

LONG ISLAND POWER AUTHORITY

MINUTES OF THE OVERSIGHT and CLEAN ENERGY COMMITTEE MEETING

HELD ON NOVEMBER 17, 2021

The Oversight and Clean Energy Committee of the Long Island Power Authority (“LIPA”) was convened at 9:30 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on November 12, 2021; and electronic notice posted on LIPA’s website.

In compliance with New York State Open Meeting Law and in furtherance of COVID-19 public safety, the following guidelines were publicly posted and followed:

The Long Island Power Authority is taking steps to minimize the risk of exposure for the public and our employees. As such, LIPA will not be permitting in-person access to its November 17, 2021 Oversight and Clean Energy meeting. Members of the public are encouraged to observe the live stream of the meeting posted at the LIPA website. The meeting will also be recorded and posted to LIPA’s website for later viewing.

The following LIPA Trustees were present:

Mark Fischl, Committee Chair (in person)
Rev. Alfred Cockfield, Committee Member (in person)
Nancy Goroff, Committee Member (in person)
Ali Mohammed, Committee Member (via video conferencing)
Elkan Abramowitz (in person)
Valerie Anderson Campbell (in person)
Drew Biondo (in person)
Sheldon Cohen (in person)
Laureen Harris (in person)

Representing LIPA, in person, were Thomas Falcone, Chief Executive Officer; Bobbi O’Connor, Chief Administrative Officer & Board Secretary; Rick Shansky, Senior Vice President of Power Supply and Wholesale Markets; and Andrew Berger, Communications Assistant. Participating via video conferencing were Anna Chacko, General Counsel; Mujib Lodhi, Chief Information Officer and Senior Vice President of Customer Experience; Tamela Monroe, Chief Financial Officer; Billy Raley, Senior Vice President of T&D

Oversight Justin Bell, Vice President of Public Policy and Regulatory Affairs; Kathleen Mitterway, Senior Advisor for Audit; Tom Locascio, Director of External Affairs; and Jason Horowitz, Assistant General Counsel and Assistant Secretary to the Board.

Representing PSEG Long Island, via video conferencing, was Daniel Eichhorn, President and Chief Operating Officer.

Representing NYSERDA, via video conferencing, was Carl Mas, Director, Energy and Environmental Analysis.

Chair Fischl welcomed everyone to the Oversight and Clean Energy Committee meeting of the Long Island Power Authority Board of Trustees.

Chair Fischl stated the first item on the agenda is the adoption of the minutes from the October 29, 2021 Oversight and Clean Energy Committee meeting.

Upon motion duly made and seconded, the minutes of the October 29, 2021 meeting were approved unanimously.

Chair Fischl stated that the next item on the agenda is the Presentation on New York State Climate Action Council Studies to be presented by Carl Mas from NYSERDA.

Mr. Mas presented NYSERDA's Presentation on New York State Climate Action Council Studies and took questions from the Trustees.

Chair Fischl stated that the next item on the agenda is the PSEG Long Island Presentation and Operating Report to be presented by Daniel Eichhorn.

Mr. Eichhorn presented the PSEG Long Island Presentation and Operating Report and took questions from the Trustees.

Chair Fischl stated that the last item on the agenda is the Consideration of a Recommendation to Adopt the Report Detailing the Status of the Implementation Plan and Results from the 2018 Management Audit to be presented by Katheen Mitterway.

Ms. Mitterway presented the following action item and took questions from the Trustees:

Requested Action

The Oversight and Clean Energy Committee (the “Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to approve a resolution adopting this report detailing the status of the implementation plan and results from the 2018 NorthStar Management Audit.

Background

On June 29, 2018, NorthStar’s Final Management Audit Report was released with 49 recommendations. Recommendation #3 was that “LIPA Internal Audit should perform a comprehensive audit of the implementation status of all audit recommendations annually until the next DPS audit is performed.”

The LIPA Board of Trustee's Policy on Audit Relationships establishes the Board’s expectations for Internal Audit’s review. Each annual review includes: a summary of the activities completed to date and any revisions to completion targets; and a review of the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the implementation plan for that recommendation. This report is Internal Audit’s third annual review of the implementation of the management audit.

