

New Issue—Full-Book-Entry

In the opinion of Hawkins Delafield & Wood LLP as Bond Counsel to the Authority (“Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Offered Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Offered Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Offered Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, and the Offered Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State of New York, except estate or gift taxes and taxes on transfers. See “TAX MATTERS” in Part 1 of this Official Statement.



\$350,000,000 **LONG ISLAND POWER AUTHORITY** **ELECTRIC SYSTEM GENERAL REVENUE BONDS, SERIES 2017**

Dated: Date of Delivery

Maturity: As shown on inside cover page

The Electric System General Revenue Bonds, Series 2017 (the “Series 2017 Bonds” or “Offered Bonds”), will be issued only as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Offered Bonds under the book-entry-only system described herein. Individual purchases of beneficial ownership interests in the Offered Bonds may be made in the principal amount of \$5,000 or any integral multiple thereof. Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. The Bank of New York Mellon, New York, New York, is the Trustee under the Resolution (defined herein).

The Offered Bonds are being issued (i) to fund certain system improvements and (ii) to pay costs relating to the issuance of the Offered Bonds. For a more complete description of the purposes for which the Offered Bonds are being issued, see “PLAN OF FINANCE” in Part 1 of this Official Statement.

The original purchasers and holders of the Offered Bonds shall be deemed to have consented to a proposed amendment to the Resolution relating to the Authority’s ability to issue short-term indebtedness as senior lien obligations under the Resolution. See “PROPOSED AMENDMENT TO THE RESOLUTION” in Part 1 of this Official Statement.

Interest on the Offered Bonds is payable on each March 1 and September 1, beginning March 1, 2018. The Offered Bonds are subject to redemption prior to maturity as and to the extent described herein.

MATURITY SCHEDULE — See Inside Cover Page

The Offered Bonds are special obligations of the Authority payable principally from the revenues generated by the electric system owned by its subsidiary, LIPA, after the payment of operating expenses of the System, on a parity with other Electric System General Revenue Bonds and other Parity Obligations of the Authority. The Offered Bonds shall not be a debt of the State of New York or of any municipality, and neither the State of New York nor any municipality shall be liable thereon. The Authority shall not have the power to pledge the credit, the revenues or the taxing power of the State of New York or any municipality, and neither the credit, the revenues nor the taxing power of the State of New York or any municipality shall be, or shall be deemed to be, pledged to the payment of any of the Offered Bonds. The Authority has no taxing power.

The Offered Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters with respect to the Authority and LIPA will be passed upon by Jon R. Mostel, Esquire, General Counsel to the Authority and LIPA, and by Squire Patton Boggs (US) LLP, New York, New York, Disclosure Counsel to the Authority and LIPA. Certain legal matters will be passed upon for the Underwriters by Dentons US LLP, New York, New York, Counsel to the Underwriters. It is expected that the Offered Bonds will be available for delivery in book-entry-only form through The Depository Trust Company in New York, New York on or about December 14, 2017.

Citigroup
Academy Securities, Inc.
Drexel Hamilton, LLC
Morgan Stanley
Siebert Cisneros Shank & Co., L.L.C.

J.P. Morgan
BofA Merrill Lynch
Goldman Sachs & Co. LLC
Raymond James

Ramirez & Co., Inc.
Barclays
Loop Capital Markets
RBC Capital Markets
Wells Fargo Securities

Maturity Schedule

LONG ISLAND POWER AUTHORITY \$350,000,000 ELECTRIC SYSTEM GENERAL REVENUE BONDS, SERIES 2017

Serial Bonds

<u>Maturity September 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2021	\$ 6,400,000	5.000%	1.790%	542691AA8
2022	6,720,000	5.000	1.920	542691AB6
2023	7,060,000	5.000	2.050	542691AC4
2024	7,410,000	5.000	2.190	542691AD2
2025	7,780,000	5.000	2.330	542691AE0
2026	8,170,000	5.000	2.460	542691AF7
2027	8,580,000	5.000	2.550	542691AG5
2028	9,010,000	5.000	2.650 ¹	542691AH3
2029	9,460,000	5.000	2.740 ¹	542691AJ9
2030	9,930,000	5.000	2.800 ¹	542691AK6
2031	10,430,000	5.000	2.850 ¹	542691AL4
2032	10,950,000	5.000	2.900 ¹	542691AM2
2033	11,500,000	5.000	2.950 ¹	542691AN0
2034	12,070,000	5.000	3.000 ¹	542691AP5
2035	12,675,000	5.000	3.050 ¹	542691AQ3
2036	13,310,000	5.000	3.080 ¹	542691AR1
2037	13,975,000	5.000	3.110 ¹	542691AS9

Term Bonds

\$81,085,000 5.000% Term Bonds due September 1, 2042 – Yield 3.160%¹
(CUSIP* Number 542691AT7)

Term Bonds

\$103,485,000 5.000% Term Bonds due September 1, 2047 – Yield 3.210%¹
(CUSIP* Number 542691AU4)

¹ Priced at the stated yield to the September 1, 2027 optional redemption date at a price of 100%.

* CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Offered Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to the correctness of the CUSIP numbers on the Offered Bonds or as indicated above.

LONG ISLAND POWER AUTHORITY

333 Earle Ovington Blvd.
Uniondale, New York 11553
Telephone:(516) 222-7700

BOARD OF TRUSTEES

Ralph V. Suozzi — Chairman

Elkan Abramowitz
Sheldon L. Cohen
Matthew C. Cordaro, Ph.D.
Mark Fischl

Peter J. Gollon, Ph.D.
Jeffrey H. Greenfield
Thomas J. McAteer

AUTHORITY MANAGEMENT

Thomas Falcone— *Chief Executive Officer*
Joseph A. Branca— *Chief Financial Officer*
Jon R. Mostel— *General Counsel and Secretary*
Rick Shansky— *Vice President of Operations Oversight*
Kenneth Kane— *Vice President of Financial Oversight*
Bobbi O'Connor— *Vice President of Policy, Strategy and Administration*
Donna Mongiardo— *Controller*
Kathleen Mitterway— *Director of Audit*

Bond Counsel

Hawkins Delafield & Wood LLP
New York, New York

Independent Accountants

KPMG LLP
Melville, New York

Disclosure Counsel

Squire Patton Boggs (US) LLP
New York, New York

Trustee

The Bank of New York Mellon
New York, New York

Financial Advisor

Public Financial Management, Inc.
New York, New York

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation, other than the information and representations contained in this Official Statement, in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Offered Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The information set forth herein has been furnished by the Authority and LIPA and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, LIPA, PSEG, PSEG Long Island, National Grid or Keyspan Corporation since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Authority’s and LIPA’s business and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

In connection with the offering of the Offered Bonds, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Offered Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONSISTS OF THE COVER PAGE, THE INSIDE COVER PAGE, THE TABLE OF CONTENTS, THE SUMMARY STATEMENT AND THIS PART 1, INCLUDING THE APPENDICES TO THIS PART 1 (ALL OF THE FOREGOING ARE REFERRED TO COLLECTIVELY AS “PART 1”) AND THE ATTACHED PART 2, INCLUDING ITS TABLE OF CONTENTS (COLLECTIVELY, “PART 2”), AND THE INFORMATION INCLUDED BY SPECIFIC CROSS-REFERENCE HEREIN. BOTH THIS PART 1 AND PART 2 ARE DATED THE DATE SHOWN ON THE COVER PAGE OF PART 1. THIS PART 1, TOGETHER WITH PART 2 AND THE INFORMATION INCLUDED BY SPECIFIC CROSS-REFERENCE HEREIN CONSTITUTES THE AUTHORITY’S OFFICIAL STATEMENT RELATING TO THE OFFERED BONDS (AND ONLY SUCH OFFERED BONDS). BOTH PART 1 AND PART 2 (INCLUDING ALL THE INFORMATION INCLUDED BY SPECIFIC CROSS-REFERENCE HEREIN) SHOULD BE READ IN THEIR ENTIRETY. INFORMATION CONTAINED ON THE AUTHORITY’S WEB SITE DOES NOT CONSTITUTE PART OF THIS OFFICIAL STATEMENT.

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Offered Bonds to potential investors is made only by means of the entire Official Statement. Certain terms used herein are defined in this Official Statement.

The Authority	The Long Island Power Authority (the “Authority” or the “Issuer”) is a corporate municipal instrumentality and political subdivision of the State of New York. The Authority has a wholly-owned subsidiary, the Long Island Lighting Company, which does business under the name of LIPA and Power Supply Long Island (“LIPA”).
LIPA	LIPA owns and operates the electric transmission and distribution system (the “T&D System”) located in its service area, which includes the New York Counties of Nassau and Suffolk (with certain limited exceptions) and a small portion of Queens County, New York known as the Rockaways. LIPA also owns an 18% interest in the Nine Mile Point 2 nuclear generating facility located in Oswego, New York.
The Purpose of the Offered Bonds	The Offered Bonds are being issued (i) to fund certain system improvements and (ii) to pay costs relating to the issuance of the Offered Bonds. For a more complete description of the purposes for which the Offered Bonds are being issued, see “PLAN OF FINANCE” in Part 1 of this Official Statement.
Outstanding Indebtedness	As of November 21, 2017, the Authority had senior lien Electric System General Revenue Bonds and other senior lien indebtedness outstanding in the aggregate principal amount of approximately \$3.01 billion. The Offered Bonds are on a parity with all of these senior lien indebtedness. The Authority also had outstanding, as of November 21, 2017, subordinate lien indebtedness in the aggregate principal amount of \$250 million. Also, the Authority currently expects to issue additional bonds to finance system improvements in the future. See “PLAN OF FINANCE” and “DEBT SERVICE” in Part 1 of this Official Statement.
System Operation	<p>The Authority is managed by a senior management team supported by a small staff. To assist management in the supervision of its principal agreements and to provide other functions requiring specific expertise, the Authority employs outside consultants.</p> <p>The day-to-day operations of the electric system are accomplished through certain principal contracts with various service providers. Since 1998, the service providers had generally been subsidiaries of National Grid with some exceptions.</p> <p>Effective January 1, 2014 PSEG Long Island became the brand name provider for electric service in the Service Area and also assumed certain power supply management, fuel procurement and related services on January 1, 2015 previously provided by others.</p>
The LIPA Reform Act	<p>The LIPA Reform Act was enacted on July 29, 2013 (the “LIPA Reform Act”) and is divided into two parts.</p> <p>Part A of the LIPA Reform Act addressed a variety of matters relating to restructuring the Authority and LIPA, and imposed new substantive obligations on PSEG Long Island and effectively shifted major operational and policy-making responsibilities for the T&D System. The Amended and Restated Operations Services Agreement (“OSA”) with PSEG Long Island reflects the changed relationship between the parties in connection with the provision of electric service in LIPA’s Service Area. Beginning on</p>

January 1, 2014, PSEG Long Island, became the retail brand for electric service on Long Island. Pursuant to the OSA and in furtherance of the objectives of the LIPA Reform Act, beginning on January 1, 2015, a PSEG Long Island affiliate became responsible for providing energy and fuel management services.

Part A also created a new Long-Island-based office in the Department of Public Service (“DPS”), which is the staff arm of the New York Public Service Commission (“PSC”), to assist with oversight of core utility operations of PSEG Long Island.

Part B of the LIPA Reform Act created the Utility Debt Securitization Authority (“UDSA”) and authorized the issuance of the restructuring bonds to retire a portion of the Authority’s existing debt.

See “INTRODUCTION TO THE AUTHORITY – Restructuring of the Authority and LIPA and Relationship to PSEG Long Island” and “INTRODUCTION TO THE AUTHORITY – The LIPA Reform Act and the OSA” in Part 2 of this Official Statement.

**Authority to Set Electric Rates;
2016- 2018 Rate Proposal**

Under current New York law, the Authority is empowered to set rates for electric service in its service area without being required to obtain the approval of PSC or any other State regulatory body.

Part A of the LIPA Reform Act established a rate review process that required that on or before February 1, 2015, the Authority and PSEG Long Island submit for review to DPS a three-year rate proposal for rates and charges to take effect on or after January 1, 2016. After the 2016-2018 period, the Authority and PSEG Long Island are only required to submit a proposed rate increase for DPS review if it would increase the rates and charges by an amount that would increase the Authority’s annual revenues by more than 2.5%. The Authority’s Board retains final rate-setting power.

On January 30, 2015, PSEG Long Island and the Authority submitted a three-year rate plan for the period 2016-2018 for review by DPS, which proposed rate increases of \$72.7 million, \$74.3 million, and \$74.3 million for the years 2016, 2017 and 2018, respectively. At those proposed levels, the Authority’s overall electric revenues, including power supply costs, would have increased by approximately 2.0% each year. On September 28, 2015, DPS submitted its recommended decision to the Authority’s Board (the “Recommendation”). The Recommendation was for the Authority to set rates designed to increase revenues by \$30.4 million in 2016, \$77.6 million in 2017, and \$79.0 million in 2018, respectively, which rates represent a cumulative revenue requirement increase of \$325.4 million. At those proposed levels, the Authority’s overall electric revenues, including power supply costs, would increase by approximately 0.8%, 2.1%, and 2.1%, respectively. The Recommendation also included an update process in late 2015, 2016 and 2017 to adjust delivery rates higher or lower to reflect measurable changes in certain specified projected costs and a cost reconciliation mechanism to reconcile certain specified projected costs to actual costs in each year.

See “RATES AND CHARGES – Authority to Set Electric Rates” in Part 2 of this Official Statement.

Current Rate Structure

The Authority has adopted a set of customer rates, which include base rates, the Power Supply Charge (as described herein) and certain riders and credits. See “RATES AND CHARGES – Rate Tariffs and Adjustments” in Part 2 of this Official Statement.

Service Area..... LIPA’s service area includes approximately 1.1 million customers and during the period 2012 through 2016 experienced its peak usage of approximately 5,602 MW in the summer of 2013. In the year ending December 31, 2016, approximately 55.0% of LIPA’s annual retail revenues were received from residential customers, 43.1% from commercial customers and 1.9% from street lighting, public authorities and certain others. The largest customer in the service area (the Long Island Rail Road) accounts for less than 2.0% of total sales and less than 2.0% of revenue.

Transmission and Distribution Facilities LIPA’s transmission system includes approximately 1,375 miles of overhead and underground lines with voltage levels ranging from 23 kV to 345 kV. The distribution system has approximately 14,000 circuit miles of overhead and underground line (9,000 overhead and 5,000 underground) and approximately 189,000 line transformers with a total capacity of approximately 13,000 MVA. See “THE SYSTEM” in Part 2 of this Official Statement for a discussion of the service area and the transmission and distribution system.

Power Supply Resources LIPA’s power supply resources consist principally of various power purchase contracts. The principal power purchase contract is a Power Supply Agreement (“PSA”) that commenced in May 2013 for a maximum term of 15 years under which LIPA obtains rights to and has obligations to pay for all of the capacity of the fossil-fueled on-Island generating facilities owned by National Grid. The PSA provides approximately 3,700 MW of on-Island capacity for the term of the agreement and also provides LIPA with the option to ramp down (i.e., cease purchasing capacity from), retire and/or potentially re-power the PSA units.

In addition, LIPA currently purchases approximately 1,900 MW of capacity from other generating facilities on Long Island and outside the service area through various transmission interconnections between LIPA’s transmission and distribution system and other systems in the region.

LIPA also has an 18% ownership interest in the approximately 1,300 MW Nine Mile Point 2 nuclear unit. Constellation Energy Nuclear Group, LLC owns the remaining 82% interest in the unit and is responsible for its operation.

Security and Sources of Payment for Bonds.....

The Offered Bonds, all Bonds heretofore and hereafter issued on a parity therewith and all Parity Obligations will be payable from and secured by the Trust Estate pledged under the Authority’s Resolution, subject to the prior payment of Operating Expenses. The Trust Estate consists principally of the revenues generated by the operation of LIPA’s electric transmission and distribution system.

The Bond Resolution contains a basic flow of funds, including a Rate Stabilization Fund, but does not require specific periodic advance deposits to be made into, or specific balances maintained in, the various funds and accounts. There is no debt service reserve fund.

Additional Bonds may be issued without any historical or projected debt service coverage test and, in the case of Refunding Bonds, without compliance with any debt service savings test.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” in Part 2 of this Official Statement.

The Securitization Transactions

Part B of the LIPA Reform Act, also known as the Securitization Law, created UDSA and originally authorized a one-time issuance of the UDSA bonds to retire a portion of the Authority’s existing debt. As amended in 2015, the Securitization Law allows UDSA to issue additional restructuring bonds in an aggregate additional amount not to exceed \$4.5 billion (inclusive of the previously-issued 2013 restructuring bonds). With the November 21, 2017 issuance of approximately \$369.5 million of 2017 restructuring bonds, UDSA effectively exhausted its ability to issue restructuring bonds under the amended Securitization Law.

The restructuring charges are Transition Charges for purposes of the Resolution and amounts collected in respect thereof are thus not Revenues subject to the lien of the Resolution or the Subordinated Resolution. In addition, the UDSA bonds are not obligations of the Authority, LIPA, PSEG Long Island or any of their affiliates and are not secured by the Trust Estate described herein. See “RECENT DEVELOPMENTS – The Securitization Authority and Securitization Transactions” in Part 2 of this Official Statement.

TABLE OF CONTENTS FOR PART 1

COVER PAGE

INSIDE COVER PAGE

SUMMARY STATEMENT

	Page		Page
INTRODUCTION	1-1	PROPOSED AMENDMENT TO THE RESOLUTION	1-6
INFORMATION INCLUDED BY SPECIFIC CROSS-REFERENCE	1-2	TAX MATTERS	1-7
PLAN OF FINANCE	1-2	UNDERWRITING	1-8
DEBT SERVICE	1-3	FINANCIAL ADVISOR	1-9
DESCRIPTION OF THE OFFERED BONDS	1-5	CONTINUING DISCLOSURE UNDERTAKING	1-9
General	1-5	CREDIT RATINGS	1-9
Securities Depository	1-5	AGREEMENT OF NEW YORK STATE	1-10
Redemption	1-5	LEGALITY FOR INVESTMENT	1-10
Notice of Redemption	1-6	APPROVAL OF LEGAL PROCEEDINGS	1-10
		MISCELLANEOUS	1-10
		APPENDIX 1: Form of Opinion of Hawkins Delafield & Wood LLP	App. 1-1
		APPENDIX 2: Form of Continuing Disclosure Certificate	App. 2-1
		APPENDIX 3: Book-Entry-Only System	App. 3-1
		APPENDIX 4: Glossary of Certain Defined Terms	App. 4-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

PART 1
of the
OFFICIAL STATEMENT
of the
LONG ISLAND POWER AUTHORITY
Relating to its
\$350,000,000
ELECTRIC SYSTEM GENERAL REVENUE BONDS, SERIES 2017

INTRODUCTION

The \$350,000,000 Electric System General Revenue Bonds, Series 2017 (the “Series 2017 Bonds” or the “Offered Bonds”), are being issued by Long Island Power Authority (the “Authority”) pursuant to the Long Island Power Authority Act, being Title 1-A of Article 5 (§ 1020 et seq.) of the Public Authorities Law of the State of New York, as amended (the “Act”), and the Electric System General Revenue Bond Resolution of the Authority adopted on May 13, 1998 (the “Bond Resolution”), as supplemented, including as supplemented by a resolution of the Authority authorizing the Offered Bonds (the “Supplemental Resolution”). The Bond Resolution, as supplemented to the date hereof, including as supplemented by the Supplemental Resolution, and as it may be further supplemented or amended in the future, is herein called the “Resolution.”

As of November 21, 2017, the Authority had outstanding approximately \$3.01 billion of senior lien bonds and other senior lien indebtedness all of which were issued under the Bond Resolution (the “Outstanding Senior Lien Indebtedness”). The Offered Bonds will be on a parity as to security and source of payment with the Outstanding Senior Lien Indebtedness. The Authority has the ability to issue under the Bond Resolution additional senior lien bonds, and other obligations (“Parity Obligations”), that will be on a parity as to security and source of payment with the Outstanding Senior Lien Indebtedness and the Offered Bonds. As used in this Official Statement, the term “Bonds” means the Outstanding Senior Lien Indebtedness, the Offered Bonds and all additional senior lien bonds, notes or other evidence of indebtedness and Parity Obligations of the Authority hereafter issued under the Resolution which are on a parity as to security and source of payment. The Bonds have priority as to security and payment over the Subordinated Indebtedness mentioned in the next paragraph.

As of November 21, 2017, the Authority also had outstanding \$250 million of subordinate lien indebtedness, all of which is commercial paper notes (the “Outstanding Subordinated Lien Bonds”). The Outstanding Subordinated Lien Bonds were all issued under the Authority’s Electric System General Subordinated Revenue Bond Resolution adopted on May 20, 1998 (the “General Subordinated Resolution”) and various supplemental resolutions (the General Subordinated Resolution, as so supplemented, is herein called the “Subordinated Resolution”). The Authority has the ability to issue under the General Subordinated Resolution additional subordinated lien bonds and other obligations that will be on a parity as to security and source of payment with the Outstanding Subordinated Lien Bonds. As used in this Official Statement, the term “Subordinated Indebtedness” means the Outstanding Subordinated Lien Bonds and all other subordinated lien bonds, notes or other evidence of indebtedness of the Authority issued pursuant to the Subordinated Resolution which are on a parity as to security and source of payment. All Subordinated Indebtedness is, in all respects, on a junior and subordinate basis as to security and source of payment to the Bonds. See “PLAN OF FINANCE” and “DEBT SERVICE” in Part 1 of this Official Statement for recent developments relating to the Authority’s outstanding indebtedness.

Capitalized terms not otherwise defined in this Official Statement have the meanings set forth in “Appendix 4 - Glossary of Defined Terms.”

