LIPA 2011 Performance Evaluation

In 2011, goals and measurements were established to allow the Long Island Power Authority (“LIPA”) to evaluate its performance in relation to its mission statement. As set forth below, LIPA’s self-evaluation demonstrates that LIPA continues to perform well and achieved the goals set in 2011.

<table>
<thead>
<tr>
<th>Long Island Power Authority Goals</th>
<th>2011 Performance Measurements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide reliable and economical electric service.</td>
<td>• System Average Interruption Duration Index (SAIDI): a measurement of the current rolling 12 month total annual power outage time that the average customer experiences in a year.</td>
</tr>
<tr>
<td></td>
<td>• System Average Interruption Frequency Index (SAIFI): a measurement of the current rolling 12 month average number of times a customer was interrupted compared to the monthly 5 year average.</td>
</tr>
<tr>
<td></td>
<td>• Customer Average Interruption Duration Index (CAIDI): a measurement of the current rolling 12 month average service restoration time or the average interruption duration for those customers interrupted during the year compared to the monthly 5 year average.</td>
</tr>
<tr>
<td></td>
<td>• Reliability comparison to other similar New York State utilities using SAIFI and CAIDI.</td>
</tr>
<tr>
<td></td>
<td>• Capital Projects</td>
</tr>
<tr>
<td></td>
<td>• Reasonableness of Price</td>
</tr>
<tr>
<td></td>
<td>• Billing &amp; Payment Performance</td>
</tr>
</tbody>
</table>

Strong reliability performance is of paramount importance to the Long Island Power Authority and its customers. Over the past 13 years, LIPA’s investments in the transmission and distribution system (“T&D System”) have resulted in LIPA being the most reliable overhead electric utility in New York State.

System Average Interruption Duration Index (SAIDI)
SAIDI is a measurement of the total annual power outage time that the average customer experiences in a year. In 2011, LIPA met its target for SAIDI by ending the year at a level of 51.6 minutes, which is 5.3% higher than what was experienced in 2010 but 11% lower than LIPA’s five-year average of 55.8 minutes.

The higher 2011 number for SAIDI compared to LIPA’s 2010 SAIDI performance is a direct result of the higher level of storm activity experienced in 2011 (24 storms of which 11 were classified as major storms) and the resultant residual damage associated with those storms; particularly during the period immediately following the storms and the
completion of storm damage permanent repairs. Despite the increased storm activity these last two years (higher levels than any year in the preceding 25 years), LIPA’s performance remained better than its five-year average. This is attributable to LIPA’s maintenance programs (equipment maintenance, annual line inspection, and aggressive tree trimming activities) and capital investments (storm hardening, reliability and reinforcement programs) made in the system.

**System Average Interruption Frequency Index (SAIFI)**
SAIFI is the measurement of the average number of times a customer was interrupted during the year. In 2011, LIPA met its SAIFI target by ending the year with a SAIFI of 0.755. This is 3.9% higher than what was experienced in 2010 but 2.7% lower than LIPA’s five-year average of 0.78. The increased level of storm activity in 2011 and the resultant residual damage associated with these storms adversely impacted the SAIFI level in 2011.

**Customer Average Interruption Duration Index (CAIDI)**
CAIDI is the measurement of the average service restoration time or the average interruption duration for those customers impacted by outages during the year. In 2011, LIPA met its CAIDI target by ending the year with a CAIDI level of 68.3 minutes. This is 2% higher than the 2010 level but 9% lower than the LIPA five-year average of 71.8.

Listed below is a summary of LIPA’s 2011 year end performance for its major reliability indices:

- **System Average Interruption Duration Index (SAIDI):** a measurement of the total annual power outage time that the average customer experiences in a year – **51.6 minutes.** This measurement places LIPA as 1st in New York State by a considerable margin of 41 minutes better than the second ranked utility.

- **System Average Interruption Frequency Index (SAIFI):** a measurement of the average number of times a customer was interrupted during the year (or months between interruptions) – **0.755 (15.9 months between interruptions).**

- **Customer Average Interruption Duration Index (CAIDI):** a measurement of the average service restoration time or the average interruption duration for those customers interrupted during the year – **68.3 minutes.**

**Reliability Comparison to other similar NYS Utilities using SAIFI and CAIDI**
LIPA’s 2011 SAIFI performance of 0.755 ranks it first in the State of New York. This compares to the average of all New York State Utilities of 1.01.

LIPA’s 2011 CAIDI performance of 68.3 minutes ranks it number one in the State of New York. The average CAIDI of all the utilities in the State of New York is 117 minutes.
Capital Projects
LIPA completed its capital investment plan in 2011 with the investment of $233 million into its T&D system. In addition to the traditional investments for equipment, new business, system reliability and system reinforcement type work, the capital expenditure program for 2011 included the following major projects:
- $15 million for the replacement of the Brightwaters to Captree 23kV cable
- $11 million for the expansion of Great Neck Substation
- $10 million for the new 69kV Valley Stream to Hewlett circuit
- $9 million for the replacement of transformer failures at Ruland Road, Long Beach, Terryville and Whiteside Substations
- $5 million for the expansion of Orchard Substation
- $5 million for reconstruction of the East Garden City to Country Life Press to West Hempstead 69kV circuit

LIPA has a proven track record of developing and executing the appropriate capital improvement strategies on Long Island to continuously meet and exceed its reliability targets.

