



Enterprise Risk Management – F&A Committee Update

Presented by: Jessica Dehnert, Senior Manager of
Enterprise Risk Management

November 12, 2025



Discussion Topics

 Risk Assessment Process Overview

 2025 High-Priority Risks

 ERM Board Policy Update

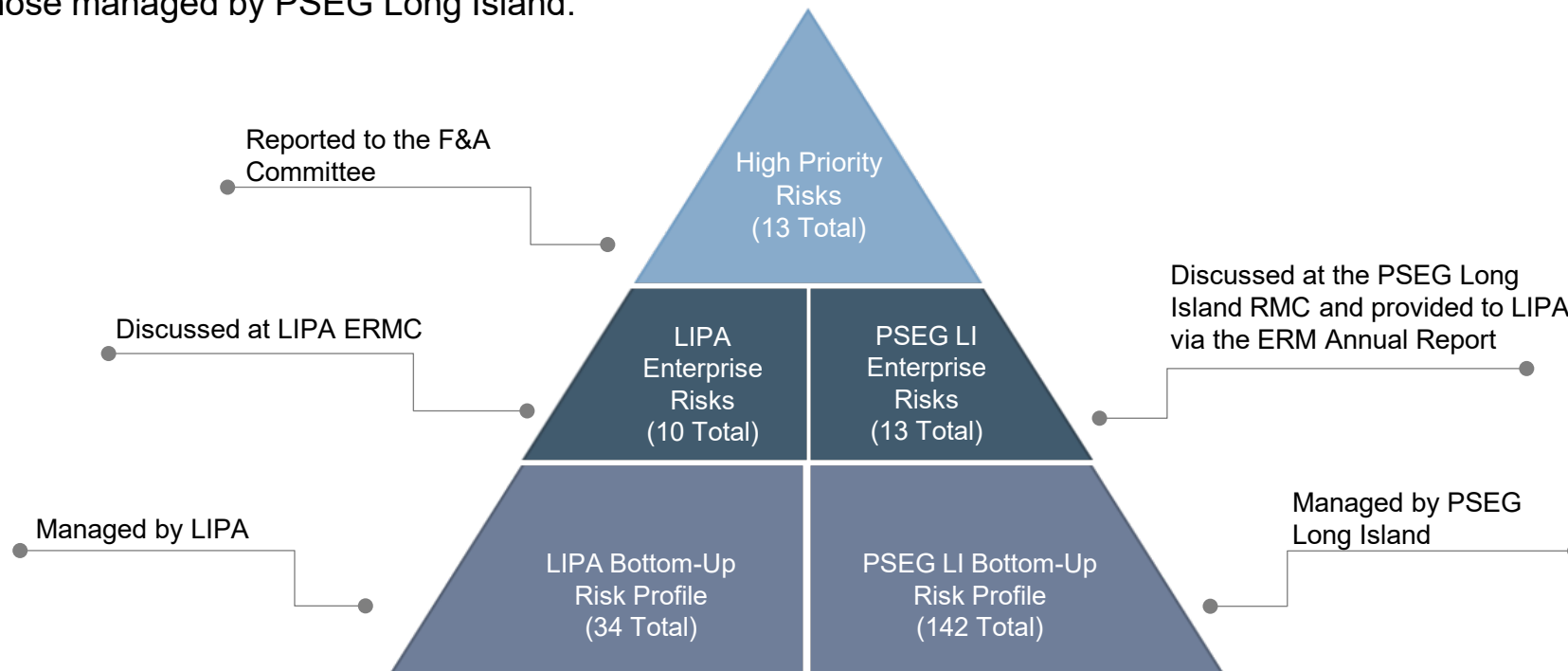
ERM Process Overview



2025 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. LIPA identifies and manages its risks; PSEG Long Island identifies its risks and provides LIPA with an in-depth annual report detailing its most significant risks and their mitigation actions.
- There are 13 risks that have been deemed high-priority and represent the most significant risks to both LIPA and PSEG Long Island. These risks, along with their mitigation strategies and actions, are reviewed and approved by senior management. LIPA owns all risks, including those managed by PSEG Long Island.



