

Date: January 24, 2018  
To: Board of Trustees  
From: Thomas Falcone  
Subject: Board Report on Accomplishment of LIPA's Staff Goals for 2017

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This annual Board report summarizes the accomplishments of LIPA's staff for last year as compared to the goals reported to the Board at the beginning of 2017. These goals are created through a "bottoms up" annual planning process and are assigned to individual employees within LIPA.

LIPA's staff has advanced the policies established by the Board of Trustees and our mission to enable clean, reliable, and affordable electric for our customer-owners. Selected highlights of staff's accomplishments in 2017 include:

- Furthering the Board's ***Policy on Resource Planning*** by working with PSEG Long Island to complete the ***2017 Integrated Resource Plan and Repowering Studies***, saving customer up to \$5 billion by declining three large, proposed combined-cycle plants, while achieving broad stakeholder support for the IRP's recommendations among consumer, business and environmental groups.
- Furthering the Board's ***Policy on Energy Efficiency and Renewable Energy*** by:
  - procuring over 200 MW of utility-scale renewables during 2017, including New York's first offshore wind project, two of New York's largest utility scale solar projects, the State's largest commitment to fuel cells, and more than 35 MW of new residential solar installations,
  - procuring New York's largest utility-scale battery project,
  - implementing a new system for compensating distributed energy resources that incentivizes smart and efficient development,
  - funding the deployment of 50,000 smart meters in 2018, while working with PSEG Long Island for full territory-wide smart meter implementation for all 1.1 million customers by 2022, and
  - funding an initial program for Electric Vehicle workplace charging stations.
- Exceeding the fiscal metrics established in the Board's ***Policy on Debt and Access to the Credit Markets*** with:
  - Fixed Obligation Coverage of 1.31x (target for 2017 of 1.30x),
  - 55% of capital spending financed by new debt (target of < 64%),
  - Consistently exceeding the targeted minimum of 120 days of cash and available credit, ending the year with 133 days of operating liquidity and 210 days of liquidity and available credit, and
  - Advocating for an upgrade to LIPA's credit ratings that reflects its improving operating and financial condition, with a change in outlook from stable to positive by Standard & Poor's in November 2017, a precursor to a ratings upgrade within 12-18 months.

- Establishing new Tier 2 metrics with PSEG Long Island for system reliability with a goal of improving service for the small number of customers with the least reliable service, consistent with the Board's ***Policy on Transmission and Distribution System Reliability***.
- Setting a new multi-year target for customer satisfaction with PSEG Long Island, with the goal of achieving customer satisfaction ratings by the J.D. Power surveys within the first quartile of peer utilities by 2022, consistent with the Board's ***Policy on Customer Service***.
- Advancing the Board's ***Policy on Taxes, PILOTs and Assessments***, including:
  - Producing the first ***Annual Report on Property Tax Reduction Efforts***, which discusses the significant subsidization of four school districts by the rest of LIPA's customers;
  - Moving forward with the tax certiorari cases on four power plants that are taxed at 20 or more times their fair value, with the Northport power station tax case scheduled for May 2018, and
  - Discussing settlement options with each of the municipalities hosting over-taxed power plants in an effort to find a pathway to a sustainable level of power plant taxes for these communities.
- Approving two new economic development programs pursuant to the Board's ***Policy on Economic Development***, both of which assist small business and business corridors on Long Island.
- Increasing LIPA's discounts for low- and moderate-income customers and advancing a SuperSaver rate design pilot, consistent with the Board's ***Policy on Regionally Competitive Electric Rates***.
- Revising the Enterprise Risk Management program based on LIPA's experience over the last two years and industry best practices, pursuant to the Board's ***Policy on Risk Management***.
- Implementing a new Board ***Policy on Undergrounding***, to ensure consistent decision making and public outreach in advance of major projects, including an on-bill financing program to provide local communities with greater choice to address visual concerns.
- Implementing the Board's ***Policy on Annual Agenda Planning*** by adopting ***new Board Policies*** to addressing a number of strategic areas including Reliability, Customer Service, Safety, Undergrounding, Resource Planning, Energy Efficiency and Renewable Energy.
- Implementing the Board's ***Policy on Development, Retention and Succession*** with initiatives for the Board and staff related to industry training and development, employee engagement, and performance management.

