

FOR CONSIDERATION

February 24, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of the Adoption of Recommendations to Improve Processes Related to Collections for Damage Billing and Other Non-Product Billings

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution approving a recommendation developed by LIPA to improve the processes related to billing and collections for reimbursable costs for damage done to LIPA’s T&D system, which is managed by PSEG Long Island through its Damage Tracking System (“DTS”), and other non-product billings, which resolution attached hereto as **Exhibit “A”**.

Background

In 2017 and 2018, LIPA expressed its concerns to PSEG Long Island’s collection department with respect to issues surrounding non-product billings and miscellaneous receivables. LIPA asked for resolution on the increasing receivable balances related to billings for damage done to LIPA’s system. DTS receivable balances grew by 25 percent from approximately \$8 million to over \$10 million by the end of 2017. Subsequently, PSEG Long Island did a review of the process and decided to outsource the collection process similar to its customer receivables using DebtNext software.

Based on the latest report provided by the PSEG Long Island collections team, DTS invoices continue to have a low collection ratio. Over the past two years, amounts collected have averaged only 19% of billings.

Furthermore, miscellaneous non-product receivables need to be analyzed to improve aging information and the management of such receivables.

Discussion

LIPA has the following recommendations for PSEG Long Island in accordance with the Amended and Restated Operations Services Agreement Section 4.4(A)(16) to evaluate the billing and collection process related to the DTS charges and other non-product billings, including:

1. Provide an Implementation Plan to materially improve the DTS billing and collections process, with expected costs and benefits, recommendations, and timelines. A step in the Implementation Plan should include a review of the end-to-end process currently used for DTS and delivering a report to LIPA that includes:
 - An analysis of the improvements realized by outsourcing to DebtNext and the costs of such outsourcing, including programming costs;

- Comparison of DTS invoice collection rates prior to DebtNext and since its implementation, including analysis by each collection agency;
 - An analysis of the average lag time from the damage event to the date the estimated bill is sent to the payee, grouped by year and damage class, before and after implementing DebtNext;
 - A review of the effectiveness of methodologies used to prioritize accounts for collections;
 - Analysis of DTS receivables in aging buckets based on the original invoice date;
 - Evaluating the five largest causes of DTS write-off and identifying improvements in the end-to-end process that would reduce write-offs;
 - Identifying how collection Key Performance Indicators (e.g., Collector Effectiveness Index [“CEI”], Days Collections Outstanding) are tracked and used to improve collections effectiveness for DTS; and
 - Benchmarking PSEG Long Island’s end-to-end process and outcomes relative to other New York utilities, including by DTS write-off rates.
2. Provide access to the DebtNext platform to one (1) LIPA user, who should be able to view transactions and run all reports.
 3. Provide an Implementation Plan to improve the billing and collections process for miscellaneous non-utility billings. A step in the Implementation Plan should include delivering improved reports to LIPA that includes:
 - Analysis of such receivables in aging buckets based on the original invoice date;
 - Identification of department/person responsible for resolution; and
 - Recommended action for collection of these long-term outstanding receivables.

PSEG Long Island should prepare Implementation Plans for each recommendation no later than April 9, 2021 for review and approval by the Board at the May 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 NON-PRODUCT COLLECTION IMPROVEMENT
PROCESS RECOMMENDATIONS**

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, based on LIPA’s findings after review of the DTS and non-product receivables, the collection ratio continues to be low and LIPA Staff has concerns about the efficiency of the current processes for collections of such billings; and

WHEREAS, LIPA has developed recommendations for PSEG Long Island to develop improved analysis and collections for such billings; and

NOW, THEREFORE, BE IT RESOLVED, the Board hereby adopts the DTS and non-product receivables process improvement recommendations; and

BE IT FURTHER RESOLVED, that the Board hereby directs LIPA Staff, together with PSEG Long Island, to implement the Recommendations to Improve Processes Related to Collections for Damage Billing and other Non-Product Billings, including the creation of Implementation Plans in advance of the Board’s May 2021 meeting.

Dated: February 24, 2021