Dear Reader:

The Long Island Power Authority’s (LIPA) Board of Trustees is pleased to offer this 2012 final report. The purpose of this report is to communicate the various channels and mechanisms developed and implemented as a means of accomplishing LIPA’s mission. LIPA’s mission is to provide highly reliable and economical electric service to our more than 1.1 million customers in Nassau and Suffolk counties and the Rockaway Peninsula in Queens through our valued workforce with a commitment to superior customer service, accountability and transparency in all of our operations, while being recognized as a leader in the advancement of efficiency and renewable energy. Toward that end, we have accomplished a number of key initiatives in 2012 and have continued to make significant progress on many others.

This year LIPA has focused on transitioning to a new business model and new service provider (Public Service Enterprise Group (PSEG)) designed to run the day-to-day operations of LIPA’s electric utility business and enhance the quality of customer service, provide long-term workforce stability and allow LIPA to more effectively manage costs with greater accountability and transparency beginning January 2014. PSEG brings over 100 years of experience in electric energy generation, transmission and distribution with a proven record of superior customer service. PSEG has already formed a Long Island-based company which will focus exclusively on services to LIPA.

LIPA continues to implement controls and procedures that provide for greater transparency of its operations and serve as an economic engine helping to stimulate the local and regional economy through the creation of new clean energy jobs, all while promoting energy efficiency, advancing the use of renewable technology and providing rate stability for our customers.

In December, the Board of Trustees approved LIPA’s 2013 Operating and Capital Budget which included no rate increase for its customers. At a time when Long Islanders are still recovering from the impacts of superstorm Sandy, the Nor’easter that followed, and an uncertain economy, LIPA was able to deliver a budget that holds the line on rates for customers while meeting its commitment to address future energy needs through a combination of energy efficiency, clean technologies, and renewable projects such as solar, wind, and fuel cells. This despite $25 million in increased taxes, property taxes and assessments levied against the Authority.

**Superstorm Sandy**

Beginning in the late evening of October 27, 2012, LIPA’s service area began to experience the devastating effects of Superstorm Sandy. LIPA and National Grid began monitoring and preparing for Sandy days ahead of the storm making landfall on Long Island. Preparations included numerous storm anticipation calls and meetings, request for off-island restoration crews, checking stock and key materials, sandbagging equipment in low-lying areas and notifying customers and key stakeholders. With sustained winds of 40-60 MPH and gusts in excess of 90 MPH and unprecedented flooding on Long Island and the Rockaway Peninsula in
Queens, Sandy was the most impactful storm ever to hit Long Island and Queens. Sandy, coupled with the ensuing Nor’easter nine days later, caused roughly 1.1 million outages. The heavy rain, winds and flooding caused unprecedented damage to LIPA’s electrical system, including downed trees, poles, power lines, and flooded substations. The damage from Sandy was double the damage from Tropical Storm Irene. Sandy left 40,000 damage locations across LIPA’s service territory. At the height of restoration, over 8,000 line workers and more than 15,000 total workers from dozens of states across the country and Canada were here supporting the effort. 85% of those customers affected by Sandy were restored within a week. Power to all customers who were able to safely receive power was restored in 16 days.

Here is a summary of the key accomplishments for LIPA during 2012:

**New Power Supply Agreement with National Grid**

In September, LIPA and National Grid announced that they agreed to a new Power Supply Agreement (PSA) for the purchase of up to 3,700 MW of generation produced by National Grid-owned generating facilities, on improved terms and conditions.

The new PSA gives Long Island better options for updating and modernizing the aged National Grid power plants through “repowering” existing facilities while reducing energy costs, further improving environmental performance, and removing uneconomic generation from the Agreement.