2025 High Priority Risks

Category	Risk
Reliability	Major Event – Damage to infrastructure, delayed restoration, OT system outage, and/or ineffective communication could result in increased costs and a negative impact to our reputation. This includes covers major storm, wildfire or any other major disruption to the system.
	Physical Security Attack - Substation security and/or the control centers are compromised and could result in reduced reliability and/or a safety incident.
	Outdated Primary Transmission Control Center - Current control center condition could create increased system vulnerabilities, especially during high activity events.
	Safety - Employees/contractors not following procedures, equipment failure, or lack of adequate training could result in an injury/death.
	Asset Management - Aging substation, underground distribution and network, and transmission equipment with minimal inventory for replacement could result in a significant outage and a negative impact to our reputation.
	Inability to Meet Load Requirements - Multiple cable failures, generator(s), and/or inadequate transmission capacity could result in the inability to meet demand.
Technology	Cyber Event - Unauthorized access to IT and/or T&D systems could result in decreased operational abilities.
	Failure of Critical Business System - A major outage or performance failure of a critical operating technology or business system, could result in extended disruption to operations or business processes, damage to systems and/or loss of data.
Regulatory & Rates	CLCPA Project Execution - Suboptimal planning and/or project execution to achieve LIPA's portion of the New York State climate goals could result in insufficient resource allocations, reduced system reliability, increased customer costs, and negative public perception.
	FEMA Funding Uncertainty - Loss of FEMA funding and/or recovery of storm related expenses could result in increased costs to LIPA
	TOD Rate Implementation - Negative customer perception of Time-of-Day rates results in greater than forecasted opt-outs, lower than anticipated customer and system benefits, and negative reputational impact.
People & Reputation	Talent Management - Difficulty attracting/retaining individuals with the right knowledge, skillsets, and experience may impact the ability to achieve our purpose and objectives.
	Reputation - Negative media coverage could alter customer perception, system operations, and access to affordable capital.

2025 Edison Electric Institute Survey of Top Risks

EEI Top 15 Risks (based on EEI ranking)		Corresponding High Priority Risk
1	Pressure on Rates and Returns	Rate Constraints, ToD Rate Implementation
2	Security: Cyber	Cyber Security
3	Regulation / Legislation	CLCPA (Climate Transition)
4	Safety – Employee and Public	Safety Incident
5	Resource Adequacy	Inability to Meet Load Requirements, also an emerging risk
6	Catastrophic Event Response (including storms)	Major Event (Storm Response)
7	Operational Performance (Reliability)	Inability to Meet Load Requirements
8	Natural Gas & Fuel Supply Constraint	Inability to Meet Load Requirements
9	Strategy and Execution (incl. Business Model)	Not a discrete risk, but reflects many of the identified significant risks
10	Wildfire	Major Event - Wildfire
11	Third Party Risk/Supply Chain	Identified as a risk but not top tier
12	Sales/Load Growth	Inability to Meet Load Requirements
13	Political and Geopolitical	Identified and included in the emerging risk report
14	Project Execution	CLCPA
15	Security – Physical	Physical Security

**Methodology: 43 companies participated in the EEI survey. Respondents were asked to categorize 32 risk items on a scale of 1-High Importance to 3-Low Importance based on their ERM program evaluations. The EEI top 15 list is based on the risks that ranked closest to an average score of 1. Data was accumulated in 2025.*

2025 High Priority Risk Analysis – Reliability

Risk	Board Policy & Communications	Metrics
Major Event - Damage to infrastructure (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>	Policy T&D Operations	- T&D-24 Improve Reliability Through Vegetation Management Work Plan - T&D-41 Program Effectiveness Vegetation Management - T&D-50 Storm Outage Response Performance - T&D-54 Storm Crewing Efficiency and Prudency
	Communications - May Summer Preparation - Emergency Restoration Plan Update - September Storm Readiness Update - Annual board report - Quarterly metric reports	
Physical Security Attack - Substation security 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>	Policy Physical security is included in the T&D Operations policy	IT-06.02 - Project Performance - New 2025 Projects (Access Control for Physical Security)
	Communications Ongoing communications and updates, as necessary	
Outdated Primary Transmission Control Center - Current control center condition could create increased system vulnerabilities, especially during high activity events <i>Managed by - PSEG Long Island</i>	Policy N/A	T&D-6 Primary Transmission Control Center Replacement
	Communications Ongoing communications and status updates	



