LIPA 2012 Performance Evaluation

In 2012, 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 2012.

<table>
<thead>
<tr>
<th>Long Island Power Authority Goal</th>
<th>2012 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 annual 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 annual 5 year average.</td>
</tr>
<tr>
<td></td>
<td>▪ Reliability comparison to other similar New York State utilities using SAIFI and CAIDI.*¹</td>
</tr>
<tr>
<td></td>
<td>▪ Capital Projects</td>
</tr>
<tr>
<td></td>
<td>▪ Reasonableness of Price</td>
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</tbody>
</table>

Strong reliability performance is of paramount importance to the Long Island Power Authority and its customers. Over the past 14 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. While maintaining high reliability and performance of the system during normal weather and normal operating conditions, LIPA is taking steps to storm harden its system and improving storm restoration processes to address trends in higher frequency and intensity of severe weather conditions experienced during last few years.

System Average Interruption Duration Index (SAIDI)*

*2012 Reliability Performance data from other NY State utilities was based on self-reporting and is unofficial at this time. The NYSPSC is not expected to report official results until May 2013 though based on previous experience results are not expected to change.

1. SAIDI, SAIFI and CAIDI are indices reported by all NY State utilities. These reliability indicators exclude period of extreme weather since they frequently result in massive damage to customer and municipality owned trees and utility infrastructure. In accordance with NYSPSC criteria, LIPA and several other NY State utilities excluded the interruptions associated with Superstorm Sandy from their statistics.
SAIDI is a measurement of the total power outage time that the average customer experiences in a year. In 2012, LIPA met its target for SAIDI by ending the year at a level of 50.6 minutes, which is 2.1% lower than what was experienced in 2011 and 9% lower than LIPA’s five-year average of 55.8 minutes. The 2012 results handily beat the National Grid/LIPA Management Services Agreement (“MSA”) target for SAIDI of 55.5 minutes.

The 2012 number for SAIDI as compared to LIPA’s 2011 SAIDI performance was influenced by a high level of storm activity. In 2012 there were a total of 25 storms; of which 24 were included in LIPA’s measurements (Only Superstorm Sandy was excluded). Despite the increased storm activity these last two years (higher levels than any year in the preceding 15), 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 measures the number of times the average customer was interrupted during the year. In 2012, LIPA met its MSA SAIFI target of 0.83 by ending the year at 0.677. This was 10.1% lower than what was experienced in 2011 and 13.7% lower than LIPA’s five-year average of 0.78.

**Customer Average Interruption Duration Index (CAIDI)**

CAIDI is the average time to restore service for those customers impacted by outages during the year. In 2012, LIPA was successful in meeting a CAIDI MSA threshold of 75.5 minutes by ending the year with a CAIDI level of 74.7 minutes. This is 9.1% higher than 2011 and 4% higher than five-year average of 66.3. The increased level of storm activity in 2012 and the resultant residual damage associated with these storms adversely impacted CAIDI performance in 2012.

Listed below is comparative summary of LIPA’s 2012 year end performance for its major reliability indices:

- **System Average Interruption Duration Index (SAIDI):** measures total power outages time the average customer experiences in a year – **50.6 minutes**. This measurement places LIPA as #1 in New York State by a considerable margin of 27 minutes better than the second ranked utility.

- **System Average Interruption Frequency Index (SAIFI):** measures number of times the average customer was interrupted during the year – **0.6778**(17.7 months between interruptions). LIPA’s performance again ranked #1 among comparable NYS utilities.

- **Customer Average Interruption Duration Index (CAIDI):** measures, on average, how long it took to restore power to customers interrupted during the
year – 74.7. This performance ranks LIPA #1 in NYS by a considerable margin of nearly 30%.

Reliability Comparison to average of other similar NYS Utilities\(^2\) using SAIFI and CAIDI
LIPA’s 2012 SAIFI performance of 0.677 ranks it #1 in the State of New York. This average SAIFI of all other utilities in the State of New York is 0.916.