**LIPA’s Generation and Transmission Selection**

In October, the LIPA Board of Trustees voted to authorize staff to begin negotiating potential power purchase agreements (PPA) for new generating resources consistent with LIPA’s Electric Resource Energy Plan. In addition, the Trustees also authorized actions related to diversifying LIPA’s resource portfolio, including efforts and investments to improve energy efficiency through the Efficiency Long Island program, its renewable energy programs, future renewable energy procurements, and other actions and investments. These efforts and investments will target up to a minimum of an additional 400 megawatts (MW) of renewables by 2018 resulting in a total of over 700 MW installed.

**Reliability**

LIPA continues to be a leading New York utility in key reliability indices for overhead electric transmission and distribution systems. LIPA also continues to be a leader among other state electric utilities with overhead systems with the shortest customer average interruption duration index and average power outage time as well as one of the lowest frequencies of interruptions. LIPA has typically ranked as a first quartile performer for all three of these indices. LIPA’s 20:2:2 goal is that over the course of the year, LIPA’s System Average Interruption Duration Index
(SAIDI) would not exceed 69 minutes. The SAIDI for the period ending December 31, 2011 was 50.5 minutes. Although all of Long Island was affected by Superstorm Sandy, the worst storm in over 50 years, affecting over 1,000,000 customers, it is expected that LIPA will continue to rank in the first quartile in comparison to other New York State utilities.

**Managing Costs and Rate Stability**

Continuing LIPA’s policy of reviewing its recovery of fuel and purchased power costs on a quarterly basis, the Power Supply Charge was lowered in successive quarters of 2012, on January 1st, April 1st and July 1st. LIPA’s delivery service rates were increased on March 5th as a result of higher operating expenses that were reflected in the approved operating budget for 2012. Customer bills were increased approximately 1.8% for the average customer in each rate class as a result of the new delivery charge rates. The efficiency and renewable charge was also increased slightly on January 1st, 2012, to reflect projected higher spending on rebates for energy efficiency programs and installation of customer-owned solar generation. Because of LIPA’s commitment to operate in a fiscally conservative environment, even with these modest increases, bills have still been managed down to levels not seen since 2007.

In November 2012, the Board of Trustees authorized the pass-through of power supply charges to customers each month on their bills. This allows for greater transparency to customers in understanding how changes in the wholesale energy markets and particularly the price of natural gas, affect the cost of electricity and will help customers focus their efficiency efforts against the actual cost of electricity in particular months of the year.

**Efficiency Long Island**

LIPA’s Efficiency Long Island program, which includes commercial and residential efficiency programs is 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 and achieving significant environmental benefits.

The cumulative demand savings from 2009 – 2011, as evaluated by Opinion Dynamics is 87 MW (87% of goal). In 2012, despite losing a month to hurricane Sandy cleanup, preliminary results which will be finalized in April for the ELI program showed an additional 52.4 MW (95% of goal) and 240,464 MWh (97% of goal). Combined with the 2009 - 2011 achievements of the Efficiency Long Island Program, LIPA has reduced peak load by more than 139 MW (90% of cumulative goal).

**For Residential Customers**
Efficient Products – purchases of lighting, appliances, consumer electronics, in-wall air conditioners and dehumidifiers from retail outlets. The 2012 program experienced a high rate of growth in LED lighting products

ENERGY STAR® Labeled Homes – includes building shell upgrades, HVAC, hot water, duct seals, lighting and high efficiency appliances

Existing Homes – duct sealing and tune-ups for central air conditioners, whole house retrofit assistance and installation services, Residential Energy Affordability Program (REAP), and Cool Homes which encourages properly installed higher-than-code efficiency central air and heat pump equipment. Over 50% of all high efficiency systems in the 2012 Cool Homes program were early retirements.

For Commercial Customers

• 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 (“C&I”) New Construction – targets all new buildings and major renovations

• C&I Existing Buildings – addresses equipment purchases stemming from natural replacement at the end of useful life and retro-fits (discretionary replacement of functioning inefficient equipment)

• Small Business Direct Install Program – direct installation of high efficiency lighting measures with 70% of the cost covered by LIPA.