INFORMATION INCLUDED BY SPECIFIC CROSS-REFERENCE

The following documents filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (“MSRB”) by the Authority are included by specific cross-reference in this Official Statement:

- The Authority’s Annual Continuing Disclosure Report for the Fiscal Year 2016 (which includes the Authority’s Basic Financial Statements December 31, 2016 and 2015 (With Independent Auditors’ Report Thereon) and Management’s Discussion and Analysis (Unaudited));
- Interim Financial Information of the Authority as of September 30, 2017 and September 30, 2016 (Unaudited);
- The Resolution;
- The Financing Agreement;
- The Amended and Restated Operations Services Agreement (the “OSA”); and
- The Amended and Restated Power Supply Agreement (the “PSA”).

For convenience, copies of these documents can be found on the Authority’s website (www.lipower.org) under the caption “Investor Relations” and “Interconnection & Regulatory Filings - Agreements.” No statement on the Authority’s website is included by specific cross-reference herein.

PLAN OF FINANCE

The proceeds of the Offered Bonds will be used to (i) to fund certain system improvements and (ii) to pay costs (estimated to be \$2,139,069.59) relating to the issuance of the Offered Bonds, including underwriters’ discount.

DEBT SERVICE

The following table shows information regarding the Authority's consolidated debt service requirements following the issuance of the Offered Bonds (based on the assumptions in the footnotes to said table). In addition, the table also shows the debt service relating to the UDSA bonds (based on the assumption in footnote 5 to said table) including the 2017 UDSA bonds issued on November 21, 2017. The UDSA bonds are not obligations of the Authority, LIPA, PSEG Long Island or any of their affiliates and are not secured by the Trust Estate described herein. The UDSA bonds are secured by an irrevocable, non-bypassable consumption-based restructuring charges which secures only those bonds. Restructuring charges are not subject to the lien of the Resolution or Subordinated Resolution.

[Remainder of Page Intentionally Left Blank]

DEBT SERVICE

Twelve Months Ended 12/31	Offered Bonds		Outstanding Senior Lien ⁽¹⁾⁽²⁾⁽³⁾		Total Senior Lien Debt Service ⁽⁴⁾	UDSA Debt Service ⁽⁵⁾
	Principal	Interest	Principal	Interest		
2018	\$ -	\$12,493,056	\$ 40,007,589	\$ 134,454,238	\$ 186,954,883	\$ 324,728,255
2019	-	17,500,000	34,550,317	130,815,282	182,865,599	327,139,944
2020	-	17,500,000	66,076,458	136,000,226	219,576,684	319,030,117
2021	6,400,000	17,500,000	70,564,641	135,008,514	229,473,155	367,388,228
2022	6,720,000	17,180,000	76,328,452	133,901,252	234,129,704	357,547,589
2023	7,060,000	16,844,000	41,118,523	132,582,726	197,605,248	402,930,167
2024	7,410,000	16,491,000	76,161,733	131,836,873	231,899,606	368,128,725
2025	7,780,000	16,120,500	76,722,169	129,874,168	230,496,837	370,110,100
2026	8,170,000	15,731,500	126,948,608	127,821,010	278,671,118	310,636,975
2027	8,580,000	15,323,000	104,110,137	123,682,765	251,695,902	327,815,725
2028	9,010,000	14,894,000	90,574,755	120,811,233	235,289,988	343,663,350
2029	9,460,000	14,443,500	143,420,237	108,108,017	275,431,754	302,927,875
2030	9,930,000	13,970,500	153,475,000	69,546,125	246,921,625	361,810,750
2031	10,430,000	13,474,000	155,175,000	65,166,116	244,245,116	357,067,000
2032	10,950,000	12,952,500	164,525,000	60,855,702	249,283,202	352,105,750
2033	11,500,000	12,405,000	155,620,000	53,937,308	233,462,308	292,357,125
2034	12,070,000	11,830,000	63,705,000	51,278,900	138,883,900	185,138,000
2035	12,675,000	11,226,500	42,845,000	48,093,650	114,840,150	209,181,625
2036	13,310,000	10,592,750	120,065,000	45,951,400	189,919,150	192,205,500
2037	13,975,000	9,927,250	93,280,000	40,087,350	157,269,600	192,219,750
2038	14,675,000	9,228,500	97,800,000	35,569,550	157,273,050	192,225,750
2039	15,410,000	8,494,750	51,265,000	30,833,050	106,002,800	253,592,625
2040	16,180,000	7,724,250	105,425,000	28,488,050	157,817,300	-
2041	16,985,000	6,915,250	166,235,000	20,058,750	210,194,000	-
2042	17,835,000	6,066,000	117,615,000	14,029,500	155,545,500	-
2043	18,730,000	5,174,250	62,000,000	8,148,750	94,053,000	-
2044	19,665,000	4,237,750	65,100,000	5,048,750	94,051,500	-
2045	20,645,000	3,254,500	21,350,000	1,793,750	47,043,250	-
2046	21,680,000	2,222,250	14,525,000	726,250	39,153,500	-
2047	22,765,000	1,138,250	-	-	23,903,250	-
Total	\$350,000,000	\$342,854,806	\$2,596,588,619	\$2,124,509,253	\$5,413,952,678	\$6,709,950,927

- (1) Accreted interest on capital appreciation bonds is shown in the year of maturity.
- (2) Variable rate bonds are assumed to pay interest at the relevant index as of November 1, 2017 plus the respective applicable spread for certain floating rate notes, which are assumed at current levels through maturity. Expected net receipts or payments under interest rate and basis swaps are not reflected. In particular, not reflected in the table above are anticipated payments under an outstanding \$587,225,000 interest rate swap that terminates in 2029 for which the Authority pays 5.12% and receives 69.47% of 1-Month LIBOR. The obligation of the Authority to make payments under such swap constitutes Subordinated Indebtedness.
- (3) Interest has not been reduced on the Series 2010B Bonds to reflect expected receipt of "build America bonds" interest rate cash subsidies equal to 35% of the interest payable; such cash subsidies constitute Revenues under the Resolution.
- (4) Does not include the Authority's (a) outstanding senior lien General Revenue Notes, which as of November 21, 2017, the Authority had approximately \$97.5 million issued and outstanding under its \$375 million program, (b) outstanding subordinate lien Commercial Paper Notes, which as of November 21, 2017, the Authority had \$250 million issued and outstanding under its \$300 million Commercial Paper program. Assuming interest at a rate of 2.5% per annum, maintaining this level of outstanding Commercial Paper would result in an additional \$6.25 million per year of debt service interest, and (c) outstanding Senior Credit Facility that allows for borrowing up to \$350 million, under which \$41.5 million is outstanding as of November 21, 2017.
- (5) Debt service assumes that the UDSA Bonds are paid in accordance with the applicable Scheduled Maturity Date rather than the applicable legal Final Maturity Date which is 2 years later for each Tranche of the UDSA Bonds. The UDSA Bonds are not obligations of the Authority, LIPA, PSEG Long Island or any of their affiliates and are not secured by the Trust Estate described herein. The UDSA Bonds are secured by irrevocable, non-bypassable consumption-based restructuring charges, which secure only the applicable UDSA bonds. Restructuring charges are not subject to the lien of the Resolution or Subordinated General Resolution.

DESCRIPTION OF THE OFFERED BONDS

General

The Offered Bonds will be dated the date of delivery and will mature at the times and in the principal amounts as set forth on the inside cover page of this Official Statement. Interest on the Offered Bonds is payable on each March 1 and September 1, beginning March 1, 2018. The Offered Bonds will be offered in authorized denominations of \$5,000 and integral multiples thereof.

Securities Depository

Upon initial issuance, the Offered Bonds will be available only in book-entry form. The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Offered Bonds, and the ownership of one fully registered bond for each maturity of Offered Bonds in the principal amount of such maturity will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC. See Appendix 3 to this Official Statement for a description of DTC and its book-entry-only system that will apply to the Offered Bonds.

As long as the book-entry system is used for the Offered Bonds, The Bank of New York Mellon, New York, New York (the “Trustee”) and the Authority will give any notice required to be given owners of Offered Bonds only to DTC. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS FOR THE DIRECT PARTICIPANT THROUGH WHOSE DTC ACCOUNT THEIR BENEFICIAL OWNERSHIP INTEREST IS RECORDED TO RECEIVE NOTICES THAT MAY BE CONVEYED TO DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS.

Redemption

Optional. The Offered Bonds maturing on or before September 1, 2027 are not subject to optional redemption prior to maturity. The Offered Bonds maturing after September 1, 2027 are subject to optional redemption prior to maturity on and after September 1, 2027 at the option of the Authority, as a whole or in part at any time, at par, plus accrued interest to the redemption date.

Sinking Fund. The Offered Bonds are also subject to redemption in part on September 1 of the years and in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem on September 1 of each year the principal amount of such Offered Bonds specified for each of the years shown below:

Offered Bonds Due September 1, 2042	
Year	Principal Amount
2038	\$14,675,000
2039	15,410,000
2040	16,180,000
2041	16,985,000
2042 ¹	17,835,000

¹Final Maturity

Offered Bonds Due September 1, 2047	
Year	Principal Amount
2043	\$18,730,000
2044	19,665,000
2045	20,645,000
2046	21,680,000
2047 ¹	22,765,000

¹Final Maturity

Credit Against Sinking Fund Installments. In the event a principal amount of Offered Bonds is deemed to be no longer Outstanding, except by a redemption from moneys credited to the Debt Service Fund as sinking fund installments, such principal amount shall be applied to reduce the remaining sinking fund installments for such Offered Bonds in such order and amounts as is determined by the Authority.

Selection of Bonds for Redemption. If fewer than all of the Offered Bonds of an entire maturity shall be called for redemption, the particular Offered Bonds or portions of Offered Bonds to be redeemed shall be selected as described below.

During such time as the Offered Bonds are registered in book-entry-only form in the name of Cede & Co. or other nominee of DTC, partial redemptions of the Offered Bonds of a maturity will be determined in accordance with DTC's procedures as from time to time in effect. See "Book-Entry-Only System" in Appendix 3 to this Official Statement.

If less than all of the Offered Bonds of a maturity are to be redeemed, DTC and the Direct Participant and, where appropriate, Indirect Participants will determine the particular beneficial ownership interests of such Offered Bonds of such maturity to be redeemed in accordance with their procedures as from time to time in effect. If the Offered Bonds are not registered in book-entry only form, the particular Offered Bonds to be redeemed will be determined by the Trustee, using such method as it deems fair and appropriate.

Notice of Redemption

If any of the Offered Bonds are to be redeemed, notice of such redemption is to be mailed by the Trustee to registered owners of such Offered Bonds to be redeemed not less than 30 nor more than 45 days preceding each redemption date. Any notice of optional redemption may provide that such redemption is conditioned on, among other things, the availability of sufficient moneys on the redemption date.

The Trustee, so long as a book-entry-only system is used for determining ownership of the Offered Bonds, shall send the notice to DTC or its nominee, or its successor. Any failure of DTC or a Direct Participant or, where appropriate, Indirect Participants to do so, or to notify a Beneficial Owner of an Offered Bond of such redemption, will not affect the sufficiency or the validity of the redemption of such Bond. The Authority can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Offered Bonds to be redeemed will distribute such notices to the Beneficial Owners of such Bonds, or that they will do so on a timely basis. See "Book-Entry-Only System" in Appendix 3 to this Official Statement.

PROPOSED AMENDMENT TO THE RESOLUTION

The Authority has amended the Resolution as described below, subject to the consent or deemed consent of the holders of a majority in principal amount of all Outstanding Bonds. The original purchasers and holders of the Offered Bonds, by their purchase and acceptance thereof, thereby (i) consent, and shall be deemed to have consented, to such amendment, and (ii) waive, and shall be deemed to have waived, any and all other formal notices, implementation or timing requirements that may otherwise be required under the Resolution. The Underwriters have not been requested to consent, and will not be consenting, to the amendment on behalf of any other holder of Offered Bonds.

The Twenty-Second Supplemental Resolution adopted by the Authority on August 6, 2014 amends the General Resolution by deleting a proviso appearing in a section of the General Resolution relating to Supplemental Resolutions which authorize the issuance of Bonds. Such proviso stated that "no Bonds shall have a stated maturity less than 271 days after the date of issue thereof unless constituting a serial maturity of a Series with principal maturing in more than three consecutive Fiscal Years including the year of such maturity." The proposed amendment is intended to provide the Authority with additional flexibility in its issuance of short-term indebtedness as senior lien obligations under the Resolution; when and if the necessary consents or deemed consents are received, there would be no minimum stated maturity for Bonds.

Any consent to any such proposed amendment may be revoked, as to any Bond, by the then current holder thereof through written notice filed with the Authority and the Trustee prior to the effectiveness of the amendment. Under the Resolution, the Authority and the Trustee may deem and treat the person in whose name any Bond is registered at the time on the books of registry as the absolute owner of such Bond for all purposes whatsoever, and neither the Authority nor the Trustee will be affected by any notice to the contrary.

Any Beneficial Owner of Offered Bonds desiring to revoke a consent given with respect to the proposed amendment must make arrangements with the Direct Participant or Indirect Participant of DTC through which such Beneficial Owner's ownership interest in the Offered Bonds is recorded (see Appendix 3 – "BOOK-ENTRY ONLY SYSTEM") in order for such revocation to be made by the Direct Participant in whose account such ownership interest is recorded. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY OBLIGATION TO BENEFICIAL OWNERS, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WITH RESPECT TO ANY PROCEDURES OR ARRANGEMENTS AMONG THEM OR WITH DTC RELATING TO THE REVOCATION OF ANY SUCH

CONSENT, THE ADHERENCE TO ANY DTC PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

Following the issuance of the Authority's Electric System General Revenue Bonds, Series 2016B on October 26, 2016, the holders of a majority of the then-Outstanding Bonds consented to the amendment described above. The General Resolution provides that the amendment made by the Twenty-Second Supplemental Resolution will be effective upon the filing with the Trustee of (a) consents (which have not been revoked), executed by Holders (or, to the extent provided by the Supplemental Resolution authorizing any series of Bonds, bond insurers or others deemed to be Holders or the underwriters of any series of Bonds), or upon the deemed consent of the Holders, of not less than a majority in principal amount of the Bonds then Outstanding, (b) Bond Counsel's opinion to the effect that the Twenty-Second Supplemental Resolution has been duly and lawfully adopted and filed in accordance with the Resolution, and (c) a notice of the effectiveness of such amendment has been mailed to the Holders of the Bonds as provided in the General Resolution. The General Resolution provides that after the giving of such required notice to the Holders of Bonds, the amendment made by the Twenty-Second Supplemental Resolution shall be deemed conclusively binding upon the Authority, the Trustee and the Holders of all Bonds. The Authority currently expects the amendment to become effective by the end of the first quarter of 2018.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Offered Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Offered Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and LIPA in connection with the Offered Bonds, and Bond Counsel has assumed compliance by the Authority and LIPA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Offered Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, and the Offered Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State of New York, except estate or gift taxes and taxes on transfers.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Offered Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Offered Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Offered Bonds in order that interest on the Offered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Offered Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Offered Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and LIPA have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Offered Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Offered Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Offered Bonds.

Prospective owners of the Offered Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Offered Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Offered Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing an Offered Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Offered Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the Offered Bonds under federal or state law or otherwise prevent beneficial owners of the Offered Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Offered Bonds.

For example, the Tax Cuts and Jobs Act ("H.R. 1"), which was passed by the United States House of Representatives on November 16, 2017, would, if enacted into law in its current form, include in gross income the interest on (i) any "qualified" private activity bond and (ii) any advance refunding bond. Such amendments would only apply to bonds issued after December 31, 2017. H.R. 1 would also impact (and generally lower) the current income tax rates for individuals and corporations. On November 21, 2017, the Senate Finance Committee released legislative text which would also prohibit the issuance of tax-exempt advance refunding bonds after December 31, 2017, but would not change the current tax treatment of qualified private activity bonds. Both the House and the Senate proposals would modify the current provisions relative to the alternative minimum tax on individuals and corporations for tax years beginning after December 31, 2017 (eliminating such tax on corporations and suspending it temporarily in respect of individuals). The future of the tax reform legislative efforts is uncertain at this time.

Prospective purchasers of the Offered Bonds should consult their own tax advisors regarding the foregoing matters.

UNDERWRITING

The Underwriters listed on the cover page of this Official Statement, for which Citigroup Global Markets Inc. is acting as the lead book-running manager, have agreed, jointly and severally and subject to certain conditions, to purchase the Offered Bonds from the Authority at an underwriters' discount of \$1,663,069.59.

The initial public offering prices of the Offered Bonds may be changed from time to time by the Underwriters.

The Offered Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Offered Bonds into investment trusts) at prices lower than such public offering prices.

The following paragraphs were provided by the Underwriters of the Offered Bonds.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers for the distribution of the Offered Bonds at the initial public offering prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Authority and to persons and entities with relationships with the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR

Public Financial Management, Inc. is the Authority's financial advisor including for the Offered Bonds. The financial advisor has provided the Authority advice on the plan of financing and reviewed the pricing of the Offered Bonds. The financial advisor has not independently verified the information contained in this Official Statement and does not assume responsibility for the accuracy, completeness or fairness of such information.

CONTINUING DISCLOSURE UNDERTAKING

The Offered Bonds will be subject to the continuing secondary market disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and will be made subject to the Continuing Disclosure Certificate a form of which is attached hereto as Appendix 2 to this Official Statement. Pursuant to the Continuing Disclosure Certificate, the Authority will provide for the benefit of the holders of the Offered Bonds certain financial information and operating data relating to the Authority by the dates specified in the Continuing Disclosure Certificate (the "Annual Report"), and provide notices of the occurrence of certain enumerated events with respect to the Offered Bonds. The Annual Report will be filed by or on behalf of the Authority with EMMA. The notices of such events would be filed by or on behalf of the Authority with EMMA and with the Trustee. The specific nature of the information to be contained in the Annual Report and the notices of events is set forth in the Form of the Continuing Disclosure Certificate which is included in its entirety in Appendix 2. The Offered Bonds being made subject to the Continuing Disclosure Certificate is a condition precedent to the obligation of the Underwriters to purchase the Offered Bonds. The Authority's undertakings in the Continuing Disclosure Certificate are being made in order to assist the Underwriters in complying with the Rule.

CREDIT RATINGS

The Offered Bonds have been assigned ratings of "A-" by Fitch, Inc. ("Fitch"), "A3" by Moody's Investors Service ("Moody's") and "A-" by S&P Global Ratings ("S&P").

The respective ratings by Fitch, Moody's and S&P of the Offered Bonds reflect only the views of such organizations and any desired explanation of the significance of such ratings and any outlooks or other statements given by the rating agencies with respect thereto should be obtained from the rating agency furnishing the same, at the following addresses: Fitch, Inc., 33 Whitehall Street, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating and outlook (if any) on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings for the Offered Bonds will continue for any given period of time or that any of such ratings will not be revised downward or withdrawn entirely by any of the rating agencies, if, in the judgment of such rating agency or agencies,

circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Offered Bonds.

AGREEMENT OF NEW YORK STATE

In the Act, the State pledges to and agrees with the holders of any obligations issued under the Act and the parties to any contracts with the Authority that the State will not limit or alter the rights vested in the Authority until such obligations together with the interest thereon are fully met and discharged and/or such contracts are fully performed on the part of the Authority, provided that nothing therein contained shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations of the Authority, or those entering into such contracts with the Authority. The Authority, as agent for the State, is authorized to include such pledge and agreement by the State in all agreements with the holders of such obligations and in all such contracts. The Authority has included such pledge in the Resolution.

LEGALITY FOR INVESTMENT

The Act provides that the Offered Bonds will be legal investments for public officers and bodies of the State and all municipalities, insurance companies and associations and other persons carrying on an insurance business, banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies, and other persons carrying on a banking business, all trusts, estates and guardianships, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State, or may properly and legally invest funds, including capital in their control or belonging to them. Under the Act, the Offered Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

APPROVAL OF LEGAL PROCEEDINGS

Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, will render its opinions with respect to the validity of the Offered Bonds in substantially the form set forth in Appendix 1 to this Part 1. Certain legal matters with respect to the Authority and LIPA will be passed upon by Jon R. Mostel, Esquire, General Counsel to the Authority and LIPA, and by Squire Patton Boggs (US) LLP, New York, New York, Disclosure Counsel to the Authority and LIPA. Certain legal matters will be passed upon for the Underwriters by Dentons US LLP, New York, New York, Counsel to the Underwriters.

MISCELLANEOUS

This Official Statement (which includes Part 1 and Part 2) includes, among other things, descriptions of (i) the Authority, LIPA, the System and NMP2 and (ii) the terms of the Offered Bonds, certain operating agreements, the Resolution, the Continuing Disclosure Certificate and certain provisions of the Act, some of which are included herein by specific-cross reference. Such descriptions are not complete and all such descriptions and references thereto are qualified by reference to each such document, copies of which may be obtained from the Authority.

The agreements with the holders of the Offered Bonds are fully set forth in the Bond Resolution, as supplemented by the Supplemental Resolution, which authorizes their issuance. This Official Statement is not to be construed as a contract with the purchasers of the Offered Bonds or of any other obligations of the Authority.

This Official Statement has been executed on behalf of the Authority by its Chief Executive Officer pursuant to the authority of the Trustees.

LONG ISLAND POWER AUTHORITY

By: /s/ Thomas Falcone
Chief Executive Officer

APPENDIX 1

Form of Opinion of Hawkins Delafield & Wood LLP Bond Counsel to the Authority

December __, 2017

Long Island Power Authority
333 Earle Ovington Blvd.
Uniondale, NY 11553

Ladies and Gentlemen:

We have examined a certified record of proceedings relating to the issuance of \$350,000,000 Electric System General Revenue Bonds, Series 2017 (the "Series 2017 Bonds") of the Long Island Power Authority (the "Authority"), a corporate municipal instrumentality of the State of New York (the "State") constituting a body corporate and politic and a political subdivision of the State.

