

FOR CONSIDERATION

September 25, 2025

TO: The Board of Trustees

FROM: Vice Chair Valerie Anderson Campbell

SUBJECT: Consideration of Approval of an Amendment to the Second Amended and Restated Operations Services Agreement with PSEG Long Island LCC

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority is requested to adopt a resolution approving an amendment to the Second Amended and Restated Operations Services Agreement, dated as of December 15, 2021 and effective April 1, 2022 (the “Second A&R OSA”) by and between the Long Island Lighting Company d/b/a LIPA (“LILCO”), a wholly owned subsidiary of the Long Island Power Authority (collectively “LIPA”) and PSEG Long Island LLC (“PSEG Long Island”), and authorizing the Chief Executive Officer (“CEO”) or designee to execute the amendment to the Second A&R OSA and take such other actions necessary and appropriate to effectuate the amendment to the Second A&R OSA, which resolution is attached hereto as **Exhibit “A”**.

Background

Since LIPA’s acquisition of LILCO through the merger of LIPA and Long Island Lighting Company (“LILCO”) in 1998, the Long Island Power Authority and LILCO as its subsidiary have entered into a series of management and operations services agreements, as authorized by Public Authorities Law 1020-f(s) with third party service providers to provide management, operations, maintenance, and related services for the Transmission & Distribution (“T&D”) system. The Second A&R OSA, with PSEG Long Island expires on December 31, 2025.

In anticipation of the expiration of the Second A&R OSA, on May 29, 2024, LIPA issued a Request for Proposals (“RFP”) seeking proposals from qualified bidders to provide operations services commencing in January 2026 under a proposed operations services agreement and for services related to transitioning to the next service provider. On April 30, 2025, the LIPA Board of Trustees voted to reject the staff recommendation resulting from the May 29, 2024 RFP. The LIPA Board then voted on May 22, 2025, to cancel the RFP and directed negotiations with PSEG Long Island to extend the Second A&R OSA for a term of up to five years, as provided for in the Second A&R OSA.

On June 11, 2025, a committee, including LIPA Senior Management and certain Trustees (“the Committee”), began work to negotiate an extension of the Second A&R OSA as directed on May 22, 2025. The Committee negotiated with PSEG Long Island, LLC, and has agreed on terms that LIPA believes are advantageous to LIPA’s customers and represent an improvement over the Second A&R OSA.

Material Terms of the First Amendment to the Second Amended & Restated Operations Services Agreement

The proposed amendment reflects improvements for customers, strengthens LIPA's oversight of operations and budgets, and provides clearer accountability standards for the Service Provider.

The amended agreement extends the current OSA for a five-year period through December 31, 2030. There is no further option to extend beyond this period, and a competitive RFP for management services will be undertaken around 2028.

The Management Services Fee has been reduced for the extension period when compared to the current framework, representing a savings to the customer over the existing contract of approximately \$17 million (assuming 3% consumer price index). The same percentage allocations to fixed, variable, and Department of Public Service ("DPS") Pool components are retained, ensuring that more than half of PSEG Long Island's compensation remains at risk based on performance and at least half of PSEG Long Island's variable compensation related to performance metrics will be tied to quantitative measures. In addition, the parties will establish a joint committee process to consider incorporating industry benchmarking, including Environmental, Social, and Governance (ESG), in addition to PSEG Long Island's historical performance, into future metric targets, subject to Board policy.

The 2026 budget will be flat to 2025, with only limited exceptions. The agreement also imposes tighter controls on budget reallocations, limiting transfers between scope functions or into performance metric accounts, and requiring monthly budget variance meetings including impacts to performance outcomes with LIPA staff.

Provisions related to potential Federal Emergency management Agency ("FEMA") reimbursements which in the past have led to disagreements between the parties have been clarified. The clarified provisions should reduce the likelihood of future disagreements and lower the need for outside consultants. The limitation on liability provisions have been amended to increase PSEG Long Island's overall annual liability cap from \$40 million to \$55 million—an important gain that provides greater protection to LIPA's customers.

Operational provisions have been strengthened to give LIPA greater authority to establish technical standards, require modifications to the grid, and direct enhanced maintenance practices to preserve assets over the long term. The proposed amended Second A&R OSA also requires the Service Provider to explore the use of guaranteed resource contracts for qualified high-voltage personnel to ensure timely storm response. The decision whether to enter such contracts is subject to LIPA's approval.

Finally, the threshold for declaring a storm event has been increased from 15,400 customer outages or 150 job tickets to 17,500 customer interruptions or 175 job tickets in a 24-hour period.

Taken together, these amendments improve financial protections for customers, maintain affordability, and enhance LIPA's ability to direct and oversee the electric grid's operations.

Recommendation

For the reasons stated above,

Based on the foregoing, I recommend that the above-requested actions be approved by adopting the attached draft resolutions.

Attachment
Exhibit "A"

Resolution

Exhibit “A”

RESOLUTIONS APPROVING THE RECOMMENDATION TO EXTEND THE CURRENT CONTRACT WITH PSEG LONG ISLAND, LLC TO PROVIDE OPERATION, MAINTENANCE AND RELATED SERVICES FOR LIPA’S TRANSMISSION AND DISTRIBUTION SYSTEM

WHEREAS, the existing Second Amended & Restated Operations Services Agreement (“current OSA”) with PSEG Long Island expires on December 31, 2025; and

WHEREAS, in anticipation of the expiration of the current OSA, on May 29, 2024, LIPA issued a Request for Proposals (“May 29, 2024 RFP”) seeking proposals from qualified bidders to provide operations services commencing in January 2026 and for services related to transitioning to a new operations services agreement; and

WHEREAS, on April 30, 2025, the LIPA Board voted to reject the staff recommendation resulting from the May 29, 2024, RFP and then voted on May 22, 2025, to cancel the RFP and directed negotiations with PSEG Long Island to extend the current OSA for a term of up to five years, as provided in the contract.

WHEREAS, in June 2025, a committee was formed, including LIPA Senior Management and certain Trustees (“the Committee”) to negotiate an extension of the current OSA.

WHEREAS, the Committee negotiated with PSEG Long Island, and has agreed on terms that LIPA believes are advantageous to LIPA’s customers and represent an improvement over the current OSA.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the extension of the current OSA with PSEG Long Island, LLC to provide ongoing operations, maintenance and related services for LIPA’s transmission and distribution system beginning on January 1, 2026 is approved;

AND BE IT FURTHER RESOLVED, that the Chief Executive Officer (“CEO”) or her designee be and hereby are authorized, empowered, and directed to execute and effect the amendment to the Second A&R OSA with PSEG Long Island, LLC and other related agreements and arrangements each with such modifications as the CEO or their designee deems necessary and appropriate, and to execute, deliver, and perform such other documents and instruments, and perform or cause to be performed such further acts and deeds as may be necessary, convenient, or appropriate, in the judgment of the CEO or his designee, to carry out the intent and purpose of the foregoing resolutions.

Dated: September 25, 2025