

FOR CONSIDERATION

January 27, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of the Adoption of Recommendations Relating to the Management of LIPA Real Estate and Facility Assets and Records

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution approving certain recommendations developed by LIPA to improve the management of LIPA Real Estate and Facility Assets and Records (the “Real Estate and Facility Recommendations”), which resolution attached hereto as **Exhibit “A”**.

Background

Pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement (“OSA”), LIPA, in part, has the right to “make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA’s legal, contractual and fiduciary obligations. . .” Additionally, the OSA provides that PSEG Long Island is responsible for “real estate management, easements, leases and agreements, pole attachments (including billing and collection for pole attachment fees, as well as maintaining a complete inventory of type and location of each attachment and plans for revenue optimization), joint use agreements, and telecommunications for the provision of electric service.”

By way of background, in 1998, the LILCO real estate and facility assets were generally divided between LIPA, as owner of the electric T&D system and MarketSpan, which retained the former LILCO power plants and gas system. From 1998 forward, the custodian of the real estate and facility records has changed as MarketSpan became KeySpan and eventually National Grid and, also, as LIPA has changed Service Providers. It is our understanding now that the real property and facility records are stored in the National Grid-owned Hicksville facility. These are vital property records, not only for ownership purposes, but for statutorily required reporting and for compliance with financing covenants and IRS regulations.

Since at least the beginning of 2020, LIPA, PSEG Long Island, and National Grid have discussed the potential reconfiguration of certain properties and facilities that were part of the 1998 merger. This effort requires a comprehensive look at the facilities currently owned and leased by LIPA and the space needs of the employee population at these locations, especially in a post-COVID work environment. Additionally, both PSEG Long Island and National Grid have expressed interest in separating certain operational facilities. Finally, as a parallel effort, PSEG Long Island has been looking for a location for a new Primary Transmission Control Center (“PTCC”). All of these work streams are necessary efforts for LIPA’s ongoing operations.

While LIPA has worked with PSEG Long Island to make progress on these issues since at least the beginning of 2020, the efforts have not appreciably advanced and require greater focus and a more organized management approach, including timelines and deliverables, to address LIPA's ongoing concerns in a comprehensive and timely manner.

Recommendations

LIPA staff recommends the following be implemented by PSEG Long Island in 2021:

- Develop a long-term strategy for LIPA's real estate and facility assets, including a post-COVID space needs analysis.
- Develop a comprehensive and formal strategy for the development of a new PTCC and Alternate Control Center.
- Develop a joint strategy with National Grid for separation of existing operations centers, including, among others, those located at Hicksville, Riverhead, Roslyn, and Hewlett.
- Hire an outside consultant to perform a comprehensive review of the existing real property records to confirm accuracy, identify gaps, and make recommendations or process improvements; and
- Develop a succession plan for current long-serving PSEG Long Island real estate professionals to ensure knowledge capture and transfer.

This effort is critical to ensuring an accurate and comprehensive understanding of LIPA real property and facility assets and will ensure that LIPA and PSEG Long Island are focusing their efforts on the long term viability of the LIPA real estate portfolio in a manner that is best suited for the workforce and provides the highest value to our customers.

As such, PSEG Long Island should prepare Implementation Plans for these recommendations no later than February 8, 2021. The Implementation Plans for these recommendations will be presented to the Board at its February 2021 meeting.

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

RESOLUTION ADOPTING RECOMMENDATIONS RELATING TO THE MANAGEMENT OF LIPA REAL ESTATE AND FACILITY ASSETS AND RECORDS

WHEREAS, pursuant to Section 4.4(16), Rights and Responsibilities of LIPA, of the Amended and Restated Operations Services Agreement (“OSA”), LIPA, in part, has the right to “make recommendations to the Service Provider, in each case as may be reasonably necessary or appropriate to perform LIPA’s oversight responsibilities and obligations with respect to the provision of Operations Services under this Agreement and as may otherwise be necessary or appropriate to comply with LIPA’s legal, contractual and fiduciary obligations. . .”; and

WHEREAS, additionally, the OSA provides that PSEG Long Island is responsible for “real estate management, easements, leases and agreements, pole attachments (including billing and collection for pole attachment fees, as well as maintaining a complete inventory of type and location of each attachment and plans for revenue optimization), joint use agreements, and telecommunications for the provision of electric service.”; and

WHEREAS, each of the Real Estate and Facility Recommendations is critical to ensuring an accurate and comprehensive understanding of LIPA real property and facility assets will ensure that LIPA and PSEG Long Island are focusing their efforts on the long term viability of the LIPA real estate portfolio in a manner that is best suited for the workforce and provides the highest value to our customers and will require the development and preparation of an Implementation Plan to ensure that the recommendations are acted on in a timely manner; and

NOW, THEREFORE, BE IT RESOLVED, the Board hereby adopts the Real Estate and Facility Recommendations; and

BE IT FURTHER RESOLVED, that the Board hereby directs LIPA Staff, together with PSEG Long Island, to implement the Real Estate and Facility Recommendations, including the creation of Implementation Plans by February 8, 2021 to be presented to the Board in advance of the Board’s February 2021 meeting.

Dated: January 27, 2021