For Immediate Release: 03/22/24

Rory M. Christian, Chief Executive Officer

Contact:
James Denn | James.Denn@dps.ny.gov | (518) 474-7080
http://www.dps.ny.gov
http://twitter.com/NYSDPS

24025 / 21-00618

DPS Finalizes Audit of LIPA and PSEG LI

Audit Examined Climate Act Efforts, Smart Metering, Impacts of COVID-19, Corporate Governance, Capital Planning, and Other Statutorily Required Topics

PLAINVIEW – The New York State Department of Public Service (Department) today made public an independent, third-party comprehensive management and operations audit of the Long Island Power Authority (LIPA) and its service provider PSEG Long Island (PSEG LI). The audit focused on areas that will drive improved performance and provide value to LIPA and PSEG LI's customers, while also reviewing core utility operations pursuant to the LIPA Reform Act. Other areas included the impacts of COVID-19 on customer service, smart meter deployment, efforts to support clean-energy goals, contractor oversight, and information system planning and implementation.

"The Department operates a robust management and operations audit program that includes regular comprehensive management and operations audits, focused operations audits and statewide utility comparisons," **said Chief Executive Officer Rory M. Christian.** "The scope of this audit focused on ways to provide value to LIPA and PSEG LI's customers, while also reviewing core utility operations pursuant to the LIPA Reform Act."

Notable findings from the audit include:

- LIPA's budget development and financial performance has undergone significant improvements; however, 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, while storm hardening and undergrounding programs have led to reliability improvement on major storm days.
- AMI smart meter deployment has improved operational efficiency; however, PSEG LI should improve its capital planning through improved estimating, integrating work management systems, and 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.

The Department completed its last comprehensive management and operations audit of LIPA and PSEG LI in 2018. LIPA and PSEG LI report on the status of implementation of previous audit recommendations and this audit report includes an analysis of the implementation of prior audit recommendations.

The law empowers the Department to conduct management and operations audits of LIPA and PSEG LI, consistent with the requirements of natural gas and electric utilities regulated by the Public Service Commission, and similarly requires audits of large utilities at least once every five years.

The management audit approach in New York includes, but is not limited to, a prospective investigation of the construction program planning process and an evaluation of operational efficiency with a focus on opportunities to improve performance. Northstar Consulting Group, the selected auditor, analyzed current and historical information to identify opportunities to improve existing processes, practices, systems, and organizational structures to drive better performance.

The audit focused on the electric utility services on Long Island and in the Rockaways. LIPA is a not-for-profit public utility with a mission to enable clean, reliable, and affordable electric service for our customers on Long Island and the Rockaways. As result of the LIPA Reform Act of 2013, the LIPA contracts with PSEG LI, a subsidiary of Public Service Enterprise Group Incorporated, to operate LIPA's electric system. The contract includes targets to improve customer satisfaction and provide safe and reliable service to LIPA’s approximately 1.1 million customers in LIPA’s service territory, which includes Nassau and Suffolk counties, as well as the Rockaways in Queens.

In July 2022, the Department selected Northstar Consulting Group to perform the audit. Consistent with state law, the final audit report will be presented to the LIPA Board of Trustees. If the Board does not make a preliminary finding of inconsistency within 30 days of receipt of the final report, the recommendations must be implemented in accordance with the time frame specified in the audit report.

LIPA and PSEG LI will file an implementation plan with the Department. Once filed with the Department, staff will review the implementation plan to ensure it addresses the underlying findings in the audit report. The implementation plan, including any revisions resulting from staff's review and further refinement by the utilities, will be reported on to the LIPA Board.

The audit report may be obtained by going to the Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 21-00618 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.

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