



2018–2020 WORK PLAN

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MISSION STATEMENT

LIPA is a not-for-profit public utility with a mission to enable clean, reliable, and affordable electric service for our customers on Long Island and the Rockaways.

In achieving our mission, LIPA Values:

Responsiveness: being attentive to the needs and expectations of our community and stakeholders

Excellence: continually innovating and improving upon our performance

Integrity: conducting our affairs in an ethical and transparent manner

Stewardship: ensuring our assets are utilized efficiently and in accordance with sound fiscal and operating practices

Sustainability: minimizing our impact on our natural environment

Teamwork: respecting diverse viewpoints and attracting and retaining talented employees

OVERVIEW

Electric utilities are public service organizations. Look, for example, at the number of utilities with the words “public service” in their name or the most common title for utility regulators, “public service commissioners.”

In most parts of our economy, a business provides value to its customers or ceases to exist. For public service organizations, like utilities, governments, and schools, customers have limited opportunity to choose providers.

Effectiveness can only be measured by setting goals for a public service organization and using those goals to evaluate results.



LIPA's Strengths:

Governed by local citizens for the benefit of our community

The nine members of LIPA's Board of Trustees are appointed by our State's elected officials, live on Long Island, serve without pay, and “eat their own cooking” – using the same electric service as their neighbors.

Utilizes a policy governance model to set high goals for our organization

Board policies define LIPA's key performance areas such as customer service, reliability, clean energy, and affordability. For each, the Trustees annually review LIPA's performance compared to the Board's policies, which can be found on our website at www.lipower.org

The Board's policies guide the discussions between LIPA staff and PSEG Long Island on initiatives, performance metrics, and their costs. The Board's policies also guide the work plans for LIPA's own staff. Together, **these actions are how LIPA furthers its mission to "enable clean, reliable, and affordable electric service for our customers on Long Island and the Rockaways."**

SELECTED POLICY AREAS DEFINED BY THE BOARD

Corporate Citizenship

- Add 800 megawatts¹ of clean energy by 2030, enough to power 300,000 homes and meet Long Island's share of New York's 50 percent Clean Energy Standard;
- Reduce Long Island's energy use by 950 megawatts¹ by 2030, by supporting energy efficiency programs and behind-the-meter renewables, enough to power 380,000 homes; and
- Attract businesses to Long Island and the Rockaways, benchmarking our activities against the best practices of other electric utilities.

Power Quality and Reliability

- Invest in our electric grid so its reliability stays among the top 25 percent of utilities, equivalent to fewer than one power outage a year for the average customer or 99.99 percent reliability³;
- Prioritize our reliability investments to address small pockets of the electric grid that are less reliable than average; and
- Provide timely and accurate outage restoration information to customers using new tools, technologies, and communication channels.

Reasonable Rates and Fiscal Sustainability

- Maintain electric rates competitive with the New York City metropolitan area;
- Run programs that assist low-income customers by limiting energy costs to six percent of household income;
- Provide innovative billing options like electric vehicle and smart home rates;
- Limit borrowing to fund infrastructure investments to industry standards of 64 percent or less of capital spending;
- Raise LIPA's bond ratings to "mid-A" by 2022 to reduce interest costs for customers and demonstrate the soundness of our fiscal plans; and
- Reduce the hidden taxes and fees that account for 15 percent of Long Island's electric bills, while providing a net benefit to only two percent of LIPA's customers, by challenging excessive local property tax assessments on the electric grid.

Customer Service and Satisfaction

- Invest in processes, people, and systems so measures of *customer service* are among the top 25 percent of utilities by 2018²; and
- Achieve *customer satisfaction* among the top 25 percent of utilities by 2022, as measured by J.D. Power.

Helpful Billing and Payment Processes

- Provide customers with information, education, and tools, such as smart meters and convenient payment options, to manage their electric use and relationship with the utility according to their needs.

¹ Estimate; assumptions for Clean Energy Standard rules, sales forecasts, and the amount and types of clean energy resources will change through 2030.

² Customer service measures include after call and point of contact customer surveys, customer complaint rates, and call center operation metrics.

³ A car as reliable as the electric grid, traveling at 40 miles per hour, could drive 24-hours a day, 365 days a year, for 350,000 miles, on one hour of service.

