

February 6, 2020

Members of the Board of Trustees  
Long Island Power Authority  
333 Earle Ovington Blvd.  
Uniondale, NY 11553

Dear Trustees:

I have enclosed a report summarizing the accomplishment of LIPA's staff towards the objectives presented to the Board in the [2019 Work Plan](#).

The annual Work Plan summarizes the projects that LIPA's staff undertakes to further the Authority's mission and Board Policies, including (1) those related to the Authority's direct responsibilities, such as financing, wholesale markets policy, or rates and tariffs; and (2) the staff's oversight of the services provided to LIPA contractually by PSEG Long Island, National Grid, and other service providers.

The Work Plan for the coming twelve months and the accomplishments of the prior twelve months are reported to the Board at the first meeting of the year. The projects in the Work Plan go beyond the day-to-day responsibilities of LIPA's staff. During the year, LIPA's senior staff reviews the Work Plan, and sometimes projects are added, delayed, or cancelled due to changing priorities, and those are reported to the Board in this report.

In January 2019, the 2019 Work Plan identified 49 projects or activities to further the LIPA's mission and the Board's policies in such key areas as customer service, reliability, clean energy, and affordability.

Through the end of 2019, staff has completed 32 of the 49 initiatives. Substantial progress has been made on the remaining 17 initiatives. For initiatives where work remains, these projects have been carried-over and are now reflected in the 2020 Work Plan. The enclosed report describes the objectives and accomplishments of the 2019 Work Plan in greater detail.

Highlights from the 2019 Work Plan include:

- Obtaining ratings upgrades from all three credit rating agencies to achieve the highest credit ratings in LIPA's history
- Negotiating an agreement with Nassau County to resolve tax litigation at the E.F. Barrett and Glenwood Landing power plants, reducing our payments by 50% over a seven-year term
- Commencing studies to identify the least cost approaches to interconnecting up to 9,000 MW of offshore wind to the electric grid in Long Island and New York City

- Maintaining electric rate adjustments below 2.5%, with delivery increases nearly entirely offset with other cost reductions for 2020
- Reviewing and approving Phase II of the storm hardening program, with an additional 240 circuit miles to be hardened over four years
- Establishing a new 30,000 heat pump by 2025 target and associated programs
- Overseeing PSEG Long Island's design and implementation of New York's first behind-the-meter energy storage incentives and the expansion of LIPA's dynamic load management programs to extend eligibility to customers with rooftop solar
- Overseeing and contributing to PSEG Long Island's 2019 Utility 2.0 filing, which includes pilot programs sought by LIPA, such as on-bill financing for energy efficiency and beneficial electrification, prepaid billing options, electric school buses, and fuel-source switching for heat pumps
- Overseeing and contributing to PSEG Long Island's 2019 Energy Efficiency filing, including an \$8 million increase in the annual budget for heat pump incentives
- Collaborating with State agencies and stakeholders on new nitrogen oxide emission limits for combustion turbines that protect the environment, while maintaining system reliability and facilitating compliance at a reasonable cost to customers
- Improving the process for reporting funds expended for capital assets financed by LIPA with tax-exempt debt, thereby improving the pace of the drawdown of funds and reducing cash flow borrowing needs, which minimizes customer rates
- Overseeing PSEG Long Island's receipt of State regulatory approval of the Western Nassau Transmission Project that reflected an agreement with affected communities
- Overseeing PSEG Long Island programs and operations related to FEMA grant compliance, billing and collections, tariffs and rates, employee benefit programs, emergency communication policies and procedures to confirm their effectiveness
- Developing an information technology asset management program to ensure accurate and efficient inventory management of LIPA systems throughout the asset life-cycle. This program aligns with best practices to manage and protect our systems
- Establishing a new multi-year process between LIPA and PSEG Long Island to identify strategic initiatives, like project prioritization and policy advocacy, that will advance the Authority's mission, vision and Board Policies; and
- Implementing improvements to LIPA's employee assistance programs to maintain a healthy and productive workforce.

