

FOR CONSIDERATION

February 24, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of the Adoption of Implementation Plans for Budget Improvement Process Recommendations

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution attached hereto as **Exhibit “A”** adopting Implementation Plans pursuant to the Budget Improvement Process Recommendations adopted by the Board at the December 16, 2020 meeting.

Discussion

LIPA identified the need to further strengthen the budget development and oversight processes through increased transparency, accountability, and documentation. Further, LIPA is looking to enhance the alignment of budget planning with the development and review of operational work plans. To accomplish this, LIPA has already taken steps to improve its oversight of the PSEG Long Island departmental budgets by incorporating an increased number of existing LIPA Staff in the review of PSEG Long Island departmental budgets in accordance with an Oversight Framework implemented by staff in 2020. To build on this effort, LIPA developed the Budget Improvement Process Recommendations for the Board’s consideration that outlined recommendations to improve budget planning and documentation at the PSEG Long Island department level, increase accountability through tighter oversight of budget reallocations during the year, and leveraging technology to streamline the budget process. Each of the Budget Improvement Process Recommendations requires the development and preparation of a Project Implementation Plan to ensure that the recommendations are acted on in a timely manner.

- A. Leverage New Technology – LIPA to initiate the development of a new budget system to provide improved documentation, centralized budget calculations, data analytics and forecasting capabilities, and budget control.
- B. More Detailed Budget Information – PSEG Long Island to develop Budget Briefing Books as part of the budget development process. The Budget Briefing Books would document and explain work plans and the proposed resource allocation at department levels.
- C. Reallocation Explanations – LIPA is requiring PSEG Long Island to provide explanations on the reallocation of funds within the Operations and Maintenance Budget.

To address these issues, LIPA Staff recommended, and the Board adopted, on December 16, 2020, the three recommendations outlined above. The Board required Implementation Plans to be submitted no later than the Board’s February Board meeting.

On January 21, 2021, PSEG Long Island submitted Implementation Plans for Recommendations (B) and (C). LIPA Staff developed the Project Implementation Plan for Recommendation (A). LIPA Staff recommends the Board adopt the three Implementation Plans attached hereto as **Exhibit “B”**.

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” Budget Process Improvement Project Implementation Plans

RESOLUTION APPROVING IMPLEMENTATION PLANS FOR IMPROVING THE BUDGET DEVELOPMENT PROCESS RECOMMENDATIONS AND PROJECT PLANS

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, on December 16, 2020, the Board adopted the Budget Improvement Process Recommendations and the Board directed LIPA staff, together with PSEG Long Island, to implement the Budget Improvement Process Recommendations and associated Project Improvement Plans; and

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board adopts the Implementation Plans attached hereto as **Exhibit “B”**; and

BE IT FURTHER RESOLVED, that the Board asks for quarterly reporting to the Finance and Audit Committee on the status of the implementation plans until such time as the plans are fully implemented.

Dated: February 24, 2021

Long Island Power Authority (LIPA)
Project Implementation Plan
Budget Development Process Improvements
Recommendation A – Leverage New Technology

Project Title: Planning and Budgeting System Implementation

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1. Project Definition

Every year, LIPA and PSEG Long Island participate in an exercise to develop and publish a consolidated budget that directs investments into work plans to support both entities' ongoing operations. While the process has produced consolidated budgets, several opportunities for improvement have been identified to enhance the process, provide greater transparency, and greater access to decision-making data. The project addresses Budget Improvement Process Recommendation “A” adopted by the Board at the December 16, 2020 meeting. The Recommendation, titled 'Leverage New Technology', states:

“Based on LIPA’s evaluation of the benefits derived from an automated budget system, LIPA Staff recommended a new system to enhance the budget development process to provide a seamless data sharing platform as well as improved documentation with data analytics capabilities. ... This system would be used by PSEG Long Island to develop their budget as well as being jointly used for the development of the Consolidated LIPA budget. As such, LIPA will partner with PSEG Long Island staff to develop the system scope document and implementation plan.”

1.1. Project Purpose, Objectives, and Success Criteria

Purpose:

The Budget System Implementation project will introduce a new Enterprise Planning and Budgeting System to enable transparent and comprehensive budget planning, development, and management for Long Island Power Authority and PSEG Long Island. The platform's implementation will provide improved visibility to budget development processes and decision-making, centralized budget calculations, data analytics and forecasting capabilities, spend optimization, and budget control.

Objective:

The objective of this project is to replace existing tools and manual processes with an Enterprise Planning and Budgeting System that provides increased transparency, collaboration, end-to-end budget visibility, and streamlined budget planning and development activities and functions:

- Improve efficiencies by reducing manual processes
 - Actuals from ERP loaded to templates automatically
 - Preliminary Budget pre-seeded using historical actuals
 - Data movement across Budget Templates automated
 - Aggregation of data automated in budget planning modules
- Improve efficiencies by implementing enhanced business processes
 - Centralized control forms
 - Standard Budget process
 - Standard calculations and controls across the organization
 - Robust support of What-if analysis

- Improve Budget analysis capabilities
 - Shift from collecting/collating data to more data analysis
 - Allow for enhanced future forecasting
 - End-to-end budget visibility
 - “What-if” capabilities for budget modeling

Scope:

The scope of this project is to implement an enterprise planning, budgeting, and forecasting solution and to streamline planning and budgeting activities and processes to improve organizational alignment by integrating financial and operational activities and plans.

