li>In-progress: AMAG upgrade for access control and video management</li> <li>Increased focus and enrollment regarding insider threat trainings</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Physical security included in the T&amp;D Operations policy</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>Board review to occur post-Security audit</li> <li>Annual board report</li> <li>Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>T&amp;D-44 Regulatory Compliance</li> <li>T&amp;D-45 Physical Security</li> </ul>

# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - RELIABILITY

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<b>Outdated Primary Transmission Control Center</b> - Current control center condition could create increased system vulnerabilities, especially during high activity events <i>Managed by - PSEG Long Island</i>	↑	<ul style="list-style-type: none"> <li>One candidate property has been identified and is awaiting design, permitting, and construction</li> <li>Small board conversion to SCADA eliminated risk associated with evacuating Hicksville without data on physical board</li> <li>Developed a strategic road map for the replacement of the PCC and ACC as well as an IT cutover plan</li> </ul>	<b>Policy</b> <ul style="list-style-type: none"> <li>N/A</li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Ongoing communications and status updates</li> <li>Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>T&amp;D-06 Primary and Alternative Transmission Control Center Replacement</li> <li>Board adopted PIP in 2021 and revised in 2023</li> </ul>
<b>Safety</b> - Employees/contractors not following procedures, equipment failure, or lack of adequate training could result in an injury/death <i>Managed by - PSEG Long Island</i>	↑	<ul style="list-style-type: none"> <li>Continuously improve and integrate current safety and training programs including implementation of a documented safety management system</li> <li>Continued focus on contractor safety, storm onboarding, and monitoring initiatives</li> <li>Regular internal and external assessments and audits; EHS audit and AEGIS risk assessment planned for Q3 2023</li> </ul>	<b>Policy</b> <ul style="list-style-type: none"> <li>Safety</li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>Annual board report</li> <li>Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>T&amp;D-13 Safety – Serious Injury Incident Rate (SIIR)</li> <li>T&amp;D-14 Safety – OSHA Recordable Incidence Rate</li> <li>T&amp;D-15 Safety – OSHA Days Away Rate</li> </ul>
<b>Loss of multiple tie-lines</b> - Multiple cable failures could result in the inability to meet demand and require implementation of load curtailment measures up to and including load shedding <i>Managed by - PSEG Long Island</i>	↑	<ul style="list-style-type: none"> <li>Neptune transformer replacement put into service</li> <li>NYPA Y49 Extension and Modernization project led to the replacement of the LI land portion</li> <li>Improved spare strategy by increasing the number of spare transformers</li> <li>Increased outreach to cable owners to provide increased transparency of annual equipment maintenance plans</li> <li>Board approved capacity contract with NYPA Flynn plant on LI</li> </ul>	<b>Policy</b> <ul style="list-style-type: none"> <li>N/A</li> </ul> <b>Communications</b> <ul style="list-style-type: none"> <li>May Summer Prep report</li> <li>Regular intertie outage communications to the Board of Trustees, and pertinent news articles</li> </ul>	N/A



# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - TECHNOLOGY

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<b>Cyber Event</b> - Unauthorized access to IT and/or T&D systems could result in decreased operational abilities <i>Managed by - LIPA &amp; PSEG Long Island</i>		<ul style="list-style-type: none"> <li>Conduct quarterly internal and annual third-party vulnerability assessments, penetration testing of all information and operational technology systems, and promptly mitigate any identified vulnerabilities</li> <li>Maintain a targeted level of maturity on the National Institute of Standards and Technology Cyber Security Framework (NIST CSF), as evaluated annually through an independent assessment</li> <li>Continue to integrate security awareness and education into management culture</li> <li>Perform annual drills that concentrate on a cyber attack and phishing</li> </ul>	<div> <b>Policy</b> <ul style="list-style-type: none"> <li>Information Technology and Cyber Security</li> </ul> </div> <div> <b>Communications</b> <ul style="list-style-type: none"> <li>Annual board report</li> <li>Quarterly metric reports</li> <li>IV&amp;V of PSEGLI Cyber Security Default Metric</li> </ul> </div>	<ul style="list-style-type: none"> <li>IT-05 Project Performance - In-flight Projects</li> <li>IT-08 Cyber Security Organization - Structure, Staffing and Capabilities Review</li> </ul>
<b>Breach of Personal Identifiable Information</b> - Internal or 3rd party mass breach of PII could result in loss of sensitive data, a critical system, and potential fraud <i>Managed by - PSEG Long Island</i>		<ul style="list-style-type: none"> <li>All employees and contractors are trained on the importance of protecting PII, receive Red Flag training, and data is shared on an <i>as needed</i> basis</li> <li>Maintain the Employee Transaction Review Process to ensure CAS access is not misused</li> <li>Phishing exercises are facilitated to reinforce training and provide increased awareness</li> <li>Conduct 'Staying Cyber Safe for Employees' training helps users defend workplace and home data from malicious threats</li> <li>Conduct an annual third-party risk assessment of vendors that hold sensitive information</li> </ul>	<div> <b>Policy</b> <ul style="list-style-type: none"> <li>Information Technology and Cyber Security</li> </ul> </div> <div> <b>Communications</b> <ul style="list-style-type: none"> <li>Annual board report</li> <li>Quarterly metric reports</li> <li>IV&amp;V of PSEGLI Cyber Security Default Metric</li> </ul> </div>	<ul style="list-style-type: none"> <li>IT-05 Project Performance - In-flight Projects</li> </ul>

# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS – TECHNOLOGY AND REPUTATION



Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<b>Failure of Critical Business System</b> - A major failure of availability or performance of a critical operating technology or business system, results in extended disruption to operations or business processes, damage to systems and/or loss of data <i>Managed by - PSEG Long Island</i>	↔	<ul style="list-style-type: none"> <li>Established Technology Resiliency Metrics for 2022 with continuation in 2023. Activities include Business Continuity and Disaster recovery testing for business-critical processes and applications.</li> <li>Added a dedicated resiliency manager to directly oversee technology resiliency activities</li> <li>Hold and participate in various functional and tabletop exercises and conduct training on an annual basis to continuously improve processes and response to critical system failures</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Information Technology and Cyber Security</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>IT-03 – System Resiliency</li> </ul>
<b>Reputation</b> - Negative media coverage could alter customer perception, system operations, and access to affordable capital <i>Managed by - LIPA &amp; PSEG Long Island</i>	↑	<ul style="list-style-type: none"> <li>Employ clear and timely communication through all channels with customers, stakeholders, public officials and media on issues to ensure information is disseminated early and accurately</li> <li>Increase customer awareness through the facilitation of public presentations, stakeholder meetings, quarterly advisory meetings, board meetings and hearings. Informational outreach materials are provided, as needed</li> <li>LIPA has the right to review and approve PSEG LI's Emergency Response Plan which includes communications protocols</li> <li>Monitor and manage vendor communications, marketing, and external affairs including policy positions, infrastructure projects and improvements, stakeholder communication and coordination, and government correspondence</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>N/A</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>Quarterly metric reports</li> <li>Frequent communication on stakeholder relations and media provide continuous feedback</li> </ul>	<ul style="list-style-type: none"> <li>BS-19 (E&amp;C-4) Reputation Management – Positive Media Sentiment</li> <li>BS-20 (E&amp;C-5) Reputation Management – Share of Voice</li> <li>BS-21 (E&amp;C-6) Social Media Engagement and Following</li> </ul> <p>PIPs:</p> <ul style="list-style-type: none"> <li>Project - 4.09 Social Media Automation</li> </ul>

# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - PEOPLE



Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<b>Talent Management</b> - Difficulty attracting and retaining individuals with the necessary knowledge, skillsets and experience may impact our ability to timely achieve our purpose and objectives <i>Managed by: LIPA &amp; PSEG Long Island</i>		<ul style="list-style-type: none"> <li>• Offer flexible working arrangements (i.e., telecommuting and flexible work hours)</li> <li>• Utilize staff augmentation to make up for short term resource needs</li> <li>• Market and offer strong benefits package and competitive salary structure</li> <li>• Developed a policy on policies to help with knowledge retention, knowledge capture and memorializing key processes</li> <li>• Work with HR consultant to measure employee engagement and satisfaction and identify initiatives to address cultural issues</li> <li>• Maintain a succession plan to address turnover with the least possible impact to operations</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Staffing and Employment</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Annual board report</li> <li>• Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>• BS-05 Full Time Vacancy Rate</li> </ul>
<b>Call Center</b> - Difficulty attracting and retaining call center personnel paired with increased call volume can result in longer hold times, decreased ability to effectively and efficiently interact with customers, and negative public perception <i>Managed by: PSEG Long Island</i>		<ul style="list-style-type: none"> <li>• Increased call center staff using temporary agents and onboarding new full-time personnel</li> <li>• Reduce repeat calls by implementing new credit card vendor and providing short-term debt forgiveness to decrease % of customers in collections</li> <li>• Performance management enhancements have improved by dedicating additional resources to provide “real time” monitoring of “longer than normal” calls &amp; other anomalies, updating agent scorecards to align with drivers in partnership with IBEW, and creating back-up support for real time monitoring for supervisors</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>• Customer Experience</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>• Regular updates via the ‘Get Well Plan’ discussions at each Board Meeting</li> <li>• Annual board report</li> <li>• Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>• CS-02 JD Power - Residential</li> <li>• CS-03 JD Power - Business</li> <li>• CS-11 Contact Center Service Level with Live Agent Calls</li> <li>• CS-13 First Call Resolution</li> </ul>



# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS - REGULATORY

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<b>Regulatory/Legislative</b> - Modifications to regulations and/or legislation could result in potential changes to the business model, operational changes, and/or an increased cost of service <i>Managed by - LIPA &amp; PSEG Long Island</i>		<ul style="list-style-type: none"> <li>• Translate subject matter expertise into synchronized and persuasive policy positions</li> <li>• Identify high value opportunities to influence State and Federal policy to align with customer needs</li> <li>• Proactively engaging with media to increase awareness to stakeholders</li> <li>• Develop cost-effective implementation plans if/when new regulations are passed</li> </ul>	<div> <b>Policy</b> <ul style="list-style-type: none"> <li>• Clean Energy and Power Supply</li> </ul> </div> <div> <b>Communications</b> <ul style="list-style-type: none"> <li>• Annual board report</li> <li>• Quarterly metric report</li> <li>• March LMI Heat Pump Update</li> </ul> </div>	<ul style="list-style-type: none"> <li>• PS&amp;CE-1 Complete Integrated Resource Plan</li> <li>• PS&amp;CE-3 (CE-1) Energy Efficiency Plan Savings</li> <li>• PS&amp;CE-5 (CE-3) Beneficial Electrification – Building Electrification</li> <li>• PS&amp;CE-6 Electric Vehicle (EV) Make-Ready</li> <li>• PS&amp;CE-11 Implementation of Utility 2.0 Projects</li> </ul>
<b>Business Model</b> - The outsourced business model could result in suboptimal value and increased cost to customers <i>Managed by - LIPA</i>		<ul style="list-style-type: none"> <li>• Participated in the LIPA Legislative Committee's review of business model with various documents and testimony at public hearings</li> <li>• Developed fact sheets to provide the pros and cons of different business models under consideration</li> <li>• Conducted an Options Analysis in April 2021 on improving the contract</li> <li>• Renegotiated operating service agreement that was placed in effect April 2022</li> </ul>	<div> <b>Policy</b> <ul style="list-style-type: none"> <li>• LIPA's Purpose and Vision</li> </ul> </div> <div> <b>Communications</b> <ul style="list-style-type: none"> <li>• Quarterly metric reports</li> <li>• April 2021 Options Analysis</li> <li>• Business Model fact sheets</li> <li>• LIPA Legislative Committee testimony and reports</li> </ul> </div>	<ul style="list-style-type: none"> <li>• All metrics and PIPs to help support efficient and effective vendor performance management</li> </ul>

# 2023 LIPA AND PSEG LONG ISLAND TOP RISKS – REGULATORY & RATES

Risk	Trend	Risk Mitigation	Board Policy & Communications	Metrics and PIPs
<b>Business Model Uncertainty</b> - Uncertainty regarding the future business model results in enterprise-wide challenges related to attracting and retaining talent, competing priorities impact the ability to perform necessary work, and maintaining a positive working culture at LIPA and a productive working relationship with the Service Provider <i>Managed by - LIPA</i>		<ul style="list-style-type: none"> <li>CEO has consistently updated LIPA Staff on the progress of the Legislative Committee review which will recommend a course of action to the State Legislature. While this creates a significant amount of uncertainty, LIPA is helping to mitigate this by preparing for different outcomes, including legislation and rebidding the operations service agreement</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>LIPA's Purpose and Vision</li> <li>Policy on Staffing and Employment</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>Annual board report</li> <li>Quarterly metric reports</li> <li>April 2021 Options Analysis</li> <li>Business Model Fact Sheets</li> <li>LIPA Legislative Committee testimony and reports</li> </ul>	<ul style="list-style-type: none"> <li>All metrics and PIPs to help support efficient and effective vendor performance management</li> </ul>
<b>Rate Design</b> - Existing rate design may not reflect changing customer usage patterns/expectations or provide pricing signals and could result in economic inefficiencies and negative public perception <i>Managed by - LIPA &amp; PSEG Long Island</i>		<ul style="list-style-type: none"> <li>Focus on implementing rate designs that are adaptable to diverse customer end use behavior</li> <li>Maintain strong relationships with, and actively educate stakeholders</li> <li>Continue to monitor technological advancements and incorporate findings in rate design process</li> <li>Implementing a time-of-day rate program that is specifically designed to address changing customer usage patterns and providing proper pricing signals. The rollout includes a pause to assess performance and is managed on multiple KPIs, including customer feedback. This program endeavors to lower peak demand during high usage times and will help save customers money</li> </ul>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>Customer Value, Affordability, and Rate Design</li> </ul> <p><b>Communications</b></p> <ul style="list-style-type: none"> <li>Annual board report</li> <li>March Time of Day Rollout Presentation</li> <li>Quarterly TOD Board Update</li> <li>Quarterly metric reports</li> </ul>	<ul style="list-style-type: none"> <li>PS&amp;CE-08 Transition to New "Standard" Time of Day Residential and Small Business Rates on an Opt-Out Basis</li> </ul>



## ERM BOARD POLICY REVIEW

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- As part of a larger review of LIPA's board policies, the ERM Policy was reviewed and streamlined by the Board of Trustees
- As noted in the June discussion, the Program has made significant improvements since its inception in 2017 and maintains a goal of continuous improvement to promote best in class practices
- One of the most current improvements is increasing the number of formal ERM risk discussions with the Board to provide greater insights into high-priority risks
- The Policy changes were discussed in the June board meeting and notionally approved; we're seeking formal approval today
- Cyber deep dive to occur in December, additional quarterly deep dive discussions planned for 2024

A large wind turbine stands in the middle of the ocean under a blue sky with light clouds. The entire image is overlaid with a semi-transparent blue filter.

**THANK YOU!**

Questions?

## **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'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"); (ii) approving the annual report for the Policy; and (iii) approving amendments to the Policy, which Resolution is attached hereto as **Exhibit "A."**

### **Background**

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 in September 2022. 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**

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 September 2022 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":

"LIPA and its Service Provider will strategically manage their respective risks to reduce the probability of significant outages, financial loss, health and safety events, and reputational harm."

- LIPA and PSEG Long Island have maintained an ERM program designed to evaluate significant risks and corresponding mitigation activities facing the business, including risks related to significant outages, financial loss, health and safety events, and reputational harm. As discussed below, LIPA has an active Enterprise Risk Management Committee that regularly discusses the most significant risks facing LIPA's and PSEG Long Island's objectives and operations.

“LIPA will maintain an Enterprise Risk Management Committee (“ERMC”) consisting of at least three staff appointed by the CEO, two of whom must be drawn from senior management, to oversee LIPA’s Program and the activities of its Service Provider.”

- LIPA has an active ERMC that reviews the progress and findings of the ERM Program, including discussions of the most significant risks facing LIPA and its Service Provider. Since the last annual report, the ERMC has met four 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, COO, General Counsel, and other LIPA Staff at the Senior Vice President, Vice President, and Director levels.

The ERMC 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. “LIPA’s Service Provider will maintain a Risk Management Committee to oversee their ERM Program, to identify, assess, monitor, and manage their most significant risks, and report on those risks to LIPA’s ERMC.”

- PSEG Long Island maintains a Risk Management Committee that oversees its ERM program which identifies, assesses, monitors, and reports on the most significant risks to LIPA’s ERMC through the issuance of their ERM Annual Report.
- The PSEG Long Island Risk Management Committee meets approximately four times a year.

“LIPA and its Service Provider will perform an evaluation of their most significant risks and corresponding management activities and report them to the senior management of LIPA and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring 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 to LIPA and PSEG Long Island to understand root causes, mitigations in place, and actions that could be taken to further mitigate these risks. A risk analysis was performed on the time-of-day implementation plan and presented to LIPA senior management. Currently, the ERM Teams are working on a deep dive related to the locate and mark risk that will be discussed with management of both LIPA and PSEG Long Island.
- 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, some of which include: major storm, cyber security, safety, physical security, the outdated primary transmission control center, rates, call center, and staffing.

“LIPA and its Service Provider will review LIPA’s insurance and other forms of coverage against

insurable risks, including the availability and economics of such coverage, each year.”

- 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.
- Since the last Board report, 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 reporting, and enhancing enterprise-wide risk management skills. The ERM Team has developed a roadmap that focuses on making improvements in areas such as integrating risk analysis into business processes, enhancing the emerging risk process, measuring the effectiveness of mitigation actions, improving risk awareness and accountability, and over the long term, incorporating risk analysis into strategic planning. LIPA’s Internal Audit department received 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 compares it to an industry benchmark. In accordance with the Policy, the next maturity assessment will be conducted in August 2024.