The Series 2017 Bonds are issued under and pursuant to the Constitution and statutes of the State, including the Long Island Power Authority Act, being Title 1-A of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (herein called the "Act"), and under and pursuant to proceedings of the Authority duly taken, including a resolution adopted by the Trustees of the Authority on May 13, 1998 entitled "Electric System General Revenue Bond Resolution", as supplemented by the Twenty-Sixth Supplemental Electrical System General Revenue Bond Resolution of said Trustees adopted on December 20, 2016 (the "Resolution").

The Authority has heretofore issued bonds (the "Outstanding Bonds") and incurred Parity Obligations (as defined in the Resolution) under the Resolution. The Resolution provides that the Authority may issue additional Bonds (as defined in the Resolution), and incur additional Parity Obligations, thereunder from time to time on the terms and conditions and for the purposes stated therein. The Outstanding Bonds, the Series 2017 Bonds, the outstanding Parity Obligations and such additional Bonds, if issued, and such additional Parity Obligations, if incurred, will be equally and ratably secured under the Resolution, except as otherwise provided therein.

The Series 2017 Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution.

We are of the opinion that:

1. The Authority is duly created and validly existing under the laws of the State, including the Constitution of the State and the Act. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Authority has the right and power under the Act to adopt the Resolution and to perform its obligations thereunder, including its rate covenant relating to the establishment and maintenance of System fees, rates, rents, charges and surcharges; provided, however, that the Act directs the Authority to seek the review and recommendation of the New York State Public Service Commission as to certain rate proposals prior to implementation and to implement such recommendations unless the Authority determines, after complying with certain procedural requirements and subject to any applicable judicial review proceeding, that any particular recommendation is inconsistent with the Authority's sound fiscal operating practices, any existing contractual or operating obligations or the provision of safe and adequate service. Notwithstanding the direction to seek such review and recommendation, the Act permits the Authority to place rates and charges into effect on an interim basis subject to possible prospective rate adjustment. The Authority has received all approvals of any governmental agency, board or commission necessary for the adoption of the Resolution.

3. The Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority, and is enforceable in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Trust Estate (as defined in the Resolution),

subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

4. The Series 2017 Bonds have been duly and validly authorized and issued in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolution, and are valid and binding special obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolution, payable solely from the Trust Estate as provided in the Resolution. The Authority has no taxing power, the Series 2017 Bonds are not debts of the State or of any municipality thereof, and the Series 2017 Bonds will not constitute a pledge of the credit, revenues or taxing power of the State or of any municipality thereof. The Authority reserves the right to issue additional Bonds and to incur additional Parity Obligations on the terms and conditions, and for the purposes, provided in the Resolution, on a parity of security and payment with the Series 2017 Bonds and the Outstanding Bonds and outstanding Parity Obligations.

5. Any registration with, consent of, or authorization or approval by, any governmental agency, board, or commission that is necessary for the execution and delivery and the issuance of the Series 2017 Bonds has been obtained.

6. The adoption of the Resolution, compliance with all of the terms and conditions of the Resolution and the Series 2017 Bonds, and the execution and delivery of the Series 2017 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law, or of any approval by any governmental agency, board or commission necessary for the adoption of, or performance of the Authority's obligations under, the Resolution.

7. The Financing Agreement, dated as of May 1, 1998, between the Authority and Long Island Lighting Company d/b/a LIPA (as successor by merger to LIPA Acquisition Corp.) (the "Subsidiary") has been duly authorized, executed and delivered by the Authority and the Subsidiary and is a valid and binding obligation of the parties thereto, enforceable in accordance with its terms.

8. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2017 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering the opinions in this paragraph 8, we have relied upon and assumed the material accuracy of certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and the Subsidiary in connection with the Series 2017 Bonds, and we have assumed compliance by the Authority and the Subsidiary with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2017 Bonds from gross income for federal income tax purposes under Section 103 of the Code. Under the Code, failure to comply with such procedures and covenants may cause the interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Series 2017 Bonds, irrespective of the date on which such noncompliance occurs or is ascertained.

9. Under existing statutes, interest on the Series 2017 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, and the Series 2017 Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

The opinions expressed in paragraphs 2, 3, 4 and 7 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as stated in paragraphs 8 and above, we express no opinion regarding any other federal or state tax consequences with respect to the Series 2017 Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2017 Bonds, or under state and local tax law.

We express no opinion herein as to the accuracy, adequacy, sufficiency or completeness of any financial or other information that has been or will be supplied to purchasers or prospective purchasers of the Series 2017 Bonds.

This letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material or matters of any kind not specifically opined on above. No other opinions are intended nor should they be inferred.

This letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX 2

Form of Continuing Disclosure Certificate

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Long Island Power Authority (the “Authority”) in connection with the issuance of its Electric System General Revenue Bonds, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to the Electric System General Revenue Bond Resolution adopted by the Authority on May 13, 1998 as amended and supplemented (the “Resolution”). The Authority covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. *Definitions.* In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent,” if any, shall mean the person or firm, or any successor Dissemination Agent designated in writing by the Authority pursuant to Section 7 of this Disclosure Certificate and which has filed with the Authority and the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Authority’s final Official Statement relating to the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New York.

“Trustee” shall mean The Bank of New York Mellon, New York, New York and its successors and assigns.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Official Statement.

SECTION 3. *Provision of Annual Reports.* For so long as shall be required by the Rule:

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than 6 months after the end of the Authority’s fiscal year (presently December 31), commencing with the report for the 2017 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If the Authority is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Authority shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) If a Dissemination Agent is appointed by the Authority, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the MSRB; and

(ii) file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

(d) All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 4. *Content of Annual Reports.* The Authority's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Authority and its subsidiaries for the prior fiscal year, prepared in accordance with U.S. generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Operating results for the prior fiscal year of the type set forth in the Financial Statements of the Authority included by specific cross-reference in the Official Statement.

3. Capital expenditures for the prior fiscal year of the type set forth in the Official Statement under the heading "The System—Capital Improvement Plan" in Part 2 of the Official Statement.

4. Service area loads for the prior fiscal year of the type set forth in the Official Statement under the heading "The System—Loads" in Part 2 of the Official Statement.

5. A discussion of the Authority's own rates and charges (but not regional comparisons) for the prior fiscal year of the type set forth in the Official Statement under the heading "Rates and Charges" in Part 2 of the Official Statement.

6. Billings and collections for the prior fiscal year of the type set forth in Part 2 of the Official Statement under the heading "Billing and Collections."

7. A discussion of operating results, cash flows, uses of cash and capital expenditures of the type set forth in the audited Financial Statements for the years ended December 31, 2016 and 2015 included by specific cross-reference in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. *Reporting of Listed Events.* For so long thereafter as shall be required by the Rule:

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, to the MSRB (with a copy to the Trustee), in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies.
2. non-payment related defaults, if material.
3. modifications to rights of Bondholders, if material.
4. optional, contingent or unscheduled bond calls, if material, and tender offers.
5. defeasances.
6. rating changes.
7. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

8. unscheduled draws on the debt service reserves reflecting financial difficulties.
9. unscheduled draws on the credit enhancements reflecting financial difficulties.
10. substitution of the credit or liquidity providers or their failure to perform.
11. release, substitution or sale of property securing repayment of the Bonds, if material.
12. bankruptcy, insolvency, receivership or similar event of the Authority;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority;

13. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 6. *Termination of Reporting Obligation.* The Authority's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. *Dissemination Agent.* The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Certificate. Initially, the Authority will serve as its own dissemination agent. Notwithstanding any other provisions hereof, the Authority or the Dissemination Agent may make the filings required by this Disclosure Certificate either directly with the MSRB or through a central information repository approved in accordance with the Rule.

SECTION 8. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. *Default.* In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 50% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may (unless the Authority has so complied within 20 days after written notice from the Trustee of its failure to comply) take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default or an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. *Duties, Immunities and Liabilities of Dissemination Agent.* The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's default or negligence or willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 14, 2017

LONG ISLAND POWER AUTHORITY

By: _____

APPENDIX 3

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered bonds in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued for the Offered Bonds in the aggregate principal amount of the maturity of such Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct DTC Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s Rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC’s records. The ownership interest of each actual purchaser of Offered Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Bonds, except in the event that use of the book-entry system for a Series of the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC’s records reflect only the identity of the Direct DTC Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds within a maturity of a Series are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (or any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI procedures. Under its usual procedures, DTC mails an omnibus proxy (the “Omnibus Proxy”) to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Offered Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct DTC Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to a Series of the Offered Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Offered Bonds are required to be printed and delivered.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Offered Bonds registered in its name for the purposes of payment of the redemption proceeds and principal and interest on the Offered Bonds, giving any notice permitted or required to be given to registered owners under the Subordinated Resolution, registering the transfer of the Offered Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Offered Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Offered Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as a registered owner.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Offered Bonds will be printed and delivered to DTC.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this Appendix has been extracted from information given by DTC. Neither the Authority, the Trustee nor the dealers make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH PARTICIPANTS, INDIRECT DTC PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE BOND RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

APPENDIX 4

Glossary of Certain Defined Terms

The following terms, as generally used in offering documents of the Authority, have the respective meanings provided below. These summary definitions do not purport to be complete or definitive and are qualified in their entirety by reference to the Resolution, the Financing Agreement, the OSA and the PSA, copies of which have been filed with EMMA and are on file with the Trustee.

“Account” means one of the special accounts created and established pursuant to the Resolution.

“Administrative Services Agreement” means the Administrative Services Agreement, dated as of May 1, 1998, between the Authority and LIPA, as the same may be amended and supplemented.

“Authorized Representative” means in the case of the Authority and LIPA, their respective Chairman, Chief Executive Officer, Executive Director, Chief Financial Officer, Controller or Chief Operating Officer, or such other person or persons so designated by resolution of the Authority or LIPA, as the case may be.

“Beneficial Owner” shall have the meaning assigned thereto in the applicable appendix or exhibit to the appropriate offering document.

“Bondholder” “Owner” or “Holder” means, when used with reference to a Bond, the person in whose name the Bond is registered on the registry books kept by the Trustee pursuant to the Resolution.

“Business Day” means any day other than a Saturday, Sunday or legal holiday.

“Certificate” means (i) a signed document attesting to or acknowledging the matters therein stated or setting forth matters to be determined pursuant to the Resolution or otherwise, (ii) the report of an Accountant as to an audit or compliance called for by the Resolution, or (iii) any report of the Consulting Engineer or Rate Consultant as to any matter called for by the Resolution or the Financing Agreement.

“Change in Regulatory Law” has the meaning set forth in the OSA.

“Change of Control” has the meaning set forth in the OSA.

“Construction Fund” means the fund by that name established pursuant to the Resolution.

“Consulting Engineer” means, when such term is used in the Resolution and the Financing Agreement, any independent engineer or firm of engineers of recognized standing selected by the Authority and may include an independent engineer or firm of engineers of recognized standing selected by the Authority or LIPA in one or more other capacities.

“Costs” means costs of any System Improvements or any other purpose related to the System for which bonds, notes or other obligations of the Authority may be issued under the Act or under other applicable State statutory provisions (whether or not also classifiable as an Operating Expense), including but not limited to direct costs, incidental costs (including but not limited to legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves deemed necessary or desirable by LIPA and approved by the Authority, and other costs properly attributable thereto including but not limited to the payment of principal, interest, and redemption, tender or purchase price of any (i) obligations issued by the Authority for the payment of any of such costs, (ii) Outstanding LIPA Unsecured Debt, (iii) obligations issued to pay Capitalized Interest or (iv) obligations issued to refund any obligations referred to in clauses (i) or (iii) or Outstanding LIPA Unsecured Debt referred to in clause (ii); all items of expense directly or indirectly payable or reimbursable and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of the Bonds and any other cost, charge or fee in connection with the original issuance of Bonds; termination payments under the PSA or other agreement of the Authority or LIPA for power supply purposes; and termination payments under Financial Contracts.

“Credit Facility” means a letter of credit, revolving credit agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments or interest due on any Bonds including through a reserve or similar fund.

“Debt Service” for any Fiscal Year or part thereof means, as of any date of calculation, the sum of (i) with respect to any Outstanding Bonds, an amount equal to the sum of (a) interest payable during such Fiscal Year or part thereof on such Bonds, except to the extent that such interest is to be paid from amounts representing Capitalized Interest and (b) the Principal Installments of such Bonds payable during such Fiscal Year or part thereof and (ii) with respect to a Parity Reimbursement Obligation, an amount equal to the sum of (a) interest payable during such Fiscal Year or part thereof on such Parity Reimbursement Obligation and (b) the Principal Installments of such Parity Reimbursement Obligation payable during such Fiscal Year or part thereof. Such interest and Principal Installments shall be calculated on the assumption that (x) no such Bonds, or Parity Reimbursement Obligations Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of Sinking Fund Installments and (y) variable rate Bonds will bear interest at the greater of (A) the rate or rates which were assumed by LIPA in the Authority Budget for such Fiscal Year to be borne by Variable Rate Bonds during such Fiscal Year or (B) the average rate or rates borne on variable rate Bonds Outstanding during the twelve calendar months preceding the

date of calculation, but at a rate not less than the rate or rates borne thereon as of such date of calculation; provided, however, that if LIPA has in connection with any variable rate Bonds entered into a Financial Contract which provides that the Authority is to pay to the Qualified Counterparty an amount determined based upon a fixed rate of interest on the Outstanding principal amount of such variable rate Bonds or that the Qualified Counterparty is to pay to the Authority an amount determined based upon the amount by which the rate at which such variable rate Bonds bear interest exceeds a stated rate of interest on all or any portion of such variable rate Bonds, it will be assumed that such variable rate Bond bears interest at the fixed rate of interest to be paid by the Authority or the rate in excess of which the Qualified Counterparty is to make payment to the Authority in accordance with such agreement.

“Debt Service Fund” means the fund by that name established pursuant to the Resolution.

“Depository” means any bank or trust company selected by LIPA or the Authority, as the case may be, as a depository of moneys to be held under the provisions of the Financing Agreement or the Resolution and may include the Trustee.

“Direct Participants” shall have the meaning assigned thereto in the applicable appendix or exhibit to the appropriate offering document.

“Event of Default” means, (i) when such term is used in the Resolution and the Financing Agreement, any event specified in the Resolution as an “Event of Default” (and as summarized in the summary thereof under the caption “Event of Default; Remedies Upon Default”) and (ii) when such term is used in the OSA or the PSA, such events as defined in the OSA or the PSA.

“FERC” means the Federal Energy Regulatory Commission.

“Fiduciary” means the Trustee, any Paying Agent, any Depository, or any Authenticating Agent.

“Financing Agreement” means the Financing Agreement, dated as of May 1, 1998, by and between the Authority and LIPA to provide for their respective duties and obligations relating to the financing and operation of the retail electric business in the Service Area, as the same may be amended or supplemented.

“Fiscal Year” means the twelve-month period commencing on January 1 of each year; provided, however, that the Authority and LIPA may, from time to time, mutually agree on a different twelve-month period as the Fiscal Year, in which case January 1, when with reference to Fiscal Year, shall be construed to mean the first day of the first calendar month of such different Fiscal Year.

“GASB” means the Governmental Accounting Standards Board.

“IRS” means the United States Internal Revenue Service.

“ISO-NE” means The New England Independent System Operator.

“LIPA Parties” means the Authority and LIPA.

“LIPA Budget” means the annual budget of LIPA, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in the Financing Agreement.

“LIPA Unsecured Debt Fund” means the fund by that name established pursuant to the Resolution.

“Municipalization” has the meaning set forth in the OSA.

“National Grid Parties” means Keyspan Corporation and various National Grid subsidiaries.

“NYISO” means the New York Independent System Operator and any successor thereto.

“Operating Expense Fund” means the fund by that name established pursuant to the Resolution.

“Operating Expenses” means any and all current expenses of maintaining, repairing, operating and managing the System, including but not limited to the costs of supplies, fuel, fuel assemblies and components required for the operation of the System (including but not limited to any payments made under Supply Contracts other than the Debt Service Component thereof); payments relating to fuel or electricity hedging instruments; all payments under any System Agreements; all salaries, administrative, general, commercial, architectural, engineering, advertising, public notices, auditing, billing, collection and enforcement and legal expenses; insurance and surety bond premiums; consultants’ fees and charges; payments to pension, retirement, health and hospitalization funds; any taxes which may lawfully be imposed on the System or the income or operation thereof or of LIPA; costs of public hearings; ordinary and current rentals of equipment or other property; lease payments for real property or interests therein; expenses of maintenance and repair (including replacements); expenses, liabilities and compensation of the Trustee or any other Fiduciary or Depository; to the extent provided by by-law, agreement or other instrument of the Authority or LIPA, indemnification of Fiduciaries, Trustees, officers and employees of the Authority, directors, officers and employees of LIPA, and others and premiums for insurance related thereto; reasonable reserves for operation, maintenance and repair and for self-insurance; and all other expenses necessary, incidental or convenient for the efficient operation of the System; all costs and expenses associated with or arising out of the research, development (including feasibility and other studies, including but not limited to resource planning and studies and reports relating to demand side management) and/or implementation of any project, facility, system, task or measure related to the System including but not limited to demand side management programs, deemed desirable or necessary by the Authority or LIPA; all other costs and expenses arising out of or in connection with the conduct of LIPA’s business or necessary, incidental or convenient for the efficient operation of LIPA; and all expenses necessary, incidental or convenient for the efficient operation of the Authority and the performance of the obligations of the Authority under the Administrative Services Agreement. Notwithstanding the foregoing, Operating Expenses shall not include (i) any costs and expenses attributable to a Separately Financed Project, (ii) any costs or expenses for new construction or for

reconstruction other than restoration of any part of the System to the condition of serviceability thereof when new, (iii) the Debt Service Component of any Supply Contract, (iv) to the extent so specified by the Authority, any incentive payments payable by LIPA under any System Agreement, (v) any payments payable by LIPA under any other agreement the terms of which specify that the same shall not constitute an Operating Expense under the Resolution, (vi) any allowance for depreciation, (vii) payment under any Capital Leases, or (viii) any PILOTs.

“**OSA**” means the Amended and Restated Operations Services Agreement, dated as of December 31, 2013, by and between a wholly-owned subsidiary of Public Service Enterprise Group Incorporated (“PSEG”) dedicated to the operations of the T&D System (“PSEG Long Island”) and LIPA, as amended and supplemented.

“**Outstanding**” when used with reference to Parity Reimbursement Obligations, shall have the meaning given to such term in the agreement creating such Parity Reimbursement Obligations, and, when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Resolution except: (a) any Bonds canceled by the Trustee at or prior to such date; (b) any Bonds the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof; (c) any Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to the Resolution; and (d) any Bonds deemed to have been paid as provided in the Resolution.

“**Outstanding LIPA Unsecured Debt**” means certain unsecured financial obligations of LIPA outstanding as of the acquisition of LILCO, all of which has been retired as of the date hereof.

“**Parity Contract Obligation**” means the obligation of the Authority or LIPA to pay the Debt Service Component of Supply Contracts and Capital Leases from Revenues and secured by a pledge of and lien on the Trust Estate on a parity with the Bonds.

“**Parity Contract Obligations Fund**” means the fund by that name established pursuant to the Resolution from which amounts shall be applied for the payment of Parity Contract Obligations in accordance with the Resolution.

“**Pass-Through Expenditures**” has the meaning set forth in the OSA.

“**Parity Obligations**” means, collectively, all Parity Contract Obligations and Parity Reimbursement Obligations.

“**Parity Reimbursement Obligation**” shall have the meaning assigned thereto under the heading “Special Provisions Relating to Option Securities, Financial Contracts, Subordinated Credit Facilities, Parity Obligations and Subordinated Indebtedness” in the summary of the Resolution.

“**Paying Agent**” means any paying agent for any Bonds, and its successor or successors and any other person which may at any time be substituted in its place pursuant to the Resolution.

“**PILOTs**” means any payment in lieu of taxes due and owing by the Authority or LIPA in accordance with the Act or other applicable law.

“**PILOTs Fund**” means the fund by that name established by the Resolution, and used to make payments to the State or any municipality or other political subdivision of the State, which shall be entitled to receive PILOTs under the Act, subject to the provisions of the Resolution.

“**PJM**” means the Pennsylvania-New Jersey-Maryland Regional Transmission Organization.

“**Power and Energy**” means the electrical energy and capacity available from the System Power Supply.

“**Principal Installment**” means, as of any date of calculation and with respect to any Outstanding Bonds, (i) the principal amount of such Bonds (including (x) any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the “principal amount” with respect to any Bonds which do not pay full current interest for all or any part of their term and (y) the principal amount of any Parity Reimbursement Obligation) due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for such Bonds, or (iii) if such future dates coincide as to different Bonds, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date.

“**Privatization**” has the meaning set forth in the OSA.

“**Property Tax Settlement**” as used in the Resolution, means the Authority’s program of rebates and credits to System customers in respect of the amounts otherwise payable by the Suffolk Taxing Jurisdictions as refunds of taxes and payments in lieu of taxes relating to Shoreham.

“**PSA**” or “**Power Supply Agreement**” means the Amended and Restated Power Supply Agreement that commenced in May 2013, between GENCO and LIPA, as amended and supplemented.

“**Qualified Counterparty**” means an entity (i) whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating or claims paying ability are rated (at the time the subject Financial Contract is entered into) in any of the three highest Rating Categories from a nationally recognized statistical rating organization, (ii) whose payment obligations under a Financial Contract are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating or claims paying ability, are rated (at the time the subject Financial Contract is entered into) in any of the three highest Rating Categories from a nationally recognized statistical rating organization, or (iii) whose obligation, if any, to make payment to the Authority upon the termination of the subject Financial Contract is fully collateralized by Investment Securities of the type described in clause (ii) of the definition of Investment Securities; provided,

however, that such obligation shall be deemed to be fully collateralized if the Investment Securities shall have a market value, determined periodically in accordance with the Financial Contract, that is not less than 102% of any termination payment.

