



MANAGEMENT AUDIT ANNUAL REPORT

September 25, 2019

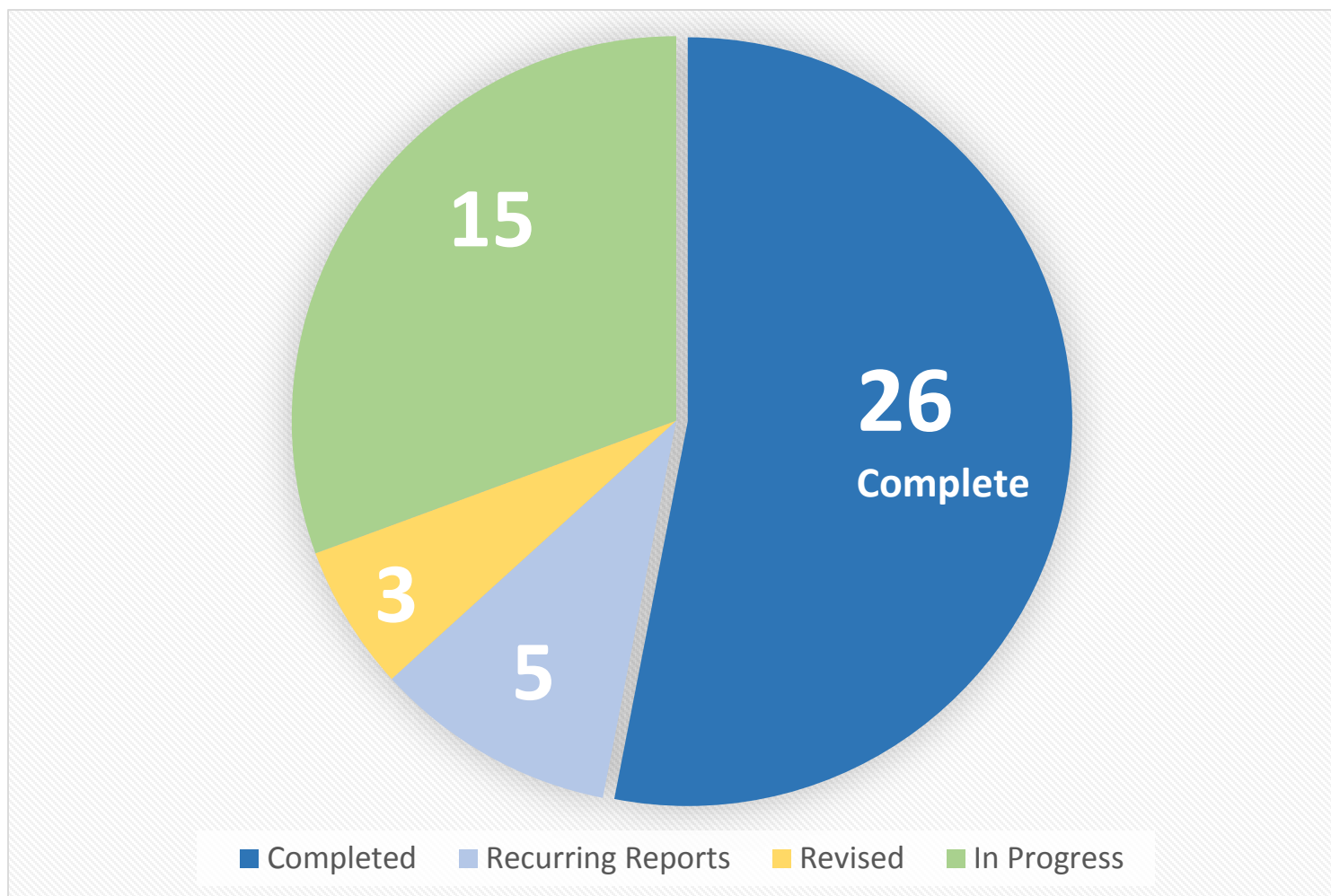
OVERVIEW

- The Department of Public Service (DPS) performs an independent audit of Long Island utility operations every five years
- The 2018 audit produced a total of 49 recommendations in 14 areas of management and operations
- LIPA's audit oversight includes:
 - ✓ Public progress reports to Board of Trustees and DPS placed on LIPA's website
 - ✓ Annual internal auditing of implementation and reporting to the Board of Trustees

IMPLEMENTATION PROGRESS SINCE OCTOBER 24, 2018

- To date, more than half of all implementation plans are completed
- Nearly half tested by Internal Audit with the remainder to be audited by end of 2019
- Collaboration with Department of Public Service (DPS):
 - ✓ Tri-annual progress reports filed each February, June and October
 - ✓ Information Request responses submitted via dedicated electronic platform
 - ✓ Review comments/recommendations from DPS staff on completed items and preparing responses and staff meetings

MORE THAN HALF OF ALL IMPLEMENTATION PLANS ARE COMPLETE



SCOPE OF AUDIT TESTING

Status	# Recommendations by Status	Tested by Internal Audit
Completed	26	12
In Progress	15	N/A
Revised	3	N/A
Recurring Reports	5	3
Total	49	15

NEXT STEPS

- ✓ Next DPS progress report due on October 24, 2019.
- ✓ Address DPS comments/revise implementation plans as necessary through end of year/early 2020.
- ✓ LIPA and PSEG Long Island continuously evaluate efficacy of completed implementation plans. Modify and report as necessary.
- ✓ Continue to work on implementation of remaining audit recommendations.

The image shows a vast ocean under a clear blue sky. In the foreground on the left, a large offshore wind turbine stands on a yellow lattice structure. Several other smaller wind turbines are visible in the distance across the horizon. The water is a deep blue with gentle ripples. The overall scene is serene and represents renewable energy.

Questions?

**MANAGEMENT & OPERATIONS AUDIT
IMPLEMENTATION PLAN
PROGRESS REPORT**

**LONG ISLAND POWER AUTHORITY and
PSEG LONG ISLAND**

Department of Public Service Matter No. 16-01248

September 25, 2019



I Introduction

On August 5, 2016, the New York State Department of Public Service (the Department or DPS) solicited proposals from independent consulting firms to perform a comprehensive and regular management and operations audit of the Long Island Power Authority (LIPA) and its Service Provider, PSEG Long Island LLC. The audit was conducted under the LIPA Reform Act of 2013, see Public Service Law (PSL) §3- b(3)(d) and the Public Authority Law (PAL) §1020-f(bb), which provide the audit commence on December 15, 2016, conclude by June 2018, and be re-conducted thereafter every five years.

As provided for in PSL §3-b(3)(d), DPS elected to engage an outside auditing firm, NorthStar Consulting Group, (NorthStar), following a procurement and selection process conducted by DPS, funded by LIPA and approved by the New York State Office of State Comptroller (OSC). Except for review and approval by the OSC, the process of selecting NorthStar and conducting the audit under supervision of DPS staff was the same as management audits of investor-owned utilities (IOUs) in the State. See PSL §66(19).

NorthStar's audit proposal and the Final Approved Work Plan was comprehensive, focusing on fourteen areas of operations and management against the Authority's duty to set rates at the lowest level consistent with standards and procedures provided in PAL §1020-f(u). The audit commenced with NorthStar's submission of the first 188 data requests (DRs) to LIPA and PSEG Long Island in January 2017. Throughout the audit discovery process, LIPA and PSEG Long Island collaborated with NorthStar and DPS staff to provide complete responses to each request. Between January 2017 and March 2018, 1,018 DRs were answered by LIPA and/or PSEG Long Island consisting of over 5,000 individual documents. These records were supplemented through over 220 interviews that the NorthStar auditors and DPS staff conducted with LIPA and PSEG Long Island management, staff and LIPA Trustees.

On June 29, 2018, NorthStar's Final Report was released with 49 recommendations. The Report further identified certain recommendations from NorthStar's previous audit in 2013, that because of the broad changes to the Authority's role in operations, reconfiguration of its Board, and transition to a new Service Provider, the auditors recommended should be reviewed jointly with DPS staff to determine the relevance for further implementation.

LIPA staff briefed the Board of Trustees on the Final Report on July 25, 2018, recommending adoption of each recommendation and for the Board, under PAL§ 1020-f(bb), to direct the Authority staff and Service Provider to develop and present an implementation plan to the Board for approval within 90 days. In fulfillment of that statutory obligation, LIPA and PSEG Long Island set forth their implementation plan on October 24, 2018.

A. Summary of Recommendations and Audit Implementation Plan

The NorthStar Report contains 49 recommendations that are summarized in the table below. LIPA and PSEG Long Island formed teams within each organization to coordinate the development of plans for each recommendation following a common format used by IOUs.

Each team considered the findings and conclusions supporting each of NorthStar’s recommendations as provided in the Final Report. Each implementation plan names at least one designated team leader responsible for carrying out each plan and a member of executive management to whom the leader(s) report. Where appropriate, implementation plans are assigned to joint LIPA-PSEG Long Island members and executives. Individual plans are organized to set forth the objectives and assumptions for each recommendation, followed by specific steps or deliverables, with due dates, that will be taken in the coming months and years to implement each recommendation. Finally, each recommendation includes a Cost Benefit Analysis to summarize projected additional expenditures needed, if any, to carry out implementation; projects benefits, if any, for customers that will be achieved through implementation; and, potential risks that may impede full implementation of a recommendation as envisioned by NorthStar.

Over the previous 11 months, LIPA and PSEG Long Island have also coordinated with staff at DPS by providing regular progress reports, additional supporting documentation and written responses to questions as implementation plans were completed. DPS has also provided substantive comments and recommendations for possible additional action on five audit recommendations that have been deemed completed. LIPA and PSEG Long Island are evaluating the comments for possible incorporation into existing implementation plans and will continue to collaborate with DPS. Revisions requiring changes in expected completion dates, or more significant modification requiring additional or revised implementation steps will be reported here and in future progress reports as the audit implementation process moves forward.

Audit Recommendations and Status as of September 25, 2019.

The status terms used below are defined as follows:

Completed: the audit recommendation has been implemented in full and no further action is required.

Recurring: the audit recommendation has been implemented subject only to periodic or recurring activity, reporting or filing requirements set forth in the recommendation.

In-Progress: the implementation plan continues to be executed and is expected to be completed on time notwithstanding possible revisions to due dates of interim steps.

Revised: the anticipated completion date of an audit recommendation has been revised for reasons set forth in the commentary section of that implementation plan.

LIPA Background and Prior Audit		Status
1	LIPA and PSEG Long Island should work with the DPS to determine which of the outstanding recommendations from the 2013 are still relevant and should be implemented.	Completed

2	LIPA and PSEG Long Island should develop an implementation plan for all audit recommendations (new recommendations and outstanding recommendations that LIPA, PSEG Long Island and DPS determine remain relevant) within 90 days of the Final Audit Report acceptance and submit the implementation plan to the LIPA Board of Trustees and the DPS. The Report could take the form required of the IOUs.	Recurring
3	LIPA Internal Audit should perform a comprehensive audit of the implementation status of all audit recommendations annually until the next DPS audit is performed. The results of LIPA’s audit should be submitted to LIPA executive management, the LIPA Board of Trustees, PSEG Long Island, and the DPS. Within each LIPA audit: <ul style="list-style-type: none"> • An evaluation of progress performance should be included. • A progress tracking document should show activities completed to date and those in process. • Any revisions to completion targets should be highlighted for management review. 	Recurring
Executive Management and Governance		Status
4	LIPA Financial Oversight should formally document the results of its PSEG Long Island oversight activities and assessment process annually with submission to LIPA and PSEG Long Island executive management as well as DPS.	In Progress
5	LIPA should formally request appointments or confirm extensions to Board member term periods at least six months prior to term expirations.	Recurring
Enterprise Risk Management (ERM)		Status
6	LIPA and PSEG Long Island should continue to develop an effective, comprehensive ERM process.	In Progress
Budgeting and Financial Reporting		Status
7	Continue to develop and implement the SOS capital program optimization model. <ul style="list-style-type: none"> • Implement improvements identified by PSEG Long Island and LIPA Internal Audit, including: <ul style="list-style-type: none"> - Review and adjust the project description questions. <ul style="list-style-type: none"> • Add a demographic category for “permitting required”, which can act as a flag of sorts when running optimization scenarios. • Flag projects that are necessary to remediate a violation or to prevent a violation. - Review the scoring criteria for each business area when setting up a new project in SOS. - Identify any biases toward certain types of projects. - Refine the Strategic Objectives and the Success Criteria. Consider including Success Criteria not used for the 2018 budget, such as NPV and the financial risk of deferral. • Expand the use of SOS to other business areas, including IT and Customer Operations. • Include a step in the SOS optimization process to calibrate value and risk scoring across business units that develop capital projects such as Network Strategy Planning group, Electric Operations, and Reliability Management. IDA should lead a process to review the scoring of projects with similar risk values to ensure the projects are scored on a comparable basis. Similarly, IDA should ensure the different organizations use comparable bases for value scoring the projects using the Strategic Objectives and the 	Completed

	Success Criteria.	
8	Provide LIPA-specific capital budget versus actual expenditure variance data to the BOT in each F&A Committee package.	Completed
9	Update the PSEG Long Island budget procedure to include the determination of incremental O&M expenses associated with new construction.	Completed
10	Complete the process of upgrading LIPA's financial system.	In-Progress
11	Determine the feasibility and cost of establishing interfaces between PSEG Long Island's MicroStrategy, PCM, and SAP systems to eliminate the need for manual data transfer processes. If cost effective, implement processes to allow electronic data transfer between the systems.	Completed
Debt Management		Status
12	LIPA should build on its recent success in "homogenizing" groups of debt covenants to increase consistency among other debt instruments.	In-Progress
Load Forecasting, System Planning and DSP Development		Status
13	Develop evaluative criteria or other measures to assess the effectiveness of the planning process. Effectiveness should be measured based on specifics, for example: <ul style="list-style-type: none"> • Number and timeliness of system studies • Timeliness of development of PJDs • Quality of PJDs (e.g., do they contain all requisite information?) • Relative accuracy of conceptual level estimates 	In-Progress
14	Perform detailed cost-benefit analyses consistent with Transmission Planning's analyses for projects related to thermal overload.	Completed
Transmission and Distribution (The most important recommendation for improving PSEG Long Island's T&D operations, preventive maintenance and continued improvement require workload resource quantification and can be found in Chapter X – Work Management)		Status
15	Continue implementing the vegetation management program to meet annual targets. Complete the mainline hardening program.	Completed
16	Complete the Emergency Response Training for all employees as required.	Completed
17	Improve Emergency Response Training in the ERP to identify type of training and frequency by position.	Completed
18	Complete development of the CMMS.	In-Progress
19	Continue monitoring SAIFI both from a system and cause basis. Continue targeting and prioritizing programs that address reliability.	Completed

Program and Project Planning and Management		Status
20	<p>Perform all policies, procedures and control functions that are currently and formally required.</p> <ul style="list-style-type: none"> • PSEG Long Island should conduct all audits as required in the A&R OSA. • Adhere to formal document control policies and procedures. • PSEG Long Island should follow the PMP Playbook and its procedures 	In-Progress
21	<p>The URB management processes and controls should be audited annually until the next DPS Management Audit, to confirm adherence to its charter and control policies and procedures.</p>	Completed
22	<p>Develop and implement procedures related to quality assurance and quality controls for capital programs and projects.</p>	Revised
23	<p>Address the deficiencies in project estimating by making organizational and process improvements and creating a capital project estimating function/organization equipped with appropriate tools.</p> <ul style="list-style-type: none"> • Establish an organizational group of professional estimators for transmission and distribution that will develop estimates for planning, engineering and construction. • Use these internal estimators to set and validate baseline estimates established for contractors. • Assess the process used to develop and update estimates for completion. • Establish project estimating tools such as a formal data base of project estimates and support tools such as software and develop and manage an estimating data true-up process. • Review and document inflation and escalation factors and analyses used to predict project completion costs for each project estimate. • Review project budget numbers and cost reporting information to determine whether they represent the most currently approved budget and cost data. • Determine whether cost and schedule systems are integrated and whether the project master schedule is appropriately integrated with the approved project budget. • Formally document project cost reviews at each level of estimate in detail and at various stages of project completion as called for in Project Cost Management (Procedure TD-PM-002-0004). • Review project guidelines for performing trend analyses and exception reporting. • Evaluate how trends were identified, analyzed, brought to management's attention, and how they were resolved. • Determine whether cost control systems, forecasting and trend analyses directed attention to bulk rates, commodities and productivity to reveal above/below average performance. • Continuously verify the accuracy of estimates versus the actual project cost and maintain a record of updates to the estimating database. 	Revised
24	<p>Utilize a WBS in the initial phases of the project justification and conceptual estimating and continue their refinement as the project progresses.</p> <ul style="list-style-type: none"> • Develop well-defined work packages that can be used to track, and measure project performance based on earned value. • Plan work in logical work groupings or packages and subdivide into smaller work groupings. Ensure that activities required to perform the 	In-Progress

	<p>work in each group are identified, defined, and dependent relationships established.</p> <ul style="list-style-type: none"> • Formalize the use of WBS elements by all project participants in their respective areas of responsibility and as an identification tool for project management performance measurement. • Use the WBS in procurement/contracting activities and specify the WBS in contractor Requests for Proposals. • Use the WBS for project costing and as a means to assess the impact of programmatic changes in funding levels on work content, schedules, and contractual support. • Prepare cost estimates for each WBS element to assist budgeting and project validation. • Integrate the WBS with PSEG Long Island’s accounting systems, project cost management systems and schedule management systems. • Integrate master work plans and detailed contractor schedules / activities to the WBS to permit integration of schedule information and to facilitate review of status reports and change proposals. • Refine detailed project estimates initially prepared by WBS element and follow the manner in which the project work was planned, scheduled, estimated, funded and executed. 	
25	<p>Formalize and incorporate contingency management in capital project cost estimating and cost management. Formally report the expenditure of contingency funds separately from project estimates rather than inflate total project budget amounts. It is critical that reliable project budgets include contingency funds based on baseline estimates and their relative risks. In addition to project specific contingency elements, a contingency should also be established to address project scope changes and the need for unforeseen administrative or legal support. In order to audit contingency management, the following activities should be included:</p> <ul style="list-style-type: none"> • Review the project budgets and individual budget elements including management, design, construction and project specific contingencies. • Determine whether contingency levels were appropriately evaluated and reviewed in each evolution of project estimating and each project stage. • Relate contingency levels with recognized uncertainty and risks at specific levels of planning, design and construction. • Evaluate project design for unforeseen conditions that might arise or be discovered during the design process and whether these conditions fall within the original project scope (i.e., the program requirements initially articulated by the user in the project definition stage). • Establish and formalize project cost contingency to cover additional project detail such as unforeseen site conditions, interference, delays or other circumstances that would not have been known at initiation and expanded or changed project scope not identified during the scope definition phase. 	Completed
26	<p>Define and report project management performance measures that focus on the effectiveness of cost estimation, earned value and schedule management. Project progress reports should be timely and contain all information which is pertinent for their target audience. Cost estimates and schedules developed for preliminary plans should be evaluated when a project is complete to determine where further enhancements to project estimating can be made.</p> <ul style="list-style-type: none"> • Have project managers actively monitor overall project progress against the baseline schedule and review cost versus progress and budget. • Formalize project management performance reporting to LIPA and PSEG Long Island. 	Revised

	<ul style="list-style-type: none"> • Integrate cost and schedule systems with the project master schedule and the approved project budget. • Develop a baseline schedule for every capital project showing the logical relationships, duration, and timing of the WBS elements for engineering and construction. • Establish processes for systematic schedule preparation, review and analysis. • Periodically, perform analyses of the initial establishment of operation/completion dates. • Construction delivery strategy – whether plans were developed and defined for construction contracting and long lead item equipment procurement. • Phasing requirements – determining the proper sequence and phasing of all proposed construction work on the project to ensure that construction was accomplished in the most economical manner while minimizing impact to operations. • Integration of design, procurement and construction activities - once phasing was determined, whether all activities concerned with design, procurement, construction, start- up and operation, and the entire scope of work was clearly defined and integrated. • Milestones – identification of important milestone dates establishing a basis for the implementation of the project work plan. • Periodically reassess processes used to obtain actual project schedule data used to determine the status of the project against key milestones, and the accuracy of information on the progress of individual/critical project elements. • Formalize processes to address proposed and actual revisions to the project schedule and use of the scheduling system to identify possible solutions for schedule recovery. • Highlight: <ul style="list-style-type: none"> - Project cost variances - Schedule variances - Committed costs and actual costs to date - Estimated cost at completion - Capital budget impact - Trends - Pending and approved scope changes - Earned value, or other measurements of cost and schedule performance. 	
Work Management and Outside Services		Status
27	<p>Develop an integrated a work management system covering all PSEG Long Island operations, maintenance and construction resources that are based on engineered time standards and cover routine operations, repetitive maintenance activities, planned work, support requirements, and provide continuous feedback on workforce effectiveness. The system should be in an easy-to-use format expressed in man-hours, along with the combined employee and contractor capacity available to perform the work, supported by real time reporting of capacity utilization. The system should include:</p> <ul style="list-style-type: none"> • Documentation of work level versus resource histogram development and work plan process. • Enhanced methods to calculate workforce capacity and utilization. • Expanded workforce coverage in reports. • Documentation of processes for establishing workforce levels. • Documentation of criteria for adding contractor capacity. 	In-Progress

	<ul style="list-style-type: none"> • Establish real time variance reporting for O&M and project costs. • Additional decision-making information to work plan 	
28	<p>Fill gaps in the current management information reporting and organizational reporting relationships to support an integrated work management system.</p> <ul style="list-style-type: none"> • Develop formal reports on trends in work load levels, workforce productivity and utilization. The analysis of these trends identifies areas that are performing well, where improvements are needed, and is a foundation for the development of strategies to improve work force performance. • Establish formal processes to use work management data for annual resource planning as part of the annual business planning activities of PSEG Long Island operations and maintenance. • Develop formal work management practices for PSEG Long Island engineering and design functions. The work management systems should have appropriate system tools to support the various individual and distinct engineering functional processes. Elements that should be formalized include: <ul style="list-style-type: none"> - Scheduling - Prioritization and planning - Resource allocation and leveling - Performance measurement - Budget planning and control - Vendor tracking - Document/drawing control - Records management - Procurement management - Time reporting 	In-Progress
29	Develop overtime targets for PSEG Long Island operations and maintenance organizations based on economic analyses and verified industry norms.	In-Progress
30	Add KPIs for management positions. Review the design of monitoring and controlling reports to improve their usefulness.	In-Progress
Customer Operations		Status
31	At the time of the next bill redesign, revise bill formats to include missing information required by 16 NYCRR Parts 11 and 13 (e.g., definition of kW, late payment date line and an explanation as to how the bill can be paid).	Completed
32	Issue denial of service notices as required by 16 NYCRR Parts 11 and 13. Offer payment arrangements, as required by Part 11.	Completed
33	<p>Revise the processes used by PSEG Long Island to respond to complaints received by the DPS as follows:</p> <ul style="list-style-type: none"> • Create a case file checklist to include in case files to ensure documentation is complete. • Develop an integrated program management approach to ensure customers are provided information on all programs available to them. One approach would be to create customer profile worksheet with cross reference to applicable programs and/or relevant protections. • Eliminate practice of hand calculations and implement use of excel template calculators. Modify the “DPS Complaint Response Form” to include: <ul style="list-style-type: none"> - Time and date customer complaint was created - Applicable customer contact timeline (e.g. 2-hour, next day etc.) 	Completed