2025 High Priority Risk Analysis – Reliability *(cont'd)*

Risk	Board Policy & Communications	Metrics
Safety - 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>	Policy • Safety	• T&D-13 Safety – Serious Injury Incident Rate (SIIR)
	Communications • Annual board report • Quarterly metric reports	
Asset Management - Aging substation, underground distribution and network, and transmission equipment with minimal inventory for replacement could result in a significant outage and negative reputation <i>Managed by - PSEG Long Island</i>	Policy • Asset Management	• T&D-01 Asset Management Program Implementation - Asset Inventory
	Communications • Annual Board Report	
Inability to Meet Load Requirements - Multiple cable failures, generator(s), and/or inadequate transmission capacity could result in the inability to meet demand <i>Managed by - PSEG Long Island</i>	Policy • N/A	N/A
	Communications • Regular outage communications to the BoT, and pertinent news articles	

2025 High Priority Risk Analysis – Technology

Risk	Board Policy & Communications	Metrics
Cyber Event - Unauthorized access to IT and/or T&D systems could result in decreased operational abilities <i>Managed by – LIPA and PSEG Long Island</i>	Policy Information Technology and Cyber Security	- IT-05 Project Performance - In-flight Projects - IT-06 - Project Performance - New 2025 Projects - IT-09 - IT Planning - Ransomware Readiness & Response
	Communications - Annual Board Report - Quarterly Metric Reports	
Failure of Critical Business System - A major outage or performance failure 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>	Policy Information Technology and Cyber Security	- IT-3 System Resiliency - Business Continuity Plans and Functional Drills System - IT-10 System Resiliency - Disaster Recovery Plans and Testing
	Communications - Annual Board Report - Quarterly Metric Reports	

2025 High Priority Risk Analysis – Regulatory & Rates

Risk	Board Policy & Communications	Metrics
CLCPA Project Execution - Suboptimal planning and/or project execution to achieve LIPA’s portion of the New York State climate goals could result in insufficient resource allocations, reduced system reliability, increased customer costs, and negative public perception <i>Managed by – LIPA and PSEG Long Island</i>	Policy Clean Energy and Power Supply	- PS&CE-05 Beneficial Electrification – Building Electrification - PS&CE-06 Electric Vehicle Make Ready - PS&CE-14 Transportation Electrification Strategic Initiatives
	Communications Annual board report	
TOD Rate Implementation - Negative customer perception of Time-of-Day rates results in greater than forecasted opt-outs, lower than anticipated customer and system benefits, and negative reputational impact <i>Managed by – LIPA and PSEG Long Island</i>	Policy Customer Value and Affordability	- PS&CE-08 Transition to New "Standard" Time of Day Residential Rates on an Opt-Out Basis - PS&CE-16 Residential Time-of-Day Participation Rate
	Communications Annual board report and periodic updates on progress made to the Board of Trustees	
FEMA Funding Uncertainty - Loss of FEMA funding and/or recovery of storm related expenses results in increased costs to LIPA <i>Managed by - LIPA</i>	Policy N/A	N/A
	Communications Ongoing communications and updates as new information is provided	



2025 High Priority Risk Analysis – People & Reputation

Risk	Board Policy & Communications	Metrics
Reputation - Negative media coverage could alter customer perception, system operations, and access to affordable capital <i>Managed by – LIPA and PSEG Long Island</i>	Policy • N/A	N/A
	Communications • Frequent communication on stakeholder relations and media provide continuous feedback	
Talent Management - Difficulty attracting/retaining individuals with the right knowledge, skillsets, and experience may impact the ability to achieve our purpose <i>Managed by – LIPA and PSEG Long Island</i>	Policy • Staffing and Employment	N/A
	Communications • Annual Board Report	

