



Management Audit Discussion

September 27, 2018

Comprehensive Audit



More than **1,000** Information Requests



222 Interviews



Over **5,000** Supporting Documents



9.5 Gigabytes of Data



18 Months



14 Areas of Management Operations Examined

Audit Scope

The 2018 DPS audit of PSEG Long Island and LIPA examined 14 areas of management, oversight and operations:

- Progress on Implementing the 2013 Audit's Recommendations
- LIPA Executive Management and Governance
- Enterprise Risk Management
- Budgeting and Financial Reporting
- Debt Management
- Load Forecasting
- System Planning and Distributed Platform Development
- Transmission and Distribution
- Program and Project Planning Management
- Work Management and Outside Services
- Customer Operations
- External Outreach and Communications
- Performance Management
- Fuel and Purchased Power, and
- Pensions and OPEBs



AVAILABLE ONLINE

Northstar Consulting Group's 2018 Audit is available to the public at LIPOWER.ORG and PSEGLINY.COM.

Standard Audit Process

NorthStar Consulting Group & DPS followed a standard auditing process applicable to all utilities in New York State:



Discovery



Draft by NorthStar & Revision
by NorthStar & DPS



Factual Accuracy Review by
LIPA & PSEG Long Island



Final Report



Implementation Plans

Audit Update

Recent news report: “ratepayer funded audit report...excluded or altered findings and recommendation from the first draft”



Customer Outages



Transparency



Customer Rate
Classifications



Public Outreach

LIPA did not receive the first draft of the report but notes the final report included similar observations and numerous factual corrections

Customer Outages

- Draft Report: Intentional outages “is not an industry ***standard*** term”
 - Final Report: Intentional outages “is not an industry ***accepted*** term”
- 5. PSEG LI’s classification of outages as “intentional” is not a compelling reason for missing its SAIFI target.**
- PSEG LI classifies some outages as “intentional.” “Intentional” is not an industry accepted term. PSEG LI developed the term to classify two system conditions:
 - Prearranged and Planned – interruptions taken with advance notice to the customer.
 - Intentional – outages that are taken to safely clear a line as part of service restoration.¹⁸

Customer Outages

- Draft Report: PSEG Long Island did not achieve **two key measures of customer outage and frequency**
- Final Report shows PSEG Long Island did not achieve **two key measures of customer outage and frequency**

Metric	Type	2014	2015	2016
Personal Contact Survey	Improvement	150%	150%	Points Earned
Average Speed of Answer	Improvement	150%	150%	150%
Abandonment Rate	Improvement	150%	150%	150%
SAIFI	Maintenance	Upper Boundary	Upper Boundary	Missed
CAIDI	Maintenance	Upper Boundary	Upper Boundary	Points Earned
SAIDI	Maintenance	Upper Boundary	Upper Boundary	Missed
Actual Meter Read Rate	Improvement	150%	Missed	
Timely Billing/Billing Exception Cycle Time	Improvement	150%	150%	150%
Interconnection Cycle Time	Improvement			125%
Percent AMI Measured Energy	Improvement			150%
Long Term Estimates	Improvement			150%
Purchased Power Invoicing	Improvement		125%	
Customer Complaint Rate	Maintenance			Points Earned
Economic				
Days Sales Outstanding	Improvement	150%	150%	125%
New Write-Off per \$100 Billed Revenue	Maintenance	Upper Boundary	Upper Boundary	Points Earned
Green				
EE and Renewable Achieved Load Reduction	Improvement	125%	125%	
Customer Self Service	Improvement		125%	150%
EE Annualized Energy Savings	Maintenance			100%
Renewable Energy Generated	Maintenance			150%

Source: DR 20 Attachments 2 and 6.

Transparency

- Draft Report: LIPA's mission and values “**does not address transparency**”
- Final Report recognized LIPA's mission and values **addresses transparency**

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

Transparency

- Draft Report: Customers may not comment on the Board consent agenda
- Final Report recognized customers may comment on the Board consent agenda

GUIDELINES FOR PUBLIC PARTICIPATION AT LONG ISLAND POWER AUTHORITY BOARD OF TRUSTEES' MEETINGS

New York's Open Meetings Law provides the public the right to attend open sessions of public bodies. Allowing public comment at those sessions is a decision of each public body.

The Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA" or the "Authority") values civil, respectful and open communication with stakeholders and invites the public to speak at its meetings. The Chair has discretion over the orderly conduct of Board meetings, including the time allotted for public comment. To facilitate orderly meetings, these guidelines describe the Board's general practices for public participation:

- Any member of the public wishing to address the Board should sign in at the designated table outside of the Board room before the meeting and indicate the topic they wish to speak on.
- Each speaker will be called upon at the appropriate time in the Board agenda for their topic. Comments should be limited to the item being considered by the Board. Members of the public may also address items not on the Board agenda at the conclusion of the meeting.
- Please direct all comments to the Board. Public comments are not intended as "Question and Answer" sessions or conversations with the Board or Authority staff, but rather a forum to allow stakeholders to be heard by the Trustees.
- Speakers will be asked to state their name and, if applicable, the name of any organization they are representing. If there are multiple representatives of the same organization present, the Board asks that the organization choose one representative to speak on behalf of the organization to allow other speakers the time to be heard.
- All comments are limited to three (3) minutes.¹ The Secretary of the Board will keep time and indicate when a speaker's time has concluded.
- Comments and materials may also be submitted to the Board at www.lipower.org under "Contact Us."
- LIPA's Board meetings are live streamed and archived at www.lipower.org. Public comments made during the Board meeting are part of the official public record.
- The Authority reserves the right to inspect packages, backpacks, purses and similar containers prior to allowing members of the public to enter the Board meeting. Firearms, knives, or other weapons of any kind, and bio-waste or bio-hazards, may not be brought into the Board meeting.