	<ul style="list-style-type: none"> - Time and date customer was contacted - Any special protections or customer assistance programs the customer was referred to - Date form submitted to DPS. • Implement a process to ensure PSEG Long Island includes copies of the DPS customer close out letters in the case files. 	
34	<p>Modify the CTS system to improve DPS complaint tracking and reporting ability. Add data fields including:</p> <ul style="list-style-type: none"> • The original source of complaints referred by DPS (i.e., direct from customer, Consultant, Government Official/Executive Correspondence). • Customer contact deadline. • Closeout deadline. • Resolution status field to differentiate between cases that are “Resolved and Closed” vs “Unresolved and Closed” • Indication the case is “Pending completion of future work” to allow for active follow-up. • Modify the Date Opened field to allow for capturing of time of day a case is created. • Modify Date Contacted field (default time of day set at 0:00) to force user to adjust time. Adjust internal processes to ensure data entry into this field. 	Completed
35	<p>Implement a Quality Assurance Program in Customer Relations. Recommended items for review include:</p> <ul style="list-style-type: none"> • Data is entered in CTS • CAS diary entry includes the time customer contact occurred • Case files are completed • Appropriate tools and methodology are being used to calculate adjustments • Consistent treatment of customers with similar issues • Customers complaint concerns appropriately addressed • DPS Complaint Response Form is used to track response to DPS cases. 	Completed
Outreach and Communications		Status
36	<p>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. Potential measurement options include surveys, focus groups, a media clip index, or attendance at public meetings.</p>	In-Progress
37	<p>On a pilot basis, evaluate the potential use and effectiveness of text messages and phone calls to customers on scheduled tree trim routes.</p>	Completed
38	<p>Measure the effectiveness of energy efficiency and low-income program outreach and marketing efforts.</p>	In-Progress
39	<p>Develop a more formalized process for determining the outreach budgets for capital projects, particularly Tier 3 and high scoring Tier 2 projects.</p>	Completed
40	<p>Update the External Affairs Handbook to reflect recent lessons learned, the findings in NorthStar’s report, the items cited below, and the other recommendation cited in this chapter.</p> <ul style="list-style-type: none"> • Expand the discussion of project scoring. 	Completed

	<ul style="list-style-type: none"> For all Tier 3 projects, update constituents as the project approaches its start date, or if there are significant project changes (e.g., scope, schedule, location/route, duration, or other item likely to impact the community such as overhead versus underground, pole heights, additional poles, traffic, outages). This is in addition to the annual update on the 5-year capital plan. 	
41	<p>Formalize the External Affairs training and enhance it to include the following:</p> <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/communications methods are required or should be employed Developing budgets for capital project outreach. 	In-Progress
42	<p>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:</p> <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 sheets and a discussion of key concerns and how to mitigate them Discussion of alternatives considered Project budget and detailed outreach budgets Anticipated frequency of communications/timeline planned outreach activities and materials. 	Completed
43	<p>Document meetings (date, attendees, topics discussed, takeaways) with impacted officials as required by the External Affairs Handbook.</p>	Completed
44	<p>Increase the specificity of capital project-related outreach:</p> <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) resulting 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 Long Island’s reliability web page on all outreach materials, particularly customer letters. Include dates materials were added to the reliability project pages of PSEG Long Island’s website. Consider an icon for “Upcoming projects in your neighborhood” or the equivalent to the www.psegliny.com landing page. Include community/public meeting presentations on the reliability pages of PSEG Long Island’s website. 	Completed
Performance Management		Status
45	<p>Develop and adhere to a schedule for completion of the annual metric identification and target setting process that provides for a final list of approved metrics at the beginning of the measurement year. Tier 1 Metrics, definitions, weightings and targets should be set no later than February 28. There should be a final sign-off on</p>	Recurring

	all of the aforementioned elements. Note: This is not intended to imply that the metric book must be completed by February 28; however, it should be done in an expeditious manner.	
46	<p>PSEG Long Island and LIPA should streamline its process to facilitate the establishment and measurement of meaningful operational metrics to monitor performance, incorporating DPS staff input, and potentially bifurcating the Tier 2 metrics. This might expedite the finalization of the Tier 1 metrics. Examples include:</p> <ul style="list-style-type: none"> • Establish a smaller group of Tier 2 metrics used to test metrics for possible inclusion as a Tier 1 metric or to continue to monitor performance when a Tier 1 metric has been moved to a Tier 2 metric. • Establish a separate classification of metrics to be used to monitor performance in specific areas or for operational reporting. These metrics would not be tied to compensation and could then be used to address such items as the following: <ul style="list-style-type: none"> - Changes in regulatory requirements or NYS initiatives (e.g., Reforming the Energy Vision, Clean Energy) - Elements of LIPA’s Strategic Plan, Utility 2.0 or the IRP. - AMI implementation status - Issues identified by internal or external audits, including performance deficiencies identified by NorthStar’s audit. - Operational changes or revised priorities. - Tracking new initiatives or sub-elements of existing initiatives. - Metrics intended to address efficiency and effectiveness. - As examples, a number of the Tier 2 metrics used over time would more appropriately have been part of this category: social media followers, staffing levels permanent, percent of financial management reports delivered to LIPA. 	Completed
47	LIPA and PSEG Long Island should continue to evaluate how to best incentivize service provider performance (Tier 1 metrics), drive continuous improvement and align the metrics with the focus of LIPA and PSEG Long Island’s long-term strategy/operational needs and industry best practices.	Recurring
48	Define the metric calculation methodology to specify whether service restorations completed in exactly two hours should be included in the ETR Accuracy performance metric. NorthStar found the specified calculation methodology open to some interpretation. Currently, PSEG Long Island does not include restoration times of exactly two hours. This should be reconciled between PSEG Long Island and LIPA.	Completed
Fuel and Purchased Power		Status
49	Memorialize the process regarding PSEG Long Island conflict of interest in regional market activities (discussed in Section 4.18 of the A&R OSA) in the Contract Administration Manual (CAM).	Completed
Pension and OPEB		
None		

B. Tracking and Close-out of 2013 Audit Recommendations

Part of the scope of NorthStar’s audit was a review of progress towards implementing 83 recommendations made in its June 2013 audit report, which was issued nearly simultaneously with passage of the LIPA Reform Act and prior to finalization of the Amended & Restated Operations Services Agreement (A&R OSA) with PSEG Long Island, which became effective on January 1, 2014. Recommendation No. 1 of the Final Report provides: “LIPA and PSEG [Long Island] should work with the DPS to determine which of the outstanding recommendations from the 2013 [Final Report] are still relevant and should be implemented.”

Accordingly, project management staff at LIPA and PSEG Long Island met with DPS beginning in August 2018 to exchange views on the best way to track and close out the remaining 2013 findings. Both LIPA and PSEG Long Island viewed most of the remaining 2013 items as overlapping with recommendations in the 2018 audit. DPS reviewed additional documentation provided since conclusion of the audit and agreed with respect to recommendations 5.4.2 and 5.4.3 in the 2013 audit that those recommendations have been or are near completion. Accordingly, they will be regarded as closed and not reported further. As for the remaining 2013 recommendations, DPS has reviewed and approved the table below subject to on-going progress review and comment. Accordingly, the remainder of the 2013 recommendations identified by NorthStar will be addressed by reference to 2018 implementation plans as follows:

Summary of 2013 Findings with Reference to 2018 Implementation Plans

2013 Audit Recommendation No.	Recommendation	NorthStar 2018 Comments	Implemented under 2018 Recommendation No.
9.4.2	To the extent practical the system planning function should justify capital improvement projects based on cost/benefit analysis in addition to and engineering needs analysis.	Ongoing: Only a certain number of capital improvement projects can be quantified on a cost/benefit analysis.	14 Completed
10.4.4	Define project management performance measures focusing on the effectiveness of cost estimation and scheduling. Cost estimates and schedules developed for preliminary plans should be evaluated when a project is complete to determine where further enhancements to project estimating can be made.	Ongoing: PSEG Long Island continues to develop and implement performance measures focusing on the effectiveness of cost estimates and project scheduling.	26 In-Progress
10.4.5	Utilize a Work Breakdown Structure (WBS) in the initial phases of the project justification and conceptual estimating and continue their refinement as the project progresses.	Ineffective: PSEG Long Island does not use an industry accepted WBS.	24 In-Progress

10.4.6	Address the deficiencies in project estimating by making organizational and process improvements and creating a capital project estimating function/organization equipped with appropriate tools.	Ongoing: PSEG Long Island is improving the process but presently does not accurately estimate projects. Poor estimating results in poor project management decisions.	23 Revised
10.4.7	Develop a capital project cost forecasting/trending capability.	Ongoing: As noted above.	26
10.4.8	Incorporate contingency management in capital project cost estimating and cost management.	Ineffective: Poor project estimates are increased with a risk and contingency factor ranging from 40 percent for an office level estimate to 10 percent for a definitive estimate. These factors artificially inflate project estimates as the factors appear unsubstantiated.	25 In-Progress
10.4.10	Improve periodic capital progress reporting.	Ongoing: The procedures developed to date address many components of capital project delivery and will continue to support project management and control.	26 In-Progress
10.4.11	Improve capital project document control.	Ongoing: Procedures developed to date identify documentation but implementation will continue.	20 In-Progress
10.4.12	Perform capital project schedule management.	Ongoing: PSEG Long Island's project schedule management will continue to improve.	26 In-Progress

12.4.2	Develop and implement a rigorous procedure that requires a thorough analysis and direct comparison of the costs of repairing versus replacing T&D system equipment. While other factors, such as system reliability, should be analyzed as well, LIPA should be aware of the cost-effectiveness of each project or program, and the impact it will have on customer costs.	Ongoing: PSEG Long Island has a reasonable approach to repair/replace decision-making, but it does not yet include cost-benefit analyses.	18 In-Progress
12.4.3	Establish an asset management model that supports the LIPA T&D preventive maintenance program.	Ongoing: PSEG Long Island recently created an Asset Strategy group in late 2016 to provide increased support to the preventative maintenance programs. Full implementation is expected in 2020.	18 In-Progress
13.4.1	Develop an integrated work management system that formalizes planned work, support requirements, and provides continuous feedback on workforce effectiveness.	Ineffective: PSEG Long Island does not yet use work management systems to effectively plan, monitor and control the work of major work force groups.	27 In-Progress
13.4.2	Fill gaps in the current management information reporting and organizational reporting relationships to support an integrated work management system.	Ineffective: PSEG Long Island does not yet use work management systems to effectively plan, monitor and control the work of major work force groups.	28 In-Progress
15.4.4	Develop a comprehensive, coordinated communications, government and public affairs strategy and associated policies/procedures.	Ongoing: Communications are performed by a number of organizations. External Affairs developed a handbook for reliability projects and adopted a more proactive approach; however, additional improvements are possible as discussed in the Final Report.	42 and 44 Completed

15.4.5	Communicate issues of significance to customers regularly and in a timely manner.	Ongoing: Improvements are warranted in the area of capital projects.	40 In-Progress 44 Completed
--------	---	---	--------------------------------------

C. Prioritization, Status and Progress Reporting

Besides its final report, NorthStar prepared and issued an Appendix A consisting of its own preliminary Cost-Benefit Analyses of each of the 49 recommendations and ranked each as: High, Medium or Low. LIPA and PSEG Long Island adopted the following definitional criteria for each rank designation:

Priority	Description
Low Risk/Benefit	Requires routine management attention and largely utilizes existing practices and resources.
Moderate Risk/Benefit	Requires some additional management attention to implement new or enhanced practices or commit modest additional resources, and is anticipated to provide operational, fiscal or customer service benefits commensurate with the resource commitment.
High Priority Risk/Benefit	Requires significant management attention, process change or resources and is anticipated to result in quantifiable operational, fiscal or customer service benefits commensurate with the resource commitment.

Annual progress reports on all recommendations are to be filed with the LIPA Board of Trustees and DPS each September. See LIPA Board of Trustees Resolution, #1420, amended July 25, 2018. Additional interim reports are also made to the Board by LIPA staff. Finally, the instant progress report is issued publicly and to DPS pursuant to audit recommendation number 2, and in a format similar to reporting by IOUs. Progress reports are filed tri-annually each February, June and October.

Additionally, LIPA and PSEG Long Island provide DPS staff additional information regarding implementation as requested.

D. Conclusion

LIPA and PSEG Long Island recognize that effective implementation plans must remain flexible enough to evolve and improve as implementation efforts and circumstances may require. We will continue to collaborate with DPS staff to evaluate each implementation plan,

incorporate lessons-learned from ongoing implementation efforts, and modify plans as necessary. Any modifications will be reported to the Board of Trustees and DPS as they arise.

LIPA and PSEG Long Island recognize that the findings and recommendations in the management audit represent an opportunity to focus efforts on continuous improvements to benefit our customers. The leadership of both organizations are committed to the successful implementation of each of the recommendations.

Recommendation Number: 1

Item Status Completed

Recommendation:

LIPA and PSEG Long Island should work with the DPS to determine which of the outstanding recommendations from the 2013 are still relevant and should be implemented.

Assigned LIPA Staff:

James Miskiewicz, Deputy General Counsel

Assigned PSEG Staff:

Andrea Elder-Howell - Executive Sponsor; Michael Ennis - Team Leader

LIPA Executive:

Anna Chacko, General Counsel

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The Management Audit Report found that 17 of the 83 recommendations made during the 2013 audit remained in progress. The current recommendation from the 2018 report recognized that not all of the outstanding recommendations remain relevant given intervening developments such as the LIPA Reform Act and changes to the operating models and responsibilities of LIPA and PSEG Long Island. Accordingly, the purpose of this recommendation is to document completion of all recommendations remaining from the 2013 management audit wherever still relevant in view of DPS, the Authority and PSEG Long Island. By working with DPS staff, LIPA and PSEG Long Island will evaluate and jointly come to agreement which 2013 recommendations remain in need of further progress to be reported upon separately and/or which action plans are better addressed through new 2018 recommendations.

Deliverable:

The initial implementation plan to be filed with the LIPA Board of Trustees and DPS on October 24, 2018 will specify which 2013 recommendations are deemed still relevant, include timetables for completion, and/or identify those which will be shifted for incorporation into action plans to implement 2018 recommendations

Deliverables/Milestones	Due Date	Status	Comments
LIPA and PSEG Long Island meet with DPS staff and present proposal on how to address outstanding 2013 recommendations within the context of 2018 implementation plans	8/15/2018	Completed	DPS staff have agreed that all remaining 2013 audit recommendations were either completed, or would be implemented through new 2018 recommendations as set forth above at pages xiii through xvi: "Summary of 2013 Findings with Reference to 2018 Implementation Plans" (Table).
PSEG Long Island and LIPA senior leadership meet to review, revised action plans for all remaining 2013 recommendations	9/17/2018	Completed	

Revised draft implementation plans submitted to DPS staff for review and comment	10/1/2018	Completed	
LIPA and PSEG Long Island senior leadership meet to discuss revisions to plans	10/11/2018	Completed	
DPS to make final comments on previously-submitted proposals to incorporate 2013 recommendations into 2018 implementation plans. Any 2013 matters deemed more appropriately addressed separately will be broken out, reported and tracked separately.	10/12/2018	Completed	
Action plan for all 2018 and outstanding 2013 recommendations publicly filed with LIPA Board and DPS	10/24/2018	Completed	

Cost Benefit Analysis:

LIPA and PSEG Long Island estimate that costs to determine current relevance of previous audit recommendations will be nominal whereas the benefit will be to better focus on and clarify implementation of current recommendations.

Recommendation Number: 2

Item Status Recurring reports

Recommendation:

LIPA and PSEG Long Island should develop an implementation plan for all audit recommendations (new recommendations and outstanding recommendations that LIPA, PSEG Long Island and DPS determine remain relevant) within 90 days of the Final Audit Report acceptance and submit the implementation plan to the LIPA Board of Trustees and the DPS. The Report could take the form required of the IOUs.

Assigned LIPA Staff:

James Miskiewicz, Deputy General Counsel

Assigned PSEG Staff:

Andrea Elder-Howell - Executive Sponsor; Michael Ennis - Team Leader

LIPA Executive:

Anna Chacko, General Counsel

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The objective is to develop and maintain a system to contemporaneously document development of implementation plans for each recommendation in the management audit and to track progress in implementing each recommendation in the 2018 audit as well as those deemed active from the 2013 audit. The system assigns team leaders for each recommendation, assesses scope, objectives and cost-benefit analyses, projected timetables and milestones for achievement of completion and serves as a measure of overall progress. The system will form the basis of periodic progress reporting to the LIPA Board of Trustees and DPS, and ultimately serve as a record for implementation for future management audits as required by the Public Authorities Law.

Deliverable:

File implementation plan with the LIPA Board of Trustees and DPS on October 24, 2018. File implementation plan progress reports pursuant to the Board's Audit Relationships Policy as implementation action plans require.

Deliverables/Milestones	Due Date	Status	Comments
LIPA & PSEG Long Island meet and agree on implementation plan format	7/16/2018	Completed	
Brief LIPA Board and submit resolution to implement audit recommendations	7/25/2018	Completed	
Implementation plan & tracking schedule finalized	7/30/2018	Completed	
All draft LIPA & PSEG Long Island implementation plans due on LIPA SharePoint platform today	9/7/2018	Completed	

PSEG Long Island and LIPA senior leadership meet to discuss approval and/or revisions to draft implementation plans	9/17/2018	Completed	
Revised implementation plans due on SharePoint tracker	10/1/2018	Completed	
LIPA & PSEG Long Island senior leadership approve implementation plans for each 2013 and 2018 recommendation	10/11/2018	Completed	
Comments on draft implementation plans received from DPS staff	10/12/2018	Completed	
Implementation Plan "book" compiled, disseminated to Board of Trustees and DPS	10/12/2018	Completed	
Management Audit Implementation Plan publicly presented to Board and DPS; posted on websites	10/24/2018	Completed	
Progress reports submitted to LIPA Board of Trustees, posted on LIPA website and filed with DPS	9/30/2019	Recurring reports	
Progress reports submitted to LIPA Board of Trustees, posted on LIPA website and filed with DPS	9/30/2020	Recurring reports	
Progress reports submitted to LIPA Board of Trustees, posted on LIPA website and filed with DPS	9/30/2021	Recurring reports	
Progress reports submitted to LIPA Board of Trustees, posted on LIPA website and filed with DPS	9/30/2022	Recurring reports	
Progress reports submitted to LIPA Board of Trustees, posted on LIPA website and filed with DPS	9/30/2023	Recurring reports	

Cost Benefit Analysis:

The cost to develop an implementation plan is nominal. The development of a plan will ensure the audit recommendations will be implemented in a timely manner. Documentation and tracking of progress, in conjunction with regularly reporting to the Board, DPS and the public serves the Authority and PSEG Long Island's values of transparency to stakeholders. The system will also aid in producing records of implementation more efficiently for the next management audit.

Recommendation Number: 3

Item Status Recurring reports

Recommendation:

LIPA Internal Audit should perform a comprehensive audit of the implementation status of all audit recommendations annually until the next DPS audit is performed. The results of LIPA’s audit should be submitted to LIPA executive management, the LIPA Board of Trustees, PSEG Long Island, and the DPS. Within each LIPA audit:

- an evaluation of progress performance should be included.
- a progress tracking document should show activities completed to date and those in process.
- any revisions to completion targets should be highlighted for management review.

Assigned LIPA Staff:

Kathleen Mitterway, CPA, CIA, CISA, CFE, CGMA, Vice President, Audit

Assigned PSEG Staff:

Rocky Shankar, Internal Audit Manager

LIPA Executive:

Kathleen Mitterway, CPA, CIA, CISA, CFE, CGMA, Vice President, Audit

Ranking:

High

Objectives and Assumptions of the Recommendation:

The objective of this recommendation is to ensure that the 2013 & 2018 NorthStar Recommendations and Management Action Plans have been effectively implemented.

Consistent with the LIPA Board of Trustee's Policy on Audit Relationships, LIPA Internal Audit will perform a comprehensive audit of the implementation status of all audit recommendations annually until the next DPS audit is performed. The results of this analysis will be submitted to LIPA executive management, the LIPA Board of Trustees, PSEG Long Island, and the DPS.

Within each LIPA audit: an evaluation of progress performance will be included; a progress tracking document will show activities completed to date and those in process; any revisions to completion targets will be highlighted for management review.

The Authority’s Chief Executive Officer, together with PSEG Long Island, will submit an annual report to the Oversight Committee of the Board and the Department of Public Service of the status of the implementation plan and the results of the annual audits.

That annual report will include a summary of the activities completed to date and any revisions to completion targets. The annual report will be reviewed by Internal Audit for completeness prior to submission. The Oversight Committee will report significant matters to the Board.

Internal Audit will review the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the plan for that recommendation.

Deliverable:

Annual Report to the Oversight Committee of the Board and the Department of Public Service of the status of the implementation plans and the results of the annual audits. After each annual audit, LIPA Internal Audit will review any audit observations relative to the implementation plans for consistency between the plans and the Management Audit findings and recommendations.

Deliverables/Milestones	Due Date	Status	Comments
Authority’s CEO, together with PSEG Long Island, will submit an annual report to the Oversight Committee of the Board and the DPS of the status of the implementation plan and the results of the annual audits	9/30/2019	In Progress	
Authority’s CEO, together with PSEG Long Island, will submit an annual report to the Oversight Committee of the Board and the DPS of the status of the implementation plan and the results of the annual audits	9/30/2020	Recurring reports	
Authority’s CEO, together with PSEG Long Island, will submit an annual report to the Oversight Committee of the Board and the DPS of the status of the implementation plan and the results of the annual audits	9/30/2021	Recurring reports	
Authority’s CEO, together with PSEG Long Island, will submit an annual report to the Oversight Committee of the Board and the DPS of the status of the implementation plan and the results of the annual audits	9/30/2022	Recurring reports	
Authority's CEO, together with PSEG Long Island, will submit an annual report to the Oversight Committee of the Board and the DPS of the status of the implementation plan and the results of the annual audits	9/30/2023	Recurring reports	

Cost Benefit Analysis:

There are no direct cost or benefits associated with the audit of the implementation of recommendations. Each recommendation has specific benefits as specified in the individual CBAs.

Recommendation Number: 4

Item Status In Progress

Recommendation:

LIPA Financial Oversight should formally document the results of its activities and annual assessment with presentation to PSEG Long Island and LIPA executives and Department of Public Service (DPS)

Assigned LIPA Staff:

Donna Mongiardo, CPA, Vice President -
Controller

Assigned PSEG Staff:

0 - None

LIPA Executive:

Ken Kane, CPA, Interim Chief Financial Officer

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The objective of this task is to improve the documentation of work performed by LIPA Financial Oversight staff. This documentation will also improve the lines of communication and understanding of outcomes between LIPA and PSEG Long Island.

Deliverable:

Annual report summarizing LIPA Financial Oversight work performed and outcome or agreement with PSEG Long Island of such projects.

Deliverables/Milestones	Due Date	Status	Comments
Form a LIPA oversight SharePoint documentation team	9/30/2018	Completed	
Coordinate annual oversight report format including details such as work product and timeline, with team	12/31/2018	Completed	A comprehensive re-assessment of systems by the CIO beginning in October 2018 led to changes in software platforms to be used in the effort to modernized LIPA's management reporting system. New specifications and system development was completed on the revised due date of 4/30/2019.