The 2018 to 2020 Work Plan

The Work Plan highlights the projects that LIPA's staff will directly undertake to further the Board's policies over the next three years. The Work Plan includes projects related to (1) the staff's direct responsibilities, for example, financing the business or considering rates and tariffs; and (2) the staff's oversight of the services provided to LIPA contractually by PSEG Long Island, National Grid, or other service providers.

The projects in the Work Plan go beyond the day-to-day responsibilities of LIPA's staff. These projects are assigned to individual LIPA employees and provide a direct line of sight for each employee from their individual contributions to the policies set by the Board. Each year, the Work Plan is reported to the Board at the beginning of the year and the staff's accomplishments are reported to the Board at the beginning of the following year. We also update the Work Plan annually to ensure our initiatives are aligned with changing circumstances.

The Work Plan is the culmination of several months of effort and builds upon several years of planning at LIPA. Our plans are exciting, and our accomplishments since the LIPA Reform Act of 2013 on behalf of LIPA's customer-owners demonstrate we are headed in the right direction.

BOARD POLICY: RESOURCE PLANNING, ENERGY EFFICIENCY, AND RENEWABLE ENERGY

2018 GOALS

1. Establish multi-year plans for energy efficiency, the Clean Energy Standard, and energy storage, through at least 2023.
2. Oversee PSEG Long Island's study of the peaking fleet and flexible/peaking resources needed to accommodate offshore wind and higher renewable energy on the electric grid.
3. Oversee PSEG Long Island's studies and the New York Independent System Operator's (NYISO) efforts to integrate carbon pricing, offshore wind, and flexible resources into the wholesale markets.
4. Participate in the Public Service Commission's (PSC) offshore wind proceeding, review joint procurement methods with the New York State Energy Research and Development Agency (NYSERDA), and ensure fair allocations of costs for related transmission and generation needs.
5. Oversee negotiation of power contracts for two utility-scale solar projects selected in the 2015 Renewable RFP.
6. Advocate for fair allocations of cost for Western New York and AC Transmission public policy transmission projects.
7. Negotiate appropriate rate reductions for new gas transportation contracts.
8. Obtain cost reductions for generation reflecting the effects of tax reform.
9. Develop a common, long-term financial utility planning model to be used for power supply planning and business forecasting.
10. Oversee implementation of Phase I of the Value of Distributed Energy (VDER) tariff and participate in PSC workshops for Phase II.

11. Assess PSEG Long Island's progress in implementing locational pricing through the dynamic load management and VDER tariffs.
12. Oversee options for electrification of transportation and heating and cooling for potential inclusion in the Utility 2.0 plan, on-bill financing program, and 2019 metrics.
13. Examine gas prepaids and seek an IRS private letter ruling, if necessary.

2019 GOALS

- Assess maturity of PSEG Long Island's efforts to integrate distributed resources in Electric Transmission and Distribution System (T&D) planning and system operations.
- Advocate with public power trade associations for the extension of expiring renewable tax credits and direct access to federal credits by public power utilities.

2020 GOALS

- Oversee PSEG Long Island's completion of the required Northport repowering study.
- Oversee update of the 20-year Integrated Resource Plan.
- Commence 2020 process for identifying public policy transmission requirements.

BOARD POLICY: TRANSMISSION & DISTRIBUTION SYSTEM RELIABILITY

2018 GOALS

14. Assess accomplishments of \$730 million FEMA storm hardening program and identify objectives for further storm hardening investments.
15. Assess effectiveness of PSEG Long Island's tree trim and preventative maintenance programs upon the completion of the first 4-year tree trim cycle, including program prioritization and cost-effectiveness of expenditures in improving reliability.
16. Establish new multi-year performance goals, associated metrics, and budgets to take effect in 2019 for reliability, based on industry best practices.
17. Assess PSEG Long Island's multi-year investment plans for distribution system automation and other smart grid infrastructure.
18. Oversee planning for replacement of aging underground transmission cables.
19. Review line crew staffing levels, including the cost-effectiveness of in-house labor, contract labor, and mutual assistance for emergency response.
20. Oversee Article VII proceeding for Western Nassau Transmission Project.
21. Develop an Information Technology and Data Portability roadmap that addresses continuous access to data and data portability requirements for LIPA.