In addition, in 2017 LIPA staff and PSEG Long Island implemented metric changes consistent with the Board's policies, including in the areas of reliability, customer satisfaction, and estimated bills, and targets for most metrics were reset using updated industry benchmarks and to reflect PSEG Long Island's accomplishments in improving service since becoming LIPA's Service Provider in 2014.

LIPA staff also formalized its process for oversight of our Service Provider during 2017 by developing multi-year oversight plans for critical areas of operations and finance. The oversight plans further the objectives of a Board ***Policy on Oversight***, which the Trustees plan to consider at the March 2018 meeting, by specifying the oversight activity each LIPA department will undertake, the frequency of the oversight, and providing the Board with assurance that the activities and the accomplishments of the Service Provider are meeting the requirements of the OSA and the goals of the LIPA Reform Act.

The following tables provide greater detail on the accomplishment of LIPA's staff in 2017. Staff will report on the goals set for staff for 2018 at the March 2018 meeting of the Board.

## 2017 GOALS BY DEPARTMENT

### Operations Oversight Department

Board Policy	2017 Goal	2017 Accomplishment
	Oversee PSEG Long Island’s resource acquisition recommendations for the Clean Energy Standard.	<ul style="list-style-type: none"> <li>• 90 MW offshore wind project approved by the Board at January 2017 meeting.</li> <li>• 2015 Renewable RFP project selections announced at July 2017 Board meeting, including a 36 MW solar project and a 23 MW solar project, both to be installed in Calverton.</li> <li>• A 20 MW solar PPA from the 280 MW Renewable RFP approved by the Board at the December 2017 meeting.</li> </ul>
<b>Resource Planning, Energy Efficiency and Renewable Energy</b>	Oversee PSEG Long Island’s recommendations for the fuel cell and commercial rooftop solar feed-in tariff and the evaluation of the locational value of distributed generation.	<ul style="list-style-type: none"> <li>• 3 fuel cell projects totaling 40 MW selected at July 2017 Board meeting. Fuel cell projects enabled deferral of \$76 million in transmission, as projects were limited to areas with potential locational value.</li> <li>• 31 commercial rooftop solar projects totaling 18 MW announced at July 2017 Board meeting.</li> <li>• PSEG Long Island identified constrained areas of the system to apply locational value adders using the dynamic load management and VDER tariffs in 2018.</li> </ul>
	Oversee completion of the Integrated Resource Plan (IRP) including options for compliance with the Clean Energy Standard.	<ul style="list-style-type: none"> <li>• IRP, repowering studies, and independent assessment by Brattle Group released in April.</li> <li>• Public comment hearings on IRP conducted by DPS in June 2017; supportive comments by business, environmental, and labor stakeholders.</li> <li>• Staff recommendations presented to Board at July 2017 meeting, including not proceeding with three proposed combined-cycle plants that would raise customer cost by up to \$5 billion through 2030.</li> <li>• Follow on IRP studies determined for 2018.</li> </ul>

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<p><b>Resource Planning, Energy Efficiency and Renewable Energy (Con't)</b></p>	<p>Work with Board to develop policies for wholesale markets and generation.</p>	<ul style="list-style-type: none"> <li>• Board approved policy on Resource Planning, Energy Efficiency, and Renewable Energy at July 2017 Board meeting with such goals as:               <ul style="list-style-type: none"> <li>○ Meeting the State’s Clean Energy Standard,</li> <li>○ Minimizing cost through competitive procurements and managing existing power supply,</li> <li>○ Representing customers in regional markets,</li> <li>○ Integrating cost-effect distributed energy and storage technologies,</li> <li>○ Updating the IRP no less than every 5 years.</li> </ul> </li> <li>• During 2017, staff advocated for fair allocations of cost for two upstate transmission projects, the results of which have been reflected in proposals by the New York Independent System Operator to the Federal Energy Regulatory Commission.</li> </ul>
<p><b>Customer Service</b></p>	<p>Work with Board to develop a policy that reflects the Board’s customer vision.</p>	<ul style="list-style-type: none"> <li>• Board approved policy on Customer Service at July 2017 Board meeting with such goals as:               <ul style="list-style-type: none"> <li>○ Providing customers with <i>service</i> within the first quartile of peer utilities by 2018;</li> <li>○ Achieving a level of customer <i>satisfaction</i> as measured by JD Power within the first quartile of peer utilities by 2022;</li> <li>○ Providing customers information, education, and tools to manage their energy use.</li> </ul> </li> <li>• Staff and PSEG Long Island agreed to multi-year OSA metrics to achieve customer satisfaction goals consistent with the Board policy.</li> </ul>