Provide year end summary of 2018 annual report to DPS, LIPA and PSEG Long Island management teams	12/31/2019	Revised	<p>The formal plan was documented in Excel for 2018 and reviewed by LIPA management at the off-site meeting. The format for the 2019 plan was imported in SmartSheets ; it was decided not to distribute the excel format to PSEGLI and DPS. The platform for documenting oversight is now being captured in SmartSheets.</p> <p>The 2019 report format is still being reviewed by FO and the Smartsheet consultant. The oversight documentation will be completed by 12/31/2019 due to other competing deadlines in Smartsheets.</p> <p>After the format is reviewed by LIPA management distribution of the 2019 results will be provided to PSEG LI and DPS.</p>
---	------------	---------	--

Distribute draft report for 2018 to Senior Management at LIPA and PSEG Long Island and DPS for review	12/31/2019	Revised	<p>Draft Oversight Plans were reviewed by LIPA senior management team throughout 2018. The platform was upgraded to a SmartSheet format in 2019 for improved monitoring and status reporting.</p> <p>This implementation step, and one following, required revision from the original date of 4/30/2019 to the new date of 12/31/2019. The was due in part to the start of a new LIPA Chief Information Office (CIO) in late 2018 and the development of a new platform for oversight plans.</p> <p>Finance is working with CIO to develop a draft report for LIPA management to review summarizing any significant findings resulting from the oversight work.</p>
Issue subsequent years report to DPS, LIPA and PSEG Long Island management teams	4/30/2020	Not Started	

Cost Benefit Analysis:

Additional time of LIPA staff will be required as a more coordinated effort of documentation will be necessary. In addition, consistent formatting and development of a template will require additional modifications to SharePoint.

The benefit of this implementation plan is improved transparency and communication.

Recommendation Number: 5

Item Status Recurring reports

Recommendation:

LIPA should formally request appointments or confirm extensions to Board member term periods at least six months prior to term expirations.

Assigned LIPA Staff:

Jason Horowitz, Assistant General Counsel and Assistant Secretary to the Board

Assigned PSEG Staff:

0 - None

LIPA Executive:

Bobbi OConnor, Vice President, Policy, Strategy & Administration

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The LIPA Board of Trustees has nine members. Five are appointed by the Governor, two by the Speaker of the Assembly, and two by the Senate Majority Leader. The objective of this recommendation is to reduce the potential for vacancies or expired terms on the LIPA Board of Trustees by sending the appointing authorities notice of an expiring Trustee term at least six months prior to the expiration. The appointing authorities also track Trustee terms.

Deliverable:

Deliverables/Milestones	Due Date	Status	Comments
Prepare schedule of trustee term expiration dates	6/29/2018	Completed	
Trustees review the competencies and expectations to be sent to the appointing authorities by the Board Chair, per the Board's Policy on Governance and Agenda Planning	10/24/2018	Completed	
Board Chair sends letter to appropriate appointing authority for Trustee terms expiring 12/31/2019	6/30/2019	Completed	Documentation sent 6/14/2019.
Board Chair sends letter to appropriate appointing authority for Trustee terms expiring 12/31/2020	6/30/2020	Recurring reports	
Board Chair sends letter to appropriate appointing authority for Trustee terms expiring 12/31/2021	6/30/2021	Recurring reports	
Board Chair sends letter to appropriate appointing authority for Trustee terms expiring 12/31/2022	6/30/2022	Recurring reports	

Cost Benefit Analysis:

The costs to implement this recommendation are nominal and consistent with prior practice.

Recommendation Number: 6

Item Status In Progress

Recommendation:

LIPA and PSEG Long Island should continue to develop an effective, comprehensive ERM process.

Assigned LIPA Staff:

Corey Horowitz, Director of Risk Management

Assigned PSEG Staff:

Laurent Pommier - Executive Sponsor;
Ted Repetti - Team Leader

LIPA Executive:

Bobbi OConnor, Vice President, Policy, Strategy & Administration

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The ERM Team prepared an action plan road map to implement this recommendation. Since the recommendation is broad and subject to interpretation of what an “effective” and “comprehensive” ERM process is, the ERM Team based its plan on the Committee Of Sponsoring Organizations ("COSO") framework and included an annual maturity assessment from an external consulting firm (e.g. Corporate Executive Board or “CEB”). The assessment will provide a measure of progress and identify areas of opportunity for further enhancement of our ERM program based on best-in-practice recognized industry standards. The action plan should reduce any subjectivity during future DPS Management Audits on the progress achieved.

Deliverable:

Deliverables/Milestones	Due Date	Status	Comments
Perform a periodic ERM Maturity Assessment Review - Initial	7/31/2018	Completed	On July 13, 2018 LIPA and PSEG Long Island performed an initial ERM program maturity assessment using the “CEB Ignition™ Diagnostic for Risk Management”. The CEB Ignition™ Diagnostics enable organizations to improve functional performance by assessing their performance across a broad set of functional ERM activities. The diagnostic measures two primary dimensions: maturity and importance. CEB Ignition™ Diagnostic for Risk Management covers 16 functional activities across 4 functional objectives.

Review, and if necessary, propose revisions to the LIPA ERM Board Policy Statement	9/27/2018	Completed	LIPA's Director of Risk Management proposed minor changes to the ERM Board Policy (which was approved by the full Board), provided a summary of the LIPA risk profile and presented an update of the ERM Program to the BOT F&A Committee at their September 27th, 2018 meeting.
Identify a risk liaison per line of business to help increase risk awareness (identify Risk Liaisons for LIPA Departments and PSEG Long Island lines of business - Customer Operations, Electric Operations, Power Markets, and Business Services)	12/31/2018	Completed	LIPA and PSEG Long Island VP/Executives assigned an individual from their department/line of business to assist the ERM team in coordinating and facilitating ERM risk discussion meetings. Each risk liaison assists in organizing meeting dates and attends ERM department meetings.
Establish process to integrate ERM information/findings into the LIPA Strategic Planning process.	2/15/2019	Completed	The integration of ERM information into LIPA's Strategic Planning Process was completed.
Review of the LIPA/PSEG Long Island joint ERM Procedures Manual (internal document)	6/30/2019	Completed	LIPA's ERM-ERMC approved the new "LIPA Procedures Manual For Enterprise Risk Management" at their June 20, 2019 meeting.
Develop prioritized portfolio view of all enterprise/corporate risks	6/30/2019	Completed	Development of Prioritized View of Utility Risks Framework and initial high-priority Risk list for both LIPA and PSEG Long Island.
Review risk profile with each department V.P. for consensus	6/30/2019	Completed	LIPA and PSEG Long Island each developed department/business unit risk profiles from a bottom-up risk assessment approach, which were reviewed and approved by the respective department's/ business unit's VP/Executive.

Establish a framework and identify emerging risks	6/30/2019	Completed	Completed on 4/25/2019 ahead of schedule to introduce concept during ERM facilitated workshop discussions.
Develop risk reporting framework for department, organization, and Board reporting (frequency and depth)	6/30/2019	Completed	
Perform second annual ERM Maturity Assessment - Review	7/31/2019	Completed	Completed Gartner/CEB ERM Maturity Assessment
Introduce velocity as an additional component in assessing risk	12/31/2019	Completed	The Risk Velocity and Outlook Framework was completed ahead.
Perform deep-dive analysis on key enterprise/corporate risks	6/20/2020	In Progress	
Document response strategy and current mitigation actions for top enterprise/corporate risks	6/30/2020	In Progress	
Perform third annual periodic ERM Maturity Assessment Review	7/31/2020	Recurring reports	Changed the Item Status to "Recurring Reports" since the ERM Maturity Assessment cadence will be on an annual basis the first few years while a majority of ERM enhancements occur with the ERM program. After such time the ERM Maturity Assessments would be biennial as the program increases in maturity.
Establish a framework to monitor and measure the effectiveness of risk mitigation/reduction efforts	12/31/2020	Not Started	
Perform fourth annual periodic ERM Maturity Assessment Review	7/31/2021	Not Started	
Integrate updated and revised risk data into the business planning cycle to help prioritize O&M, capital and resource allocations	7/31/2022	In Progress	On-going process.
Perform fifth annual periodic ERM Maturity Assessment Review	7/31/2022	Not Started	

Cost Benefit Analysis:

ERM has been an on-going effort since 2015 and so there are no additional costs associated with implementing this recommendation. Moreover, as the ERM program matures, risk management will become a routine part of the organization's operations. It is difficult to quantify the benefits of ERM. While many potential risks have a financial impact, and ERM may contribute to avoided costs by mitigating risks, these costs are not easily quantified. As these ERM activities were planned and on-going prior to the audit, there is no material additional cost to implementing the recommendation.

Recommendation Number: 7

Item Status Completed

Recommendation:

Continue to develop and implement the SOS capital program optimization model.

- Implement improvements identified by PSEG Long Island and LIPA Internal Audit, including:
 - Review and adjust the project description questions.
- Add a demographic category for “permitting required”, which can act as a flag of sorts when running optimization scenarios.
- Flag projects that are necessary to remediate a violation or to prevent a violation.
 - Review the scoring criteria for each business area when setting up a new project in SOS.
 - Identify any biases toward certain types of projects.
 - Refine the Strategic Objectives and the Success Criteria. Consider including Success Criteria not used for the 2018 budget, such as NPV and the financial risk of deferral.
- Expand the use of SOS to other business areas, including IT and Customer Operations.
- Include a step in the SOS optimization process to calibrate value and risk scoring across business units that develop capital projects such as Network Strategy Planning group, Electric Operations, and Reliability Management. IDA should lead a process to review the scoring of projects with similar risk values to ensure the projects are scored on a comparable basis. Similarly, IDA should ensure the different organizations use comparable bases for value scoring the projects using the Strategic Objectives and the Success Criteria.

Assigned LIPA Staff:

Michael Simone, Director of Transmission and Distribution System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor; Joe Cicalo - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The objective is to improve the value of selected investments through improved use of the Spend Optimization Suite (SOS) system, which is a software application provided through an outside consultant. The recommendation aims to implement the recommendations from the 2017 LIPA audit of the SOS process, as well as further improvements in the SOS system and process. This implementation plan also addresses Recommendation 9.4.2 of the 2013 audit.

Deliverable:

Review and implement, as described below, the following enhancements of the SOS system/process:

- Review and adjust the project description questions.
- Add a demographic category for “permitting required, “which can act as a flag

of sorts when running optimization scenarios.

- Flag projects that are necessary to re-mediate a violation or to prevent a violation.
- Review the scoring criteria for each business area when setting up a new project in SOS.
- Identify any biases toward certain types of projects.
- Refine the Strategic Objectives and the Success Criteria. Consider including Success Criteria not used for the 2018 budget, such as NPV and the financial risk of deferral.
- Expand the use of SOS to other business areas, including IT and Customer Operations.
- Include a step in the SOS optimization process to calibrate value and risk scoring across business units that develop capital projects such as Network Strategy Planning group, Electric Operations, and Reliability Management. Investment Delivery Assurance (IDA) should lead a process to review the scoring of projects with similar risk values to ensure the projects are scored on a comparable basis. Similarly, IDA should ensure the different organizations use comparable bases for value scoring the projects using the Strategic Objectives and the Success Criteria.
- Analyze the potential to expand the use of SOS to other business areas, including Power Markets and Utility 2.0. Provide recommendation.

Deliverables/Milestones	Due Date	Status	Comments
Review and adjust the project description questions; category for "permitting required"; flag projects necessary to re-mediate or prevent violation	6/30/2018	Completed	
Identify any biases toward certain types of projects	7/31/2018	Completed	
Review the scoring criteria for each business area when setting up a new project in SOS	7/31/2018	Completed	
Refine the Strategic Objectives and the Success Criteria. Consider including Success Criteria not used for the 2018 budget, such as NPV and the financial risk of deferral	8/31/2018	Completed	

Include a step in the SOS optimization process to calibrate value and risk scoring across business units that develop capital projects such as Network Strategy Planning group, Electric Operations, and Reliability Management	5/31/2019	Completed	
Expand the use of SOS to other business areas, including IT and Customer Operations	6/30/2019	Completed	
Analyze the potential to expand the use of SOS to other business areas, including Power Markets and Utility 2.0	7/1/2019	Completed	

Cost Benefit Analysis:

We estimate approximately \$150,000 to \$200,000 for a consultant to assist in programming enhancements to the system. Internal costs will be required to implement the recommendation. Internal costs are not expected to be significant. Any one-time cost would need a business case analysis and enhancements in the process may lead to savings over time that fund one-time expenses.

There are many qualitative benefits by extending the use of SOS to the other business areas. It will provide consistency and transparency in the project selection process across all business areas. Also, it will allow the entire organization to make smarter project selection decisions, primarily through rationalization and alignment of spend to strategic and operational value and management of risk.

Risk Analysis:

There will a learning curve from the other business areas before SOS can be in full operation. At least one budget cycle might be necessary for a full implementation and final adjustment.

Customer Benefit Analysis:

Successful completion of this item will improve the quality of the capital budget process. This will improve the quality by optimizing the use of funds which will translate into less of a bill impact as funds are more effectively deployed. Therefore, it will provide more transparency for the customers and all the stakeholders.

Recommendation Number: 8

Item Status Completed

Recommendation:

Provide LIPA-specific capital budget versus actual expenditure variance data to the Board of Trustees in each Finance and Audit Committee package.

Assigned LIPA Staff:

Donna Mongiardo, CPA, Vice President -
Controller

Assigned PSEG Staff:

0 - None

LIPA Executive:

Ken Kane, CPA, Interim Chief Financial Officer

Ranking:

Low

Objectives and Assumptions of the Recommendation:

Provide Finance and Audit Committee of the Board of Trustees with LIPA-specific capital spending during the year.

Deliverable:

Capital spending for LIPA included in the monthly Finance and Audit Committee presentation.

Deliverables/Milestones	Due Date	Status	Comments
Include LIPA capital spending versus actual in Finance and Audit Committee book	9/24/2018	Completed	

Cost Benefit Analysis:

There is no additional cost of this addition to the Finance and Audit Committee book. The benefit is improved transparency related to LIPA capital spending and the status of proposed projects.

Recommendation Number: 9

Item Status Completed

Recommendation:

Update the PSEG Long Island budget procedure to include the determination of incremental operations and maintenance (O&M) expenses associated with new construction.

Assigned LIPA Staff:

Gerard E. Ring, Director of Budget and Financial Oversight

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Markus Ramlall - Team Leader

LIPA Executive:

Donna Mongiardo, CPA, Vice President - Controller

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

Identify the O&M associated with planned capital projects to ensure that new requirements will be included in the annual budget.

Deliverable:

Each year, PSEG Long Island budget staff will work with each business area to obtain a list of Capital Projects. The PSEG Long Island budget and operating staff will review the list of projects and identify projects with a potential O&M impact and complete a Capital Project O&M Assessment Analysis. This analysis will be shared with LIPA. These projects will likely be large projects that either result in the implementation of new technology or system expansion. The Capital Project O&M Assessment Analysis will be factored into the current year budget development and multi-year O&M and capital financial plan projections.

PSEG Long Island will revise its current Budget Policy and Procedures to include the evaluation of capital projects and development of the Capital Project O&M Assessment Analysis as part of the development process. The analysis of the capital program and capital projects in terms of their impact to O&M funding will be incorporated into future budgets.

Deliverables/Milestones	Due Date	Status	Comments
Revise current Budget Policy and Procedures to include evaluation of capital projects and development of a Capital Project O&M Assessment Analysis as part of the budget development process	12/31/2018	Completed	

Cost Benefit Analysis:

This recommendation will require nominal incremental costs. Determining projected O&M costs associated with capital projects and including them in the O&M budget has minimal impact on the project estimating process and compilation of O&M budget data.

Reduction in costs is not expected. However, the inclusion of incremental operations and maintenance costs of new capital budgets will improve the accuracy of the O&M budget projects and reduce the risk that needed O&M might have to be forgone due to the realization of unexpected costs related to new capital projects.

The risk of excluding incremental operations and maintenance costs associated with capital projects may cause that portion of the annual budget to be understated. If spending starts to exceed the budget, management may have to defer other vital work.

The customer benefit will be that the operations and maintenance budget will be planned with more accuracy aiding in stronger budget management. This upfront planning may negate a potential negative impact to work plans.

Recommendation Number: 10

Item Status In Progress

Recommendation:

Complete the process of upgrading LIPA’s financial system.

Assigned LIPA Staff:

Mujib Lodhi, Chief Information Officer, Donna Mongiardo, CPA, Vice President - Controller

Assigned PSEG Staff:

0 - None

LIPA Executive:

Ken Kane, CPA, Interim Chief Financial Officer

Ranking:

High

Objectives and Assumptions of the Recommendation:

A new Enterprise Resource Planning (ERP) system will improve the functionality of financial reporting and include modules not currently available in LIPA’s existing ERP system such as treasury and procurement. The new system will allow for automatic integration of systems currently manually maintained eliminating potential for human error and reducing reliance on manual labor.

A new LIPA ERP system will generate improved reporting and integrate ERP capabilities with PSEG Long Island’s ERP to enhance availability of data and provide greater predictive analytics to potentially detect patterns and improve decision making processes. It will allow the Authority to effectively track more detailed data, which can enhance processes, productivity and quality of reporting.

Deliverable:

New LIPA ERP system with accounts payable, general ledger, procurement and human resources modules. The new ERP system will be able to upload information from the PSEG Long Island SAP system.

Deliverables/Milestones	Due Date	Status	Comments
Complete acquisition for Project Management Services	5/4/2018	Completed	
Complete acquisition for System Implementation Services	12/31/2018	Completed	Vendor award issued April 10, 2019.
Complete Project Initiation and Planning Phase	3/31/2019	Completed	An ERP implementer has been selection and negotiations completed.
Perform the System Configuration and Integration/Data Conversion and Verification/System Testing/Training	5/31/2020	Not Started	
Go live and post-implementation support	7/31/2020	Not Started	

Cost Benefit Analysis:

LIPA estimates that it will incur incremental costs to develop a new ERP system totaling approximately \$3 million to \$5 million. On-going annual maintenance costs are estimated to range from \$150,000 to \$250,000. There may be some additional costs associated with a new ERP system, which may be identified prior to moving ahead with the effort.

The project work will be completed primarily with outsourced resources, and is estimated to require approximately 7,600 hours. There will be additional internal resource hours needed for implementation and training.

Benefits are dependent on the implementation of specific best practices. Benefits will include (1) ability to do improved analytical work (2) easier access to PSEG Long Island data and (3) automation for journal entry uploads. Overall benefits will be to improve the current process, enhance reporting and auditing capabilities. Labor savings will be de minimis.

The risk of implementing a new ERP system include data conversion error and implementation issues, which can be minimized with a controlled implementation. The risks of not completing this recommendation include missed opportunities for knowledge transfer, reduction of manually intensive activities, and implications of manual errors due to lack of interfacing systems.

Recommendation Number: 11

Item Status Completed

Recommendation:

Determine the feasibility and cost of establishing interfaces between PSEG Long Island's MicroStrategy, Profitability and Cost Management (PCM), and SAP systems to eliminate the need for manual data transfer processes. If cost effective, implement processes to allow electronic data transfer between the systems.

Assigned LIPA Staff:

Donna Mongiardo, CPA, Vice President -
Controller, Mujib Lodhi, Chief Information
Officer

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Faisal Bhatti and Markus Ramlall -
Team Leaders

LIPA Executive:

Ken Kane, CPA, Interim Chief Financial Officer

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The objective of the audit recommendation is to automate the current manual process of uploading budget data from Profitability and Cost Management (PCM) system into the SAP financial system to reduce the possibility of errors and improve the efficiency of PSEG Long Island's budget preparation process

Deliverable:

PCM is the existing Enterprise budget system used by PSEG and all the affiliates, including PSEG Long Island. The budget data in PCM is uploaded into SAP Enterprise financial system so that budget and actual data can be analyzed. However, currently it is a manual process to upload budget data from PCM to SAP.

Both systems are in consideration for replacement and active projects are underway to select the new system and implement accordingly. PSEG's SAP system is a lifecycle replacement candidate as SAP plans to sunset their ERP platform in 2025 while the PCM budget system needs to be upgraded prior to December 2021.

Due to the timing of the replacement these systems for PSEG, PSEG Long Island will include the requirements for developing interfaces with the systems identified by the audit into the planning and design of the replacement systems.

However, since 2017, PSEG Long Island has taken the following actions to mitigate the risks identified in the audit:

- Beginning in October/November of 2017, PSEG Long Island is using PCM for planning only headcount and labor. It is no longer being used to budget for Non- Labor components. All fringes and non-labor expenses are planned directly into the SAP system.

In regards to the labor, to confirm that all records are transferred from PCM to the SAP system, PSEG Long Island has implemented the following checks and balances to ensure accuracy:

- Previously, multiple analysts were able to upload data from PCM to SAP. Now, there is one dedicated PSEG Long Island SAP analyst who has the ability to access the export / import transaction codes in PCM and SAP.
- The analyst generates an output file from PCM and then uses Win shuttle scripts (templates designed to upload into SAP) to perform the upload function to SAP. This file contains capacity hours, labor dollars, and headcount information.
- Once SAP is fully loaded with PCM labor data, the analyst performs a reconciliation comparing SAP with PCM. In addition, each planning and budget analyst further reviews the labor to check their assigned line of business by running the scheduled / plan transaction code in SAP and compares the data to the capacity report in PCM. Once all labor is confirmed correct in SAP, the next phases of the budget process begin directly in SAP and PCM is no longer utilized.

Deliverables/Milestones	Due Date	Status	Comments
Reconciliation process has been developed to compare SAP with PCM Once all labor is confirmed correct in SAP, the next phases of the budget process begin directly in SAP and PCM is no longer utilized	10/1/2017	Completed	
Win Shuttle scripts have been developed to automate the upload of PCM files	10/1/2017	Completed	
Established one dedicated PSEG Long Island SAP analyst who has the ability to access the export / import transaction codes in PCM and SAP	10/1/2017	Completed	
All fringes and non-labor expenses are planned directly into the SAP system	10/1/2017	Completed	

Cost Benefit Analysis:

Up until 2017, Labor, Non Labor and Fringes were planned and input into PCM to be uploaded into SAP, thus requiring reconciliation in SAP to make sure the data was transferred accurately. The reconciliation process for the Non-labor and Fringes took approximately 3 days for each of the 12 team members (288 man hours). Since late in 2017, the process changed and Non Labor and Fringes were directly input into SAP for the 2018 planning process and therefore reconciliation is no longer required for these components. Therefore, an overall savings of 288 man hours has been achieved for the organization as a result of this change in the planning process.

Risk Analysis:

Eliminate errors due to manual processing.

Customer Benefit Analysis:

N/A

Recommendation Number: 12

Item Status In Progress

Recommendation:

LIPA should build on its recent success in “homogenizing” groups of debt covenants to increase consistency among other debt instruments.

Assigned LIPA Staff:

Christopher DiGilio, Director of Finance and Treasury Operations

Assigned PSEG Staff:

0 - None

LIPA Executive:

Ken Kane, CPA, Interim Chief Financial Officer

Ranking:

Low

Objectives and Assumptions of the Recommendation:

NorthStar recognizes that LIPA has taken steps to "homogenize" its debt covenants. For instance in 2017, when establishing lines of credit with four banks, LIPA successfully negotiated with each to have each agreement conform to a single, "homogenized" set of terms and covenants and to allow proactive reporting on its website rather than individual paper filing thus streamlining and saving resources. A similar process was undertaken to standardize agreements in 2015. The objective of this recommendation is to encourage LIPA to continue this strategy of conforming future agreements to a single set of terms and covenants.

The recommendation is only actionable as agreements come up for renewal.

Deliverable:

Deliverables/Milestones	Due Date	Status	Comments
Homogenizing Letter of Credit agreement Bank Revolver renewal	3/22/2019	Completed	
Homogenizing Letter of Credit agreement with US Bank renewal	5/1/2020	Not Started	
Homogenizing Letter of Credit agreement with TD Bank renewal	6/29/2021	Not Started	

Cost Benefit Analysis:

The recommendation reflects existing practices and does not result in additional costs or benefits.

Recommendation Number: **13**

Item Status In Progress

Recommendation:

Develop evaluative criteria or other measures to assess the effectiveness of the planning process. Effectiveness should be measured based on specifics, for example:

- Number and timeliness of system studies
- Timeliness of development of [Project Justification Documents] PJDs
- Quality of PJDs (e.g., do they contain all requisite information?)
- Relative accuracy of conceptual level estimates

Assigned LIPA Staff:

Michael Simone, Director of Transmission and Distribution System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor;
Anie Philip - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The objective is to implement evaluative criteria so that the effectiveness of planning process can be measured and improved.

