



Department
of Public Service

2021 LIPA and PSEG LI MOA

Briefing to LIPA Board

March 27, 2024



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Background & Overview

Scope of Audit per LIPA Reform Act

LIPA Reform Act contains the following scope areas to be reviewed:

- PSEG LI's construction and capital program planning in relation to the needs of its customers for reliable service;
- The overall efficiency of LIPA's and PSEG LI's management and operations;
- The manner in which LIPA is meeting its debt service obligations;
- LIPA's Fuel and Purchased Power Cost Adjustment clause and recovery of associated costs;
- LIPA's and PSEG LI's annual budgeting procedures and processes;
- The application of performance metrics designated in the operations services agreement and the accuracy of the associated data;
- LIPA's compliance with debt covenants

Additional Scope Areas

2016 Audit:

- Corporate Governance
- Review Implementation of Prior Audit Recommendations

New Scope Topics added for 2021 Audit

- COVID-19 Impacts on Customer Service
- AMI Smart Meter Deployment
- Reforming the Energy Vision (REV) & Climate Leadership & Community Protection Act (CLCPA)
- LIPA's Fixed Obligation Coverage Target
- Cyber Security System Design and Performance

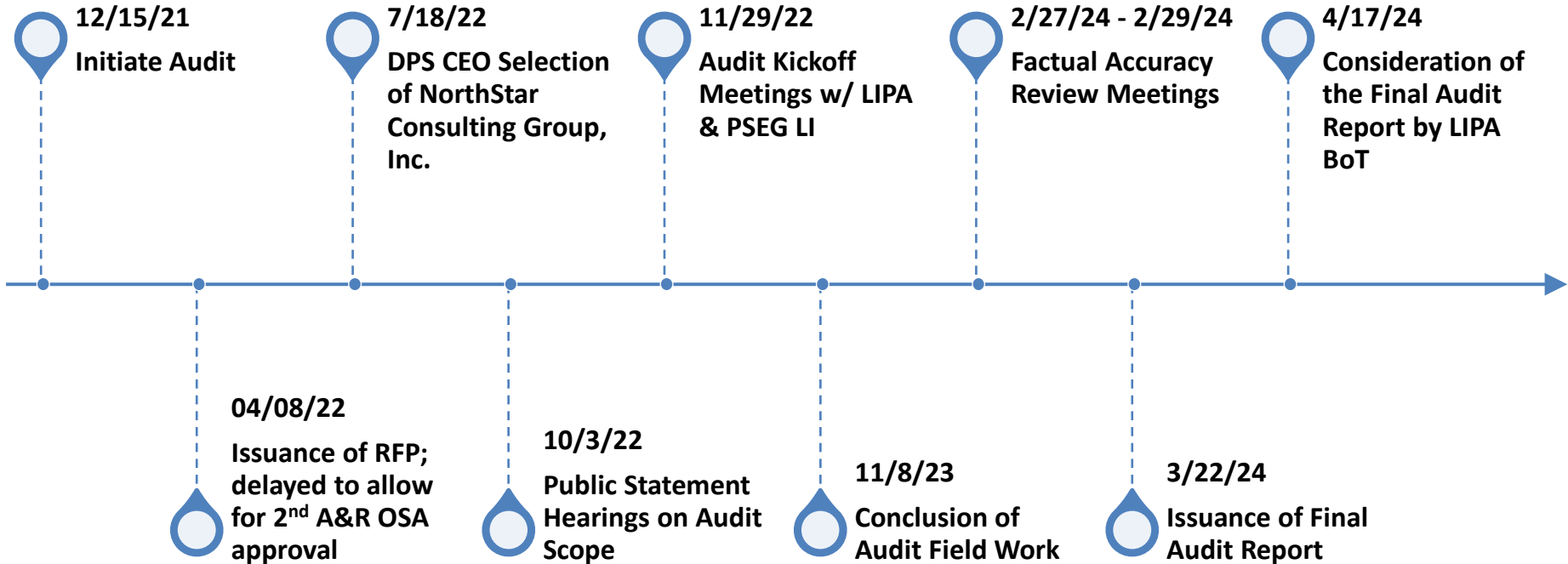
Audit Report Summary

Data Requests	
Requests	1,638
Responded	1,613
Interviews	
Completed	137
Collaborative Work	
Meetings w/DPS	~40
Onsite at LIPA	29 days

Scope of Audit Report	
Pages	569
Chapters	17
Number Of Recommendations*	80
Top 3 Chapters with Recommendations	
Governance	12
Customer Op.	12
Program/Project Mgt.	10

*Note: See Appendix I for Number of Recommendations per Chapter

Management Audit Key Milestones



Findings & Recommendations

Notable Findings

- LIPA's budget development and financial performance has undergone significant improvement
- Presentation of certain financial information could be streamlined for the benefit of external stakeholders
- PSEG LI has consistently provided reliable electric service to Long Island during blue-sky and minor storm days for the past five years
- Storm hardening and undergrounding programs have led to reliability improvement on major storm days
- AMI smart meter deployment has improved operational efficiency
- PSEG LI should improve its capital planning through improved estimating and integrating work management systems
- LIPA and PSEG LI should enhance their procurement processes and oversight of third-party contractors
- LIPA and PSEG LI have encountered challenges regarding planning and execution of information technology systems

Key Recommendations

- Streamline debt-to-asset calculation methodology to BoT/Stakeholders
- Make executive management responsible for risk culture awareness including CLCPA/DACs
- Conduct reorganization/staffing analysis of LIPA to align with State goals and upcoming mission critical projects
- Finally develop integrated work management system with improved work breakdown structure for PSEG LI necessary to improve capital project estimation and resolve reliance on risk & contingency
- Improve Call Center resource planning, budgeting & training; improve marketing/outreach to increase participation in HAP/EE
- Track cost savings/productivity gains from CapEx/OpEx projects; Implement standards to reduce large variance between estimated CapEx budget/actuals
- Improve competitive procurements
- LIPA and PSEG LI must demonstrate EAMS functionality before adopting modules
- Perform independent audit of IT areas & projects

Next Steps



- LIPA BoT Consideration of Final Audit Report Recommendations at April 17th Board meeting
- LIPA/PSEG LI Develop Implementation Plans
- Periodic Progress Reports
- Prepare for the next audit

APPENDIX

Number Of Recommendations Per Chapter

Recommendations	No.
III. Governance	12
IV. Budget and Financial Reporting	2
V. Debt Management	1
VII. Power Supply	2
VIII. System Planning, DSP Development and CLCPA	9
IX. Transmission and Distribution Operations	3
X. Program and Project Management	10
XI. Work Management	4
XII. Outside Services	3
XIII. Customer Operations and Communication	12
XIV. Advanced Metering Infrastructure (AMI)	9
XV. Information Technology and Cyber Security	8
XVI. Performance Management	4
XVII. Previous Audit Recommendations and Implementation	1
Grand Total	80