“Rate Covenant” means the covenants by the Authority in the Resolution to establish and maintain System fees, rates, rents, charges and surcharges at a level sufficient to achieve Revenues sufficient to pay Debt Service, Operating Expenses and other expenses.

“Rate Stabilization Fund” means the fund by that name established by the Resolution, and used for any lawful purpose of the Authority or LIPA, including but not limited to making any deposits required by the Resolution to any Fund or Account, in accordance with the Resolution.

“Redemption Price” means, when used with respect to a Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon either optional or mandatory redemption thereof pursuant to the Resolution.

“Refunding Bond” means any Bond authenticated and delivered on original issuance pursuant to the Resolution for the purpose of refunding any Outstanding Bonds, or thereafter authenticated and delivered pursuant to the Resolution in lieu of or substitution for such Bond.

“Reimbursement Obligation” shall have the meaning provided under the heading “Special Provisions Relating to Option Securities, Financial Contracts, Subordinated Credit Facilities, Parity Obligations and Subordinated Indebtedness” in the summary of the Resolution.

“Required Deposits” means the amount, if any, payable into the Operating Expense Fund, the Debt Service Fund, the Parity Contract Obligations Fund, the Subordinated Indebtedness Fund, LIPA Unsecured Debt Fund and the PILOTs Fund, but in each case only to the extent such payments are required to be made from Revenues.

“Retained Assets” means (i) certain regulatory assets of LILCO, including the Shoreham Regulatory Asset, (ii) the judgments, actions and claims of LILCO for refunds of property taxes, including the judgment resulting from the litigation contesting the assessment of certain Shoreham Nuclear Power Station property and (iii) other intangible assets of LILCO’s former retail electric business, including the right to provide electric service in the Service Area.

“Revenue Bonds” means any bonds, notes or other obligations issued or secured under the Resolution, the Subordinated Resolution or any other bond resolutions to be adopted by the Authority.

“Revenue Fund” means the fund into which Revenues are deposited by the Authority or by LIPA, unless required by the Resolution to be deposited to any other Fund or Account, in accordance with the Resolution or the Financing Agreement.

“Revenues” means all revenues, rates, fees, charges, surcharges, rents, proceeds from the sale of LIPA Assets, proceeds of insurance, and other income and receipts, as derived in cash, directly or indirectly from any of LIPA’s operations, by or for the account of the Authority or LIPA, including but not limited to (i) all payments received by the Authority or LIPA with respect to the Promissory Notes, (ii) any guaranty of performance under any System Agreement and (iii) all dividends received by the Authority as a result of ownership of any stock or other evidences of an equity interest in LIPA; provided, however, that Revenues shall not include (a) any Transition Charge, (b) any of the foregoing attributable directly or indirectly to the ownership or operation of any Separately Financed Project, or (c) any federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose unless the Authority determines that such grant moneys shall constitute Revenues. Notwithstanding the foregoing, Revenues also shall not include any amounts, or amounts from any sources, as may be specified from time to time by a Supplemental Resolution; provided, however that at the time such Supplemental Resolution becomes effective the tests set forth in the Resolution under the heading “Conditions Precedent to Delivery of Bonds” in the Resolution shall be satisfied in accordance with the Resolution.

“Separately Financed Project” means any such project financed by revenues or other income derived solely from the ownership or operation of such project or from other funds withdrawn from the Revenue Fund in accordance with the Resolution.

“Service Area” or **“LIPA Service Area”** means the Counties of Suffolk and Nassau and that portion of the County of Queens known as the Rockaways constituting LILCO’s electric franchise area as of the effective date of the Act. “Service Area” does not include the Nassau County Villages of Freeport and Rockville Centre, and the Suffolk County Village of Greenport.

“Shoreham” means the Shoreham Nuclear Power Station located at Shoreham, Long Island.

“Shoreham Credits” means credits to the bills of System ratepayers arising from the settlement of the Shoreham Property Tax Litigation, in each of the five years of 1998-2003 in Nassau County and the Rockaways in the aggregate amount of \$50 million per year and in Suffolk County in the aggregate amount of \$30 million per year.

“Sinking Fund Installment” means, as of any particular date of calculation, the amount required, as of such date of calculation, to be paid by the Authority on a future date for the retirement of Outstanding Bonds which are stated to mature subsequent to such future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.

“State” means the State of New York.

“Subordinated Indebtedness” means any bond, note or other evidence of indebtedness issued by LIPA in furtherance of its corporate purposes under the Act and secured by a pledge of the Trust Estate subordinate to the pledge thereof made by the Resolution in favor of the Bonds and Parity Obligations and otherwise as provided by the Resolution. Subordinated Indebtedness shall include, but shall not be limited to, Option Securities, Reimbursement Obligations other than Parity Reimbursement Obligations, and Financial Contracts to the extent provided by the Resolution.

“Suffolk Taxing Jurisdictions” means, collectively, Suffolk County, the Town of Brookhaven, the Shoreham-Wading River Central School District, the Wading River Fire District, and the Shoreham-Wading River Library District.

“Subordinated Indebtedness Fund” means the fund established in accordance with the Resolution for payment of the principal and redemption price of and interest on Subordinated Indebtedness, subject to the provisions of the Resolution.

“Supplemental Resolution” or “Supplemental Resolutions” means, as the context requires, (a) the Twenty-Sixth Supplemental Resolution or (b) a resolution or resolutions of the Authority authorizing the issuance of a Series of Bonds or otherwise amending or supplementing the Resolution, adopted in accordance with the Resolution.

“System” means the Retained Assets and any System Improvements, but shall not include any Separately Financed Projects.

“System Agreements” means any agreements relating to the operation or maintenance of the System, the supply of power and energy to the System, and the provision of transmission and distribution services and capacity for the System.

“System Budget” means the combined Authority Budget and LIPA Budget, as amended or supplemented, adopted or in effect for a particular Fiscal Year, as provided in the Resolution and in the Financing Agreement.

“System Improvement” means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the generation, production, transportation, transmission, distribution, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by LIPA, including any capacity or output in which LIPA has an interest, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions, including but not limited to demand side management programs; provided, however, that the term “System Improvement” shall not include any Separately Financed Project.

“T&D System” means the electricity transmission and distribution system owned by LIPA from time to time and all other assets, facilities, equipment or contractual arrangements of LIPA used to provide the transmission and distribution of Power and Energy within or to the Service Area.

“Transition Charge” means any rates, fees, charges or surcharges relating to the System or the customers thereof established by irrevocable rate order or other action or instrument, and applicable to or by the Authority or LIPA, in conjunction with the issuance of debt or other securities under a separate resolution, indenture or similar instrument (other than the Resolution) to the extent such rates, fees, charges or surcharges are pledged or otherwise encumbered or conveyed as security for such debt or other securities.

“Trust Estate” means collectively: (i) all payments received by the Authority from LIPA under the Financing Agreement, and all rights to collect and receive the same; (ii) all Revenues and all right, title and interest of the Authority in and to the Revenues, including all rights of the Authority to collect and receive the same, including but not limited to (a) all payments received by the Authority with respect to the Promissory Notes and all right, title and interest of the Authority in and to the Promissory Notes, including all rights of the Authority to collect and receive amounts payable thereunder and (b) any dividends received by the Authority as a result of ownership of any common or preferred stock or other evidences or an equity interest of the Authority in LIPA, and all rights to receive the same; (iii) the proceeds of sale of Bonds until expended for the purposes authorized by the Resolution; (iv) all Funds, Accounts and subaccounts established by the Resolution, including securities credited thereto and investment earnings thereon; and (v) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Resolution for the Bonds by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Resolution to receive any and all such property at any and all times, and to hold and apply the same subject to the terms of the Resolution.

“Trustee” means, (i) when such term is used in the Resolution and the Financing Agreement, The Bank of New York Mellon as successor to United States Trust Company of New York, New York, New York, as Trustee, and its successor or successors and any other person which may at any time be substituted in its place pursuant to the Resolution and (ii) when such term is used in the OSA or the PSA, the trustee acting under the Resolution, the Subordinated Resolution or any other bond resolutions to be adopted by the Authority for the benefit of the holders of the Revenue Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

PART 2
of the
OFFICIAL STATEMENT
of the
LONG ISLAND POWER AUTHORITY

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	Page
INTRODUCTION TO THE AUTHORITY AND LIPA	1
Relationship of the Authority and LIPA	1
System Operation by the Authority	1
The LIPA Reform Act.....	2
Restructuring of the Authority and LIPA and Relationship to PSEG Long Island	2
The LIPA Reform Act and the OSA	2
The Securitization Authority and Securitization Transactions	5
The Power Supply Agreement	6
2017 FINANCIAL INFORMATION.....	6
RECENT DEVELOPMENTS	6
Reforming the Energy Vision, the Clean Energy Standard and the Zero-Emissions Credit Requirement	6
Integrated Resource Plan and Repowering Studies	7
Suffolk County PILOTs	8
2018 BUDGET	8
DERIVATIVES AND HEDGE ACTIVITIES	8
Commodities Hedging.....	8
Interest Rate Hedging.....	9
RATES AND CHARGES	9
The Act and the Rate Covenant.....	9
Rate Tariffs and Adjustments	9
Power Supply Charge.....	10
PILOTs.....	10
Restructuring Charges	10
Authority to Set Electric Rates.....	10
Recent Modifications to the Tariff	12
Comparative Rates	12
BILLING AND COLLECTIONS	12
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	12
Pledge of Trust Estate.....	12
Payment of Revenues Pursuant to Financing Agreement.....	13
Funds	13
Flow of Funds.....	13
Rate Covenant	14
Additional Bonds Test.....	15
Subordinated Indebtedness; Acceleration of Subordinated Indebtedness	15

TABLE OF CONTENTS
(continued)

	Page
LONG ISLAND POWER AUTHORITY	15
The Act.....	15
Trustees	15
Management and Operation of the System.....	16
THE SYSTEM.....	18
Service Area	18
The Transmission and Distribution System.....	19
Capital Improvement Plan.....	21
Loads	21
Power Supply	21
Fuel Supply	29
Overview of Regulatory Framework as it Applies to LIPA	29
New York Independent System Operator.....	30
PJM Independent System Operator and Allocation of PJM Regional Transmission Expansion Project Costs	31
New York State Reliability Council.....	31
CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY	31
General	31
FERC Enforcement and Penalty Authority Under the 2005 Energy Policy Act	32
Competition.....	32
New York State Electric Utility Industry Regulation.....	33
Environmental	33
Cooling Water Intake Structure Regulation	35
Nuclear Plant Matters.....	36
ENVIRONMENTAL MATTERS	37
REGULATION	37
New York State	37
Federal.....	38
Other Jurisdictions.....	39
LITIGATION	39
The Offered Bonds	39
Other Litigation.....	39
CERTAIN OTHER MATTERS	40
LIPA Assets and Liabilities.....	40
Guarantees and Indemnities	40
ADDITIONAL INFORMATION	40

PART 2

INTRODUCTION TO THE AUTHORITY AND LIPA

The purpose of this Part 2 is to describe, among other things, the Long Island Power Authority (the “Authority”) and its wholly-owned subsidiary, the Long Island Lighting Company (“LILCO”) which does business on Long Island, New York (“Long Island”) under the names LIPA and Power Supply Long Island (“LIPA”). The Authority, acting through LIPA, provides electric service in its service area (the “Service Area”) which includes two counties on Long Island — Nassau County (“Nassau County”) and Suffolk County (“Suffolk County”) (except for the Nassau County villages of Freeport and Rockville Centre and the Suffolk County village of Greenport, each of which has its individually-owned municipal electric system) — and a portion of the Borough of Queens of The City of New York known as the Rockaways. Capitalized terms used but not defined in this Part 2 have the meanings given those terms in “Appendix 5 – Glossary of Defined Terms” to Part 1 of this Official Statement.

The Authority is a corporate municipal instrumentality and a political subdivision of the State of New York (the “State”), exercising essential governmental and public powers. The Authority was created by the State Legislature under and pursuant to the Long Island Power Authority Act, being Title 1-A of Article 5 (§ 1020 et seq.) of the Public Authorities Law of the State, as amended, including as amended by certain provisions of the LIPA Reform Act (defined below), (the “Act”). LIPA is a stock corporation formed and existing under the Business Corporation Law of the State.

The Authority became the provider of electric service in the Service Area on May 28, 1998 by acquiring LILCO as a wholly-owned subsidiary of the Authority through a merger. Since such acquisition, LILCO has done business under the name LIPA. For the period prior to its acquisition by the Authority, LILCO is referred to herein as “LILCO” and, for the subsequent period, is referred to herein as “LIPA.”

Following its acquisition by the Authority, LIPA retained the electric transmission and distribution systems (the “T&D System”), certain agreements and contracts for power supply and transmission, an 18% ownership interest in Unit 2 of the Nine Mile Point nuclear electric generating station located in Oswego, New York (“NMP2”) and certain other assets and liabilities (for a discussion of these other assets and liabilities, see “CERTAIN OTHER MATTERS – LIPA Assets and Liabilities” in this Part 2). The term “System” means all of the assets of the Authority and LIPA that are used in the furnishing of electric service.

The remainder of LILCO’s assets (including all of its then-existing fossil-fueled generating units) and employees, and its entire gas supply system, were transferred to certain wholly-owned subsidiaries of Keyspan Corporation. In August 2007, Keyspan Corporation was acquired by National Grid plc, a company organized under the laws of England and Wales (“National Grid plc”). Each of the subsidiaries of Keyspan Corporation which acquired the assets or employees of LILCO now does business under the name “National Grid” (each such subsidiary is referred to herein as a “National Grid Sub” and collectively the “National Grid Subs”).

Relationship of the Authority and LIPA

LIPA is a State corporation and a wholly-owned subsidiary of the Authority. Pursuant to LIPA’s organizational documents, the Authority conducts and manages LIPA’s business and affairs. Accordingly, LIPA is controlled by the Authority. The Authority is governed by a Board of Trustees (the “Trustees”) as described herein.

The Authority and LIPA are parties to a Financing Agreement (the “Financing Agreement”) providing for their respective duties and obligations relating to the financing and operation of the retail electric business in the Service Area, which is included herein by specific cross-reference.

Pursuant to the terms of the Financing Agreement, the Authority is to issue all debt necessary for the Authority and LIPA. This debt includes all Bonds and Subordinated Indebtedness issued and to be issued. The proceeds of all such debt are to be treated as being loaned from the Authority to LIPA, which will repay such loans from the revenues it receives from its electric business. To secure the loans, LIPA has pledged all of its revenues to the Authority, which has, in turn, pledged such revenues as security for such debt.

Pursuant to the terms of the Financing Agreement, LIPA conducts the electric business in the Service Area and is responsible for providing service to customers in the Service Area. The Authority and LIPA are also parties to an Administrative Services Agreement pursuant to which the Authority provides personnel, personnel-related services and other services necessary for LIPA to provide electric service in the Service Area.

System Operation by the Authority

In order to assist the Authority (acting through LIPA) in providing electric service in the Service Area, the Authority and LIPA have generally entered into operating agreements, the purpose of which is to provide the Authority and LIPA with the

operating personnel and a significant portion of the power supply resources necessary for LIPA to continue to provide electric service in the Service Area. From 1998 through 2013, the service providers were, with some exceptions, National Grid Subs. As described below, the Authority has transitioned to a new business model first adopted by the Board in late 2011 and modified in 2013 in response to the requirements of the LIPA Reform Act.

Below is a brief summary of certain of LIPA's basic operating agreements, including certain historic and current arrangements.

T&D System management including, among other functions, the day-to-day operation and maintenance, customer service, billing and collection and meter reading:

From 1998 through the end of 2013, a National Grid Sub was the T&D System manager pursuant to a Management Services Agreement (the "MSA"). Commencing January 1, 2014, a wholly-owned subsidiary of Public Service Enterprise Group Incorporated ("PSEG") dedicated to the operations of the T&D System ("PSEG Long Island") became the service provider pursuant to the twelve-year OSA executed in accordance with the LIPA Reform Act. PSEG Long Island is also the retail brand for electric service on Long Island.

Power Supply (including capacity and related energy) from the oil and gas-fired generating plants on Long Island currently owned by a National Grid Sub ("National Grid Generation LLC" or "GENCO") ("GENCO Generating Facilities"):

Since 1998, GENCO has been the power supplier with respect to the GENCO Generating Facilities. The initial power supply agreement between LIPA and GENCO (the "Original PSA") expired on May 28, 2013. LIPA and GENCO executed an Amended and Restated Power Supply Agreement (the "PSA") that commenced in May 2013 for a term of 15 years, which provides for the purchase of capacity and related energy from those facilities.

Power Supply and Fuel Management:

Effective January 1, 2015, a PSEG Long Island affiliate, PSEG Energy Resources & Trade LLC ("PSEG ER&T"), provides the power supply and fuel management services. These services were previously provided by Con Edison Energy, Inc. or a National Grid Sub.

The LIPA Reform Act

The LIPA Reform Act was divided into two parts. Part A addressed a variety of matters relating to the restructuring of the Authority and LIPA. Part B created the Utility Debt Securitization Authority ("UDSA") and authorized the issuance of the restructuring bonds to retire a portion of the Authority's existing debt.

Restructuring of the Authority and LIPA and Relationship to PSEG Long Island

Part A of the LIPA Reform Act established a new office within the Department of Public Service (the "DPS"), which is the staff arm of the New York Public Service Commission (the "PSC") to review and make recommendations to the Authority and/or PSEG Long Island related to core utility functions including capital expenditures, the methods employed by PSEG Long Island for safe and adequate service, and the emergency response plan of PSEG Long Island. Part A also gives the DPS the responsibility to investigate and mediate customer complaints. Additionally, the DPS may undertake comprehensive and regular management and operations audits. The Authority bears the costs and expenses relating to the DPS's oversight role.

The LIPA Reform Act and the OSA

The LIPA Reform Act imposed new substantive obligations on any service provider and effectively shifted major operational and policy-making responsibilities for the T&D System, including significant responsibilities relating to capital expenditures, budgets and emergency response, from LIPA to PSEG Long Island. The LIPA Reform Act requires that staffing at the Authority be kept at levels only necessary to ensure that the Authority is able to meet obligations with respect to its bonds and notes and all applicable statutes and contracts, and to oversee the activities of PSEG Long Island.

The LIPA Reform Act requires PSEG Long Island to prepare and maintain an emergency response plan to assure the reasonably prompt restoration of service in the case of an emergency event and establish separate responsibilities of the Authority and the service provider; submit for review to the DPS a report detailing PSEG Long Island's planned capital expenditures; consider, consistent with maintaining system reliability, renewable generation and energy efficiency program results and options in establishing capital plans; and submit to the DPS for review, data, information and reports on PSEG Long Island's actual performance related to the metrics in the OSA, including the Authority's evaluation thereof, prior to the Authority's determination of PSEG Long Island's annual incentive compensation. The PSEG Long Island management company consists of approximately 20 employees at the director level and higher. The PSEG Long Island service company consists of approximately 2,350 PSEG Long Island employees, which includes a substantial majority of incumbents from the National Grid workforce, as well as new

hires from the manager level and lower. Further information about PSEG and PSEG Long Island can be found at <http://www.psegliny.com>. No information on that website is included herein by specific cross-reference.

Implementation of the LIPA Reform Act required the transfer of substantial operational duties and obligations to PSEG Long Island and greater operational flexibility for PSEG Long Island to carry out its related duties. In response to the LIPA Reform Act, LIPA re-negotiated the operations services agreement with PSEG Long Island to address the changed relationship between the parties in connection with the provision of electric service in LIPA's Service Area. The resulting OSA has a base term of 12 years, expiring December 31, 2025 and provides that if the PSEG Long Island achieves certain levels of performance based on criteria specified in the OSA during the first 10 years, the parties will negotiate in good faith an eight year extension of the OSA on substantially similar terms and conditions. The LIPA Reform Act required that the DPS review the OSA and provide a recommendation to the Authority's Board of Trustees prior to the Board's vote to approve the agreement. Accordingly, by letter dated September 27, 2013, the Chair of the DPS notified the Trustees that the DPS had conducted a comprehensive review of the LIPA Reform Act, the proposed OSA and the management and operations audit of LIPA conducted by an independent consultant on behalf of the DPS, and based upon such review, recommended that the Trustees approve the OSA.

The following is a brief summary of certain provisions of the OSA. This summary does not purport to be complete and reference is made to the OSA for full and complete statements of such agreement and all provisions. The OSA has been filed with the MSRB's EMMA and is included by specific cross-reference herein. For convenience, a copy of the OSA can also be found on the Authority's website (www.lipower.org/profile) under the caption "Contracts and Reports."

Compensation. The OSA provided for an annual fixed component of the management services fee of \$36.3 million in 2015 (consistent with 2014), which increased to \$58 million in 2016 and thereafter (prorated as appropriate and indexed in accordance with the OSA). In addition, the OSA provided for an annual incentive compensation pool of \$5.44 million in 2015 (consistent with 2014), which increased to \$8.7 million in 2016 and thereafter (in each case expressed in 2011 dollars, prorated as appropriate and indexed in accordance with the OSA). The incentive compensation pool is earned based on favorable performance relative to Performance Metrics. Generally, costs and expenses (without any mark-up or profit) incurred by PSEG Long Island in the course of providing operations services are treated as "Pass-Through Expenditures" under the OSA.

Performance Metrics. The Performance Metrics are designed to achieve LIPA's desired performance levels, which is generally first quartile performance as determined by agreed industry peer benchmarks. Performance Metrics are agreed upon annually. Performance Metrics are structured both to maintain good performance and improve poor performance, through two distinct types of Performance Metrics, "Maintenance Metrics" and "Improvement Metrics." Maintenance Metrics are those Performance Metrics for which satisfactory performance levels are currently being achieved. The goal of Maintenance Metrics is to incent continued satisfactory performance (generally, first quartile). Improvement Metrics are those Performance Metrics for which current performance is unsatisfactory. The goal of Improvement Metrics (generally, first quartile) is to incent improved performance over time. To date, PSEG Long Island has completed three years of T&D operations and made substantial progress toward achieving or maintaining the Performance Metrics described above, as well as substantially improved LIPA's standing in the J.D. Power Residential and Business customer satisfaction surveys.