Deliverable:

This initiative will deliver a list of measures that will be published on a periodic basis to indicate the effectiveness of the planning process.

Deliverables/Milestones	Due Date	Status	Comments
Solicit feedback from various internal and external stakeholders, including LIPA and the DPS	10/29/2018	Completed	
Develop proposed criteria and measures	11/15/2018	Completed	
Hold meeting with internal and external stakeholders, including LIPA and the DPS to review the proposal	12/14/2018	Completed	Completion date extended to 1/20/2019. Date Completed 1/20/19.
Obtain Executive Approval and finalize criteria and measures	1/15/2019	Completed	Due date extended to 2/17/2019. Completed on 2/11/2019.
Implementation	5/1/2019	Completed	
Confirm effectiveness of criteria and measures.	12/31/2019	Not Started	

Cost Benefit Analysis:

Costs are not significant. Improvements in planning effectiveness can yield appreciable savings.

Risk Analysis:

No risk expected with this recommendation.

Customer Benefit Analysis:

Improvements in the planning process will create improvements in system performance and will also improve effectiveness of approved budgets.

Recommendation Number: 14

Item Status Completed

Recommendation:

Perform detailed cost-benefit analyses consistent with Transmission Planning’s analyses for projects related to thermal overload.

Assigned LIPA Staff:

Michael Simione, Director of Transmission and Distribution System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor; Joe Cicalo - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

Our objective is to assure that the all projects receive an appropriate level of cost benefit analysis. Key assumptions are that different types of projects require different levels of cost benefit analysis, and that achieving the appropriate level of cost benefit analysis will assure optimal selection of projects, thereby optimizing overall investment results.

Deliverable:

Clear guidance on what types of projects will receive which types of cost benefit analysis, and implementation processes to deliver results in accordance with the guidance. Guidance will include which type of cost benefit analysis will be required for various repair/replace scenarios.

Note that this action plan will also address completion of 2013 recommendations 9.4.2.

Deliverables/Milestones	Due Date	Status	Comments
Identify internal and external stakeholders, including LIPA and the DPS	12/31/2018	Completed	
Solicit feedback from T&D and stakeholders to determine which types of projects will receive which types of CBAs. The PSC's BCA framework order will be considered, and where reasonable and applicable, applied. Create a document summarizing decisions.	1/31/2019	Completed	
Review cost/benefit analysis approach and compare to approach recommended in first deliverable. Determine gaps.	2/1/2019	Completed	

Hold meeting to review proposal with internal and external stakeholders, including LIPA and the DPS.	3/1/2019	Completed	
Create new analysis templates and training materials.	3/31/2019	Completed	
Train relevant personnel and implement new procedure.	5/1/2019	Completed	

Cost Benefit Analysis:

Costs to develop cost benefit guidelines are minimal. Costs to create enhanced cost benefit materials, in line with the new guidelines, will be moderate. It is expected that benefits associated with optimized project selection will offset implementation costs. Benefits include optimized value from budgeted funds and selected projects.

Risk Analysis:

Failure to strike the proper balance of number and scope of cost benefit analysis will lead to less than optimal results.

Customer Benefit Analysis:

Improvement in project alternative analysis.

Recommendation Number: 15

Item Status Completed

Recommendation:

Continue implementing the vegetation management program to meet annual targets. Complete the mainline hardening program.

Assigned LIPA Staff:

Donald J. Schaaf, Manager of T & D System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor;
Mark Cerqueira - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

High

Objectives and Assumptions of the Recommendation:

PSEG Long Island will continue implementing the vegetation management (“VM”) program to meet annual targets and complete the mainline hardening (“MLH”) program. Existing VM policies and procedures will be reviewed in order to meet annual targets. Existing mainline MLH program policies and procedures will be reviewed in order to complete the program. Monitoring and reporting will be enhanced and corrective action plans implemented as needed.

Deliverable:

The deliverables for this recommendation include program goals, tracking processes, and annual reporting for the main line hardening and vegetation management programs.

Deliverables/Milestones	Due Date	Status	Comments
Verify mainline hardening (MLH) schedule. Implement any necessary changes to meet targets.	10/1/2018	Completed	
Identify the Vegetation Management goals for 2018, 2019, 2020 and 2021 program.	11/1/2018	Completed	
Design and establish tracking criteria, and frequency and forum for reporting of Vegetation Management goals.	12/31/2018	Completed	
Design and establish tracking criteria, and frequency and forum for reporting of mainline hardening goals.	12/31/2018	Completed	

Cost Benefit Analysis:

Mainline hardening total program costs are \$729 million. The program was previously authorized based on storm outage reductions and storm damage cost reductions.

The vegetation management program costs are expected to total approximately \$30-40 million annually. Benefits from the program will include improvements to blue sky and storm SAIFI, SAIDI and MAIFI, as well as improvements to Customers Experiencing Multiple Interruptions (CEMI). Storm cost savings will also be realized.

Not completing the Mainline Hardening and Vegetation Management programs could potentially result in a decline in performance related to SAIFI, SAIDI, MAIFI and CEMI and would result in loss of federal funding. Factors external to the MLH and VM programs can impact annual spend levels and timing of completions of both programs.

Implementation will result in customer benefits in the form of improvements to blue sky and storm SAIFI, SAIDI and MAIFI, as well as improvements to CEMI and storm cost savings.

Recommendation Number: 16

Item Status Completed

Recommendation:

Complete the Emergency Response Training for all employees as required.

Assigned LIPA Staff:

Donald J. Schaaf, Manager of T & D System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor;
Louis Debrino - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

Continual training, in conjunction with periodic exercises and performance of duties during actual emergency events, is a critical element of the emergency preparedness process and an effective means to refresh and reinforce skills in preparation for restoration events. The purpose of this action plan is to ensure that all employees receive the appropriate level of emergency response training.

Deliverable:

The Emergency Restoration Plan (ERP) will be modified to more accurately describe the restoration training program. This will include a clarification of language in ERP that defines training requirements, clearly differentiating between those with traditional and non-traditional storm roles and includes language that defines training completion requirements (i.e., complete 90% planned training per year) to ensure clear definition of compliance. Include updated language in 2019 ERP Plan Filing (due to DPS December 15, 2018) and commence application of compliance with 2019 training plan.

Deliverables/Milestones	Due Date	Status	Comments
Define the tracking criteria, the frequency and forum for status reporting to oversee delivery of the training. Implement tracking system.	12/1/2018	Completed	
Clarify language in ERP that defines training requirements, clearly differentiating between those with traditional and non-traditional storm roles.	12/1/2018	Completed	

Cost Benefit Analysis:

Storm role training will have a minimal cost impact and will help promote more effective storm response.

Risk Analysis:

No appreciable risks.

Customer Benefit Analysis:

Well trained staff capable of performing assigned roles during storm periods will contribute to overall positive response and customer experience.

Recommendation Number: 17

Item Status Completed

Recommendation:

Improve Emergency Response Training in the ERP to identify type of training and frequency by position.

Assigned LIPA Staff:

Donald J. Schaaf, Manager of T & D System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor;
Louis Debrino - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The purpose of this action plan is to ensure the restoration training program accurately depicts the training requirements (i.e., type and frequency) and status of training for PSEG Long Island employees with non-traditional restoration roles.

Deliverable:

The Emergency Preparedness Department will review the Emergency Restoration Assignment Database to verify the number of employees serving in traditional versus non-traditional storm roles. Those employees assigned to traditional storm roles are not required to attend separate emergency restoration training, as they perform their regular blue-sky role during restoration events. Non-traditional storm roles will then be broken down by title (i.e., Damage Assessor, Crew Guide, etc.) to ensure training, if necessary, exists for each distinct role identified. Once complete, Emergency Preparedness will confirm when each employee last attended the appropriate restoration training to which they were assigned. Lastly, utilizing the identified training cycle, a training matrix will be developed and training will be tracked to ensure that employees complete their required training (either Initial or Refresher) at the appropriate frequency. The Emergency Preparedness Department will also modify the Emergency Restoration Plan (ERP) to clearly depict the above activities.

Deliverables/Milestones	Due Date	Status	Comments
Prepare a document identifying training requirements by position, including training type (i.e., on the job training, workshop, classroom, etc.) and recommended training frequency.	12/1/2018	Completed	

Cost Benefit Analysis:

Identifying emergency role training requirements will have a minimal cost impact and will create a very small benefit in employee qualifications.

Risk Analysis:

No appreciable risks.

Customer Benefit Analysis:

Well trained staff capable of performing assigned roles during storm periods will contribute to overall positive response and customer experience.

Recommendation Number: 18

Item Status In Progress

Recommendation:

Complete development of the CMMS.

Assigned LIPA Staff:

Michael Simone, Director of Transmission and Distribution System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor;
Demetrios Thanasoulis - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The Computerized Maintenance Management System (CMMS) software platform has been launched and is presently being utilized by Asset Management (AM) to better understand the health and performance of key T&D assets such as station transformers and load tap changers. Additional enhancements and modifications to the platform are planned and were communicated within the audit process. The action plan below identifies the high-level activities necessary to enhance the existing platform and complete the development of the CMMS tool.

Additionally, beyond CMMS, there is an objective to establish broad AM components that, in conjunction with CMMS, will improve system performance and reduce system costs.

Deliverable:

To satisfy the audit recommendation, PSEG Long Island will:

- Create a schedule indicating the deliverables required to complete the development of CMMS
- Create a schedule indicating the deliverables required to complete the development of PSEG Long Island AM
- Create a document summarizing the forum, frequency and content of CMMS and AM status updates
- Complete the deliverables from the CMMS and AM schedules

CMMS schedule will focus on implementing more powerful analytics to further enable benefits associated with condition based maintenance.

To complete closure of 2013 recommendation 12.4.3, an asset management road map has been developed to cover other asset management items, beyond CMMS. See comment below.

Deliverables/Milestones	Due Date	Status	Comments
Document format, timing and forum for providing status updates to CMMS and Asset Management	12/1/2018	Completed	The Supplement Recommendation #18 addresses the 2013 North Star 12.4.2

schedule.			<p>recommendation detailing specific deliverables through 2022. Within each deliverable specific asset management personnel are engaged to assure actions and initiatives are being progressed to completion as these items are goals and objectives within the performance plans for these employees. Specific progress reporting cycles have also been with periodic assessments performed by Asset Strategy Manager and reporting to the VP T&D and shared with LIPA.</p>
<p>Update the current CMMS / Asset Management schedule indicating deliverables and milestones for full implementation of CMMS and Asset Management.</p>	12/1/2018	Completed	

Cost Benefit Analysis:

Costs to Implement: The cost for this effort will be incurred in both capital and O&M related expenses. Capital costs will include direct system hardware and software purchases and licensing costs as well as labor for both external IT contractors/consultants and internal labor costs. Total expected capital cost to complete the development of CMMS is approximately \$6.5 million. O&M costs will be incurred and will include employee training on new systems and applications, IT operational and maintenance costs as well as T&D support costs. One time O&M costs are estimated at \$1.0 million. Ongoing annual O&M cost is approximately \$1.0 million. Actual costs to complete the system will be validated prior to project spending approval.

Benefits from Implementation: The primary benefit from this implementation will be the improved care for critical assets that support the Transmission and Distribution system. A movement from frequency based maintenance of critical assets to a condition based program will allow for more efficient use of resources and an eventual reduction in annual maintenance costs for both preventive and corrective maintenance activities. The implementation of the CMMS and Asset Management systems will also improve system reliability. Benefits will be quantified in detail as part of the funding approval process.

Risk Analysis:

The implementation will span multiple years and requires support from IT as well as internal T and D organizations to identify requirements and assure the system meets business needs within each of the defined deliverables. Any dependencies to other IT investments will need to be defined and understood within the overall scope of this implementation.

Customer Benefit Analysis:

Implementation of this recommendation will result in increased system reliability by improving the performance of critical substation assets such as station transformers and breakers. Understanding when assets have reached end of life and planning for replacement prior to failure will result in less impact to customers and reduce risk for extended system outages. For LIPA, as the asset owner, this implementation will provide for more efficient use of capital and O and M budgets as replacement of critical assets will be made based on asset health data that will extend the life of these assets.

Recommendation Number: 19

Item Status Completed

Recommendation:

Continue monitoring SAIFI both from a system and cause basis. Continue targeting and prioritizing programs that address reliability.

Assigned LIPA Staff:

Donald J. Schaaf, Manager of T & D System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor;
Wayne Baldassare

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

High

Objectives and Assumptions of the Recommendation:

Our objective is to drive ongoing improvement to SAIFI and related metrics through prioritized targeted system improvement work. Our assumption is that appreciable reliability improvements can be realized through targeted prioritized investments.

Deliverable:

Develop an approved document for summarizing annual plans for SAIFI, communicating results, and short term/long term planning to support scorecard metrics.

Deliverables/Milestones	Due Date	Status	Comments
Summarize the key aspects of SAIFI program including programs approaches goals and program management practices and implement according to plan.	11/1/2018	Completed	
Define the tracking criteria, the frequency and forum for status reporting to oversee delivery of program goals. Implement tracking system.	3/15/2019	Completed	

Cost Benefit Analysis:

Prioritized targeted system improvement work should lead to improved SAIFI performance. Additional costs or savings are not expected as the recommendation continues existing programs.

Risk Analysis:

If not completed, there may be a reduction in SAIFI performance.

Customer Benefit Analysis:

Benefits include better understanding of system conditions and weaknesses and the development of proactive targeted programs to improve reliability and improve asset health condition.

Recommendation Number: 20

Item Status In Progress

Recommendation:

Perform all policies, procedures and control functions that are currently and formally required.

- PSEG Long Island should conduct all audits as required in the A&R OSA.
- Adhere to formal document control policies and procedures.
- PSEG Long Island should follow the PMP Playbook and its procedures.

Assigned LIPA Staff:

Kathleen Mitterway, CPA, CIA, CISA, CFE, CGMA, Vice President, Audit

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor ;
Rocky Shankar - Team Leader

LIPA Executive:

Kathleen Mitterway, CPA, CIA, CISA, CFE, CGMA, Vice President, Audit

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The purpose of the recommendation is to ensure audits required per the A&R OSA are performed, that policies and procedures are adhered to, and that the Project Management Plan (PMP) Playbook and its procedures are followed. Observation #5 noted that “PSEG Long Island’s procedures developed to date address many components of capital project, but as yet have not evolved to fully support project management and control.” (Page IX-18) PSEG Long Island will develop updated procedures that address the major components of capital project delivery and ensure that all functions are being performed to fully support effective project management and controls.

Additionally, these deliverables will also address the 2013 Recommendation 10.4.11, to improve capital project document control.

Deliverable:

- The A&R OSA stipulates PSEG Long Island will provide LIPA on an annual basis: i) an annual audit of capital improvement made in the prior contract year. The audit scope shall include the accuracy of plant records, maps, and asset maintenance databases. ii) Physical inventory of all capital assets from time to time. Starting in 2019, PSEG Long Island Project Management Office, Training Support & Contract Services, and the Electric East & West Divisions will prepare a list of capital projects implemented in the prior year. Internal Audit will select a sample of projects from the listings and test to ascertain they are properly reflected in the appropriate systems. PSEG Long Island Internal Audit will conduct testing to determine the business’ adherence to documented control policies and procedures as part of its testing of internal controls annually and during its performance of internal audits and reviews.
- Projects and Construction (P&C) Observation #6 noted that “PSEG Long Island has not fully adopted and implemented the PMP and the seven procedures to deliver capital project.” As a result of the above observation, PSEG Long Island will review the existing procedures listed below to determine the major components of capital project delivery, if any, that are not addressed.

- Project Management Play Book TD-PM-001-0003
- Project Execution Plan TD-PM-002-0001
- Project Authorization TD-PM-001-0001
- Status Reporting TD-PM-002-0006
- Project Scope Management TD-PM-001-0004
- Document Management TD-DM-001-0001
- Project Cost Management TD-PM-002-0004
- Construction Management and Contract Administration TD-CM-001-0001
- Project Scheduling TD-PM-002-0002
- Invoice Management TD-CM-001-0002

Following review of the procedures, PSEG Long Island will revise the existing procedures and/or develop new procedures, implement and train all key personnel.

Deliverables/Milestones	Due Date	Status	Comments
Review existing procedures to determine major components that are missing	10/5/2018	Completed	
Revise and/or develop procedures	12/3/2018	Completed	
Train relevant Projects & Construction personnel and key stakeholders	2/1/2019	Completed	
Implementation of the revised or new procedures	3/29/2019	Completed	
PSEG Long Island Internal Audit will select a sample of projects from the listings and test to ascertain they are properly reflected in the appropriate systems	6/30/2019	Completed	Step completion date revised to 7/31/19
PSEG Long Island Internal Audit conducts testing to determine the business' adherence to documented control policies and procedures as part of its testing of internal controls annually and during its performance of internal audits and reviews	1/31/2020	In Progress	

Cost Benefit Analysis:

- Internal Audit: Conducting annual audits of capital improvements made in the prior year and testing of control policies and procedures are sound business practices to ascertain fraudulent activities are not occurring and that employees are adhering to company policies and procedures.
- P&C: Updating the procedures that address the major components of capital project delivery will better document roles, responsibilities and processes, which will result in the effective use of capital and increased project management performance.

Risk Analysis:

The risk of not accounting for capital improvements made in the prior year and testing of control policies and procedures may lead to the occurrence of inaccurate records or fraudulent activities.

Customer Benefit Analysis:

Confirming that our asset records are accurate helps to properly account for LIPA's assets and that PSEG Long Island is not over/under stating the assets which could impact revenue requirements and ultimately the customer bill.

Recommendation Number: 21

Item Status Completed

Recommendation:

The URB management processes and controls should be audited annually to confirm adherence to its charter and control policies and procedures.

Assigned LIPA Staff:

Kathleen Mitterway, CPA, CIA, CISA, CFE, CGMA, Vice President, Audit

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Rocky Shankar - Team Leader

LIPA Executive:

Kathleen Mitterway, CPA, CIA, CISA, CFE, CGMA, Vice President, Audit

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The purpose of the recommendation is to ensure the Utility Review Board (URB) Charter is up-to-date, that URB meeting minutes are documented and actions are tracked, and that capital project change requests contain specific and detailed information to enable the URB to make an informed decision to either approve or deny the request.

Deliverable:

PSEG Long Island Internal Audit: a) Recently completed a URB Audit (July 2018). While some observations were identified, the URB process has improved since the Review conducted in 2016. In addition, most of the findings cited in the NorthStar Management Audit Report are no longer applicable, as they were addressed prior to the PSEG Long Island Internal Audit.

PSEG Long Island Internal Audit will conduct future URB Audits on a bi-annual basis.

Deliverables/Milestones	Due Date	Status	Comments
Issuance of PSEG Long Island Internal Audit report on the URB process	7/31/2018	Completed	

Cost Benefit Analysis:

Conducting periodic internal audits will lend itself to evaluating the effectiveness of controls and adequacy of documentation within the URB process. Potential risks within the URB process could include:

- Pertinent information is inaccurate or omitted from the project documentation submitted for URB review, resulting in incorrect project funding.
- Capital projects not sufficiently scrutinized by the URB may lead to incorrect project funding.
- Unauthorized project costs are incurred, resulting in potential excessive expenditures.
- Property, Plant and Equipment balances are misstated if project costs are recorded incorrectly. Budget variance analysis is based on inaccurate information.
- Variance analysis is compromised due to inaccurate information.

The periodic audits will mitigate these risks.

Recommendation Number: 22

Item Status Revised

Recommendation:

Develop and implement procedures related to quality assurance and quality controls for capital programs and projects.

Assigned LIPA Staff:

Michael Simione, Director of Transmission and Distribution System Oversight

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Anthony Stallone - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

A well-developed QA/QC program will monitor effective capital project delivery and assure that all functions are being performed to fully support project management and control.

Observation #12 notes that “PSEG Long Island does not have a capital program and project quality assurance and quality control (QA/QC) program.” PSEG Long Island will update and enhance its existing QA/QC procedures as set forth below.

Deliverable:

The work plan includes the following major activities:

- Develop updated procedures as noted under Recommendation
- Define the QA/QC function and methodologies
- Define roles and responsibilities (senior management, managers, and supervisors)
- Establish a QA/QC Program Leader within the PMO organization
- Develop and implement the QA/QC Program procedures and supporting processes

Deliverables/Milestones	Due Date	Status	Comments
Define the QA/QC function and methodologies	2/1/2019	Completed	
Establish a QA/QC Program Leader within the PMO organization	3/1/2019	Revised	The due date has been changed to 12/1/19.
Develop updated procedures as noted under Recommendation Number REC0020 (Procedures)	4/1/2019	Completed	
Define roles and responsibilities (senior management, managers, supervisors)	6/1/2019	Revised	The due date has been changed to 12/1/19.

Develop the QA/QC Program procedures in accordance with industry best practices and in compliance with all applicable government policies.	6/1/2019	Revised	The due date has been changed to 12/1/19.
Train all PMO and Projects & Construction personnel and implement new procedures and processes.	9/1/2019	Revised	The due date has been changed to 12/1/19.

Cost Benefit Analysis:

The cost to achieve the process change will be absorbed across the spectrum of Project Management Office functions; however we anticipate the addition of one (1) FTE (\$150,000) to act as overall QA/QC program oversight.

Developing the QA/QC program and procedures that address the major components of capital project delivery will better document roles, responsibilities and processes which will result in the effective use of capital and increased project management performance.

Risk Analysis:

The lack of a QA/QC program will decrease efficiency on the capital projects and will diminish use of the capital budget.

Customer Benefit Analysis:

Implementing a rigorous QA/QC program may increase the effectiveness in the use of capital and project management performance.

Recommendation:

Address the deficiencies in project estimating by making organizational and process improvements and creating a capital project estimating function/organization equipped with appropriate tools.

- Establish an organizational group of professional estimators for transmission and distribution that will develop estimates for planning, engineering and construction.
- Use these internal estimators to set and validate baseline estimates established for contractors.
- Assess the process used to develop and update estimates for completion.
- Establish project estimating tools such as a formal data base of project estimates and support tools such as software and develop and manage an estimating data true-up process.
- Review and document inflation and escalation factors and analyses used to predict project completion costs for each project estimate.
- Review project budget numbers and cost reporting information to determine whether they represent the most currently approved budget and cost data.
- Determine whether cost and schedule systems are integrated and whether the project master schedule is appropriately integrated with the approved project budget.
- Formally document project cost reviews at each level of estimate in detail and at various stages of project completion as called for in Project Cost Management (Procedure TD-PM-002-0004).
- Review project guidelines for performing trend analyses and exception reporting.
- Evaluate how trends were identified, analyzed, brought to management’s attention, and how they were resolved.
- Determine whether cost control systems, forecasting and trend analyses directed attention to bulk rates, commodities and productivity to reveal above/below average performance.
- Continuously verify the accuracy of estimates versus the actual project cost and maintain a record of updates to the estimating database.

Assigned LIPA Staff:

Michael Simione, Director of Transmission and Distribution System Oversight

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Anthony Stallone - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

High

Objectives and Assumptions of the Recommendation:

The objective of establishing a capital project estimating function/organization is to improve the accuracy of forecasting and decision-making and to enable better allocation of available

capital.

Deliverable:

PSEG Long Island's estimating group function was established in 2017 and the majority of the recommended process improvements were implemented at the same time the Audit took place (between February 2017 and March 2018). Therefore, the audit findings were not based on the new estimating function and process improvement implementation.

The new estimating software/database mentioned in the recommendations was implemented in July 2018 (expected to take full effect by the end of 2018). This implementation was after the audit report was finalized.

The work plan for cost and schedule integration is covered in the response to Recommendation 24.