### **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.”**

## **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>	ERM Policy (redline)
<b><u>Exhibit “C”</u></b>	ERM Policy (clean)

**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS 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 and that the proposed changes 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 on the Policy.

**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: **Enterprise Risk Management**

Policy Type: **Operating Policies**

Monitored by: **Finance and Audit Committee**



Board Resolution: **#1351, approved March 29, 2017**  
**#1428, amended September 27, 2018**  
**#1492, amended September 25, 2019**  
**#1572, amended December 16, 2020**  
**#xxxx, amended September xx, 2023**

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## **Board Policy on Enterprise Risk Management**

~~The It is the policy of the Board of Trustees for the~~ Long Island Power Authority's ("LIPA") vision for ~~to maintain an~~ Enterprise Risk Management ("ERM") ~~is to~~ build/maintain an industry leading pProgram (the "Program") to that identifies, assesses, and monitors, and report on LIPA's most significant risks to achieving its LIPA's mission and delivering value to its customer owners purpose and vision and the Board's objectives as stated in each policy to serve our customers and community by providing clean, reliable and affordable energy to Long Island and the Rockaways., including those risks managed by its Service Provider.

LIPA ~~and its Service Provider~~ shall maintain ~~the an ERM pProgram and cause its service provider to maintain its own program to manage its specific risks~~<sup>1</sup> with the following key provisions:

- ~~LIPA and its Service Provider will~~ Strategically manage ~~or oversee their respective risks to reduce the probability of significant outages, financial loss, health and safety events, and reputational harm, and fail~~ ingure to achieve the Board Policy objectives.
- ~~LIPA will maintain an~~ Led by ~~Create an~~ Enterprise Risk Management Committee ("ERMC"), which Committee members will be appointed ~~ats the discretion of LIPA's Chief Executive Officer, consisting of at least three staff appointed by the CEO, two of whom must be drawn from senior management, to oversee LIPA's Program and the activities of its Service Provider;~~
- LIPA's service provider will maintain a Risk Management Committee to oversee those risks and report to LIPA's ERMC.<sup>2</sup>~~LIPA's Service Provider will maintain a Risk Management Committee to oversee their ERM Program, to identify, assess, monitor, and manage their most significant risks, and report on those risks to LIPA's ERMC;~~
- ~~LIPA and its Service Provider will p~~Perform an evaluation of ~~their its~~ most significant risks and corresponding management activities ~~and report them to the senior management of LIPA and its Service Provider for review and evaluation on an annual basis, with ongoing monitoring between reviews;~~

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<sup>1</sup> Section 4.2(5)(q)(i) of the Seconded Amended and Restated Operations Services Agreement ("2<sup>nd</sup> Amended and Restated OSA") requires that the Service Provider be responsible for "maintaining a comprehensive Enterprise Risk Management ("ERM") Program ("ERM Program") to identify, assess, monitor, and report on the Service Provider's most significant risks to the organization in accordance with the prevailing LIPA Board policy on Enterprise Risk Management."

<sup>2</sup> Section 4.2(5)(q)(vi) of the 2<sup>nd</sup> Amended and Restated OSA requires that the Service Provider be responsible for "establishing and maintaining a Risk Management Committee to oversee the Service Provider's ERM Program, including but not limited to, the risk assessment process, deep dives, risk escalation, and reporting on the most significant risks to LIPA's management team."



- ~~LIPA and its Service Provider will review LIPA's insurance and other forms of coverage against insurable risks, including the availability and economics of such coverage, each year; and~~
- ~~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.~~

LIPA's Chief Executive Officer or his or her designee will report annually to the Finance & Audit Committee of the Board on: (i) compliance with the Policy, including:

Athe key provisions of the Policy, including the results of a biennial review of the maturity of the program compared to industry best practices; and (ii) the review of the significant risks to LIPA's ~~mission purpose and vision; and~~  
eCompliance with the key provisions of the Policy.

Board Policy: **Enterprise Risk Management**  
 Policy Type: **Operating**  
 Monitored by: **Finance and Audit Committee**



Board Resolution: **#1351, approved March 29, 2017**  
**#1428, amended September 27, 2018**  
**#1492, amended September 25, 2019**  
**#1572, amended December 16, 2020**  
**#xxxx, amended September xx, 2023**

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### **Board Policy on Enterprise Risk Management**

The Long Island Power Authority's ("LIPA") vision for Enterprise Risk Management ("ERM") is to maintain an industry leading program that identifies, assesses, and monitors significant risks to achieving LIPA's purpose and vision and the Board's objectives as stated in each policy.

LIPA shall maintain an ERM program<sup>1</sup> with the following key provisions:

- Strategically manage or oversee risks to reduce the probability of significant outages, financial loss, health and safety events, reputational harm, and failure to achieve the Board Policy objectives.
- Create an Enterprise Risk Management Committee ("ERMC"), which Committee members will be appointed at the discretion of LIPA's Chief Executive Officer. LIPA's service provider will maintain a Risk Management Committee to oversee those risks and report to LIPA's ERMC.<sup>2</sup>
- Perform an evaluation of its most significant risks and corresponding management activities.

LIPA's Chief Executive Officer or his or her designee will report annually to the Finance and Audit Committee of the Board on: (i) compliance with the key provisions of the Policy, including the results of a biennial review of the maturity of the program compared to industry best practices; and (ii) review of the significant risks to LIPA's purpose and vision.

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<sup>1</sup> Section 4.2(5)(q)(i) of the Seconded Amended and Restated Operations Services Agreement ("2<sup>nd</sup> Amended and Restated OSA") requires that the Service Provider be responsible for "maintaining a comprehensive Enterprise Risk Management ("ERM") Program ("ERM Program") to identify, assess, monitor, and report on the Service Provider's most significant risks to the organization in accordance with the prevailing LIPA Board policy on Enterprise Risk Management."

<sup>2</sup> Section 4.2(5)(q)(vi) of the 2<sup>nd</sup> Amended and Restated OSA requires that the Service Provider be responsible for "establishing and maintaining a Risk Management Committee to oversee the Service Provider's ERM Program, including but not limited to, the risk assessment process, deep dives, risk escalation, and reporting on the most significant risks to LIPA's management team."



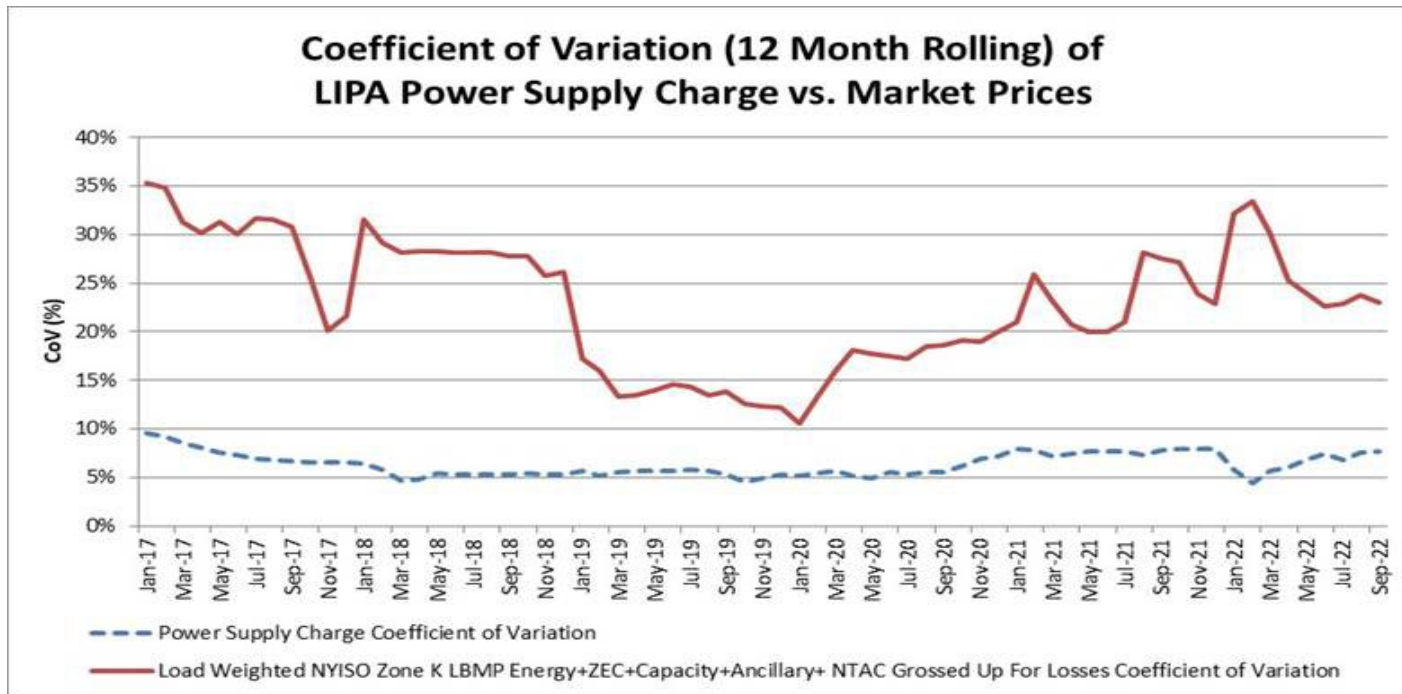
# **POWER SUPPLY HEDGING PROGRAM POLICY ANNUAL COMPLIANCE REPORT**

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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





