Enterprise Risk Management – F&A Committee Update

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

November 18, 2026



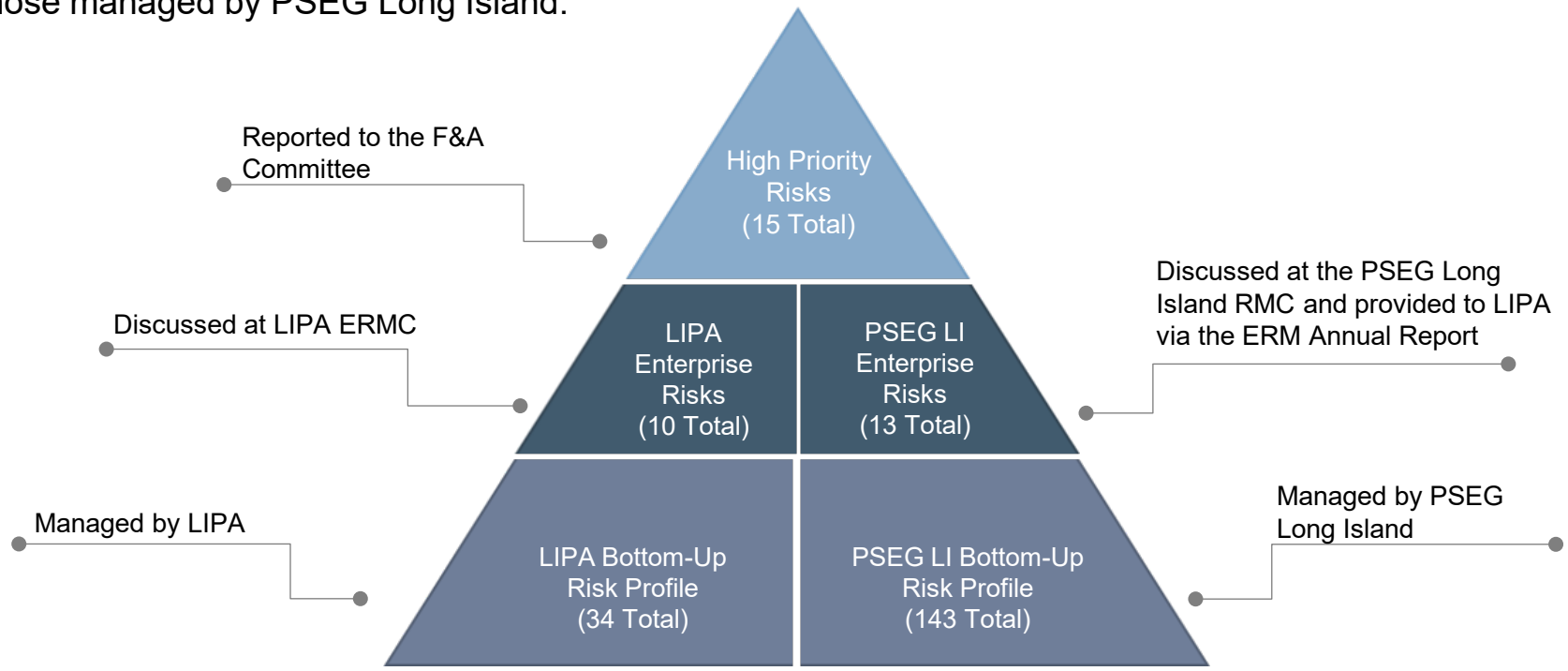
Discussion Topics

- 2026 High-Priority Risks
- 2026 ERM Program Maturity Assessment
- ERM Board Policy

2026 **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, their mitigation actions, and discussed with senior management.
- There are 16 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.