2019 GOALS

- Review PSEG Long Island's management of capital projects, including: accuracy of cost estimating; procurement practices; contractor management; ability to complete projects on time and within budget; repair / replace decisions; change order management; and quality assurance and control.
- Assess effectiveness of PSEG Long Island's capital project prioritization process and cost/benefit tools.

- Oversee PSEG Long Island's use of data and predictive analytics to evaluate circuit reliability and maintenance programs in accordance with industry best practices.
- Complete a comprehensive review of IT systems used by PSEG Long Island, pending projects, scope, and value/risk methodology to ensure alignment with defined objectives.

2020 GOALS

- Assess realized operational and reliability benefits of smart meters compared to business plan.



BOARD POLICY: CUSTOMER SERVICE

2018 GOALS

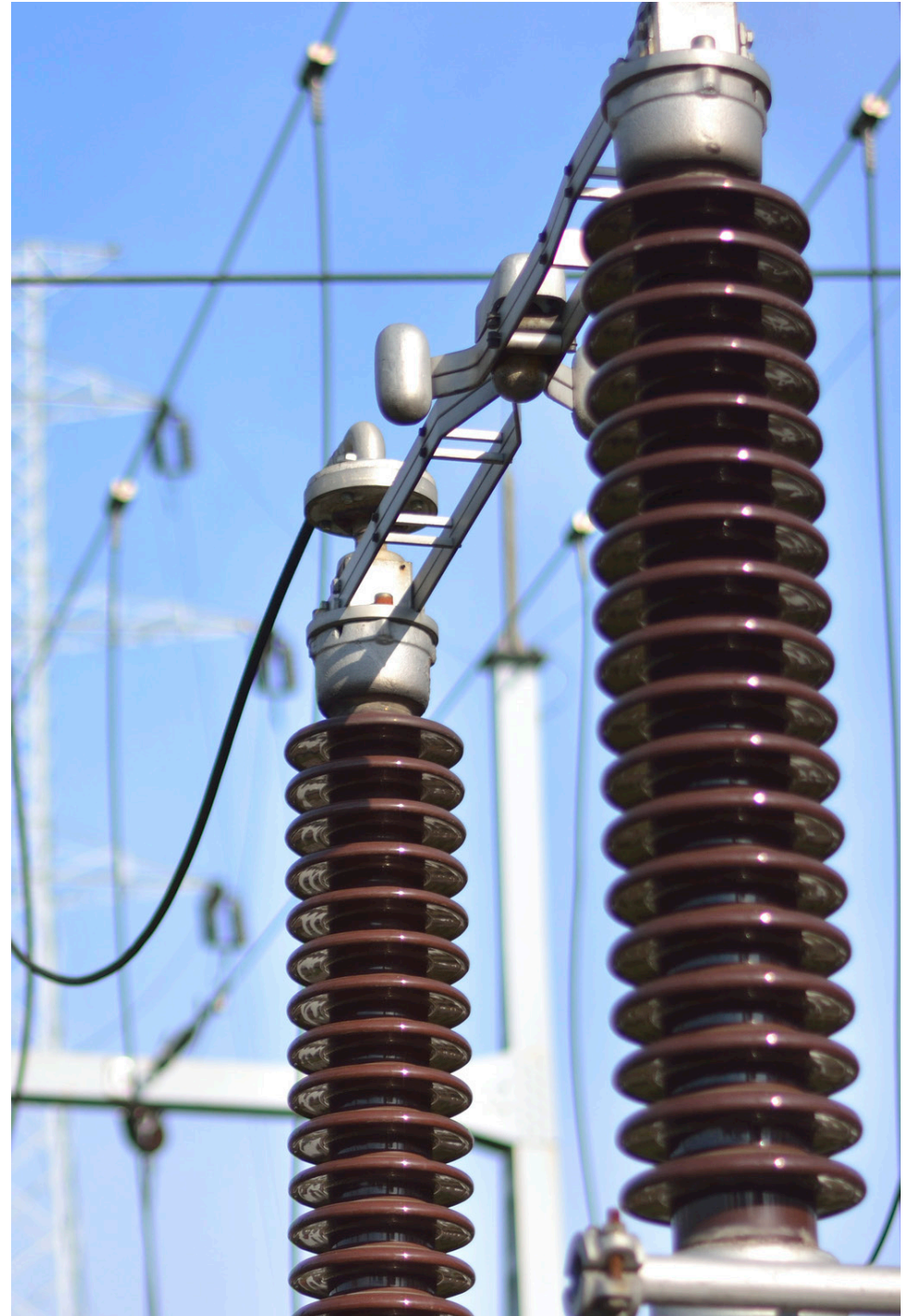
22. Establish new multi-year performance goals, associated metrics, and budgets to take effect in 2019 for customer service, based on industry best practices.
23. Assess results of PSEG Long Island's "moment of truth" surveys and other data sources of customer satisfaction.
24. Oversee PSEG Long Island's Utility 2.0 plan filing for multi-year programs for smart meters.
25. Enhance LIPA's communications with stakeholders, investors, and Trustees by launching a new website and producing more concise and informative Board materials.

