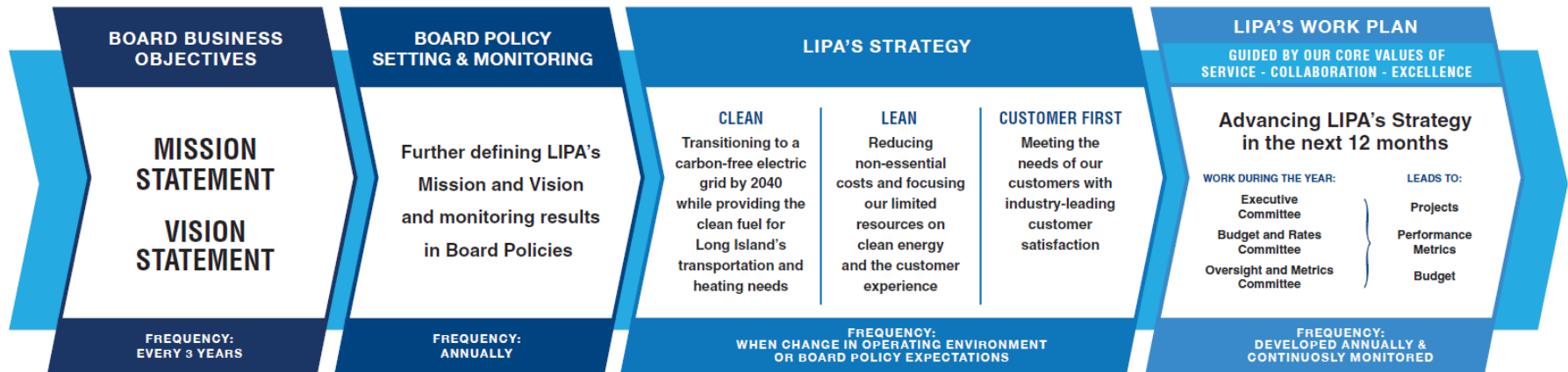




Annual Report on Strategy and Oversight Policy

July 22, 2020

STRATEGIC PLANNING PROCESS



As reported to the Board in February 2020:

- For 2019, 32 of the 49 projects identified in the 2019 Work Plan were completed and substantial progress was made on the remaining 17¹
- The 2020 Work Plan includes 37 projects designed to advance LIPA's Mission, Vision, and Board Policies²

OVERSIGHT BACKGROUND

- LIPA's business model involves significant outsourcing to Service Providers, which places heightened importance on LIPA's oversight in the achievement of its Mission and Vision and the Board's Policies
- As part of our continuous improvement activities, staff has completed a project to develop an Oversight Framework, to help strengthen and formalize our oversight activities
- This effort has included drafting of internal policies for strategic planning and oversight, which among other things, established an Oversight and Metrics Committee and Budget and Rates Committee to coordinate such activities
- Oversight helps LIPA to ensure, among other things that:
 - The Board's Policies and LIPA's Strategy are implemented as intended
 - LIPA and its Service Providers advance the Mission and Vision adopted by the Board of Trustees
 - LIPA's Service Providers achieve reasonable results
 - LIPA's Budgets, including those of the Service Providers, provide value for money to our customer-owners

OVERSIGHT FRAMEWORK

To achieve LIPA's Oversight Objectives, the Oversight and Metrics Committee and the Budget and Rates Committee have developed:

- an Oversight Framework to provide Subject Matter Experts (SMEs) the structure and processes to ensure effective Oversight
- an Oversight Universe, made up of Elements which are defined as the departments, functions and systems contracted to a Service Provider that are subject to Oversight
- Each element has an SME assigned to it

These Committees will:

- Work with SMEs to prioritize oversight activities, including the frequency and degree of oversight, by risk, materiality, and other measures of importance
- Refer Oversight findings, if any, to Service Providers to promptly resolve issues
- Refer Oversight findings to Internal Audit and/or Enterprise Risk Management, if such issues require further attention or monitoring
- Review proposed plans and programs to ensure sufficient benefits for the cost
- Review the practices of Service Providers to foster continuous improvement, innovation, benchmarking, and industry best practice, to minimize cost and improve service quality

OVERSIGHT FRAMEWORK

- Report to the Board an annual Work Plan for staff that advances LIPA's oversight and its mission and values, as defined by the Board's policies
- Utilize the projects in the annual Work Plan to set performance goals for LIPA staff
- Report to the Board on the activities accomplished under the Work Plan each year
- Report annually to the Board on compliance with the provisions of the Policy

The Committees will also provide training to ensure all LIPA SMEs (25) and project owners (7) are aware of the expectations in carrying out effective oversight activities, including how to communicate effectively with service providers when seeking information

BOARD AGENDA SUMMARY SHEET

Committee or Board: Oversight and Clean Energy	Date: July 17, 2020	Board Meeting Date: July 22, 2020
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For All Board Voting Items:

Title of Agenda Item: Recommendation to Approve the Annual Report and Amendments on the Board Policy on Oversight and LIPA Operations

Consent Agenda: ☒ Yes ☐ No

Accompanying Presentation: ☐ Yes ☒ No

LIPA Presenter: Bobbi O'Connor / Rick Shansky / Kenneth Kane

PSEG Long Island Presenter: N/A

Enterprise Risk Management Discussion: ☐ Yes ☒ No

For Policy Reports Only:

Type of Policy / Report: ☒ Operating; ☐ Governance; ☐ Compliance; ☐ Mission

Date of Last Report: January 23, 2019

Compliance Since Last Report: ☒ Yes ☐ No

Proposed Changes to Policy: ☒ Yes ☐ No

Requested Action:	The Committee is requested to adopt a resolution recommending that the Board: (i) approve the annual report on the Board Policy on Oversight and LIPA Operations (the "Policy"); (ii) find that LIPA has complied with the Policy; and (iii) approve certain amendments to the Policy.
Summary: (include proposed amendments to Board Policies, if applicable)	<p>LIPA utilizes contracts with service providers to provide transmission and distribution operations services, fuel and power procurement, and power supply resources. Under the LIPA Reform Act and the Amended and Restated Operations Services Agreement (the "OSA"), LIPA has oversight rights and certain responsibilities with respect to those contracts, the operation and maintenance of the Long Island electric grid, and the generation assets under contract to LIPA.</p> <p>By Resolution No. 1409, dated March 29, 2018, the Board adopted the Policy with the purpose of establishing the Board's expectations for oversight by LIPA of the "service providers in a systematic manner that meets the needs and protects the interests of LIPA's customers". By Resolution No. 1461, dated January 23, 2019, the Board approved amendments to the Policy related to LIPA's direct operations.</p>

FOR CONSIDERATION

July 22, 2020

TO: The Oversight and Clean Energy Committee

FROM: Thomas Falcone

REQUEST: Recommendation to Approve the Annual Report and Amendments on the Board's Policy on Oversight and LIPA Operations

Requested Action

The Oversight and Clean Energy Committee (the "Committee") of the Board of Trustees (the "Board") of the Long Island Power Authority ("LIPA") is requested to adopt a resolution recommending that the Board: (i) approve the annual report on the Board Policy on Oversight and LIPA Operations (the "Policy"); (ii) find that LIPA has complied with the Policy; and (iii) approve certain amendments to the Policy, which resolution is attached hereto as **Exhibit "A"**.

Background

LIPA utilizes contracts with service providers to provide transmission and distribution operations services, fuel and power procurement, and power supply resources. Under the LIPA Reform Act and the Amended and Restated Operations Services Agreement (the "OSA"), LIPA has oversight rights and certain responsibilities with respect to those contracts, the operation and maintenance of the Long Island electric grid, and the generation assets under contract to LIPA.