Project End State and Success Criteria:

Successful implementation and adoption of an integrated Enterprise Planning and Budgeting System to improve budget planning, development, management, and reporting. Improve efficiencies by implementing enhanced business processes and providing a common platform for improved collaboration across LIPA and PSEG Long Island. Greater budgeting effectiveness through near real-time visibility to integrated budget and spend data and dynamic modeling of budget scenarios. The system will also have the capability to provide more granular variance analysis than currently available.

2. Project Deliverables:

Multiple deliverables will be delivered through the course of the project. Major deliverables are listed below. Additional detailing of the deliverables is in the Work Plan.

Deliverable	Comments
Requirements Traceability Matrix	A requirement (Business, Technical, and Integration) document is used throughout the project's lifecycle to ensure functionality is configured and successfully tested according to specifications.
Procured System and Services	Procured technology platform and implementation services.
Implemented System – Phase 1	A fully functional, documented and productionized system integrated with PSEG Long Island and LIPA ERP Systems and available for stakeholders to perform operational budget planning, development, and management functions.
Implemented System – Phase 2	A fully functional, documented and productionized system integrated with PSEG Long Island and LIPA ERP Systems and available for stakeholders to perform Capital Budget planning, development, and management functions.

2.1. Assumptions, Dependencies, and Constraints

Assumptions

- Project team will be comprised of cross-functional members of LIPA, PSEG Long Island and contracted resources.
- The preliminary high-level plans presented here will be reviewed, refined and detailed by the acquired Project Management Team once on board.

Dependencies

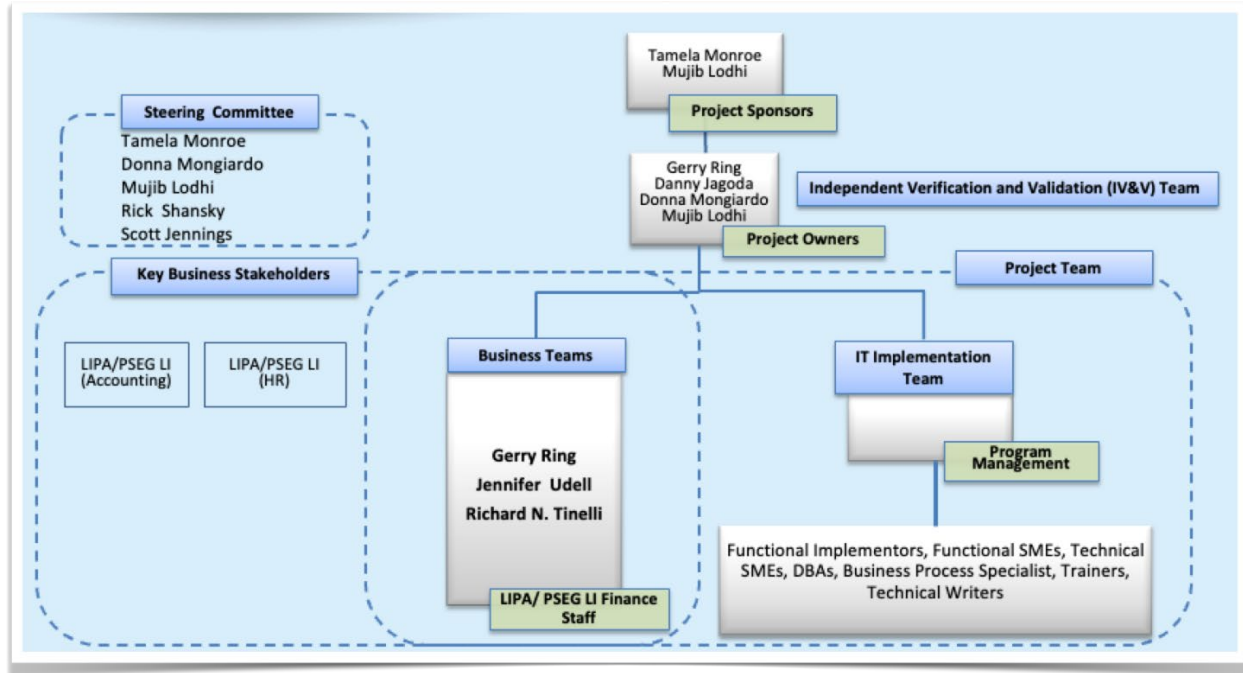
For successful implementation, parallel execution of PSEG Long Island implementation plans on B and C recommendations will factor into the design, approach, and budget system decisions. These dependencies are:

- Recommendation B – More Detail Budget Information
 - *Successful and timely execution of Project implementation plan submitted by PSEG Long Island.*
- Recommendation C – Reallocation Explanations
 - *Successful and timely execution of Project implementation plan submitted by PSEG Long Island.*

Constraints

- Staff member bandwidth and availability to support project needs.