LIPA’s 2012 CAIDI performance of 74.7 minutes ranks it #1 in the State of New York. The average CAIDI of all other utilities in the State of New York is 117.8 minutes.

Capital Projects and System Improvements
LIPA completed its capital investment plan in 2012 with the investment of $ 268 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 2012 included the following major projects:

- $2.6 M for addition of new switchgear at Great Neck
- $3.5 M installation of new distribution banks at Ruland, North Bellmore, Lindenhurst and Terryville
- $22 M addition of Far Rockaway – Valley Stream 3\(^{rd}\) Circuit and the associated substation reinforcements at Valley Stream and Far Rockaway
- $1.6 M re-energization of 69-975 Bridgehampton- Deerfield 69 kV circuit and the relocation of capacitor bank from Bridgehampton to Deerfield
- $11 M addition of Great Neck- Lake Success third circuit
- $3.3 M forced cooling of Shore Road to Lake Success 138 kV circuit
- $6.2 M reconductoring of EGC to Herricks 69 kV (69-372)
- $1.4 M reconductoring of North Hills to Sperry 69 kV (69-367)
- $7.6 M Valley Stream 138 kV Bus Rearrangement

LIPA has a proven track record of developing and executing the appropriate capital improvement strategies to continuously meet and exceed its reliability targets and storm hardening improvements.

In 2012, a significant investment of $20M was made in updating and upgrading critical IT systems and infrastructure to support improvements in system operation and customer communications.

\(^2\) SAIDI, SAIFI and CAIDI are indices reported by all NY State utilities. These reliability indicators exclude period of extreme weather since they frequently result in massive damage to customer and municipality owned trees and utility infrastructure. In accordance with NYSPSC criteria, LIPA and several other NY State utilities excluded the interruptions associated with Superstorm Sandy from their statistics.
**Reasonableness of Price**

LIPA strives to charge the minimum amount of revenue necessary to recover its costs and maintain its financial viability. LIPA has delivered stable rates for its customers over the past several years as demonstrated by the typical residential bill shown below. In 2012, despite an increase in Delivery Service rates that raised total rates by 1.5%, the typical residential bill is still lower than it was in December 2010. Furthermore, in late 2012, LIPA adopted monthly pricing for the Power Supply Charge in place of the quarterly pricing that LIPA had adopted in early 2011. The LIPA Trustees approved the monthly pricing approach in order to make LIPA’s pricing more consistent with state-wide practices and to pass along downward and upward changes in LIPA’s cost to purchase electricity as quickly as possible to customers. This provides for more price transparency to the customers and tends to minimize the carry-overs to be returned to customers.

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, Central Hudson Gas and Electric is the third most expensive utility, with residential rates that are 17% lower than LIPA’s.

### Average Revenue per kWh for Major New York State Electric Utilities
**For the 12 Months ending August 2012**

<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</td>
<td>0.2542</td>
<td>0.1979</td>
<td>0.1726</td>
<td>0.2268</td>
</tr>
<tr>
<td><strong>Long Island Power Authority</strong></td>
<td><strong>0.1938</strong></td>
<td><strong>0.1816</strong></td>
<td></td>
<td><strong>0.1870</strong></td>
</tr>
<tr>
<td>Central Hudson Gas &amp; Electric</td>
<td>0.1605</td>
<td>0.1227</td>
<td>0.0991</td>
<td>0.1464</td>
</tr>
<tr>
<td>Orange &amp; Rockland Utilities</td>
<td>0.1681</td>
<td>0.1194</td>
<td>0.0599</td>
<td>0.1422</td>
</tr>
<tr>
<td>Niagara Mohawk Power</td>
<td>0.1366</td>
<td>0.1111</td>
<td>0.1511</td>
<td>0.1316</td>
</tr>
<tr>
<td>Rochester Gas &amp; Electric</td>
<td>0.1195</td>
<td>0.1138</td>
<td>0.0860</td>
<td>0.1162</td>
</tr>
<tr>
<td>New York State Electric &amp; Gas</td>
<td>0.1056</td>
<td>0.0910</td>
<td>0.0575</td>
<td>0.0994</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 August 2012**