Staff has provided to the Trustees a Work Plan for 2020 that builds on 2019's accomplishments and advances the Board's vision to be **Clean, Lean, and Customer First**. We welcome your review and feedback on the accomplishments of the 2019 Work Plan.

With sincere regards,

/s/ Thomas Falcone

Encl. 2019 Work Plan Accomplishments

	Project Objectives	Status	Action Items
1	Conduct assessment (C2M2) of LIPA Cyber security program, identify cyber risks and develop mitigation plan	Complete	<ul style="list-style-type: none"> <li>Evaluated the current cybersecurity program and conducted a vulnerability assessment of LIPA's systems to assess cybersecurity posture.</li> <li>Conducted assessment of the IT continuity plan, including backup and data recovery.</li> <li>Third-party assessment of Cyber Security maturity of LIPA was completed and shared with CIO, Internal Audit, Executive Management and CEO.</li> </ul>
2	Implement recommendations for employee retention strategies most likely to work for LIPA in response to the most recent employee engagement survey	Complete	<ul style="list-style-type: none"> <li>Staff reviewed the results of the 2018 employee engagement survey, researched industry best practices and identified opportunities for new initiatives/programs, including enhanced employee assistance programs, improved communication of engagement initiatives and targeted training and development opportunities.</li> </ul>
3	Successfully complete QAIP external audit	Complete	<ul style="list-style-type: none"> <li>Completed the Institute of Internal Auditors, Quality Services LLC external audit of LIPA's internal audit functions and received highest marks available under the assessment.</li> </ul>
4	Coordinate department's assessment of Agile Auditing approach and appropriateness for LIPA	Complete	<ul style="list-style-type: none"> <li>Researched the Agile Auditing model and determined it was not well suited to LIPA's current Internal Audit needs.</li> </ul>
5	Automate debt covenant compliance System	Complete	<ul style="list-style-type: none"> <li>Implemented an automated process for timely and accurate confirmation and documentation of compliance with LIPA's debt covenants.</li> </ul>
6	Streamline process of identifying qualifying property for tax-exempt bonding	Complete	<ul style="list-style-type: none"> <li>Developed and implemented streamlined procedures to track and tally qualified and non-qualified projects that are eligible to serve as the basis for the issuance of tax-exempt bonds</li> </ul>
7	Re-evaluate kerosene supply plans for kerosene-fueled peaking units considering pending regulatory requirements	Complete	<ul style="list-style-type: none"> <li>Evaluated strategy for future of kerosene-fueled plants in light of the uncertain future of fossil fuel units on Long Island and determined that large capital expenditures should be avoided and fuel switching is not required to comply with emission regulations.</li> <li>No changes to the current practice are recommended.</li> </ul>
8	Review completed billing Exceptions and customer accounts that have not been billed on cycle to evaluate the accuracy and timeliness of the billing process	Complete	<ul style="list-style-type: none"> <li>Assessed a representative sample of customer accounts and concluded that billing exceptions are being handled appropriately and in a timely manner.</li> </ul>