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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**

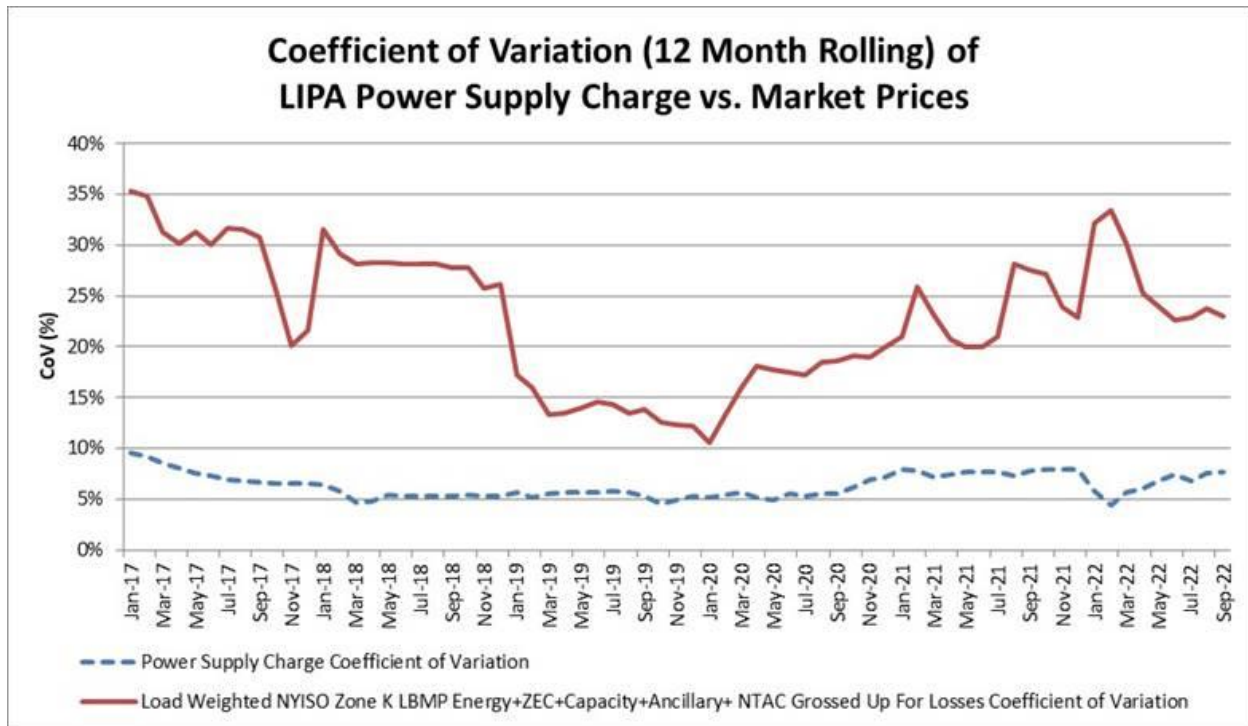
LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual review.

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

September 27, 2023

# BOARD POLICY ON TAXES AND PILOTS

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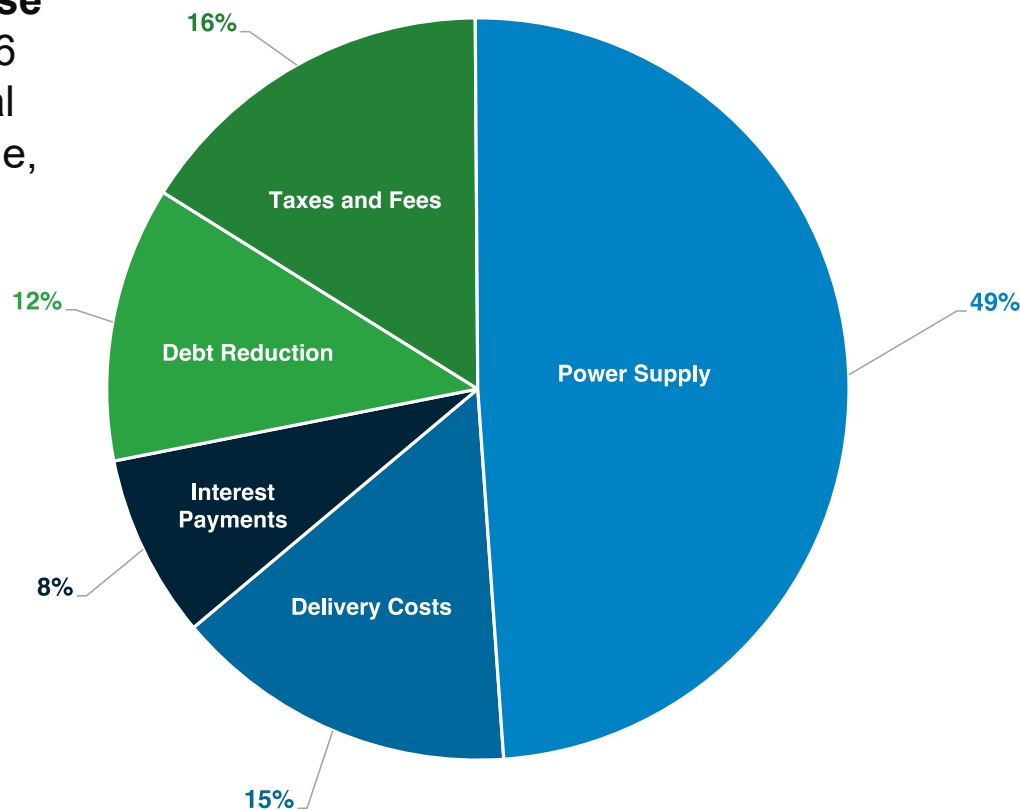
- Pay only such taxes, payments in-lieu-of taxes (PILOTs), assessments, and fees as are required by law or by agreement to reduce excessive cost for customers;
- LIPA to avail itself of the lawful right to challenge excessive tax assessments and payment obligations to minimize the cross-subsidization 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 \$715 million in 2022, or approximately 16 percent of customer bills – 2.5x the national average and 2x the New York State average, including:

- **\$168 million** for four power plants
- **\$41 million** for all other power plants
- **\$300 million** for transmission and distribution PILOT payments
- **\$146 million** for sales taxes
- **\$44 million** for revenue-based taxes
- **\$16 million** for State assessments



**Taxes are 16% of Customer Bills –  
2.5x 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 operate at low annual capacity factors.
- The Glenwood Landing steam turbines were retired in 2012. The other three plants are expected to retire within the next five to ten years 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.