Reasonableness of Price
LIPA strives to provide rate stability to its customers and recover the minimum amount of revenue necessary to recover its costs and maintain LIPA’s financial viability. As shown in the chart below, LIPA has delivered stable rates for its customers over the past several years, as demonstrated by the typical residential bill shown below. In 2011, despite the first increase in Delivery Service rates in LIPA’s 13-year history, the typical residential bill is still lower than it was in December 2010. Furthermore, LIPA’s rates continue to demonstrate a high degree of stability. As shown on the chart below, LIPA’s typical residential bill has stayed between $145 per month and $160 per month for the past three years (2008 through 2011).
LIPA monitors its rates in comparison to two peer groups: the other major utilities in New York State and among the utilities throughout the United States serving more than 500,000 customers. LIPA remains the second most expensive electric utility among its peers in the State, and is also currently the second most expensive utility among its national peers.

LIPA typically falls among the 5 most expensive large utilities in the nation. Consolidated Edison (our nearest utility neighbor) typically ranks as the most expensive and LIPA’s residential rates are more than 22% lower than Consolidated Edison’s residential rates. The 3rd and 4th ranked electric utilities based on average rates are Connecticut Light & Power and NSTAR (serving Boston and surrounding areas). Jersey Central Power & Light rounds out the list of top 5 most expensive utilities serving more than 500,000 customers in the United States. In New York, Orange & Rockland is the third most expensive utility, with residential rates that are 6% lower than LIPA’s.
### Average Revenue per kWh for Major New York State Electric Utilities

For the 12 Months ending September 2011

<table>
<thead>
<tr>
<th>Utility</th>
<th>Residential Rate</th>
<th>Commercial Rate</th>
<th>Industrial Rate</th>
<th>Average Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Edison Company</td>
<td>0.2555</td>
<td>0.2107</td>
<td>0.1881</td>
<td>0.2330</td>
</tr>
<tr>
<td><strong>Long Island Power Authority</strong></td>
<td><strong>0.1980</strong></td>
<td><strong>0.1834</strong></td>
<td>n/a</td>
<td><strong>0.1906</strong></td>
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<tr>
<td>Orange &amp; Rockland Utilities</td>
<td>0.1861</td>
<td>0.1383</td>
<td>0.0684</td>
<td>0.1578</td>
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<tr>
<td>Niagara Mohawk Power Corp.</td>
<td>0.1523</td>
<td>0.1343</td>
<td>0.1524</td>
<td>0.1478</td>
</tr>
<tr>
<td>Central Hudson Gas &amp; Electric</td>
<td>0.1620</td>
<td>0.1221</td>
<td>0.1046</td>
<td>0.1465</td>
</tr>
<tr>
<td>Rochester Gas &amp; Electric Corp</td>
<td>0.1224</td>
<td>0.1127</td>
<td>0.0881</td>
<td>0.1175</td>
</tr>
<tr>
<td>New York State Electric &amp; Gas</td>
<td>0.1080</td>
<td>0.0966</td>
<td>0.0615</td>
<td>0.1021</td>
</tr>
</tbody>
</table>

### Top Ten Average Revenue per kWh for Major Electric Utilities in the Contiguous 48 States Serving More than 500,000 Customers

For the 12 Months ending September 2011

<table>
<thead>
<tr>
<th>Utility</th>
<th>Residential Rate</th>
<th>Commercial Rate</th>
<th>Industrial Rate</th>
<th>Average Rate</th>
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<tr>
<td>Consolidated Edison Company</td>
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<td>0.2107</td>
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</tr>
<tr>
<td><strong>Long Island Power Authority</strong></td>
<td><strong>0.1980</strong></td>
<td><strong>0.1834</strong></td>
<td>n/a</td>
<td><strong>0.1906</strong></td>
</tr>
<tr>
<td>Connecticut Light &amp; Power Co</td>
<td>0.1771</td>
<td>0.1594</td>
<td>0.1291</td>
<td>0.1710</td>
</tr>
<tr>
<td>NSTAR Electric Company</td>
<td>0.1667</td>
<td>0.1635</td>
<td>0.1250</td>
<td>0.1604</td>
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<tr>
<td>Jersey Central Power &amp; Light</td>
<td>0.1600</td>
<td>0.1549</td>
<td>0.1357</td>
<td>0.1580</td>
</tr>
<tr>
<td>San Diego Gas &amp; Electric Co</td>
<td>0.1695</td>
<td>0.1554</td>
<td>0.1270</td>
<td>0.1578</td>
</tr>
<tr>
<td>Public Service Electric &amp; Gas</td>
<td>0.1655</td>
<td>0.1363</td>
<td>0.0725</td>
<td>0.1502</td>
</tr>
<tr>
<td>Niagara Mohawk Power Corp.</td>
<td>0.1523</td>
<td>0.1343</td>
<td>0.1524</td>
<td>0.1478</td>
</tr>
<tr>
<td>Pacific Gas &amp; Electric Co</td>
<td>0.1538</td>
<td>0.1517</td>
<td>0.1165</td>
<td>0.1478</td>
</tr>
<tr>
<td>Southern California Edison Co</td>
<td>0.1559</td>
<td>0.1403</td>
<td>0.1057</td>
<td>0.1429</td>
</tr>
</tbody>
</table>

Source: Department of Energy, Energy Information Administration, Form 826

Note: Form 826 information is released approximately four months following the reporting month. September 2011 data was not released until late January, 2012.

