Report to the Board of Trustees

DECEMBER 2014
## PSEG Long Island Operating Results

<table>
<thead>
<tr>
<th>Operating and Maintenance</th>
<th>Current Month</th>
<th>Year-to-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
</tr>
<tr>
<td>Transmission &amp; Distribution</td>
<td>$13,870</td>
<td>$16,548</td>
</tr>
<tr>
<td>Customer Services</td>
<td>$7,243</td>
<td>$8,780</td>
</tr>
<tr>
<td>Business Services</td>
<td>$8,595</td>
<td>$9,148</td>
</tr>
<tr>
<td>Transition Services Agreement</td>
<td>$12,424</td>
<td>$2,475</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$42,132</td>
<td>$36,951</td>
</tr>
<tr>
<td>Energy Efficiency and Renewables</td>
<td>$6,131</td>
<td>$7,834</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$48,263</td>
<td>$44,785</td>
</tr>
<tr>
<td>Management Fee</td>
<td>$(6,208)</td>
<td>$3,709</td>
</tr>
<tr>
<td>Storm Restoration</td>
<td>$1,828</td>
<td>$3,986</td>
</tr>
<tr>
<td><strong>Total Operations and Maintenance</strong></td>
<td>$43,883</td>
<td>$52,480</td>
</tr>
</tbody>
</table>
Consolidated Operating Results - O&M

PSEG LI O&M Expenditures vs Budget

YTD Line of Business - December 2014

YTD Labor and Non Labor - December 2014

Note: T&D Month and YTD budget includes an adjustment for Atlantic Ave cable leak $3,196K and HUD $450.
Consolidated Operating Results - Capital

PSEG LI Capital Expenditures vs Budget

YTD Line of Business - December 2014

Actual Per Month (SM) (does not include reimbursements)

Note: Does not include costs related to the Tenasco and Calibness projects.
Energy Efficiency & Renewable Energy

YTD Expenditures vs Budget

YTD MW Achieved vs Target

<table>
<thead>
<tr>
<th></th>
<th>December YTD Actual</th>
<th>YE Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Efficiency</td>
<td>28.04</td>
<td>31.07</td>
</tr>
<tr>
<td>Residential Efficiency</td>
<td>26.37</td>
<td>22.93</td>
</tr>
<tr>
<td>Renewables</td>
<td>15.14</td>
<td>6.27</td>
</tr>
<tr>
<td>Grand Total</td>
<td>69.55</td>
<td>60.26</td>
</tr>
</tbody>
</table>

YTD MW Savings Achieved

Legend:
- Orange: Renewables
- Green: Residential Efficiency
- Blue: Commercial Efficiency