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<p><b>Customer Service (Con't)</b></p>	<p>Develop advanced metering and electric vehicle programs that lead the way towards fulfilling emerging customer expectations.</p>	<ul style="list-style-type: none"> <li>• Board approved 2018 advanced metering initiatives at December 2017 meeting, including:               <ul style="list-style-type: none"> <li>○ Installation of an additional 50,000 smart meters during 2018, and</li> <li>○ Implementation of a new meter data management system to facilitate coordination of AMI with the outage management system and the customer billing system.</li> </ul> </li> <li>• Board approved 2018 electric vehicle (EV) initiatives at December 2017 meeting, including:               <ul style="list-style-type: none"> <li>○ Purchase of ten EVs, and</li> <li>○ Workplace EV charging incentives for up to 50 new charging stations on customer premises in each of 2018 and 2019.</li> </ul> </li> <li>• PSEG Long Island will file multi-year AMI and EV plans with the June 2018 Utility 2.0 plan.</li> </ul>
<p><b>T&amp;D System Reliability</b></p>	<p>Work with Board to develop a policy that reflects the Board's priorities for reliability on a system wide and circuit-by-circuit level.</p>	<ul style="list-style-type: none"> <li>• Board approved policy on Transmission and Distribution System Reliability at July 2017 Board meeting with such goals as:               <ul style="list-style-type: none"> <li>○ provide a level of reliability, as measured by <i>system average</i> outage duration within the first quartile as compared to peer utilities;</li> <li>○ provide a level of reliability <i>for each customer</i> that is within a reasonable variance from <i>system average</i> conditions;</li> <li>○ promote resiliency and use of smart grid technologies.</li> </ul> </li> <li>• Staff and PSEG Long Island agreed to OSA metrics consistent with the Board's policy.</li> </ul>

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<b>T&amp;D System Reliability (Con't)</b>	Establish goals and review investment plans for the customer billing and accounting system to enable the Rate Modernization Roadmap.	<ul style="list-style-type: none"> <li>Per PSEG Long Island's 2017 Utility 2.0 filing, a new Meter Data Management system will be implemented in 2018 and PSEG Long Island will conduct a study for a new billing module to enable rate modernization during 2018.</li> </ul>
	Develop and implement additional procedures for quantitative and qualitative assessment of storm preparation and response.	<ul style="list-style-type: none"> <li>Staff developed a scorecard to evaluate storm preparation and response and applied it to 2017 storms. Results are used to identify areas for improvement or non-compliance with the emergency response plan, if any.</li> <li>PSEG Long Island had no areas of non-compliance in 2017.</li> <li>Staff and PSEG Long island added a Tier 2 metric for 2018 to monitor accuracy of storm restoration time estimates.</li> </ul>
	Complete review of baseline reliability data with the DPS for the impact of the new outage management system.	<ul style="list-style-type: none"> <li>PA Consulting confirmed the impact of the new outage management system on reported outages, verified the accuracy of the reliability data reported by PSEG Long Island, and assessed the impact of recent operating practices on system reliability.</li> <li>PA's report was reviewed by DPS and used by LIPA and PSEG Long Island to set 2017 targets for the reliability metrics.</li> </ul>

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<p><b>T&amp;D System Reliability &amp; Regionally Competitive Rates</b></p>	<p>Oversee PSEG Long Island’s Utility 2.0 Plan and assess progress of initiatives to integrate distributed resources into T&amp;D system planning and operation, including development of locational T&amp;D pricing.</p>	<ul style="list-style-type: none"> <li>• PSEG Long Island submitted Utility 2.0 plan in September 2017 and the Board approved 2018 expenditures at the December 2017 meeting, including:               <ul style="list-style-type: none"> <li>○ AMI deployment (described above)</li> <li>○ EV Program (described above)</li> <li>○ Rate modernization study (described above)</li> <li>○ Targeted area load reduction program (“Super Saver”) for North Bellmore</li> <li>○ Rooftop photovoltaic output study.</li> </ul> </li> <li>• VDER tariff, including locational T&amp;D pricing, was approved by the Board at the December meeting.</li> <li>• Two five-MW battery storage projects were approved by the Board at its May 2017 meeting as part of the South Fork RFP portfolio that includes offshore wind and 8 MW of demand reduction, cost effectively deferring transmission projects on the South Fork, consistent with locational T&amp;D pricing.</li> </ul>
<p><b>Economic Development</b></p>	<p>Develop and recommend a Board Policy statement on economic development.</p>	<ul style="list-style-type: none"> <li>• Economic development policy approved by Board at September 2017 meeting.</li> <li>• PSEG Long Island developed two new economic development programs during 2017 for vacant space revival and commercial revitalization.</li> <li>• The first two awards under the new programs were made in December 2017 to help revive and install efficient LED lighting in a vacant theater building in Babylon (through the Vacant Space Revival Program) and to help revitalize a downtown business district and park in Riverhead (through the Main Street Revitalization Program).</li> </ul>

