



New York State Legislative Commission on the Future of LIPA

Public Hearing: November 29, 2022

Testimony of Christopher Hahn, Vice President of External Affairs, PSEG Long Island

Thank you, Chairmen Thiele and Thomas and members of the committee for convening today's hearing on the Future of LIPA.

Your committee has been directed with determining the future of energy delivery on Long Island and the Rockaways, something consequential to the future of 3.2 million people.

That decision needs to reject rhetoric and be wary of aspirational goals, for there is no room for error. The committee should — and, I am certain, will — focus on the facts, substantiated data and the energy policies as defined by the State of New York.

Yes, the public-private partnership that exists between LIPA and PSEG Long Island has faced its challenges — and we have acknowledged and responded to those challenges. That said, the overall record PSEG Long Island has established since 2014 is one of performance improvements, innovation, and cost efficiencies — and it is the ratepayer who has directly benefited.

As you look toward the future role of LIPA, I ask you to consider the following:

PSEG Long Island was engaged to address issues brought to the forefront by the devastation wrought by Superstorm Sandy when LIPA was much more directly involved with day-to-day operations.

The Moreland Report found that the bifurcated LIPA and National Grid structure was plagued with a lack of appropriate investment in infrastructure, reduced accountability, and increased rates.

At that time, the community, and their elected officials rallied to ensure that the shortcomings that this arrangement presented Long Islanders did not continue.

The LIPA Reform Act of 2013 created the Public-Private Partnership model to ensure Long Island and the Rockaways had a service provider making decisions based on engineering and industry best practices.

Since PSEG Long Island was first entrusted with the grid in 2014, we have improved system reliability by 33%, implemented a robust tree-trim program to reduce vegetation-related outages on the once-overgrown system and vastly improved the customer experience. PSEG Long Island was directly responsible for improvements we have seen in system performance, reliability, and ranking, which contradicts at least some of the public criticism that continues to shape media coverage.

Today we are among the top 10% of Utilities in reliability nationally and we have the lowest DPS Complaint rate of any electric utility in New York State.

PSEG Long Island recommendations saved ratepayers 2.5 billion dollars by bringing our expertise to bear on planning the power needs for Long Island and the Rockaways. Our energy needs analysis determined that proposed fossil fueled power plants would not need to be constructed, resulting in a savings greater than 30 years of the management fee, including performance incentives that PSEG Long Island is paid for operating the grid. This bears repeating: PSEG Long Island saved ratepayers 2.5 billion dollars that would have been piled on top of LIPA's already staggering debt.

This decision is a clear example of how the public-private partnership has saved ratepayers real money. Siting decisions made prior to our arrival were heavily influenced by politics and lacked the sober engineering guidance PSEG brought through our integrated resource planning process.

The very same power planning expertise that led to PSEG Long Island saving customers billions of dollars uniquely positions us to deliver on the State's clean energy vision.

We have spent nearly nine years applying that expertise, crafting the specifications and selecting the proposals that have brought utility-grade solar and will continue to bring battery storage to Long Island and the Rockaways.

We are deeply involved in planning the transformation of the transmission backbone of our grid that will be necessary to carry the vast amount of power that will be generated by offshore wind to our customers — and to the rest of the State, which will be crucial to the success of the State's clean energy initiative.

And after successfully planning and executing the rollout of Advanced Metering Infrastructure — installing more than 1 million smart meters on budget and months ahead of schedule — PSEG Long Island also has the unique, in-depth experience to lead Long Island and the Rockaways into a new era of energy management. While others may attempt to take credit for these successes in transitioning to a greener energy future, it has been PSEG Long Island all along, charting the path, building out the infrastructure and helping customers reduce energy use.

Each episode of severe weather brings its own unique and unprecedented assault on the region — for no two storms are ever alike. Over the last nine years, PSEG Long Island faced 146 significant weather events and each one of those weather events has allowed us to build a depth of experience that allows for a professional storm response. We performed well in all but one of those storms, and in that instance, we took responsibility for that event because accountability is a cornerstone of our role in a public-private partnership model.

Long Island is particularly vulnerable to increases in severe weather due to our unique geography that extends some 150 miles out into the Atlantic Ocean. We should all understand that extreme weather is going to cause outages, no matter what name is on the side of the trucks. The question is not, "will a tropical storm or hurricane cause outages again?" The question is "Whether the experienced and tested

team of professionals at PSEG Long Island are best equipped to confront those future weather assaults on the region?” We believe the answer is yes.

Regarding the failures that were encountered during Isaias, PSEG Long Island not only took full responsibility for those issues, but learned hard lessons and put considerable resources into ensuring that those lessons are learned and not repeated. This has made us stronger, and we have been more prepared with each subsequent storm that has arrived in our service territory. Most importantly, PSEG Long Island was held accountable both financially and with additional oversight from LIPA and DPS.

Now let’s consider one of the primary arguments for municipalization: That it would result in lower rates. The data doesn’t support that premise. Basic analysis suggests the savings will not scale. Advocates have argued that LIPA could save \$80 million a year by cutting out PSEG. The math says otherwise. First, assume that LIPA would have to incur zero additional expenses to effectively run day-to-day operations if it took over. That is a bold assumption that on its face is clearly overly optimistic.

As I stated, PSEG Long Island has already saved customers far more than they have invested in the public-private partnership,. One bad decision like those PSEG and LIPA’s partnership corrected, and any theoretical savings quickly turn to losses.

For nearly nine years PSEG Long Island has been on the front lines managing the grid for LIPA, serving its customers, saving Long Island and the Rockaway ratepayers billions of dollars, responding to storms, and introducing energy innovations. We are committed to excellence and to continuous improvement — and we have an Operating Services Agreement in place that provides the checks and balances that are key to an effective and efficient public-private partnership. And it is one that rests on a foundation that includes accountability, efficiency and transparency. It is a partnership that mandates oversight, focuses on operational excellence and insulates the energy grid from becoming a litmus test for political ideology. We believe it is a proven, tested model where PSEG Long Island can continue to provide the people of Long Island and the Rockaways the outstanding electric service they expect, deserve and demand.

Thank you for this opportunity and I welcome your questions.