Despite the cost disadvantage caused by high taxes, a large debt burden and heavy reliance on fossil fuels, LIPA has achieved a significant level of rate moderation in 2011. During 2011, LIPA had the second largest bill decrease among major electric utilities in New York State. The monthly residential bill for a customer using 750 kWhs per month went down an average of 4.7% in 2011 compared to 2010. Only New York State Electric and Gas (NYSEG) performed better than LIPA in lowering customer bills last year.
LIPA instituted two key rate changes in 2011: an increase in Delivery Charges and the introduction of quarterly Power Supply Charge updates. Cost pressures identified in the 2011 budget required LIPA to increase its delivery charges to customers in response to higher taxes, larger allowance for storm restoration and major increases in spending on efficiency, prompting an increase to the monthly daily service charges for Delivery Service of an average 1.9%, effective March 1st. This increase, however, was more than offset by decreases in the Power Supply Charge that enabled total bills to the customer to decrease in 2011. Also, during 2011, LIPA instituted a quarterly review of the Power Supply Charge in order to monitor changing fuel prices more closely and to react to such changing prices more quickly. As a result of the quarterly monitoring process, LIPA maintained the fuel component of the Power Supply Charge during the first three quarters of the year, and raised the Power Supply Charge on October 1st based on increases in the market’s outlook for commodity prices. Also, on April 1st, 2011, LIPA lowered the Power Supply Charge to initiate a refund of over-collections related to Lost and Unaccounted For Sales (L&U), which further reduced rates in 2011.

**Billing & Payment Performance** – See below.
Performance Metrics Contained in LIPA Management Services Agreement with its Contractor National Grid

Customer metrics in the Management Services Agreement (MSA) are designed to improve customer satisfaction with the services provided by National Grid, as well as to support the financial goals of LIPA. Each grouping of metrics is designed to ensure that performance is balanced and appropriate. It is important to recognize that performance may have been impacted by snow in January 2011 and Tropical Storm Irene.

a) Call Center Performance: the call management metrics are designed to assess the speed and effectiveness of the call center representatives in responding to customer inquiries, as measured by three metrics; First Call Resolution, Call Answer Rate and Average Speed of Answer. For 2011, the First Call Resolution metric performance was 77.9%, exceeding the agreed upon goal of 70% but below the 2010 year ending performance of 80%. Call Answer Rate for 2011 was 96.4% exceeding the year ending goal of 93.5%, and an improvement over last year’s performance of 93.7%. Average Speed of Answer ended the year at 155 seconds which is 13.9 seconds better than the annual target of 168 seconds and represents a 103.0 second improvement over 2010.

b) Customer Billing and Meter Reading: the billing and meter reading metrics are designed to assess the accuracy of the bill and to minimize the amount of estimated bills customers receive. Billing accuracy is a measure of the percent of bills requiring cancellation and rebilling because of billing errors compared to the total bills rendered. For 2011, overall performance showed that 99.51% of the bills were accurately rendered, which was slightly below the goal for the year of 99.54% as well as the 99.58% 2010 year ending performance. The Meter Read Rate is a measure of the percent of meters read compared to those

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1 As part of the Customer Satisfaction Improvement Program described above, National Grid has put in place a concentrated effort to improve First Call Resolution, including new training programs for Customer Service Representatives emphasizing the importance of first call resolution, as well as coaching, performance objectives and monthly audit reviews of individual representative performance around this metric.
scheduled. For 2011, year ending performance was 96.0% slightly below the goal of 96.13%, which was attributable to an inability to access customer meters due to extensive snowfall in January and February. National Grid did undertake remedial actions by hiring supplemental contractors, and as a result, missed the 96.13% actual read rate goal by only 9,575 actual reads (out of more than 6 million annual reads).

c) Collections: the metrics measure the ability to ensure timely payment and protection of risk from customer default, and is comprised of two metrics; Days Sales Outstanding and Bad Debt Ratio. This particular aspect of the business continues to remain extremely challenging given the economy; discussions with neighboring utilities suggest that LIPA is similarly situated to their experiences. For 2011, the Days Sales Outstanding performance was measured at 34.91 days\(^2\). The Bad Debt Ratio for 2011 was 0.5956%, an improvement over the 2010 measurement of 0.6298% (even as it was restated to 0.6243% to reflect the inclusion of bankruptcy).

LIPA measures customer satisfaction utilizing two methodologies; the LIPA Contactor Survey and the JD Power and Associates’ Electric Utility Business Customer Satisfaction Study (JD Power). The first methodology is a study designed to measure and understand the perceptions regarding LIPA of randomly selected Long Islanders, regardless of whether they have had any direct interaction with LIPA. This perception study is performed annually by JD Power for both LIPA’s residential and commercial customers, and ranks LIPA’s performance against large peer utilities in the East. The second methodology measures actual customers’ touch-point experience with LIPA and is known as the Contactor Study.

In 2011, various factors including negative coverage of a particular high bill and rate issue and Tropical Storm Irene negatively impacted overall Customer Satisfaction measures. In particular, after Tropical Storm Irene, LIPA performed exceptionally well in terms of restoring service but failed to manage customer expectations in terms of being able to calculate and communicate timely Estimated Time of Restoration information to customers.