Operations Services. PSEG Long Island is required to provide operations services for the T&D System on behalf of LIPA at all times in accordance with the standards set forth in the OSA. Under the OSA, except for certain rights and responsibilities reserved to LIPA, PSEG Long Island assumes and undertakes the rights and responsibilities for management, operation and maintenance of the T&D System and the establishment of policies, programs and procedures with respect thereto, including: all electric transmission, distribution and load servicing activities for the safe and reliable operation and maintenance of the T&D System; day-to-day operation of the T&D System; engineering activities; preparation of recommended capital plan and monitoring of approved annual capital budget; preparation of long- and short-range planning analyses and forecasts; customer services; finance, accounting, budgeting, longer-term financial forecasting and treasury operations related to the T&D System; and other general activities such as information technology, human resources, procurement, implementation of emergency response and reporting. Under the OSA, LIPA retains continuing oversight responsibilities and obligations with respect to the operation and maintenance of the T&D System consistent with the LIPA Reform Act. LIPA's specific rights and responsibilities with respect to the T&D System include, among other things: the right to determine all T&D System rates and charges; the right to review and approve the consolidated budget pursuant to the procedures outlined in the OSA and the LIPA Reform Act; responsibility for financing the business and operations of the Authority and LIPA; compliance with any financing documents and administration of debt service for all debt of the Authority and LIPA; and overall responsibility for the Authority's and LIPA's legal matters, including reporting and related legal compliance. LIPA and PSEG Long Island mutually agree to Performance Metrics described above and reasonable budgets to achieve those metrics.

In addition to the expansion of operational duties and obligations of PSEG Long Island under the OSA as compared with the prior service provider, PSEG Long Island is now the retail brand for electric service on Long Island.

Additional Services. On January 1, 2015, PSEG ER&T assumed certain power supply management, fuel procurement and related services that had previously been provided by Con Edison Energy, Inc. or a National Grid Sub.

Termination of OSA. The OSA contains customary events of default, including bankruptcy, payment failures and failure to perform material obligations under the agreement, as well as cure rights. The OSA may be terminated upon an event of default that has not been timely cured. In the event of a bankruptcy-related event of default under the OSA, the OSA terminates immediately without further action by the non-defaulting party. For payment defaults or, in the case of PSEG Long Island and certain of its affiliates only, credit support-related defaults, the non-defaulting party may terminate upon not less than fifteen Business Days' written notice to the other party. For other events of default, the non-defaulting party must generally provide not less than ninety Business Days' written notice prior to termination. Immediately upon the expiration or any earlier termination of the OSA, the PSEG Long Island service company will transfer all of the membership interests in the PSEG Long Island service company and all corporate books and records to LIPA or, at LIPA's direction, its designee at no cost to LIPA or its designee. LIPA and PSEG Long Island will mutually agree upon such instruments, agreements and other documents as may be reasonably necessary to effect such transfer.

Additional Service Provider Termination Rights. Under the OSA, PSEG Long Island may terminate the agreement in the event of either a (i) LIPA Privatization, (ii) LIPA Municipalization or (iii) Change in Regulatory Law (all as defined in the OSA) (each, a "PSEG Long Island Termination Event"). If a PSEG Long Island Termination Event occurs and PSEG Long Island exercises its right to terminate the OSA, the termination notice period would generally extend for 12 or 14 months (depending on the nature of the PSEG Long Island Termination Event). Under the OSA, LIPA has the option to extend the effective date of any such termination for up to 6 months. In addition, if LIPA is unable to procure and contract with a successor service provider prior to the termination date of the OSA, LIPA could seek to commence an arbitration proceeding under the OSA on the grounds, among others, that termination of the OSA under such circumstances would be contrary to the public interest and should, therefore, be deferred.

Additional LIPA Termination Rights. LIPA may also terminate the OSA at any time if LIPA is privatized or operation of LIPA's T&D System is "fully municipalized" upon not less than six months' notice. In addition, in the event of a "Change of Control" of PSEG Long Island or certain affiliated entities, LIPA has the right to terminate the OSA upon not less than thirty days' notice. Beginning in the third contract year, LIPA also has the additional right to terminate the OSA if PSEG Long Island fails to satisfy either the major storm performance metric or the minimum performance level metric in the then-current contract year and any one of the preceding two (2) contract years upon not less than six months' prior written notice. If LIPA exercises the right to terminate the OSA as set forth in this paragraph, it must set forth in its written termination notice a termination date which cannot exceed 12 months following the date of such notice.

Service Provider as LIPA's Agent. The OSA designates PSEG Long Island as LIPA's agent to enter into purchase, rental and other contracts on behalf of and for the account of LIPA to properly operate and maintain the T&D System and to maintain the records of LIPA, and to make such additions and extensions to the T&D System and to enter into certain customer-related contracts under LIPA's tariff, as appropriate. The designation as agent is intended to enhance the financial benefits and relationship between the parties under the agreement, including the ability to achieve certain sales and use tax savings.

DPS Long Island and the Three Year Rate Plan. In accordance with the LIPA Reform Act and as described herein, the OSA established a process for proceedings, including a statutorily mandated three-year rate plan for the 2016-2018 period (the "Three Year Rate Plan"), and rate proposals that seek to increase rates in excess of 2.5% of aggregate revenues on an annual basis, for review by the DPS and recommendation to the Authority's Trustees. As provided in the LIPA Reform Act, the OSA required that PSEG Long Island prepare a preliminary Three Year Rate Plan including information supplied by LIPA, designed to ensure that LIPA and PSEG Long Island are able to provide safe and adequate transmission and distribution service in the service territory at rates which are (i) at the lowest level consistent with sound fiscal operating practices and (ii) sufficient to generate revenues necessary to satisfy LIPA's obligations to its bondholders, lenders and other creditors and contract counterparties including PSEG Long Island. The OSA specifically acknowledges the Authority Board's sole right to set final and interim rates. See "RATES AND CHARGES – Authority to Set Electric Rates" below for more information about process and outcomes of the Three Year Rate Plan.

DPS Rate Proceeding and Budgeting. The OSA provides that in any DPS rate proceeding (i.e., related to the Three Year Rate Plan or for increases in excess of 2.5% of annual revenues or otherwise as described above), LIPA will be responsible for providing evidentiary and other support and submitting its views with respect to the LIPA portion of the rate plan, and PSEG Long Island will be responsible for the rest of the rate plan, and both parties may submit their own views as well. If the DPS proposes a draft recommendation to either party, the parties are required to work together to determine if the proposed recommendation is consistent with the OSA and LIPA's statutory obligations. If the parties are unable to agree on such a conclusion, but the recommendation is nonetheless presented to the Trustees for approval, PSEG Long Island may present its views about the

recommendation to the Trustees at any Board meeting prior to a vote. Upon receipt of a final recommendation from the DPS, the parties have 21 days to negotiate and finalize an updated budget, during which time the Authority Board would not take final action on the DPS recommendation except if necessary to comply with bond covenants or applicable law. If agreement on the budget is not reached within 21 days, then the parties would submit the matter for resolution through expedited binding arbitration.

Customer Rate Changes. The OSA allows either party to propose to the other, a rate change deemed to be necessary, upon the same basis as stated above. Following negotiations, PSEG Long Island will prepare a proposal within 30 days for LIPA's review and within 30 days thereafter, the parties will engage in good faith discussions to reach agreement on the rate change proposal. Following this process, the Authority can implement a change in rates or charges provided it is consistent with the OSA and the LIPA Reform Act.

Voluntary DPS Rate Filing. For any rate filing that is permitted, but not required under the LIPA Reform Act, the OSA sets forth that the process described above will be followed for a DPS proceeding.

The Securitization Authority and Securitization Transactions

Part B of the LIPA Reform Act, also referred to herein as the Securitization Law, created UDSA and authorized the issuance of UDSA bonds to retire a portion of the Authority's existing debt. The Securitization Law authorizes the Authority to adopt financing orders which, among other things, create restructuring property and authorize the issuance of restructuring bonds. The Securitization Law provides that any financing order will be irrevocable after the time for any appeal to such financing order has lapsed. The Securitization Law requires that the proceeds of the restructuring bonds be used by UDSA to purchase restructuring property created by a financing order from the Authority and to pay or fund upfront financing costs. It also requires that the Authority use the proceeds of the restructuring bonds it receives from its sale of the restructuring property to UDSA only to pay approved restructuring costs, which include the costs of repurchasing, redeeming, repaying or defeasing certain of the Authority's outstanding indebtedness and upfront financing costs, and, if funds remain after the approved restructuring costs are paid, to refund or credit to consumers any such surplus, to the extent practical. As required by the LIPA Reform Act and each financing order, each restructuring charge will be adjusted at least annually and if determined to be necessary, semiannually or more frequently, to ensure that the expected collection of the restructuring charge is adequate to timely pay all scheduled payments of principal and interest on the related restructuring bonds and all ongoing financing costs when due.

The LIPA Reform Act mandates that the restructuring charges are irrevocable, non-bypassable consumption-based charges. "Non-bypassable" means that the restructuring charges will be collected from customers, as long as such customer is connected to the T&D System and is taking electric delivery service in the Service Area, even if such customer also produces some of its own electricity or purchases electric generation services from a provider of electric generation services who is not the owner of the T&D System Assets and even if the T&D System Assets are no longer owned by LIPA. Certain customers that self-generate eligible renewable power will only be responsible for paying restructuring charges based upon their "net-billed" consumption. The obligation of customers to pay the restructuring charges is not subject to any right of set-off in connection with the bankruptcy of LIPA or any other entity. If any customer does not pay the full amount of any bill, the amount paid by the customer will be applied pro rata between the restructuring charges and the other charges unless the customer specifies that a greater proportion of such payment is to be allocated to the restructuring charges, except that other charges are to be reduced by the amount of any set-off, counterclaim, surcharge or defense.

A restructuring charge is a Transition Charge for purposes of the Resolution and amounts collected in respect thereof are thus not Revenues subject to the lien of the Resolution or the Subordinated Resolution and can only be used to pay debt service on the related restructuring bonds and related costs. All payments from or on behalf of customers, including all Revenues and Transition Charges, are initially deposited into an allocation account maintained by the Authority and allocated daily by the Authority among Revenues which are transferred to the Revenue Fund and the restructuring charges which are transferred to one of the collection accounts established under indentures relating to the UDSA restructuring bonds issued in 2013, 2015, 2016 and 2017, respectively. Restructuring bonds are not secured by the Trust Estate described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Payment of Revenues Pursuant to Financing Agreement." Restructuring bonds are not obligations of the Authority, LIPA, PSEG Long Island or any of their affiliates and bonds and other obligations issued or incurred by the Authority and LIPA are not obligations of UDSA.

Restructuring charges are collected by (or on behalf of) LIPA, as the initial Servicer, pursuant to the terms of servicing agreements between LIPA and UDSA. As Servicer, LIPA is responsible for monitoring the collateral securing the UDSA bonds, taking all necessary action in connection with adjustments to the restructuring charges and certain reporting requirements. However, in its role as T&D System manager under the OSA, PSEG Long Island is responsible for performing a number of functions that would otherwise be provided by LIPA including, among other things, billing and collecting the restructuring charges from customers, meter reading and forecasting. In connection with each issuance of restructuring bonds, UDSA and LIPA also

entered into an Administration Agreement pursuant to which LIPA, acting as Administrator, performs certain administrative and other duties on behalf of UDSA.

Prior to being amended in 2015, the Securitization Law permitted only one issuance of restructuring bonds by UDSA. Pursuant to the amended Securitization Law, UDSA may issue additional restructuring bonds in an aggregate additional amount not to exceed \$4.5 billion (inclusive of the approximately \$2.022 billion previously-issued 2013 restructuring bonds) (the “Additional Authorized Amount”).

On December 18, 2013, pursuant to Financing Order No. 1 adopted by the Authority on October 3, 2013 (“Financing Order No. 1”), UDSA issued approximately the \$2.022 billion of Restructuring Bonds Series 2013T and Series 2013TE. UDSA purchased the related restructuring property from the Authority with the proceeds of the UDSA bonds. The Authority used the sale proceeds of that restructuring property to purchase, redeem, repay and retire approximately \$2 billion of its debt. On June 26, 2015, the Authority Trustees adopted Financing Orders No. 2, No. 3 and No. 4, which allowed UDSA to issue additional restructuring bonds three times prior to December 31, 2016. UDSA subsequently issued (i) approximately \$1.002 billion of Restructuring Bonds Series 2015 pursuant to Financing Order No. 2, (ii) approximately \$636.8 million of Restructuring Bonds Series 2016A pursuant to Financing Order No. 3 and (iii) approximately \$469.3 million of Restructuring Bonds Series 2016B pursuant to Financing Order No. 4. The Authority used the sale proceeds of the related restructuring property from those UDSA financings to purchase, redeem, repay and retire approximately \$1.045 billion, \$728.3 million and \$537.4 million of its debt, respectively. On July 26, 2017, the Authority Trustees adopted Financing Order No. 5. On November 21, 2017, pursuant to Financing Order No. 5, UDSA issued approximately \$369.5 million of Restructuring Bonds Series 2017 effectively exhausting UDSA’s ability to issue restructuring bonds under the amended Securitization Law. The Authority used the sale proceeds of that restructuring property to purchase, redeem, repay and retire approximately \$395.1 million of its debt. The UDSA bonds are not obligations of the Authority, LIPA, PSEG Long Island or any of their affiliates and bonds and other obligations issued or incurred by the Authority and LIPA are not obligations of UDSA.

The Power Supply Agreement

In 2012, the Authority and National Grid entered into the amended and restated PSA to provide for the continued purchase of generation (including capacity and related energy) from the fossil-fired GENCO Generating Facilities for a maximum term of 15 years commencing in May 2013. The PSA provides approximately 3,700 MW of on-Island capacity for the term of the agreement and also provides LIPA with the option to ramp down (i.e., cease purchasing capacity from) and/or potentially re-power a portion of the PSA units. However, LIPA has no obligation to purchase energy from the GENCO Generating Facilities and is able to purchase energy on a least-cost basis from all available on-Island sources, as well as off-Island sources, consistent with existing transmission interconnection and T&D System limitations. The PSA also provides for certain penalties related to guaranteed performance levels by GENCO, including unforced capacity (i.e., capacity adjusted for forced outages) and efficiency levels (heat rate) of the generating facilities. See “THE SYSTEM – Power Supply” below. *This brief summary of the PSA does not purport to be complete and reference is made to the PSA for full and complete statements of such agreement and all provisions. The PSA has been filed with the MSRB’s EMMA and is included by specific cross-reference herein. For convenience, a copy of the PSA can also be found on the Authority’s website (www.lipower.org/profile) under the caption “Contracts and Reports.”*

2017 FINANCIAL INFORMATION

For 2017, through September, the Authority’s electric revenues are approximately \$2.737 billion (with revenues of approximately \$1.310 billion after accounting for Power Supply Charge and associated property taxes of approximately \$1.427 billion), expenses are approximately \$2.466 billion (including the power supply related expenses) and other income (including grant income) is approximately \$51 million. The Authority issued its unaudited interim financial information for the period as of September 30, 2017 and September 30, 2016 on November 14, 2017. In addition, the Authority had approximately \$692 million of funds on-hand as of September 30, 2017 and an additional \$532 million of unused revolving credit and commercial paper capacity. The Authority believes it has adequate sources of liquidity to meet its planned operating, maintenance, capital programs and to fund storm costs incurred.

RECENT DEVELOPMENTS

Reforming the Energy Vision, the Clean Energy Standard and the Zero-Emissions Credit Requirement

The PSC commenced its Reforming the Energy Vision (or “REV”) initiative to transform the State’s energy industry and regulatory practices in April 2014. Reports as well as additional REV information are available on the DPS, which is the staff arm of the PSC, website at <http://www.dps.ny.gov/>. Information on that website is not included herein by specific cross-reference.

In June 2015, the New York State Energy Planning Board released its 2015 State Energy Plan (the “SEP”). The SEP coordinates state agencies that impact energy policy to advance the REV strategy. The SEP reflects the following goals for the State to meet by 2030: (i) a 40 percent reduction in greenhouse gas emissions from 1990 levels; (ii) 50 percent of electric generation from renewable energy sources; and (iii) a 23 percent decrease in energy consumption in buildings from 2012 levels. Also, the State has announced goals to reduce greenhouse gas emissions 80 percent below 1990 levels by 2050. In January 2016, the PSC expanded the scope of its REV proceeding to include consideration of a clean energy standard (“CES”). In August 2016, the PSC issued an Order Adopting a Clean Energy Standard. Subsequent CES implementation orders from the PSC are also expected. The CES is divided into a Renewable Energy Standard (“RES”) and a Zero-Emissions Credit (“ZEC”) requirement. In the CES Order, the PSC requires each State load serving entity (“LSE”) to serve its retail customers (the CES Order assumes Authority customer participation) by procuring new renewable resources, evidenced by the procurement of qualifying Renewable Energy Credits (“RECs”) at incrementally larger percentages for the years 2017 through 2030, with sufficient lead time for the load serving entities to incorporate the changes into their planning processes. The load serving entities will be able to meet their obligations by purchasing RECs from the New York State Energy Research and Development Authority (“NYSERDA”), by purchasing qualified RECs from other sources, or by making alternative compliance payments to NYSEDA. Resources eligible to produce RECs will be resources that came into operation after January 1, 2015, and that meet the eligibility criteria set forth in the CES Order.

The PSC also propose that each LSE, including the Authority, preserve the environmental values or attributes of qualified zero-emissions nuclear-powered electric generating facilities by purchasing an amount of ZECs in proportion to the electric energy load served by the applicable LSE in relation to the total electric energy load served by all LSEs in the applicable State control area. At its September 21, 2016 meeting, the Authority Trustees authorized the necessary agreements with NYSEDA for the purchase of ZECs and to receive its appropriate share of such revenues for its ownership interest in NMP2. The Authority’s staff currently expects that the cost to the Authority for its purchase of ZECs will be approximately \$34 million in 2017 (nine months) and approximately \$46 million for the full calendar year 2018. Thereafter, costs could increase with the projected social cost of carbon as determined by the federal government or decrease with forecasted wholesale market prices, as outlined in the Order.

With respect to net metering, the Authority’s tariff provides for net metering of certain residential and nonresidential customer-generators of renewable power, such as solar, wind, farm waste, micro-combined heat and power, fuel cells, micro-hydroelectric and hybrids. The amount of net metering permitted is established by the tariff. The net meters measure only the net amount of electricity provided to or by the customer-generator using the T&D System. Until recently, the tariff imposed limits on the amounts of rated generating capacity that an eligible customer-generator may have, consistent with PSC orders affecting the regulated utilities. The PSC ordered the regulated utilities to accept all applications for net metering without regard to a cap, while the ongoing REV proceeding establishes the appropriate compensation mechanism. On March 9, 2017, the PSC adopted the first phase of its net metering successor plan (*see* Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, And Related Matters, New York Public Service Commission Case 15-E-0751 (the “Phase One Order”)), which provides a new mechanism for utility compensation of certain distributed energy resources interconnected after March 9, 2017. Under the Phase One Order, large commercial customers will be compensated with a value stack comprised of values for energy, capacity, environmental, and demand reduction costs. Notwithstanding the fact that the Authority is not subject to PSC jurisdiction, consistent with the PSC direction to regulated utilities, the Authority expects to implement the PSC’s net metering successor plan within the Service Area, including value stack compensation for large commercial customers. The Authority also expects to implement net metering grandfathering provisions, which as applied to the Authority will provide that (i) eligible customers interconnected or substantially interconnected by January 1, 2018 will remain as such for the life of those customers’ system and (ii) eligible mass market customers who become substantially interconnected after January 1, 2018 and by January 1, 2020 will be eligible for the existing net metering framework, but with a 20-year sunset. As of the date hereof, the Authority has net metering arrangements with eligible customer-generators in the Service Area equal to approximately 5.6% of the Authority’s reference year (2005) peak load.

While the Authority is not a regulated utility subject to the PSC’s jurisdiction, it has been and expects to continue to monitor the REV proceeding closely and review and evaluate orders put forth by the PSC and implemented by the investor-owned utilities to develop and recommend a plan of action by the Authority consistent with REV goals and objectives. The Authority is not able to predict the outcome of the REV proceeding or related proceedings or their impact on the business, operations or financial condition of the Authority.

Integrated Resource Plan and Repowering Studies

PSEG Long Island conducted an Integrated Resource Plan (“IRP”) that concluded in mid-2017, which analyzed the generation and transmission investments LIPA may need to initiate over the next 20 years (2016-2035). Decisions on needs identified beyond the next several years will be deferred until after a future IRP study, as changing electric grid

conditions could alter future investment. The forecasted need for power plants in 2030 on Long Island has declined by 1,700 megawatts (24%) since 2013, the equivalent of 3-5 large baseload central station power plants. This reduction is primarily due to greater adoption of energy efficiency as well as rooftop solar, and is consistent with state and national trends. As described above, the State has adopted a 50 percent renewable by 2030 goal, which dictates that each electric utility supply an increasing share of its energy needs each year from renewable generation. For Long Island, this means adding approximately 800 megawatts of new renewable generation by 2030, enough to power approximately 300,000 typical homes. Additionally, based on the IRP, LIPA now expects energy efficiency programs and advancements to reduce the need for generation by 950 megawatts by 2030, equivalent to approximately 380,000 typical homes.

In addition to PSEG Long Island's IRP, PSEG Long Island reviewed the Caithness II proposal to build a new plant, as well as feasibility studies of the repowering proposals for both Port Jefferson and E.F. Barrett steam plants. As a result of LIPA's excess generation capacity reflected in the IRP, the conclusion is that LIPA has no need to build new baseload power plants or repower existing steam plants. The Brattle Group provided an independent second opinion on PSEG Long Island's reliability planning criteria and analyses of proposals for certain combined cycle plants (Caithness II and the repowerings of the Barrett and Port Jefferson). The DPS also participated in the Brattle Group review and provided a supportive recommendation to LIPA. See "THE SYSTEM – Power Supply – *Future Power Supply Resources*" below for additional information including the Authority's staff recommendations deriving therefrom.