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<b>Safety</b>	Implement Board's new policy on safety	<ul style="list-style-type: none"> <li>• Board adopted Safety policy at September 2017 meeting with such goals as:               <ul style="list-style-type: none"> <li>○ Reviewing the policies, practices and procedures of PSEG Long Island related to health and safety of employees and the public, including incident reporting, every three years;</li> <li>○ Benchmarking safety to the top 25% of utilities.</li> </ul> </li> <li>• Staff engaged Schumaker &amp; Company to perform a comprehensive safety assessment of PSEG Long Island, consistent with the Board's policy. The review found "PSEG Long Island has an effective safety organization... that has created an open safety culture within the company."</li> </ul>
<b>Undergrounding</b>	Implement Board's new Undergrounding Policy	<ul style="list-style-type: none"> <li>• Board adopted Undergrounding policy at September 2017 meeting.</li> <li>• Board approved a new on-bill financing program for undergrounding at December 2017 meeting to provide local communities with greater choice to address visual concerns.</li> <li>• Staff has begun and will complete revised procedures with PSEG Long Island and DPS on public outreach related to major capital projects.</li> </ul>

## 2017 GOALS BY DEPARTMENT

### Financial Oversight Department

Board Policy	2017 Goal	2017 Accomplishment
<b>Oversight<sup>1</sup></b>	Review PSEG Long Island’s procedures for managing the release of materials and supplies during storm events and assigning costs to capital, O&M and storm expenditures consistent with FEMA guidelines.	<ul style="list-style-type: none"> <li>Staff engaged a consulting firm during 2017 to review storm procedures and make recommendations. Preliminary findings are due at end of January 2018.</li> </ul>
	Review PSEG Long Island’s use of affiliates and assessment of affiliate charges.	<ul style="list-style-type: none"> <li>Internal audit identified three recommendations and PSEG Long Island modified its practices in conformance with the recommendations, including the method of determining billing LIPA for fully allocated costs incurred; ensuring all affiliate charges are reviewed and approved; and that unanticipated professional time is appropriately charged.</li> </ul>
	Review the procedures for updating PSEG Long Island’s plant records and system maps for substations and pole attachments.	<ul style="list-style-type: none"> <li>Staff performed an initial assessment of this area; results were satisfactory, with follow-on improvements ongoing.</li> <li>PSEG Long Island has committed to improving the document flow from the field into Property Records and has included IT investments in the 2018 Budget to automate the process.</li> </ul>

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<sup>1</sup> Oversight Policy is scheduled to come to the Board of Trustees for consideration at the March 2018 meeting.

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<p><b>Oversight<sup>1</sup></b> <b>(Con't)</b></p>	<p>Perform an in-depth review of processes for:</p> <ul style="list-style-type: none"> <li>• Budgeting procedures</li> <li>• Booked energy sales</li> <li>• Energy forecasting</li> <li>• Load research</li> </ul>	<p><u>Budgeting</u></p> <ul style="list-style-type: none"> <li>• LIPA and PSEG Long Island implemented improved budgeting procedures in 2017, based on lessons learned from 2016.</li> <li>• The process and data flow is improved, with greater controls over access to key documents, stricter adherence to timelines, more complete supporting documentation, and the implementation of a new risk measurement tool (SOS) to assist management in selection of capital projects, moving the process from a spreadsheet-based approach to a systems-based tool.</li> <li>• Internal Audit review of PSEG Long Island budget process included multiple observations accepted by PSEG Long Island and incorporated into 2018 budget procedures.</li> </ul> <p><u>Booked Energy Sales and Energy Forecasting</u></p> <ul style="list-style-type: none"> <li>• Staff retained Centric to review PSEG Long Island's booked energy sales, forecasting and load research relative to industry practices. Overall, practices were found to be sound, with recommendations being implemented in 2017 and 2018 regarding booked energy sales and forecasting.</li> </ul>

