

**THE NEW YORK STATE LEGISLATIVE COMMISSION ON  
THE FUTURE OF THE LONG ISLAND POWER AUTHORITY**

**Testimony of the New York State Department of Public Service**

**November 29, 2022**

Good morning, Chair Thiele, Chair Thomas, Commissioners, Executive Director Laneman and other distinguished members of the advisory committee on the Legislative Commission on the future of the Long Island Power Authority (LIPA). My name is Carrie Meek Gallagher. I am the Director of the Long Island Office of the Department of Public Service. I am joined by Nicholas Forst, counsel in the Long Island Office. We appreciate this opportunity to provide testimony on the current and future management and provision of electric service on Long Island.

The Public Service Commission which is served by its administrative arm, the Department of Public Service, has regulatory jurisdiction which extends over New York's investor-owned utilities, including six major electric/gas utilities, five major gas-only utilities, and two major water companies. The Commission has jurisdiction over small telephone companies, hundreds of small water companies, nearly 40 municipal utilities, cable companies, power generators and energy service companies.

Beginning January 1, 2014, as required by the LIPA Reform Act (LRA), the Department opened a Long Island Office to review and issue recommendations on the core utility functions of PSEG Long Island and LIPA. The Long Island office has a diverse staff of 32 employees who represent each of the major operational divisions within the larger Department, such as the office of Accounting Audits and Finance, the Office Electric, Gas, and Water, the Office of Consumer Services, the Office of Markets & Innovation, and the Office of General Counsel.

The staff of the Long Island Office works primarily to oversee LIPA and PSEG LI but also works collaboratively with the Department at large and vice-a-versa with the more than 400 staff members at the Department in Albany, Buffalo, and New York City. This includes supporting proceedings and providing expertise related to other Long Island based utilities such as National Grid and NY American Water now known as Liberty.

As it has done successfully since its inception, the Department continues to fulfill its statutorily required annual reviews of the utilities' core functions. Pursuant to the LRA, the Department reviews updated rate plan filings and major rate proposals, tariff changes, emergency response plans, management audits, capital expenditure plans, integrated resource plans, clean energy project and energy efficiency filings to improve efficiency and reduce peak load to address emerging resource and system needs across Long Island and in targeted load pockets, performance metrics, customer service operations including the resolution of customer complaints which has resulted in the resolution of 15,000 consumer complaints with the return of approximately \$900,000 in credit adjustments to customers, the service provider's annual executive compensation filing, and any incentive compensation due to PSEG LI.

Further, the Reformed OSA, effective as of April 1, 2022, expands the Department's oversight role, enhancing the terms and conditions of the current Amended and Restated Operations Service Agreement (A&R OSA) between LIPA and PSEG LI to the benefit of customers, and includes new or improved mechanisms to ensure accountability by PSEG LI. This includes DPS' role in recommending the specific types of incentive compensation metrics used to measure PSEG LI's performance, new tools to conduct investigations and reduce PSEG LI's compensation for failures to provide safe, adequate, and reliable service, or for violations of their Emergency Response Plan.

The Reformed OSA ensures that PSEG Long Island customers receive the protections that they so strongly need and is a sound resolution to the enforcement actions recommended by the Department following our investigation into PSEG Long Island's response to Tropical Storm Isaias.

Also, as required by the LIPA Reform Act, the Department recently initiated its third comprehensive management and operations audit of LIPA and PSEG Long Island. The audit began with the issuance of an RFP for consultants in April 2022 and will be completed in Spring 2024. The audit will enable the Department's Staff, in conjunction with its consultant, to conduct a thorough review of LIPA and PSEG LI's operations to develop recommendations that will improve their operations. Specific topics that DPS Staff and the consultant will review include enterprise risk management, the impact of COVID-19 on customer service, communications and outreach, budgeting, corporate governance, management of the transmission and distribution service, progress towards meeting the goals of the CLCPA, and cybersecurity system design and performance.

In addition to the numerous recommendations DPS has proffered over the years and our ongoing proceedings, for Q4 2022, DPS issued recommendations regarding LIPA and PSEG LI's IT System Separation Plan (a new requirement of the Reformed OSA), the 2023 Incentive Compensation Metrics package, the 2023 Utility 2.0 and EEBEDR Annual Update, and will be issuing recommendations regarding LIPA's Tariff modifications prior to the December LIPA Board of Trustees meeting. These recommendations focus on creating stronger protections for customers, reducing costs, implementing efficiencies, and meeting the State's ambitious climate goals under the CLCPA. Further, our recommendations continue a tradition of supporting customer-focused policies and lowering rates to benefit all Long Island utility customers and has improved the transparency of LIPA and PSEG LI's operations since 2014.

In 2015, Department staff reviewed the initial three-year rate proposal for PSEG Long Island and LIPA, the first such rate review performed by the Department since before the merger between the Long Island Lighting Company and LIPA in 1998. The Department's Rate Recommendations were the culmination of an eight month fully litigated rate case proceeding, which reduced LIPA and PSEG LI's approximately \$441 million-dollar cumulative revenue increase between 2016 and 2018 by twenty-six percent.

The Department's Rate Recommendations focused on setting rates at the lowest levels consistent with sound fiscal operating practices, while ensuring critical investments were made to preserve and improve electric service resiliency and reliability. The 2015 rate case produced meaningful customer savings through improved operational and financial performance. The rate case ensured that important policy goals and capital projects such as Reforming the Energy Vision and Advanced Meter Infrastructure were provided funding. The Department's rate recommendations also dealt with major cost drivers such as vegetation management, pole replacement, and revenue decoupling. The 2015 rate case set LIPA and PSEG LI on a solid path forward which reduced customers' bills while also providing both entities the necessary revenue for efficient and effective operations going forward.

As we consider potential paths forward, whether it is continuing with the current service provider, hiring a new service provider, transitioning to a fully municipalized LIPA, or another alternative, customers are entitled to safe, adequate, reliable, and sustainable service to that end, DPS' continued vigilance provides greater oversight, transparency, and stronger protections for customers

We encourage the Commission to consider all options, and recognize that no matter where we end up, the first and foremost obligation of all parties involved is to support and protect utility customers on Long Island and in the Rockaways.

In sum, DPS is well-positioned to deliver on, and continues to deliver on, our core mission to meet the needs of utility customers. We look forward to working with the members of this Commission and its Staff, and to its final report. This concludes my remarks. We welcome your questions.