By Resolution No. 1409, dated March 29, 2018, the Board adopted the Policy with the purpose of establishing the Board's expectations for oversight by LIPA of the "service providers in a systematic manner that meets the needs and protects the interests of LIPA's customers". By Resolution No. 1461, dated January 23, 2019, the Board approved amendments to the Policy related to LIPA's direct operations.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that LIPA complied with the Policy over the last year.

The Policy requires that the Chief Executive Officer annually report to the Board on the Policy, including: (i) work plans for LIPA Staff for each year; (ii) accomplishments versus the work plan for the prior year; (iii) oversight findings that involve material deviations from contract standards or that represent a significant risk to LIPA or its customers; (iv) activities that foster continuous improvement; and (v) sufficiency of LIPA Staff and resources to achieve oversight goals.

2020 Work Plan:

- Attached as **Exhibit “C”** is the 2020 Work Plan. The 2020 Work Plan describes the activities that LIPA Staff intends to undertake to further LIPA’s mission and the Board’s policies in the areas of Reliability, Customer Service, Oversight, Resource Planning, Energy Efficiency and Renewables, Regionally Comparable Electric Rates, and Taxes, PILOTs and Assessments.
- The 2020 Work Plan describes those activities that LIPA Staff believes are critical to advancing the Board Policies and LIPA’s mission and are achievable based on current staffing levels and budgets.
- The 2020 Work Plan includes activities for which LIPA has direct responsibility, like finance and legal, and oversight activities for functions for which LIPA’s service providers, including PSEG Long Island and National Grid have direct responsibility.

2019 Work Plan Accomplishments:

- Attached as **Exhibit “D”** is the 2019 Accomplishments Report (the “2019 Accomplishments Report”). The 2019 Accomplishments Report provides a summary of LIPA Staff’s 2019 accomplishments toward meeting the expectations of the LIPA Trustees and serving the needs of LIPA’s customer-owners.
- The 2019 Accomplishments Report documents Staff’s progress on the 49 initiatives identified in the 2019 Work Plan as activities that would further the Board’s policies in LIPA’s key performance areas such as customer service, reliability, clean energy and affordability.
- As discussed in more detail in the 2019 Accomplishments Report, Staff completed 32 of the 49 goals and made significant progress on the remaining 17, with additional work to be completed during 2020.

Oversight observations that involve material deviations from contract standards or that represent a significant risk to LIPA or its customers:

- Staff has reviewed its oversight and audit observations and concludes that none constitute a material deviation or significant risk to LIPA or its customers.

Activities that foster continuous improvement:

- As discussed with specificity in the 2019 Work Plan Accomplishments Report, many of the accomplishments Staff achieved during 2019, and the new plans and initiatives Staff will develop in response to its experiences with the 2019 Work Plan, will foster continuous improvement.
- Specifically, Staff (i) worked with the other stakeholders in New York State to begin to

implement and advance the clean energy and renewables policies included in the Climate Leadership and Community Protection Act adopted in July 2019; (ii) explored additional avenues for reducing costs through financial tools; (iii) implemented the Board's Policy on Debt and Access to Credit Markets, which resulted in ratings upgrades from all three rating agencies; and (iv) improved LIPA's employee engagement scores and employee assistance programs to maintain a healthy and productive workforce. PSEG Long Island also undertook several initiatives, and the Report describes Staff's oversight of those projects.

Sufficiency of LIPA Staff and resources to achieve oversight goals:

- As shown in the 2019 Accomplishments Report, Staff completed 32 of the 49 goals it set in the 2019 Work Plan and made significant progress on the remaining 17. Staff believes that current staffing levels and resources are adequate to achieve LIPA's oversight goals with hiring for vacant positions.

Annual Review of the Policy

Staff proposes changes to the Policy, as detailed below and reflected in the revised Policy in **Exhibit "B"**.