2026 High-Priority Risk Summary

Category	Risk
Reliability	**Major Storm** - Damage to infrastructure (system hardening/resiliency), delayed restoration, and ineffective communication with customers could result in increased costs and negative reputation
	Asset Management - Aging substation, underground distribution and network, and transmission equipment with minimal inventory for replacement could result in a significant outage and negative public perception
	Outdated Primary Transmission Control Center - Current control center condition could create increased system vulnerabilities, especially during high activity events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
	Physical Security Attack - Substation security and/or the control centers are compromised and could result in reduced reliability and/or a safety incident
	Inability to Meet Load Requirements - Multiple cable failures, generator(s), and/or inadequate transmission capacity could result in the inability to meet demand
	Resource Adequacy - Insufficient generation to meet customer demand and/or insufficient excess capacity/margins to fulfill reliability requirements could result in reduced reliability, rolling blackouts, and/or significant increased costs **(New for 2026)**

2026 High-Priority Risk Summary *(cont'd)*

Category	Risk
Information 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 failure in the availability or performance of a critical operating technology system or business system could result in prolonged operational disruptions, interruptions to business processes, and potential data loss
	Outdated Customer Information System - Aging CIS with outdated technology and limited expertise for updates may impact customer system reliability and effectively support evolving business and customer needs, potentially resulting in operational disruptions, increased costs, and reduced customer satisfaction **(New for 2026)**
People & Reputation	**Reputation** - Negative media coverage could alter customer perception, system operations, and access to affordable capital
	Talent Management - Difficulty attracting/retaining individuals with the right knowledge, skillsets, and experience may impact the ability to achieve our purpose and objectives
Regulatory & Rates	**Clean Energy Transition** - Challenges related to timely adaption of evolving regulatory changes could impact reliability, affordability, and may result in negative public perception
	Affordability - Inability to balance required investments in critical assets, IT systems, and securing adequate and reasonably priced energy and capacity margins with customers' ability to absorb bill impacts may result in customer hardship **(New for 2026)**
	FEMA Funding Uncertainty – Unavailability of FEMA recovery of storm related expenses results in increased costs to LIPA

Edison Electric Institute Survey of Top Risks

	EEI Top Risks (based on EEI ranking)	Corresponding PSEG Long Island Risks
1	Pressure on Rates and Returns	Affordability
2	Security: Cyber	Cybersecurity
3	Regulation / Legislation	Not a discrete risk, but relate to other identified significant risks
4	Safety – Employee and Public	Safety
5	Resource Adequacy	Resource Adequacy
6	Catastrophic Event Response (including storms)	Major Storm Response
7	Operational Performance (Reliability)	Asset Health and Reliability/Loss of Multiple Interconnections
8	Natural Gas & Fuel Supply Constraint, Shortage, or Disruption	Not a discrete risk
9	Strategy Adaptability and Execution (incl. Business Model)	Not a discrete risk, but relate to other identified significant risks
10	Wildfire	Major Storm Response/Event
11	Third Party Risk (Supply Chain/Vendor)	Not a discrete risk, but relate to other identified significant risks

Methodology: 39 companies participated in the EEI survey. Respondents were asked to categorize 31 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. The data above was accumulated in 2025

2026 High-Priority Risk Analysis – Reliability

Risk	Trend	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 *Managed by - PSEG Long Island*		**Policy** T&D Operations **Communications** • May Summer Preparation • September Storm Readiness Update • Annual board report	• T&D-24 Improve Reliability Through Vegetation Management Work Plan • T&D-50 Storm Outage Response Performance • T&D-54 Storm Crewing Efficiency and Prudency
Physical Security Attack - Substation security and/or the control centers are compromised and could result in reduced reliability and/or a safety incident *Managed by - PSEG Long Island*		**Policy** T&D Operations policy **Communications** Ongoing communications	N/A
Outdated Primary Transmission Control Center - Current control center condition could create increased system vulnerabilities, especially during high activity events *Managed by - PSEG Long Island*		**Policy** N/A **Communications** Ongoing communications and status updates	T&D-6 Primary Transmission Control Center Replacement
Safety - Employees/contractors not following procedures, equipment failure, or lack of adequate training could result in an injury/death *Managed by - PSEG Long Island*		**Communications** Annual board report	• T&D-13 Safety – Serious Injury Incident Rate (SIIR) • T&D-14 Safety – OSHA Recordable Incidence Rate • T&D-16 Safety – Motor Vehicle Accident (MVA) Rate