3. Project Structure



4. Project Plan

4.1. Project Work Plan

The project will be comprised of the following major components:

- Project Management Services Acquisition
- System/Platform and Implementation Services Acquisition
- System Implementation Phase 1
- System Implementation Phase 2

The project will be initiated with the acquisition of a Project Management Team, which will develop the detailed project plans. The technology platform will then be selected and procured via an RFP process. The system's implementation will be structured into two phases: the Operating Budget and Technology Stack (system setup and integration with the LIPA and PSEG Long Island ERP Systems) implementations in Phase 1 and the Capital Budget implementation in Phase 2. Each phased implementation will be structured as a sub-project with Initiation, Planning, Execution and Close-out stages; and will follow industry-standard practices with requirements, design, build, testing, training and deployment activities. In conjunction, Business Processes will be reviewed and optimized to enhance

operational efficiencies, leverage system capabilities and support increased transparency, collaboration and end-to-end budget visibility.

The preliminary high-level work plan is presented below. The work plan and schedule will be reviewed, revised and detailed by the Project Management Team once on board.

Type	Task Name	Target End Date
Milestone	Project Management Team Acquisition	2021 Q2
Phase	<i>Phase 0 - Project Initiation and Technology/Services Acquisition</i>	<i>2022 Q3</i>
Document	Detailed Project Plan and Schedules	2021 Q2
Task	Project Teams Development and Initiation Activities	2021 Q2
Milestone	Project Kickoff	2021 Q2
Task	Market Survey (cloud and self-hosted)	2021 Q2
Task	Requirements Workshops	2021 Q3
Document	Requirements Traceability Matrix	2021 Q4
Document	As-Is Business Processes	2021 Q4
Document	RFP	2021 Q4
Milestone	RFP Published	2021 Q4
Milestone	Platform/Implementation Services Selected	2022 Q2
Task	Business Process Review and Optimization	2022 Q3
Document	To-Be Business Processes	2022 Q3
Milestone	Platform/Implementation Services Procured	2022 Q3
Phase	<i>Phase 1 – Operating Budgets and Technical Stack Implementation</i>	<i>2023 Q2/Q3</i>
Document	Technical, Functional and Business Process Design	TBD
Milestone	Configured Test System	TBD
Milestone	Integration with PSEG Long Island ERP implemented	TBD
Milestone	Integration with LIPA ERP implemented	TBD
Milestone	Operating Budgets implemented	TBD
Milestone	Data loaded	TBD
Document	Test Plan	TBD
Milestone	Test System tested (unit, functional and user acceptance)	TBD
Document	Training Plan and Materials	TBD
Milestone	Training completed	TBD
Milestone	Configured, Implemented and Tested Production System	TBD
Task	Go-live/cutover	TBD
Milestone	Deployed live Production System	TBD
Phase	<i>Phase 2 – Capital Budgets Implementation</i>	<i>2024 Q1/Q2</i>
	<i>Phase 2 work plan will be similar to Phase 1</i>	

4.2. Risk Management Plan

Risks will be documented and managed using a Risk Register to ensure they are appropriately planned for in the event they are realized.

4.3. Issue Resolution Plan

Issues that arise throughout the project are to be raised by project stakeholders and managed through an Issues Register. Issues will be addressed during standing project meetings unless requiring an immediate attention, prompting an ad-hoc meeting of relevant stakeholders.

4.4. LIPA Reporting Plan

The project team will establish a reporting plan that ensures all stakeholders are kept informed and updated on project progress. Reporting will be managed through various communication vehicles, including status reports, stakeholder meetings, Steering Committee meetings and other written and verbal communications as necessary.

5. Technical Execution Plan

5.1. Technical Approach

The project will be initiated with the acquisition of a Project Management Team and will then be structured into the following high-level project phases:

1. [Phase 0] Project Initiation and Technology Platform/Implementation Services

Acquisition: This stage will encompass Project Initiation and Planning, Technology Platform and Implementation Services Acquisition, and Business Process review and enhancement. Major tasks include:

- a. **Project Initiation** – Development of detailed project plans and schedules, the formation of cross-functional teams comprised of LIPA and PSEG Long Island stakeholders, project kickoff.
 - Activities: Project initiation and planning
 - Milestones: Project Plan and Schedule, Teams Formed, Kickoff

- b. **Requirements Development** – Development of detailed requirements documentation (Business, Technical, and Integration). Workshops will be held across LIPA and PSEG Long Island to identify requirements and As-Is Business Processes.