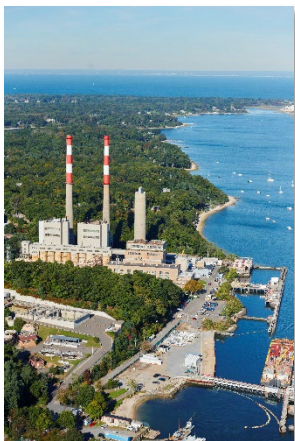
 Northport Generating Station



# 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**

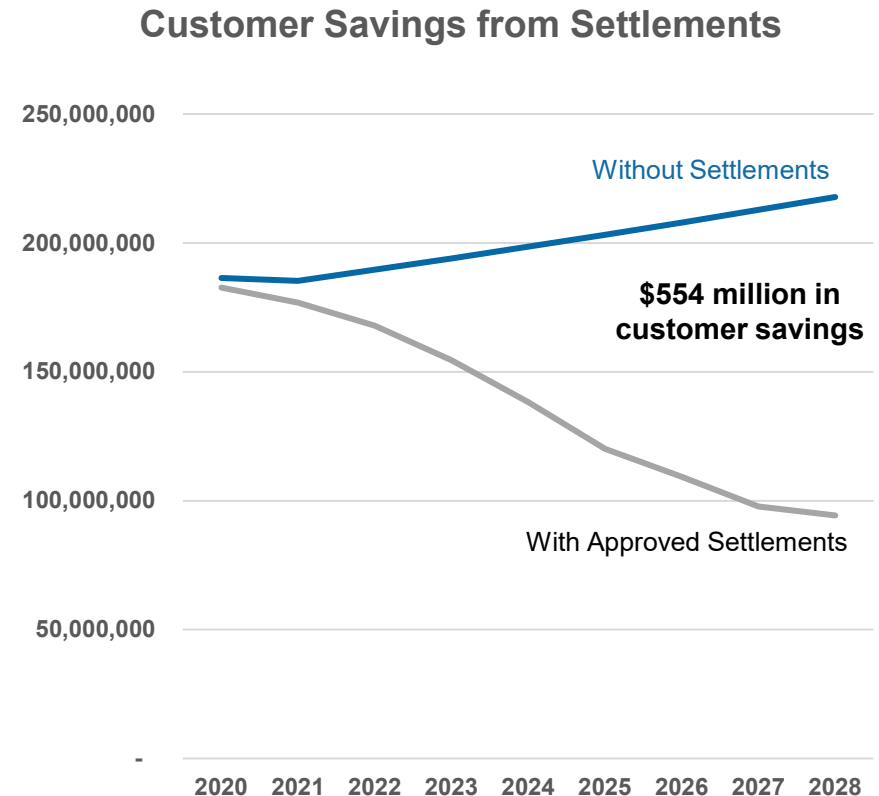


April 2022

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

# REACHING A FAIR COMPROMISE: SETTLEMENTS

- ✓ Three settlements have been approved for the Northport and Port Jefferson power plants.
- ✓ The Nassau County settlement approved by the county legislature and the court for the E.F. Barrett and Glenwood Landing power plants went into effect in 2022.
- ✓ 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.



# ADDITIONAL ACTIVITIES

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In 2023, LIPA will:

- Continue to defend against certain Suffolk County municipalities' refusal to comply with the 2% cap on LIPA's PILOT payments, while it awaits oral argument on LIPA's appeal of the court 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 file challenges as appropriate to seek fair tax bills.

## **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 Taxes and PILOTs

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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 Taxes and PILOTs<sup>1</sup> (the “Policy”); (ii) approving the annual report for the Policy; and (iii) approving amendments to the Policy, which resolution is attached hereto as **Exhibit “A”**.

### **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 2022.

### **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, since 2010, LIPA has availed itself of the lawful right to challenge excessive payment obligations on four legacy power plants.
- 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 continue to fulfill the terms of the settlements, LIPA will waive a refund for back tax years estimated at over \$225 million, plus interest. LIPA subsequently revised its agreements with the Village of Port Jefferson and the Town of Brookhaven, consistent with the agreement reached for the Northport Power Station, discussed below.

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

- 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 continue to 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 in a related case that LIPA is entitled to challenge the plant's 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 in April 2022, and it was approved by the court in May 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 will make a total of \$9 million and \$3.25 million in payments to the Island Park and North Shore Central 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 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 LIPA's failure to timely challenge the 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 alleged 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 (with the potential addition of up to \$30 million per year in the event of an adverse result on appeal). In October 2021, a judgment was entered for the 2014/15 through 2020/21 tax years. LIPA has appealed that judgment. The appeal has been fully briefed, and we are awaiting the scheduling of oral argument. Enforcement of the judgment is stayed pending the appeal.

In July 2023, Suffolk County filed an additional lawsuit against LIPA and certain Suffolk County towns seeking to have LIPA pay to the County alleged shortfalls in property tax payments for the 2021/22 tax year. This action is a continuation of the issues in the above-described litigation for the 2021/22 tax year with regard to five of the 10 Suffolk towns.

In addition, in 2022, 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. In July 2023, LIPA filed motions for summary judgment against the five Suffolk towns that have not acted on LIPA's petitions. Those motions are

pending before the court.

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.”

- 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 in 2022 it achieved a settlement with Nassau County with regard to four over-assessed substations. In 2023, LIPA filed assessment challenges on additional substations that it has determined to be over-assessed. LIPA will continue to monitor and challenge, where appropriate, assessed valuations of substations.

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 updates to LIPA’s Community Advisory Board on tax reduction efforts across the service territory.

### **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”.

### **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 Taxes and PILOTs (redline)
<b><u>Exhibit “C”</u></b>	Board Policy on Taxes and PILOTs (clean)

**RESOLUTION APPROVING THE REPORT AND AMENDMENTS 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 2022; and

**WHEREAS**, the Finance and Audit Committee (the “Committee”) has conducted an annual review of the Policy and recommends that the Board find that the Policy has been complied with and that the proposed changes 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 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: **Taxes and PILOTs**  
Policy Type: **Operating Policies**  
Monitored by: **Finance and Audit Committee**  
Board Resolution: **#1320, approved September 21, 2016**  
**#1464, amended January 23, 2019**  
**#xxxx, amended September xx, 2023**



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### **Board Policy on Taxes and PILOTs**

It is the policy of the The Long Island Power Authority's ("LIPA") vision for payment of its taxes and payments in-lieu-of taxes ("PILOT") obligation is to:

Pay pay only such taxes, payments in-lieu-of taxes ("PILOTs"), assessments, and fees as are required by law or by agreement in an effort to provide service at an affordable level while still taking into account the needs of LIPA's municipal partners. -In doing so, LIPA will:

- Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to lower customer costs -and to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by the Authority's LIPA's customer-owners in other jurisdictions.
- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.

The Chief Executive Officer (or his designee) is hereby authorized to enter into any agreements that advance the Board's Policy on Taxes and PILOTs, including but not limited to agreements to make payments to municipalities and taxing jurisdictions to offset reductions in tax revenues due to settlements of any LIPA tax or PILOT challenges.<sup>1</sup>

The Chief Executive Officer will promptly report any settlement or related agreements to the Board and will report annually to the Finance and Audit Committee on compliance with the provisions of the Policy.

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<sup>1</sup> The Authority LIPA's Bylaws authorize the Chief Executive Officer (or his designee) to sign contracts, agreements and other documents on the Authority's behalf. This includes the authority to enter into agreements with municipalities and taxing jurisdictions to obtain reductions in the Authority's taxes, PILOTs, assessments, and fees, either paid directly or through contracts with the owners of power plants.

Board Policy: **Taxes and PILOTs**  
Policy Type: **Operating**  
Monitored by: **Finance and Audit Committee**  
Board Resolution: **#1320, approved September 21, 2016**  
**#1464, amended January 23, 2019**  
**#xxxx, amended September xx, 2023**

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### **Board Policy on Taxes and PILOTs**

The Long Island Power Authority's ("LIPA") vision for payment of its taxes and payments in-lieu-of taxes ("PILOT") obligation is to pay only such taxes, PILOTs, assessments, and fees as are required by law or by agreement in an effort to provide service at an affordable level while still taking into account the needs of LIPA's municipal partners. In doing so, LIPA will:

- Avail itself of the lawful right to challenge excessive tax assessments and payment obligations to lower customer costs and to minimize the cross-subsidization of taxpayers in some taxing jurisdictions by LIPA's customer-owners in other jurisdictions.
- Inform customers of the burden of taxes, PILOTs, assessments, and fees in their electric bills.

The Chief Executive Officer (or his designee) is hereby authorized to enter into any agreements that advance the Board's Policy on Taxes and PILOTs, including but not limited to agreements to make payments to municipalities and taxing jurisdictions to offset reductions in tax revenues due to settlements of any LIPA tax or PILOT challenges.<sup>1</sup>

The Chief Executive Officer will promptly report any settlement or related agreements to the Board and will report annually to the Finance and Audit Committee on compliance with the provisions of the Policy.

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<sup>1</sup> LIPA's Bylaws authorize the Chief Executive Officer (or his designee) to sign contracts, agreements and other documents on the Authority's behalf. This includes the authority to enter into agreements with municipalities and taxing jurisdictions to obtain reductions in the Authority's taxes, PILOTs, assessments, and fees, either paid directly or through contracts with the owners of power plants.

## **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

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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 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

## **FOR CONSIDERATION**

March 27, 2024

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Approval of: (i) the Annual Investment Report for 2023; and (ii) the 2024 Investment Guidelines (the “Board Policy on Investments”)

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### **Requested Action**

The Board of Trustees (the “Board”) is requested to adopt a resolution approving: (i) LIPA’s Annual Investment Report for 2023 in the form attached hereto as **Exhibit “B”**; and (ii) the 2024 Board Policy on Investments in the form attached hereto as **Exhibit “C”**.

### **Annual Investment Report for 2023**

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 2023 and performed consistent with LIPA Staff’s expectations given the nature of the investments.

### **2024 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 details 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, 2023. LIPA Staff has reviewed the Board Policy on Investments, which is attached hereto as **Exhibit “C”**, and recommends no modifications for 2024.

### **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>	2023 Annual Investment Report
<b><u>Exhibit “C”</u></b>	2024 Board Policy on Investments

**RESOLUTION APPROVING THE ANNUAL INVESTMENT REPORT FOR 2023\_AND  
THE 2024 BOARD POLICY ON INVESTMENTS**

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**RESOLVED**, that the Board of Trustees hereby approves the Annual Investment Report for the period ended December 31, 2023, in the form presented at this meeting; and

**BE IT FURTHER RESOLVED**, that the Board of Trustees hereby approves and adopts the Board Policy on Investments in the form presented at this meeting to be effective immediately.