Suffolk County PILOTs

The Authority received notices recently from Suffolk County claiming to enforce liens against certain of its properties for allegedly unpaid real estate taxes. The Authority is exempt from real estate taxes but is authorized by statute to make payments in lieu of taxes ("PILOTs"). The Authority's payments to municipalities are limited by the LIPA Reform Act. The Authority has paid the full amount of PILOTs it is authorized by law to pay. Even if there were unpaid real estate taxes, no municipality including Suffolk County would have the power to enforce a lien on the Authority's property. The Authority is prepared, if necessary, to seek judicial relief to negate any attempt by Suffolk County to enforce alleged tax liens.

2018 BUDGET

The Authority released a proposed operating and capital budget for calendar year 2018 on November 14, 2017 (the "Proposed 2018 Budget"), which is expected to be adopted, as it may be modified by the Authority's Board of Trustees, at a meeting scheduled for December 19, 2017. For additional information, see "RATES AND CHARGES – Authority to Set Electric Rates" below.

DERIVATIVES AND HEDGE ACTIVITIES

The Authority uses financial derivative instruments and physical hedges to manage the impact of changes in energy prices and fuel costs (collectively power supply commodities) and financial derivative instruments to manage interest rate risk on its cost of service and cash flows.

Commodities Hedging

The Authority is exposed to volatile energy commodity prices in the normal conduct of its operations. These costs are recovered from the Authority's customers through the Power Supply Charge on customer bills, which may change on a monthly basis in response to actual and projected fuel and purchased power costs. While costs vary with supply and demand for energy related resources (which include seasonal, weather, transportation, natural disaster, and other influences), the Authority's customers have an interest in greater stability of power prices on a month-to-month basis. The hedging of certain components of power supply costs reduces the volatility of energy supply prices over what the Authority's customers would experience in the absence of hedging.

The Authority manages energy price risk using various derivative instruments to hedge power supply commodities through a defined risk management program and hedging plan overseen by an Executive Risk Management Committee comprised of the Chief Financial Officer and other senior management. The Authority has authorized PSEG ER&T to implement this risk management plan as the Authority's agent. The power supply commodity hedging program identifies a series of price and volume targets for power supply commodities that target the goals of stable and reasonable fuel and purchased power prices. As of September 30, 2017, the Authority posted \$19.3 million cash collateral to the Authority's clearing broker in connection with its power supply commodity hedge positions. The mark-to-market value at September 30, 2017 for the Authority's power supply commodity hedge positions was negative \$20.6 million.

Interest Rate Hedging

The Authority manages its interest rate risk exposure through the use of derivative instruments. As of September 29, 2017, the Authority had seven interest rate exchange agreements outstanding with a notional value of \$1.93 billion relating to its outstanding indebtedness. The Authority monitors its interest rate derivative exposure on an ongoing basis. To date, the Authority has not been required to post any collateral with respect to its interest rate derivatives. The Authority is subject to collateral posting on certain of the interest rate derivatives depending on the ratings of the Authority and, in certain cases, the swap insurer Assured Guaranty Municipal Corp. (formerly “FSA”) (“Assured”).

For one of the swaps (mark-to-market at September 29, 2017 of negative \$8.73 million) the Authority must fully collateralize the negative mark-to-market in excess of a \$30 million threshold following a downgrade by Moody’s, S&P, or Fitch below Baa2, BBB, or BBB, respectively, with respect to the Authority’s senior lien debt. Such a downgrade may also require the Authority to execute collateral documentation related to a swap with a mark-to-market at September 29, 2017 of negative \$4.37 million. Additionally, one of the Authority’s swaps with existing collateral documentation (mark-to-market at September 29, 2017 of negative \$4.37 million) requires the Authority to fully collateralize following a downgrade from either Moody’s or S&P below Baa2 or BBB, respectively, with respect to the Authority’s senior lien debt.

With respect to one of the swaps insured by Assured (mark-to-market at September 29, 2017 of negative \$211.62 million), the Authority may be required to execute collateral documentation only if both the insurer’s rating falls below A2 by Moody’s and A by S&P, *and* the Authority’s rating falls below A3 by Moody’s and A- by S&P with respect to the Authority’s senior lien debt. For the other swap insured by Assured, the collateral posting is impacted only by the Authority’s ratings and is included in the preceding paragraph.

In certain cases, the Authority may provide alternative credit support in lieu of posting collateral and/or executing collateral documentation.

The swap counterparties have the ability to terminate the swaps only following certain events related to the Authority, including payment defaults or other uncured events of default, bankruptcy, insolvency, bond-related events, or credit rating downgrades of the Authority and/or the swap insurer (if applicable). Under the majority of the Authority’s swap agreements, the counterparties do not have the right to terminate until one of the Authority’s credit ratings is downgraded below investment grade. Some counterparties also have the right to terminate if, following a downgrade of the Authority and/or Assured below certain levels, the Authority does not provide credit support, post collateral or execute collateral documentation.

In accordance with GASB 53, *Accounting and Reporting for Derivative Instruments*, and GASB 72, *Fair Value Measurement and Application*, the Authority records its derivatives at fair value. For a further discussion of these matters, and for a summary of certain interest rate exchange agreements, see Note 5 of Notes to Basic Financial Statements.

On July 27, 2017, the Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the London Interbank Offered Rate Rates (“LIBOR”) after 2021 (the “FCA Announcement”). Certain of the Authority’s swaps use a LIBOR based rate as a reference rate for determining the interest rate and/or other payment obligations thereunder. It is not possible to predict the effect of the FCA Announcement, any changes in the methods pursuant to which LIBOR rates are determined, or any other reforms to LIBOR that may be enacted, any of which may adversely affect the determination of LIBOR rates or result in the phasing out of LIBOR as a reference rate. Any such effects could result in a sudden or prolonged increase or decrease in reported LIBOR rates, or result in the replacement of LIBOR with other reference rates, and could have a negative impact on the market value of the Authority’s Swaps and payment obligations thereunder.

RATES AND CHARGES

The Act and the Rate Covenant

The Act requires that any bond resolution of the Authority contain a covenant that it will at all times maintain rates, fees or charges sufficient to pay the costs of operation and maintenance of facilities owned or operated by the Authority; payments in lieu of taxes; renewals, replacements and capital additions; the principal of and interest on any obligations issued pursuant to such resolution as the same become due and payable; and to establish or maintain any reserves or other funds or accounts required or established by or pursuant to the terms of such resolution.

Rate Tariffs and Adjustments

LIPA’s base retail electric rates generally reflect traditional rate designs and include fixed customer charges for all customer classes, seasonal energy rates for all customer classes except street lighting, and seasonally differentiated demand charges for non-residential customer classes (greater than seven kW). Economic development and load retention incentives are

provided to a small number of commercial customers. Miscellaneous service charges, pole attachment charges, and wireless rental rates are also assessed on a monthly basis. In addition to the base delivery service charges, the Authority's charges include a Power Supply Charge (described below), a PILOT payments recovery rider (described below), a rider providing for the recovery of the Suffolk Property Tax Settlement, a Distributed Energy Resources ("DER") Charge to recover the costs of LIPA's customer-side programs, a Revenue Decoupling Mechanism (described below), a Delivery Service Adjustment Charge (described below) and the State Assessment Charge to recover the cost of the Temporary State Energy and Utility Conservation Assessment and Department of Public Service Assessment (authorized by Public Service Law Section 18-a and the LIPA Reform Act).

Power Supply Charge

The Power Supply Charge recovers LIPA's power supply costs and is updated on a monthly basis consistent with the other major State electric utilities. Effective January 2017, the Power Supply Charge was modified to recover the costs of the PSA, operating expenses associated with the Authority's ownership share of Unit 2 of the Nine Mile Point Nuclear Generating Station, and certain taxes on Long Island power plants under contract to LIPA. These costs were previously recovered through the Authority's base delivery charges. The January 2017 tariff revision also specifically authorized recovery of the costs associated with LIPA's compliance with the State's CES, for RECs and ZECs.

PILOTs

The Act also requires the Authority to make payments in lieu of taxes, i.e., PILOTs, related to revenues and to property taxes. The Authority makes payments in lieu of taxes to municipalities and school districts on Authority owned property equal to the property taxes that would have been received by each such jurisdiction from LILCO if the acquisition by the Authority had not occurred. Part A of the LIPA Reform Act limits the increase in PILOTs assessed by municipalities on Authority owned facilities to no more than 2% per year, beginning in 2015, which is significantly less than the rate of growth of property based PILOTs which had been approximately 6.6% over the 10 years prior to the LIPA Reform Act. Such PILOTs are recovered in the Authority's base rates. As described below, the Authority's base rates are adjusted annually through a Staged Update (defined below) for the term of the Three Year Rate Plan for the actual amount of anticipated PILOT payments on Authority owned property. Additionally, as described below, property tax expense that is reimbursed to National Grid related to the GENCO units, and property taxes included in all other power purchase agreements, are recovered in the Power Supply Charge.

The Authority also makes PILOTs for certain State taxes (including gross receipts taxes) and local taxes (including transit station maintenance surcharges charged by the Metropolitan Transportation Authority of New York) which would otherwise have been imposed on LILCO. The PILOT payments recovery rider allows the Authority to recover PILOTs representing these gross receipts taxes and surcharges.

Restructuring Charges

The Authority's bills also recover the restructuring charges owed by the Authority's customers to UDSA. Restructuring charges secure only the restructuring bonds and any adjustments thereto are not subject to the below-described DPS review. Restructuring charges are not subject to the lien of the Resolution or Subordinated General Resolution. In addition, the UDSA restructuring bonds are not obligations of the Authority, LIPA, PSEG Long Island or any of their affiliates and bonds and other obligations issued or incurred by the Authority and LIPA are not obligations of UDSA.

Authority to Set Electric Rates

The Authority is empowered under its enabling statute to set rates for electric service in the Service Area without obtaining the approval of the PSC, the DPS or any other State regulatory body. Under the LIPA Reform Act, on or before February 1, 2015, the Authority and PSEG Long Island were required to submit to the DPS a three-year rate proposal for rates and charges to take effect on or after January 1, 2016. After the 2016-2018 period, the Authority and PSEG Long Island are required to submit a proposed rate increase for DPS review if it would increase the rates and charges by an amount that would increase the Authority's annual revenues by more than 2.5%. In addition, the Authority may place rates in effect on an interim basis, and such interim rates are subject to prospective adjustment only. The Authority retains final rate setting power.

On January 30, 2015, a Three Year Rate Plan for the period 2016-2018 was submitted by PSEG Long Island and the Authority for review by the DPS. On September 28, 2015, the DPS submitted its rate recommendation to the Authority's Board (the "Recommendation"). PSEG Long Island and the Authority's original submission on January 30, 2015 proposed rate increases of \$72.7 million, \$74.3 million, and \$74.3 million for the years 2016, 2017 and 2018, respectively, for a cumulative revenue requirement increase of \$441.0 million over the three year period. Documents relating to the rate plan filing can be found at the DPS's website (www.dps.ny.gov) under PSEG Long Island Electric Rate Case (Case # 15-00262) at: <http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterSeq=47329&MNO=15-00262>. In addition,

certain information relating to the rate plan filing can be found on the Authority's website (www.lipower.org) at: <http://www.lipower.org/investorrelations.html>. Information on those websites is not included herein by specific cross-reference.

Throughout the proceeding, PSEG Long Island, the Authority, the DPS staff and other parties proposed and updated revenue requirement positions. PSEG Long Island and the Authority's incremental rate request as of the time of the DPS Recommendation was \$58.2 million, \$72.2 million, and \$68.1 million for the years 2016, 2017 and 2018, respectively, for a cumulative increase of \$387.2 million or 5.4%. The Recommendation was for the Authority to set rates designed to increase revenues by \$30.4 million in 2016, \$77.6 million in 2017, and \$79.0 million in 2018, respectively, which rates represent a cumulative revenue requirement increase of \$325.4 million or 5.0%. At those proposed levels, the Authority's overall electric revenues, including power supply costs, would have increased by approximately 0.8%, 2.1%, and 2.1%, respectively.

The Three Year Rate Plan adopted the "Public Power Model" of rate-setting proposed by the Authority, which makes use of the debt service coverage method in determining revenue requirements. For the Authority this entails transitioning from the historical use of a \$75 million net income target to fixed obligation coverage targets (including capitalized leases) on Authority issued debt of 1.20x, 1.30x, 1.40x in 2016, 2017, and 2018 (and 1.45x in 2019, after the Three Year Rate Plan). The fixed obligation coverage for 2016 was approximately 1.26x and for 2017 is expected to be approximately 1.31x according to the Proposed 2018 Budget. When UDSA's restructuring bonds are included, those coverage ratio targets are a minimum of 1.15x, 1.20x, and 1.25x in 2016, 2017, and 2018, respectively. When UDSA's restructuring bonds are included, the fixed obligation coverage for 2016 was approximately 1.19x and for 2017 is expected to be approximately 1.21x according to the Proposed 2018 Budget. Depreciation expense, amortization of the acquisition adjustment and of other regulatory assets, as well as the difference between the accrual expense and actual required cash contributions to PSEG Long Island OPEBs, are non-cash expenses excluded from the Authority's methodology for calculating coverage calculation. The Three Year Rate Plan also included as a credit rating target to raise the Authority's credit ratings to A2 by Moody's, A by S&P, and A by Fitch over five years. Furthermore, the filing sought through increasing fixed obligation coverage targets to bring down the level of debt funding as a percentage of its annual capital program to 64% or less. The Authority has adopted a policy on Debt and Credit Markets that codifies these targets, which can be found on the website at <http://lipower.org/profile/mission.html>. Such information on the website is not included herein by specific cross-reference. Neither the Authority nor UDSA can predict whether any such targets will be realized.

The Recommendation also includes an annual update process to adjust delivery rates higher or lower to reflect measurable changes in certain specified projected costs ("Staged Updates") during the three years of the rate plan and a permanent cost reconciliation mechanism (the "Delivery Service Adjustment") to reconcile certain specified projected costs to actual costs in each year.

The Staged Updates provide for updating electric rates at the beginning of each year for items that are subject to variability due to external factors including, among others: debt service (also subject to the Delivery Service Adjustment); certain components of the costs of the Power Supply Agreement with National Grid (which, effective January 2017, are recovered through the Power Supply Charge and removed from the Staged Update and Delivery Service Adjustment); property-based PILOTS; and certain other legal or regulatory changes. Projections will be updated each autumn, subject to DPS review, and presented to the Board of Trustees as part of the annual budget process.

The Delivery Service Adjustment provides cost recovery for certain items that can vary significantly due to external factors, which items include, among others: debt service (variances in interest rates, capital expenditures and savings derived from UDSA's financings) and storm expenditures (variances from the approximately \$34 million per year budgeted for storm expenses in base rates). The Delivery Service Adjustment is expected to be calculated through the end of September each year, which allows for the bill impact to be known in advance of annual budget approval. Any adjustment would be reviewed by the DPS for accuracy and implemented on the following January 1st.

In addition, the Recommendation affirmed the Authority's use of a "Revenue Decoupling Mechanism." The Authority's Board initially modified its tariff to establish a Revenue Decoupling Mechanism in March 2015 as an "Adjustment to Rates and Charges," which PSEG Long Island is authorized to calculate and update each year according to the pre-defined terms of the tariff. All six of the major State electric utilities have Revenue Decoupling Mechanisms within their tariffs for delivery service. Mechanically, Revenue Decoupling Mechanisms function by comparing actual revenues with authorized revenues and crediting (or collecting) any differences due to (or from) customers in a subsequent period; it is intended to cover all sources of variances in delivery service revenues including, among other things, any net lost revenues attributable to the implementation of energy efficiency or net metering programs, any revenue variances (positive or negative) caused by weather patterns, and revenue variances (positive or negative) that result from changes in economic conditions.

Recent Modifications to the Tariff

Effective January 1, 2017, the Authority made several changes to the Authority's Tariff. Of note, the Authority modified the Revenue Decoupling Mechanism so that in addition to crediting (or collecting) differences between the prior period's actual and approved revenues, the Revenue Decoupling Mechanism also credits (or collects) anticipated differences between estimated and approved revenues in the current period.

Also of note, the Authority modified the Power Supply Charge to move the charges related to the PSA and LIPA's 18% ownership in NMP2, as well as PILOTS on the merchant power plants that serve Long Island, from the Authority's base delivery rates into the Power Supply Charge. This change resulted in essentially all of the Authority's costs of supplying power being collected in the Power Supply Charge, and made the Authority's rate structure more consistent with the rate structures of other major electric utilities in the State. Also effective January 2017, certain definitions in the tariff were revised to assure that the Power Supply Charge reflects recent changes in State policy associated with the CES.

Comparative Rates

The table below sets forth LIPA's 2016 average residential and commercial rates as compared with certain New York City metropolitan region electric utilities.

Utility Name	Comparative Rates	
	2016 Average Residential Price (cents/kWh)	2016 Average Commercial Price (cents/kWh)
Consolidated Edison Co-NY	24.91	19.13
United Illuminating Company	22.35	16.48
Orange & Rockland Utilities	19.40	13.40
Eversource (CL&P)	19.24	16.01
Long Island Power Authority	18.94	16.72
PSE&G (New Jersey)	16.46	12.50

Source:

Form EIA-826: <http://www.eia.gov/electricity/data/eia826/>

BILLING AND COLLECTIONS

At December 31, 2016, the Authority served approximately 1.1 million customers in its service area. For the 12-month period December 31, 2016, the 12-month write-off rate for uncollectible accounts was 0.56%, which was comparable to the write-off rate average over the preceding five fiscal years.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Under the OSA, the service provider is required to bill and collect such fees, rates, rents and charges for the use and services of the T&D System as are established by the Authority in accordance with the Resolution and the Act.

Since LIPA owns the System, the Financing Agreement contains covenants as to the operation and maintenance of the System, and the Resolution contains covenants of the Authority to enforce the Financing Agreement and assigns to the Trustee certain of the Authority's rights and interests under the Financing Agreement, including the right to bring actions and proceedings for the enforcement of the Financing Agreement.

Pledge of Trust Estate

The Resolution pledges the Trust Estate for the payment of the Bonds and all Parity Obligations, subject to the provisions of the Resolution, the Act and the Financing Agreement permitting certain applications of the Trust Estate and subject to the prior payment of Operating Expenses.

The Resolution authorizes the application of Revenues to certain purposes free and clear of the lien of the pledge. These applications include payment of Operating Expenses from the Operating Expense Fund prior to the deposit of Revenues in the Debt Service Fund. In addition, the Resolution provides that amounts on deposit in the Rate Stabilization Fund may be used for

any lawful purpose of the Authority or LIPA, and amounts retained in the Revenue Fund may be used for any lawful purpose of the Authority or LIPA, as determined by the Authority.

The principal items in the Trust Estate pledged by the Resolution include:

(i) all payments received by the Authority from LIPA under the Financing Agreement, and all rights to receive the same;

(ii) all Revenues and all right, title and interest of the Authority in and to Revenues, and all rights of the Authority to receive the same;

(iii) the proceeds of sale of Bonds until expended for the purposes authorized by the Supplemental Resolution authorizing such Bonds; and

(iv) all funds, accounts and subaccounts established by the Resolution, including securities credited thereto and investment earnings thereon.

The Authority covenants in the Resolution that it will not, and will not permit LIPA to, issue any bonds, notes or other evidences or indebtedness or otherwise incur any indebtedness, other than Bonds or Parity Obligations, secured by a pledge of or other lien or charge on the Trust Estate which is prior to or of equal rank or priority with the pledge made by the Resolution, and that it will not create or cause to be created any lien or charge on the Trust Estate which is prior to or of equal rank or priority with the pledge made by the Resolution.

Payment of Revenues Pursuant to Financing Agreement

Under the Financing Agreement, LIPA transfers to the Authority all of its right, title and interest in and to the Revenues, including all right to collect and receive the same, subject to the provisions of the Financing Agreement and the Resolution providing for the application of Revenues, and consents to the assignment by the Authority to the Trustee of its interest therein.

Revenues are defined in the Resolution to mean all revenues, rates, fees, charges, surcharges, rents, proceeds from the sale of LIPA assets, proceeds of insurance, and other income and receipts, as derived in cash, directly or indirectly from any of LIPA's operations, by or for the account of the Authority or LIPA including but not limited to all payments received by the Authority or LIPA with respect to any guaranty of performance under any System Agreement and all dividends received by the Authority as a result of ownership of any stock or other evidence of an equity interest in LIPA; provided, however, that Revenues shall not include (i) any Transition Charge (as defined below), (ii) any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project, or (iii) any federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose unless the Authority determines that such moneys constitute Revenues. Revenues also do not include any amounts, or amounts from any sources, as may be specified from time to time by Supplemental Resolution; provided, however, that at such time the applicable additional Bonds tests of the Resolution will be satisfied (whether or not the tests are then required to be met for other purposes) without regard to such amounts. Transition Charge means any rates, fees, charges or surcharges relating to the T&D System or the customers thereof established by irrevocable rate order or other action or instrument, and applicable to or by the Authority or LIPA, in conjunction with the issuance of debt or other securities under a separate resolution, indenture or similar instrument (other than the Resolution) to the extent such rates, fees, charges or surcharges are pledged or otherwise encumbered or conveyed as security for such debt or other securities. Each financing order contains a finding that the applicable restructuring charge is a Transition Charge for purposes of the Resolution. See "INTRODUCTION TO THE AUTHORITY AND LIPA – The LIPA Reform Act."