The Contactor Study results show that LIPA has an overall customer satisfaction score of 88.0 which is above the target of 86.8 (based on the performance level achieved in the prior 12-month period). (It should be noted that LIPA achieved higher monthly scores during the earlier part of the year prior to Tropical Storm Irene.) It was determined that LIPA would likely have exceeded 88.0 if not for a significant drop in the First Call

\(^2\) During 2011, the Days Sales Outstanding (DSO) was restated to correct an error discovered in the reporting systems utilized to calculate DSO in the prior year. LIPA staff is separately investigating that reporting to determine what, if any, impact this had on the performance for DSO previously reported by National Grid for this metric.
Resolution metrics caused by Tropical Storm Irene which drove extreme levels of traffic to the call center.

In early 2011, JD Power results indicated that LIPA’s concentrated focus on customer satisfaction was having a positive impact with significant improvement in the annual Business Results reported in February. LIPA’s ranking was 7 out of 13 with a Customer Satisfaction Index (CSI) of 622 versus the segment average of 627 with the top performer scoring 654. The annual Residential Report (conducted in four installments with the fourth ending in May 2011) moved LIPA up one position to rank 15 of 17 with a CSI of 582 versus the segment average of 606 with the top performer scoring 638.

However, the first of the two installments of the Business Survey (in the field from April through June) indicated a decline in ranking to 11, concurrent with media coverage. LIPA’s CSI was 611 versus the segment average of 643 with a wider gap to the top performer of 699.

When LIPA received the results from the earlier installments, staff began working with National Grid on a special initiative called the Customer Satisfaction Improvement Program (CSIP). This program establishes special teams to focus on specific customer service areas in order to improve customers’ experience with the services they receive from LIPA. In addition, an in-depth analysis of the data gathered by JD Power identified those topics about which LIPA customers are requesting additional information including Power Supply, Efficiency, and the Environment. In conjunction with these improvement efforts, LIPA has launched a communications campaign to respond to customer inquiries and comments and to provide more details on programs. The CSIP initiatives began in the 4th quarter of 2011.

Use of Communications Systems
Recognizing the need for improved customer communications during extreme weather events and system outages, LIPA’s Outage Communications has been strengthened with 2 new channel options allowing customers to report and receive restoration estimates via texting and email. To address the Estimated Time of Restoration (ETR) communication issues identified during Tropical Storm Irene, National Grid revised their storm damage assessment process in December 2011 to allow for better job level messaging and restoration information. A third communications channel, a mobile web option, is currently being designed.

Services for Special Customers
LIPA strives to be responsive to its customers’ needs and offers an array of services for customers with special needs. These services include large print bills, braille bills, the Friendly Follow-up Program and the Critical Care Program. Customers who have impaired vision are able to receive large print or braille bills. Enrollment for each of these services is 552 customers and 16 customers respectively.

The Friendly Follow-up Program allows customers to designate a relative, trusted friend or social service agency to receive an extra copy of the customer’s LIPA bill should it
become overdue. The person chosen to receive notification is not responsible for payment of the bill but can help keep track of the status of the customer’s account. The Friendly Follow-up Program currently has 1453 enrollees.

LIPA’s Critical Care Program provides customers who rely on qualifying life-support equipment to have their account noted and their meter tagged as “critical care”. When a severe storm is anticipated, a call is made to those customers so that they can make preparations regarding their health and safety in advance of the storm. If an outage does occur, every effort will be made to restore electricity as quickly as possible during a severe storm; however, there may be occasions when timely restoration is difficult and customers are encouraged to ensure their medical needs are met. Enrollment in LIPA’s Critical Care Program remains fairly consistent from year to year as customers are required to re-certify their eligibility. At the conclusion of 2011, this program had 5,561 enrollees and LIPA continues to market the program to create awareness and participation of customers in need of this service.

**Financial Assistance Programs**

In 2011, LIPA launched the Household Assistance Rate program. This program was designed to assist those customers who meet low income eligibility guidelines in an effort to offset increases to the amount of the Daily Service Charge portion of the bill. This new rate was modeled on programs already approved by the New York State Public Service Commission for other large utilities. Through December 2011, LIPA enrolled 21,989 customers in the program.

**On-Line/Web Based Services**

Performance for web-based services exceeded goals in 2011:

- Electronic bill payments totaled 3,539,638 and exceeded the year-end goal by 4%.
- Paperless billing enrollment totaled 79,401 customers and exceeded the year-end goal by 9%
- My Account registrations totaled 376,235 customers and exceeded the year-end goal by 6%

Electronic bill payments indicate the total number of payments made via the internet through LIPA’s Online Payment Program in the My Account section of our web site.

Paperless billing indicates the total number of customers who have opted to no longer receive paper bills but receive an e-mail notifying them that their bill is ready to be viewed and paid on line in LIPA’s My Account section of our web site.

My Account is the section of LIPA’s web site where customers can manage their LIPA account. This section includes viewing and paying your bill, usage history, enrollment in balanced billing, direct pay, or paperless billing programs, signing up for texting, entering a meter read and other valuable options to assist you in managing your LIPA account.
On-Bill Customer Usage Information

Based on customer research, LIPA will make modifications to the customer bill so that customers can more easily see the information that is most important to them such as the due date and amount due, and will also provide valuable usage history information in the form of a 13-month graph for easy year-over-year comparisons.