Dated: March 27, 2024



ANNUAL INVESTMENT REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2023



## **Table of Contents**

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, 2023**

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, 2023.

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, 2023 included the following modification to the Investment Policy which was approved on March 30, 2022:

- An update to the investment allocations within the Nuclear Decommission Trust Fund ("NDTF") so as to increase the allocation to International Equity Mutual Funds from 20% to 25% and to decrease the allocation to Fixed Income Mutual Funds from 25% to 20%. This change reflects the multi-decade life of the NDTF and the expectation that equity securities will have higher expected returns than fixed-income securities over this period. Overall, the NDTF would be invested 35% in domestic equities, 25% in international equities, 20% in domestic fixed income, and 20% in domestic inflation-protected fixed-income securities.

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, 2023, totaling approximately \$74.3 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 and are paid quarterly. For the year ended December 31, 2023, LIPA paid approximately \$225,000 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, 2023, LIPA paid approximately \$61,000 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, 2023.

# The Long Island Power Authority

## Investment Report

# SECTION II

## Investment Policy

Adopted March 29, 2023

Board Policy: INVESTMENT POLICY  
Policy Type: Operating  
Monitored by: Finance and Audit Committee  
Board Resolution: Approved March 29, 2023



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## TABLE OF CONTENTS

<b>1. OVERVIEW OF INVESTMENT POLICY .....</b>	<b>3</b>
1.1. Purpose and Scope .....	3
1.2. Definitions .....	3
1.3. Management of Investment Program .....	4
<b>2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT .....</b>	<b>4</b>
2.1. Investment Objectives .....	4
2.2. Permitted Investments .....	4
2.3. Diversification, Ratings and Maturity of Investments Reference Table .....	8
2.4. Prohibited Investment Vehicles .....	9
2.5. Downgrades .....	9
2.6. Process for Obtaining Approval for Exceptions .....	9
2.7. Nuclear Decommissioning Trust Funds & Other Post-Employment Benefits Account .....	10
<b>3. OPERATING PARAMETERS AND CONTROLS .....</b>	<b>10</b>
3.1. Authorized Officers and Employees .....	10
3.2. Competitive Selection .....	10
3.3. Annual Investment Audit .....	10
3.4. Written Contracts and Confirmations .....	11
3.5. Safekeeping and Custody .....	11
3.6. Internal Controls .....	12
3.7. Notification Concerning Violations of Investment Policy .....	12
<b>4. QUALIFIED FINANCIAL INSTITUTIONS .....</b>	<b>12</b>
4.1. Qualifications for Brokers, Dealers and Agents .....	12
4.2. Qualifications for Investment Advisors/Managers .....	13
4.3. Qualifications for Custodial Banks .....	13
4.4. Ongoing Disclosure .....	13
4.5. Affirmative Action .....	13
<b>5. REPORTING .....</b>	<b>14</b>
5.1. Management Reporting .....	14
5.2. Performance Reporting .....	14

6. APPLICABILITY .....	15
7. BANK AUTHORIZATION .....	15
APPENDIX A - OPERATING PROCEDURES & CONTROLS {MANUAL} .....	16
APPENDIX B - NDTF INVESTMENT PROVISIONS .....	19
APPENDIX C - OTHER POST-EMPLOYMENT BENEFIT ACCOUNT INVESTMENT PROVISIONS.....	20

## **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.

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 Rule2a-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 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, Manager of Treasury 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 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 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. 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 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 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 27, 2024 and shall not apply to any investments initiated by the Authority on or prior to March 27, 2024. 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 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	25%
Fixed Income Mutual Funds	20%
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:

Asset Class	Asset Weighting
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

**Report on 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**

Board of Trustees  
Long Island Power Authority:

We have examined Long Island Power Authority's (LIPA) compliance with 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, 2023. 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 the standards applicable to attestation engagements contained in the *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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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 direct and material to LIPA's 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* that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on LIPA's compliance with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulation and Regulations of the State of New York* and not for the purpose of expressing an opinion on the internal control over compliance with those requirements, compliance with the provisions of other laws, regulations, contracts or grant agreements or the other matters referred to above; accordingly, we express no such opinion. The results of our tests disclosed no matters that are 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, 2023.

This report is intended solely for the information and use 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 27, 2024

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# The Long Island Power Authority

## Investment Report

### SECTION IV

#### Income Summary

Long Island Power Authority  
Investment Income  
For the Year ended December 31, 2023

Operating Fund	\$ 7,567,588
Rate Stabilization Fund	7,985,357
Construction Fund I	11,635,563
Construction Fund II	300,866
System Resiliency	344,179
OPEB Account	18,435,898
Nuclear Decommissioning Trust Fund	5,113,695
Utility Debt Securitization Authority	10,744,933
Bank Account Interest	11,581,508
Miscellaneous	582,392
	<hr/>
	\$ 74,291,979
	<hr/>

# 2024 Investment Policy

Board Policy: INVESTMENT POLICY

Policy Type: Operating

Monitored by: Finance and Audit Committee

Board Resolution: #1830, Approved March 27, 2024



## TABLE OF CONTENTS

<b>1. OVERVIEW OF INVESTMENT POLICY .....</b>	<b>3</b>
1.1. Purpose and Scope .....	3
1.2. Definitions .....	3
1.3. Management of Investment Program .....	4
<b>2. INVESTMENT MANAGEMENT OBJECTIVES AND PERMITTED INVESTMENT .....</b>	<b>4</b>
2.1. Investment Objectives .....	4
2.2. Permitted Investments .....	4
2.3. Diversification, Ratings and Maturity of Investments Reference Table .....	8
2.4. Prohibited Investment Vehicles .....	9
2.5. Downgrades .....	9
2.6. Process for Obtaining Approval for Exceptions .....	9
2.7. Nuclear Decommissioning Trust Funds & Other Post-Employment Benefits Account .....	10
<b>3. OPERATING PARAMETERS AND CONTROLS .....</b>	<b>10</b>
3.1. Authorized Officers and Employees .....	10
3.2. Competitive Selection .....	10
3.3. Annual Investment Audit .....	10
3.4. Written Contracts and Confirmations .....	11
3.5. Safekeeping and Custody .....	11
3.6. Internal Controls .....	12
3.7. Notification Concerning Violations of Investment Policy .....	12
<b>4. QUALIFIED FINANCIAL INSTITUTIONS .....</b>	<b>12</b>
4.1. Qualifications for Brokers, Dealers and Agents .....	12
4.2. Qualifications for Investment Advisors/Managers .....	13
4.3. Qualifications for Custodial Banks .....	13
4.4. Ongoing Disclosure .....	13
4.5. Affirmative Action .....	13
<b>5. REPORTING .....</b>	<b>14</b>
5.1. Management Reporting .....	14
5.2. Performance Reporting .....	14

6. APPLICABILITY .....	15
7. BANK AUTHORIZATION .....	15
APPENDIX A - OPERATING PROCEDURES & CONTROLS {MANUAL} .....	16
APPENDIX B - NDTF INVESTMENT PROVISIONS .....	19
APPENDIX C - OTHER POST-EMPLOYMENT BENEFIT ACCOUNT INVESTMENT PROVISIONS.....	20

## **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.

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 Rule2a-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 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, Manager of Treasury 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 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 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. 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 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 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 27, 2024 and shall not apply to any investments initiated by the Authority on or prior to March 27, 2024. 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 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	25%
Fixed Income Mutual Funds	20%
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:

Asset Class	Asset Weighting
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.



## **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

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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 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**

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

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

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**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**

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**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**

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**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.



## **Annual Board and Committee Agenda Planning for 2024**

Proposed for Board Consideration

December 13, 2023

# SUMMARY OF PROPOSED 2024 LIPA MEETINGS

Board/Committee	Number of Meetings	Total Time
Board	7	17 hours
F&A	7	7.25 hours
Oversight & Clean Energy	5	5.25 hours
Governance, Planning and Personnel	4	2 hours
<b>Total Number of Meetings</b>	<b>23</b>	<b>Total Time Spent* 32 hours</b>

**\*The proposed Board agendas for 2024 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 and workshops, which are in addition to the Board's meeting schedule, and may include certain site visits; meetings with LIPA Staff; or work with the Board's governance consultant.



# PROPOSED JANUARY 25, 2024 MEETINGS

## Board

- Roll call, consent agenda, CEO Report (“Routine Board Matters”) (30 mins.)
- Review Three Board Policies (60 mins.)
- Public Comment (10 mins.)

**[100 mins.]**

## Governance, Planning & Personnel

- Discussion of 2023 Projects and Accomplishments and 2024 Work Plan (30 mins.)
- Annual Governance Package (see Appendix) (10 mins.)

