

## **FOR CONSIDERATION**

February 24, 2021

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Consideration of the Rejection of PSEG Long Island Implementation Plans for the Management of LIPA Real Estate and Facility Assets and Records Recommendations

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution, which resolution attached hereto as **Exhibit “A”**, rejecting certain PSEG Long Island Implementation Plans to improve the management of LIPA Real Estate and Facility Assets and Records (the “Real Estate and Facility Recommendations”), which Real Estate and Facility Recommendations that were adopted by the Board on January 27, 2021.

### **Background**

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 Transmission and Distribution (“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.

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.

### **Recommendations**

On January 27, 2021, the Board adopted the following five recommendations:

- Develop a long-term strategy for LIPA’s real estate and facility assets, including a post-COVID-19 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.

The Board requested that PSEG Long Island prepare Implementation Plans for these recommendations no later than February 8, 2021. On February 4, 2021, PSEG Long Island submitted to LIPA Staff the proposed Implementation Plans for the Real Estate and Facility Recommendations. LIPA Staff provided PSEG Long Island with comments on the Implementation Plans, summarized in Exhibit B hereto, and is recommending that the Board reject the Implementation Plans at this time and direct PSEG Long Island to revise them consistent with Staff’s comments and resubmit them no later than March 5, 2021 for consideration at the March Board 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

**Exhibit “B”** Summary of Staff Comments on Implementation Plans

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

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**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

**WHEREAS**, on January 27, 2021, the Board adopted the Real Estate and Facility Recommendations; and

**WHEREAS**, on February 4, 2021, PSEG Long Island submitted to LIPA Staff the proposed Implementation Plans for the Real Estate and Facility Recommendations; and

**WHEREAS**, LIPA Staff provided PSEG Long Island with comments on the Implementation Plans and is recommending that the Board reject the Implementation Plans at this time and direct PSEG Long Island to revise them consistent with Staff’s comments and resubmit them no later than March 5, 2021 for consideration at the March 2021 Board meeting; and

**NOW, THEREFORE, BE IT RESOLVED**, the Board hereby rejects the Implementation Plans for the Real Estate and Facility Recommendations Recommendation and directs PSEG Long Island to revise them consistent with Staff’s comments and resubmit them for consideration at the March 2021 Board meeting.

Dated: February 24, 2021

**Exhibit “B”**

Real Estate And Facilities Recommendations				
Recommendation	1 <sup>st</sup> draft	2 <sup>nd</sup> draft	Comments (numbers correspond to specific paragraphs in each PIP)	Status
(1) Long-term strategy for LIPA's real estate and facility assets, including a post-COVID space needs analysis	Feb 5		<p><b>1</b> – [Amended &amp; Restated] Operation[s] Service[s] Agreement (OSA).</p> <p><b>2</b> – accelerate project to complete by Q2 2021 per past discussions on the ongoing space needs analysis that was to be shared January 2021.</p> <p><b>3</b> – additional resources should be allocated</p> <p><b>3.1</b> – provide names of responsible individuals in this chart following Bob Sharma's name, including existing consultants working on the post-COVID space needs analysis.</p> <p><b>4.1</b> – see comment above on <b>2</b>.</p> <p><b>5.3</b> – include documenting implementation of the plan.</p>	Reject - to be revised
(2) Strategy for the development of a new PTCC and Alternate Control Center	Feb 5		<p><b>1</b> – revise intro: "In 2019, PSEG Long Island contracted R.E. LAMB, a recognized consultant specializing in control centers to conduct a gap analysis of the existing Primary Transmission Control Center (PTCC) and Alternate Control Center (ACC). R.E. LAMB's PTCC GAP Analysis supports the replacement of the PTCC and ACC as documented in their Executive Summary (see Appendix 1). This project is intended to [add definition on cover page]."</p> <p><b>1</b> – the table summarizing the RE Lamb findings is not necessary for the project plan.</p> <p><b>1</b> – the note regarding the 2020 Time Warner negotiation and corresponding Appendix are not needed for the new project plan.</p> <p><b>1.1</b> – references to "tiers" are not needed for the project plan, if included in RE Lamb report.</p> <p><b>2</b> – what is the status of the first deliverable?</p> <p><b>3</b> – any approval needed from NERC? Add to tasks, as needed.</p> <p><b>3.1</b> - add dedicated project manager to team with steering committee to hold project team accountable to timeline; add operational responsible VP to list; include names for IT; is the line for PTCC consultants needed: RE Lamb?</p> <p><b>3.2</b> – add community stakeholders.</p> <p><b>5.1</b> – remove reference to local building codes; any NERC certification or permits needed before operations?</p> <p><b>5.2</b> – what "Department of Buildings"?; remove reference to local regulatory review.</p> <p><b>5.3</b> – add with joint access between PSEG Long Island and LIPA.</p>	Reject – to be revised

<p>(3) Joint strategy with National Grid for separation of existing operations Centers</p>	<p>Feb 5</p>	<p>Implementation plan should be revised to focus on the strategy with National Grid. Specifically, on how to separate existing operations centers and not necessarily on the ultimate purchase of individual properties.</p> <p>For example, the plan should take into account tasks and deliverables on how PSEG Long Island intends to develop a strategy with National Grid on initial property offerings, fair market value methodology, appraisal exchange etc.</p> <p>PSEG Long Island should also include a workstream, tasks and deliverables to be completed by year end on whether to exercise the 5-year opt out described in the plan.</p> <p>On dependencies and risk mitigation, alternative options should be considered in the event purchases with National Grid are unsuccessful, i.e. maintaining existing space footprint, investigating other purchase opportunities etc. Reference to the space needs analysis implementation plan may be appropriate here as well.</p>	<p>Reject – to be revised</p>
<p>(4) Hire an outside consultant to perform a comprehensive review of the existing real property records</p>	<p>Feb 5</p>	<p><b>2.1 (dependencies)</b> – add if not granted access by Nat Grid, PSEG Long Island will take appropriate actions, as necessary. Add a task in <b>4.1</b>, to address this contingency.</p> <p><b>2</b> – schedule should be accelerated for completion in 2021.</p> <p><b>4.1</b> – see comment above on <b>2</b> for timing.</p> <p><b>4.1</b> add that such real property records should be reconciled to the accounting records.</p> <p><b>4.3</b> – see note on <b>2.1</b>.</p> <p><b>5.3</b> – include documenting implementation of the plan.</p>	<p>Reject - to be revised</p>
<p>(5) Develop a succession plan for current long-serving PSEG Long Island real estate professionals to ensure knowledge capture and transfer</p>	<p>Feb 5</p>	<p><b>4.1 (4<sup>th</sup> task)</b> – add a step to identify a common repository accessible by all where this documentation will be housed.</p> <p><b>4.1 (5<sup>th</sup> task)</b> – add follow up and accountability – monthly or quarterly check-ins with the appropriate supervisor level person to ensure plan is being executed and revised, if needed.</p> <p><b>4.1</b> – add a deliverable for “training &amp; development plan for each position”.</p> <p><b>5.3</b> – include documenting implementation of the plan.</p>	<p>Reject - to be revised</p>