2019 GOALS

- Review customer office processes and procedures.

2020 GOALS

- Assess realized customer service benefits of deployment of smart meters compared to business plan.



BOARD POLICY: REGIONALLY COMPETITIVE RATES

2018 GOALS

26. Obtain Board approval of Phase II programs for low-to moderate-income customers and oversee PSEG Long Island's implementation.
27. Implement tariff updates including: Supersaver TOU rate pilot and study design; Long-term Time-of-Use (TOU) strategy; Electric Vehicle (EV) rates; and wireless pole attachment fees.
28. Oversee development of benefit-cost analyses for 2019 Utility 2.0 plan.
29. Extend budget forecasting process to 8-year cycle.
30. Evaluate objectives of a rate plan filing and make a go/ no-go decision. If required, develop rate strategy, revenue requirements, and story of the case for next rate plan filing.
31. Develop financial strategy and related testimony to be used in next rate plan filing.
32. Seek IRS private letter ruling for qualified Nuclear Decommissioning Trust funds to eliminate Federal income taxes.

2019 GOALS

- If necessary, file a multi-year rate plan consistent with the Board's Policy on Competitive Rates.



BOARD POLICY: OVERSIGHT



2018 GOALS

33. Work with Board to develop a policy that reflects LIPA's approach to oversight of PSEG Long Island's operations.
34. Review PSEG Long Island's collection processes for electric sales and non-product billing.
35. Conduct a comprehensive review of the Contract Administration Manual (CAM), including an inventory of existing and potential new CAMs and establish a 4-year schedule of regular review.
36. Review the controls surrounding the release of materials and supplies from warehouses and ensure proper cost accounting.
37. Review PSEG Long Island's use of affiliates compared to alternatives.
38. Oversee the use of smart meter data to record booked energy sales.
39. Implement new process for monthly reforecasting of sales, revenue, taxes, O&M, managed costs, and capital spending.
40. Review processes for FEMA grant compliance.
41. Review books and records related to substation hardening efforts for FEMA grant compliance.
42. Review PSEG Long Island's capitalization of work during storm events.
43. Review PSEG Long Island's pole attachment inventory.
44. Review policies for capitalization of plant.
45. Select a new Enterprise Resource Planning (ERP) System that meets LIPA's holding company business needs.
46. Review economics of owning versus leasing real property.
47. Oversee PSEG Long Island's depreciation study.
48. Establish a multi-year schedule for the regular review of PSEG Long Island's accounting policies.
49. Automate process for reporting funds expended for capital assets financed by tax-exempt debt.
50. Develop oversight protocol to review litigation claims and their causes.