**[40 mins.]**

## F&A

- Routine F&A Matters (30 mins.)
- Committee’s Annual Self Report (10 mins.)
- Review of Committee’s Charter (10 mins.)

**[50 mins.]**

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

**3.5 hours**

# PROPOSED MARCH 27, 2024 MEETINGS

## Board

- Routine Board Matters (30 mins.)
- Review and Approval of 2023 Financials (10 mins.)
- Approval of Tariff Changes (20 mins.)
- Review Three Board Policies (60 mins.)
- Public Comment (20 mins.)

**[140 mins.]**

## F&A

- Routine F&A Matters (20 mins.)
- Discussion of ER&T 2023 Metrics Performance and Presentation on Power and Fuel Supply Management and Hedging (20 mins.)
- 2023 Audit Results from Independent Auditors (20 mins.)
- EXECUTIVE SESSION with Independent Auditors (15 mins.)
- Recommendation to Approve 2023 Financials (15 mins.)
- Annual Financial Package (see Appendix) (10 mins.)
- Review Quarterly Internal Audit Plan
- EXECUTIVE SESSION: Internal Audit (10 mins.)

**[110 mins.]**

## Gov., Planning & Personnel

- EXECUTIVE SESSION: CEO Performance (20 mins.)
- Review Committee Charter (10 mins.)

**[30 mins.]**

# PROPOSED MARCH 27, 2024 MEETINGS, CONT.

## Oversight & Clean Energy

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

**[70 mins.]**

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

**5.8 hours**

# PROPOSED MAY 22, 2024 MEETINGS

## Board

- Routine Board Matters (30 mins.)
- Review Three Board Policies (60 mins.)
- Quarterly Report on 2024 Performance Metrics (30 mins.)
- Public Comment (20 mins.)
- EXECUTIVE SESSION: Board's Self Evaluation (30 mins.)

**[170 mins.]**

## F&A

- Routine F&A Matters (20 mins.)
- EXECUTIVE SESSION: Internal Audit (10 mins.)
- Review Quarterly Financials Ended March 30 (10 mins.)

**[50 mins.]**

## Oversight & Clean Energy

- Summer Preparation for Power Supply & T&D (20 mins.)
- Review Committee Charter (10 mins.)
- Quarterly Report on Metrics, Board Recommendations, and Work Plan
- PSEG Long Island Operating Report (20 mins.)

**[50 mins.]**

# PROPOSED MAY 22, 2024 MEETINGS, CONT.

## Governance, Planning & Personnel

- Committee's Annual Self Report to the Board (includes results of Board's self-evaluation for 2022) (20 mins.)

**[20 mins.]**

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

**4.8 hours**

# PROPOSED JUNE 26, 2024 MEETINGS

## Board

- Routine Board Matters (30 mins.)
- Discussion of 2023 Performance Metric Results (20 mins.)
- Review Three Board Policies (60 mins.)
- Public Comment (20 mins.)

**[130 mins.]**

## Oversight & Clean Energy

- Update on T&D Capital Budget (20 mins.)
- Review Annual Update to Emergency Restoration Plan (20 mins.)
- Update on 2024 Utility 2.0 & Energy Efficiency Filing; Presentation of Annual Energy Efficiency Report (40 mins.)
- PSEG Long Island Operating Report (20 mins.)

**[100 mins.]**

## F&A

- Routine F&A Matters (15 mins.)
- Review Quarterly Internal Audit Plan (15 mins.)
- EXECUTIVE SESSION: Internal Audit (10 mins.)

**[40 mins.]**

# PROPOSED JUNE 26, 2024 MEETINGS, CONT.

## Governance, Planning & Personnel

- EXECUTIVE SESSION: Succession Planning (20 mins.)

**[20 mins.]**

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

**4.8 hours**

# PROPOSED SEPTEMBER 25, 2024 MEETINGS

## Board

- Routine Board Matters (30 mins.)
- Quarterly Report on 2023 Performance Metrics (20 mins.)
- Review Three Board Policies (60 mins.)
- Public Comment (20 mins.)

**[130 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.)
- Review Quarterly Internal Audit Plan (10 mins.)
- EXECUTIVE SESSION: Internal Audit (10 mins.)

**[70 mins.]**

## Oversight & Clean Energy

- PSEG Long Island Operating Report (20 mins.)
- Quarterly Report on Metrics, Board Recommendations, and Work Plan (20 mins.)

**[40 mins.]**

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

**4 hours**



# PROPOSED NOVEMBER 13, 2024 MEETING

## Board

- Proposed 2025 Budget and Performance Metrics Presentation (60 mins.)
- Q&A (30 mins.)
- Quarterly Report on 2024 Performance Metrics (20 mins.)
- Approval of Three Board Policies (60 mins.)
- EXECUTIVE SESSION – Succession Planning (20 mins.)

**[190 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.)

**[50 mins.]**

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

**4 hours**

# PROPOSED DECEMBER 18, 2024 MEETING

<b>Board</b>	<ul style="list-style-type: none"><li>• Routine Board Matters (30 mins.)</li><li>• Approval of Tariff Changes (15 mins.)</li><li>• Approval of 2025 Budget and Performance Metrics (20 minutes)</li><li>• Annual Agenda Planning (15 mins.)</li><li>• Review Three Board Policies (60 mins.)</li><li>• Quarterly Report on Metrics, Board Recommendations, and Work Plan (20 mins.)</li><li>• Public Comment (20 mins.)</li></ul>	<b>[180 mins.]</b>
<b>F&amp;A</b>	<ul style="list-style-type: none"><li>• Routine F&amp;A Matters (20 mins.)</li><li>• Approval of 2025 Plan of Finance (10 mins.)</li><li>• Discussion of Internal Audit Activities, Approval of 2025 Internal Audit Plan, 2025 Internal Audit Budget, and Resource Requirements (10 mins.)</li><li>• EXECUTIVE SESSION: Internal Audit (10 mins.)</li><li>• Approval of Tariff Changes (15 mins.)</li></ul>	<b>[65 mins.]</b>
<b>Oversight &amp; Clean Energy</b>	<ul style="list-style-type: none"><li>• Briefing on Implementation of Management Audit Recommendations (20 mins.)</li><li>• PSEG Long Island Operating Report (20 mins.)</li><li>• EXECUTIVE SESSION: Cybersecurity (25 mins.)</li></ul>	<b>[55 mins.]</b>
<b>Total proposed time for December meetings (approximate):</b>		<b>5.3 hours</b>

# 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

# ANNUAL FINANCIAL PACKAGE

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

## **FOR CONSIDERATION**

June 28, 2023

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of Approval of the Annual Report and Amendments to the Board Policy on Audit Relationships

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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 Audit Relationships (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”**.

### **Board Policy on Audit Relationships**

The Finance and Audit Committee (“F&A Committee”), in its Charter, was delegated the responsibility for reviewing LIPA’s audit-related policies and practices.

The Policy defines the expectations of the Board regarding the existing authority granted to the F&A Committee for, among other matters (i) selecting an independent certified public accounting firm to conduct annual audits of LIPA; (ii) the annual review of the audit plan as well as the Charter, activities, staffing, budget, and organizational structure of Internal Audit, and confirming the independence of the internal auditors; (iii) monitoring, in consultation with the Chief Audit Executive (“CAE”), the significant findings of internal audit reports and the status of the implementation of management’s action plans in response to such audit findings; (iv) setting forth the procedures for the Board of Trustees’ receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service (“DPS”).

Since the last review of the Policy, the following activities have been performed consistent with the Policy:

#### *Independent External Auditor*

- The Board previously selected KPMG as the independent certified public accounting firm to conduct annual audits of LIPA. In March 2023, the F&A Committee met with KPMG to complete its annual 2022 annual audit. KPMG reported no significant findings as a result of its audit.

### *Internal Auditors*

- In November 2022, the F&A Committee approved the appointment of the current CAE.
- Internal Audit conducted audits as identified in the annual audit plan and special projects requested by the F&A Committee or management. Internal audit activities were performed in accordance with the Institute of Internal Auditors' Mandatory Guidance.
- In February 2023, the F&A Committee reviewed and approved the audit plan, charter, activities, staffing, budget, and organizational structure of the internal audit department, and confirmed the independence of the internal auditors.
- The CAE met with the F&A Committee at each Board meeting to discuss internal audit activities and progress toward remediation of Management Action Plans in response to internal audit findings.
- The CAE met with the F&A Committee at least twice per year in executive sessions independent of other LIPA staff and reported significant internal audit findings to the Board in a timely manner.