PSEG LONG ISLAND
## PSEG Long Island OSA
### 2014 Balanced Scorecard

<table>
<thead>
<tr>
<th>Operations Services Agreement Metrics</th>
<th>December YTD</th>
<th>Month of December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OSA YE Target</td>
<td>OSA YTD Target</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSHA Recordable Incidence Rate</td>
<td>L 1.67</td>
<td>L 1.67</td>
</tr>
<tr>
<td>OSHA Days Away Rate (Severity)</td>
<td>L 29.81</td>
<td>L 29.81</td>
</tr>
<tr>
<td>JD Power Customer Satisfaction Survey (Residential)</td>
<td>H 542</td>
<td>H 542</td>
</tr>
<tr>
<td>JD Power Customer Satisfaction Survey (Business)</td>
<td>H 551</td>
<td>H 551</td>
</tr>
<tr>
<td>After Call Survey (Residential)</td>
<td>H 67.0%</td>
<td>H 67.0%</td>
</tr>
<tr>
<td>After Call Survey (Business)</td>
<td>H 47.6%</td>
<td>H 47.6%</td>
</tr>
<tr>
<td>Personal Contact Survey</td>
<td>H 83.7%</td>
<td>H 83.7%</td>
</tr>
<tr>
<td>Average Speed of Answer</td>
<td>L 79</td>
<td>L 79</td>
</tr>
<tr>
<td>Abandonment Rate</td>
<td>L 3.8%</td>
<td>L 3.8%</td>
</tr>
<tr>
<td><strong>SAIDI</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAIDI</td>
<td>L 66.2</td>
<td>L 66.2</td>
</tr>
<tr>
<td>SAIFI</td>
<td>L 0.90</td>
<td>L 0.90</td>
</tr>
<tr>
<td>CAIDI</td>
<td>L 84</td>
<td>L 84</td>
</tr>
<tr>
<td>Actual Meter Read Rate</td>
<td>H 98.8%</td>
<td>H 98.8%</td>
</tr>
<tr>
<td>Timely Billing</td>
<td>H 61.5%</td>
<td>H 61.5%</td>
</tr>
<tr>
<td>Electric Damages per 1,000 Locates</td>
<td>L 0.75</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Budget ($M)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Budget ($M)</td>
<td>L 490.2</td>
<td>L 490.2</td>
</tr>
<tr>
<td><strong>Capital Budget ($M)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Budget ($M)</td>
<td>L 370.8</td>
<td>L 370.8</td>
</tr>
<tr>
<td>Days Sales Outstanding</td>
<td>L 41.9</td>
<td>L 41.9</td>
</tr>
<tr>
<td><strong>Net Write-Offs per $100 Billed Revenue</strong></td>
<td>L 0.89</td>
<td>L 0.89</td>
</tr>
<tr>
<td><strong>Green</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Web Transactions Completed</td>
<td>H 5.0%</td>
<td>H 5.0%</td>
</tr>
<tr>
<td>EE and Renewable Achieved Load Reduction</td>
<td>H 60.3</td>
<td>H 60.3</td>
</tr>
</tbody>
</table>

### Notes:
- Color Coding in YTD Result column represents current status versus YTD Plan.
- YE Forecast is a subjective estimate of whether each metric is expected to meet the YE Target.

### References:
- [PSEG Long Island](https://www.pseglongisland.com)
December Financial Update

• O&M – December 2014
  – PSEG LI operating expenses are $7.1M unfavorable to budget
    • Labor and Benefits are $1.6 million favorable
    • Non Labor is $0.45 million unfavorable
    • TSA expenses are $9.9M unfavorable to budget

• YTD O&M - Year to Date December 2014
  – Total Operating Expenses are $13.9M favorable to budget
    • Labor and benefit O&M costs are favorable $20.2M due to open positions and reduced overtime. This is partially offset by lower capitalization of labor costs due to lower capital project expense and lower than budgeted storm costs
    • Non labor costs are favorable $23.2M YTD due to cost reductions made to offset TSA costs
    • Transition Services Agreement costs are $40.2M unfavorable to budget

• Capital - Year to Date Through December 2014
  – Capital spending is $41.0M favorable to budget

• Energy Efficiency
  – Energy Efficiency YE load reduction is 15.4% ahead of plan and $10.7M favorable to budget
  – Storm expense – favorable $17.4M year-to-date
December Scorecard Update

- 2014 performance exceeded OSA targets in 19 of 20 metrics. OSHA Recordable Incidence Rate was the only metric that failed to meet the target.

- Customer Services Process Improvements resulted in After Call Survey Metrics for the Call Center achieving Year 5 Targeted Performance in first year.

- Reliability Metrics (Maintenance Metrics) remained in the acceptable range under the OSA requirements.

- JD Power Customer Satisfaction Score improvements are ahead of plan. JD Power Business results for PSEG LI showed the most improvement of all companies nationally with a score increase of 70 points. JD Power Residential improvement at the midway point of the cycle is showing similar gains (+70 points) and leading improvement nationally among large companies.
2014 Safety Result – OSHA Incidence Rate

- OSHA Recordable Incidence Rate for PSEG Long Island for 2014 was 2.80, which missed the OSA target of 1.67.

- Strains/sprains (35 incidents) accounted for 66% of all OSHA Recordable injuries for 2014.

- 90% of all incidents occurred in 3 departments: OH/UG, SPT, Meter Services.
2014 Safety Result – OSHA Days Away Rate (Severity)

- OSHA Days Away Rate for PSEG Long Island for 2014 was 29.16, which made the OSA target of 29.81.