2026 High-Priority Risk Analysis – Reliability *(cont'd)*

Risk	Trend	Board Policy & Communications	Metrics
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 *Managed by - PSEG Long Island*		**Policy** Asset Management **Communications** Annual Board Report	N/A
Inability to Meet Load Requirements - Multiple cable failures, generator, and/or inadequate transmission capacity could result in the inability to meet demand *Managed by - PSEG Long Island*		**Policy** N/A **Communications** Regular outage communications	N/A
Resource Adequacy - Insufficient generation to meet customer demand and/or insufficient excess capacity/margins to fulfill reliability requirements could result in reduced reliability, rolling blackouts, and/or significant increased costs *Managed by - LIPA and PSEG Long Island*		**Policy** Clean Energy & Power Supply **Communications** Annual Board Report	N/A

2026 High-Priority Risk Analysis – Technology

Risk	Trend	Board Policy & Communications	Metrics
Cyber Event - Unauthorized access to IT and/or T&D systems could result in decreased operational abilities *Managed by – LIPA and PSEG Long Island*		**Policy** Information Technology & Cyber Security **Communications** Annual Board Report	• IT-05 - Project Performance - In-flight Projects • IT-09 - IT Planning - Ransomware Readiness & Response • IT-10 - System Resiliency - Disaster Recovery Plans & Testing
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 *Managed by - PSEG Long Island*		**Policy** Information Technology and Cyber Security **Communications** Annual Board Report	• IT-3 System Resiliency - Business Continuity Plans & Functional Drills System • IT-10 System Resiliency - Disaster Recovery Plans & Testing
Outdated Customer Information System - Aging CIS with outdated technology and limited expertise for updates may impact system reliability and effectively support evolving business and customer needs, potentially resulting in operational disruptions, increased costs, and reduced customer satisfaction *Managed by – PSEG Long Island*		**Policy** Information Technology & Cyber Security **Communications** Annual Board Report	• IT-05 - Project Performance - In-flight Projects • IT-09 - IT Planning - Ransomware Readiness & Response • IT-10 - System Resiliency - Disaster Recovery Plans & Testing

2026 High-Priority Risk Analysis – People & Reputation

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

2026 High-Priority Risk Analysis – Regulatory & Rates

Risk	Trend	Board Policy & Communications	Metrics
Clean Energy Transition - Challenges related to timely adaption of evolving regulatory changes could impact reliability, affordability, and may result in negative public perception *Managed by – LIPA and PSEG Long Island*		**Policy** Clean Energy and Power Supply **Communications** Annual board report	• PS&CE-05 Beneficial Electrification – Building Electrification • PS&CE-06 Electric Vehicle Make Ready • PS&CE-14 Transportation Strategic Initiatives • PS&CE-18 Solar Interconnection
Affordability - Inability to balance required investments in critical assets, IT systems, and securing adequate and reasonably priced energy and capacity margins with customers' ability to absorb bill impacts may result in customer hardship *Managed by – LIPA and PSEG Long Island*		**Policy** Fiscal Sustainability **Communications** Annual board report	N/A
FEMA Funding Uncertainty - Loss of FEMA funding and/or recovery of storm related expenses results in increased costs to LIPA *Managed by - LIPA*		**Policy** Fiscal Sustainability **Communications** Ongoing communications	N/A