- Activities: Requirements Workshops, Documentation Development and Approval
 - Milestones: Requirements Document, Requirements Traceability Matrix, As-Is Business Process Documentation
- c. **Acquisition of Technology Platform and Implementation Services -** Leveraging the deliverables from Requirements Gathering, a Request for Proposal (RFP) will be developed for issuance to vendors to solicit proposals for the Enterprise Planning and Budgeting System platform. Responses will be evaluated, and a platform will be selected and procured. Implementation Services will also be acquired.
- Activities: RFP development, RFP Evaluations, System Demos, Fit/Gap Analysis, Solution Selection, Contracting for System Procurement
 - Milestones: RFP Issued, System Selection, System Procurement
- d. **Business Process Review and Optimization** – As-Is Business Processes will be reviewed. Optimized and streamlined To-Be Processes will be developed to enhance operational efficiencies, leverage system capabilities, and support increased transparency, collaboration and end-to-end budget visibility.
- Activities: Workshops, Business Process Design, Documentation and Approval
 - Milestones: To-Be Business Process Documentation
2. **[Phase 1] Operating Budget and Technology Stack Implementation:** This phase will incorporate the implementation of the technology stack (system setup and integration with LIPA and PSEG Long Island ERP Systems) and implementation of Operating Budgets and the associated business processes. Major tasks include the following, some of which may be conducted iteratively:

a. Design/Configure/Build

The project team will design, develop and document the functional and technical specifications for system implementation, including Operating Budget functionality and integrations to the LIPA and PSEG Long Island ERP systems. The system will be developed and configured in accordance with the specifications defined during the Design Phase. Existing data will be mapped, cleaned and loaded, and integrations to the LIPA and PSEG Long Island ERP systems will be built. Any infrastructure provisioning and configuration to stand up Production, Test and Development environments for the new system will also take place during this phase.

- Activities: Functional Design Workshops, Technical Design Workshops, System Provisioning, System Development & Configuration, Integrations, Data Preparation and Loading
- Milestones: Functional Design Document(s), Technical Design Document(s), Configured System, Loaded Data, Built Integrations

b. Test

Testing will ensure that the system is operable and functioning according to specifications and will include unit, functional, and user acceptance testing. Several testing activities will require business stakeholder participation from LIPA and PSEG Long Island. The results from testing will determine if the system is ready for go-live.

- Activities: Unit Testing, Functional Testing, User Acceptance Testing, Defect Triage and Management
- Milestones: Test Results Reports, Go/No-Go Decision for Go-Live

c. Change Management and Training

Throughout the project, the development of communication and training materials will execute effective Change Management and Training needs for the new system and revised business processes.

- Activities: Define Change Management Strategy, Training Workshops, Communication Material Development
- Milestones: Staff training, Job Aids, Standard Operating Procedures

d. Go-Live

Series of actions to enable the system for use by end-users. Go-Live processes ensure the system's platform, functionality, and usability are acceptable based on specifications and requirements.

- Activities: Deployment and Release planning, system cutover
- Milestones: System declared ready for production use

3. **[Phase 2] Capital Budget Implementation:** This phase will cover Capital Budgets' implementation in the acquired platform. Major tasks will be as in Phase 1, except for one-time technology stack tasks such as environment setup and configuration.

5.2. Quality Assurance/IV&V Plan

Quality assurance activities will be invoked during the project's life cycle and will include quality assurance reviews of all project deliverables. Test scenarios and test scripts will be designed and executed according to business requirements and specifications during the Test Phase. Defects, or testing outputs that conflict with the expected output, will be managed and addressed by the project team to ensure quality standards are adhered to in support of the system implementation. Independent Verification and Validation (IV&V) will be performed throughout the project life cycle.

Revision History

Name	Date	Reason for Changes	Version
Danny Jagoda	2/10/2021	Initial draft	1.0 draft 1
Shonali Wadhvani	2/12/2021	Revised draft	1.0 draft 2
Osman Ahmad	2/12/2021	Minor edits	1.0 draft 3
Shonali Wadhvani	2/13/2021	Minor edits	1.0 draft 4
Minchy Shaw	2/13/2021	Minor edits	1.0 draft 5

PSEG Long Island

Project Implementation Plan

for

**Budget Development Process
Improvements**

Recommendation No. B

**Project Title: Director Budget
Briefing Books**

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1. Project Definition

The primary motivation for this project is to enhance the documentation and underlying assumptions in PSEG Long Island's Director level budget process. This project will help improve the visibility and accuracy of the annual budget process. This will lead to a better understanding of how financial resources are allocated and deployed. Furthermore, it will enhance the ability of the senior leaders of PSEG Long Island to make more informed business decisions on how to allocate resources to achieve the highest level of benefit to our customers and LIPA to exercise its oversight authority. Lastly, this documentation will allow for a review of the work plan for the upcoming year and its correlation to the budget resources.

1.1. Project Purpose, Objectives, and Success Criteria

Purpose:

The purpose of this project is to enhance the documentation and detailed processes for Director level budgeting for PSEG Long Island. The project will also be used to brief LIPA on the upcoming budget plan and priorities. This project aims to improve the correlation between the financial budget plan and the work plan of each organization.

Scope:

The scope of this project is to create on an annual basis Director Budget Briefing books, which include the specific underlying budget assumptions and calculations that derive the total budget for each respective area.