ERM Board Policy

- Proposing an addition to the ERM Policy to provide direction regarding risk culture
- By adding risk culture guidance to the policy will help support the initiative to increase focus on risk management at both LIPA and PSEG Long Island
- The development of a robust risk culture helps:
 - Shape attitudes and behaviors – influences and aligns thoughts attitudes and beliefs
 - Guides decision-making – provides a consistent framework for making decisions
 - Promotes communication – encourages open and honest communication
 - Embeds risk awareness – integrates risk considerations into daily operations
 - Instills a sense of ownership for risk management activities

ERM Board Policy

The 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.

Policy 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's 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.
- Perform an evaluation of its most significant risks and corresponding management activities.

Additionally, there will be an annual report to the Finance and Audit Committee of the Board on:

- Compliance with the policy, including the results of a biennial review of the maturity of the program compared to industry best practices. The next maturity assessment will be undertaken in 2026.
- Review of the significant risks to LIPA's purpose and vision.

Proposed 2025 update to the Policy:

- **Ensure LIPA and PSEG Long Island leadership promotes a strong risk aware culture by discussing risk openly, integrating risk management into decision the making processes, and promoting accountability for managing risk across the organization.**

Questions?

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FOR CONSIDERATION

November 12, 2025

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Consideration of Approval of the Annual Report and Amendments on the Board's Policy on Enterprise Risk Management

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 2023. 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: (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."

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 June 2024 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 that "LIPA shall maintain an ERM program 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."

- 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.

“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.”

- 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 three times to discuss the various components of the Program, including the review of LIPA and PSEG Long Island’s risk assessments and associated mitigation activities. In addition, it also reviewed PSEG Long Island’s ERM Annual Report.
- Currently, there are nine members on the Committee, including the CEO, CFO, COO, CIO, General Counsel, and other LIPA Staff at the Senior Vice President, Vice President, and Director levels.

Additionally, the Policy provides that the annual report shall include an update on the “results of a biennial review of the maturity of the program compared to industry best practices.”

- The most recent ERM maturity assessment was conducted in June 2024 in alignment with the Board-approved biennial review cadence. The ERM Program improved in many areas, including risk governance via enhanced policies and frameworks, better integrating risk analysis into internal audit reports, and better coordination and inclusion of LIPA subject matter experts in the PSEG Long Island risk assessment process. In accordance with the Policy, the next maturity assessment will be conducted by June 2026.

Last, the policy provides that the annual report shall include “an evaluation of its most significant risks and corresponding management activities.”

- The F&A Committee receives an annual update on the ERM Program highlighting the significant risks and mitigation actions facing LIPA and PSEG Long Island 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, asset management, and staffing.

Annual Review of the Policy

In reviewing the Policy, there is one proposed addition for 2025 that relates to enhancing risk culture. The proposed addition is as follows, ‘Ensure LIPA and PSEG Long Island leadership promotes a strong risk aware culture by discussing risk openly, integrating risk management into decision making processes, and promoting accountability for managing risk across the organization.’. This inclusion provides direction and tone for LIPA and PSEG Long Island leadership to ensure there is focus and support for risk management across each organization. The final version of the amended Policy, 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” ERM Policy (redline)

RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD POLICY ON ENTERPRISE RISK MANAGEMENT

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 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 has recommended 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: November 12, 2025

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
#1808, amended September 27, 2023
###1808, amended NovemberSeptember 1227, 20253

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 program¹ 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.²
- Perform an evaluation of its most significant risks and corresponding management activities.
- Ensure LIPA and PSEG Long Island leadership promotes a strong risk aware culture by discussing risk openly, integrating risk management into decision making processes, and promoting accountability for managing risk across the organization.

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.

¹ Section 4.2(5)(q)(i) of the Seconded Amended and Restated Operations Services Agreement ("2nd 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."

² Section 4.2(5)(q)(vi) of the 2nd 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."