As part of LIPA's efforts towards continuous improvement, Staff has completed a project to better define its strategic planning process and the concept of oversight. This effort has included drafting of internal policies for strategic planning and oversight, which among other things, established certain management committees to coordinate such activities.

Staff recommends amending the Policy to contemplate the work to be done by these committees, as well as to better define the roles of the Board and management around these activities. The roles defined in the Policy for the Board and management are consistent with the Board's Policy Governance model.

Additionally, certain other non-material wording changes are proposed.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

- Exhibit "A"** Resolution
- Exhibit "B"** Policy on Oversight and LIPA Operations
- Exhibit "C"** 2020 Work Plan
- Exhibit "D"** 2019 Accomplishments Report

RESOLUTION RECOMMENDING APPROVAL OF THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON OVERSIGHT AND LIPA OPERATIONS

WHEREAS, the Board Policy on Oversight and LIPA Operations (the “Policy”) was most recently reviewed and approved by the Board of Trustees (the “Board”) by Resolution No. 1461, dated January 23, 2019; and

WHEREAS, the Oversight and Clean Energy Committee (the “Committee”) has received the annual Staff report on compliance with the Policy; and

WHEREAS, the Committee has reviewed the Policy and recommends approval of the changes to the Policy as recommended by Staff.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Committee hereby recommends that the Board find that LIPA has complied with the Policy for the period since the adoption of the Policy, approves the annual report to the Board, and approves updates to the Policy, as recommended herein.

Dated: July 22, 2020



Board Policy: **Strategic Planning and Oversight**

Policy Type: **Operating**

Monitored by: **Board of Trustees**

Board Resolution: **Resolution #1409, approved March 29, 2018,
1461, amended January 23, 2019,
____, amended July 22, 2020**

Board Policy on Strategic Planning and Oversight

It is the policy of the Long Island Power Authority (“LIPA”) to conduct its affairs and oversee its Service Providers in a manner that meets the needs and protects the interests of LIPA’s customer-owners.

Key definitions for the purposes of this Policy are:

- **Mission** is a concise statement of why LIPA exists, sometimes also referred to as Purpose.
- **Vision** is a realistic and attainable idea of what LIPA seeks to become within a defined period of time (e.g. in 5 years).
- **Board Policies** are the Policies related to key areas of LIPA’s business, adopted by the Board of Trustees, that provide additional guidance to LIPA’s management related to LIPA’s Mission and Vision. The current versions of the Board Policies can be found on [LIPA’s website](#).
- **Strategy** is a multi-year view of the key themes or categories of initiatives (e.g. Clean, Lean, and Customer-First) that management must execute to further the Mission, Vision, and Board Policies adopted by LIPA’s Board.
- **Work Plan** is the annual translation of LIPA’s Mission, Vision, Board Policies, and Strategy into budgets, projects, Oversight activities, and performance metrics for a twelve-month period.
- **Oversight** refers to the actions LIPA takes to monitor and review the budgets, plans, processes, systems, programs, projects and services of its Service Providers.
- **Oversight Framework** refers to the structures and processes used by LIPA to ensure effective Oversight.

Strategic Plan and the Work Plan

LIPA’s Strategic Plan involves several activities, including:

- Defining LIPA’s Mission and Vision;
- Development and periodic review of Board Policies to provide additional guidance to LIPA management in key areas related to LIPA’s Mission and Vision;
- Identification of a multi-year Strategy for management to achieve LIPA’s Mission, Vision, and Board Policies;

- Creation and execution of an annual Work Plan that translates LIPA's Strategy into budgets, projects, Oversight activities and performance metrics for a twelve-month period; and
- Reporting to LIPA's Board by management on each Board Policy and on Strategy and the annual Work Plan.

The Board of Trustees is responsible for:

- defining LIPA's Mission and Vision, along with its expectations in key operational areas in the form of Board Policy;
- reviewing Board Policy reports, which are provided to the Board on a regular basis in accordance with the manner prescribed in each Board Policy; and
- communicating its expectations to LIPA management in the form of Board Policy.