Customer Satisfaction Initiatives

Progress continues to be made across a number of Customer Satisfaction initiatives:

- Outage Communications has been strengthened with 2 new channel options allowing customers to report and receive restoration estimates via texting and email. To address the Estimated Time of Restoration (ETR) communication issues identified in Tropical Storm Irene, National Grid revised their storm damage assessment process in December 2011 to allow for better job level messaging and restoration information. A third channel pertaining to a mobile web option is being implemented, with deployment planned for the second quarter of 2012.

- Expanding Customer Convenience and Payment Options continued to progress with completion of a credit card payment provider bid review and contractor agreement. Following requisite Office of the State Comptroller (OSC) approval, implementation is anticipated to be completed in the second quarter of 2012. Furthermore, an additional online bill payment option allowing customers to pay their bills through bank services has been added and customers will now be able to pay LIPA bills using this method by February 1, 2012.

In addition, the MSA required the development of a National Grid Employee Culture plan designed to reinforce the individual employee’s accountability in supporting the Customer Experience. The full formal plan is currently in place to increase engagement and drive proactive management of customer expectations. The plan includes an Employee Performance Program tied to recognition and pay for goals rewards, as well as a culture development program to recognize and reinforce the importance of the customer to the business.

LIPA has also implemented its own Customer Advocacy program to ensure that its employees understand their contribution to the Customer Experience and understand how what they do in their day-to-day responsibilities support customer satisfaction. The design of this program was completed in December of 2011 and all employees have a customer satisfaction objective as part of their performance reviews that will first be measured in 2012.
Compliance With and Timely Submission of Required Reports and Related Governance and Disclosure Filings

Promoting effective management, improving accountability and oversight, encouraging transparent and full disclosure, and establishing a culture of ethical behavior and personal responsibility are all elements in reaching the goal of accountability. In that regard, LIPA continues to diligently meet all of its disclosure, compliance and reporting obligations pursuant to requirements set forth by: the LIPA Act; the Public Authorities Reform Act; the State Finance Law, the New York State Attorney General’s Office, the New York State Comptroller’s Office, Executive Orders and other various federal and state entities and organizations. LIPA met all of its reporting obligations in full and on time during 2011.

Working closely with other state authorities and the Authorities Budget Office, LIPA continually monitors best practices for compliance and accountability, and has been working with the Governance Committee of the Board of Trustees to determine, develop and implement such best practices and policies.

Board Committee Activities

LIPA’s Board of Trustees contributes greatly to the organization-wide awareness of the need to be accountable, in part, through the use of its committees, which focus on a particular area or element of LIPA’s operations.

The Board’s committees work hard to be accountable for LIPA’s mission, including the Finance and Audit Committee, the Governance Committee, the Energy Efficiency and Environmental Committee, the Operations Committee and the Personnel and Compensation Committee. Each of these committees pursued matters of great importance to LIPA during 2011, further ensuring that LIPA is highly accountable for its actions.

The Board Committees addressed the following issues and completed the following during 2011:

- 2010 Governance Committee Report to the Board of Trustees
- 2010 Board of Trustees Self-Evaluation
- The skills and experience required of trustees
- LIPA’s Procurement Guidelines
- Governance Committee Charter
- Mission Statement of the Long Island Power Authority
• Guidelines Regarding Property Acquisition Contracts
• Guidelines Regarding Property Disposition Contracts
• Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts
• Trustee Training
• Trustee Portal
• The Long Island Power Authority Code of Ethics and Conduct
• Modifications to LIPA’s Tariff for Electric Service Related to Change in Delivery Charge
• Modifications to LIPA’s Tariff for Electric Service Establishing Household Assistance Rate Program for Low-Income Customers
• Modifications to LIPA’s Tariff for Electric Service Providing for Residential Late Payment Charge
• Revised Long Island Power Authority Investment Guidelines
• Revised Governance Committee Charter
• Lobbying Guidelines Regarding Procurements, Rules, Regulations or Ratemaking
• Third Amendment to the Amended and Restated Management Services Agreement with National Grid
• Eighth Amendment to Power Supply Agreement
• Approval of Waiver of By-Laws Provision Regarding Meeting Attendance
• Regularly reviewed the Authorities’ Financials, Cash Report, Budget Report and Hedging Report
• Revised the methodology for unbilled revenue
• Reviewed and discussed the Audited Financial Statements and the Audit results
• Received updates regarding the Energy Risk Management Program
• Discussed bill collections
• Reviewed Plan for 2011 Financings and $250 million New Money Bond Pricing
• Reviewed Storm Payment procedures
• Discussed cash flow projections
• Received update on storm costs and cash flow implications
• Reviewed the Liquidity Facilities RFP and discussed the IT Capitalization Policy
• Reviewed, commented and recommended to the Board the 2012 Operating Budget and the 2012-2013 Capital Budget.
• Received the Independent Evaluation of LIPA’s Efficiency Long Island Program conducted by Opinion Dynamics Corporation
• Reviewed and discussed the long range goals for Efficiency Long Island
• Received updates regarding Utility-Scale Renewables (Solar and Wind); and
• Monitored the LIPA Edge program; and discussed the Outreach and Advocacy Services RFP.
Voluntary Public Information Sessions
- Strategic Review meetings
- 2012 Budget Workshops
- 2012 Budget Public Comment Sessions
- Public Meetings regarding LIPA’s Storm Response