The status of the 49 NorthStar Management Audit recommendations are summarized in the APPENDIX “A” – Management & Operations Audit Implementation Plan Progress Report to the LIPA Board of Trustees.

Summary Observations based on testing performed from September 2020 to November 17, 2021

Internal Audit completed the review of 39 of the 49 NorthStar Management Audit recommendations. During 2021, LIPA deemed 3 of the 39 to remain In-Progress. Our testing identified three recommendations where additional supporting documentation was required, which was subsequently remediated. The review of an additional 13 recommendations is expected to be completed in 2022.

In addition to Internal Audit’s testing, LIPA’s Operations Oversight Department identified thirteen recommendations where Board recommendations or adopted Project Implementation Plans will enhance the existing deliverables.

Internal Audit is also collaborating and incorporating comments by the Department of Public Service (DPS) into our review of the effectiveness of the implementation plans in addressing the NorthStar Management Audit recommendations.

Where required, Internal Audit will revisit the completed recommendations to ensure the management action plans are operating and functioning as intended.

Summary of Annual Audit Results

Recommendation #2

LIPA and PSEG LI should develop an implementation plan for all audit recommendations (new recommendations and outstanding recommendations that LIPA, PSEG Long Island and DPS determine remain relevant) within 90 days of the Final Audit Report acceptance and submit the implementation plan to the LIPA Board of Trustees and the DPS. The Report could take the form required of the investor-owned utilities.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain that:

- LIPA and PSEG Long Island filed an implementation plan with the LIPA Board of Trustees and DPS on October 24, 2018.
- LIPA submitted an Implementation Plan Progress Report to the LIPA Board of Trustees, posted the report on the LIPA website, and filed the report with DPS on September 23, 2020.

No exceptions noted.

Recommendation #3

LIPA Internal Audit should perform a comprehensive audit of the implementation status of all audit recommendations annually until the next DPS audit is performed. The results of LIPA's audit should be submitted to LIPA executive management, the LIPA Board of Trustees, PSEG Long Island, and the DPS. Within each LIPA audit:

- An evaluation of progress performance should be included.
- A progress tracking document should show activities completed to date and those in process.
- Any revisions to completion targets should be highlighted for management review.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

The submission of the second annual report to the Oversight and Clean Energy Committee of the Board, the DPS, and PSEG Long Island of the status of the implementation plan and the results of the initial annual audit on September 23, 2020.

No exceptions noted.

Recommendation #4

LIPA Financial Oversight should formally document the results of its PSEG Long Island oversight activities and assessment process annually with submission to LIPA/PSEG Long Island executive management as well as DPS.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

The 2020 Oversight Activity Reports were provided to DPS and LIPA.

No exceptions noted.

Recommendation #5

LIPA should formally request appointments or confirm extensions to Board member term periods at least six months prior to term expirations.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

The schedule prepared of trustee term expiration dates, calendar notification reminders of expirations and letters sent to the appropriate approving authorities at least six months prior to term expirations.

No exceptions noted.

Recommendation #10

Complete the process of upgrading LIPA's financial system.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- The Microsoft Dynamics Finance and Operations System Configuration and Integration, Data Conversion and Verification, System Testing and Training, Go Live and Post-implementation support.

No exceptions noted.

Recommendation #11

Determine the feasibility and cost of establishing interfaces between PSEG LI's MicroStrategy, PCM, and SAP systems to eliminate the need for manual data transfer processes. If cost effective, implement processes to allow electronic data transfer between the systems.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- PSEG Long Island management has a process in place to load budget data into SAP from the Profitability and Cost Management (PCM) system.

Observations were noted relating to supporting documentation and were subsequently remediated and validated.

Recommendation #12

LIPA should build on its recent success in “homogenizing” groups of debt covenants to increase consistency among other debt instruments.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- Debt covenants were “homogenized” to increase consistency among other debt instruments.

No exceptions noted.

Recommendation #14

Perform detailed cost-benefit analyses consistent with Transmission Planning’s analyses for projects related to thermal overload.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- Internal and external stakeholders were identified, including LIPA and the Department of Public Service (DPS).
- Feedback was solicited from PSEG Long Island internal stakeholders, LIPA and DPS.
- The cost/benefit analysis approach was reviewed and a Cost Benefit Analysis User Guide and training material were created.
- Relevant personnel were trained.
- The new procedure was implemented.