The following findings and recommendations were addressed between February 2017 and March 2018. These deliverables also addressed the 2013 Recommendation 10.4.6, deficiency findings in project estimating by making organizational and process improvements and creating a capital project estimating function/organization equipped with appropriate tools.

- Establish an organizational group of professional estimators for transmission and distribution that will develop estimates for planning, engineering and construction: The Estimating group is now staffed with two estimators and one estimating group leader. Additional estimators positions to be filled in 2018-2019.
- Use these internal estimators to set and validate baseline estimates established for contractors: The internal estimators now provide cost estimate for development of the bid strategy.
- Assess the process used to develop and update estimates for completion: There is a defined process for updating estimates at specific stages through the project lifecycle.
- Establish project estimating tools such as a formal data base of project estimates and supports tools such as software and develop and manage an estimating data true-up process: Sage estimating software was delivered July 2018, and is expected to be in full production by December 31, 2018.
- Review and document inflation and escalation factors and analyses used to predict project completion costs for each project estimate: An inflation / escalation factor is now applied to each project estimate.
- Review project budget numbers and cost reporting information to determine whether they represent the most currently approved budget and cost data: The review of budget numbers and cost reporting is implemented and being used as a part of the URB process
- Formally document project cost reviews at each level of estimate in detail and at various stages of project completion as called for in Project Cost Management (Procedure TD-PM-002-0004): The project cost reviews at each level of estimate are implemented and are now incorporated into the URB

process.

- Evaluate how trends were identified, analyzed, brought to management’s attention, and how they were resolved: The Estimating group performs the trend analysis and report to management. As an example in 2018, OH construction cost was identified to be higher than anticipated due to out of state labor constraints.

The following findings / recommendations will be addressed as indicated and noted in the deliverable table below.

- Determine whether cost and schedule systems are integrated and whether the project master schedule is appropriately integrated with the approved project budget: The implementation of the cost and schedule integration will be executed in two phases. Phase 1: Manually match cost and schedule; Phase 2: Work with IT to evaluate methodology to integrate to cost and schedule software. Implementation date for Phase 2 will be developed upon review with IT and Business.
- Review project guidelines for performing trend analyses and exception reporting: See Recommendation No. 26 (Project Management Performance Measures).
- Determine whether cost control systems, forecasting and trend analyses directed attention to bulk rates, commodities and productivity to reveal above/below average performance: See Recommendation No. 26 (Project Management Performance Measures)
- Continuously verify the accuracy of estimates versus the actual project cost and maintain a record of updates to the estimating database: The implementation of this recommendation is in progress. Material cost is being monitored against historical cost and the estimating database is being updated (part of the current estimating process). Contractor cost monitoring is improving and internal labor cost validation is still in progress.

Deliverables/Milestones	Due Date	Status	Comments
Review and document inflation and escalation factors and analyses used to predict project completion costs for each project estimate	6/1/2017	Completed	
Assess the process used to develop and update estimates for completion	10/1/2017	Completed	
Use these internal estimators to set and validate baseline estimates established for contractors	10/30/2017	Completed	

Formally document project cost reviews at each level of estimate in detail and at various stages of project completion as called for in Project Cost Management (Procedure TD-PM-002-0004)	12/31/2017	Completed	
Review project budget numbers and cost reporting information to determine whether they represent the most currently approved budget and cost data	12/31/2017	Completed	
Establish an organizational group of professional estimators for transmission and distribution that will develop estimates for planning, engineering and construction	4/30/2018	Completed	
Evaluate how trends were identified, analyzed, brought to management's attention, and how they were resolved	6/1/2018	Completed	
Establish project estimating tools such as a formal data base of project estimates and support tools such as software and develop and manage an estimating data true-up process	7/24/2018	Completed	
Establish a process for ongoing verification of the accuracy of estimates versus the actual project cost and maintain a record of updates to the estimating database	9/1/2018	Completed	
Determine whether cost and schedule systems are integrated and whether the project master schedule is appropriately integrated with the approved project budget	4/1/2019	Completed	The due date has been changed to 7/1/19.
Determine whether cost control systems, forecasting and trend analyses directed attention to bulk rates, commodities and productivity to reveal above/below average performance	9/1/2019	Revised	Due date changed to 12/30/19.

Review project guidelines for performing trend analyses and exception reporting	9/1/2019	Revised	Due date changed to 12/30/19.

Cost Benefit Analysis:

The cost of the above-mentioned implemented actions is following:

- Cost of three full time employees: \$450,000 per year (2 positions are filled, one position remaining to be filled)
- Cost of Sage implementation project: \$500,000 (one-time cost incurred July 2018); \$130,000 (annual software and system maintenance cost).

Risk Analysis:

With regards to cost and schedule systems integration, PSEG (Enterprise) is evaluating the replacement of the existing SAP system at its end of life in 2025, and integration analysis will be included into that review.

Customer Benefit Analysis:

Improving estimates will allow PSEG Long Island to better prioritize capital investments which will ultimately improve the reliability of the electric system.

Recommendation Number: 24

Item Status In Progress

Recommendation:

Utilize a WBS in the initial phases of the project justification and conceptual estimating, and continue their refinement as the project progresses.

- Develop well-defined work packages that can be used to track and measure project performance based on earned value.
- Plan work in logical work groupings or packages and subdivide into smaller work groupings. Ensure that activities required to perform the work in each group are identified, defined, and dependent relationships established.
- Formalize the use of WBS elements by all project participants in their respective areas of responsibility and as an identification tool for project management performance measurement.
- Use the WBS in procurement/contracting activities and specify the WBS in contractor Requests for Proposals.
- Use the WBS for project costing and as a means to assess the impact of programmatic changes in funding levels on work content, schedules, and contractual support.
- Prepare cost estimates for each WBS element to assist budgeting and project validation.
- Integrate the WBS with PSEG Long Island’s accounting systems, project cost management systems and schedule management systems.
- Integrate master work plans and detailed contractor schedules / activities to the WBS to permit integration of schedule information and to facilitate review of status reports and change proposals.
- Refine detailed project estimates initially prepared by WBS element and follow the manner in which the project work was planned, scheduled, estimated, funded and executed.

Assigned LIPA Staff:

Michael Simone, Director of Transmission and Distribution System Oversight

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Anthony Stallone - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

Effective capital project management uses a hierarchical Work Breakdown Structure (WBS) to organize project elements into logical bundles of functional work representing discrete work activities that enable scheduling, resource loading and objective progress measurement. The WBS provides the basic framework to plan, execute, and manage the project. WBS coding permits precise identification of project elements to allow accurate project management, budgeting, communication, cost reporting, scheduling and performance.

Effective, January 1, 2015, PSEG Long Island implemented a WBS that subdivides the phases of the project life cycle by project scope, deliverables and resources into manageable parts for which cost and time can be defined, estimated and managed. Its key features include: (1) tailored to the FERC capital asset accounting requirements in that each project is subdivided into major components based on the scope of work---inside plant installation (substation),

outside plant installation (circuit or segments of circuits), withdrawals or removals (substation and circuits) and salvage; (2) segregated by transmission and distribution scope of work and ultimately the corresponding assets of each; (3) each WBS in the structure has a unique fixed assets settlement rule which points the costs incurred against that specific WBS to the fixed assets financial system (Power Plant); and (4) allows the flexibility to place in service the major components of the project at different times where appropriate.

The purpose of the action plan is:

- Internally review the existing WBS and identify near term enhancements or improvements that can be made in order to align the scope of work, estimating, scheduling and forecasting into more meaningful, quantifiable and measurable elements of work or deliverables while, at the same time, maintaining compliance with fixed assets capital accounting requirements.
- Review industry best practices and identify additional modifications or tools that will support further refinement of the application and format of the WBS
- Utilize the enhanced or improved WBS to support the objectives of Recommendation IX-26 Project Management Performance Measures which is to report project management performance measures that focus on the effectiveness of cost estimation, earned value and schedule management.

Additionally, these deliverables will also address the 2013 Recommendation 10.4.5, to utilize a Work Breakdown Structure (WBS) in the initial phases of the project justification and conceptual estimating, and continue their refinement as the project progresses.

Deliverable:

An internal review of the established WBS is in progress to address any immediate gaps or corrective measures required while maintaining alignment with our financial system and capital accounting requirements. PSEG Long Island will identify and develop enhancements or improvement to the existing WBS that is used within the PSEG Long Island financial system for new 2019 projects.

PSEG Long Island will engage a consultant to optimize the review current best practices relative to other utilities and provide guidance on specific optimization plans with a particular focus on the following specific recommendations:

- Develop well-defined work packages that can be used to track and measure project performance based on earned value.
- Plan work in logical work groupings or packages and subdivide into smaller work groupings. Ensure that activities required to perform the work in each group are identified, defined, and dependent relationships established.
- Formalize the use of WBS elements by all project participants in their respective areas of responsibility and as an identification tool for project management performance measurement.
- Use the WBS in procurement/contracting activities and specify the WBS in contractor Requests for Proposals.
- Use the WBS for project costing and as a means to assess the impact of programmatic

changes in funding levels on work content, schedules, and contractual support.

- Prepare cost estimates for each WBS element to assist budgeting and project validation.
- Integrate the WBS with PSEG Long Island’s accounting systems, project cost management systems and schedule management systems.
- Integrate master work plans and detailed contractor schedules / activities to the WBS to permit integration of schedule information and to facilitate review of status reports and change proposals.
- Evaluate the feasibility of automated capital project cost management software for tracking the projects and the use of WBS to allocate costs and relationships to budgets/funding sources for projects.
- Refine detailed project estimates initially prepared by WBS element and follow the manner in which the project work was planned, scheduled, estimated, funded and executed.

PSEG Long Island will utilize the enhanced or improved WBS to support the objectives of Recommendation IX-26 Project Management Performance Measures which is to report project management performance measures that focus on the effectiveness of cost estimation, earned value and schedule management. Following completion of the above key steps, PSEG Long Island will train appropriate personnel and implement the enhanced or improved WBS.

Deliverables/Milestones	Due Date	Status	Comments
Internal review to modify existing WBS and modify the existing WBS that is used within the PSEG Long Island financial system to support future enhanced reporting capabilities as recommended	12/28/2018	Completed	
Identify consultant with expertise in utility project management and WBS best practices	5/1/2019	Revised	The due date has been changed to 9/30/19.
Engage consultant and identify industry best practices and specific recommendations to improve PSEG Long Island process/ systems and issue a formal report with recommendations for improvement	9/1/2019	Revised	The due date has been changed to 12/31/19.
Implement best practices	1/1/2020	Not Started	

Cost Benefit Analysis:

The estimated cost to engage a consultant and supporting internal resources to conduct an industry best practice evaluation and implement specific process improvements is \$100,000.

Risk Analysis:

The lack of an effective WBS structure will make management of project deliverables challenging, obscure the costs of individual project components and diminish the effectiveness of overall project management.

Customer Benefit Analysis:

Potential benefits of implementing cost-effective WBS improvements could result in a more efficient use of capital that could help advance additional capital projects to improve reliability.

Recommendation Number: 25

Item Status Completed

Recommendation:

Formalize and incorporate contingency management in capital project cost estimating and cost management. Formally report the expenditure of contingency funds separately from project estimates rather than inflate total project budget amounts. It is critical that reliable project budgets include contingency funds based on baseline estimates and their relative risks. In addition to project specific contingency elements, a contingency should also be established to address project scope changes and the need for unforeseen administrative or legal support. In order to audit contingency management, the following activities should be included:

- Review the project budgets and individual budget elements including management, design, construction and project specific contingencies.
- Determine whether contingency levels were appropriately evaluated and reviewed in each evolution of project estimating and each project stage.
- Relate contingency levels with recognized uncertainty and risks at specific levels of planning, design and construction.
- Evaluate project design for unforeseen conditions that might arise or be discovered during the design process and whether these conditions fall within the original project scope (i.e., the program requirements initially articulated by the user in the project definition stage).
- Establish and formalize project cost contingency to cover additional project detail such as unforeseen site conditions, interference, delays or other circumstances that would not have been known at initiation, and expanded or changed project scope not identified during the scope definition phase.

Assigned LIPA Staff:

Michael Simone, Director of Transmission and Distribution System Oversight

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Anthony Stallone - Team Leader

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

PSEG Long Island views this recommendation as having been fully implemented for the reasons described below.

Deliverable:

In January 2018, changes were implemented to the calculations of Risk and Contingency (R&C) and Levels of Estimate for capital projects. The previous level of estimates and R&C was very conservative and would tie significant amount of the budget in reserve. A more granular approach will lower the funds encumbered by R&C while maintaining the appropriate level of risk management.

The changes to the method of calculation are applied to specific estimate elements at each Level of Estimate for each project. The following method is now used when developing revised Risk and Contingency guidelines:

- Project Management: highly predictable and relatively unaffected by changing scope
- Design & Engineering: highly predictable cost and moderately impacted by scope changes
- Licensing & Permitting: relatively low percentage of project cost
- Equipment & Materials: moderately predictable cost and significantly impacted by scope changes
- Land & Land Rights: highly predictable cost and moderately impacted by scope changes
- Construction: moderately predictable cost and significantly impacted by scope and schedule changes

The above described method responds to each of the audit findings / recommendations identified below. Additionally, these deliverables also addressed the 2013 Recommendation 10.4.8, to incorporate contingency management in capital project cost estimating and cost management.

The following parts of the recommendation are addressed below:

- Review the project budgets and individual budget elements including management, design, and construction and project specific contingencies: Each of the budget elements as described above was reviewed and are included in the new Risk & Contingency Guideline Table below.
- Determine whether contingency levels were appropriately evaluated and reviewed in each evolution of project estimating and each project stage: Contingency levels are being evaluated at each project stage, and the Risk & Contingency Guideline Table is used to apply contingency amounts to estimated costs.
- Relate contingency levels with recognized uncertainty and risks at specific levels of planning, design and construction: The new Risk & Contingency Guideline Table (see below) relates the contingency with recognized uncertainty and risks at each level of estimate and for each cost element (project management, design and engineering, licensing and permitting, equipment and materials, land procurement and construction)
- Evaluate project design for unforeseen conditions that might arise or be discovered during the design process and whether these conditions fall within the original project scope (i.e., the program requirements initially articulated by the user in the project definition stage): The unforeseen conditions that might arise or be discovered during the design process is covered by the project cost contingency under Construction and Equipment & Materials cost elements throughout each project stage (level of estimate) – see Risk &

Contingency Guideline Table below.

- Establish and formalize project cost contingency to cover additional project detail such as unforeseen site conditions, interference, delays or other circumstances that would not have been known at initiation, and expanded or changed project scope not identified during the scope definition phase: The project cost contingency for any unforeseen site conditions, interference, delays or other circumstances that were not known at initiation of a project is covered under Construction cost element throughout each project stage (level of estimate) – see Risk & Contingency Guideline Table below. This recommendation has been completed.

Risk and Contingency Guideline Table

Description	order of magnitude	conceptual estimate	design estimate	definitive estimate
Project Mgmt/Admin	10%	10%	5%	5%
Design and Engineering	20%	15%	10%	5%
Licensing and Permitting	30%	20%	10%	5%
Equipment and Material	40%	20%	10%	5%
Land and Land Rights	20%	15%	10%	5%
Construction	40%	35%	30%	20%

Deliverables/Milestones	Due Date	Status	Comments
Establish and formalize project cost contingency to cover additional project detail such as unforeseen site conditions, interference, delays or other circumstances that would not have been known at initiation	1/18/2018	Completed	
Evaluate project design for unforeseen conditions that might arise or be discovered during the design process and whether these conditions fall within the original project scope	1/18/2018	Completed	
Relate contingency levels with recognized uncertainty and risks at specific levels of planning, design and construction	1/18/2018	Completed	

Determine whether contingency levels were appropriately evaluated and reviewed in each evolution of project estimating and each project stage	1/18/2018	Completed	
Review the project budgets and individual budget elements including management, design, construction and project specific contingencies	1/18/2018	Completed	

Cost Benefit Analysis:

Improving the project risk contingency levels and the application will lead to better allocation of the capital budget. The cost of the above-mentioned implemented actions are embedded in the cost to achieve improvements in our estimating process as noted in response to Recommendation 23 and is the following:

- Cost of three full time employees: \$450,000 per year (2 positions are filled, one position remaining to be filled)
- Cost of Sage implementation project: \$500,000 (one-time cost incurred July 2018); \$130,000 (annual software and system maintenance cost).

Risk Analysis:

The lack of an effective contingency management process will inflate the costs of individual capital projects and will diminish the effectiveness of the overall capital program.

Customer Benefit Analysis:

Improving risk and contingency levels will allow PSEG Long Island to better prioritize capital investments which will ultimately improve the reliability of the electric system.

Recommendation:

Define and report project management performance measures that focus on the effectiveness of cost estimation, earned value and schedule management. Project progress reports should be timely, and contain all information which is pertinent for their target audience. Cost estimates and schedules developed for preliminary plans should be evaluated when a project is complete to determine where further enhancements to project estimating can be made.

- Have project managers actively monitor overall project progress against the baseline schedule and review cost versus progress and budget.
- Formalize project management performance reporting to LIPA and PSEG Long Island.
- Integrate cost and schedule systems with the project master schedule and the approved project budget.
- Develop a baseline schedule for every capital project showing the logical relationships, duration, and timing of the WBS elements for engineering and construction.
- Establish processes for systematic schedule preparation, review and analysis.
- Periodically, perform analyses of the initial establishment of operation/completion dates.
 - Construction delivery strategy – whether plans were developed and defined for construction contracting and long lead item equipment procurement.
 - Phasing requirements – determining the proper sequence and phasing of all proposed construction work on the project to ensure that construction was accomplished in the most economical manner while minimizing impact to operations.
 - Integration of design, procurement and construction activities - once phasing was determined, whether all activities concerned with design, procurement, construction, start- up and operation, and the entire scope of work was clearly defined and integrated.
 - Milestones – identification of important milestone dates establishing a basis for the implementation of the project work plan.
- Periodically reassess processes used to obtain actual project schedule data used to determine the status of the project against key milestones, and the accuracy of information on the progress of individual/critical project elements.
- Formalize processes to address proposed and actual revisions to the project schedule, and use of the scheduling system to identify possible solutions for schedule recovery.
- Highlight:
 - Project cost variances
 - Schedule variances
 - Committed costs and actual costs to date
 - Estimated cost at completion

- Capital budget impact
- Trends
- Pending and approved scope changes
- Earned value, or other measurements of cost and schedule performance.

Assigned LIPA Staff:

Michael Simione, Director of Transmission and Distribution System Oversight

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Anthony Stallone - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

High

Objectives and Assumptions of the Recommendation:

Project progress reports should be timely and contain all information which is pertinent for their target audience. Cost estimates and schedules developed for preliminary plans should be evaluated when a project is complete to determine where further enhancements to project estimating can be made. PSEG Long Island will enhance its project management process to build upon its existing capabilities.

Deliverable:

The key steps of the work plan are as follows:

- Define project management performance measures, which highlight project cost variances, schedule variances, committed costs and actual costs to date, estimated cost at completion, capital budget impact, trends, pending and approved scope changes, earned value, or other measurements of cost and schedule performance.
- Evaluate reporting tools, source data and opportunities for integration.
- Develop reporting tool and performance measurement dashboard.
- Develop guidelines and/or procedures.
- Implement performance measurement for all capital projects and programs.
- Train applicable Project Management Office (PMO) and Projects& Construction personnel and key stakeholders.

Additionally, these deliverables will also address the 2013 Recommendations: 10.4.4, to define project management performance measures focusing on the effectiveness of cost estimation and scheduling. Cost estimates and schedules developed for preliminary plans should be evaluated when a project is complete to determine where further enhancements to project estimating can be made; 10.4.7, to develop a capital project cost forecasting/trending capability, 10.4.10, to improve periodic capital progress reporting; 10.4.12, to perform capital project schedule management.

PSEG Long Island will define project management performance measures that direct focus on the effectiveness of cost estimation, earned value and overall project performance, including schedule management and reporting.

- Cost estimates and schedules developed for preliminary plans should be evaluated when a project is complete to determine where further enhancements to project estimating can be made. (This also addresses the portion of the 2013 Recommendation 10.4.4, for cost estimates and schedules developed for preliminary plans should be evaluated when a project is complete to determine where further enhancements to project estimating can be made).
- The implementation of measures to verify the accuracy of estimates versus the actual project cost and maintain a record of updates to the estimating database is in progress.
- Material cost is being monitored against historical cost and the estimating database is being updated (part of the current estimating process).
- Contractor cost monitoring is improving and internal labor cost validation is still in progress.
- Formalize project management performance reporting to LIPA and PSEG Long Island. (Addresses the portion of the 2013 Recommendation 10.4.4- to define project management performance measures focusing on the effectiveness of cost estimation, scheduling; 2013 Recommendation 10.4.7- to develop a capital project cost forecasting/trending capability; and 10.4.10- to improve periodic capital progress reporting.)
- PSEG Long Island has implemented tier II LIPA reporting metrics for Capital Project management. These include individual metrics for budget forecast accuracy and schedule accuracy based on scheduled milestones achieved.
- In 2018, an additional metric has been added to track and measure estimate accuracy.
- Integrate cost and schedule systems with the project master schedule and the approved project budget.
- PSEG Long Island currently uses SAP for cost management, SAGE for estimating and Primavera P6 for scheduling. Evaluate and determine the feasibility of software capabilities of automating the integration of cost, estimating and schedule systems.
- Develop a baseline schedule for every capital project showing the logical relationships, duration, and timing of the WBS elements for engineering and construction.
- Effective in 2018 major capital projects have a well-defined baseline schedule showing the logical relationships, duration, and timing of the WBS elements for engineering and construction.
- PSEG Long Island established processes for systematic schedule preparation, review and analysis.
- Establish processes for systematic schedule preparation, review and analysis. (Addresses the portion of the 2013 Recommendation 10.4.12- to perform capital project schedule management.)
- Project schedules are created in Oracle P6 software using a standard WBS template and are updated as needed with each revision archived as a pdf.
- Formalize processes to address proposed and actual revisions to the project schedule, and use of the scheduling system to identify possible solutions for schedule recovery.
- PSEG Long Island has in place Oracle P6 Scheduling Software for schedule management. Project schedules and associated activities are updated monthly in Oracle P6 scheduling software to determine activity status, percent completed, actual man-hours, schedule recovery and activity closeout. These schedules are archived to the project folder.

Deliverables/Milestones	Due Date	Status	Comments
PSEG Long Island has in place Oracle P6 Scheduling Software for schedule management. Project schedules and associated activities are updated monthly in Oracle P6 scheduling software to determine activity status.	6/1/2018	Completed	
Effective in 2018 major capital projects have a well-defined baseline schedule showing the logical relationships, duration, and timing of the WBS elements for engineering and construction. PSEG Long Island established processes.	6/1/2018	Completed	
Material cost monitored against historical cost and the estimating database updated.	9/1/2018	Completed	
Implement tier II LIPA reporting metrics for Capital Project management, including individual metrics for budget forecast accuracy and schedule accuracy based on scheduled milestones achieved.	9/1/2018	Completed	
Add tier II LIPA reporting metric for Capital Project management to track and measure estimate accuracy.	12/31/2018	Completed	
Evaluate improved reporting tools, source data and opportunities for integration.	8/1/2019	Revised	Due date changed to 3/1/20
Define/enhance project management performance measures by reviewing existing Tier II metrics	8/1/2019	Revised	Due date changed to 2/1/20
Develop improved guidelines and/or procedures.	8/30/2019	Revised	Due date changed to 12/30/19
Contractor cost monitoring is improving and internal labor cost validation is still in progress.	9/1/2019	Revised	Due date to be changed TBD
Train applicable PMO and Projects & Construction personnel and key stakeholders.	9/30/2019	Revised	due date changed to 12/31/19

Implement performance measurement for all capital projects and programs.	10/25/2019	Revised	Due date changed to 12/31/19
Evaluate and determine the feasibility of software capabilities of automating the integration of cost and schedule systems.	12/31/2019	Not Started	
Determine effectiveness, conduct lessons learned and identify corrective measures.	12/31/2019	Not Started	

Cost Benefit Analysis:

New and enhanced performance measurement measures will result in additional activities and potentially require additional software and systems. As the detailed implementation plans are being developed, it is premature to estimate the cost to achieve.