BOARD POLICY: OVERSIGHT (CONTINUED)

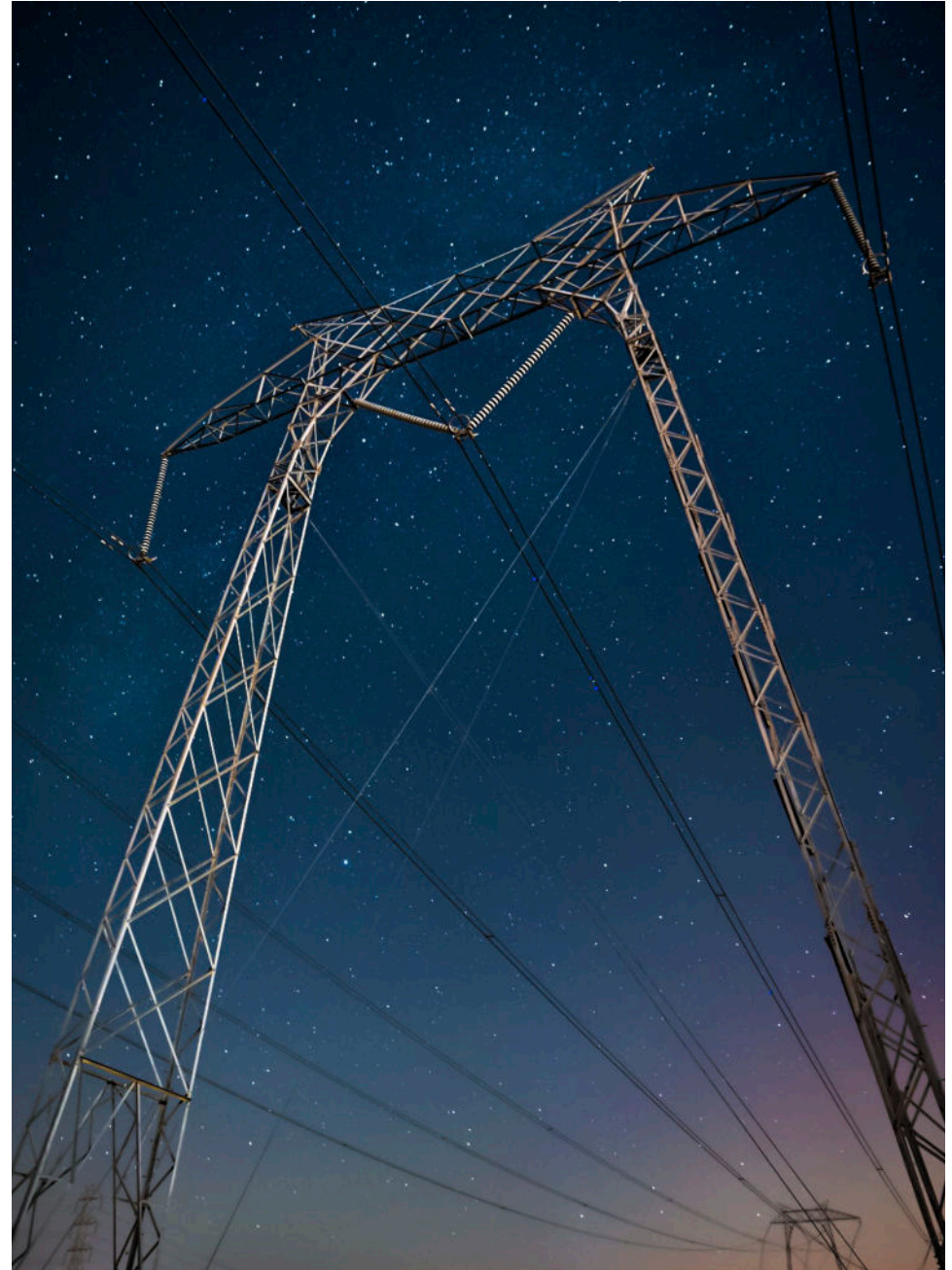
51. Establish new procedure for oversight of contracts signed by PSEG Long Island, including contract term parameters and timelines for notice of differing contract terms.
52. Review PSEG Long Island's administration and disposition of vacant/surplus property.
53. Review PSEG Long Island's policies and procedures related to employee misconduct.
54. Review PSEG Long Island's procurement procedures.
55. Formalize procedures for access to information.
56. Formalize approval process for PSEG Long Island's use of third party IT systems.
57. Review procedure for reporting IT events impacting PSEG Long Island systems.
58. Develop a tool to improve monthly forecasted cash receipts and expenditures against actual results.
59. Oversee Meter Data Management system implementation.
60. Enhance joint stakeholder outreach and communications between LIPA and PSEG Long Island leadership.