Observations were noted relating to supporting documentation and were subsequently remediated and validated.

Recommendation #22

Develop and implement procedures related to quality assurance and quality controls for capital programs and projects.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- A Quality Assurance/Quality Control (QA/QC) Program Leader has been established within the Project Management Organization (PMO).
- Roles and responsibilities for the QA/QC Program have been defined.
- Written procedures for the QA/QC function have been created.
- PMO and Projects & Construction personnel have been trained on the new QA/QC Procedures.

No exceptions noted

In addition, Internal Audit performed an audit of PSEG Long Island Electric Expansion Projects – Capital Project Estimating & Playbook Procedures related to Recommendations 22 through 26. Recommendations included revising risk and contingency percentages, enhancing the scheduling tool and implementing a portfolio management system.

Recommendation #23

Address the deficiencies in project estimating by making organizational and process improvements and creating a capital project estimating function/organization equipped with appropriate tools.

- Establish an organizational group of professional estimators for transmission and distribution that will develop estimates for planning, engineering and construction.
- Use these internal estimators to set and validate baseline estimates established for contractors.
- Assess the process used to develop and update estimates for completion.
- Establish project estimating tools such as a formal data base of project estimates and support tools such as software and develop and manage an estimating data true-up process.
- Review and document inflation and escalation factors and analyses used to predict project completion costs for each project estimate.
- Review project budget numbers and cost reporting information to determine whether they represent the most currently approved budget and cost data.
- Determine whether cost and schedule systems are integrated and whether the project master schedule is appropriately integrated with the approved project budget.
- Formally document project cost reviews at each level of estimate in detail and at various stages of project completion as called for in Project Cost Management (Procedure TD-PM-002-0004).
- Review project guidelines for performing trend analyses and exception reporting.
- Evaluate how trends were identified, analyzed, brought to management's attention, and how they were resolved.
- Determine whether cost control systems, forecasting and trend analyses directed attention to bulk rates, commodities and productivity to reveal above/below average performance.
- Continuously verify the accuracy of estimates versus the actual project cost and maintain a record of updates to the estimating database.

Test Procedures Performed and Test Results:

Reviewed supporting documentation to ascertain:

- Documentation describing the review of inflation and escalation factors, including examples of analyses used.
- The process used to develop and update estimates for completion.
- Documentation describing how the estimating team establishes and validates baseline estimates for contractor work.
- How project cost reviews are performed at each level of estimate and during project completion, as required by procedures.
- How project budgets and actual cost information are reviewed.
- That an estimating team has been established.
- How trends were identified, analyzed, brought to management's attention, and how they were resolved.
- The establishment of project estimating tools and an estimating true-up process.
- The process to verify the accuracy of estimates versus actual project costs.
- How the project master schedule is integrated with the approved project budget, and obtained an example.

- How the project master schedule is integrated with the approved project budget, and obtain an example.
- That cost control systems, forecasting and trend analysis identified bulk rates, commodities and productivity to determine whether performance was above or below average.
- How project guidelines for trend analysis and exception reporting were reviewed.

Observations were noted relating to supporting documentation and were subsequently remediated and validated.

In addition, Internal Audit performed an audit of PSEG Long Island Electric Expansion Projects – Capital Project Estimating & Playbook Procedures related to Recommendations 22 through 26.

Recommendations included revising risk and contingency percentages, enhancing the scheduling tool and implementing a portfolio management system.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

A motion was made and seconded, and the Trustees unanimously adopted the following resolution:

RESOLUTION RECOMMENDING ADOPTION OF THE REPORT DETAILING THE STATUS OF THE IMPLEMENTATION PLAN AND RESULTS FROM THE 2018 NORTHSTAR MANAGEMENT AUDIT

NOW, THEREFORE, BE IT RESOLVED, that the Oversight and Clean Energy Committee of the Board of Trustees of the Long Island Power Authority hereby recommends adoption of the report, as provided in the accompanying memorandum, detailing the status of the implementation plan, results from the 2018 NorthStar Management Audit, and describing additional activities Staff has undertaken to enhance performance in certain areas of the business.

Chair Fischl then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 10:49 a.m.