Training of Staff and Trustees
LIPA’s customers have the right to expect that LIPA’s programs and services are administered and managed with the highest degree of professionalism and that employees and Trustees adhere to those principles which will insure that LIPA continues to earn and retain the public’s trust. LIPA’s employees and Trustees are subject to certain ethical statutes and rules, including but not limited to the Long Island Power Authority Code of Ethics and Conduct, New York State Public Officers Law, and opinions issued by the New York Commission on Public Integrity. Training regarding these statutes and rules is provided to LIPA’s employees and Trustees so that they will continue to service LIPA’s customers with honesty and integrity.

Employees:

In 2011, LIPA provided the following training seminars:
- Internal Controls Training
- Sexual Harassment Prevention Training
- Family Medical Leave Act
- T&D System Overview
- Customer Satisfaction

Trustees:

Section 2824(2) of the Public Authorities Law, requires directors to “participate in State-approved training regarding their legal, fiduciary, financial and ethical responsibilities as board members of an authority within one year of appointment to a board. Board members shall participate in such continuing training as may be required to remain informed of best practices, regulatory and statutory changes relating to the effective oversight of the management and financial activities of public authorities and to adhere to the highest standards of responsible governance.”

The stated purpose of this training is to prepare individuals to understand and properly execute their roles as board members and to be well-versed in the principles of corporate governance and the requirements of the law. Training provides the foundation for directors to exercise appropriate oversight and to recognize the responsibility they have to the mission of their organization, its management and staff, and to the public.

Of the thirteen Trustees currently serving on the Board, twelve have satisfied their initial training obligation; the most recently appointed Trustee has until May 2012 to satisfy this obligation.
### Long Island Power Authority Goal

#### 2011 Performance Measurements

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<tbody>
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<td></td>
<td>Compliance with all aspects of New York State’s Open Meetings Law</td>
</tr>
<tr>
<td></td>
<td>Public Dissemination of Pertinent Customer and Other Information</td>
</tr>
<tr>
<td></td>
<td>Bill Formatting Improvements</td>
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</table>

### Website Information Availability, Including Meeting Webcasts

LIPA maintains a robust and informative website in which LIPA customers can visit to learn more about the organization, its programs and its initiatives. The LIPA website has a residential customer section where customers can check their energy usage, pay bills online, become familiar with LIPA’s energy saving programs, and learn about electric safety in and around their home. Business customers can find an area of the website dedicated to their particular interests and needs including information about how to save money and energy, LIPA’s electric rate discounts, the Solar Entrepreneur program and the Commercial Efficiency program among other items. All Customers benefit from LIPA’s Storm Center and the information it provides. The Storm Center section provides outage and restoration information and updates, storm safety tips and instructions for reporting an outage. The website also maintains an About LIPA section. The About LIPA section provides information to Customers regarding LIPA’s organization as a whole, including current projects, finances, Board of Trustees, Agreements and Contracts, Applications and Forms, Interconnection Documents and Guidelines, webcasts of LIPA’s Board of Trustees’ and Committee meetings, employment opportunities, and upcoming requests for proposals and bids.

The website is updated on a daily basis with new and important information.

### Compliance With All Aspects of New York State’s Open Meetings Law

LIPA is committed to complying with New York State’s Open Meetings Law and recognizes that it is essential to the maintenance of a transparent organization. LIPA performs its business in an open and public manner and takes all necessary steps to insure that its customers and other stakeholders are fully aware of and able to observe the performance of the LIPA Board. This includes being able to attend the meetings and/or listen to the deliberations and decisions that go into the making of LIPA policy. Therefore, the following steps are taken to ensure transparency and compliance with the Open Meetings Law:

- Any meeting of the LIPA Board that is open to the public is webcast.
- Public notice of the time and place of a meeting scheduled at least one week before the meeting is given to the news media and is conspicuously posted in one or more designated public locations at least seventy-two hours before such meeting.
- Notice of the time and place of a meeting is also conspicuously posted on LIPA’s Internet website.
Public Dissemination of Pertinent Customer and Other Information

LIPA holds public information sessions regarding its annual budgets, issues press releases advising of the Authority’s operations and activities, addresses legislative bodies and committees on a variety of issues, forms and advises stakeholder groups, places advertisements about products and programs, and has an active presence on social networking sites such as Facebook and Twitter.

Bill Formatting Improvements –See On-Bill Customer Usage Information above.

Billing Rate Clarity
To ensure that customers are aware of the rate they are billed under and to better understand how they are assigned rates, LIPA executed measures in 2011 to improve customer awareness and education regarding rates. Such measures included incorporating rate information into customer service scripting when customers call for new service, including educational content in the LIPA newsletter, distributing an updated version of LIPA’s rate descriptions via direct mail and posting this information on the LIPA website, advertising on how to read the bill including detailed instructions regarding where to find the rate on the bill.