LIPA's Chief Executive Officer ("CEO") is responsible for achieving the expectations communicated by the Board in its Policies. Specifically, LIPA's CEO is responsible for:

- **Supporting the Board in Establishing LIPA's Mission, Vision, and Board Policies** – LIPA's CEO works with the Board to provide the support and analysis necessary for the Board to make informed choices about LIPA's Mission and Vision, as communicated through Board Policies. The Board's Policies are necessarily constrained by LIPA's current state, resources, industry trends, laws, regulations, and other factors. The CEO supports the Board by providing management's assessment of these factors and the tradeoffs between competing objectives in the Board's Policies (e.g. customer enhancements versus affordability).
- **Reviewing and Modifying LIPA's Strategy** – LIPA's CEO works with the management team and Service Providers to review LIPA's Strategy not less than every three years. LIPA's Strategy, while periodically reviewed, will change infrequently and only with significant changes to LIPA's operating environment, legal and regulatory changes, and the Board's expectations, as communicated in the form of Board Policy.
- **Creating and Executing Annual Work Plans** – LIPA's CEO translates LIPA's Mission, Vision, Board Policies, and Strategy into annual budgets, projects, Oversight activities, and performance metrics, which together constitute the annual Work Plan. The CEO is responsible both for creating the Work Plan and ensuring it is executed in a manner that delivers the intended results.

LIPA's CEO will consult with and report to the Board on:

- The outcome of its Strategy reviews not less than every three years;
- The objectives of LIPA's annual Work Plans for the coming year and the accomplishments of LIPA's Work Plan for the prior year; and
- Any current or projected staffing and resource constraints that may limit LIPA's ability to achieve the Mission, Vision, and Board Policies adopted by the Board.

Oversight Objectives

LIPA's business model involves significant outsourcing to Service Providers, which places

heightened importance on LIPA's Oversight in the achievement of its Mission and Vision and the Board's Policies. The Objectives of LIPA's Oversight ("Oversight Objectives") are to ensure that:

- The Board's Policies and LIPA's Strategy are implemented as intended, in accordance with the terms of LIPA's contractual relationships, and that LIPA and its Service Providers advance the Mission and Vision adopted by the Board of Trustees;
- LIPA's Service Providers achieve reasonable results in accordance with expectations in exchange for the management fees and consideration paid for their services;
- LIPA's budgets, including those of the Service Providers, provide value for money to our customer-owners;
- The business processes and systems outsourced or provided to Service Providers operate to industry standards and best practices;
- Service Providers implement continuous improvement initiatives;
- Enterprise risks, including those managed by Service Providers, are identified, monitored, managed, and mitigated; and
- Service Providers comply with applicable policies, laws, regulations, contract standards, and ethical standards.

The Board of Trustees is responsible for periodically reviewing the Oversight Framework implemented by LIPA's CEO and the Oversight activities included in LIPA's annual Work Plan. LIPA's CEO is responsible for implementing an Oversight Framework consistent with the Oversight Objectives articulated by the Board in this Policy.

Oversight Activities

LIPA's CEO will achieve the Board's Oversight Objectives through an Oversight Framework that:

- Prioritizes Oversight activities, including the frequency and appropriate level of Oversight, by risk, materiality, and other measures of importance;
- Maintains appropriate documentation of Oversight activities;
- Incorporates insights from LIPA's Oversight activities into annual budgets, projects, performance metrics, audits, and enterprise risk management activities;
- Balances the benefits and costs of proposed plans and programs;
- Fosters continuous improvement, innovation, benchmarking, and industry best practice, with a view to minimize cost and improve service quality; and
- Refers Oversight observations to Service Providers for resolution.

Related to Oversight, LIPA's CEO will consult with and report to the Board on:

- The Oversight Framework implemented by LIPA's management team; and
- The objectives of LIPA's annual Work Plans for the coming year and the accomplishments of LIPA's Work Plan for the prior year related to Oversight.

