Consolidated Results of Operations

The accompanying consolidated financial information reflects the operating results of the Authority and LIPA for the three months ended March 31, 2008 and 2007.

Change in Net Assets

The Authority generated expenses over revenues of approximately $49 million for the three months ended March 31, 2008 compared with approximately $24 million for the three months ended March 31, 2007.

Revenue

Revenue for the three months ended March 31, 2008 increased approximately $10 million when compared to the similar period of 2007. This increase is primarily attributable to higher recoveries of power supply costs (discussed below).

Fuel and Purchased Power Costs

LIPA’s tariff includes a fuel recovery provision—the Fuel and Purchased Power Cost Adjustment ("FPPCA") that provides for the recovery of fuel and purchased power costs in the period incurred in amounts sufficient to allow the Authority to earn a financial target of $75 million with a variance of $50 million above or below such amount in each year. Should fuel and purchased power prices change such that LIPA would exceed or fail to meet its financial target, the FPPCA would be reduced or increased accordingly. In no event, however, can LIPA recover an amount that exceeds its fuel and purchased power costs incurred.

For 2008, the Authority increased its FPPCA by $79 million annually in order to collect an amount of incurred fuel costs sufficient to meet its financial target.

Before the effects of the accounting adjustments required by the FPPCA tariff, fuel and purchased power costs for the three months ended March 31, 2008, increased approximately $31 million. Approximately $34 million is attributable to higher commodity costs offset by approximately $3 million as a result of lower sales. In addition, fuel and purchased power costs increased approximately $6 million as a result of the net change in the regulatory liability related to fuel cost recovery mechanisms.

Operations and Maintenance

LIPA experienced higher PSA costs totaling approximately $3 million due primarily to higher estimated capacity costs and the recognition of costs associated with certain electric service employee benefits. This increase was offset by lower clean energy costs and lower costs associated with a bulkhead repair performed and accrued in 2007 and billed in 2008.

PILOTs

PILOTs increased approximately $2 million due to higher Nassau and Suffolk County school and town taxes.
Other Income, Net

Other income increased approximately $7 million. This is due primarily to the termination of two offsetting interest rate swaps on Series 2001L Bonds which were refunded in 2006. In 2003, LIPA had received an upfront premium totaling approximately $8 million on one of those swaps. As a result of the termination of that swap and the elimination of any future obligation by LIPA, LIPA recognized the full benefits of the remaining unamortized premium totaling approximately $7 million.

In addition, LIPA also experienced lower investment earnings totaling approximately $1 million which was offset by higher sales of emissions allowance credits of approximately $1 million.

Interest Charges

Total interest charges decreased approximately $2 million due to lower debt outstanding in 2008 compared to 2007 and higher allowance for funds used during construction.