<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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<td><strong>Long Island Power Authority</strong></td>
<td><strong>0.1938</strong></td>
<td><strong>0.1816</strong></td>
<td></td>
<td><strong>0.1870</strong></td>
</tr>
<tr>
<td>NSTAR Electric Company</td>
<td>0.1699</td>
<td>0.1701</td>
<td>0.1515</td>
<td>0.1677</td>
</tr>
<tr>
<td>Connecticut Light &amp; Power</td>
<td>0.1677</td>
<td>0.1491</td>
<td>0.1193</td>
<td>0.1623</td>
</tr>
<tr>
<td>San Diego Gas &amp; Electric</td>
<td>0.1701</td>
<td>0.1541</td>
<td>0.1260</td>
<td>0.1573</td>
</tr>
<tr>
<td>Pacific Gas &amp; Electric</td>
<td>0.1587</td>
<td>0.1529</td>
<td>0.1159</td>
<td>0.1503</td>
</tr>
<tr>
<td>Public Service Electric &amp; Gas</td>
<td>0.1648</td>
<td>0.1325</td>
<td>0.0497</td>
<td>0.1490</td>
</tr>
<tr>
<td>Jersey Central Power &amp; Light</td>
<td>0.1498</td>
<td>0.1459</td>
<td>0.1178</td>
<td>0.1481</td>
</tr>
<tr>
<td>PECO Energy</td>
<td>0.1552</td>
<td>0.1329</td>
<td>0.0929</td>
<td>0.1469</td>
</tr>
<tr>
<td>Southern California Edison</td>
<td>0.1571</td>
<td>0.1340</td>
<td>0.0972</td>
<td>0.1393</td>
</tr>
</tbody>
</table>

Source: Department of Energy, Energy Information Administration, Form 826
LIPA instituted two key rate changes in 2012: an increase in Delivery Charges and the introduction of monthly Power Supply Charge updates. Cost pressures identified in the 2012 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 1.8%, effective March 5th. This increase, however, was more than offset by decreases in the Power Supply Charge that enabled total bills to the customer to decrease in 2012. Also, effective November 1st, LIPA instituted a monthly update of the Power Supply Charge in order to monitor changing fuel prices more closely and to react to such changing prices more quickly. The change also brings LIPA’s practices closer to those approved by the New York Public Service Commission for the regulated utilities in the State.

<table>
<thead>
<tr>
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<tbody>
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<td>Provide superior customer service.</td>
<td>▪ Performance metrics contained in LIPA Management Services Agreement with its contractor National Grid ▪ LIPA’s performance/rating according to JD Power and Associates’ Electric Utility Business Customer Satisfaction Study and LIPA Contactor Survey ▪ Use of Communications Systems ▪ Services for Special Customers ▪ Financial Assistance Programs ▪ Online/Web-Based Services ▪ On-Bill Customer Usage Information</td>
</tr>
</tbody>
</table>

**Performance Metrics Contained in LIPA Management Services Agreement with its Contractor National Grid**

Customer metrics in the 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 in certain areas, such as Meter Reading, was impacted by Superstorm Sandy in October/November of 2012. In fact, the Manager, National Grid, has sent LIPA notice invoking Force Majeure due to Superstorm Sandy. Other areas, such as Collections and Call Center, met their goals for 2012; however, delayed impacts from the storm may be seen in 2013 performance measurements.

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 2012, the First Call Resolution metric performance was 76.50%, exceeding the agreed upon goal.
of 70% but below the 2011 year ending performance of 77.9%. Call Answer Rate for 2012 was 96.40% exceeding the year ending goal of 93.5%, and matching last year’s performance. Average Speed of Answer ended the year at 140 seconds which is 28.9 seconds better than the annual target of 168.9 seconds and represents a 15 second improvement over the 2011 figure of 155 seconds.