Funds

The Resolution establishes the following Funds: the Construction Fund; the Revenue Fund; the Operating Expense Fund; the Debt Service Fund; the Parity Contract Obligations Fund; the Subordinated Indebtedness Fund; the LIPA Unsecured Debt Fund; the PILOTs Fund; and the Rate Stabilization Fund, all to be held by or on behalf of the Authority with the exception of the Debt Service Fund, which is to be held by the Trustee.

Flow of Funds

The Authority is required by the Resolution, as promptly as practicable after receipt thereof by LIPA, to deposit all Revenues in the Revenue Fund. Amounts on deposit from time to time in the Revenue Fund shall be withdrawn and deposited in the following order of priority:

FIRST: to the Operating Expense Fund, the amount determined by the Authority from time to time to be deposited to pay, or to be set aside therein as a reserve for the payment of, Operating Expenses;

SECOND: (A) to the Debt Service Fund, the amounts required to pay or provide for the payment of the Principal Installments and Redemption Price of and interest on Bonds and Parity Reimbursement Obligations; and

(B) to the Parity Contract Obligations Fund, the amount determined by the Authority to be required to be deposited therein to pay or provide for the payment of Parity Contract Obligations;

THIRD: if such amounts are not expected by the Authority to be required thereafter for purposes of paragraphs FIRST and SECOND, to the Subordinated Indebtedness Fund, the amount determined by the Authority to be required to be deposited therein to pay or provide for the payment of Subordinated Indebtedness;

FOURTH: if such amounts are not expected by the Authority to be required thereafter for purposes of paragraphs FIRST, SECOND or THIRD above, to the LIPA Unsecured Debt Fund, the amount determined by the Authority to be required to be deposited therein to pay or provide for the payment of Outstanding LIPA Unsecured Debt;

FIFTH: if such amounts are not expected by the Authority to be required thereafter for purposes of paragraphs FIRST, SECOND, THIRD or FOURTH, to the PILOTs Fund, the amount determined by the Authority to be required to be deposited in such Fund to pay or provide for the payment of PILOTs; and

SIXTH: if such amounts are not expected by the Authority to be required thereafter for purposes of paragraphs FIRST, SECOND, THIRD, FOURTH or FIFTH, to the Rate Stabilization Fund, the amount determined by the Authority to be deposited therein to provide for any payments or deposits from Revenues thereafter.

Any moneys remaining in the Revenue Fund may be used for any lawful purpose of the Authority or LIPA, as determined by the Authority, including, but not limited to, the purchase or redemption of any bonds, notes or other obligations of the Authority or LIPA.

Rate Covenant

The Authority covenants in the Resolution to establish and maintain System fees, rates, rents, charges and surcharges sufficient in each Fiscal Year so that Revenues reasonably expected to be produced in such Fiscal Year will be at least equal to the sum of:

(i) 100% of Debt Service, and amounts under all Parity Contract Obligations, payable by the Authority in such Fiscal Year;

(ii) 100% of the Operating Expenses payable in such Fiscal Year;

(iii) 100% of the amount necessary to pay all PILOTs payable in such Fiscal Year; and

(iv) 100% of the amount necessary to pay other Required Deposits, all other payments required pursuant to the Resolution and the Financing Agreement, and all other payments required for the System, for such Fiscal Year.

If at any time such fees, rates, rents, charges and surcharges are or will be insufficient to meet the Rate Covenant, it will not constitute an Event of Default if and to the extent the Authority promptly takes action reasonably expected by the Authority to cure or avoid any such deficiency or to cause the same to be cured or avoided. In addition, the failure in any Fiscal Year to comply with the covenant in clauses (iii) and (iv) above (the “non-debt service and operating expense rate covenant”), will not constitute an Event of Default if the Authority retains a Rate Consultant and a Consulting Engineer for the purpose of reviewing System fees, rates, rents, charges and surcharges and reviewing the System Budget and complies with the following sentence. If the Rate Consultant (relying upon a Certificate of the Consulting Engineer) is of the opinion that a schedule of fees, rates, rents, charges and surcharges for the T&D System which would provide funds to meet the requirements specified in the non-debt service and operating expense rate covenant is impracticable at that time and the Authority therefore cannot comply with the non-debt service and operating expense rate covenant, then the Authority will fix and establish such schedule of System fees, rates, rents, charges and surcharges as is recommended in such Certificate by the Rate Consultant to comply as nearly as practicable with the non-debt service and operating expense rate covenant, and in such event the failure of the Authority to comply with the non-debt service and operating expense rate will not constitute an Event of Default.

For purposes of the Rate Covenant, at any time, (i) Revenues include any amounts withdrawn or expected to be withdrawn thereafter in any Fiscal Year from the Rate Stabilization Fund which were either (a) on deposit therein prior to such Fiscal Year or (b) proceeds of Bonds or Subordinated Indebtedness issued to fund the Shoreham Credits, (ii) Revenues do not include any proceeds from the sale of LIPA assets or proceeds of insurance, and (iii) Debt Service, Parity Contract Obligations, PILOTs and other Required Deposits will not include any amounts expected by the Authority to be paid from any funds, other than Revenues, reasonably expected by the Authority to be available therefore (including without limitation the anticipated receipt of proceeds of sale of Bonds or Subordinated Indebtedness, or moneys not a part of the Trust Estate, expected by the Authority to be

used to pay the principal of Bonds, Parity Contract Obligations, Outstanding LIPA Unsecured Debt or Subordinated Indebtedness, other than proceeds of Bonds or Subordinated Indebtedness issued to fund the Shoreham Credits), which expectations, if included in a resolution of the Authority or Certificate of an Authorized Representative, will be conclusive.

In addition, the Authority covenants in the Resolution to review, or cause LIPA to review, the adequacy of System fees, rates, rents, charges and surcharges at least annually. Except to the extent required by law, the Authority covenants not to permit LIPA to furnish or supply or cause to be furnished or supplied any product, use or service of the System free of charge (or at a nominal charge) to any person, firm or corporation, public or private, unless the Authority determines that other adequate consideration has been, or is expected to be, received in connection therewith, and to cause LIPA to enforce or cause to be enforced the payment of any and all amounts owing to LIPA for use of the System in accordance with the Financing Agreement.

Additional Bonds Test

There is no limit or test for the issuance of additional Bonds under the Resolution.

Subordinated Indebtedness; Acceleration of Subordinated Indebtedness

There is no limit or test for the issuance of Subordinated Indebtedness under the Resolution.

Subordinated Indebtedness is subject to acceleration prior to maturity upon the occurrence of certain events.

Such accelerations would not cause an acceleration of the Bonds or affect the priority of the application of Revenues to the payment of the Bonds. In such an event any amounts then available under the Resolution after the payment of Operating Expenses and Debt Service on any Bonds and Parity Contract Obligations could be required to be applied to the payment of the Subordinated Indebtedness.

LONG ISLAND POWER AUTHORITY

The Authority is a corporate municipal instrumentality and a political subdivision of the State created by the Act. LIPA is a wholly-owned subsidiary of the Authority, which was formed and exists under the Business Corporation Law of the State.

The Act

Pursuant to the Act, the Authority has all of the powers necessary or convenient to carry out the purposes and provisions of the Act including, without limitation, to (i) acquire real or personal property; (ii) enter into agreements or contracts consistent with the exercise of its powers; (iii) borrow money, issue notes, bonds or other obligations and secure its obligations by mortgage or pledge of its property; (iv) create or acquire one or more wholly-owned subsidiaries; (v) set its rates and charges; and (vi) make inquiries, investigations and studies necessary to carry out its objectives.

The Authority may enter into agreements to purchase power from the Power Authority of the State of New York ("NYPA"), the State, any State agency, any municipality, any private entity or any other available source (excluding Canada unless negotiated through NYPA) at such price as may be negotiated. The Authority is specifically authorized to provide and maintain generating and transmission facilities and enter into management agreements for the operation of all or any of the property or facilities owned by it. Finally, the Authority may transfer any of its assets to one or more private utilities or municipal gas or electric agencies for such consideration and upon such terms as the Authority may determine to be in the best interest of the gas and electric ratepayers in the Service Area. The Act permits the Authority to file a petition under Chapter 9 of Title 11 of the United States Bankruptcy Code or take other similar action for the adjustment of its debts. LIPA as a business corporation may file a petition under Chapter 7 or Chapter 11 of Title 11 of the United States Bankruptcy Code.

The Act requires that any resolution authorizing the issuance of bonds contain a covenant by the Authority that it will at all times maintain rates, fees or charges sufficient to pay, and that any contracts entered into by the Authority for the sale, transmission or distribution of electricity shall contain rates, fees or charges sufficient to pay, the costs of operation and maintenance of the facilities owned or operated by the Authority, PILOTs, renewals, replacements and capital additions, the principal of and interest on any obligations issued pursuant to such resolution as they become due and payable, and to establish or maintain any reserves or other funds or accounts required or established by or pursuant to the terms of such resolution.

Trustees

The membership of the Board consists of nine Trustees, five of whom are appointed by the Governor, two by the Majority Leader of the State Senate and two by the Speaker of the State Assembly. The chair is appointed by the Governor. The LIPA Reform Act requires that all such members have relevant utilities, corporate board or financial experience.

Pursuant to the Act, the Trustees and the officers of the Authority are not subject to any personal or civil liability resulting from the exercise, carrying out or advocacy of any of the Authority's purposes or powers. Trustees are entitled to reimbursement

for reasonable expenses in the performance of their duties. The By-laws and other instruments of the Authority and LIPA provide for the indemnification of the Trustees, officers and employees of the Authority and the directors, officers and employees of LIPA. Pursuant to the Public Authorities Law and as set forth in the Authority's By-laws, five (5) Trustees of the Authority constitute a quorum for the transaction of any business or the exercise of any power of the Authority and the Authority only has the power to act by a vote of five (5) Trustees.

Management and Operation of the System

Administrative Services Agreement. The Authority and LIPA are parties to an Administrative Services Agreement (the "Administrative Services Agreement"), which sets forth the terms and conditions under which the Authority will provide personnel, personnel-related services and other services (including management, supervisory, payroll and other services) necessary for LIPA to provide electric service in the Service Area. Except for services of the type and nature provided to LIPA by outside independent agents, attorneys and consultants and for any other services provided under agreements approved by the Authority, LIPA will meet its personnel and personnel-related needs exclusively through the Administrative Services Agreement. The Administrative Services Agreement may be amended from time to time to reflect the changing needs of the Authority and LIPA.

Under the Administrative Services Agreement, the services provided by the Authority include, but are not limited to: (i) performance of LIPA's duties and obligations and enforcing its rights under any existing and future contracts between LIPA and any other person; (ii) coordination of services for which LIPA contracts; (iii) coordination of negotiations and studies authorized by LIPA for any project for the supply of power and energy or the provision of transmission capacity to LIPA; (iv) reviewing invoices; (v) disbursement of all funds of LIPA; (vi) preparation of construction and operating budgets on behalf of LIPA; (vii) provision or coordination of all other accounting matters and preparation of billings to, and collection from, LIPA's customers; (viii) coordination of all other matters arising under any agreements relating to any project that LIPA might undertake; (ix) securing information from any persons required to fulfill LIPA's obligations under any agreements arising from the Administrative Services Agreement, the agreements referred to in clauses (i) and (viii), and any project LIPA might undertake; (x) provision or coordination of rate matters; and (xi) provision or coordination of such other services as LIPA determines are required to carry out its business in an economical and efficient manner.

Board Leadership and Senior Management. As described above, the LIPA Reform Act authorized the reformulation of the relationship between the Authority and PSEG Long Island so that PSEG Long Island assumes more responsibility related to operations in the Service Area and LIPA's oversight role is maintained consistent with its fiduciary, financial and related obligations. The LIPA Reform Act requires that staffing at the Authority be kept at levels only necessary to ensure that the Authority is able to meet obligations with respect to its bonds and notes and all applicable statutes and contracts, and to oversee the activities of PSEG Long Island. The Authority's staff is approximately 55 positions.

The present Board leadership, officers, and senior management of the Authority, with information covering their background and experience, are listed below.

Ralph V. Suozzi is the Chairman of the Authority. A former business executive with more than 30 years' experience in corporate leadership, including CBS Television and American Express, Mr. Suozzi served as Mayor of the City of Glen Cove, from 2006-2013 and is currently the Village Administrator for the Incorporated Village of Garden City. In his executive role at American Express, Mr. Suozzi directed teams that designed, deployed, maintained and trained professionals on systems that affected more than 100,000 employees worldwide. As mayor of Glen Cove he spearheaded and sustained a complete financial turnaround during a global recession, reducing an inherited deficit by 79%, cutting debt 21%, securing over \$48 million in federal, State, and county grants, generating \$3.3 million in new revenue sources, and reducing expenses by \$4.1 million annually. Mr. Suozzi managed 20 boards and more than 500 employees and volunteers. Additionally, he chaired Glen Cove's Community and Industrial Development Agencies. Mr. Suozzi was honored by the Nassau County AHRC Foundation for his humanitarian efforts, the Nassau County Chapter of the NYS Society of Professional Engineers and the Long Island Contractors Association for his focus on infrastructure improvements, and The North Shore Wildlife Sanctuary for environmental achievements relating to the rehabilitation of Dosoris Pond. Other achievements include Vision Long Island & NYCOM Award Winner, expert panelist for Sustainable Long Island, selected advisor to the New York State Conference of Mayors, and recognition by the Long Island Planning Council, the Long Island Index, and the New York League of Conservation Voters. Mr. Suozzi is a graduate of the Energeia Partnership, a think-tank organization focused on challenges facing Long Island leaders from a variety of businesses and disciplines. Mr. Suozzi is also a graduate of Long Island University - CW Post Center.

Thomas Falcone, Chief Executive Officer, was appointed Chief Executive Officer in March 2016 and is responsible for achieving the mission and values and managing the affairs and stakeholder relationships of the Authority, the third largest not-for-profit, publicly owned electric utility in the United States. Mr. Falcone joined the Authority in January 2014 and previously served in the roles of Chief Financial Officer and Chief of Staff. Prior to joining the Authority, Mr. Falcone was an investment banker and

advisor to publicly owned utilities and state and local governments. In that role, Mr. Falcone worked with many of the largest public utilities in the United States and raised more than \$25 billion for infrastructure investments across the country. Mr. Falcone also serves as the Chief Executive Officer of UDSA and is a board member of the Large Public Power Council and the Advanced Energy Research and Technology Center at Stony Brook University. Mr. Falcone received a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania.

Joseph A. Branca, Chief Financial Officer, was appointed the Authority's Chief Financial Officer in May 2016. He is responsible for all financial activities at the Authority, including accounting, budgeting, debt issuance, financial reporting, financial policy, investor relations, risk management, and treasury. Mr. Branca also serves as the Chief Financial Officer of UDSA. Mr. Branca has 40 years of financial managerial experience in both the public and private sectors. Prior to joining the Authority, Mr. Branca was an investment banker for two decades serving state and local governments in the financing of over \$50 billion of infrastructure projects. Prior to that, Mr. Branca was the Chief Financial Officer of the Empire State Development Corporation, which is the State's economic development authority. Previously, Mr. Branca served as Chief Financial Officer of a real estate development, management, and brokerage firm; a title insurance agency; and as a principal in a commercial and residential mortgage brokerage. Mr. Branca began his career as an analyst at Standard & Poor's Corporation. Mr. Branca received a Bachelor of Business Administration in Accounting from St. Bonaventure University and a Master of Business Administration in Finance from St. John's University. Mr. Branca is a board member of the Council of Development Finance Agencies and a former board member of the New York State Environmental Facilities Corporation, the United Nations Development Corporation, and the Municipal Forum of the City of New York.

Jon R. Mostel, General Counsel and Secretary, was appointed General Counsel of the Authority and Secretary to the Board of Trustees in December 2014. Mr. Mostel also serves as Secretary to UDSA. Mr. Mostel has over 40 years of experience in the energy and utility industry. Prior to joining the Authority, Mr. Mostel was a partner in the energy practice of a Manhattan law firm, where he represented a wide range of clients in natural gas and electricity transactional and regulatory matters, including the formation, mergers, acquisitions, dispositions and regulation of energy sector companies; power generation project development; project and transmission line site selection; interconnection procedures and agreements; permitting; and environmental review. Previously, Mr. Mostel served in a variety of senior management, engineering and operating positions with the Brooklyn Union Gas Company. Mr. Mostel received an undergraduate degree in chemical engineering from Columbia University, a master's degree from Polytechnic Institute of New York University, and a juris doctor from Brooklyn Law School. Mr. Mostel has announced his intention to retire in 2018. A national search is underway for his successor.

Rick Shansky, Vice President of Operations Oversight, directs the Authority's oversight of its primary contractor PSEG Long Island, as well as its contractors engaged in power and fuel procurement. Mr. Shansky also manages the Authority's participation in wholesale power markets. Mr. Shansky has 36 years of electric utility experience and has held a number of management positions at the Authority since joining in 2008. Previously, Mr. Shansky held positions at Con Ed and LILCO in the areas of energy management, resource planning, fuel and purchased power, and generation planning. Mr. Shansky has a Bachelor of Science in Electrical Engineering from Rensselaer Polytechnic Institute and a Master of Science in Energy Management from the New York Institute of Technology. Mr. Shansky is also a licensed Professional Engineer in the State.

Kenneth Kane, Vice President of Financial Oversight, joined the Authority in 1999 as Director of Financial Reporting, served as Controller for 12 years prior to being appointed Managing Director of Finance and Budgeting in 2013 and Vice President of Financial Oversight in May 2016. In his current position, Mr. Kane manages the Authority's review and monitoring of PSEG Long Island's operating and capital budgets and revenue reporting to ensure performance within agreed upon levels. Mr. Kane has over 30 years of experience in the electric utility industry beginning in 1984 with Ernst & Young's utility practice. Mr. Kane joined LILCO in 1988. Mr. Kane is a Certified Public Accountant in the State, a member of the American Institute of Certified Public Accountants, and received a Bachelor of Arts degree from Pace University and a Master of Business Administration degree in Finance from Hofstra University.

Bobbi O'Connor, Vice President of Policy, Strategy and Administration, is responsible for the development and administration of the Authority's strategic planning and policy setting process and oversees the Authority's human resources and administrative functions. Ms. O'Connor also serves as the Assistant Secretary to the Authority Board of Trustees. Ms. O'Connor joined the Authority in November 2013 as Assistant General Counsel for commercial transactions and was named Deputy General Counsel in June 2014. Prior to joining the Authority, Ms. O'Connor was a partner in the business and finance department of an international law firm where her practice involved advising clients on securities law matters, with a particular focus on representing utility clients. Ms. O'Connor received a Bachelor of Arts degree in Psychology from Loyola College of Maryland and a Juris Doctor from Hofstra University School of Law.

Donna Mongiardo, Controller, joined the Authority in 2001, and has served in a variety of roles culminating in her appointment to Controller in 2013. Ms. Mongiardo has responsibility for all accounting matters related to the Authority, its wholly

owned subsidiary, LILCO, and the Authority’s component unit, the Utility Debt Securitization Authority. Ms. Mongiardo also has oversight responsibilities for certain PSEG Long Island matters including budget performance metrics and financial reporting. Ms. Mongiardo began her career as an auditor in PricewaterhouseCooper’s financial services and public utilities practice group. In 1998, Ms. Mongiardo served as a member of the LIPA/LILCO merger team and subsequently served the Authority as an account manager. Ms. Mongiardo is a State Certified Public Accountant and received a Bachelor of Business Administration degree in Accounting from Hofstra University. She is a member of the New York State Government Finance Officers’ Association.

Kathleen Mitterway, Director of Audit, joined the Authority in September 2014 and is responsible for managing all internal audit activities at the Authority, including audits of the Authority’s service provider, PSEG Long Island. Prior to joining the Authority, Ms. Mitterway was the Comptroller for a local municipality and has over 30 years of utility experience at Verizon Communications in internal audit and operating positions. Ms. Mitterway is a Certified Public Accountant, Certified Fraud Examiner, Certified Internal Auditor, Certified Information Systems Auditor, and a Chartered Global Management Accountant. Ms. Mitterway is a member of the American Institute of Certified Public Accountants, the Institute of Internal Auditors, the New York State Society of Certified Public Accountants, the New York State Government Finance Officers’ Association (GFOA), the Association of Certified Fraud Examiners, and the Information Systems Audit and Control Association. Ms. Mitterway serves as the Chair of the GFOA Long Island Regional Council. Ms. Mitterway received a Bachelor of Science degree in Accounting and a Master of Business Administration degree from St. John’s University.

THE SYSTEM

Service Area

The Service Area consists of Nassau and Suffolk Counties in Long Island (with certain limited exceptions) and a small portion of Queens in New York City known as the Rockaways. According to Bureau of Census data, the population of the Service Area (excluding the Rockaways portion) was approximately 2.9 million as of July 1, 2016, which represents slight growth since July 1, 2011. As of December 31, 2016, the Authority had approximately 1.1 million customers in the Service Area, which was relatively stable as compared to December 31, 2010.

Long Island is a significant regional economy that benefits from its proximity to Manhattan, but also generates its own income, employment, and regional output. Long Island’s assets include a highly skilled labor force, close proximity to New York City, over 20 colleges, universities and two/three year colleges and core research institutions, such as Brookhaven National Laboratory, Cold Spring Harbor Laboratory, and the technology and science developmental centers at Stony Brook and Farmingdale Universities that specialize in the areas of biotechnology, computer sciences, wireless and internet technologies, and energy. Long Island also has a highly desirable suburban life style that attracts many individuals to live, work and vacation within the area.

The Long Island economy benefits from high average personal income and a service-based economy. According to recent data published by the U.S. Bureau of the Census, the Long Island median household income is substantially above the national median.