The specific information that should be included in each Director Budget Briefing book is the following:

- A description of budget assumptions at the VP/Business Area/Cost Center levels
- Budget details by VP Level/Business Area/Cost Center/Programmatic Function, including:
 - Headcount levels and hiring plans (Union & MAST)
 - Straight time and overtime labor costs
 - Fringe costs
 - Contractual Services costs (delineate contract by vendor/function)
 - Materials costs
 - Lease and Rent costs
 - Other Non-labor costs
 - Affiliates costs
- PSEG Long Island work plan by Business Area and Cost Center
- PSEG Long Island expected outputs/accomplishments by Business Area/Cost Center
- Links between the work plan, performance, metrics and risks

The Director Budget Briefing Books are targeted to be completed for each of the following areas (though based upon budget levels and other factors, could potentially be combined or presented in a more detailed or summarized manner as appropriate):

- Transmission and Distribution Business Area
 - Transmission Operations
 - Electric East/West
 - Planning
 - Engineering Resources

- Training, Support, and Contractor Services
- Emergency Planning
- Asset Management

- Customer Service Business Area
 - Customer, Contact and Billing
 - Customer Energy Cloud
 - Revenue Operations
 - Customer Experience and Marketing
 - Meter Services

- Business Services Business Area
 - T&D Services
 - Projects & Construction
 - Project Management Office
 - Information Technology
 - Facilities
 - Finance & Accounting
 - Procurement
 - Security
 - Business Performance Excellence
 - Legal
 - Human Resources
 - Internal Audit
 - Communications
 - External Affairs
 - VP Business Services – Other

- Energy Efficiency Business Area

- Power Markets Business Area

Objectives:

- Improve documentation of planning process
- Optimize allocation of resources to provide the highest benefit to customers
- Enhance business decision making
- Strengthen correlation between financial plan and operational work plans

Project End State and Success Criteria:

As discussed in our teams' January 5, 2021 meeting, given the planning and budgeting process for 2021 is already complete, PSEG Long Island is proposing a phased in approach to this recommendation. The proposal would be to the prepare these documents for a sample set of Director areas based on 2021's budget to establish the process and form that satisfy both PSEG Long Island and LIPA needs. The project end state is to have Director Budget Briefing books completed and available for each area that support the overall budget plan for 2022 with all required information and documentation completed. The Director Budget Briefing books should be prepared in a timely manner to facilitate informed strategic decision making for the upcoming budget year. This process would continue for future budget years.

2. Project Deliverables:

Describe applicable Project Deliverables:

Deliverable	Delivery Date	Comments
Sample set of Director Budget Briefing books for the 2021 budget year. *Sample to include 1 Director area per VP*	March 2021	As discussed in our teams' January 5, 2021 meeting, given the 2021 planning process has been completed and LIPA has requested to commence the 2022 plan process in the very near term, PSEG Long Island proposes a phase in approach to this recommendation. PSEG Long Island proposes creating Budget Briefing Books for the 2021 plan for a sample of departments, which will allow PSEG Long Island and LIPA to agree on the standard and form that should be followed and fully deployed for the 2022 plan.
Director Budget Briefing books for the 2022 budget year for all departments	July 2021	PSEG Long Island will begin to develop an excel based model to create the Director Budget Briefing books for all areas that can be consolidated for a total view of the upcoming O&M budget. This model will be utilized during the budgeting cycle to assist in budget funding decisions and arrive at the overall budget funding target for each Director area. The final Director Budget Briefing books will be utilized as the base assumptions in the detailed SAP planning process begins.

2.1. Assumptions, Dependencies, and Constraints

Project Assumptions:

Excel Based Budget Model

The project plan assumes that the Director Budget Briefing books are populated by an excel based model which is outside of the SAP system. This approach is desirable due to the accelerated timeframe that LIPA requested for these 2022 Director Budget Briefing books (i.e., July 2021, which is several months earlier than the planning schedule that LIPA and PSEG Long Island worked under during the past several years). Furthermore, the Director Budget Briefing books will be utilized in the budget decision-making process. An excel based model will provide more flexibility and reduce the amount of time to flow through changes to the overall budget funding level.

Constraints

As this is a new process, designing and laying out a new schedule for deliverables during the budget planning process requires education and coordination with many business areas. The training and education of business unit areas, as well as, senior leadership of both PSEG Long Island and LIPA can present potential delays in the process. Furthermore, this project will result in a significant acceleration in the current planning process, which can present challenges as well. We will kick-off the process internally at the SLT level this month, and then roll out to the Directors in the coming month as part of a change management effort, to ensure alignment across the team and the early identification of potential issues.

