

LONG ISLAND POWER AUTHORITY

MINUTES OF THE 332nd MEETING

HELD ON APRIL 30, 2025

The Long Island Power Authority (“LIPA”) was convened for the three hundred and thirty-second time at 10:08 a.m. at LIPA’s Headquarters, Uniondale, NY, pursuant to legal notice given on April 25, 2025, and electronic notice posted on the LIPA’s website.

The following LIPA Trustees were present in person:

**Tracey Edwards, Chair
Valerie Anderson Campbell, Vice Chair
Vanessa Baird-Streeter
Anthony M. La Pinta
Claudia Lovas
Dominick Macchia
Mili Makhijani
David Manning
Mary Ellen Mendelsohn**

Representing LIPA, in person, were John Rhodes, Acting Chief Executive Officer; Bobbi O’Connor, General Counsel and Board Secretary; Billy Raley, Senior Vice President of Transmission and Distribution; Jen Hayen, Director of Communications; and Bill Robins, Senior Digital Specialist. Participating via video conferencing was Werner Schweiger, Acting Chief Operating Officer; and Jason Horowitz, Assistant General Counsel and Assistant Secretary to the Board.

Chair Edwards welcomed everyone to the 332nd meeting of the Long Island Power Authority Board of Trustees.

Chair Edwards took a roll call of the Trustees and noted for the record that the Board had a quorum.

In her opening remarks, Chair Edwards welcomed and congratulated Anthony M. La Pinta on his appointment to the Board and asked him to lead the Pledge of Allegiance.

Chair Edwards then opened the Board meeting to public comments.

After hearing all public comments, Chair Edwards stated that the next and final item on the agenda was the Consideration of a Recommendation to Select LIPA's Next Service Provider to be presented by John Rhodes.

The following action item was presented, and questions were taken from the Trustees.

Requested Action

The Trustees are being requested to adopt resolutions: 1) approving the selection of Power Long Island, LLC, a subsidiary of Quanta Services, Inc. ("Quanta"), to provide operations, maintenance and related services for LIPA's transmission and distribution system (the "T&D system") beginning on January 1, 2026 in response to a Request for Proposals ("RFP"); 2) authorizing the acting Chief Executive Officer ("CEO") or his designee to execute an Operations Services Agreement ("OSA") with Long Island Power Authority for a ten year term commencing on January 1, 2026; and 3) authorizing the CEO or his designee to execute a Transition Services Agreement ("TSA") with Quanta to be effective upon approval by the New York State Attorney General and the Office of State Comptroller for services related to transition from LIPA's current service provider to Quanta.

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 (collectively "LIPA") 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 T&D system. The current 2nd Amended and Restated Operations Services Agreement, dated as of December 15, 2021, as amended ("current OSA") with PSEG Long Island LLC ("PSEGLI") expires on December 31, 2025.

Issuance of the RFP

In anticipation of the expiration of the current OSA, on May 29, 2024, LIPA issued the RFP seeking proposals from qualified bidders to provide operations services commencing in January 2026 for a ten-year period under a proposed OSA and for services related to transitioning to the new service provider pursuant to a proposed TSA. The primary goals of the RFP were to enhance the quality of customer service and select a service provider

that can best protect LIPA customers for the next ten years against the greatest risks facing the T&D system – storm impacts, grid reliability challenges and rapid evolution as well as rate and bill increases.

The RFP was distributed to 26 firms.

For the first phase of the RFP, Respondents were required to submit proposals which included documents such as Cover Letter, Introduction, Conflicts of Interest, References, Financials and signed Non-Disclosure Agreement by July 15, 2024.

The second phase of the RFP included the Technical Proposal, Cost Proposal, and Exceptions to the LIPA-proposed TSA and OSA contracts and were due on 9/27/24.

The RFP was designed with a multi-phase evaluation process focused on selecting a service provider that would present the best value to LIPA customers and, among other things, meet or exceed LIPA's technical qualifications and experience levels, commit to desired compensation provisions, and agree to contract terms consistent with LIPA's customers' expectations for the delivery of operations services.

Evaluation of Proposals

Prior to receipt of proposals, a Selection Committee consisting of LIPA's Acting Chief Executive Officer, John Rhodes, Acting Chief Operating Officer, Werner Schweiger, and Senior Vice President, Billy Raley, supported by LIPA staff and outside consultants, was designated to conduct the evaluation and determine which proposal provided the best value to LIPA and its customers.

The Selection Committee reviewed the technical aspects of the proposals, while LIPA procurement department staff reviewed the Cost and MWBE and SDVOB proposals in accordance with the evaluation guide established prior to the opening of the responses.

Both proposers were deemed finalists ("Finalists") and invited to submit pricing proposal and exceptions to the OSA and TSA proposed by LIPA.