9	Review post-retirement benefit pre-funding strategy in advance of 2020 budget	Complete	<ul style="list-style-type: none"> <li>Completed analysis concluding post-retirement accrued expense net of investment income earned on LIPA's OPEB dedicated account is immaterially different than if funds were invested a Voluntary Employee Benefit Association (VEBA) trust. LIPA is not invested in a VEBA trust because it restricts our ability to use funds if deemed necessary.</li> </ul>
10	Improve customer heat pump offerings	Complete	<ul style="list-style-type: none"> <li>Established a new 30,000 heat pump by 2025 target</li> <li>Increased the heat pump budget by \$8 million per year</li> <li>Expanded heat pump rebates for low income customers, consistent with the CLCPA</li> </ul>
11	Oversee Utility 2.0 plan development and approval including implementation of approved initiatives	Complete	<p>Oversaw development and approval of pilot programs for:</p> <ul style="list-style-type: none"> <li>automatic switching between heat pumps and legacy heating sources</li> <li>electric school buses with vehicle-to-grid functionality</li> <li>on-bill financing for energy efficiency and DERs</li> <li>customer prepayment options</li> </ul> <p>Led effort to ensure compliance of on-bill financing and prepaid billing programs with Home Energy Fair Practices Act and to obtain preliminary DPS agreement with legal basis for these programs</p>
12	Evaluate community choice aggregation (CCA) alternatives	Complete	<ul style="list-style-type: none"> <li>Worked with PSEG Long Island to determine approximate cost of IT upgrades to accommodate CCAs through LI Choice and evaluate overall project economics for community solar.</li> <li>In 2020, Staff will continue to evaluate CCA and retail choice initiatives on Long Island and across the State.</li> </ul>
13	Enhance the existing comprehensive strategic planning process	Complete	<ul style="list-style-type: none"> <li>Established a new multi-year process between LIPA and PSEG Long Island to identify strategic initiatives, like project prioritization and policy advocacy, that will advance the Authority's mission, vision and Board Policies.</li> </ul>
14	Update wireless pole attachment fees	Complete	<ul style="list-style-type: none"> <li>After review of the Public Service Commission's (PSC) 2019 Orders on wireless pole attachment fees, Staff received Board approval to establish a standard annual rate per foot of space occupied by the wireless pole attachment, using the methodology adopted in the PSC order.</li> </ul>
15	Review PSEG Long Island use of affiliates compared to alternatives	Complete	<ul style="list-style-type: none"> <li>Developed a process to continuously monitor and analyze PSEG Long Island's use of affiliates and reviewed the costs of affiliates as compared to alternatives.</li> </ul>

16	Research and implement industry best practices for enhanced employee assistance programs.	Complete	<ul style="list-style-type: none"> <li>Implemented improvements to LIPA's employee assistance programs to prevent an employee's personal/professional problems from ultimately affecting his or her work performance by providing new resources including childcare/eldercare referrals, legal and financial consultation, and unlimited telephonic consultation to assist management and supervisors in identifying, confronting, and moving problem situations to a positive resolution.</li> </ul>
17	Implement new trustee training opportunities organized by specific subject matter areas of focus	Complete	<ul style="list-style-type: none"> <li>Developed and implemented a schedule of quarterly training opportunities organized around four topics: Governance, Finance, Rates &amp; Risks, Customer Voice, Operations and Planning.</li> <li>Solicited feedback from trustees on modified training schedule and adjusted accordingly.</li> </ul>
18	Comprehensive audit of the areas of improvement identified in the DPS management and operations audit	Complete	<ul style="list-style-type: none"> <li>Completed the review of 12 of the 26 completed and 3 of the 5 recurring NorthStar Management Audit recommendations. A report on the status of the Implementation Plan and results of the annual audit was provided to the Board on September 25, 2019.</li> </ul>
19	Review the status of PSEG Long Island's internal control testing and remediation of any identified failures	Complete	<ul style="list-style-type: none"> <li>Internal Audit met bi-weekly with the PSEG Long Island Internal Audit Manager to review the status of PSEG Long Island's internal control testing and remediation of any identified failures.</li> </ul>
20	Oversee PSEG Long Island's implementation of a new minority and women-owned business mentor protégé program	In Progress	<ul style="list-style-type: none"> <li>Worked with PSEG Long Island to identify prime contractors to serve as mentors to diverse supplier/protégés, to promote greater contracting opportunities by developing a long-term and sustainable pool of New York State-certified Minority and Women-owned Business Enterprises (M/WBE) and Service-Disabled Veteran Owned Businesses (SDVOB) suppliers.</li> </ul>
21	Complete new process for succession planning to implement industry best practice	In Progress	<ul style="list-style-type: none"> <li>Identified competencies for key employee roles and engaged a third party to assist with identifying potential internal succession candidates.</li> <li>During 2020, work will continue to develop and implement succession and knowledge transfer/acquisition plans.</li> </ul>
22	Develop an information technology asset management program for LIPA systems, including updated policies and procedures for inventory management throughout the asset life-cycle.	In Progress	<ul style="list-style-type: none"> <li>Developed an information technology asset management program to ensure accurate and efficient inventory management of LIPA systems throughout the asset life-cycle that aligns LIPA with best practices to manage and protect our systems.</li> <li>During 2020, implementation of the program will be completed for certain remaining assets.</li> </ul>