3. Project Structure

3.1. Internal Project Organization

Internal Project Organization

Group/Individual	Role/Responsibility
Planning and Budgeting Group	<ul style="list-style-type: none"> • Develop template for Director Budget Briefing books to address all required information • Develop overall excel based model that consolidates all Director Budget Briefing books to present overall O&M budget funding level • Train and educate business units on new process and how to properly completed Director Budget Briefing books • Coordinate and assist business areas in completing Director Budget Briefing books
Business Units	<ul style="list-style-type: none"> • Work collaboratively with the Planning and Budgeting group to complete Director Budget Briefing books to address all required information

The Director Budget Briefing books are part of a larger overarching initiative to improve the budgeting process as a whole. This initiative is a joint, collaborative effort between PSEG Long Island and LIPA. As such, these two organizations will be working together to develop and outline the process to be followed to achieve this initiative. The following joint PSEG Long Island and LIPA working group participants have been identified:

PSEG Long Island	LIPA
Richard Tinelli – Team Lead	Gerard Ring – Team Lead
Gina Critelli	Jennifer Udell
John Marshall	Daniel Jagoda
Premal Patel	
Tammy Nilan	
Stephanie Shin	
Dan Malinowski	

The working group will be meeting on a weekly basis to ensure continued alignment with goals and priorities throughout the process.

The project will also have a Steering Committee that will meet at least once a month, and as necessary:

Steering Committee

PSEG Long Island	LIPA
Scott Jennings	Tamela Monroe
Premal Patel	Donna Mongiardo
Peggy Keane	Gerard Ring

3.2. Other Stakeholders

- PSEG Long Island Senior Leadership
- PSEG Long Island Business Units
- LIPA Senior Leadership
- LIPA Board of Trustees

4. Project Plan

4.1. Project Work Plan

The following outlines the timeline for completion of the key milestones.

Task	Target Date
Design prototype of 2021 Director Budget Briefing Books for LIPA review. Please note, as the 2021 planning process is already complete, the 2021 Director Budget Briefing books will be populated directly from the SAP system budget module. Based on this, the template for 2021 will differ from the 2022 template, which will be completely excel based.	1/31/2021
Educate and Train sample of PSEG Long Island Business Units on Director Budget Briefing books for 2021 Budget Completion	2/26/2021
Complete Sample Set of 2021 Director Budget Briefing books for internal PSEG Long Island review	3/19/2021
Submit Sample Set of 2021 Director Budget Briefing books to LIPA	3/31/2021
Joint PSEG Long Island and LIPA discussion on overall budget strategy and funding target. Discussions to include, but not limited to: <ul style="list-style-type: none"> • Escalation rates • Targeted Savings • Priorities and Initiatives 	4/15/2021
Design prototype of 2022 Director Budget Briefing Books and overall excel based consolidation model for LIPA review. Please note, as the 2021 planning process is already complete, the 2021 Director Budget Briefing books will be populated directly from the SAP system budget module. Based on this, the template for 2021 will differ from the 2022 template, which will be completely excel based.	4/16/2021

Educate and Train PSEG Long Island Business Units on Director Budget Briefing books for 2022 Budget Completion	5/15/2021
Complete 2022 Director Budget Briefing books for internal PSEG Long Island review	7/16/2021
Submit 2022 Budget Briefing books to LIPA	7/31/2021

4.2. Risk Management Plan

Risk	Mitigation
<p>Risk #1 - Utilizing Excel Based Model</p> <ul style="list-style-type: none"> There is a risk in utilizing an excel based model that cannot replicate the intricacies of the SAP assessment/fringe process between the capital and operating budgets. There is a risk that the assumptions calculated via the excel based model may vary significantly from what is produced from the SAP Planning module. This would potentially lead to significant adjustments late in the process, which could be counterproductive to the improvements we are trying to accomplish. 	<p>The development of the excel based model will be designed trying to incorporate as much detail from the SAP system as possible. The PSEG Long Island and LIPA working group will discuss including a potential risk and contingency assumption in the excel based projection to account for variances between the excel based model and the SAP Planning module.</p>
<p>Risk #2 - Accelerated Schedule</p> <ul style="list-style-type: none"> As discussed previously, the overall budget improvement process seeks to accelerate the current planning schedule. This acceleration presents a risk of utilizing outdated assumptions or data in the budget. There is a tradeoff in starting and completing the process early, which may mean the assumptions being used, could be outdated and emerging issues may not be incorporated. This can lead to potential last minute changes and complications with the final approval processes. 	<p>Continuous review and communication throughout the process will mitigate the risk of outdated budget assumptions. The PSEG Long Island and LIPA working group will be meeting on a regular basis throughout the planning process and discuss open issues and emerging topics. The working group will work collaboratively to address these issues and changes as they arise which will mitigate the prior stated risk.</p>

4.3. Issue Resolution Plan

Issues will be raised and addressed during the weekly PSEG Long Island and LIPA working group meetings and escalated to the Steering Committee as necessary. . Each week any emerging issues will be discussed and tracked and an action plan will be set in place to address and resolve.

4.4. LIPA Reporting Plan

PSEG Long Island will be working collaboratively with LIPA throughout the process. The PSEG Long Island and LIPA working group will be meeting continuously throughout the project cycle.