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 2012, overall performance showed that 99.55% of the bills were accurately rendered, which was slightly above the goal for the year of 99.54% as well as the 99.51% 2011 year ending performance. The Meter Read Rate is a measure of the percent of meters read compared to those scheduled. For 2012, year ending performance with storm-related estimates was 89.91%, below the goal of 96.13%, and was attributable to Superstorm Sandy and all meter reading personnel being redeployed to their emergency restoration assignments. Overall, 18 meter reading workdays were lost to the storm; three days in October and fifteen days in November. Without storm related estimates, the annual Actual Meter Reading Rate for 2012 would have come in at 97.18%.

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 2012, the Days Sales Outstanding performance was measured at 35.08 days, above the 2011 figure of 34.91 days. The Bad Debt Ratio for 2012 was 0.5518%, an improvement over the 2011 measurement of 0.5956%%.

**LIPA’s Performance/Rating According to JD Power and Associates’ Electric Utility Business Customer Satisfaction Study and LIPA Contactor Survey**

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 understands 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 (JDP) 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.
Customer Satisfaction continues to be an issue. The JDP Residential report was issued in July of 2012 which reflected the impact of Tropical Storm Irene. The overall Residential customer satisfaction index dropped as a result of Irene yet began to significantly improve towards the balance of the survey period.

The year-end results of the Contactor Study clearly show the negative impact of Hurricane Sandy with the satisfaction results down to 62.3% in December 2012. While this was an increase of 8.6 points from November it is still 28.8 points below the target and lower than the 84.9% in December 2011.

**Use of Communications Systems - Mobile Web Deployment**
Recognizing the need for improved customer communications during extreme weather events and system outages, LIPA completed deployment of its mobile web platform to provide an additional outage communications channel for customers. Longer-term planning includes expanding the mobile platform to include LIPA’s *My Account* feature in 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.

**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 538 customers and 15 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 1360 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 2012, this program had 6,105, an increase from the 2011 figure of 5,561 enrollees. 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. At year-end December 2012, LIPA had 16,648 customers enrolled in the program.

**On-Line/Web Based Services**

Performance for web-based services in 2012:

- Electronic bill payments totaled 3,667,692 representing an increase of 128,054 over last year yet we missed the goal of 3,700,000 primarily through the impact of Superstorm Sandy.
- Paperless billing enrollment totaled 75,935 customers. This number reflects a shortfall in goal (85,736) due to a failure in update programming on the part of National Grid. The original target of did not take into account that the base was actually 19,045 less when the goal was set.
- My Account registrations totaled 394,395 customers which was short of the goal of 419,104 due to the problem with programming noted above where the base for My Account existing registrations was 38,199.

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.

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. During 2012, LIPA employees actively participated in programs established for the purpose of contributing to customer satisfaction. One of the most successful and rewarding programs was the Backpack Program where LIPA employees donated 84 backpacks and an abundance of school supplies to a non-profit charitable organization. In addition, LIPA employees donated to a holiday toy drive for sick children, also a very successful event.

**On-Bill Customer Usage Information**
LIPA successfully introduced an improved customer bill so that customer 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.

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<td>Accountability</td>
<td>▪ Compliance with and timely submission of required reports and related governance and disclosure filings</td>
</tr>
<tr>
<td></td>
<td>▪ Board Committee Activities</td>
</tr>
<tr>
<td></td>
<td>▪ Voluntary Public Information Sessions</td>
</tr>
<tr>
<td></td>
<td>▪ Training of Staff and Trustees</td>
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</table>

**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 substantive reporting obligations in full and on time during 2012.

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, the Personnel and Compensation Committee and the Transition Oversight Committee. Each of these committees pursued matters of great importance to LIPA during 2012, further ensuring that LIPA is highly accountable for its actions.