23	Review and update LIPA's record retention policy and review PSEG Long Island's record retention policy.	In Progress	<ul style="list-style-type: none"> <li>Reviewed all applicable record retention requirements under state and federal law, which included a review of PSEG Long Island retention schedules.</li> <li>Conducted an Authority-wide inventory of current document management practices by department and a review of automated document management platforms currently available.</li> <li>In 2020, a project manager is expected to be retained, followed by the selection of a software platform and implementation team to implement a phased roll-out of a new record management system.</li> </ul>
24	Develop an automated, comprehensive legal and regulatory compliance tickler and tracking system.	In Progress	<ul style="list-style-type: none"> <li>Created an automated tracking system to ensure timely compliance with legal and regulatory requirements and filings.</li> <li>Preliminary testing is completed, final notification assignments are in process and the system is expected to go live in February 2020.</li> </ul>
25	Develop a strategic communications plan to promote LIPA's mission among key stakeholders	In Progress	<ul style="list-style-type: none"> <li>Conducted surveys to receive stakeholder, customer, and employee insights; hosted internal workshops; established a brand team; and mapped out 2020 project strategy and launch.</li> <li>In 2020, LIPA will implement the communications strategy to boost employee engagement, enhance LIPA's reputation, and increase clarity on LIPA's role, mission, and values.</li> </ul>
26	Research and implement industry best practices for enhanced employee wellness programs	In Progress	<ul style="list-style-type: none"> <li>Researched employee wellness programs and evaluated participating in-service provider's employee wellness programs. Project will be implemented in 2020.</li> </ul>
27	Pursue gas and electric pre-payments to reduce power supply costs	In Progress	<ul style="list-style-type: none"> <li>Researched document requirements and structural options for a prepay transaction. Coordinated preliminary review of transaction by the Office of the State Comptroller.</li> <li>Completed a Request for Information for pre-payment providers.</li> <li>In 2020, LIPA Staff expects to complete a Request for Proposals and execute a prepayment transaction to reduce cost for customers.</li> </ul>