5. Technical Execution Plan

5.1. Technical Approach

The technical approaches required for this plan are discussed more fully above, and include:

Task	Target Date
Design prototype of 2021 Director Budget Briefing Books for LIPA review. Please note, as the 2021 planning process is already complete, the 2021 Director Budget Briefing books will be populated directly from the SAP system budget module. Based on this, the template for 2021 will differ from the 2022 template, which will be completely excel based.	1/31/2021
Educate and Train sample of PSEG Long Island Business Units on Director Budget Briefing books for 2021 Budget Completion	2/26/2021
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Submit Sample Set of 2021 Director Budget Briefing books to LIPA	3/31/2021
Joint PSEG Long Island and LIPA discussion on overall budget strategy and funding target. Discussions to include, but not limited to: <ul style="list-style-type: none"> • Escalation rates • Targeted Savings • Priorities and Initiatives 	4/15/2021
Design prototype of 2022 Director Budget Briefing Books and overall excel based consolidation model for LIPA review. Please note, as the 2021 planning process is already complete, the 2021 Director Budget Briefing books will be populated directly from the SAP system budget module. Based on this, the template for 2021 will differ from the 2022 template, which will be completely excel based.	4/16/2021
Educate and Train PSEG Long Island Business Units on Director Budget Briefing books for 2022 Budget Completion	5/15/2021
Complete Sample Set of 2022 Director Budget Briefing books for internal PSEG Long Island review	7/16/2021
Submit 2022 Budget Briefing books to LIPA	7/31/2021

5.2. Quality Assurance Plan

The Director Budget Briefing books will be reviewed by each respective business area. They will then be submitted to finance for review. Finance will review the documents and provide comments and feedback to the business areas before submission to LIPA to ensure accurate information.

5.3. Documentation Plan

Throughout the project the implementation team will document and deliver the key deliverables as listed above in Section 2. The due date of each deliverable will be based off the Project Schedule as outlined in Section 4.1.

Document	Created By	Reviewed By	Target Date	Distribution

Revision History

Name	Date	Reason for Changes	Version
R. Tinelli	1/7/21	initial draft	1.0 draft 1

PSEG Long Island

Project Implementation Plan

for

**Budget Development Process
Improvements**

Recommendation No. C

**Project Title: Budget
Reallocation Documentation**

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1. Project Definition

Under Section 5.2(B)(4) of the OSA, PSEG Long Island has the complete flexibility to reallocate O&M budget funds throughout the year. This flexibility, while not subject to approval by LIPA, is subject to prior consultation with LIPA. This project seeks to establish an official process and procedure for the aforementioned consultation. The primary motivation for this project is to enhance the documentation related to PSEG Long Island's business decision-making process to reallocate Operations and Maintenance ("O&M") budget funds between organizations. This project will lead to a better understanding of how emerging business needs and issues impact the allocation of financial resources throughout the year. Please note, this project implementation plan is limited to the reallocation of O&M budget funds and does not modify the OSA in terms of adherence to the adopted budget funding levels.

1.1. Project Purpose, Objectives, and Success Criteria

Purpose:

The purpose of this project is to establish a process for PSEG Long Island's consultation with LIPA prior to reallocating O&M budget funds. Furthermore, this process aims to understand the reason and impact of the change to ultimately ensure that the allocation of financial resources are optimized.

Scope:

The scope of this project is to create an official documentation process to notify LIPA of the reallocation of O&M budget funds. The documentation is to include the following information:

- The reason the department requires increased funding;
- The reason the original budget did not anticipate the issue;
- Impact to the department's decreased spending;
- Duration of the issue

Threshold Levels

- 2021
 - Actual spending and or forecasted year-end results that causes a year-end aggregate variance to budget at the Vice President level of the lesser of \$5.0 million or 5% of the annual budget
- 2022
 - Actual spending and or forecasted year-end results that causes a year-end aggregate variance to budget at the Director level of 10% of the annual budget and greater than \$500K*
- 2023
 - Actual spending and or forecasted year-end results that causes a year-end aggregate variance to budget at the Director level of the lesser of \$500K or 5% of the annual budget and greater than \$500K*

*In certain circumstances if agreed upon by LIPA, variances that exceed the \$500K threshold will not require the completion of a reallocation template.

Project End State and Success Criteria:

As discussed in our teams' January 5, 2021 meeting, given the planning and budgeting process for 2021 is already complete, PSEG Long Island is proposing a phased in approach to this

recommendation. The project end state is to have a documented process to notify LIPA of the reallocation of O&M budget funds for the agreed upon threshold levels for the 2021 budget year and forward. This is consistent with the approach for improving the foundation of the 2022 budgeting process.