The Board Committees addressed the following issues and completed the following during 2012:

- Regularly reviewed and presented Summary Financial Information
- Updates on FEMA reimbursements
- Updates on Financing Issues
- Updates on Risk Management
- Review and report on Operational Audits
- Updates on Management Audit
- Review of Audited Financial Statements
- Update on Power Supply Charge
- Review of Financial Audit results
- Discussions on Capital Structure Opportunities and Challenges
- Updates on Transition matters and budgets
- Discussion and review of Feed In Tariffs
- Review of 2013 Operating Budget and 2013/2014 capital Budget
- Revised Code of Ethics and Conduct of the Long Island Power Authority
- Revised Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts
- Reviewed and Discussed Irene Action Report
- Discussion regarding Generation and Transmission RFP
- Review and discussions regarding certain Board Committee Charters
- Review of the existing Employee Handbook

Voluntary Public Information Sessions
In the spirit of increasing transparency and customer satisfaction, LIPA is fully committed to holding public information sessions and encouraging customer input. While in the past, LIPA has held various public input sessions for its annual capital and operating budget, this year those input sessions were cancelled due to Superstorm Sandy; however LIPA held a public briefing session for its Trustees, in the ordinary course. It should be noted that LIPA delivered a zero percent budget increase for customers for 2013. In addition, LIPA holds weekly open house meetings for business contractors to discuss and learn about LIPA’s energy-efficiency programs. LIPA also held its 2nd Power of Connections conference jointly with National Grid. The purpose of this conference is to offer information on the tools necessary for minority and women-owned businesses to secure contracts in the private and public sectors to help small businesses create jobs and economic opportunity. Finally LIPA affords the opportunity to any member of the public who wishes to speak at the LIPA Board of Trustees meeting.

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 2012, LIPA provided the following training seminars:

- Internal Controls Training
- Project Sunlight Training
- Ethics Training
- Workplace Violence and Domestic Violence Prevention

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 Trustees that served on the Board during 2012, all satisfied their initial training obligation; the two most recently appointed Trustees have one year from the date of their appointment to satisfy this obligation. The Authorities Budget Office (“ABO”) recommends Board members complete subsequent training within 12 months of the date of their reappointment. Three Trustees were re-appointed to the Board in 2012 and LIPA staff is assisting these Trustees with scheduling their attendance at the webinar training conducted by the Authorities Budget Office.

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<tr>
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</tr>
<tr>
<td></td>
<td>Public Dissemination of Pertinent Customer and Other Information</td>
</tr>
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</table>

**Website Information Availability, Including Meeting Webcasts**

The Long Island Power Authority is committed to the principles of public disclosure and the transparent reporting of its financial and management information. This information is available in a manner that enables the public to easily find and navigate through it. In compliance with Executive Order No. 3, all meetings that are subject to the Open Meetings Law are broadcast via the internet and are available on-demand for more than the required thirty (30) days. Company information, including meeting webcasts can be found online at the following address:

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.
- Materials to be discussed at public meetings are posted on the LIPA website by or prior to the meeting.

Public Dissemination of Pertinent Customer and Other Information
LIPA holds public information sessions regarding its annual budgets and any issues that may be of interest to customers, government officials, or any other stakeholders. This includes press releases advising of the Authority’s operations and activities, addressing legislative bodies and committees on a variety of issues such as how LIPA is progressing with transition to PSE&G as its new service provider and how LIPA is modifying its storm preparations and response. In addition, LIPA held public hearings on all proposed changes to its tariff before bringing it before LIPA’s Board of Trustees for approvals. LIPA also places advertisements about products and programs, and has an active presence on social networking sites such as Facebook and Twitter, and Flickr.

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**Efficiency Long Island Performance Report**
LIPA’s Efficiency Long Island Program (ELI), which includes commercial and residential efficiency programs, continues to expand as designed to reduce peak demand by 500 MW. The 10-year, $924 million customer-funded program, initiated in 2009, offers residential and business customers an array of programs to help reduce their energy
usage resulting in savings on future bills, growing “green” jobs, and achieving significant environmental benefits.

