

FOR CONSIDERATION

May 19, 2021

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Consideration of Adoption of PSEG Long Island Implementation Plan for 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 being requested to adopt a resolution, which resolution attached hereto as **Exhibit “A”**, approving PSEG Long Island Implementation Plan 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 (the “Collections Recommendations”), which recommendations that were adopted by the Board on February 24, 2021.

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.

Recommendations

On February 24, 2021, the Board adopted the following recommendations:

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.

On March 26, 2021, PSEG Long Island submitted to LIPA Staff the proposed Implementation Plan for the Collections Recommendations. LIPA Staff subsequently provided PSEG Long Island with comments. Based upon LIPA Staff comments, PSEG Long Island resubmitted the Implementation Plan on April 22, 2021. The resubmitted plan now appropriately responds to LIPA Staff comments and LIPA Staff recommends that the Board adopt the Implementation Plan as set forth in **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” Implementation Plan

RESOLUTION ADOPTING PSEG LONG ISLAND IMPLEMENTATION PLAN FOR COLLECTIONS FOR DAMAGE BILLING AND OTHER NON-PRODUCT BILLINGS

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

WHEREAS, On February 24, 2021, the Board adopted the Collection Recommendations; and

WHEREAS, on March 26, 2021, PSEG Long Island initially submitted to LIPA Staff the proposed Implementation Plan, which was revised for resubmission on April 22, 2021; and

WHEREAS, based upon LIPA Staff review of the Implementation Plan, LIPA Staff recommends that the Board adopt the Implementation Plan.

NOW, THEREFORE, BE IT RESOLVED, the Board hereby adopts the Implementation Plan for the Collection Recommendations.

Dated: May 19, 2021

PSEG Long Island Project Implementation Plan

for

**Improve Processes Related to Collections for
Damage Billing and Other Non-Product Billings**

**Project Title: Damage
Tracking System (DTS) and
Non-Product Billing &
Collections**

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1. Project Definition

As part of the OSA agreement, PSEG Long Island is responsible for the assessment of charges, billing, and collection of damage that may be sustained to LIPA’s system. Damage typically occurs from automobile accidents or from contractors when underground electric lines are damaged.

This project seeks to benchmark best practices among other New York utilities to identify and implement best practices and to ensure process gaps are addressed. If the billing and payment process is streamlined, there is an increased likelihood of improved collectability of liabilities.

1.1. Project Purpose, Objectives, and Success Criteria

Project Objective: The objective of this project is to ensure that PSEG Long Island utilizes best practices and optimizes the collection of outstanding claims. Increased collectability will reduce the burden of these costs to ratepayers.

Project End State and Success Criteria: The success of this project will be that PSEG Long Island has successfully incorporated best practices to maintain the most up-to-date business processes, to reduce billing cycle time, and to increase collections.

2. Project Deliverables:

Describe applicable project deliverables:

Deliverable	Delivery Date	Comments
Evaluate the end-to-end process for damage claims and enhance process to increase and improve the likelihood of payment	9/30/2021	Document the current end-to-end process, identify improvements, and implement and track changes
Review PSEG Long Island’s process relative to other New York utilities	4/30/2021	Benchmarking activities
Evaluate the five largest causes of write-off	4/30/2021	Benchmarking activities
Identify how KPI’s are tracked and used to improve collections effectiveness	5/30/2021	Work with LIPA to discuss and agree upon KPI’s
Analysis of receivables into aging buckets	5/30/2021	Work with LIPA to agree upon and develop enhanced reporting
Recommendation of collections actions on long-term receivables	9/30/2021	Benchmarking activities and implement changes, if needed

2.1. Assumptions, Dependencies, and Constraints

The benchmarking outcome is dependent upon the cooperation and response from the other New York State utilities.

3. Project Structure

3.1. Internal Project Organization

PSEG Long Island

Executive Sponsor	Richard Walden
Project Manager:	Brigitte Wynn
Product Owner:	Kim Soreil
	Charles McCaffery

SMEs:	Charles McCaffery
	Michele Gugel
	Adam D'Amato

3.2. Other Stakeholders

LIPA

4. Project Plan

4.1. Project Work Plan

Deliverable	Task	Due Date	Status
Review and describe in detail your findings for the end-to-end process currently used for DTS charges.	Create a team to review end to end process document to ensure accuracy	4/15/2021	
	Update Process Document to ensure it reflects the most recent processes	5/15/2021	
	Meet with LIPA and Discuss results of initial end to end process review	6/30/2021	
	Incorporate best practices learned from other NYS Utilities and implement any internally developed improved processes to ensure timely billing and collection of DTS charges.	9/30/2021	

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	Monitor and track process improvements	Ongoing	
Review PSEG Long Island's end-to-end process and outcomes relative to other New York utilities, including DTS write-off rates.	Process team to benchmark other NY utilities for best practices	4/30/2021	3/2021 - Outreach to NY utilities to benchmark
Evaluate the five largest causes of DTS write-off and any improvements in the end-to-end process that would reduce write-offs.	PSEG Long Island to review and identify top five causes of Write-offs, compare to other NY Utilities and implement any improvements	4/30/2021	3/2021 - Top Write off categories identified 3/2021 - Outreach to NY Utilities to Benchmark
	For Top five causes identify significant contractors or vendors to provide education to prevent damages to system during construction projects	6/30/2021	
Identify how collection KPIs (e.g., Collector Effectiveness Index (CEI), Days Collections Outstanding) are tracked and used to improve collections effectiveness for DTS.	PSEG Long Island will propose new KPI's to improve tracking of Damage claims and discuss with LIPA to agree upon collection KPIs.	5/30/2021	
	PSEG Long Island will conduct a review of the effectiveness of methodologies used to prioritize accounts for collections	6/30/2021	
Analysis of DTS and Other receivables in aging buckets based on the original invoice date	PSEG Long Island and LIPA to discuss and agree upon reporting enhancements including average lag time from damage event to the date the estimated bill is sent to the payee, grouped by year and damage class.	5/30/2021	

	PSEG Long Island will engage SAP team to review the aging reports and remove/clear 0 balance invoices	5/15/2021	
Recommended action for collection of DTS and Other long-term outstanding receivables	Benchmark best practices with other NY utilities, including Verizon	4/30/2021	3/2021 - Outreach to NY utilities to benchmark
	Present best practices to LIPA based on benchmark activities or improvements identified during an internal process review	6/30/2021	
	Implement change practices as agreed upon with LIPA and PSEG Long Island	9/30/2021	

4.2. Risk Management Plan

This initiative is dependent upon responses received back from the New York State utilities. Some risk and mitigations plans are identified as follows:

Project Risk	Mitigation
New York State utilities may not support this initiative	<ul style="list-style-type: none"> • Excellent working relationships with other New York utilities • Can look at best practices outside of New York if responses are inadequate

4.3. Issue Resolution Plan

Project lead will keep track of action items. Progress will be reported to the overall project manager.

4.4. LIPA Reporting Plan

PSEG Long Island would like to have monthly executive overview meetings with LIPA. The meeting would review completed tasks, open tasks to date, missed dates, and decision points.

5. Technical Execution Plan

5.1. Technical Approach

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

5.1. Quality Assurance Plan

LIPA and PSEG Long Island leadership will be apprised of status to assure quality.

5.2. Documentation Plan

Revision History

Document	Created By	Reviewed By	Target Date	Distribution

Name	Date	Reason for Changes	Version
<author>		initial draft	1.0 draft 1