



**Department of
Public Service**

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Chief Executive Officer

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October 12, 2016

Mr. Howard E. Lubow
Overland Consulting
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Leawood, KS 66211
hlubow@overlandconsulting.com

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 Mr. Lubow:

Thank you for responding to the Department of Public Service's (Department) Request for Proposals to perform a comprehensive and regular management and operations audit of the Long Island Power Authority (LIPA) and its Service Provider, PSEG Long Island, LLC (PSEG LI). As part of the selection process, all submissions are first reviewed to determine whether there are any conflicts of interest. Based upon my review of the information in your submission and the additional information that you provided to Department Staff at my request, I have determined that there would be an appearance of a conflict of interest for John Cochrane to participate in the audit of LIPA and PSEG LI.

The LIPA Guide states that "the Department of Public Service will not engage any firm with a conflict of interest and may not engage any firm with the appearance of a conflict of interest." Furthermore, each firm is required to "disclose all previous work performed for LIPA and/or its Service Provider, including any existing contracts or agreements. In view of the unique relationship between LIPA and its Service Provider, conflicts of interest and ethical conduct considerations must be considered with respect to the Service Provider as well as to LIPA. Such disclosure may not necessarily disqualify an individual or firm. Failure to disclose such relationship will be considered grounds for disqualification."

In this case, however, Mr. Cochrane's main task, as set forth in your proposal, is to assess the Fuel and Purchased Power Adjustment Clause and Cost Recovery scope area which was a primary area of Mr. Cochrane's duties and responsibilities as a prior National Grid employee. While Mr. Cochrane did not contract with PSEG LI nor was he an employee of National Grid's subsidiary, KeySpan Energy Delivery Long Island (KEDLI), within the last five years, Mr. Cochrane's role in this audit would involve assessing audit areas that were his direct responsibility as a National Grid employee. As a result, this creates the appearance that

Mr. Howard E. Lubow
October 12, 2016

Mr. Cochran would be essentially evaluating work that he previously performed, which creates the appearance of a conflict of interest.

In addition, it appears Mr. Cochran interacted frequently with numerous individuals at LIPA, as recently as 2013, who are still employed at LIPA or PSEG LI and are responsible for the audit areas which Mr. Cochran would be assessing. The familiarity Mr. Cochran may have with these employees, coupled with the fact that these relationships were as recent as three years ago, also raises the appearance of a conflict of interest. The LIPA Guide, noted above, uses five years as the interval of time to consider whether a conflict or the appearance of a conflict of interest exists.

The Overland proposal is not disqualified because of Mr. Cochran. Instead, Overland is invited to submit the name of another individual who would perform the tasks that were proposed for Mr. Cochran or allocate the work identified in the proposal to other members of the proposed team already in your proposal. Submission of a replacement or reallocation of work hours or duties can only relate to Mr. Cochran's tasks. Your submission can not under any circumstances alter any other aspects of your proposal. Once in receipt of your submission, should you choose to offer one, your proposal will be scored in the same manner as all other proposals.

It's not necessary to resubmit your proposal in total. Please submit only the modified pages to your proposal dated September 19, 2016, along with a cover letter to the Secretary and a cover letter to the Records Access Officer explaining the purpose of those changes, as soon as possible, and in any event by close of business, October 14, 2016.

Sincerely,



Kathleen H. Burgess
Secretary