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<b>Oversight<sup>1</sup> (Con't)</b>	Review processes for FEMA storm hardening grant compliance.	<ul style="list-style-type: none"> <li>• Internal audit provided findings to PSEG Long Island in September 2017 and a management action plan is pending.</li> <li>• LIPA's ongoing review shows continuing improvement in internal controls, and the processes provide reasonable assurance that risks are being managed and the objectives of the program will be met.</li> <li>• Revised procedures will include a detailed matrix with due dates that result in the timely delivery of technical and financial supporting documentation and added resources will support reconciliation procedures.</li> </ul>
<b>Taxes, PILOTs and Assessments</b>	Complete the separation of joint-use property on the tax rolls from National Grid.	<ul style="list-style-type: none"> <li>• Review of 213 joint-use properties with National Grid determined all were owned by LIPA and thus subject to the 2% tax cap. Ownership records have been corrected at the municipal level.</li> <li>• LIPA and National Grid have executed an MOU whereby LIPA will invoice National Grid for its usage of the properties.</li> </ul>
	Implement the Board policy on PILOTs, Taxes and Assessments by preparing an annual report on LIPA's tax burden, its causes, and tax reduction efforts and policy alternatives.	<ul style="list-style-type: none"> <li>• First annual property tax report provided to stakeholders in February 2017, with an update to be released in February 2018.</li> <li>• Media and stakeholder groups have demonstrated consistent support for LIPA's efforts to reduce the over-assessment of power plants and T&amp;D property.</li> </ul>

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<b>Regionally Competitive Rates</b>	Develop a comprehensive rate modernization roadmap that recommends future directions consistent with statewide initiatives as well as circumstances specific to Long Island and prioritizes initiatives to be implemented in 2017 to 2019.	<ul style="list-style-type: none"> <li>• Rate Roadmap presented to Board in June. Plans for universal smart meter deployment, meter data management, rate modernization, and supersaver program (combined efficiency, dynamic load management, and time-based pricing pilot) included in PSEG Long Island’s 2017 Utility 2.0 plans, approved by the Board at the December meeting.</li> <li>• Launched Phase 1 of key REV initiative by implementing Value of Distributed Energy Resources (VDER), a new and innovative system for valuing and compensating distributed energy resources that incentivizes smart and efficient development, approved by the Board in December 2017.</li> </ul>
	Expand participation and increase discounts for low to moderate income customers.	<ul style="list-style-type: none"> <li>• Board approved first phase of increases in low income discounts at September 2017 meeting with Phase II recommendations due in 2018.</li> <li>• PSEG Long Island efforts to increase LMI participation through improved coordination with social services agencies.</li> </ul>
	Evaluate LIPA and PSEG Long Island spending projections and develop future financial plans for the period beginning 2019.	<ul style="list-style-type: none"> <li>• 2018 Budget includes 2019 financial and rate plans.</li> <li>• The 2019 plan will enable LIPA to meet its fiscal metrics as adopted by the Board without filing a multi-year rate plan in 2018.</li> </ul>

## 2017 GOALS BY DEPARTMENT

### Finance Department

Board Policy	2017 Goal	2017 Accomplishment
<b>Debt and Access to the Credit Markets</b>	Advocate for an improvement in bond ratings based on Board policy on debt and credit markets.	<ul style="list-style-type: none"> <li>In November 2017, LIPA received a Positive Outlook on its rating of A- from Standard &amp; Poor's which is an upgraded outlook from Stable, and the precursor of a rating upgrade in 12-18 months.</li> </ul>
	Continuous improvements in financial reporting and annual budgeting to enhance investor confidence in LIPA's fiscal performance.	<ul style="list-style-type: none"> <li>Presentation of Management Discussion and Analysis (MDA) in Quarterly Financial reports have been improved for greater impact.</li> <li>2018 Budget included management letter to communicate accomplishments and plans with stakeholders.</li> </ul>
	Review of guidelines and procedures for debt issuance and management to ensure consistency with best practices for large public authorities.	<ul style="list-style-type: none"> <li>Debt issuance guidelines and procedures updated for LIPA and UDSA. Covenants reviewed with bond counsel.</li> <li>As approved by the Board in December 2017, LIPA will implement an automated Debt Covenant Compliance Software System in 2018 to replace a manual worksheet system.</li> </ul>
	Complete the implementation of enhanced analytical capabilities for timely verification of ongoing capital expenditures and tracking of assets financed by tax-exempt debt.	<ul style="list-style-type: none"> <li>PSEG Long Island improved project spending reports to simplify the appropriate tracking of projects financed with tax-exempt debt.</li> </ul>
	Improvements to cash flow forecast modeling.	<ul style="list-style-type: none"> <li>PSEG Long Island improved cash flow projections. Enhanced LIPA cash flow model developed using PSEG Long Island data. Projections versus actual cash is being monitored monthly for further improvements.</li> </ul>