LIPA has deemed the Efficiency Long Island program the most cost-effective resource option currently available. It is estimated that implementation of Efficiency Long Island will reduce CO2 emissions by about 12 million metric tons compared to the CO2 emissions that would be produced from new power plants burning natural gas. This is equivalent to removing 2.5 million cars from Long Island roads.

Solar Pioneer Program, Solar Entrepreneur Program and Backyard Wind Program

LIPA continued to invest in its nationally recognized solar and wind programs during 2012. LIPA was able to assist residential and business customers in participating in renewable energy projects and net-metering and remote net-metering opportunities. Since its inception in 2000, LIPA has rebated over 5,900 solar installations totaling over $141 million in rebates for Solar Pioneer and Solar Entrepreneur participants. Beginning in December of 2012, LIPA customers had two ways to bring the benefits of solar power into their homes as rebates became available for residential solar leasing. As of December 31, 2012, LIPA’s Backyard Wind Program rebated $718,087 for 15 wind installations totaling 340 kW of installed capacity.

Long Island Unified Solar Permit Initiative (LIUSPI)
LIPA, in conjunction with both the Nassau and Suffolk Planning Commissions and others, authored a new solar permitting process as part of the Long Island Unified Solar Permit Initiative (LIUSPI). This bi-county multi-jurisdictional, public-private initiative was designed to streamline and standardize permitting for installation of residential solar electric and solar hot water systems across Long Island. Since initiating this process, 10 of 13 Townships & 8 Villages have adopted LIUSPI

**Clean Solar Initiative Feed-In Tariff**

In July 2012, LIPA launched its Clean Solar Initiative Feed-in Tariff soliciting up to 50 MW of solar PV capacity in three tranches (50-150kW; 150–500kW; Over 500kW) and received a positive response from the market. One project totaling 750kW (AC) was completed and placed in service during 2012. The remaining projects are in various stages of review, mostly awaiting the results of interconnection studies. We received an overwhelming response and expect a significant portion of the 50 MW target will be completed in 2013.

**Solar Carports**

In 2010, LIPA entered into a Power Purchase Agreement with Suffolk County for the installation of up to 17 MW of solar PV carports at various county-owned facilities. During 2011 and 2012, the projects were all completed and now comprise a total of 12,818 kW of installed DC capacity (795 kW in 2011 and 12,023 in 2012). These carports are in addition to the 32MW solar installation at Brookhaven National Laboratory that was commissioned in 2011.

**Status of NY Sun Initiative**

In total, during 2012, LIPA achieved 121% of its share of the NY Sun targets for solar PV with a total of 23,562 kW DC capacity installed during the year.

**Household Assistance Rate**

In December of 2012, the LIPA Board of Trustees approved the extension of the *Household Assistance Rate Program*. The *Household Assistance Rate* program first implemented in 20:1 provides a reduction in the Delivery & System Charges portion of the bill. LIPA customers qualify if they receive benefits from certain non-LIPA financial assistance programs such as public assistance, Medicaid, food stamps and veteran’s disability pension. LIPA lists all the eligibility requirements for its customers on its web site.

**LIPA’s Web site and Mobile Web site**

In an effort to increase customer satisfaction and provide better and real-time information to our customers, LIPA made numerous enhancements to both its web site, and its mobile web site which includes features such as letting customers report and track outages on their mobile
devices such as mobile phones or other hand-held devices and its “My LIPA Texting” program, which lets customers text their outages to LIPA. Once texting their outage information, customers will receive texts from LIPA regarding the status of their outage.

LIPA also completed a full redesign of the My Account portion of the web site which lets customers find information regarding their bills and their account information in a more timely fashion.

**LIPA’s Storm Center**

In an effort to help customers better understand how LIPA prepares and responds to major events, LIPA redesigned and revamped the Storm Center web site to feature more customer-focused content such as: how LIPA restores power, multiple ways to report an outage, safety and preparation tips for before, during, after the storm, for businesses as well as families. This also includes links to LIPA’s social media sites, which provide similar information to our customers.

Michael Taunton
Chief Operating Officer