28	<p>Oversee PSEG Long Island studies of peaking/flexible resources to accompany penetration of 50% renewables by 2030 and define the strategy roadmap for:</p> <ul style="list-style-type: none"> <li>• integration of 2,400 MW of offshore wind by 2030,</li> <li>• meeting New York's energy storage mandate of 1,500 MW by 2025,</li> <li>• new regulatory requirements for peaking units.</li> </ul>	In Progress	<ul style="list-style-type: none"> <li>• Commenced studies to identify transmission and flexible resource needs for interconnecting up to 9,000 MW of offshore wind to the electric grid in Long Island and New York City.</li> <li>• Collaborated with State agencies and stakeholders to establish new nitrogen oxide emission limits for combustion turbines that protect the environment, while maintaining system reliability and facilitating compliance at a reasonable cost to customers.</li> </ul>
29	<p>Advocate for fair allocation of costs to Long Island for offshore wind integration (transmission upgrades and flexible resources)</p>	In Progress	<ul style="list-style-type: none"> <li>• Commenced studies to identify transmission and flexible resource needs for interconnecting up to 9,000 MW of offshore wind to the electric grid in Long Island and New York City. These studies will be used to identify costs and benefits to inform decisions on allocation of costs.</li> </ul>
30	<p>Complete pending power purchase agreements for new utility-scale solar projects</p>	In Progress	<ul style="list-style-type: none"> <li>• Made substantial progress on negotiations but cannot complete or submit the power purchase agreements for Board approval until environmental review is completed by the lead agencies.</li> </ul>
31	<p>Evaluate option to buy certain real property instead of continuing to lease</p>	In Progress	<ul style="list-style-type: none"> <li>• Oversaw PSEG Long Island's evaluation of the operational and economic benefits that might be realized by owning instead of leasing real property. This work will continue in 2020.</li> </ul>
32	<p>Establish a process to routinely evaluate and pursue fairness for all LIPA customers with regards to property tax assessments on transmission and distribution property</p>	In Progress	<ul style="list-style-type: none"> <li>• Reviewed the process whereby PSEG Long Island tax team coordinates with its legal team to ensure all new properties are filed as tax-exempt.</li> <li>• Reviewed properties purchased by LIPA since 1998 to identify any properties that were not documented as tax-exempt.</li> <li>• Implemented an automated process to ensure a continuous review of assessed valuations.</li> </ul>
33	<p>Develop and implement 2020 rate pilots and rate modernization roadmap</p>	In Progress	<ul style="list-style-type: none"> <li>• Developing time-of-use rate pilots for residential, commercial, and electric vehicles. Design of the rates is complete; IT work is in progress.</li> <li>• Coordinated with PSEG Long Island to develop updated LIPA rate modernization priorities and adoption plan.</li> <li>• In 2020, publication and socialization of the rate modernization roadmap will be completed.</li> </ul>
34	<p>Prepare rate case filing for 2021 and beyond, including multi-year priorities.</p>	In Progress	<ul style="list-style-type: none"> <li>• In 2019, LIPA and PSEG Long Island performed analysis and determined that a rate case filing would not be needed in 2021.</li> <li>• In 2020, staff will prepare for a 2021 rate case filing for new rates effective January 1, 2022.</li> </ul>



35	Perform a 'Review' of PSEG Long Island's Electric Vehicle Initiative	In Progress	<ul style="list-style-type: none"> <li>• Evaluated the organizational structure and performance measurement of PSEG Long Island's electric vehicle program, including comparison to industry peers.</li> <li>• Assessed PSEG Long Island's Customer EV Outreach and Education efforts.</li> <li>• Final report and recommendations in progress.</li> </ul>
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**Selected Oversight Activities Performed During 2019**

36	Reliability programs: Review and monitor monthly reports of progress and work update. Allows for continued oversight of projects and expenditures.	Complete	
37	Maintain oversight of transmission and distribution system planning, including completion of projects needed in 2019	Complete	
38	Monitor DPS Customer Complaints and dispute resolution process and performance	Complete	
39	Monitor FEMA program to ensure costs are appropriately managed and any potential overruns are identified timely	Complete	
40	Review books and records related to substation hardening efforts for FEMA grant compliance	Complete	
41	Review PSEG Long Island's update of streetlighting inventories and billing and other non-metered pole attachments including dusk to dawn lighting	Complete	
42	Review PSEG Long Island's emergency communications manual	Complete	



43	Monitor PSEG Long Island's reports and other informational literature on DPS, NYPA, NYSERDA and other regulatory and legislative activity; Initiate analysis, inform SLT and recommend action as appropriate;	Complete	
44	Review PSEG Long Island cyber security implementation and general cyber hygiene	Complete	
45	Assess the adequacy of project management processes and scope for significant IT projects	Complete	
46	Oversee PSEG Long Island's implementation of a new Enterprise Resource Planning system	Complete	
47	Review and analysis of SEQRA determinations and maintenance of log of submissions, "rejections" for insufficient documentation and timeliness	Complete	
48	Monitor preparation of non-Article VII transmission project reports and review Article VII petition materials and oversee proceedings	Complete	
49	Continue to oversee PSEG Long Island's supervision of prime and subcontractors to oversee compliance with MWBE and SDVOB programs in terms of reporting, stakeholder outreach, procurement and post-award achievement of contracted utilization goals.	Complete	