Benefits: Implementing new and enhanced performance measurement measures will result in the more effective use of capital and increased project management performance and measurement, including:

- Enhanced project scheduling and execution
- Improved estimating tools
- Identification and implementation of best-practices and lessons learned thereby improving performance
- Better project management and oversight
- Improved collaboration of team members
- Better project cost and schedule control
- Better risk management
- Improved standardized reporting capabilities for project team and utility management

Risk Analysis:

Lack of performance measurement will reduce control of capital budget resources and will degrade project management performance.

Customer Benefit Analysis:

Performance measurement will provide better control and use of capital budgets and will improve project management performance resulting in the benefits noted above.

Recommendation Number: 27

Item Status In Progress

Recommendation:

Develop an integrated a work management system covering all PSEG Long Island operations, maintenance and construction resources that are based on engineered time standards and cover routine operations, repetitive maintenance activities, planned work, support requirements, and provide continuous feedback on workforce effectiveness. The system should be in an easy-to-use format expressed in man-hours, along with the combined employee and contractor capacity available to perform the work, supported by real time reporting of capacity utilization. The system should include:

- Documentation of work level versus resource histogram development and work plan process.
- Enhanced methods to calculate workforce capacity and utilization.
- Expanded workforce coverage in reports.
- Documentation of processes for establishing workforce levels.
- Documentation of criteria for adding contractor capacity.
- Establish real time variance reporting for O&M and project costs.
- Additional decision-making information to work plan.

Assigned LIPA Staff:

Michael Simone, Director of Transmission and Distribution System Oversight

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor;
Joseph Cicalo - Team Leader

Ranking:

High

Objectives and Assumptions of the Recommendation:

This implementation plan covers recommendations #27 and #28 and is identical to the plan for #28.

PSEG Long Island will identify and document existing and future management information/reporting and work management processes/systems, including potential near term and longer term enhancements. The overall objective is to achieve cost-effective improvements in efficiency. Our assumption is that efficiency improvements will allow us to complete required work at an overall reduced cost.

Deliverable:

Three stages of enhancements (short-term, mid-term and long-term) will be provided to three key areas:

- Information and reports
- Processes and
- Systems

Currently PSEG Long Island utilizes CMMS for managing assets, Primavera (P6) for scheduling, SAP work management and SAP financials for costs and SAGE for estimating. We will review the current use of these systems and look for enhancements that will improve

overall efficiency within the business. Key deliverable components include time (productivity) standards, organizational effectiveness measures and capacity analysis (visibility to desired work vs. available resources). Additionally, deliverables will provide insight into the drivers of inefficiency.

Enhancements in visibility and reporting will occur in the following areas:

- Employee planned availability vs. actual availability
- Contractor planned availability vs. actual availability
- Work level vs. resource histograms
- Capacity utilization reporting
- Workforce effectiveness measures
- Workload level trending
- Unit cost reporting
- Timely GIS updates of fixed asset records
- Electronic completion records
- Electronic inspection records

Document formal work management practices for:

- Scheduling
- Prioritization and planning
- Resource allocation and leveling
- Performance measurement
- Budget planning and control
- Vendor tracking
- Document/drawing control
- Pertinent records management

This action plan addresses item #27 and #28, as well as 2013 audit items 13.4.1 and 13.4.2.

Deliverables/Milestones	Due Date	Status	Comments
Identify and document existing management information, work management processes, and work management systems, and future required management information.	1/1/2019	Completed	Requested extension until 1/11/2019
Identify mid-term enhancements that can be implemented by 7/1/2020 and prepare of list of targeted enhancements. Create a milestone schedule for implementation. Cost benefit analysis to be provided.	7/1/2019	Completed	

Implement short-term enhancements by 7/1/2019 and prepare summary of changes implemented.	7/1/2019	Completed	Completed on the revised date of 7/31/19.
Identify long term enhancements that can be implemented by 7/1/2021 and prepare a list of targeted enhancements. Create a milestone schedule for implementation. Cost benefit analysis to be provided.	7/1/2020	Not Started	
Implement mid-term enhancements by 7/1/2020 and summarize implemented enhancements.	7/1/2020	Not Started	
Implement long term enhancements by 7/1/2021 and summarize implemented enhancements.	7/1/2021	Not Started	

Cost Benefit Analysis:

The cost to develop and implement an integrated work management system will be significant. Expenditures of the magnitude of \$20,000,000 could be required. Given the large capital and O&M expenditures in the company, small improvements in efficiency can quickly pay back investments of this magnitude and greater.

Actual cost and benefit amounts will be developed for individual components of the proposed solutions and will guide approvals and implementations.

Risk Analysis:

Risk will be mitigated by striking the correct balance between too little or too much work management focus. Under delivery will not achieve optimal benefits. Over delivery will not optimize the cost of overall efforts.

Customer Benefit Analysis:

Improved efficiency will result in the required work occurring at lowest reasonable cost, thereby mitigating billing impacts to the customer. Additionally, enhanced work management information will allow for better scheduling and communication of customer driven work.

A detailed Cost Benefit Analysis will be provided when investment decisions are made for each of the short, medium, and long-term enhancements described above.

Recommendation Number: 28

Item Status In Progress

Recommendation:

Fill gaps in the current management information reporting and organizational reporting relationships to support an integrated work management system.

- Develop formal reports on trends in work load levels, workforce productivity and utilization. The analysis of these trends identifies areas that are performing well, where improvements are needed, and is a foundation for the development of strategies to improve work force performance.

- Establish formal processes to use work management data for annual resource planning as part of the annual business planning activities of PSEG Long Island operations and maintenance.

- Develop formal work management practices for PSEG Long Island engineering and design functions. The work management systems should have appropriate system tools to support the various individual and distinct engineering functional processes. Elements that should be formalized include:

- Scheduling
- Prioritization and planning
- Resource allocation and leveling
- Performance measurement
- Budget planning and control
- Vendor tracking
- Document/drawing control
- Records management
- Procurement management
- Time reporting

Assigned LIPA Staff:

Donald J. Schaaf, Manager of T & D System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor;
Joseph Cicalo - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

High

Objectives and Assumptions of the Recommendation:

The Implementation Plan for Recommendation 27 also addresses Recommendation 28.

Deliverable:

See Recommendation 27.

Cost Benefit Analysis:

See Recommendation 27.

Recommendation Number: 29

Item Status In Progress

Recommendation:

Develop overtime targets for PSEG Long Island operations and maintenance organizations based on economic analyses and verified industry norms.

Assigned LIPA Staff:

Donald J. Schaaf, Manager of T & D System Oversight

Assigned PSEG Staff:

John O'Connell - Executive Sponsor;
Joseph Cicalo - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The objective of this initiative is to establish overtime targets with a basis from economic analysis and industry norms. Our assumption is that establishing overtime targets in this fashion will yield optimal cost benefit from the overtime hours worked.

Deliverable:

Deliverables are:

- Benchmark information on overtime levels.
- Financial analysis indicating optimal levels of overtime from a financial perspective.
- Proposed overtime level targets including when such targets should be effective.

Deliverables/Milestones	Due Date	Status	Comments
Establish team to review PSEG Long Island overtime rates and perform market research.	1/31/2019	Completed	
Identify industry norms for overtime rates through comparison of industry peers.	4/30/2019	Completed	
Perform cost/benefit analysis of adjusting workforce to adjust overtime rates.	6/30/2019	Completed	Due date revised to 7/31/19, completed on 8/7/19.
Identify and develop appropriate target.	7/15/2019	Revised	Due date revised to 9/30/19.
Establish the target and create an implementation schedule	8/31/2019	Revised	due date revised to 10/15/19
Implement Schedule	12/31/2019	Not Started	

Cost Benefit Analysis:

The cost to make recommendations from financial modeling and industry modeling is estimated at \$250,000. Given the large amounts of overtime expended, as well as the large labor pool at PSEG Long Island, we expect that benefits will offset costs.

Risk Analysis:

The risk of not optimizing overtime is a risk of not realizing potential cost reductions.

Customer Benefit Analysis:

The customer will benefit from optimized overtime costs.

Recommendation Number: 30

Item Status In Progress

Recommendation:

Add KPIs for management positions. Review the design of monitoring and controlling reports to improve their usefulness.

Assigned LIPA Staff:

Barbara Ann Dillon, Esq., PHR, Director of Human Resources & Administration

Assigned PSEG Staff:

John O'Connell - Executive Sponsor; Nicholas Nolau - Team Leader

LIPA Executive:

Bobbi OConnor, Vice President, Policy, Strategy & Administration

Ranking:

Low

Objectives and Assumptions of the Recommendation:

A KPI (Key Performance Indicator) is a measurable value that demonstrates how effectively the utility is achieving key business objectives. Organizations use KPIs at multiple levels to evaluate their success at reaching targets.

Our objective is to cost effectively establish the right mix of KPIs and associated reporting within PSEG Long Island.

Deliverable:

- A list of which positions will have KPIs, and the KPIs for those positions
- A list of which positions will not have KPIs with the accompanying rationale
- A list of what level of reporting will exist for positions with KPIs
- Implemented reporting in accordance with deliverable due 9/30/19 (review existing KPIs and existing job descriptions.)

Deliverables/Milestones	Due Date	Status	Comments
Review existing reporting capabilities and identify reporting that can support KPI reporting at manager and supervisor levels	1/1/2019	Completed	Reviewed current T&D tier 1 and 2 goals and reporting capabilities. Identified potential level for cascading scorecard measures to supervision/management levels.
Identify and list all management positions. Indicate any that already have KPIs	1/1/2019	Completed	Listed all MAST positions and reviewed sample of 27 MAST positions for KPIs in current requisition.
Review existing KPIs and existing job descriptions and identify which job descriptions will receive new KPIs and which job descriptions will receive KPI level reporting	9/30/2019	In Progress	

List those management positions that KPIs were not added to and an explanation why they were not included for those roles (summary)	10/1/2019	In Progress	
Add KPIs to job description, communicate to impacted employees and begin KPI level reporting	10/1/2019	In Progress	

Cost Benefit Analysis:

Establishment of KPIs for appropriate positions will have nominal/minimal cost. PSEG Long Island will review reporting enhancements, which could have significant cost, and determine the appropriate level of reporting based on expected cost/benefit.

Risk Analysis:

Not implementing the appropriate level of KPIs will result in less than optimal performance and results.

Customer Benefit Analysis:

Implementation of this recommendation will result in the following benefits: Improved performance, potential improvements in employee morale associated with increased communication.

Recommendation Number: 31

Item Status Completed

Recommendation:

At the time of the next bill redesign, revise bill formats to include missing information required by 16 NYCRR Parts 11 and 13 (e.g., definition of kW, late payment date line and an explanation as to how the bill can be paid).

Assigned LIPA Staff:

Theresa Bonavolonta, Manager of Customer Service Oversight

Assigned PSEG Staff:

Richard Walden - Executive Sponsor;
Brigitte Wynn - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

A review of the customer bill revealed three missing data points that are required by NYCRR Parts 11 and 13.

- Late payment line and date to be added to TOU (MRP1) bills
- kW definition to be added to definition section
- New bill message by customer service center area will be added and appear on each bill identifying the customer center in the customers area

Deliverable:

The recommendations for three items to be added to the bill have been reviewed and have been placed into the Customer Accounting System (CAS) Continuous Improvement Project to be completed in 4Q 2018. These are not complex changes.

Deliverables/Milestones	Due Date	Status	Comments
Bill Changes Reviewed / Scheduled	7/20/2018	Completed	
Development	11/15/2018	Completed	
User Acceptance Testing	11/21/2018	Completed	
Sign Off	11/28/2018	Completed	
Go Live Production	11/30/2018	Completed	

Cost Benefit Analysis:

The cost of enhancements is \$75,000. There are no direct cost benefits; however, including this new information on customer bills will ensure compliance with HEFPA.

Risk Analysis:

The project is dependent on the timely completion of the annual rate change as both projects will utilize the same technical resources and bill print modules.

Customer Benefit Analysis:

N/A

Recommendation Number: 32

Item Status Completed

Recommendation:

Issue denial of service notices as required by 16 NYCRR Parts 11 and 13. Offer payment arrangements as required by Part 11.

Assigned LIPA Staff:

Theresa Bonavolonta, Manager of Customer Service Oversight

Assigned PSEG Staff:

Richard Walden - Executive Sponsor;
Brigitte Wynn - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The objective of this recommendation is to ensure that PSEG Long Island is consistently offering payment agreement plans, in writing, to applicants owing money on previous accounts in the Denial of Service notice procedure as HEFPA requires. Issue a “Denial of Service” to applicants in situations when they are told that they must go to the office and provide additional information.

Deliverable:

HEFPA section 11.3(b) requires that customers be given a written notice when their application for service is denied.

The notification must state the reason(s) for the denial, what the applicant must do to qualify for service and the customer’s right to appeal to DPS.

PSEG Long Island’s project team created a procedure requiring that a “denial of service” notification be sent to every customer that is “denied” service.

Deliverables/Milestones	Due Date	Status	Comments
Project team established.	7/10/2018	Completed	
Project team reviewed PSEG Long Island current Denial of Service notice as well as notices used by other utilities (Con Ed and National Grid).	7/13/2018	Completed	
New Denial of Service notice, that includes payment plan information, was drafted by the project team and sent to Marketing for formatting and branding.	7/27/2018	Completed	

Draft of Denial of Service Notice and process document were sent to Legal for review.	8/3/2018	Completed	
Project team drafted a process document for the Denial of Service notices for representatives to follow.	8/4/2018	Completed	
Updated Denial of Service Notice and process implemented.	8/8/2018	Completed	

Cost Benefit Analysis:

There are no direct cost benefits. Implementation of this recommendation is required to comply with HEFPA.

Risk Analysis:

None

Customer Benefit Analysis:

Customers will benefit from the implementation of this recommendation as documenting the payment agreement option on the notice will more clearly define all options available to the customer in support of their application for service.

Recommendation Number: 33

Item Status Completed

Recommendation:

Revise the processes used by PSEG Long Island to respond to complaints received by the Department of Public Service (DPS) as follows:

- Create a case file checklist to include in case files to ensure documentation is complete.
- Develop an integrated program management approach to ensure customers are provided information on all programs available to them. One approach would be to create customer profile worksheet with cross reference to applicable programs and/or relevant protections.
- Eliminate practice of hand calculations and implement use of excel template calculators. Modify the “DPS Complaint Response Form” to include:
 - Time and date customer complaint was created
 - Applicable customer contact timeline (e.g. 2-hour, next day etc.)
 - Time and date customer was contacted
 - Any special protections or customer assistance programs the customer was referred to
 - Date form submitted to DPS.
- Implement a process to ensure PSEG Long Island includes copies of the DPS customer close out letters in the case files.

Assigned LIPA Staff:

Theresa Bonavolonta, Manager of Customer Service Oversight

Assigned PSEG Staff:

Richard Walden - Executive Sponsor;
Brigitte Wynn - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The objective of this recommendation is to improve the process for documenting and resolving customer complaints that are reported to the DPS.

Deliverable:

To implement this work plan, subject matter experts from the PSEG Long Island Customer Relations team and Quality Assurance teams will work together to review the audit recommendation and develop an action plan to ensure that it is implemented in a timely manner. The action plan will be reviewed by the Director of the Customer Experience for accuracy and thoroughness prior to implementation.

Hand calculations are only the notes taken in the field. Excel calculators are then used to work up the final figures.

Deliverables/Milestones	Due Date	Status	Comments
Establish project team	7/9/2018	Completed	
Review audit finding and develop version 1 of action plan	7/12/2018	Completed	
Modify “DPS Complaint Response Form” to include new data fields as requested in audit recommendation	7/16/2018	Completed	
Create case file checklist	7/16/2018	Completed	
Finalize action plan (i.e. action plan is completely defined)	7/29/2018	Completed	Step reworded to clarify action item
Train Customer Relations team on new case file checklist, modified DPS complaint response form, and close out letters (where applicable)	7/29/2018	Completed	
DPS close out letters	8/21/2018	Completed	July 30, 2019 Update: This step is no longer applicable.
Create customer profile worksheet	8/21/2018	Completed	
Create file checklist	8/21/2018	Completed	
Create excel spreadsheet template to calculate billing adjustments where applicable	10/29/2018	Completed	The Customer Relations team has been trained on all required documentation for all calculations.
Train Customer Relations team on all required documentation for all calculations	10/29/2018	Completed	The excel spreadsheets were created and implemented

Cost Benefit Analysis:

There are no additional costs. Implementation of this recommendation is required to comply with DPS regulations.

Risk Analysis:

None.

Customer Benefit Analysis:

Customers will benefit from the implementation of this recommendation as follows:

- More consistent application of the issue resolution process (resulting from the implementation of checklists for each case file to ensure thorough documentation of the process).
- Possibly access to more programs, protections, and options (resulting from the implementation of a cross-reference worksheet).
- Better case documentation throughout the process should there be a need to refer back to the customer file as a result of an escalated complaint or future inquiry on the same case.

Recommendation Number: 34

Item Status Completed

Recommendation:

Modify the CTS system to improve DPS complaint tracking and reporting ability. Add data fields including:

- The original source of complaints referred by DPS (i.e., direct from customer, Consultant, Government Official/Executive Correspondence).
- Customer contact deadline.
- Closeout deadline.
- Resolution status field to differentiate between cases that are “Resolved and Closed” vs “Unresolved and Closed”
- Indication the case is “Pending completion of future work” to allow for active follow-up.
- Modify the Date Opened field to allow for capturing of time of day a case is created.
- Modify Date Contacted field (default time of day set at 0:00) to force user to adjust time. Adjust internal processes to ensure data entry into this field.

Assigned LIPA Staff:

Theresa Bonavolonta, Manager of Customer Service Oversight

Assigned PSEG Staff:

Richard Walden - Executive Sponsor;
Brigitte Wynn - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The objective of this recommendation is to ensure that the Complaint Tracking System (CTS), used by the Customer Relations team to document and work customer complaints reported to the DPS, has the functionality needed for optimal work flow and reporting.

Deliverable:

To implement this work plan, subject matter experts from the PSEG Long Island Customer Relations team, Information Technology team, and Quality Assurance teams will work together to review the audit recommendation and develop an action plan to ensure that it is implemented in a timely manner. The action plan will be reviewed by the Director of the Customer Experience team for accuracy and thoroughness prior to implementation.

The work plan was completed on 9/28/2018.

Deliverables/Milestones	Due Date	Status	Comments
Establish project team	7/9/2018	Completed	
Review audit finding and develop version 1 of IT requirements	7/12/2018	Completed	
Review IT requirements for additional clarity and refinement	7/16/2018	Completed	

Get delivery date from IT team	8/1/2018	Completed	
Begin IT work	8/13/2018	Completed	
End IT work	9/14/2018	Completed	
Test IT changes made to CTS	9/21/2018	Completed	
Complete action plan (i.e. recommendation fully implemented)	9/28/2018	Completed	
Reserved time for IT rework and retesting (if needed)	9/28/2018	Completed	

Cost Benefit Analysis:

The cost of enhancements is \$6,500. There are no direct cost benefits. Implementation of this recommendation will improve compliance with with DPS regulations.

Risk Analysis:

None

Customer Benefit Analysis:

Customers will benefit from better case documentation throughout the process should there be a need to refer back to the customer file as a result of an escalated complaint or future inquiry on the same case.

Recommendation Number: 35

Item Status Completed

Recommendation:

Implement a Quality Assurance Program in Customer Relations. Recommended items for review include:

- Data is entered in CTS
- CAS diary entry includes the time customer contact occurred
- Case files are completed
- Appropriate tools and methodology are being used to calculate adjustments
- Consistent treatment of customers with similar issues
- Customers complaint concerns appropriately addressed
- DPS Complaint Response Form is used to track response to DPS cases.

Assigned LIPA Staff:

Theresa Bonavolonta, Manager of Customer Service Oversight

Assigned PSEG Staff:

Richard Walden - Executive Sponsor;
Brigitte Wynn - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The objective of this recommendation is to ensure that the processes for documenting and resolving customer complaints that are reported to the DPS are being followed and executed consistently across the Customer Relations Department.

Deliverable:

To implement this work plan, subject matter experts from the PSEG Long Island Customer Relations team and Quality Assurance teams will work together to review the audit recommendation and develop an action plan to ensure that it is implemented in a timely manner. The action plan will be reviewed by the Director of the Customer Experience team for accuracy and thoroughness prior to implementation.

The work plan was completed on 8/22/2018.

Deliverables/Milestones	Due Date	Status	Comments
Establish project team	7/9/2018	Completed	
Review audit finding and develop version 1 of action plan	7/12/2018	Completed	
Identify QA resource to begin monthly QA audit process	7/16/2018	Completed	
Develop QA checklist	7/16/2018	Completed	
Select files to be audited	7/18/2018	Completed	

Conduct QA audit to include all items in the “recommended items for review” list	7/20/2018	Completed	
Prepare QA audit report	7/24/2018	Completed	
Finalize implementation of action plan (i.e. action plan is completely implemented)	7/29/2018	Completed	
Implement Quality Assurance program in Customer Relations	8/22/2018	Completed	

Cost Benefit Analysis:

There are no direct cost benefits. Implementation of this recommendation is required to comply with DPS regulations.

Risk Analysis:

None

Customer Benefit Analysis:

Customers will benefit from the implementation of this recommendation as follows:

- Better case documentation throughout the process should there be a need to refer back to the customer file as a result of an escalated complaint or future inquiry on the same case.
- Opportunities for additional training of Customer Relations personnel should the Quality Assurance process identify inconsistencies in the issue resolution process.

Recommendation Number: 36

Item Status In Progress

Recommendation:

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. Potential measurement options include surveys, focus groups, a media clip index, or attendance at public meetings

Assigned LIPA Staff:

Sid Nathan, Director of Communications, Michael Deering, Director of Customer Service Oversight and Stakeholder Relations

Assigned PSEG Staff:

Christopher Hahn - Executive Sponsor; Joanna Weissman - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The objective of measuring outreach, media relations, and our external affairs programs is to enhance timely and accurate communications to our customers and stakeholders. PSEG Long Island monitors the effectiveness of our communications efforts through a range of indicators, including but not limited to customer and government official feedback; customer satisfaction as measured through the JD Power survey; ongoing monitoring of media coverage and maintenance of a media clip index; ongoing monitoring and tracking of media sentiment; customer focus groups and interviews on targeted subjects including infrastructure communications; and review of formal complaints to the Department of Public Service.

To more regularly measure the effectiveness and cost-effectiveness of our capital project and external affairs communications efforts, PSEG Long Island seeks to implement a recurring, targeted set of measurement tools that will be folded into a scorecard that evaluates whether outreach efforts are cost-efficient, on target, and achieving results. These recurring targeted measurements will enable the external affairs and communications teams to gauge the effectiveness of ongoing improvements in our communications to our customers. The scorecard will be based on discussions with key external affairs stakeholders and will be implemented after a pilot period to allow for learning and confirmation of effectiveness of measurement tools.

Deliverable:

A team of PSEG Long Island External Affairs staff will identify a set of stakeholders in the capital project outreach process. These stakeholders will be comprised of internal and external representatives, and may include state and local elected officials or their designees; New York State agencies and/or authorities; customers; other utilities, and PSEG Long Island staff from a range of business areas. The External Affairs team will garner feedback about how stakeholders describe a successful outreach campaign and seek recommendations about how to measure outreach success and cost effectiveness. Based upon feedback gathered through the

interviewing process, External Affairs will develop and pilot an Outreach Scorecard measuring the performance of outreach campaigns on the selected metrics. After a six-month pilot, the External Affairs team will review the effectiveness of the pilot scorecard. The team will improve upon scorecard metrics based upon lessons learned during the pilot. The Outreach Scorecard will be fully implemented in early 2020.