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<th>Long Island Power Authority Goal</th>
<th>2011 Performance Measurements</th>
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| Being a leader in the advancement of efficiency and renewable energy. | • Efficiency Long Island Performance Report  
• Performance compared with other utilities as reported in the American Public Power Association and Large Public Power Council reports and as compared to other New York utilities  
• Participation and cooperation with other governmental agencies including NYSERDA, the Department of Energy, the Environmental Protection Agency and the Department of Environmental Conservation  
• Incentives, Promotions and Programs Offered |

Efficiency Long Island Performance Report

In 2011, LIPA began the 3rd year of its 10-year Efficiency Long Island Initiative (ELI). As ELI continues to ramp-up, LIPA’s commercial and residential efficiency programs increased energy savings by 34% compared to 2010. In 2011, while growing both the commercial and residential energy efficiency programs, LIPA initiated a new commercial energy efficiency component, the Small Business Direct Installation program, and continued to provide ongoing education of the public and trade allies regarding the benefits of energy efficiency.

LIPA continues its commitment to growing its renewable energy portfolio through its emerging Backyard Wind and Solar Thermal programs, and the highly successful Solar Pioneer and Entrepreneur programs. LIPA has increased its budget for renewable energy technologies for the 4th year in a row and has obtained $6 million in Regional Greenhouse
Gas Initiative funds and $8.3 million in American Recovery and Reinvestment Act (ARRA) funds for residential solar installations. And, in a public/private partnership that involved BP Solar, Brookhaven National Laboratory (“BNL”), and the U.S. Department of Energy, LIPA completed construction of utility-scale solar generation project at the Long Island Solar Farm (LISF). The LISF is the largest solar energy project in the state of New York, the largest photovoltaic array in the eastern United States, and is among the largest in the nation constructed on federal property. The 32-megawatt (“MW”) LISF, which is made up of 164,312 solar panels, also boasts the smallest footprint for a solar array of its output, further solidifying LIPA as a national leader in clean, renewable energy.

Information about LIPA’s broad portfolio of energy efficiency and renewable programs, and the rebates and incentives that are available to residential and commercial customers through these programs is available on LIPA’s website at www.lipower.org.

The performance of LIPA’s Efficiency Long Island Initiative and renewable energy programs is publicly reported as a component of the monthly Operations Report that is provided to the LIPA’s Board of Trustees, as well as through the evaluation work performed by Opinion Dynamics Corporation (ODC). It is expected that ODC will be submitting their independent evaluation report on LIPA’s 2011 Efficiency Long Island and renewable energy programs in April of 2012.

In summary, in 2011 the programs that comprise LIPA’s Efficiency Long Island Initiative (inclusive of energy efficient products, residential energy efficiency, and commercial energy efficiency) achieved approximately 86% of the 2011 MW capacity goal and nearly 88% of the MWh energy goal established. During the same time period, LIPA’s “customer-sided” Solar Pioneer and Entrepreneur programs achieved approximately 105% of the MW capacity goal and roughly 115% of MWh energy goal established for them. When looked at from a combined viewpoint LIPA’s energy efficiency and renewable programs achieved in total approximately 89% of the established overall MW capacity goal and roughly 90% of the established combined MWh energy goal in 2011 while spending just 84% of the approved budget. It should be noted that while continuing to be a cost-effective investment by LIPA, these programs achieved a substantial increase in energy savings when compared to the previous year; this represents a continuing increase in customer participation and contribution towards the 10-year target of 524 MW peak demand energy savings.

While continuing to successfully grow these programs, there were a number of factors which led to an under-run, which are not anticipated to be present in 2012. The most significant factor was the late launch of the Small Business Direct Install (“SBDI”) program. The program was delayed due to the procurement process, contract negotiations with Lime Energy, and the application process for approvals. However, through these negotiations, LIPA and Lime Energy agreed on a contract that should provide additional energy and demand savings in the small business segment at a cost that is lower than originally budgeted. The delay in implementation of SBDI, which had a goal of 5.56 MW of capacity savings, resulted in the program only achieved 0.32 MW of capacity
savings since the program did not achieve energy savings until December. If the SBDI program is eliminated from both the budget and the actual results in 2011, the Commercial Efficiency Program achieved over 100% of its goals. As SBDI is now fully implemented, it is expected for the program to be a significant contributor towards achieving LIPA’s energy and demand reduction targets in 2012.

Performance Compared With Other Utilities as Reported in the American Public Power Association and Large Public Power Council Reports and as Compared to Other New York Utilities

LIPA offers its customers a comprehensive slate of residential and commercial energy efficiency and renewable programs. A survey of energy efficiency and demand-side management practices, conducted by the American Public Power Association (“APPA”) observed that LIPA currently offers all ten of the most common energy efficiency programs being offered by APPA members. LIPA’s efforts in promoting solar power were ranked in the top 10 for the eastern region by the Solar Electric Power Association. And, LIPA’s performance continues to ahead of other New York State regulated utilities with regard to performance towards the 15 x 15 energy savings targets.

Participation and Cooperation with Other Governmental Agencies Including NYSERDA, the Department of Energy, the Environmental Protection Agency and the Department of Environmental Conservation

Throughout 2011, LIPA continued its coordination and cooperation with the New York State Energy Research and Development Authority (“NYSERDA”), primarily through implementation of the NYS Green Jobs–Green New York Act. An interdisciplinary team of LIPA’s management and staff have worked closely to ensure that LIPA’s and NYSERDA’s interests were served complementary to each other and that the potential for customer confusion (as the programs operated in the same area) were minimized to the greatest extent possible. Additionally, LIPA and NYSERDA (along with others) worked together in commenting upon and establishing common ground in New York for the revisions to the United States Environmental Protection Agency’s (“EPA”) Energy Star Homes Program Version 3.

