

**SENATE STANDING COMMITTEES ON ENERGY AND
TELECOMMUNICATIONS; ENVIRONMENTAL
CONSERVATION; CORPORATIONS, AUTHORITIES AND
COMMISSIONS; VETERANS, HOMELAND SECURITY AND
MILITARY AFFAIRS; LOCAL GOVERNMENT; and CITIES**

**ASSEMBLY STANDING COMMITTEES ON CORPORATIONS,
AUTHORITIES AND COMMISSIONS; ENERGY;
ENVIRONMENTAL CONSERVATION; GOVERNMENTAL
OPERATIONS; LOCAL GOVERNMENTS; and CITIES**

Tropical Storm Isaias Electric Outage Events

Testimony of the Long Island Power Authority

August 20, 2020

Good morning Chairs and distinguished members of the panel.

My name is Thomas Falcone, and I am LIPA's Chief Executive Officer. I am joined today by Rick Shansky, Senior Vice President of Operations Oversight, and Mujib Lodhi, Chief Information Officer.

LIPA is a not-for-profit, public power utility that is governed by a nine-member Board of Trustees. Our Trustees are appointed by the Governor, Senate Majority Leader, and Speaker of the Assembly and approve the electric rates and budgets and oversee the service provided to our 1.1 million customers.

LIPA owns the electric grid but is unique in that since 1998 it has contracted out nearly all operations to neighboring utilities. At first, National Grid and its predecessor companies provided these services, and then, starting in 2014, PSEG Long Island became LIPA's Service Provider.

The LIPA Reform Act of 2013 restructured the responsibilities between LIPA and its Service Provider. PSEG Long Island is responsible for the safe and reliable operation of the electric grid, including capital improvement and maintenance plans, customer communications, information technology systems, and emergency restoration plans.

Each year, LIPA reviews PSEG Long Island's budget requests and performance metrics. We also independently review and audit PSEG Long Island's operations services. In addition to LIPA's oversight, the LIPA Reform Act gives the Department of Public Service or DPS oversight responsibilities of both LIPA and PSEG Long Island, and the DPS provides independent recommendations to the LIPA Board of Trustees. To date, the Board has accepted every recommendation offered by the DPS.

Regarding oversight of storm preparedness and response, Public Service Law requires utilities to submit a comprehensive Emergency Restoration Plan or ERP for review by the DPS each year. LIPA and DPS both review the ERP, and DPS provides independent ERP recommendations. PSEG Long Island has adopted all of the DPS' ERP recommendations each year.

DPS also has statutory authority to investigate PSEG Long Island's emergency preparedness and response and has exercised that authority – both for Winter Storms Riley and Quinn in 2018 and now for Tropical Storm Isaias.

LIPA also independently reviews and monitors PSEG Long Island's storm preparation and response. Furthermore, we review the cost substantiation for PSEG Long Island's storm response, and where possible, apply to the Federal Emergency Management Agency or FEMA for grants to reduce the cost of storms to our customers. In fact, the LIPA Reform Act preserved LIPA's eligibility for federal grants, which have brought more than \$1.5 billion to Long Island over the last decade.

Notably, LIPA's storm oversight activities are in addition to DPS' statutory role, and DPS' statutory role is the same for PSEG Long Island as it is for the state's other utilities.

On the afternoon of Tuesday, August 4, 2020, Tropical Storm Isaias caused damage at thousands of locations on the Long Island electric grid. Isaias was the most damaging storm to the Long Island grid since Superstorm Sandy and roughly comparable to Hurricane Irene. Restoration on Long Island involved more than 6,000 highly trained personnel from as far away as Iowa and Florida, and cost over \$350 million, of which \$260 million may be eligible for FEMA reimbursement.

Notably, on the afternoon of the storm, PSEG Long Island's outage management system and related systems -- which are used to manage storms, estimate restoration times, and receive communications from customers -- failed to perform as designed. This outage management system has been in place since 2014 and undergoes simulated stress tests twice per year pursuant to PSEG Long Island's ERP. The failure of these key systems is indefensible, regardless of the challenges of the storm or with third-party vendors.

On Wednesday, August 5, LIPA formed an Isaias Task Force and launched an independent review to determine the circumstances and root causes that led to the lapses in PSEG Long Island's communications and restoration systems during the storm.

LIPA and DPS staff jointly lead the Task Force, and third-party consultants experienced in management, operations, and technical design of communications and restoration systems support its activities.

The Task Force will determine the readiness of PSEG Long Island's communications and restoration systems, as well as how those systems functioned during the storm. LIPA will issue an initial 30-day report with immediate corrective actions, followed by a 90-day interim report, and a 180-day final report.

As a result of these communications and systems failures, the Governor announced yesterday that PSEG Long Island will forgo up to \$10 million in incentive compensation so that LIPA may apply these funds to reimburse food and medicine spoilage for customers. Additionally, LIPA retains all of its contractual rights and remedies and will pursue them based on the facts after its review and the DPS' investigation is complete.

PSEG Long Island's response to Tropical Storm Isaias has undermined the many tangible achievements of the LIPA Reform Act, including:

- Increasing customer satisfaction by 34 percent;
- Improving system-wide reliability by 32 percent;
- Hardening 1,000 miles of Long Island's electric grid;
- Procuring over 1,000 megawatts of clean energy; and
- Four upgrades of LIPA's credit ratings.

PSEG Long Island's failures during Isaias are inconsistent with these accomplishments and are simply unacceptable. Long Islanders deserve better, and they will get better.

Thank you.