On 12/31/24, proposed drafts of OSA and TSA, which were acceptable to LIPA, were sent to each Finalist. Extensive negotiations with both Finalists were conducted throughout January, February, and the early part of March. Finalists were requested to submit their best and final offer ("BAFO") for consideration by LIPA on or before 3/12/2025.

Upon receipt of the BAFOs, the selection committee completed its final evaluation of the Finalists' submittals.

The Selection

Based on the final submissions, the selection committee determined that the BAFO submitted by Quanta was the best value to the LIPA customers for the following principal reasons:

Technical: Demonstrated experience and qualifications across the required range of operations services, as well as experienced leadership with a strong track record of operating and financial discipline so as to best position to reduce risk and deliver the strongest performance on storm preparation and restoration, reliability, and minimized electric rates and bills.

Management Fee Cost: Quanta proposed a competitive Management Services Fee. In addition, as part of their best and final offer, Quanta agreed to discount their Management Services Fees for years 2026, 2027, and 2028 by 15%, 13%, and 12%, respectively.

Contract: Contract terms that are materially better for customers than the other Finalist's proposal and than the current OSA. The OSA fully implements the required orientation towards performance improvement and value on behalf of customers, towards ongoing stewardship of the publicly-owned T&D system, and provides strong protections with accountability for results and against undue shifting of risk to LIPA customers.

Quanta Services, Inc.

Quanta Services, Inc. and its group of companies is a nationwide and international electric and gas utility services organization with knowledge and expertise in engineering, procurement, and construction for electric transmission and distribution, renewable energy facilities, information technology and customer operations, maintenance and inspection of electrical infrastructure, storm assessment and restoration. It is a Fortune 200 company with approximately 53,400 employees in the United States and a presence in 23 states, including New York. It is regarded as the largest full-service utility organization in the country.

Quanta's size provides access to over 140 subsidiaries, including more than 5,000 linemen and more than 3,000 engineers. Its national presence mitigates weather impacts in any one geographic region. Its leadership consists largely of former utility and construction leaders.

Quanta is a leader in grid engineering and modernization, with a strong emphasis on preventive maintenance, asset hardening, and system reliability programs. Their work includes major electric transmission and distribution reliability projects for utilities such as Southern Company, CenterPoint Energy, CPS Energy, and Xcel Energy.

Quanta's ability to apply best practices from across the U.S., combined with a culture of field innovation, will support stronger day-to-day grid performance, fewer outages, and longer asset life.

The Agreements

Based on the proposed selection, LIPA would enter into a TSA and an OSA with Power Long Island, LLC (the “Service Provider”). Power Long Island, LLC is an indirect subsidiary of Quanta Services, Inc. The OSA and the TSA must be approved by the office of the State Comptroller (“OSC”) and the New York State Attorney General (“AG”) before these contracts become effective.

The Operations Services Agreement

The OSA is targeted to commence on January 1, 2026, with a term of ten years and an option to extend the term for up to five additional years upon mutual agreement of the parties, subject to approval by AG and OSC. Under the OSA, the Service Provider would be responsible for operations services scopes that are substantially similar to the services currently being performed by PSEGLI under the current OSA. The costs of operations services (including employee expenses and capital costs) would be passed through to and paid by LIPA with no markup or profit to the Service Provider. The Service Provider will receive an annual Management Services Fee as compensation for Senior Manager salaries and benefits, overhead costs, and a profit element.

As under the current OSA, and consistent with IRS regulations, the Management Services Fee has three components: (1) fixed, paid in monthly installments; (2) variable component, payable based on Service Provider achievement of specified performance metrics; and (3) a compensation pool subject to reduction by the Department of Public Service (“DPS Pool”) for certain performance failures. As with the current OSA, the Management Services Fee is subject to annual escalation based on the Consumer Price Index for all Urban Consumers (CPI-U), New York– Northern New Jersey – Long Island.

Quanta proposed a competitive Management Services Fee. In addition, as part of its best and final offer, Quanta agreed to discount the Management Services Fees for years 2026, 2027, and 2028 by 15%, 13%, and 12%, respectively.

The OSA contains a mechanism for establishing service provider performance metrics that is similar to the mechanism under the current OSA. Performance metrics are designed to incentivize the Service Provider both to maintain performance levels where LIPA already has strong performance measures – such as system reliability – and to improve performance in areas where LIPA is not now achieving its goals – for example, in customer satisfaction.

The OSA also includes a new shared savings mechanism to reward the Services Provider with up to 30% of the realized savings (over five years) from initiatives that it proposes and realizes. The proposed initiatives are subject to LIPA approval and no proposals compromising reliability, achievement of LIPA’s climate goals, or negatively impacting the workforce or the provision of DACs benefits shall be submitted by the Service Provider or entertained by LIPA.