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<b>Debt and Access to the Credit Markets (Con't)</b>	Support and participate in industry associations to advocate for the preservation of access to tax-exempt debt by public power utilities in the event of federal tax reform.	<ul style="list-style-type: none"> <li>• Participated in APPA and LPPC to educate and inform the federal elected officials on the benefits of tax exempt bonds for public power issuers. 2017 federal tax reform maintained tax-exemption but eliminated the ability to advance refund bonds.</li> </ul>
	Complete a review and analysis of the nuclear decommissioning trust fund (NDTF) assets and liabilities, OPEB funding accounts, and related investment strategies.	<ul style="list-style-type: none"> <li>• Asset-Liability studies completed for NDTF and OPEB liabilities during 2017.</li> <li>• Board approved updated investment guidelines in March 2017 for NDTF based on the asset-liability study.</li> <li>• Board approved selection of new investment advisor in March 2017 for cash management.</li> <li>• Board approved creating a Section 115 OPEB Trust at the September 2017 meeting.</li> <li>• Board approved seeking to disqualify the Qualified Nuclear Decommissioning Trust Fund for tax savings at the December 2017 meeting.</li> </ul>
<b>Regionally Competitive Rates</b>	Enhance tools for long term financial planning, working in conjunction with PSEG Long Island on forecasts and trend analyses of the impact of capital and operating decisions on long term electric rate trends.	<ul style="list-style-type: none"> <li>• Developed a new long-term model for long-term scenario analysis, including electric rate and fiscal trends.</li> </ul>

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goal	2017 Accomplishment
<b>Enterprise Risk Management</b>	Begin comprehensive reviews or “bow ties” of significant enterprise risks.	<ul style="list-style-type: none"> <li>• Completed a review of industry best practices for Enterprise Risk Management (ERM) and revised LIPA ERM program to a more comprehensive “bottoms up” approach.</li> <li>• Hired in-house ERM Adviser with 45 years utility experience to assist in further development of ERM.</li> <li>• Hired in-house Manager to assist Director in implementing the more comprehensive ERM program model.</li> <li>• Created LIPA and PSE&amp;G ERM Committee to rollout new ERM program model.</li> <li>• Applied new bottom-up approach to risk identification and assessment; reviewed causes and consequences of risk drivers to evaluate risk control and mitigation plans, developed Key Risk Indicators to monitor trends.</li> <li>• Continuing multi-year roll out of new ERM program model in 2018.</li> </ul>

## 2017 GOALS BY DEPARTMENT

### Legal Department

Board Policy	2017 Goals	2017 Accomplishments
<b>PILOTs, Taxes, and Assessments</b>	Educate stakeholders on the relative tax burden between taxing jurisdictions, and address litigation and settlement efforts to achieve long-term tax relief on National Grid power plants.	<ul style="list-style-type: none"> <li>• First annual property tax report released in February 2017, as discussed above.</li> <li>• Staff held settlement discussions of property tax overassessments on four steam generation plants at Northport, Port Jefferson, Island Park and Glenwood Landing.</li> <li>• Staff advanced the tax certiorari cases with a May 2018 Trial date for the Northport plant.</li> </ul>
<b>Oversight<sup>1</sup></b>	Develop statistical comparison metrics and monitor PSEG Long Island’s claims reserve through development of a quarterly tracking system.	<ul style="list-style-type: none"> <li>• Quarterly tracking developed and monitored.</li> </ul>
<b>Annual Agenda Planning</b>	Document, review and update the by-laws, committee charters and all governance policies.	<ul style="list-style-type: none"> <li>• Comprehensive review of Committee charters and governance policies approved by Board at January and March 2017 meetings.</li> <li>• Developed annual Project Sunlight and Procurement Lobbying memo and distributed to Board in April 2017 with in-person briefing. Instituted quarterly reporting reminder system. Staff re-fresher training completed during summer 2017.</li> </ul>