Deliverables/Milestones	Due Date	Status	Comments
Meet with stakeholders to gather input into outreach goals and potential measures of outreach effectiveness	3/15/2019	Completed	
Develop a template scorecard containing metrics on outreach effectiveness, cost-efficiency, and appropriateness of outreach targeting	6/15/2019	Completed	
Implement outreach scorecard for a six-month pilot period commencing June 2019 and ending December 2019	12/15/2019	In Progress	
Finalize public outreach scorecard based on findings from pilot period, summarize pilot findings	3/15/2020	Not Started	

Cost Benefit Analysis:

The project will be fully implemented using in-house labor. Implementation is anticipated to take 300 hours to develop both tools at a cost of \$118 per hour, for a total of approximately \$35,400.

No direct cost benefits are associated with this initiative. Customers will ultimately benefit through improvements in project communications and outreach.

Risk Analysis:

Without a comprehensive set of measures of outreach effectiveness, PSEG Long Island may miss strategic opportunities for process improvement that may in turn expand customer awareness of capital investments.

Customer Benefit Analysis:

Assessing the effectiveness of our capital project outreach and media communications will reveal opportunities to improve outreach efforts. Improved outreach will improve customer awareness of our reliability efforts and planned work in the community; will help to mitigate potential concerns about projects; and will foster PSEG Long Island's relationship with customers and stakeholders in the community.

Recommendation Number: 37

Item Status Completed

Recommendation:

On a pilot basis, evaluate the potential use and effectiveness of text messages and phone calls to customers on scheduled tree trim routes.

Assigned LIPA Staff:

Sid Nathan, Director of Communications, Michael Deering, Director of Customer Service Oversight and Stakeholder Relations

Assigned PSEG Staff:

John O'Connell - Executive Sponsor; Mark Cerqueira - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

Our objective is to determine the value of text and phone based customer notifications for scheduled tree trimming.

Deliverable:

A pilot program that quantifies cost and benefits and recommends future use of this option for customer notification.

Deliverables/Milestones	Due Date	Status	Comments
Set up a process for text notifications	1/29/2019	Completed	
Manage the process for a period of time and evaluate the pros and cons.	7/31/2019	Completed	
Make decision for future implementation.	9/1/2019	Completed	

Cost Benefit Analysis:

Cost of the pilot is nominal / minimal. Cost and benefit of full deployment will be determined via the pilot.

Risk Analysis:

Risk of this pilot is nominal / minimal.

Customer Benefit Analysis:

The customer will benefit from improved communication.

Recommendation Number: 38

Item Status In Progress

Recommendation:

Measure the effectiveness of energy efficiency and low-income programs, and outreach and marketing efforts.

Assigned LIPA Staff:

Sid Nathan, Director of Communications, Michael Deering, Director of Customer Service Oversight and Stakeholder Relations

Assigned PSEG Staff:

Richard Walden - Executive Sponsor;
John Miro- Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The purpose of the action plan is to (1) measure the effectiveness of low income program communications and outreach amongst PSEG Long Island’s low-income population, and (2) to leverage learnings to improve the outreach effort.

The objective of the plan is to increase low-income customer’s awareness and understanding of applicable low-income programs.

Deliverable:

The plan will be implemented through collaboration between various areas and subject matter experts (SMEs) that touch our low-income customer base. The team will work to identify target populations of eligible program participants and deploy a baseline survey to prospects. A bi-annual survey will be conducted to measure impact and effectiveness of communication efforts.

Metrics:

In order to measure the effectiveness of the proposed 2019 communication effort to raise low-income customer awareness of our energy efficiency and low income programs, the following metric and milestones are being developed/tracked:

1. Baseline awareness survey – this survey will be conducted among a sample population of the low-income customer base to determine a baseline target of customer awareness of our programs. The survey will ask customers about their awareness of these programs, how they consume information from their utility and through what communication channels.

Milestone: initial survey results – 10/29/2018

2. Mid-year awareness survey – this survey will take place after communications have been in market over the first half of 2019 to measure changes/improvements to the baseline awareness metric. The goal at the mid-year survey will be to increase awareness by 5% over the baseline target.

Milestone: 7/08/2019

3. Year-end awareness survey – this checkpoint survey will again measure changes / improvements in low-income customer awareness versus the baseline survey. The goal at the year-end survey will be to increase awareness by 10% over the baseline target.

Milestone: 11/08/2019

Deliverables/Milestones	Due Date	Status	Comments
Establish project team, hold kick-off meeting	8/2/2018	Completed	
Develop program-eligible customer prospect profiles	8/24/2018	Completed	
Cross reference profiles with existing one million customer database & 3rd party data to identify eligible program participants	9/24/2018	Completed	
Identify best low income customer communications channels	10/29/2018	Completed	
Develop and execute baseline awareness study – report findings	11/9/2018	Completed	
Create communications plan based on survey feedback, channel selection and target populations	11/30/2018	Completed	
Communications collateral & material development	12/21/2018	Completed	
Begin communication plan execution	1/14/2019	Completed	
Develop, execute mid-year awareness evaluation survey, report findings	7/8/2019	Completed	
Develop, execute year end awareness evaluation survey, report findings	11/8/2019	Not Started	
Develop and modify annual communication plan as necessary, evaluation survey, report findings	11/29/2019	Not Started	

Cost Benefit Analysis:

Better/more effectively targeted marketing efforts could reduce the costs of the current marketing activities. Increased market penetration and understanding of saturation levels could potentially lead to higher program participation. Better recall of PSEG Long Island's marketing efforts could increase customer satisfaction and raise JD Power scores.

Risk Analysis:

None

Customer Benefit Analysis:

Raising awareness of our low income programs would allow qualifying customers to take advantage of programs that could help them lower their energy costs.

Recommendation Number: 39

Item Status Completed

Recommendation:

Develop a more formalized process for determining the outreach budgets for capital projects, particularly Tier 3 and high scoring Tier 2 projects

Assigned LIPA Staff:

Sid Nathan, Director of Communications, Michael Deering, Director of Customer Service Oversight and Stakeholder Relations

Assigned PSEG Staff:

Christopher Hahn - Executive Sponsor; Joanna Weissman - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

Accurate estimating of capital expenditures can facilitate better planning of capital investments. Major capital projects that are complex in nature may generate concern in the communities they will be located, and as such, require a greater outreach effort. Extensive outreach campaigns tend to be more costly in both labor and non-labor expenses. PSEG Long Island’s current practice is to estimate labor hours associated with planned capital projects. PSEG Long Island has not in the past developed detailed estimates of non-labor expenses associated with outreach for planned capital projects. Developing and implementing a process to estimate the full cost of outreach for major capital projects will improve the overall accuracy of project cost estimates.

Deliverable:

In-house resources from the PSEG Long Island External Affairs and Estimating & Permitting departments will partner to expand upon existing project estimating processes. The project team will develop an Outreach Cost Matrix that estimates costs for resources frequently used during capital project outreach, including labor and non-labor resources. Project outreach budgets will be established for each construction project using the Outreach Cost Matrix that will be updated at estimate levels throughout the development of capital projects.

Deliverables/Milestones	Due Date	Status	Comments
Identify estimate levels for project for establishing and refining anticipated costs for outreach activities.	7/30/2018	Completed	
Establish project team	7/30/2018	Completed	
Develop a draft Outreach Cost Matrix for estimating labor and non-labor outreach costs	9/30/2018	Completed	
Conduct Three-Month pilot of draft Outreach Cost Matrix commencing October 2018	12/31/2018	Completed	

Refine Outreach Cost Matrix based on pilot findings and move into production; summarize pilot findings	1/15/2019	Completed	

Cost Benefit Analysis:

The project will be completed with in-house resources. To develop an Outreach Cost Matrix, the project is estimated to take 80 hours at approximately \$118 per hour, for a total estimated cost of \$9,400. To implement the Outreach Cost Matrix on an ongoing basis, the project is estimated to take approximately 100 hours per year at a cost of approximately \$118 per hour, for a total estimated annual cost of \$12,000.

While no direct cost benefits are associated with this initiative, implementation of the Outreach Cost Matrix will result in more accurate cost estimating and variance analysis.

Risk Analysis:

Without implementation of the Outreach Cost Matrix, outreach costs will continue to be approximated at a high level, resulting in additional variance in project cost estimates.

Customer Benefit Analysis:

Implementing a process to estimate the full cost of outreach for major capital projects will improve the overall accuracy of project cost estimates and will, in turn, enable PSEG Long Island to develop more accurate capital budgets and will improve the transparency of the capital planning and outreach processes.

Recommendation Number: 40

Item Status Completed

Recommendation:

Update the External Affairs Handbook to reflect recent lessons learned, the findings in NorthStar’s report, the items cited below, and the other recommendation cited in [Chapter XII].

- Expand the discussion of project scoring.
- For all Tier 3 projects, update constituents as the project approaches its start date, or if there are significant project changes (e.g., scope, schedule, location/route, duration, or other item likely to impact the community such as overhead versus underground, pole heights, additional poles, traffic, outages). This is in addition to the annual update on the 5-year capital plan.

Assigned LIPA Staff:

Sid Nathan, Director of Communications, Michael Deering, Director of Customer Service Oversight and Stakeholder Relations

Assigned PSEG Staff:

Christopher Hahn - Executive Sponsor; Joanna Weissman - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

Public outreach regarding planned infrastructure investments allows community members and stakeholders an opportunity to learn about planned work in advance of construction start and provides community members with an opportunity to share feedback about projects. PSEG Long Island has developed and implemented a robust capital project outreach program. The program, described in the External Affairs Outreach Handbook, relies on External Affairs team members to review and score planned construction projects on a range of criteria, including:

- Project Need;
- Community Impacts;
- Government Dynamics;
- Media Environment;
- Permitting and Regulatory Requirements;
- Aesthetic Impacts;
- Environmental Impacts;
- Historical and Cultural Impacts; and
- Construction Considerations.

Recent regulatory and legislative changes have enhanced the outreach requirements for high-voltage transmission projects. While most of these new requirements are consistent with outreach practices that were historically completed at the External Affairs District Managers’ recommendations, PSEG Long Island will be expanding upon and substantially revising the Outreach Handbook to formalize outreach practices consistent with these new requirements.

In addition, it is the current practice of External Affairs District Managers to update project

scorecards, update outreach plans, and inform community stakeholders of significant changes to earlier communications in the event that project designs or project schedules change. This practice will be formalized in the next version of the Outreach Handbook.

Finally, the Outreach Handbook will be updated to include additional modifications to outreach planning and execution, such as detailed non-labor outreach budgeting and web site maintenance. Accordingly, the Outreach Handbook will remain a consistent reference for the External Affairs team. The updated Outreach Handbook will also continue to provide regulators and community stakeholders with a transparent guide to PSEG Long Island project outreach practices. These enhancements will further document PSEG Long Island’s strategy to communicate issues of significance to customers regularly and in a timely manner, particularly for Tier 3 projects, as recommended in the 2013 NorthStar audit item 15.4.5.

Deliverable:

The PSEG Long Island External Affairs team will work with an outside vendor to review and update the Outreach Handbook consistent with recommendations in the NorthStar report and recent lessons learned.

Deliverables/Milestones	Due Date	Status	Comments
Hold in-depth kick-off and review session on existing and recommended policies of the Outreach Handbook	12/15/2018	Completed	
Vendor to prepare first draft of updates to Outreach Handbook to reflect recommendations in Chapter XII as well as a discussion of compliance with recent regulatory and legislative changes	2/28/2019	Completed	
Conduct review of first draft with internal stakeholders	3/31/2019	Completed	
Vendor to prepare second draft of Outreach Handbook consistent with review comments	5/15/2019	Completed	
Conduct review of second draft with internal stakeholders	6/15/2019	Completed	
Vendor to prepare final draft of revised Outreach Handbook consistent with review comments	7/15/2019	Completed	
External Affairs team to review and implement revised Outreach Handbook	8/15/2019	Completed	

Cost Benefit Analysis:

The project will be completed by an outside vendor with guidance from in-house resources. Outside vendor costs are estimated to total approximately \$75,000 over the nine-month timeline. In addition, the project is estimated to take approximately 100 hours of in-house guidance and oversight at approximately \$118 per hour, for an estimated cost of approximately \$12,000.

Benefits include greater transparency and consistency around capital project outreach efforts.

Risk Analysis:

A clearly documented and regularly documented outreach process minimizes risk of loss of knowledge in the event of staff changes and also ensures that newly hired staff is provided with a comprehensive tool on departmental objectives and goals. This, in turn, ensures that customers will benefit from consistent, informative, and timely project outreach.

Customer Benefit Analysis:

Robust outreach in advance of planned system investments in the community enhances customer and stakeholder understanding of the importance of planned system investments. Outreach also allows stakeholders to express concerns in advance so PSEG Long Island can identify opportunities to mitigate community concerns.

Recommendation Number: 41

Item Status In Progress

Recommendation:

Formalize external affairs training program and enhance to include the following:

- 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/communications methods are required or should be employed
- Developing budgets for capital project outreach.

Assigned LIPA Staff:

Michael Deering, Director of Customer Service Oversight and Stakeholder Relations, Sid Nathan, Director of Communications

Assigned PSEG Staff:

Christopher Hahn - Executive Sponsor; Joanna Weissman - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

Through a robust, consistent outreach process, External Affairs District Managers seek to provide timely, accurate information to customers and stakeholders in the communities we serve. External Affairs District Managers are the lead point of contact for PSEG Long Island communications with elected officials and their staffs on Long Island and the Rockaways. When District Managers are hired, they receive training that covers topics such as utility operations, the electric grid, storm response, vegetation management, and capital projects. As the work plans in this document are implemented, External Affairs team members will be trained on additional policies, procedures, and practices.

Deliverable:

Subcommittees of the PSEG Long Island External Team will develop training modules and conduct training for the full External Affairs team. Several recommended training will be developed once the subject matter is finalized, as described in other recommendation plans and as noted in the deliverables chart below.

Deliverables/Milestones	Due Date	Status	Comments
Hold Kick-Off Meeting and Assign Training Modules to Subcommittees	8/8/2018	Completed	
Establish Project Team	8/8/2018	Completed	
Develop Module 4: Communication with the DPS Subcommittee develops draft Module 4	9/30/2018	Completed	

Develop Module 3: Documentation requirements. Subcommittee develops draft Module 3	10/31/2018	Completed	
Internal Stakeholder Review of Module 4	10/31/2018	Completed	
Changes Incorporated and Module 4 Finalized	11/15/2018	Completed	
Internal Stakeholder Review of Module 3	11/30/2018	Completed	
Develop Module 2: Scoring methodology and application of the scoring rubric in a consistent, objective manner. Subcommittee develops draft Module 2	11/30/2018	Completed	
Conduct Training on Module 4	11/30/2018	Completed	
Develop Module 1: Outreach expectations and requirements (e.g., frequency and information to be communicated), When various outreach activities/communications methods are required or should be employed. Subcommittee develops draft Module 1	12/31/2018	Completed	
Internal Stakeholder Review of Module 2	12/31/2018	Completed	
Changes Incorporated and Module 3 Finalized	12/31/2018	Completed	
Changes Incorporated and Module 2 Finalized	1/31/2019	Completed	
Conduct Training on Module 3	1/31/2019	Completed	
Subcommittee develops draft Module 5; developing outreach budgets for capital projects	2/15/2019	Completed	
Internal Stakeholder Review of Module 1	2/15/2019	Completed	
Internal Stakeholder Review of Module 5	2/28/2019	Completed	
Conduct Training on Module 2	2/28/2019	Completed	
Changes Incorporated and Module 5 Finalized	3/15/2019	Completed	

Changes Incorporated and Module 1 Finalized	3/15/2019	Completed	
Conduct Training on Module 5	4/15/2019	Completed	
Conduct Training on Module 1	4/15/2019	Completed	
Subcommittee develops draft Module 6; External Affairs handbook and other policies and procedures	10/15/2019	In Progress	
Internal Stakeholder Review of Module 6	11/15/2019	Not Started	
Changes Incorporated and Module 6 Finalized	11/30/2019	Not Started	
Conduct Training on Module 6	12/31/2019	Not Started	

Cost Benefit Analysis:

The project will be completed with in-house resources. To develop and train on the full set of training modules identified in the Northstar recommendations, the project is estimated to take 420 hours at approximately \$118 per hour, for a total estimated cost of \$50,000. The below chart reflects estimated labor hours to develop each module:

Training Module	Estimated Labor Hours
Module 1: Outreach Expectations and Requirements	100 hours
Module 2: Project Scoring	60 hours
Module 3: Documentation Requirements	60 hours
Module 4: Communication with the DPS	20 hours
Module 5: Outreach Budgets	60 hours
Module 6: External Affairs Handbook and Procedures	120 hours

While no direct cost benefits are associated with this recommendation, formal training of the External Affairs team helps to provide a consistent approach to external outreach activities.

Risk Analysis:

Consistent training ensures that new External Affairs team members will conduct outreach and liaison with elected officials and their staffs in a manner that is consistent with established policies, procedures, and practices. Customers and stakeholders, in turn, will benefit from consistent and timely information about PSEG Long Island activities and initiatives.

Customer Benefit Analysis:

Consistent, robust outreach about PSEG Long Island initiatives and programs provides an opportunity for customers and community stakeholders to provide PSEG Long Island with feedback. Thorough training enables the External Affairs team to conduct outreach in a uniform, well-informed manner.

Recommendation Number: 42

Item Status Completed

Recommendation:

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:

- Description of the project, including timeline and key milestones
- Checkpoints to identify any significant changes in project scope or timing
- Scoring sheets and a discussion of key concerns and how to mitigate them
- Discussion of alternatives considered
- Project budget and detailed outreach budgets
- Anticipated frequency of communications/timeline, planned outreach activities and materials.

Assigned LIPA Staff:

Sid Nathan, Director of Communications, Michael Deering, Director of Customer Service Oversight and Stakeholder Relations

Assigned PSEG Staff:

Christopher Hahn - Executive Sponsor; Joanna Weissman - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

A robust public outreach process provides an opportunity for our customers and community stakeholders to learn about planned infrastructure investments in their community, and to provide feedback about any concerns about planned work. The PSEG Long Island External Affairs team has developed and implemented a defined approach for organizing, planning, and executing its outreach activities to align with planned capital investments and potential community response.

This approach is documented in the External Affairs Outreach Handbook. To date, External Affairs District Managers have maintained an abbreviated form to document planned outreach activities. The form currently in use does not document the thorough project evaluation, alternatives review, budgeting process, or detailed communication strategy developed and implemented by the External Affairs team during the course of project outreach.

Development and implementation of a formal, detailed Outreach Plan will allow for greater transparency around planned outreach endeavors, particularly with respect to oversight agencies such as the DPS and LIPA. In 2013, in item 15.4.4, NorthStar recommended that PSEG Long Island develop a comprehensive, coordinated communications, government and public affairs strategy and associated policies and procedures.

In 2018 NorthStar identified improvements made by PSEG Long Island and suggested opportunities for further enhancements. The development of comprehensive outreach plans continues upon the improvements PSEG Long Island has already made in the area of capital project communications.

Deliverable:

A Draft Outreach Planning Template will be developed with in-house resources. The plan will include:

- Description of the project, including timeline and key milestones
- Checkpoints to identify any significant changes in project scope or timing
- Scoring sheets and a discussion of key concerns and how to mitigate them
- Discussion of alternatives considered
- Project budget and detailed outreach budgets
- Anticipated frequency of communications/timeline, planned outreach activities and materials.

The External Affairs team will pilot the Draft Outreach Planning Template for a calendar quarter before finalizing and implementing across the project portfolio.

Deliverables/Milestones	Due Date	Status	Comments
Establish Project Team and Hold Kick-Off Meeting	8/30/2018	Completed	
Project Team to Develop Draft Outreach Planning Template including description of project, including key milestones; checkpoints; scoring sheets; discussion of alternatives considered; anticipated frequency of communications	10/15/2018	Completed	
External Affairs team pilots Draft Outreach Planning Template	12/31/2018	Completed	
Hold review session to gather feedback on Draft Outreach Planning Template	1/31/2019	Completed	
Finalize Outreach Planning Template, incorporating feedback from pilot and appending Outreach Cost Matrix	2/15/2019	Completed	
Train External Affairs team on finalized Outreach Planning Template	3/15/2019	Completed	

Cost Benefit Analysis:

The project will be completed with in-house resources. To develop an Outreach Planning Template, the project is estimated to take 160 hours at approximately \$118 per hour, for a total estimated cost of approximately \$19,000. To implement the Outreach Planning Template on an ongoing basis, the project is estimated to take approximately 150 hours per year at a cost of approximately \$118 per hour, for a total estimated annual cost of approximately \$18,000.

While no direct cost benefits are associated with this initiative, implementation of the Outreach Planning Template will result in more consistent documentation of outreach activities across the project portfolio.

Risk Analysis:

Consistent and comprehensive outreach planning and implementation will ensure that customers and key stakeholders receive timely, accurate information about construction activities in their communities before planned work commences, and will provide them with an opportunity to share feedback.

Customer Benefit Analysis:

Consistent, robust outreach about PSEG Long Island initiatives and programs provides an opportunity for customers and community stakeholders to provide PSEG Long Island with feedback. Comprehensive documentation of planned outreach activities will facilitate consistent outreach and will enhance coordination with the DPS and LIPA.

Recommendation Number: 43

Item Status Completed

Recommendation:

Document meetings with impacted officials as required by the External Affairs Handbook.

Assigned LIPA Staff:

Sid Nathan, Director of Communications, Michael Deering, Director of Customer Service Oversight and Stakeholder Relations

Assigned PSEG Staff:

Christopher Hahn - Executive Sponsor; Joanna Weissman - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

PSEG Long Island has assigned External Affairs District Managers to four distinct geographic areas, allowing elected officials and their staff to foster relationships with designated PSEG Long Island representatives. The External Affairs District Managers maintain robust communications with elected officials regarding PSEG Long Island initiatives pertinent to their jurisdictions. Documentation of communications with elected officials and memorializing take-aways from these interactions enhances PSEG Long Island’s ability to address any issues arising during the course of ongoing communications

Deliverable:

As of August 2017, the PSEG Long Island External Affairs Director has developed and implemented a weekly tracker for recording meetings, emails, and phone communications with elected officials.

Deliverables/Milestones	Due Date	Status	Comments
Establish documentation log and train External Affairs team on usage	8/6/2017	Completed	
Implement weekly communication tracking	8/7/2017	Completed	

Cost Benefit Analysis:

This has already been implemented. Approximate labor is 4 hours per week of internal labor costs at approximately \$118 per hour, for a total annual cost of approximately \$25,000.

No direct cost benefits are associated with this initiative.

Risk Analysis:

Documentation of communications reduces the risk that either party to a communication will fail to recall commitments.

Customer Benefit Analysis:

Documentation of meetings and briefings with elected officials will facilitate consistent follow-up on external commitments.

Recommendation Number: 44

Item Status Completed

Recommendation:

Increase the specificity of capital project-related outreach:

- Include more specific, detailed project information on public information meeting letters and notices.
- All outreach materials (i.e., fact sheets and customer letters) resulting 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 Long Island’s reliability web page on all outreach materials, particularly customer letters. Include dates materials were added to the reliability project pages of PSEG Long Island’s website.
- Consider an icon for “Upcoming projects in your neighborhood” or the equivalent to the www.psegliny.com landing page.
- Include community/public meeting presentations on the reliability pages of PSEG Long Island’s website.