The OSA provides improved terms for implementing LIPA's strategic goals, policies, and standards while focusing the Service Provider on operational excellence and cost-effective performance in achieving strategic priorities. As an example of increased focus on operational excellence, the OSA shifts to the Service Provider the liability for government and regulatory fines and penalties incurred as a result of the Service Provider's performance.

The OSA's indemnification and limitation of liability provisions offer greater protection to LIPA than the current OSA.

As contemplated in the current OSA with PSEGLI, PSEGLI will transfer to Quanta the ownership interests in Long Island Electric Utility Servco LLC (often referred to as "Servco") – the company that employs the approximately 2,700 personnel that perform the operations services for the T&D system and are managed by the service provider. The transfer of the Servco ownership interests to Quanta will not affect Servco's collective bargaining agreements with IBEW.

In the event of a "change of control" of the Service Provider entity (i.e., Power Long Island, LLC), its immediate parent company, or its ultimate parent company, LIPA has the right, in its reasonable discretion, to terminate the OSA, except that LIPA may terminate the OSA in its *sole* discretion, if the change of control results from a foreign acquiror or raises vendor responsibility concerns. A change of control termination by LIPA would require that the Service Provider pay LIPA a termination fee equal to the actual and reasonable out-of-pocket costs incurred by LIPA in soliciting a new service provider, up to \$15 million.

The OSA contains improved and streamlined gating and default metrics, including new gating metrics for cybersecurity, emergency response plan, and disclosure failures, as well as customary events of default, including bankruptcy, payment failures, and failure to perform material obligations under the agreement – as well as appropriate cure rights. Any dispute under the OSA would be resolved by a binding arbitration process which is substantially the same as that used under the current OSA.

The Transition Services Agreement

The TSA requires the Service Provider to perform a variety of specified activities pursuant to a plan that would position it to assume responsibility to provide Operations Services on January 1, 2026 (the "Front End Transition Plan"). These transition services include:

- Participating in a Transition Committee, comprised of LIPA and Quanta senior representatives, with LIPA chairing the committee and having majority representation;
- Preparing the 2026 budget and work on establishing 2026 performance metrics;

- Performing transition activities that largely correspond to back-end transition activities required under the current OSA with PSEGLI for a smooth handover of the LIPA T&D system to Quanta;
- Creating a Handover Checklist identifying all of the requirements to enable the Service Provider to complete the Front End Transition Services by January 1, 2026;
- Reviewing and commenting on the Exit Test to be performed by LIPA pursuant to the current OSA with PSEGLI;
- Establishing a comprehensive staffing plan and assessing current employee training and development;
- Developing a transition communications plan and obtaining LIPA approval of the brand name under which Quanta will provide Operations Services under the OSA.

The current OSA contains back-end transition services provisions that require PSEGLI to coordinate with the incoming Service Provider and facilitate and cooperate with LIPA and the Service Provider on the Front End Transition Plan.

If all material items on the Handover Checklist are not complete by January 1, 2026 due to an event of default by the incoming Service Provider, LIPA is entitled to liquidated damages of \$6 million per month for each month the service commencement date is delayed, up to a maximum of \$36 million.

The TSA contemplates a fixed fee of \$15 million payable upon successful completion of the Transition plus up to \$10 million of third party costs for consultants, contractors, and advisors that may be engaged to support the IT transition, communications and branding efforts, and provide professional services for the transition, all at cost with no markup by the Service Provider.

Recommendation

For the reasons stated above, the Selection Committee strongly recommends that the Trustees approve the selection of Quanta as the next LIPA service provider and authorize the execution of the OSA and TSA with Quanta with such modifications as the CEO or their designee deems necessary and appropriate.

Based on the foregoing, I recommend approval of the above-requested actions by adoption of resolutions in the form of the attached draft resolutions.

After questions and discussion by the Trustees upon a motion duly made, the action item to approve Quanta Services, Inc. as LIPA's next service provider failed by the following roll call vote of the Trustees:

Tracey Edwards, Chair – nay
Valerie Anderson Campbell, Vice Chair – nay
Vanessa Baird-Streeter – nay
Anthony M. La Pinta – abstain
Claudia Lovas – nay
Dominick Macchia – abstain
Mili Makhijani – nay
David Manning – aye
Mary Ellen Mendelsohn – nay

Chair Edwards then announced that the next Board meeting is scheduled for Thursday, May 22, 2025.

Chair Edwards then asked for a motion to adjourn to Executive Session to discuss personnel matters and announced that no votes would be taken and that the Board would not be returning to open session. The motion was duly made and seconded, and the following resolution was adopted:

1902. EXECUTIVE SESSION – PURSUANT TO SECTION 105 OF THE PUBLIC OFFICERS LAW

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Trustees of the Long Island Power Authority shall convene in Executive Session for the purpose of discussing litigation matters.

At approximately 10:56 a.m. the open session of the Board of Trustees was adjourned on a motion to enter into Executive Session.