## 2017 GOALS BY DEPARTMENT

### Office of the Chief Executive (Administration, Audit, and Human Resources)

Board Policy	2017 Goals	2017 Accomplishments
<p><b>Board Annual Agenda Planning</b></p>	<p>Complete the first full-year cycle of Board Policy governance through the development of additional policies and execution of the policies already adopted, including annual agenda setting, and development of board monitoring reports.</p>	<ul style="list-style-type: none"> <li>• Implementation reports were provided for 7 board policies during 2017: resource planning; customer service; reliability; regionally competitive rates; debt and access to credit; taxes, pilots and assessments; and safety.</li> <li>• 7 new board policies were adopted in 2017 covering: resource planning; customer service; T&amp;D reliability; staffing and employment; economic development; undergrounding; and safety.</li> <li>• 12 existing policies were reviewed and updated: development, retention and succession; enterprise risk management; investment; power supply hedging; audit relations; code of conduct for trustees; prompt payment; property disposition; real property acquisition; lobbying; procurement; and interest rate exchanges.</li> <li>• All 5 board committee charters were reviewed and updated in 2017: Finance and Audit; Oversight; Personnel and Compensation; Governance; and Reforming the Energy Vision (REV).</li> <li>• Annual agenda for 2018 approved by Trustees at September 2017 meeting.</li> </ul>

## 2017 GOALS BY DEPARTMENT

### **Development, Retention and Succession**

Implement Board policy on development, retention and succession by: (1) offering enhanced training and development opportunities for the Board and LIPA staff; and (2) through employee engagement surveys and analysis and development of skills profiles and development needs for executive positions.

#### Development and Training

- Held first Board workshop on utility industry trends in June and invited Trustees to 4 site visits during year.
- Conducted leadership and management training for senior staff.
- Initiated 360-degree reviews for staff to identify development opportunities and create individual development plans.

#### Retention

- Conducted first annual Employee Engagement Study, with initiatives for 2018.
- Began volunteer initiatives to build teams and contribute to the community.
- Fostered a learning environment by encouraging employees to attend utility workshops and seminars and to participate in professional organizations.

#### Succession Planning

- Developed new Trustee on-boarding handbook and distributed to Board in June.
- Developed a skills profile for Trustees and Committees in coordination with the Governance Committee to provide to appointing authorities upon Trustee vacancies.
- Updated By-laws to incorporate emergency succession plan for CEO, CFO and General Counsel.
- Defined leadership competencies for each executive position for use in hiring and succession planning.
- Created on-boarding program for new employees.

#### Performance Management

- New, performance management tool implemented for 2018 Performance Evaluations and for continuous employee performance and development feedback throughout 2018.

## 2017 GOALS BY DEPARTMENT

Board Policy	2017 Goals	2017 Accomplishments
<b>Audit Relationships</b>	<p>Participate in the Department of Public Service’s Management Audit to achieve a positive outcome for LIPA’s customers and stakeholders.</p>	<ul style="list-style-type: none"> <li>• LIPA and PSEG Long Island responded to over 1,000 Data Requests from the management auditors.</li> <li>• 36 LIPA trustees, officers, directors and managers were interviewed by auditors and DPS staff.</li> <li>• Management audit report to be released in 2018.</li> </ul>
	<p>Maintain LIPA’s financial and operational integrity through the development of additional continuous monitoring and continuous auditing processes, the multi-year audit plan, and the sharing of Internal Audit expertise, tools and methods with LIPA staff to enhance their oversight capabilities and effectiveness.</p>	<ul style="list-style-type: none"> <li>• Internal Audit completed 5 audits in 2017, is reporting 2 audits, has 7 still in progress, 1 not started, and 1 deferred.</li> <li>• Oversight departments and staff are coordinating efforts with Internal Audit to implement best practices for oversight, including data analytics meetings, collaboration with PSEG Long Island on the audit universe, and prioritization of internal audit efforts.</li> </ul>
	<p>Develop a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the Internal Audit activity. Include internal assessments for both ongoing monitoring and periodic self-assessment.</p>	<ul style="list-style-type: none"> <li>• Developed an Internal Assessment Program consisting of Ongoing Reviews and Periodic Reviews.</li> </ul>