2019 GOALS

- Complete a review of PSEG Long Island's cost accounting manual.
- Review employee benefit plans compared to industry best practices.
- Utilize the data analytic capabilities within the ERP system to review overtime incurred by T&D business unit.
- Complete implementation of all ERP modules, including the general ledger.

2020 GOALS

- Establish close out process for FEMA 428 grant.



BOARD POLICY: DEBT AND CREDIT MARKETS

2018 GOALS

61. Advocate for an improvement in LIPA's bond ratings.
62. Evaluate interest rate exchange agreements and bank credit facilities for savings.
63. Implement a new debt covenant compliance system.
64. Automate the process for tracking and paying debt service, rating agency fees, and bond administrative costs.

BOARD POLICY: TAXES, PILOTS, AND ASSESSMENTS

2018 GOALS

65. Advance power plant tax litigation to obtain fair tax treatment for our customers.
66. Conclude Phase I of T&D property tax assessment study.

2019 GOALS

- Review PSEG Long Island's process to monitor T&D assessments for tax purposes and the Office of Real Property Tax Services (ORPTS) filings.



BOARD POLICY: DEVELOPMENT, RETENTION, AND SUCCESSION

2018 GOALS

- 67. Enhance joint strategic planning process for LIPA and PSEG Long Island senior leadership.
- 68. Review process for real-time tracking of goals and responsibilities among LIPA staff.
- 69. Improve team initiatives through training and feedback, identify additional teams as appropriate.
- 70. Implement development plans for LIPA staff.
- 71. Evaluate LIPA's retention strategies compared to other public power companies.
- 72. Formalize process for succession planning to implement industry best practices.



BOARD POLICY: PURPOSE AND ROLE OF LIPA TRUSTEES

2018 GOALS

- 73. Launch LIPA stakeholder and communications tracker.
- 74. Establish internal LIPA newsletter to enhance employee engagement and communication.



BOARD POLICY: ENTERPRISE RISK MANAGEMENT

2018 GOALS

- 75. Initiate a department level review of significant enterprise risks with PSEG Long Island, complete risk profiles for three major business units in 2018 and two business units in 2019.
- 76. Review LIPA IT data access controls and policies.
- 77. Consider alternative disaster recovery options for LIPA IT servers.
- 78. Conduct IT maturity model review of LIPA IT systems.