ERM Biennial Maturity Assessment

Overall Results Summary

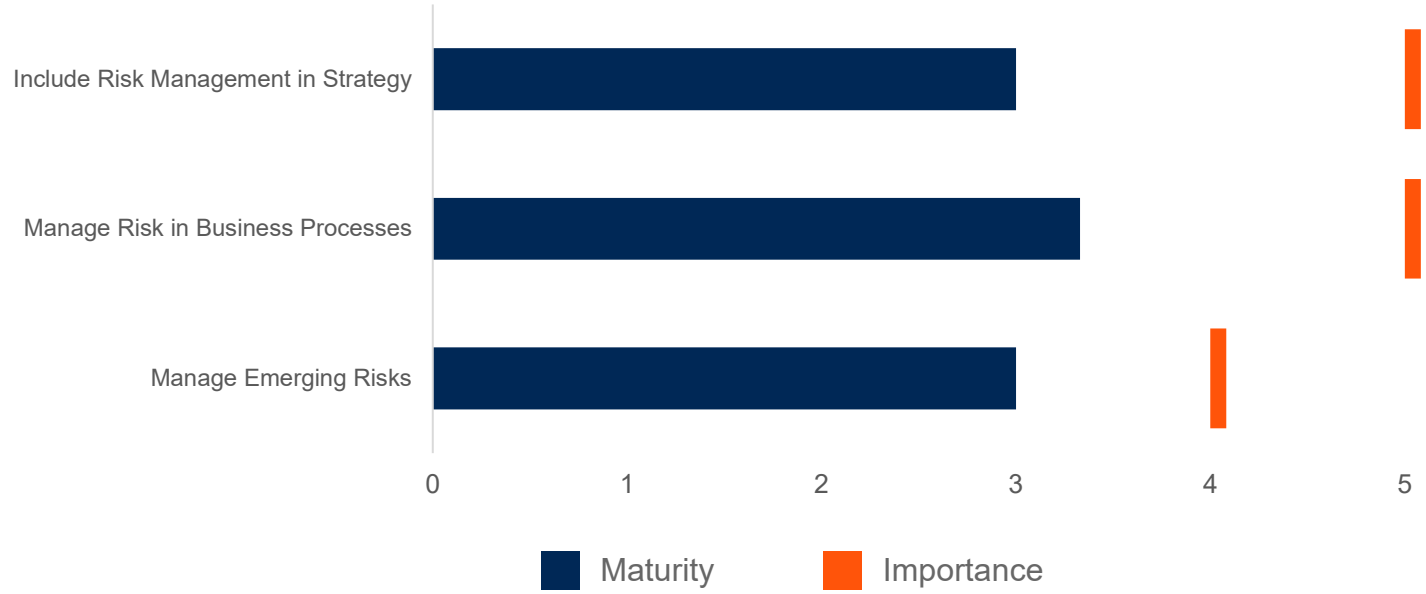
Your Overall Maturity Score

3+

According to Gartner's best practice research
3+ represents a score between 3.33–3.66

3 Peer Score

Your Highest Priority Activities



Evaluation on a scale ranging from 1 (lowest) to 5 (highest)

Respondents in this assessment: 4 Organizations included in the peer score: 14

ERM Board Policy

The LIPA vision for Enterprise Risk Management 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 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
- Review of the significant risks to LIPA's purpose and vision

Questions?

Jessica Dehnert
Senior Manager, ERM

lipower.org

FOR CONSIDERATION
November 18, 2026

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

SUBJECT: Consideration of Approval of the Annual Report 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"); and (ii) approving the annual report for the Policy; and (iii) approve 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 November 2025. The F&A Committee, in its Charter, 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 November 2025 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 11 members on the Committee, including the CEO, CFO, 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 2026 in alignment with the Board-approved biennial review cadence. The ERM Program improved in many areas, including risk culture and awareness through increased risk discussions with staff and the board of trustees and better integration of enterprise risk in the strategic planning process. In accordance with the Policy, the next maturity assessment will be conducted by June 2028.

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, fiscal sustainability, asset management, and staffing.

Annual Review of the Policy

In reviewing the Policy, there are no proposed changes currently. The most current version of the 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

Exhibit "A"

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 on November 12, 2025; and

WHEREAS, the Finance and Audit Committee (the "F&A Committee") of the Board of Trustees of the Long Island Power Authority ("LIPA") conducted the annual review of the Policy and recommended that the Board find 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 LIPA has complied with the Policy for the period since the last annual review; and approves the annual report on the Policy.

Dated: November 18, 2026

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
#1929, amended November 12, 2025

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[1] 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."