The CEO or his or her designee will report annually to the Board of Trustees on compliance with the key provisions of the Policy.

Exhibit C - 2020 Work Plan

2020



LIPA
Long Island Power Authority

WORK PLAN

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LIPA Mission and Values

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

In achieving our mission, LIPA values:

- Responsiveness:** being attentive to the needs and expectations of our community and stakeholders
- Excellence:** continually innovating and improving upon our performance
- Integrity:** conducting our affairs in an ethical and transparent manner
- Stewardship:** ensuring our assets are utilized efficiently and in accordance with sound fiscal and operating practices
- Sustainability:** minimizing our impact on our natural environment
- Teamwork:** respecting diverse viewpoints and attracting and retaining talented employees

Overview

The LIPA Board utilizes a policy governance model, whereby it identifies the Board's priorities as Board policies, which staff executes and reports back on each year.¹ The activities in the 2020 Work Plan advance the Board's policies in the areas of Reliability, Customer Service, LIPA Operations and Oversight, Resource Planning, Energy Efficiency, Renewables, Customer Value and Affordability, and Taxes.

The 2020 Work Plan includes activities for which LIPA has direct responsibility, such as finance, wholesale market policy, tariffs, and legal, as well as oversight of activities for which LIPA's service providers, including PSEG Long Island and National Grid, are responsible. The 2020 Work Plan builds upon the accomplishments of the 2019 Work Plan.²

LIPA's staff believes the activities in the 2020 Work Plan are the best use of time and resources over the next twelve months to advance LIPA's mission and the Board's vision for a "Clean, Lean, and Customer First" utility for Long Island and the Rockaways.

¹ A complete list of the Board's Policies and related annual reports can be found on LIPA's website at www.lipower.org/mission.

² For more information on the accomplishments of the 2019 Work Plan, see LIPA's 2019 Accomplishments Report, available on LIPA's website under Contracts and Reports.



2020 Work Plan

The 2020 Work Plan is organized around LIPA's functional areas: **Finance, Financial Oversight, Operations Oversight, Information Technology, Policy and Strategy, Human Resources, Communications and External Affairs, Legal and Internal Audit.**

Activities are organized by project, with each project addressing a specific, strategically important issue that warrants regular monitoring by senior management.

Significant activities identified in the 2019 Work Plan that will continue in 2020 are listed as carryover activities.

Progress on the 2020 Work Plan is tracked by management during the year. Staff expects to make changes to the Work Plan to meet evolving needs and priorities. Pursuant to the Board's Policy on Oversight and LIPA Operations, LIPA staff will report on the accomplishments of the annual Work Plan in early 2021.





Operations Oversight

PROJECTS:

- Develop a battery storage roadmap for LIPA's share of New York State's energy storage goals (1,500 megawatts (MW) statewide by 2025 and 3,000 MW by 2030) and oversee establishment and implementation of plans for meeting LIPA's resulting 2025 goal (approx. 200 MW by 2025).
- Oversee PSEG Long Island's completion of the mandated Northport repowering study by April 1, 2020.
- Oversee development of PSEG Long Island's plan to implement recommendations from the 2019 third-party evaluation of best practices in asset management.

CARRYOVER ACTIVITIES:

- Oversee Nitrogen Oxide (NOx) pollution compliance plan filing to meet DEC requirement for legacy peaking generating units owned by National Grid.
- Oversee completion of the offshore wind (OSW) transmission study in order to, (i) understand OSW interconnection costs by landfall location, (ii) understand optimum mix of OSW landfall on Long Island versus New York City (iii) advocate for an OSW Public Policy Transmission Need and (iv) inform plans for generation sites under the Power Supply Agreement.
- Represent LIPA customer interests in the Public Service Commission's Resource Adequacy Proceeding, including advocating for appropriate allocation of costs for clean, dispatchable resources needed for the integration of renewables.