2. Project Deliverables:

Describe applicable Project Deliverables:

Deliverable	Delivery Date	Comments
<p>2021 Budget Year</p> <p>At which point that either actual spending and or forecasted year-end results causes a year-end aggregate variance to budget at the Vice President business level of the lesser of \$5.0 million or 5% of the annual budget for the Vice President business area, PSEG Long Island will document and inform LIPA as to the need for such reallocation. The explanation is to include the following:</p> <ul style="list-style-type: none"> • The reason the department requires increased funding; • The reason the original budget did not anticipate the issue; • Impact to the department’s decreased spending; • Duration of the issue <p>This process will be completed once per year for each specific incident. If the projected year end impact fluctuates for the same incident, the consultation will not be recommunicated unless the incident escalates to breach an additional \$5.0M or 5%. This process will commence starting with the 3+9 forecast in April.</p>	As Needed	N/A
<p>2022 Budget Year</p> <p>At which point that either actual spending and or forecasted year-end results causes a year-end aggregate variance to budget at the Director business level of 10% and greater than \$500K*, PSEG Long Island will document and inform LIPA as to the need for such reallocation. The explanation is to include the following:</p> <ul style="list-style-type: none"> • The reason the department requires increased funding; • The reason the original budget did not anticipate the issue; • Impact to the department’s decreased spending; • Duration of the issue 	As Needed	N/A

<p>This process will be completed once per year for each specific incident. If the projected year end impact fluctuates for the same incident, the consultation will not be recommunicated unless the incident escalates to breach an additional 10% and \$500K. This process will commence each year starting with the 3+9 forecast in April.</p>		
<p>2023 Budget Year At which point that either actual spending and or forecasted year-end results causes a year-end aggregate variance to budget at the Director business level of 5% and greater than \$500K*, PSEG Long Island will document and inform LIPA as to the need for such reallocation. The explanation is to include the following:</p> <ul style="list-style-type: none"> • The reason the department requires increased funding; • The reason the original budget did not anticipate the issue; • Impact to the department’s decreased spending; • Duration of the issue <p>This process will be completed once per year for each specific incident. If the projected year end impact fluctuates for the same incident, the consultation will not be recommunicated unless the incident escalates to breach an additional 5% and \$500K. This process will commence each year starting with the 3+9 forecast in April.</p>	<p>As Needed</p>	<p>N/A</p>
<p>*In certain circumstances if agreed upon by LIPA, variances that exceed the \$500K threshold will not require the completion of a reallocation template.</p>		

2.1. Assumptions, Dependencies, and Constraints

This section is not applicable for this implementation plan because a monthly process of reporting actual and forecasted results is already in place. This would be an enhancement to the current process.

3. Project Structure

3.1. Internal Project Organization

Internal Project Organization

Group/Individual	Role/Responsibility
<p>Planning and Budgeting Group</p>	<ul style="list-style-type: none"> • Develop official O&M Budget Reallocation Template to address all

	<p>relevant O&M budget reallocation information</p> <ul style="list-style-type: none"> • Monitor the proposed thresholds on a monthly basis for both the actual and forecasted year end results to ascertain if thresholds are met and documentation to LIPA is required • Assist Business Units in completing required documentation form for required reallocation of funds
Business Units (As Needed)	<ul style="list-style-type: none"> • Develop and provide an accurate forecast and be able to identify the reason and or impact for deviation from budget • Work collaboratively with the Planning and Budgeting group to complete O&M Budget Reallocation Template to address explanation for the need to reallocate funds
VP of Applicable Business Unit Area (As Needed)	<ul style="list-style-type: none"> • Review and approve O&M Budget Reallocation Template
PSEG Long Island SLT	<ul style="list-style-type: none"> • Advise full SLT (including President) in conjunction with monthly budget and forecast reviews (or earlier as appropriate)
PSEG Long Island Director of Finance (As Needed)	<ul style="list-style-type: none"> • Deliver O&M Budget Reallocation Template to LIPA CFO to notify of reallocation of O&M budget funds

3.2. Other Stakeholders

- PSEG Long Island Senior Leadership
- LIPA Senior Leadership
- LIPA Board of Trustees

4. Project Plan

4.1. Project Work Plan

Task	Target Date
Develop official notification template to address all relevant O&M budget reallocation information	1/31/2021
Monitor the proposed thresholds on a monthly basis for both the actual and forecasted year end results to ascertain if thresholds are met and documentation to LIPA is required	Beginning 2021 Budget Year
Complete official notification template and notify LIPA if proposed thresholds are breached	As Needed

4.2. Risk Management Plan

No identifiable risk regarding the implementation of this project plan.

4.3. Issue Resolution Plan

This section is not applicable for this implementation plan.

4.4. LIPA Reporting Plan

PSEG Long Island will be working collaboratively with LIPA throughout the process and report progress as such. Furthermore, LIPA will be officially notified in the event such O&M budget reallocation reach the threshold proposed previously in this document.

5. Technical Execution Plan

5.1. Technical Approach

There are no technical approaches required beyond the steps outlined in the above project plan.

5.2. Quality Assurance Plan

This quality assurance plan is to review the monthly actual results and forecast on a monthly basis to ensure consultation requirements with LIPA are satisfied.

5.3. Documentation Plan

The documentation plan is to continue to provide LIPA on a monthly basis with the actual results and forecast. When applicable, LIPA will also receive a formal communication of any reallocation of O&M budget funds that meet the established thresholds.

Revision History

Name	Date	Reason for Changes	Version
R. Tinelli	1/7/21	initial draft	1.0 draft 1