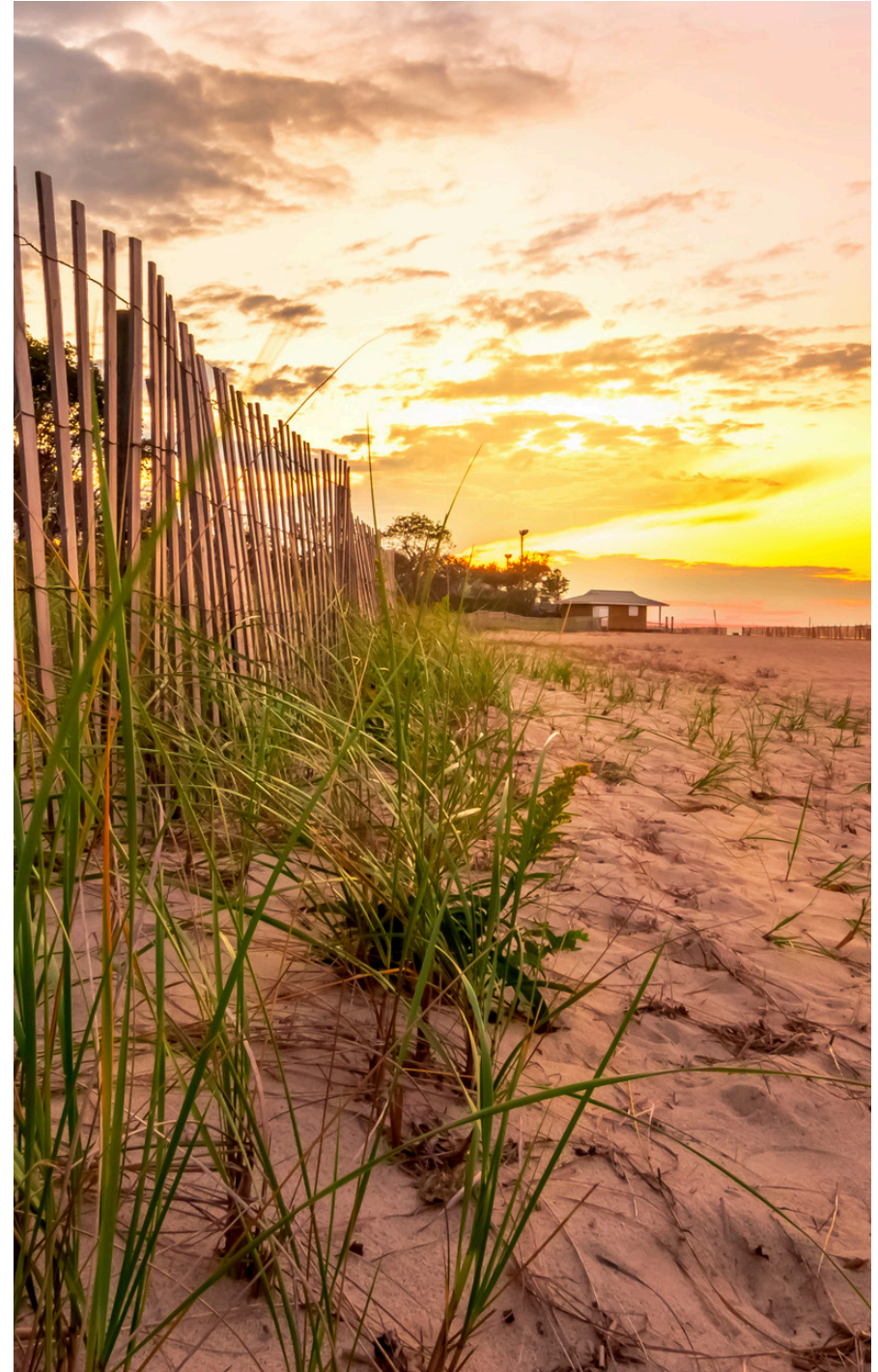
2019 GOALS

- Complete risk assessment reviews, mitigation plans and “bow-tie” analyses for significant PSEG Long Island risks.
- Develop a risk database for continual risk monitoring.

BOARD POLICY: UNDERGROUNDING POLICY

2018 GOALS

- 79. Review LIPA’s legislative powers and immunities and statutory exemption from municipal zoning requirements and approvals.
- 80. Review procedure for oversight of environmental review and permitting of capital projects, including appropriate outreach to stakeholders.



BOARD POLICY: GOVERNANCE AND AGENDA PLANNING

2018 GOALS

81. Compare the Board's policies and reports to those of peer utilities.

BOARD POLICY: AUDIT RELATIONSHIPS

2018 GOALS

82. Establish a data analytics framework that enhances Internal Audit and Oversight efficiency.
83. Implement Guest Auditor Program to cross-train LIPA staff.
84. Implement best practices identified during the 2017 Quality Assurance and Improvement Program (QAIP) Internal Assessment.
85. Prepare the QAIP Self-Assessment for 2019.
86. Establish the Internal Audit Performance Measurement Metrics for Internal Audit effectiveness and efficiency.
87. Review findings of the Management Audit and develop process to facilitate Trustees' oversight of the implementation plan.

2019 GOALS

- Complete the external review of the QAIP Self-Assessment.
- Complete and report on implementation of the Management Audit recommendations to Trustees.



BOARD POLICY: PROCUREMENT

2018 GOALS

88. Standardize consulting agreements to facilitate Attorney General and State Comptroller review of procurements.
89. Implement program to help small enterprises reach Minority and Women-Owned Business Enterprises (MWBE) and Service-Disabled Veteran-Owned Business (SDVOB) certification with PSEG Long Island and Hofstra's Center for Entrepreneurship.
90. Develop procedure for post-award monitoring of MWBE and SDVOB compliance.

2019 GOALS

- Conduct select audits to confirm compliance with procedures for MWBE and SDVOB.

BOARD POLICY: MISSION STATEMENT

2018 GOALS

91. Review LIPA's values and issue an annual Responsibility Report.