### *DPS Management and Operations Audits*

- In November 2022, LIPA staff briefed the Board on the implementation plan resulting from the 2018 DPS Management and Operations Audit. The materials related to that Board item are located at this [link](#). LIPA staff will provide the annual update on the status of the 2018 recommendations at the Board's November 2023 meeting.
- As required by the LIPA Reform Act, DPS selected NorthStar Consultant Group to conduct the current Management and Operations Audit. Upon recommendation from DPS, the Board authorized LIPA to enter into a contract with NorthStar to conduct the required operations and management audit. NorthStar kicked off the current audit in October 2022. To date, NorthStar has issued over 1,000 document requests and over 110 interview requests. LIPA Staff continues to work with PSEG Long Island, NorthStar, and DPS in furtherance of the audit.

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

The proposed changes to the Board Policy include conforming the policy to the Board's other policies by stating a vision for audit relationships, a change in the reporting relationship of the CAE, and minor stylistic changes. The CAE will now report administratively to LIPA's Chief Executive Officer. The proposed changes to the Policy are more specifically set forth in **Exhibit "B"**.

### **Recommendation**

Based upon the foregoing, I recommend the approval of the adoption of the resolution in the form attached hereto as **Exhibit "A"**.

## **Attachments**

**Exhibit “A”** Resolution

**Exhibit “B”** Board Policy on Audit Relationships (redline)

**Exhibit “C”** Board Policy on Audit Relationships (clean)



**RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS TO THE  
LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS**

**WHEREAS**, the Board of Trustees (the “Board”) of Long Island Power Authority (“LIPA”) is responsible for setting LIPA’s audit relationship policy and overseeing its fulfillment; and

**WHEREAS**, the Finance & Audit Committee (the “F&A Committee”), in its Charter, was delegated the responsibility of reviewing LIPA’s policies regarding audit relationships; and

**WHEREAS**, in LIPA’s By-Laws, LIPA’s Board delegated certain responsibilities to the Chief Executive Officer for managing and directing LIPA Staff; and

**WHEREAS**, policies addressing audit relationships have been recommended by the F&A Committee for adoption by the Board.

**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: June 28, 2023



**Board Policy:** [Audit Relationships](#)

**Policy Type:** **Governance Process**

**Monitored by:** **Finance and Audit Committee**

**Board Resolution:** #1355, approved March 29, 2017  
#1410, amended March 29, 2018  
#1420, amended July 25, 2018  
#1462, amended January 23, 2019  
#1528, amended, May 20, 2020  
#1632, amended, May 19, 2021  
#1725, amended, May 18, 2022  
[\[#xxxx\], amended, June 28, 2023](#)

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#### **Board Policy on Audit Relationships**

LIPA's vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the "Board"), management, and stakeholders designed to improve LIPA's operations, risk management, controls, and governance processes, including those managed on LIPA's behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:- The Board of Trustees (Board) shall do the following regarding the independent external auditor, the internal auditors of LIPA, and the management and operations audits conducted by the Department of Public Service.

#### **Independent External Auditor**

- The Board, on the recommendation of the Finance and Audit Committee (the "F&A Committee"), will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will make the choice of the external auditor based on advice from staff and others as it deems necessary to exercise prudent, independent judgement~~judgment~~.
- The ~~Finance and Audit~~F&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The ~~Finance and Audit~~F&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

#### **Internal Auditors**

LIPA's internal auditors provide independent, objective assurance and consulting services to the Board and management designed to improve the organization's operations, risk

~~management, control, and governance processes.~~

- ~~The internal audit activity~~LIPA's internal auditors will adhere to ~~t~~The Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.
- ~~The I~~internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the ~~Finance and Audit~~F&A Committee, or management.
- The annual audit plan will include audits of LIPA and its service providers, and the internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service providers in the performance of their duties.
- The ~~Finance and Audit~~F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit ~~d~~Department and will confirm the independence of the internal auditors. The ~~individual serving as c~~Chief ~~a~~Audit ~~e~~Executive shall administratively report to the ~~Chief Administrative Officer~~Senior Vice President of ~~Transmission and Distribution~~Chief Executive Officer.
- The ~~Finance & Audit Committee~~F&A will review and approve the appointment or removal of the ~~individual serving as c~~chief ~~a~~audit ~~e~~executive. The CEO may appoint an individual to serve as chief audit executive on an interim basis.
- The ~~Finance and Audit~~F&A Committee will monitor, in consultation with the ~~individual serving as c~~Chief ~~a~~Audit ~~e~~Executive, the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings.
- The ~~Finance and Audit~~F&A Committee will meet at least twice per year with the ~~individual serving as c~~Chief ~~a~~Audit ~~e~~Executive independent of other LIPA staff and will report any significant ~~internal~~ audit findings to the Board in a timely manner.

### Department of Public Service Management and Operations Audits

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct comprehensive management and operations audits of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the ~~Department of Public Service~~DPS must deliver to the ~~LIPA~~Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- Ninety days after the audit report's finalization, LIPA's Chief Executive Officer, in coordination with PSEG Long Island, shall submit an implementation plan to the Oversight and Clean Energy Committee of the Board to effectuate the audit's recommendations.
- LIPA's Chief Executive Officer, together with PSEG Long Island, will submit an annual

report to the Oversight and Clean Energy Committee of the Board and the ~~Department of Public Service~~DPS ~~of~~on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. The annual report will be reviewed by Internal Audit for completeness prior to submission. The Oversight and Clean Energy Committee will report significant matters to the Board.

- Internal Audit will review the effectiveness of the implementation plan in addressing each   —audit recommendation after the completion of the plan for that recommendation.

The ~~Finance and Audit~~F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.



<b>Board Policy:</b>	<b>Audit Relationships</b>
<b>Policy Type:</b>	<b>Governance Process</b>
<b>Monitored by:</b>	<b>Finance and Audit Committee</b>
<b>Board Resolution:</b>	<b>#1355, approved March 29, 2017 #1410, amended March 29, 2018 #1420, amended July 25, 2018 #1462, amended January 23, 2019 #1528, amended, May 20, 2020 #1632, amended, May 19, 2021 #1725, amended, May 18, 2022 [#xxxx], amended, June 28, 2023</b>

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LIPA's vision for audit relationships is to use audits to provide independent, objective assurance to the Board of Trustees (the "Board"), management, and stakeholders designed to improve LIPA's operations, risk management, controls, and governance processes, including those managed on LIPA's behalf by service providers.

To achieve our vision for audit relationships, LIPA will do the following:

**Independent External Auditor**

- The Board, on the recommendation of the Finance and Audit Committee (the "F&A Committee"), will select an independent certified public accounting firm to conduct annual audits of LIPA. The Board will make the choice of the external auditor based on advice from staff and others as it deems necessary to exercise prudent, independent judgment.
- The F&A Committee will annually review the audit services to be performed by such independent auditor, including the scope, fees, and terms thereof and all relationships between the auditor and LIPA.
- The F&A Committee will meet each year with the external auditors at the commencement of the annual audit and again after the audit is complete. The meeting at the completion of the audit will be independent of staff. The F&A Committee members will report any significant findings to the Board in a timely manner.

**Internal Auditors**

- LIPA's internal auditors will adhere to the Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.
- Internal auditors shall conduct audits as identified in the annual audit plan as well as special projects requested by the F&A Committee, or management.
- The annual audit plan will include audits of LIPA and its service providers, and the internal auditors shall have unlimited access to all activities, records, property, and personnel of LIPA and its service providers in the performance of their duties.

- The F&A Committee will annually review and provide guidance on the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit department and will confirm the independence of the internal auditors. The chief audit executive shall administratively report to the Chief Executive Officer.
- The F&A will review and approve the appointment or removal of the chief audit executive. The CEO may appoint an individual to serve as chief audit executive on an interim basis.
- The F&A Committee will monitor, in consultation with the chief audit executive, the significant findings of internal audit reports and the status of the implementation of management's action plans in response to such audit findings.
- The F&A Committee will meet at least twice per year with the chief audit executive independent of other LIPA staff and will report any significant audit findings to the Board in a timely manner.

### **Department of Public Service Management and Operations Audits**

The LIPA Reform Act (the "Act") directs the Department of Public Service ("DPS") to conduct comprehensive management and operations audits of LIPA and PSEG Long Island at least once every five years.

- Upon completion of an audit, the DPS must deliver to the Board a report of its findings together with any recommendations for improvements. Absent a preliminary finding of inconsistency made by the Board, under the procedures set forth in the Act, the audit report's recommendations become final 30 days after receipt by the Board.
- Ninety days after the audit report's finalization, LIPA's Chief Executive Officer, in coordination with PSEG Long Island, shall submit an implementation plan to the Oversight and Clean Energy Committee of the Board to effectuate the audit's recommendations.
- LIPA's Chief Executive Officer, together with PSEG Long Island, will submit an annual report to the Oversight and Clean Energy Committee of the Board and the DPS on the status of the implementation plan. That annual report will include a summary of the activities completed to date and any revisions to completion targets. The annual report will be reviewed by Internal Audit for completeness prior to submission. The Oversight and Clean Energy Committee will report significant matters to the Board.
- Internal Audit will review the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the plan for that recommendation.

The F&A Committee will annually review the provisions of the Board Policy on Audit Relationships.