The cumulative demand savings from 2009 – 2011, as evaluated by Opinion Dynamics was 87 MW (87% of goal). In 2012, despite losing a month to Superstorm Sandy, preliminary results for ELI show an additional 52.4 MW (95% of goal) and 240,464 MWh (97% of goal) in energy savings. Combined with the 2009 - 2011 achievements of the ELI program, LIPA has reduced peak load by more than 139 MW (90% of cumulative goal).

**ELI Progress Towards 2018 Goal**

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Rebate highlights for ELI in 2012 include:

- **Commercial Efficiency Program:**
  - Small-to-Medium Business – approximately 1,525 rebates processed
  - Solution Provider – approximately 1.095 rebates processed
  - Small Business Direct Install – approximately 1,530 projects verified
  - Total in 2012 of approximately 4,150 commercial rebates processed and/or verified

- **Residential Program**
  - Energy Star Labeled Homes – approximately 730 rebates processed
  - Home Performance with Energy Star and Home Performance Direct – approximately 3,070 rebates processed
  - Cool Homes – approximately 5,200 rebates processed
LIPA continued to provide ongoing educational opportunities for the public and trade allies regarding the benefits of energy efficiency and ELI. These educational opportunities occurred at public and trade events, in free and paid media, and at weekly open houses.

In 2012, for the fourth year in a row, LIPA was recognized by the Environmental Protection Agency (EPA) and ENERGY STAR for its achievements in helping residential customers reduce their energy use and lowering bills by making their homes more energy efficient through the Home Performance with Energy Star program.

In 2012, LIPA paid a record $5,000,000 in rebates to K-12 schools for implementing energy efficiency measures in their facilities. These measures are expected to reduce the schools’ electric energy consumption by 4,000 kW peak demand and 10 million kilowatt hours (kWh) annual usage.

Since 2000, LIPA has paid $13,300,000 in rebates to 102 of 124 public school districts on Long Island and 57 private schools for energy conservation measures that reduced their peak demand by more than 13,000 kW and their annual electric energy use by more than 41 million kWh, with estimated annual electric bill savings of $7 million.

Since 2006, LIPA’s Solar Entrepreneur Program has paid $5,300,000 in rebates for solar electric generating (PV) systems installed on 70 Long Island schools. These systems have an installed capacity of 1,500 kW and expected annual production of 2.1 million kWh.

LIPA also continues its commitment to growing its renewable energy portfolio through its Backyard Wind and Solar Thermal programs, and the highly successful Solar Pioneer and Entrepreneur programs. LIPA increased its budget for renewable energy technologies for the 5th year in a row and obtained an additional $14.6 million in Regional Greenhouse Gas Initiative funds for residential solar installations.

Since its inception, LIPA has rebated over 5,900 solar installations totaling over $141 million in rebates for Solar Pioneer and Solar Entrepreneur participants. In 2012, LIPA rebated almost 1,000 rebates, while providing the ability for commercial renewable installations to remote net meter, while residential solar leasing was authorized in December.

As of December 31, 2012, LIPA’s Backyard Wind Program has rebated almost $718,100 for 15 installations totaling 340 kW of installed capacity.

Solar Carports and Long Island Solar Farm- During 2011 and 2012, the solar carport projects, comprising a total of 12.8 MW capacity, were completed. These carports are in
addition to the 37 MW solar installation at Brookhaven National Laboratory that was completed in 2011.

In July 2012, LIPA launched New York State’s first feed-in tariff for solar energy. The CLEAN Solar Initiative Feed-In Tariff solicited up to 50MW of solar energy, capacity, and renewable energy credits (RECs) in three tranches (50-150kW; >150-500kW; >500kW) solar at a price of $0.22 per kWh. One project was completed in 2012.