LIPA also worked throughout the year with both the EPA and the United States Department of Energy (“DOE”) to coordinate efforts on the development and implementation of Energy Star programs in order to establish a tighter collaboration between agencies and insure that such programs meet the needs of the Long Island region while remaining responsive to the nation. To this extent, LIPA was successful in having the chief executive officers of the Residential Homes programs for both DOE and EPA independently come to Long Island to offer workshops to LIPA trade allies and the region’s contractors to discuss implementing the upcoming modifications to their programs.

For its efforts in 2011, LIPA received an “excellence award” from the EPA for its Home Performance with Energy Star program.
As part of the effort to coordinate the implementation of state programs on Long Island, LIPA continues to work with NYSERDA as on-bill financing for residential energy efficiency improvements becomes fully functional in 2012.

As a leader in the development and implementation of energy efficiency and renewable energy programs, LIPA employs a dedicated and professional staff that actively serve on a number of government and not-for-profit professional and technical boards including:

- Consortium for Energy Efficiency (CEE)
- New England Economic Partnership (NEEP)
- US Department of Energy State Energy Advisory Board
- NY State Energy Plan (SEP) – Energy Efficiency task force
- Solar Electric Power Association (SEPA)
- Brookhaven Town Clean Energy Task Force
- National Home Performance Council
- Evaluation Advisory Group (EAG) – advisor to department of public service
- Clean Energy Business Incubator of Stony Brook
- Greater Long Island Clean Cities Coalition

Incentives, Promotions and Programs Offered

In 2011, LIPA introduced rebates for light emitting diode (LED) lighting for both residential and commercial customers. This new lighting technology is highly efficient, and has seen rapid improvements in performance in recent years. Based on customer participation in 2011, it appears that LED lighting is being well received by customers, and could become a key component of future efficiency programs, with potential to replace Compact Fluorescent Lighting (“CFL”) in the future if costs continue to come down.

Examples of LIPA’s leadership in the area of Renewable Energy, include:

- Implementation and development of LIPA’s 50MW Solar Power (capacity, energy and associated Renewable Energy Credits) Request for Proposals (RFP) by BP Solar Incorporated and enXco Development Corporation. On November 1, 2011, construction of the 32MW LISF was completed by BP Solar Inc. and commissioned. The LISF provides LIPA with the power to sustain more than 4,500 households and reduce carbon dioxide emissions more than 30,950 tons.

The remaining solar installations (up-to 17MW) by enXco continue to be designed, permitted, and constructed at Suffolk County and Long Island Railroad parking lots. The Long Island Railroad Brentwood Station project composed of 11 solar arrays delivering 1 MW of solar is the first “solar carport” completed. There has been significant progress made at the H. Lee Dennison Building site in Hauppauge, advancement at the County Legislative Building site in Smithtown, and planning, designing and permitting ongoing at the remaining locations.
When built and operational, these solar projects will provide approximately 50MW and provide enough power to sustain more than 6,500 households and reduce carbon dioxide emissions by more than 45,300 tons, while creating approximately 1,000 green jobs in the United States.

- LIPA’s Solar Pioneer and Solar Entrepreneur program - an early leader in solar energy, LIPA has provided incentives and technical support to approximately 5,000 residential and commercial participants since the inception of this program in 2000, effectively adding about 39 MW of solar capacity, reducing peak electricity demand, and improving service reliability. In 2011, LIPA secured $8.3 million of federal ARRA funding to allow continued expansion of the program. LIPA continues to expand this incentive program to customers that use electric water heaters by now including Solar Hot Water systems, the second highest energy cost in a typical household after space heating.

- LIPA continues to provide net metering for residential and commercial customers and is currently developing the tariff needed to enable customers to “remote net meter” renewable energy pursuant to state legislation enacted in 2011.

- LIPA is currently analyzing performance based mechanisms and program(s) that could further expand the mid-to-larger range solar energy installation market on Long Island in accordance with the Governor’s ambitious proposal to quadruple the state’s solar energy portfolio over the next few years.

- LIPA’s Backyard Wind Initiative has provided rebates to eight customers that are now harnessing power from the wind through the use of land-based wind turbines.

- LIPA continues to provide rebates to its electric heat/hot water customers for the installation of solar thermal arrays through its Solar Thermal Program

- LIPA continues to be a partner with Con Ed and New York Power Authority (NYPA) in the LI-NYC Offshore Wind Collaborative. In 2011, NYPA on behalf of the collaborative filed an application for a lease from the United States Bureau of Ocean Energy Management and Enforcement for the bottomlands where an offshore wind farm could be located.

- LIPA has provided technical and financial resources to towns and villages that proceed to adopt the Long Island Unified Solar Code, which seeks to provide a streamlined permit process that protects public safety across the region.

- LIPA is providing rebates for customers that purchase a Plug-in-Hybrid Electric Vehicle (PHEV) or a Plug-in-Electric Vehicle (PEV).