Extraordinary loss on early extinguishment of debt

In March 2008, the Authority redeemed $200 million of its insured variable rate Electric System General Revenue Bonds to lower the risks associated with their marketability. The Authority used cash on hand to redeem these securities. The Authority had deferred charges totaling approximately $4 million associated with these bonds that were written-off as a result of this redemption.
<table>
<thead>
<tr>
<th></th>
<th>2008 (unaudited)</th>
<th>2007 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues - electric sales</strong></td>
<td>$ 788,836</td>
<td>$ 778,656</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations - fuel and purchased power</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel and purchased power costs</td>
<td>479,186</td>
<td>465,656</td>
</tr>
<tr>
<td>Recovery of 2003 Excess Fuel Costs</td>
<td>8,311</td>
<td>8,481</td>
</tr>
<tr>
<td>Refund of Prior Year Excess Recovery of Fuel Costs</td>
<td>(19,417)</td>
<td>(43,202)</td>
</tr>
<tr>
<td>468,080</td>
<td>430,935</td>
<td></td>
</tr>
<tr>
<td>Operations and maintenance</td>
<td>184,172</td>
<td>184,011</td>
</tr>
<tr>
<td>General and administrative</td>
<td>8,951</td>
<td>9,122</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>61,322</td>
<td>61,180</td>
</tr>
<tr>
<td>Payments in lieu of taxes</td>
<td>58,692</td>
<td>55,825</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>781,217</td>
<td>741,073</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>7,619</td>
<td>37,583</td>
</tr>
<tr>
<td><strong>Nonoperating revenues and expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income, net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>9,178</td>
<td>10,076</td>
</tr>
<tr>
<td>Carrying charges on regulatory asset</td>
<td>8,046</td>
<td>8,122</td>
</tr>
<tr>
<td>Other</td>
<td>8,682</td>
<td>1,140</td>
</tr>
<tr>
<td><strong>Total other income, net</strong></td>
<td>25,906</td>
<td>19,338</td>
</tr>
<tr>
<td><strong>Change in net assets before interest charges and (credits)</strong></td>
<td>33,525</td>
<td>56,921</td>
</tr>
<tr>
<td><strong>Interest charges and (credits):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on long-term debt, net</td>
<td>77,262</td>
<td>78,712</td>
</tr>
<tr>
<td>Other interest</td>
<td>3,349</td>
<td>3,385</td>
</tr>
<tr>
<td>Allowance for borrowed funds used during construction</td>
<td>(1,752)</td>
<td>(818)</td>
</tr>
<tr>
<td><strong>Total interest charges</strong></td>
<td>78,859</td>
<td>81,279</td>
</tr>
<tr>
<td><strong>Change in net assets before extraordinary loss</strong></td>
<td>(45,334)</td>
<td>(24,358)</td>
</tr>
<tr>
<td>Extraordinary loss on early extinguishment of debt</td>
<td>(3,840)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(49,174)</td>
<td>(24,358)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net assets, beginning of year</td>
<td>262,836</td>
<td>169,790</td>
</tr>
<tr>
<td><strong>Total net assets, end of period</strong></td>
<td>$ 213,662</td>
<td>$ 145,432</td>
</tr>
</tbody>
</table>
### Consolidated Balance Sheet
(Thousands of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2008 (unaudited)</th>
<th>December 31, 2007 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$456,540</td>
<td>$526,531</td>
</tr>
<tr>
<td>Investments</td>
<td>272,170</td>
<td>287,881</td>
</tr>
<tr>
<td>Accounts receivable (less allowance for doubtful accounts of $19,485)</td>
<td>$230,120</td>
<td>$272,666</td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>79,533</td>
<td>101,146</td>
</tr>
<tr>
<td>Fuel inventory</td>
<td>161,150</td>
<td>143,206</td>
</tr>
<tr>
<td>Fuel derivatives</td>
<td>354,123</td>
<td>135,153</td>
</tr>
<tr>
<td>Material and supplies inventory</td>
<td>6,760</td>
<td>6,720</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>613</td>
<td>690</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>34,800</td>
<td>16,532</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,595,809</td>
<td>1,510,525</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility plant and property and equipment, net</td>
<td>$5,320,116</td>
<td>$5,320,740</td>
</tr>
<tr>
<td>Promissory Notes Receivable-KeySpan Energy</td>
<td>155,425</td>
<td>155,425</td>
</tr>
<tr>
<td>Nonutility Property and Other Investments</td>
<td>70,986</td>
<td>70,979</td>
</tr>
<tr>
<td>Other long - term receivables</td>
<td>98,229</td>
<td>90,953</td>
</tr>
<tr>
<td>Deferred loss - financial derivatives</td>
<td>137,408</td>
<td>71,599</td>
</tr>
<tr>
<td>Deferred Charges</td>
<td>79,890</td>
<td>82,208</td>
</tr>
<tr>
<td>Regulatory Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shoreham settlement</td>
<td>562,209</td>
<td>562,212</td>
</tr>
<tr>
<td>Fuel and purchased power costs</td>
<td>210,344</td>
<td>218,655</td>
</tr>
<tr>
<td>Acquisition Adjustment (net of accumulated amortization of $1,269,105 and $1,240,934, respectively)</td>
<td>2,826,407</td>
<td>2,854,578</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>9,461,014</td>
<td>9,427,349</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$11,056,823</td>