During 2012, LIPA achieved approximately 121% of its allotted share of the NY Sun Initiative targets for solar PV installed during the year.

LIPA continues to be part of the LI-New York City Offshore Wind Collaborative with NYPA and Con Ed. In 2012, the United States Bureau of Ocean Energy Management (BOEM) issued a Request for Information to determine whether there is competitive interest in wind power development in federal waters off the coast of the Rockaway Peninsula and Long Island. BOEM’s request is an important step forward for the Long Island-NYC Offshore Wind Collaborative in seeking a lease (on behalf of NYPA) for its proposal to construct an offshore wind project at that location.

LIPA continues to work with its partners to help uniform and streamline the solar installation approval process across Long Island through the Long Island Uniform Solar Permit Initiative.

In 2010, LIPA became the first utility in the State to initiate a plug-in (hybrid) electric vehicle rebate program. LIPA awards a one-time rebate check of $500 to customers who purchase and register a new, qualified PHEV or PEV, which equates to the approximate electrical costs for yearly charging the vehicle or the cost for purchasing the optional charging station. By the end of 2012, LIPA had processed 113 rebates through this program.

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 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 2012 Efficiency Long Island and renewable energy programs in April, 2012.

It should be noted that while continuing to be a cost-effective investment by LIPA, these programs indicate a continuing increase in customer participation and contribution towards the 10-year target of 524 MW peak demand energy savings.
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. For the fourth ear in a row, LIPA was recognized by the EPA and ENERGY STAR for its achievements in helping residential customers reduce their energy use and lowering bills by making their homes more energy efficient.

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.

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

Throughout 2012, 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 and on-bill financing for residential energy efficiency measures. 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. LIPA and NYSERDA (along with others) also worked together in meeting targets established in the NY Sun Initiative and commenting upon and establishing common ground in New York as the EPA’s Energy Star Homes Program continues to evolve.

LIPA also continues to work 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.

As a leader in the development and implementation of energy efficiency and renewable energy programs, LIPA employs a dedicated and professional staff that actively serves 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

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

- Completion and commissioning 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.
- LIPA initiated NYS first feed-in tariff for solar
- LIPA initiated residential solar leasing rebate program as it expanded commercial net metering to allow for remote net metering
- LIPA is preparing to initiate performance based mechanisms 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 five additional 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.
- 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).

**Incentives, Promotions and Programs Offered**

Residential Energy Efficiency Offerings
- **Efficient Products Program** - includes CFL and LED lighting, Energy Star appliances, consumer electronics, room air conditioners and dehumidifiers
- **Energy Star Labeled Homes Program** - includes energy efficient new home construction, building shell upgrades, heating, ventilation, and air conditioning, hot water, duct sealing, lighting and high efficiency appliances
- **Existing Homes Program** – includes the *Residential Direct Install Program*, *Residential Energy Affordability Program*, *Home Performance w/ Energy Star Program*, & *On-Bill Financing*, which encompass duct sealing and tune-ups for central air conditioners, whole house retrofit assistance and installation services, and the *Cool Homes Program* that encourages properly installed higher-than-code efficiency central air and heat pump equipment

**Commercial Energy Efficiency Offerings**
- Lighting Retrofit Program - provides significant rebates and incentives to businesses wishing to upgrade to more efficient lighting and achieve substantial savings on their energy bills
- Commercial & Industrial (bates and incentives on - targets all new buildings and major renovations
- C&I Existing Buildings - addresses equipment purchases such as HVAC and refrigeration stemming from natural replacement at the end of useful life and retro-fits (discretionary replacement of functioning inefficient equipment)
- Small Business Direct Install Program - installation of high efficiency lighting measures

**Renewable Energy Offerings**

- Solar Pioneer and Solar Entrepreneur Program
- Renewable energy net metering and remote net metering
- Solar Thermal Program
- Backyard Wind Initiative
- Geothermal Program
- CLEAN Solar Initiative