- 62% of the total DAFW for 2014 were strains/sprains (376 days) of which half were knees, back and shoulder injuries.

- Another 29% of the total DAFW for 2014 involved 2 serious incidents (177 days):
  - An OH lineman lost 115 days due to injuries sustained from being struck by a broken pole while working aloft in an aerial bucket.
  - A cable splicer lost 62 days due to a fall from a flatbed vehicle while securing a pad mount transformer.
# Safety Excellence Road Map

## 2014

- **Employee Involvement**
  - Continued long standing department/ division level committee structure with union and management participation in Electric T&D. Introduced business level committees in Customer Services and Business Services.
  - PSEG Health and Safety Commitment Statement was jointly signed by all company and union leaders and employees.

- **Job Safety Observations**
  - Continued long standing safety advocate (peer-to-peer) observations and quarterly safety leadership days focused on strains/sprains, housekeeping, use of HERP tools and securing loads.

- **Behavior Based Safety**
  - Human Error Reduction Performance (HERP) Tools piloted with good success

- **Incident Analysis**
  - Root cause investigations completed on serious incidents.
  - Executive commissioned team to develop a common NY/NJ process with emphasis on timely investigation and tracking of corrective actions through implementation

- **Motor Vehicle Safety**
  - Administered Smiths Drivers classroom and behind the wheel post MVA remedial training
  - Introduced Alert Driving CBT training to employees and their families

## 2015

- **Employee Involvement**
  - Transition to the PSEG grassroots led, management supported multi-tiered Health and Safety Council structure.
  - Monthly rollout of the PSEG twelve component Health and Safety System
  - Company / Union leader sponsored grassroots teams formed to help with developing actions to implement the Health and Safety system components

- **Job Safety Observations**
  - Enhanced observation program – increased focus on HERP tools, increased focus on housekeeping, increased analysis and communication of results

- **Behavior Based Safety**
  - Inculcated HERP tools as a way of doing business throughout PSEG Long Island

- **Incident Analysis**
  - Implementation of the NY/NJ joint team corrective actions beginning 1Q, 2015.
  - Thorough analysis to determine root cause
  - Thorough oversight of recommendation implementation

- **Motor Vehicle Safety**
  - Expand Smiths Drivers classroom and behind the wheel training to new and incumbent employees on a three yr. cycle.
  - Measure employee completion of Alert Driving CBT and program effectiveness

- **Continuous Improvement Plans (CIP)**
  - Detailed plans for each VP, Director and Manager
  - Include specific items to support continuous improvement in safety (and other key areas)

- **Strain and Sprain Awareness/Avoidance Program**
LIPA Board of Trustees: IRP Development Status

January 27th, 2015
The IRP is an industry planning tool used to develop a plan to match resources (generation, transmission and demand side management) with load in an efficient, cost-effective and environmentally sensitive manner.

- IRP development is well underway and on target for the base work to be completed by year end 2015.
  - Takes advantage of all feasible resources.

- Key recent accomplishments include:
  - Completion of a technology assessment of the cost and performance characteristics of potential technologies that could be deployed on Long Island to meet resource needs.
  - Development of a baseline model to be used for expansion plan modeling.

- PSEG LI has begun the process of constituent communication, including with the Department of Public Service.
Extensive analysis will be undertaken in IRP development to identify the mix of resources that will most cost effectively and reliably serve LIPA’s customers and the citizens of LI.

Recent Board actions will be incorporated to the plan.

At this juncture, repowering remains a n investment alternative subject to review and analysis.

No solution has been ruled in – or out - at this point in terms of potential options.
LIPA’s resource supply is sufficient for the foreseeable future.

- Currently, more than sufficient amounts of generating capacity.
- Adequate T&D infrastructure, but there are load pockets that need to be addressed.
Potential Resource Solutions

Solutions to meet long-term resource needs may include generation, transmission enhancements, demand side management, or some combination of these.

- Repowering of the steam stations (Barrett, Northport, and Port Jefferson) will be considered in IRP analyses.

- There is recognition that in constrained transmission areas that base load generation is a vital component of system reliability.

- IRP will recognize upgrades made to the T&D system as a result of Sandy.

- Environmental impact assessments are an important part of any solution.