Assigned LIPA Staff:

Sid Nathan, Director of Communications, Michael Deering, Director of Customer Service Oversight and Stakeholder Relations

Assigned PSEG Staff:

Christopher Hahn - Executive Sponsor; Joanna Weissman - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

Enhancing project-specific details in outreach communications and facilitating access to project information on customer communications and on PSEG Long Island’s website will increase customer awareness and understanding of planned system investments. These improvements will expand upon PSEG Long Island’s comprehensive, coordinated communications, government and public affairs strategy recommended by NorthStar in 2013 audit item 15.4.4 and identified as an area with opportunities for improvement in 2018. More specific customer notices and enhanced content regarding capital projects will expand PSEG Long Island’s regularly, timely communications of issues of significance to customers, as recommended by Northstar in audit item 15.4.5 in 2013 and also identified as an area with opportunities for improvement in 2018.

Deliverable:

In-house resources in the External Affairs and Corporate Communications departments will partner to enhance outreach communications and web site information.

Deliverables/Milestones	Due Date	Status	Comments
Include community/public meeting presentations on the reliability	11/5/2015	Completed	

pages of PSEG LI's website			
Increase use of pictures and renderings on reliability web pages	8/1/2018	Completed	
Include more specific, detailed project information on public information meeting letters and notices	8/1/2018	Completed	
Add a "Current Projects" promotional section and accompanying link to www.psegliny.com homepage	8/1/2018	Completed	
Develop revised letter and fact sheet templates	8/7/2018	Completed	
Train SMEs from External Affairs to maintain reliability web pages as customer letters are mailed out	8/8/2018	Completed	
Implement revised letter and fact sheet templates containing reliability web page URL	8/16/2018	Completed	
Add "date posted" to reliability project pages of PSEG Long Island web site for future postings	9/16/2018	Completed	

Cost Benefit Analysis:

Implementation costs are anticipated to be minimal. All work will be performed with in-house labor and represents a nominal change from current practices. No direct cost benefits are associated with this initiative.

Risk Analysis:

Clear, accessible and recurring presentation of information about planned capital work will reduce the risk that affected customers will not learn about work in their area before construction commences.

Customer Benefit Analysis:

Enhanced communications and web site content regarding reliability communications will improve customer awareness and understanding of planned reliability improvements.

Recommendation Number: 45

Item Status Recurring reports

Recommendation:

Develop and adhere to a schedule for completion of the annual metric identification and target setting process that provides for a final list of approved metrics at the beginning of the measurement year. Tier 1 Metrics, definitions, weightings and targets should be set no later than February 28. There should be a final sign-off on all of the aforementioned elements.

Note: This is not intended to imply that the metric book must be completed by February 28; however, it should be done in an expeditious manner.

Assigned LIPA Staff:

Michael Quinn, Manager of Performance Assessment and Contract Administration

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Nicholas Nolau - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

Define a timeline for mutual agreement of performance metrics, definitions, weightings and targets by Feb 28th of each year, with presentation of those metrics to the LIPA Board at the annual March meeting.

Deliverable:

Final 2019 Performance Metrics letter signed-off by LIPA and PSEG Long Island by no later than February 28, 2019. Sign-off for each subsequent year to occur no later than February 28th.

Deliverables/Milestones	Due Date	Status	Comments
Gather NYS DPS Metric Suggestions.	9/30/2018	Completed	
Conduct and Complete Initial Internal Discussions (LIPA and PSEG Long Island).	10/12/2018	Completed	
Align Metric Benchmarks and Target Setting Using Year-End Data and Benchmarks.	1/31/2019	Completed	
Finalization of 2019 Performance Metrics	2/15/2019	Completed	Additional time required for technical review of targets for Energy Efficiency, Net Write-Offs and OMS integration. (Completed 3/14/2019)
LIPA and PSEG Long Island Performance Metrics Letter Signed	2/28/2019	Completed	Completed on the revised date of 3/15/2019.
Presentation of Performance Metrics to LIPA Board	3/31/2019	Completed	

LIPA and PSEG Long Island 2020 Performance Metrics Letter Signed	2/28/2020	In Progress	
LIPA and PSEG Long Island 2021 Performance Metrics Letter Signed	2/28/2021	Not Started	
LIPA and PSEG Long Island 2022 Performance Metrics Letter Signed	2/28/2022	Not Started	

Cost Benefit Analysis:

There are no additional direct costs, but successful implementation should drive performance improvements.

Recommendation Number: 46

Item Status Completed

Recommendation:

LIPA and PSEG Long Island should streamline its process to facilitate the establishment and measurement of meaningful operational metrics to monitor performance, incorporating DPS staff input, and potentially bifurcating the Tier 2 metrics. This might expedite the finalization of the Tier 1 metrics. Examples include:

- Establish a smaller group of Tier 2 metrics used to test metrics for possible inclusion as a Tier 1 metric or to continue to monitor performance when a Tier 1 metric has been moved to a Tier 2 metric.
- Establish a separate classification of metrics to be used to monitor performance in specific areas or for operational reporting. These metrics would not be tied to compensation and could then be used to address such items as the following:
 - Changes in regulatory requirements or NYS initiatives (e.g., Reforming the Energy Vision, Clean Energy)
 - Elements of LIPA’s Strategic Plan, Utility 2.0 or the IRP.
 - AMI implementation status
 - Issues identified by internal or external audits, including performance deficiencies identified by NorthStar’s audit.
 - Operational changes or revised priorities.
 - Tracking new initiatives or sub-elements of existing initiatives.
 - Metrics intended to address efficiency and effectiveness.
 - As examples, a number of the Tier 2 metrics used over time would more appropriately have been part of this category: social media followers, staffing levels permanent, percent of financial management reports delivered to LIPA.

Assigned LIPA Staff:

Michael Quinn, Manager of Performance Assessment and Contract Administration

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Nicholas Nolau - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

Streamline the metric setting process to facilitate the establishment and measurement of meaningful operational metrics to monitor performance, incorporating DPS staff input. This will be captured in the Contract Administration Manual, specifically CAM-BPE-F1 "Performance Metric Definition and Adjustment Process".

Deliverable:

Complete update of Contract Administration Manual CAM-BPE-F1 "Performance Metric Definition and Adjustment Process"

Deliverables/Milestones	Due Date	Status	Comments
Form LIPA and PSEG Long Island working group to review CAM-BPE-F1 "Performance Metrics Definition and Adjustment Process"	10/30/2018	Completed	
Complete Initial Mark-Up of CAM-BPE-F1	12/14/2018	Completed	
Completion and Sign-Off to Updated CAM-BPE-F1 "Performance Metric Definition and Adjustment Process"	2/28/2019	Completed	Final draft executed following revised date.

Cost Benefit Analysis:

There are no additional direct costs, but successful implementation should drive performance improvements.

Recommendation Number: 47

Item Status Recurring reports

Recommendation:

LIPA and PSEG Long Island should continue to evaluate how to best incentivize service provider performance (Tier 1 metrics), drive continuous improvement and align the metrics with the focus of LIPA and PSEG Long Island’s long-term strategy/operational needs and industry best practices.

Assigned LIPA Staff:

Michael Quinn, Manager of Performance Assessment and Contract Administration

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Nicholas Nolau - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Moderate

Objectives and Assumptions of the Recommendation:

The primary objective is to incentivize the service provider to become a first quartile performer across all metric categories of customer satisfaction, technical and regulatory and financial, while focusing on operational and strategic needs and understanding, aligning and targeting performance that is consistent with industry best practices.

Deliverable:

Alignment of performance metrics with long-term strategy/operational needs and industry best practices will continue and be accomplished with the completion of the 2019 performance metrics and targets process. However, this is an ever changing and ongoing effort that will continue to be addressed each year via the annual metrics negotiation process. Furthermore, and where applicable, the Authority will rely on and utilize audits and assessments conducted by LIPA, PSEG Long Island and outside parties to identify specific areas of weakness or opportunity that can be addressed via the creation of new metric(s) and associated target(s).

Deliverables/Milestones	Due Date	Status	Comments
Gather Metrics Suggestions From DPS	8/31/2018	Completed	
Identify Potential Performance Metrics Resulting From LIPA's Enterprise Risk Management (ERM) Review Process	8/31/2018	Completed	
Identify Potential Performance Metrics Stemming From LIPA's Internal Audits	9/28/2018	Completed	
Identify Potential Performance Metrics from J.D. Power Annual Assessment and Oversample Data	10/31/2018	Completed	

Conduct Independent Assessment of Performance Metrics and Benchmarking Via Consultant	10/31/2018	Completed	
Completion of 2018 PSEG Long Island Benchmarking Guide	11/30/2018	Completed	
Obtain Additional Current Benchmarking and Best Practice Data Via Multiple Industry Channels, Including: LPPC & APPA Surveys and Data Sources and U.S. Energy Information Administration (EIA) Reports	11/30/2018	Completed	
Complete 2019 Performance Metric Alignment with Long-Term Strategy/Operational Needs and Industry Best Standards	1/31/2019	Completed	
Complete 2020 Performance Metric Alignment with Long-Term Strategy/Operational Needs and Industry Best Standards	1/31/2020	Not Started	
Complete 2021 Performance Metric Alignment with Long-Term Strategy/Operational Needs and Industry Best Standards	1/31/2021	Not Started	
Complete 2022 Performance Metric Alignment with Long-Term Strategy/Operational Needs and Industry Best Standards	1/31/2022	Not Started	

Cost Benefit Analysis:

No significant incremental costs are anticipated beyond the typical budget for third party consultant and audit services. The benefit will be realized through various performance improvements, however, specific costs and benefits cannot be ascertained at this time.

Recommendation Number: 48

Item Status Completed

Recommendation:

Define the metric calculation methodology to specify whether service restorations completed in exactly two hours should be included in the ETR Accuracy performance metric. NorthStar found the specified calculation methodology open to some interpretation. Currently, PSEG Long Island does not include restoration times of exactly two hours. This should be reconciled between PSEG Long Island and LIPA.

Assigned LIPA Staff:

Michael Quinn, Manager of Performance Assessment and Contract Administration

Assigned PSEG Staff:

Margaret Keane - Executive Sponsor;
Nicholas Nolau - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

The recommendation is to clarify the calculation methodology and metric definition for ETR accuracy performance metric and how a restoration time of exactly two hours is calculated.

Deliverable:

LIPA and PSEG Long Island agreed to alter the metric definition and metric calculation for the ETR accuracy metrics to clarify what is considered achieving the targeted results.

The current definition states:

Estimated Time of Restoration (ETR) Accuracy is the ability to provide ETR estimates (including Initial ETR (ITR) and up to 2 ETR changes (ETR 1 and ETR 2)) that are achieved at or in advance of the predicted restoration time (ITR) or within two hours or less of the final projected ETR for a customer (ETR 1 and ETR 2). Excludes any data that meets PSC exclusion criteria.

The current calculation is:

$$\frac{[\text{Number of outages restored within ETR tolerance}]}{[\text{Total number of ETRs provided for ITR, ETR 1 and ETR 2}]}$$
. Tolerance is defined as no greater than ITR or no more than 120 minutes prior to ETR 1 and ETR 2. More than 2 ETR changes (i.e., ETR 3) is defined as a "FAIL".

The new agreed upon definitions and calculations for the metrics are stated below and will be reflected in the July 2018 scorecard.

New definition states:

Estimated Time of Restoration (ETR) Accuracy is the ability to provide ETR estimates

(including Initial ETR (ITR) and up to 2 ETR changes (ETR 1 and ETR 2)) that are achieved at or in advance of the predicted restoration time (ITR) or within two hours or less of the final projected ETR for a customer (ETR 1 and ETR 2). Excludes any data that meets PSC exclusion criteria. Any restoration that is exactly two hours is considered achievement of the metric and will not be counted as a “FAILED” ETR.

New calculation is:

$$\frac{\text{[Number of outages restored within ETR tolerance]}}{\text{[Total number of ETRs provided for ITR, ETR 1 and ETR 2]}}$$
 Tolerance is defined as no greater than ITR or no more than 120 minutes prior to ETR 1 and ETR 2. More than 2 ETR changes (i.e., ETR 3) is defined as a “FAIL”. Any restoration that is exactly two hours is considered achievement of the metric and will not be counted as a “FAILED” ETR.

Deliverables/Milestones	Due Date	Status	Comments
Calculation in the August 2018 scorecard package to clarify the metric definition and calculation	9/1/2018	Completed	

Cost Benefit Analysis:

Not applicable

Risk Analysis:

Not applicable

Customer Benefit Analysis:

Not applicable

Recommendation Number: 49

Item Status Completed

Recommendation:

Memorialize the process regarding PSEG Long Island conflict of interest in regional market activities (discussed in Section 4.18 of the A&R OSA) in the Contract Administration Manual (CAM).

Assigned LIPA Staff:

David C. Clarke, Director of Wholesale Market Policy

Assigned PSEG Staff:

Paul Napoli - Executive Sponsor ; Peter Andolena - Team Leader

LIPA Executive:

Rick Shansky, P.E., Vice President of Operations Oversight

Ranking:

Low

Objectives and Assumptions of the Recommendation:

PSEG Long Island, under the Amended & Restated OSA with LIPA is required to provide Regulatory Support, Reporting and Policy Recommendations for all Regulatory Markets that LIPA is active in. This essentially requires representation on over 40 Committees in PJM, NYISO, and ISO-NE as well as coverage of certain PSC/DPS, FERC and NERC related matters. PSEG Long Island utilizes subject matter experts, attorneys and consultants, who attend and/or provide support for these meetings/matters and regularly report back via weekly policy and committee conference calls that occur with LIPA.

Section 4.18 of the Amended & Restated OSA is a “Conflicts of Interest” provision that allows PSEG Long Island to modify its role from that of “policy advocate” to “policy adviser” for LIPA if it is determined that a regulatory policy position that would favor LIPA is in potential conflict with a position taken by another PSEG Affiliate. In the reduced role of policy adviser, PSEG Long Island will still provide administrative and technical support to LIPA on these issues as required. In this role, however, PSEG Long Island removes itself from all voting matters and public advocacy, deferring to LIPA. All correspondence regarding these issues will be solely signed and submitted by LIPA.

Deliverable:

PSEG Long Island Power Markets will memorialize the process, working with members from its Process Documentation and Legal Departments, will develop a formal procedure that will be incorporated into its CAM to identify and address potential Conflicts of Business Interests as defined in this document and in the Amended & Restated OSA.

Deliverables/Milestones	Due Date	Status	Comments
Identify key PSEG Long Island personnel and departments needed to address the issue.	6/29/2018	Completed	
Hold a “Kickoff Meeting” to identify key deliverables and milestones.	7/10/2018	Completed	

Develop First Draft of CAM Procedure. (Flowcharts, descriptions, etc.)	7/20/2018	Completed	
PSEG Long Island Review and Comment Period (Route - internal review)	7/30/2018	Completed	
Final PSEG Long Island Draft Document (For submission to LIPA)	8/6/2018	Completed	
Finalize LIPA and PSEG Long Island Reviews and incorporate into the CAM.	11/30/2018	Completed	

Cost Benefit Analysis:

This is a documentation process which memorializes current procedures to resolve potential conflicts of business interests as defined in the Amended and Restated OSA in the CAM.

There are nominal incremental costs to document a procedure to address PSEG Long Island conflict of interest in regional market activities.

FOR CONSIDERATION

September 25, 2019

TO: The Oversight and REV Committee

FROM: Kathleen H. Mitterway, Vice President - Audit

SUBJECT: Status of the Implementation Plan and Results of the Annual Audit -
2018 NorthStar Management Audit – Recommendation #3

On June 29, 2018, NorthStar's Final Management Audit Report was released with 49 recommendations. Recommendation #3 was that "LIPA Internal Audit should perform a comprehensive audit of the implementation status of all audit recommendations annually until the next DPS audit is performed."

The LIPA Board of Trustee's Policy on Audit Relationships establishes the Board's expectations for Internal Audit's review. Each annual review includes: a summary of the activities completed to date and any revisions to completion targets; and a review of the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the implementation plan for that recommendation. This report is Internal Audit's first annual review of the implementation of the management audit.

Summary Observations as of September 25, 2019

Internal Audit completed the review of 12 of the 26 completed and 3 of the 5 recurring NorthStar Management Audit recommendations. Our testing identified two recommendations where enhancements to metrics reporting, training communications and supporting documentation were required, which were subsequently remediated. The review of an additional 17 recommendations is expected to be completed by December 31, 2019.

Three of the implementation plan due dates have been revised due to delays in staffing a new position to develop and implement quality assurance/quality control (QA/QC) procedures, delays in implementing processes for trend analyses and exception reporting for capital project estimating, and delays in the implementation of improved reporting tools and updating procedures for project management performance measures. Two of the recommendations are expected to be completed by December 31, 2019 and the remaining recommendation is expected to be completed by March 2020.

Internal Audit is collaborating and incorporating comments by the Department of Public Service into our review of the effectiveness of the implementation plans in addressing the NorthStar Management Audit recommendations.

Where required, Internal Audit will revisit the completed recommendations to ensure the management action plans are operating and functioning as intended.

The status of the 49 NorthStar Management Audit recommendations are summarized in the table below. The status terms used below are defined as follows:

Completed: the audit recommendation has been implemented in full and no further action is required.

In-Progress: the implementation plan continues to be executed and is expected to be completed on time notwithstanding possible revisions to due dates of interim steps.

Revised: the anticipated completion date of an audit recommendation has been revised for reasons set forth in the commentary section of that implementation plan.

Recurring: the audit recommendation has been implemented subject only to periodic or recurring activity, reporting or filing requirements set forth in the recommendation.

Recommendation Status	# Recommendations by Status	Tested by Internal Audit
Completed	26	12
In Progress	15	N/A
Revised	3	N/A
Recurring Reports	5	3
Total	49	15

Summary of Annual Audit Results as of September 25, 2019

Recommendation #1

LIPA and PSEG Long Island should work with the DPS to determine which of the outstanding recommendations from the 2013 are still relevant and should be implemented.

Test Procedures Performed and Test Results:

Reviewed the findings that LIPA, PSEG Long Island and DPS agreed are still relevant from the 2013 audit. No exceptions noted.

Recommendation #5

LIPA should formally request appointments or confirm extensions to Board member term periods at least six months prior to term expirations.

Test Procedures Performed and Test Results:

Reviewed the schedule prepared of trustee term expiration dates, calendar notification reminders of expirations and letters sent to the appropriate approving authorities at least six months prior to term expirations. No exceptions noted.

Recommendation #8

Provide LIPA-specific capital budget versus actual expenditure variance data to the BOT in each F&A Committee package.

Test Procedures Performed and Test Results:

Reviewed the LIPA-specific capital spending budget versus actual information, included in the Finance and Audit Committee Book and the Board of Trustees package for September 2018. No exceptions noted.

Recommendation #9

Update the PSEG Long Island budget procedure to include the determination of incremental O&M expenses associated with new construction.

Test Procedures Performed and Test Results:

Reviewed for evidence the Budget Policy and Procedures was updated to include the determination of incremental O&M expenses associated with new construction. No exceptions noted.

Recommendation #15

Continue implementing the vegetation management program to meet annual targets. Complete the mainline hardening program.

Test Procedures Performed and Test Results:

Reviewed written supporting evidence to ascertain:

- The mainline hardening schedule has been verified.
- The vegetation management goals for 2018 – 2021 have been identified.
- Tracking criteria, frequency and forum for reporting of vegetation management and mainline hardening goals have been established.

No exceptions noted. Internal Audit will review the completion of vegetation management goals for 2018 – 2021 in future annual reviews.

Recommendation #16

Complete the Emergency Response Training (ERT) for all employees as required.

Test Procedures Performed and Test Results:

Verified the Emergency Restoration Plan (ERP) was updated to clarify training requirements and a new centralized tracking file was established to ensure all employees complete the ERT as required. Observations noted and remediated.

Recommendation #17

Improve Emergency Response Training in the ERP to identify type of training and frequency by position.

Test Procedures Performed and Test Results:

Verified the ERP was updated to identify the type of training and frequency by position. No exceptions noted.

Recommendation #19

Continue monitoring SAIFI both from a system and cause basis. Continue targeting and prioritizing programs that address reliability.

Test Procedures Performed and Test Results:

Ascertained management summarized key aspects of the System Average Interruption Frequency Index (SAIFI) program and defined the tracking criteria, frequency and forum for status reporting to oversee delivery of program goals. No exceptions noted.

Recommendation #21

The URB management processes and controls should be audited annually until the next DPS audit to confirm adherence to its charter and control policies and procedures.

Test Procedures Performed and Test Results:

Ascertained that an audit on the URB process was performed and an audit report was issued. Observations were noted in the audit report and were remediated. No exceptions noted.

Recommendation #31

At the time of the next bill redesign, revise bill formats to include missing information required by 16 NYCRR Parts 11 and 13 (e.g., definition of kW, late payment date line and an explanation as to how the bill can be paid).

Verify the bill format was revised to include the following as required by 16 NYCRR Parts 11 and 13:

- Definition of kW.
- Late payment date line.
- An explanation as to how the bill can be paid.

Test Procedures Performed and Test Results:

Verified that the bill format was revised to include the following as required by 16 NYCRR Parts 11 and 13:

- Definition of kW.
- Late payment date line.
- An explanation as to how the bill can be paid.

No exceptions noted.

Recommendation #32

Issue denial of service notices as required by 16 NYCRR Parts 11 and 13. Offer payment arrangements as required by Part 11.

Test Procedures Performed and Test Results:

Verified management issued denial of service notices, as required by 16 NYCRR Parts 11 and 13. Additionally, ascertained payment arrangements were offered, as required by Part 11. No exceptions noted.

Recommendation #34

Modify the CTS system to improve DPS complaint tracking and reporting ability. Add data fields including:

- The original source of complaints referred by DPS (i.e., direct from customer, Consultant, Government Official/Executive Correspondence).
- Customer contact deadline.
- Closeout deadline.
- Resolution status field to differentiate between cases that are “Resolved and Closed” vs “Unresolved and Closed”.
- Indication the case is “Pending completion of future work” to allow for active follow-up.
- Modify the Date Opened field to allow for capturing of time of day a case is created.
- Modify Date Contacted field (default time of day set at 0:00) to force user to adjust time. Adjust internal processes to ensure data entry into this field.

Test Procedures Performed and Test Results:

Verified CTS was modified to include or change the following data fields:

- Original complaints source.
- Customer contact deadline.
- Closeout deadline.
- Option of “Resolved and Closed” and “Unresolved and Closed”.
- Pending completion of future work.
- Time of day a case was created.
- Time contacted cannot be 0:00.

No exceptions noted.

Recommendation # 45

Develop and adhere to a schedule for completion of the annual metric identification and target setting process that provides for a final list of approved metrics at the beginning of the measurement year. Tier 1 Metrics, definitions, weightings and targets should be set no later than February 28. There should be a final sign-off on all of the aforementioned elements. Note: This is not intended to imply that the metric book must be completed by February 28; however, it should be done in an expeditious manner.

Test Procedures Performed and Test Results:

Reviewed the supporting documentation for completion of the annual metric identification and target setting process that provided a final list of approved metrics for 2019. No exceptions noted.

Recommendation # 47:

LIPA and PSEG Long Island should continue to evaluate how best to incentivize service provider performance, drive continuous improvements, and align metrics with long-term strategy, operational needs and industry best practices.

Test Procedures Performed and Test Results:

Obtained and reviewed the supporting documentation to evaluate how to best to incentivize service provider performance, drive continuous improvements, and align metrics with long-term strategy, operational needs and industry best practices. No exceptions noted.

Recommendation #49

Memorialize the process regarding PSEG Long Island conflict of interest in regional market activities (discussed in Section 4.18 of the A&R OSA) in the Contract Administration Manual (CAM).

Test Procedures Performed and Test Results:

Verified the conflict of interest process in regional market activities was incorporated into the CAM. Observation noted and remediated.