<td>$10,937,874</td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>226,570</td>
<td>426,570</td>
</tr>
<tr>
<td>Current portion of capital lease obligation</td>
<td>202,976</td>
<td>202,336</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>468,909</td>
<td>518,687</td>
</tr>
<tr>
<td>Regulatory liability-fuel and purchased power costs</td>
<td>447,976</td>
<td>269,476</td>
</tr>
<tr>
<td>Accrued payments in lieu of taxes</td>
<td>23,720</td>
<td>38,237</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>64,931</td>
<td>43,330</td>
</tr>
<tr>
<td>Counterparty collateral</td>
<td>193,330</td>
<td>2,900</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>27,148</td>
<td>26,977</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>1,755,560</td>
<td>1,628,513</td>
</tr>
<tr>
<td><strong>Noncurrent liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>6,409,371</td>
<td>6,402,713</td>
</tr>
<tr>
<td>Capital lease obligation</td>
<td>1,995,760</td>
<td>2,018,661</td>
</tr>
<tr>
<td>Asset retirement obligation</td>
<td>92,019</td>
<td>91,541</td>
</tr>
<tr>
<td>Deferred credits</td>
<td>299,815</td>
<td>298,857</td>
</tr>
<tr>
<td>Deferred credits - derivatives</td>
<td>252,927</td>
<td>195,500</td>
</tr>
<tr>
<td>Claims, damages and storm reserves</td>
<td>37,709</td>
<td>39,253</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>9,087,601</td>
<td>9,046,525</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets net of related debt</td>
<td>(2,789)</td>
<td>(190,510)</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>216,451</td>
<td>453,346</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$213,662</td>
<td>262,836</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$11,056,823</td>
<td>$10,937,874</td>
</tr>
</tbody>
</table>
### Statement of Cash Flows
(Thousands of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008 (unaudited)</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td>------------------</td>
</tr>
<tr>
<td>Received from customers for the system sales, net of refunds</td>
<td>$ 838,170 $</td>
</tr>
<tr>
<td>Other operating revenues received</td>
<td>9,251</td>
</tr>
<tr>
<td>Paid to suppliers and employees</td>
<td>(242,981)</td>
</tr>
<tr>
<td>Operations and maintenance</td>
<td>(485,371)</td>
</tr>
<tr>
<td>Fuel and purchased power</td>
<td>(95,608)</td>
</tr>
<tr>
<td>Payments in lieu of taxes</td>
<td>(95,308)</td>
</tr>
<tr>
<td>Margin calls on fuel derivative transactions, net</td>
<td>190,430</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>213,891</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Investing activities:</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (purchases) of investment securities</td>
<td>15,711</td>
<td>(9,226)</td>
</tr>
<tr>
<td>Earnings received on investments</td>
<td>8,240</td>
<td>9,302</td>
</tr>
<tr>
<td>Other</td>
<td>1,700</td>
<td>733</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>25,651</td>
<td>809</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Cash flows from capital and related financing activities:</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and nuclear fuel expenditures</td>
<td>(54,330)</td>
<td>(68,820)</td>
</tr>
<tr>
<td>Bond issuance costs</td>
<td>-</td>
<td>(430)</td>
</tr>
<tr>
<td>Interest paid, net</td>
<td>(55,203)</td>
<td>(50,178)</td>
</tr>
<tr>
<td>Redemption of long-term debt</td>
<td>(200,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in by capital and related financing activities</strong></td>
<td>(309,533)</td>
<td>(119,428)</td>
</tr>
<tr>
<td>Net (decrease) increase in cash and cash equivalents</td>
<td>(69,991)</td>
<td>32,550</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>526,531</td>
<td>501,244</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>$ 456,540 $</td>
<td>$ 533,794 $</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Reconciliation to net cash provided by operating activities:</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$ 7,619 $</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Adjustments to reconcile operating income to net cash provided by operating activities:</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>61,322</td>
</tr>
<tr>
<td>Nuclear fuel burned</td>
<td>1,293</td>
</tr>
<tr>
<td>Shoreham surcharge recovery (credits)</td>
<td>8,049</td>
</tr>
<tr>
<td>Provision for claims and damages</td>
<td>6,458</td>
</tr>
<tr>
<td>Accretion of asset retirement obligation</td>
<td>478</td>
</tr>
<tr>
<td>Other</td>
<td>(5,182)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Changes in operating assets and liabilities:</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable, net</td>
<td>56,883</td>
</tr>
<tr>
<td>Fuel and Material &amp; supplies inventory</td>
<td>(17,984)</td>
</tr>
<tr>
<td>Fuel and purchased power costs, net</td>
<td>(12,158)</td>
</tr>
<tr>
<td>Counterparty collateral</td>
<td>190,430</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses and other</td>
<td>(83,317)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$ 213,891 $</td>
</tr>
</tbody>
</table>