



Department of Public Service

3 Empire State Plaza, Albany, NY 12223-1350
www.dps.ny.gov
125 East Bethpage Road, Plainview, NY 11803
www.dps.ny.gov/longisland

John B. Rhodes
Chair and
Chief Executive Officer

Thomas Congdon
Deputy Chair and
Executive Deputy

Paul Agresta
General Counsel
Kathleen H. Burgess
Secretary

June 29, 2018

Sent Electronically and via US Mail

Honorable Ralph V. Suozzi, Chairman
Board of Trustees
Long Island Power Authority
333 Earle Ovington Blvd.
Uniondale, New York 11553

Re: Matter No. 16-01248 – In the Matter of a Comprehensive and Regular Management and Operations Audit of Long Island Power Authority and PSEG Long Island LLC.

Dear Chairman Suozzi:

In accordance with Public Service Law (PSL) §3-b(3)(d) and Public Authority Law (PAL) §1020-f(bb)(2), the New York State Department of Public Service (the Department) has completed the Comprehensive and Regular Management and Operations Audit of Long Island Power Authority (LIPA or the Authority) and its Service Provider, PSEG Long Island LLC (PSEG LI). The Final Audit Report is provided electronically herewith to the Board of Trustees and will simultaneously be posted on the Department's Document and Matter Management System (DMM), accessible through the Department's website.

The audit was performed in accordance with PSL §3-b(3)(d) and PAL §1020-f(bb). PSL §3-b(3)(d) authorizes the Department to conduct periodic audits of LIPA and its Service Provider. PAL §1020-f(bb)(2) requires that LIPA and its Service Provider cooperate with the Department in the undertaking of periodic audits, and specifies that the audit include but not be limited to an analysis of the following: (i) the Service Provider's construction and capital program planning in relation to the needs of its customers for reliable service; (ii) the overall efficiency of the Authority's and its Service Provider's operations; (iii) the manner in which the Authority is meeting its debt service obligations; (iv) the Authority's Fuel and Purchased Power Cost Adjustment clause and recovery of costs associated with such clause; (v) the Authority's and its Service Provider's annual budgeting procedures and process; (vi) the application, if any, of the performance metrics designated in the Amended & Restated Operations Service Agreement and the accuracy of the data relied upon with respect to such applications; and (vii) the Authority's compliance with debt covenants. Additional scope areas defined by this audit included (viii) Corporate Governance and (ix) the implementation of the recommendations from the Department's Comprehensive Management and Operations Audit of LIPA in Matter No.12-00314.

PSL §3-b(3)(d) affords the Department the discretion to have the audit conducted by an independent contractor. After a competitive procurement process, the Department selected NorthStar Consulting Group, Inc., to perform the audit.

In accordance with PAL §1020-f(bb)(3), LIPA and PSEG LI are required to post the Final Audit Report, including findings and recommendations, on their website. Unless the LIPA Board of Trustees makes a preliminary determination, within 30 days, that any particular finding or recommendation contained in such audit is inconsistent with LIPA's fiscal operating practices, any existing contractual or operating obligation, or the provision for safe and adequate service, the Board of Trustees and LIPA shall implement or cause its Service Provider to implement such findings and recommendations in accordance with the audit.

Sincerely,

A handwritten signature in black ink that reads "John B. Rhodes". The signature is written in a cursive, slightly slanted style.

John B. Rhodes
Chief Executive Officer

cc: Thomas Falcone, LIPA, CEO
Jon Mostel, LIPA, Secretary
Dan Eichhorn, PSEG LI, CEO
Guy Mazza, DPS LIO, Director

Attachment