The background of the slide features a blue-toned financial theme. It includes a line graph with a jagged upward trend, a candlestick chart, and several stacks of coins. Overlaid on the image are various financial data points: '1194.38' in large white font, 'Vol: 635.25 M' in smaller white font, and a list of numbers on the right side including 12.00, 0.011, -14.00, -26.00, 56.45, 43.38, 21.55, and 6.57. The overall aesthetic is professional and data-driven.

Finance and Financial Oversight

PROJECTS:

- Research experiences in other service territories with “all electric homes” and consider applicability in LIPA’s service territory.
- Develop a Federal Emergency Management Agency (FEMA) process for close-out of the 428 grant that streamlines consultant review of documentation and most efficiently provides for the collection of the remaining funds under the letter of understanding.
- Conduct a periodic review of LIPA’s Debt and Access to the Credit Markets Policy to ensure LIPA is meeting its stated fiscal goals.
- Implement a comprehensive review of treasury operations to facilitate a new Enterprise Resource Planning (ERP) system process.
- Update the post-debt-issuance record retention policy associated with Authority bond issuances.
- Oversee implementation of the 2020 portion of the rate modernization roadmap.
- Review PSEG Long Island staffing and overtime plans (resource loading plans) for planned and unplanned workload.
- Review the long-term impact of electrification on the sales forecast.
- Oversee PSEG Long Island’s development of new on-bill financing programs and a new FlexPay (prepay) pilot.

CARRYOVER ACTIVITIES:

- Execute a prepay transaction to reduce commodity costs.
- Evaluate revenue optimization opportunities for LIPA’s telecommunication assets.
- Implement a new long-term financial model for budgeting and planning.



Communications and External Affairs

PROJECTS:

- Review LIPA's mission, vision, and values to incorporate themes identified in the 2019 strategic planning process along with customer and employee feedback.

CARRYOVER ACTIVITIES:

- Create LIPA issue-specific fact sheets to provide concise information and data on major policy issues to educate our customer base.



2050

Policy and Strategy

PROJECTS:

- Benchmark status of strategic planning process against peers or established maturity model to identify strengths and weaknesses and implement changes as appropriate.
- Incorporate results from enterprise risk management activities into processes for prioritizing operational and oversight activities to maximize efficient use of limited LIPA and PSEG Long Island resources.
- Create a communications plan to engage employees in the importance of the 2020 projects, strategic planning initiatives, Board Policies, and related governance matters.
- Create a multi-year oversight roadmap across LIPA and implement strategies in 2020 that advance that roadmap.



Human Resources

PROJECTS:

- Enhance LIPA's interview process by focusing on competencies that have been identified as key to success for the position.
- Revise the 360-degree review process to provide useful assessments in a shorter, simpler format.
- Create an 18-month human resources roadmap outlining all inflight and contemplated human resource programs.

CARRYOVER ACTIVITIES:

- Complete a new process for succession planning to implement industry best practices.

Information Technology

PROJECTS:

- Create a roadmap to enhance LIPA's cybersecurity maturity score based on a third-party assessment.
- Create a multi-year LIPA data analytics roadmap and set up data analytics as a service within IT to help departments implement data analytics projects.
- Create a multi-year roadmap for IT investments.

CARRYOVER ACTIVITIES:

- Implement Phase I of LIPA's Enterprise Resource Planning (ERP).
- Develop an information technology asset management program for LIPA systems, including updated policies and procedures for inventory management throughout the asset life-cycle.





Legal

PROJECTS:

- Procure and customize a new document management system.
- Inventory written policies and procedures for all material functions across the organization and set up a periodic review process.
- Coordinate preparation for the 2021 rate filing.

Internal Audit

PROJECTS:

- Coordinate with PSEG Long Island to develop Purchase Card (P-Card) exception reporting to analyze 100 percent of the P-Card transactions monthly.

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