¹ Items on the Board's consent agenda are a single item, and speakers will have three (3) minutes for the entire consent agenda.

LIPA's Guidelines for Public Participation

“Items on the Board’s consent agenda are a single item, and speakers will have three (3) minutes for the entire consent agenda.”

Transparency

- Draft Report: **No “voice of the customer”** in LIPA executive decision making
 - Final Report recognized **“voice of the customer”** in LIPA executive decision making
-
- Board of Trustees comprised of customers
 - Customer service targets
 - Customers satisfaction targets
 - Customer complaint targets
 - Focus groups
 - J.D. Power customer research
 - Customer surveys
- Community Advisory Board
 - Public comment sessions
 - LIVE webcast of public meetings
 - Recommendations from utility regulator
 - Public comment accepted on website
 - Stakeholder and public official briefings

Customer Rate Classifications

- Draft Report: **PSEG Long Island** says it is “the customers’ responsibility” to choose the “correct rate”
- Final Report recognized that PSEG Long Island follows **PSC precedent** that it is the customers’ responsibility to choose the correct rate

“Customers are in a better position to know if they should be reclassified because they know their future needs, have notice of tariffs . . . and receive monthly bills that contain their rate classification and usage data, among other things.”

-- N.Y.S. Public Service Commission
(Case 10-G-0028)

Public Outreach

- Draft Report: Public outreach for construction projects “may not be adequate”
- Final Report: Public outreach for construction projects “is not sufficiently robust”
- Seven recommendations aimed at improving construction project public outreach

	<ul style="list-style-type: none"> • Customer complaint concerns appropriately addressed • DPS Complaint Response Form is used to track response to DPS case.
Outreach and Communications	
36	Measure the effectiveness of capital project outreach, media relations and external affairs programs, to determine whether outreach efforts are cost-efficient, on target, and achieving results. Priority

Recommendations 36 through 44 address public outreach



	assessment options include surveys, focus groups, a needs clip index, or attendance at public meetings.
37	On a pilot basis, evaluate the potential use and effectiveness of text messages and phone calls to customers on scheduled tree trim routes.
38	Measure the effectiveness of energy efficiency and low-income program outreach and marketing efforts.
39	Develop a more formalized process for determining the outreach budget for capital projects, particularly Tier 2 and high-cost Tier 3 projects.
40	Update the External Affairs Handbook to reflect recent lessons learned, the findings in NorthStar's report, the items cited below, and the other recommendations cited in this chapter. <ul style="list-style-type: none"> • Expand the discussion of project scoring. • For all Tier 3 projects, update commitments at the project approach in its start data, or if there are significant project changes (e.g. scope, schedule, location/season, duration, or other items likely to impact the community such as overhead versus underground, pole height, additional poles, traffic, etc.). This is in addition to the annual update on the 1-year capital plan.
41	Formalize the External Affairs training and enhance it to include the following: <ul style="list-style-type: none"> • Outreach expectations and requirements (e.g. frequency and information to be communicated) • Scoring methodology and application of the scoring rubric in a consistent, objective manner • Documentation requirements • The External Affairs Handbook and other policies and procedures • Communication with the DPS • When various outreach activities/communication methods are required or should be employed Developing budgets for capital project outreach.
42	Develop formal public outreach plans for each Tier 3 project (i.e., not a spreadsheet). At a minimum, the plans should include the following, and should be updated as the project or anticipated outreach requirements change: <ul style="list-style-type: none"> • Description of the project, including timeline and key milestones • Checkpoints to identify any significant changes in project scope or timing • Scoring sheet and a discussion of key concerns and how to mitigate them • Discussion of alternatives considered • Project budget and detailed outreach budget • Anticipated frequency of communications/timeline, planned outreach activities and materials.
43	Document meetings (date, attendees, topics discussed, decisions) with impacted officials as required by the External Affairs Handbook.
44	Increase the specificity of capital project-related outreach: <ul style="list-style-type: none"> • Include more specific, detailed project information on public information meeting letters and notices. • All outreach materials (i.e., fact sheets and customer letters) awaiting in additional poles, pole changes, a shift from underground to overhead cables should indicate such and provided detailed description. • Consider increased use of pictures and renderings in outreach materials, particularly the reliability web pages. • Add a link to PSEG LI's reliability web page on all outreach materials, particularly customer letters. Include these materials were added to the reliability project pages of PSEG LI's website. • Consider an icon for "Opening projects in your neighborhood" or the equivalent to the more resident.com landing page. • Include community/public meeting recommendations on the reliability pages of PSEG LI's website.

Audit Recap

- The final audit was comprehensive, independent and recognized utility accomplishments
- 49 recommendations were directed to LIPA and PSEG Long Island
- Implementation plans for all recommendations will be provided to the Board in October
- Regular reporting on audit implementation progress

“It is standard operating procedure for DPS to carefully scrutinize audits to ensure that findings are supported by the facts. If there are mistakes, we ask the auditor to make necessary corrections.”

- Department of Public Service