The table below shows Long Island’s unemployment rate as compared with the national and State unemployment rates for the periods shown:

Service Area Unemployment – Average Annual

<u>Year</u>	<u>US¹</u>	<u>NY¹</u>	<u>Nassau-Suffolk¹</u>
2012	8.1%	8.5%	7.4%
2013	7.4%	7.7%	6.3%
2014	6.2%	6.3%	5.1%
2015	5.3%	5.3%	4.5%
2016	4.9%	4.8%	4.1%

Sources:

1. Bureau of Labor Statistics: <http://www.bls.gov/data/> (not seasonally adjusted data)

In the year ending December 31, 2016, approximately 55.0% of LIPA’s annual retail revenues were received from residential customers, 43.1% from commercial customers and 1.9% from street lighting, public authorities and certain others. The largest customer in the Service Area (the Long Island Rail Road) accounted for less than two percent of total sales and less than two percent of revenue. In addition, the ten largest customers in the Service Area accounted for approximately seven percent of total sales and less than six percent of revenue.

The Transmission and Distribution System

The T&D System is an integrated electric system consisting of overhead and underground facilities, equipment, land parcels, easements, contractual arrangements and other assets used to provide the transmission and distribution of electric capacity and energy to and within the Service Area. The T&D System includes seven transmission interconnections that are owned in part or under contract that link the T&D System to neighboring utilities outside the Service Area.

Transmission Facilities

LIPA's transmission facilities provide for the delivery of capacity and energy from the transmission interconnections and on-Island generating stations to LIPA's electric distribution system. As of December 31, 2016, the transmission system consists of approximately 1,375 miles of overhead and underground lines with voltage levels ranging from 23 kilovolts ("kV") to 345 kV.

The on-Island transmission system has been constructed following standards similar to those employed by other major electric utilities in the Northeast and includes wood poles, steel poles, and lattice steel towers. Many of the existing transmission structures support distribution circuits and/or connections for telephone, cable television, or fiber optics.

In accordance with the latest North American Electric Reliability Corporation ("NERC") standards, a total of thirty-nine (39) LIPA-owned transmission substations are considered a part of the Bulk Electric System ("BES"). Twenty-six (26) of these BES stations also step the voltage down from transmission to distribution levels to serve customer load, and are also listed as distribution stations. The combined capability of LIPA's BES and non-BES transmission substations is approximately 8,100 million volt-amperes ("MVA"). The transmission system also includes LIPA-owned transformation equipment at nine generating sites, under contract with LIPA that is used to step up the generation voltage to transmission voltage levels, and 8 substations that interconnect to independent power producers ("IPPs") or other generation.

Distribution Facilities

The distribution system is comprised of 13 kV and 4 kV facilities and is comprised of a combination of overhead and underground equipment. There are currently 157 substations throughout the Service Area that step the voltage down from transmission to distribution levels. As stated above, twenty-six (26) of these stations are also listed Transmission (BES) substations. These distribution substations have a combined transformation capability of approximately 8,100 MVA. As of December 31, 2016, the distribution system also includes approximately 14,000 circuit miles of overhead and underground line (9,000 overhead and 5,000 underground), and approximately 189,000 line transformers with a total capacity of approximately 13,000 MVA. Approximately 40 percent of the poles on which LIPA's distribution facilities have been installed are owned by Verizon Communications and used by LIPA pursuant to a joint-use agreement.

Reliability

LIPA and PSEG Long Island undertake programs intended to maintain and/or improve the reliability and quality of electric service within the Service Area. For the distribution system, this program is focused on several major areas: (i) circuit reconfiguration and reinforcement; (ii) pole replacement; (iii) system automation; (iv) tree trimming; (v) targeted system enhancements; and (vi) circuit conversion and reinforcement projects to serve new customer loads. For the transmission system, the improvement program is focused on: (i) transmission system reliability; (ii) substation reliability improvements; (iii) transmission breaker replacements; and (iv) a structure inspection program. These program elements are a key part of efforts to limit both the frequency and duration of customer outages.

Over the five-year period 2012 through 2016, LIPA's customers experienced an average of 14.8 months between interruptions and average interruption times of 73.7 minutes. Based on data provided by the PSC for all State utilities (other than Consolidated Edison Company of New York, Inc. ("Con Edison"), which is primarily an underground utility), the average time between interruptions during the five-year period from 2012 through 2016 was 12.1 months and the average duration of an interruption was 118.2 minutes. These statistics indicate that LIPA's system-wide frequency and duration of outages were among the most favorable for similar overhead State utilities. These statistics exclude outages due to major storms as defined by the PSC, consistent with PSC standards.

The average period between interruptions for a customer served by LIPA during 2016 was approximately 10.8 months. For those LIPA customers affected by an interruption during 2016, the average length of interruption was approximately 68.3 minutes. These statistics compare to an average time between interruption of 14.3 months and an average interruption of approximately 78.5 minutes for a LIPA customer during 2015.

Long Island experiences seasonal conditions typical of the northeast United States. Summers are usually hot with high temperatures in excess of 90°F. Winters include snow and icing conditions that can be damaging to overhead power lines. In

addition, the Service Area experiences severe storms, including hurricanes, which can be particularly damaging due to Long Island’s coastal location.

Transmission Interconnection Facilities

The geographic location of the Service Area restricts the number of transmission interconnections between LIPA’s T&D System and other systems in the region. Currently, seven major transmission lines connect the T&D System with the Con Edison system to the west and with Eversource (Connecticut Light & Power) (“ES-CL&P”) and United Illuminating Company to the north and Jersey Central Power & Light (“JCP&L”) to the southwest. These interconnections are summarized in the table below.

Service Area Transmission Interconnections

Name	Off System Terminal Locations	Interconnecting Utility	Voltage Level²
Dunwoodie to Shore Road.....	Westchester County, NY	Con Edison ¹	345 kV
East Garden City to Sprain Brook.....	Westchester County, NY	Con Edison ^{1,8}	345 kV
Northport to Norwalk Harbor Cable	Norwalk, CT	ES-CL&P ^{1,3}	138 kV
Jamaica to Lake Success	Queens, NY	Con Edison ¹	138 kV
Jamaica to Valley Stream.....	Queens, NY	Con Edison ¹	138 kV
Shoreham to East Shore.....	New Haven, CT	United Illuminating Company ⁷	138 kV ⁴
Sayreville to Levittown.....	Sayreville, NJ	JCP&L ⁵	345 kV ⁶

- 1 These utilities own the portion of the interconnections not owned by LIPA.
- 2 Kilovolt or “kV.”
- 3 ES-CL&P = Eversource (CL&P).
- 4 This cable carries high voltage direct current, which is converted and delivered to the LIPA system at 138 kV.
- 5 JCP&L = Jersey Central Power & Light. JCP&L is a wholly-owned operating subsidiary of First Energy.
- 6 This cable carries high voltage direct current, which is converted and delivered to the LIPA system at 138 kV.
- 7 United Illuminating Company is a subsidiary of AVANGRID, Inc.
- 8 Owned by NYPA.

The Con Edison cable extending approximately 18 miles from Dunwoodie to Shore Road (the “Y-50 Cable”) was placed in operation in August 1978 and is jointly owned by LIPA and Con Edison. The cable is currently operating at full capacity. Con Edison’s share of the power flowing across the Y-50 Cable is delivered to Con Edison via the two 138 kV cables to Jamaica.

The East Garden City to Sprain Brook interconnection (the “Y-49 Cable”), installed in 1991, is another major transmission interconnection. The Y-49 Cable is comprised of submarine and land-based portions totaling approximately 23 miles. This line is owned entirely by NYPA; however, most of the capacity of the Y-49 Cable is used by LIPA under the terms of a contract with NYPA. The Y49 cable experienced two failures in 2016 and is currently being lab-tested to determine the root cause of such failures.

The cable from Northport to Norwalk Harbor (the “NNC”), which was installed in 2008 to replace the original cable installed in 1969, extends approximately twelve miles under the Long Island Sound from the Northport generating station in Suffolk County, New York to Norwalk Harbor, Connecticut. LIPA owns that portion of the line from Northport to the New York-Connecticut state boundary. The replacement NNC began full commercial operation in December 2008. One of the three new cable bundles failed on May 20, 2009. Since the installation was designed with a backup cable, power between Northport and Norwalk Harbor continued to flow over the remaining two cables until the repairs were completed on April 26, 2011. The cost of the repairs was covered by the warranty on the installation.

The high voltage direct current (“HVDC”) cable from Shoreham to New Haven (the “Cross Sound Cable” or “CSC”) was constructed pursuant to a firm transmission capacity purchase agreement (the “CSC Agreement”) entered into between LIPA and Cross Sound Cable Company, LLC (“CSC LLC”) in 2000 pursuant to which LIPA agreed to purchase up to 330 megawatts of transmission capacity. The CSC is owned by CSC LLC. The CSC Agreement, as amended, expires in 2032. The CSC became operational in June 2004.

In September 2005, LIPA entered into a 20-year firm transmission capacity purchase agreement with Neptune Regional Transmission System LLC (“Neptune”) to permit LIPA to import power from New Jersey over an undersea HVDC transmission cable (the “Neptune Cable”) capable of carrying 660 megawatts of electricity which was constructed by Neptune. The Neptune Cable is owned by Neptune, runs from Sayreville, New Jersey under the Atlantic Ocean and connects with LIPA at its Newbridge Road substation in Levittown. The cable became operational in July 2007.

Capital Improvement Plan

Capital expenditures as of September 30, 2017 were approximately \$505 million for 2017, of which \$305 million was spent on transmission and distribution projects including reliability enhancements, capability expansion, new customer connections, facility replacements and public works, \$14 million was spent on information technology projects, \$142 million was spent on FEMA-related storm hardening (described below) and \$44 million was spent on customer operations, other facilities, and other items. Approved 2017 budgeted capital expenditures are approximately \$683 million which represents an increase from the 2016 spending levels that are primarily a result of additional transmission and distribution reliability projects totaling \$69 million and an additional \$49 million to fund a portion of the continuing \$730 million storm hardening program, 90% of which will be paid for by a grant secured during 2014 from Federal Emergency Management Agency (“FEMA”). The FEMA grant is expected to be sufficient to harden between 300 and 400 of the worst performing mainline circuits on the Authority’s electric grid over the next several years, increase distribution system automation, and elevate critical equipment in certain substations, among other improvements intended to improve reliability and performance in connection with major weather events. In addition, the Proposed 2018 Budget includes a proposed capital budget of approximately \$761 million (\$190 million of which is the ongoing FEMA storm hardening program), which proposed 2018 capital budget includes planned expenditures for, among other things, system reliability projects such as the upgrading, installing or replacing of 320 miles of distribution circuits with stronger wire and poles.

LIPA’s 18 percent share of capital expenditures for NMP2 during the period 2012 through 2016 averaged approximately \$28 million annually for plant modifications, including the power uprate and nuclear fuel purchases. LIPA’s 18 percent share of capital expenditures for NMP2 as of September 30, 2017 totaled approximately \$4 million and were budgeted for \$22 million for 2017.

Loads

The Service Area is characterized by customer usage patterns and weather conditions that result in peak usage during the summer and relatively low annual load factors. The table below shows LIPA’s peak demand as experienced and after adjustments for weather-normalization, customer outages and emergency demand relief for the period 2012 through 2016.

<u>Year</u>	<u>Peak Demand (MW)</u>	<u>Weather Normalized (MW)</u>
2012	5,333	5,251
2013	5,602	5,334
2014	4,859	5,338
2015	5,049	5,285
2016	5,212	5,283

LIPA’s service provider prepares load growth forecasts annually. PSEG Long Island’s estimate of annual peak demand within the Service Area shows annual compound growth of approximately 0.7 percent over the five year period 2017 to 2021 (prior to adjustment for various demand side programs such as energy efficiency and renewables). This growth rate would increase LIPA’s summer peak demand, prior to the effects of cogeneration, NYPA supplied load and demand side management, to approximately 5,752 MW in 2021 on a weather-normalized basis. However, after adjustment for various demand side programs such as energy efficiency and renewables, LIPA’s summer peak demand is expected to decline over the 2017 to 2021 period. See “RECENT DEVELOPMENTS – Integrated Resource Plan and Repowering Studies” above.

Power Supply

LIPA currently expects to rely on existing power supply resources, additional purchases, energy efficiency and demand side management programs to meet its capacity and energy requirements during the 2017 through 2021 period. During 2016, LIPA’s 18% interest in NMP2 and its rights to the capacity of the GENCO Generating Facilities provided approximately 3,912 MW of generating capacity. Purchases, including on-Island IPPs and off-Island purchases from other suppliers, provided approximately 1,870 MW of additional capacity. In aggregate, these resources provided approximately 5,782 MW in 2016.

Current reliability rules applied by the NYISO require LIPA to supply at least 103.5 percent of its forecast peak load in satisfaction of its Locational Capacity Requirement (“LCR”) from on-Island installed capacity (“ICAP”) resources (the “On-Island Requirement”).

Future Power Supply Resources

As described above under “RECENT DEVELOPMENTS – Integrated Resource Plan and Repowering Studies,” PSEG Long Island conducted an IRP that concluded in mid-2017, which analyzed the generation and transmission investments LIPA

may need to initiate over the next 20 years (2016-2035). Decisions on needs identified beyond the next several years will be deferred until after a future IRP study, as changing electric grid conditions could alter future investment.

The forecasted need for power plants in 2030 on Long Island has declined by 1,700 megawatts (24%) since 2013, the equivalent of 3-5 large baseload central station power plants. This reduction is primarily due to greater adoption of energy efficiency as well as rooftop solar, and is consistent with state and national trends. As described herein, the State has adopted a 50 percent renewable by 2030 goal, which dictates that each electric utility supply an increasing share of its energy needs each year from renewable generation. LIPA has decided to voluntarily support this goal. For Long Island, this means acquiring approximately 3,600 RECs from renewable energy resources built after January 1, 2015 by 2030, which could mean approximately 800 megawatts of new renewable generation depending on the mix of renewable resources obtained. These RECs can be purchased from NYSERDA, from a yet to evolve market or can be obtained from power purchase agreements with renewable energy generators. Additionally, based on the IRP, LIPA now expects energy efficiency programs and advancements to reduce the need for generation by 950 megawatts by 2030 as described above.

In addition to the IRP, PSEG Long Island reviewed the Caithness II proposal to build a new plant, as well as feasibility studies of the repowering proposals for both Port Jefferson and E.F. Barrett. As a result of LIPA's excess generation capacity reflected in the IRP, The Authority's staff recommended that LIPA has no need to build new baseload power plants or repower existing steam plants.

The Brattle Group provided an independent second opinion on the reliability planning criteria and analyses of proposals for certain combined cycle plants (Caithness II and the repowerings of the Barrett and Port Jefferson steam plants) and concluded that none of the possible projects under consideration are needed for reliability reasons over the coming decade, nor would they be expected to provide net economic savings during that time. The DPS also participated in the Brattle Group review and provided a supportive recommendation to LIPA. As a result of the IRP, Repowering Studies and Brattle Group review, the Authority's staff made the following recommendations: (i) monitor Long Island energy and peak demand growth each year and the operating performance and budgets of generation plants relative to expectations; (ii) evaluate opportunities for economies of scale in offshore wind by partnering with NYSERDA and other local utilities in procurement and interconnection to the electric grid; (iii) maintain energy efficiency programs to reduce load by 950 megawatts through 2030 and ongoing efforts for fair property tax reductions on existing plants that reflect their past and forecasted decline in use; (iv) study the peaking generation fleet and its ability to accommodate the flexible operating profile required by greater amounts of renewable generation and selected retirements and modernization of peaking units; (v) cancel the Caithness II proposal to build a new plant and any further study of the combined cycle repowering proposals for the Barrett and Port Jefferson plants; and (vi) conduct technology neutral competitive procurements (e.g. peaking plants, batteries, demand response, etc.) to meet future identified needs, including utilizing rights to the National Grid brownfield power plant sites to obtain bids by multiple developers and a repowering study of the Northport steam plant commencing October 2018, as required by law.

Outstanding RFPs

In October 2013, the Authority issued an RFP for up to 280 MW of New, On-Island, Renewable Capacity and Energy (the "Renewables RFP"). On December 17, 2014, the Board of Trustees adopted the staff recommendation for the Renewables RFP to commence negotiations for 11 photovoltaic contracts totaling 122 MW that would begin operation in late 2016 and beyond. Since then three projects totaling 36 MW gave notice of withdrawing their proposals due to permitting and site location issues. Three contracts, a 24.9 MW contract with Shoreham Solar Commons and two 2 MW contracts with Kings Park Solar were approved by the Board of Trustees for execution on May 18, 2016 and subsequently approved by the State Attorney General's Office and the Office of the State Comptroller. Contract negotiations for the remaining projects continue and successfully negotiated power purchase agreements will be brought to the Board of Trustees for action after they complete their State Environmental Quality Review Act ("SEQRA") processes.

In June 2012, the Board of Trustees adopted a solar Feed-In Tariff ("Solar FIT I") for up to 50 MW of solar projects that would be connected to the Authority's electric grid. In October 2013, the Board of Trustees adopted a second Solar Feed-In Tariff ("Solar FIT II") for up to 100 MW and a non-solar Feed-In Tariff ("Other FIT") for up to 20 MW. Solar FIT I awarded approximately 40 MW of projects. As of the end of September 30, 2017, a total of 38.8 MW of these projects are operational or under construction. The Solar FIT II evaluation has been completed, approximately 82 MW of projects were selected, 30.6 MW of power purchase agreements have been executed, 4 MW are under operation, 13.2 MW are under construction, and an additional 13.3 MW (12 projects) are undergoing final evaluation by developers or the power purchase agreements are in the process of being

finalized. A total of 10.2 MW of proposals were selected for the Other FIT, one project has withdrawn and of the remaining 8.8 MW one project of 1.4 MW has executed a power purchase agreement.

Due to the shortfalls in the 280 MW RFP and the Solar FIT II and Other FIT, PSEG Long Island issued the 2015 Renewable RFP on December 22, 2015 and on May 18, 2016, posted for public comment a Feed-in Tariff for Commercial Solar Photovoltaic Renewable Resources for up to 20 MW (“FIT III”) and a Fuel Cell Feed-in Tariff for up to 40 MW (“FIT IV”). The intent was to select enough resources from these various procurements to achieve a total of 400 MW from new procurements, including the South Fork of Long Island RFP (described below), plus the 280 MW RFP and the October 2013 Feed-in Tariffs.

Responses to the 2015 Renewable RFP were received on June 22, 2016 and evaluation results were presented to the Board of Trustees with the selection of two projects at the July 26, 2017 Board meeting. Power purchase agreement negotiations are underway for Riverhead Solar 2, a 36 MW solar project, and Long Island Solar Calverton, a 22.9 MW solar project. Both projects have a projected COD of December 31, 2020. The Board is expected to act on the power purchase agreements once applicable processes (including SEQRA) are completed.

The new Feed-in Tariffs, FIT III and FIT IV, were approved by the Board of Trustees at the September 21, 2016 Board meeting. The evaluation of FIT III and FIT IV proposals, received by January 31, 2017, was subsequently presented to the Board of Trustees at the July 26, 2017 Board meeting. For FIT III, twenty-one projects totaling 13.367 MW were selected. The program remains open until February 1, 2019 for additional projects up to an aggregate cap of 20 MW. As of mid-November 2017, there were 16.8 MW of active FIT III projects. For FIT IV, three projects totaling 39.8 MW were selected satisfying the 40 MW requirement.

South Fork RFP

On June 25, 2015, PSEG Long Island issued the South Fork RFP to acquire sufficient local resources to meet expected peak load requirements. Consistent with the goals of the REV initiative, all technologies capable of meeting the desired objectives were invited to bid. Responses to the South Fork RFP were received in December, 2015 and evaluation results were presented to the Board with the selection of four proposals at the July 2016 Board meeting. Power purchase agreements were negotiated for a 90 MW wind project and two 5 MW battery storage projects. PSEG Long Island also negotiated an approximately 9 MW peak load reduction program. In January 2017, the Authority Trustees approved the execution of a power purchase agreement with Deepwater Wind South Fork, LLC (“Deepwater”), a wholly owned subsidiary of proposer, Deepwater Wind, LLC, to purchase energy, installed capacity, renewable attributes and ancillary services from Deepwater’s proposed South Fork Wind Farm. The South Fork Wind Farm will be among the first offshore wind farms constructed in the U.S. and at 90 MW among the largest to date. The off-shore wind purchased power agreement was approved by the State Attorney General and the Office of the State Comptroller on March 29, 2017. The battery storage purchased power agreements were approved by the Authority Board of Trustees on May 24, 2017 and approved by the State Attorney General and the Office of the State Comptroller on August 1, 2017.

[Remainder of Page Intentionally Left Blank]

Existing Capacity and Energy Resources

The table below sets forth historical annual peak demands and energy requirements for the period 2012 through 2016.

	Historical Loads and Resources				
	2012	2013	2014	2015	2016
Annual Peak Demand (Summer) (MW) ¹	<u>5,333</u>	<u>5,602</u>	<u>4,859</u>	<u>5,049</u>	<u>5,212</u>
Capacity (MW) ²					
Nuclear ³	224	224	224	224	224
Purchased Capacity:					
GENCO					
GENCO Steam	2,354	2,366	2,364	2,356	2,339
GENCO Other	1,313	1,313	1,315	1,330	1,349
Other LIPA Contracts					
Purchased Capacity ⁴	<u>2,104</u>	<u>2,111</u>	<u>1,979</u>	<u>1,909</u>	<u>1,870</u>
Total Purchased Capacity	<u>5,771</u>	<u>5,790</u>	<u>5,658</u>	<u>5,595</u>	<u>5,558</u>
Total Capacity	<u><u>5,995</u></u>	<u><u>6,014</u></u>	<u><u>5,882</u></u>	<u><u>5,819</u></u>	<u><u>5,782</u></u>
Annual Reserve Margin:					
MW ⁵	662	412	1,023	770	570
Percent	12.4%	7.4%	21.1%	15.3%	10.9%
Energy (MWh)					
Retail Requirements	21,312,015	21,345,713	20,785,497	21,060,517	20,963,562
Total Energy Requirements ⁶	<u>21,312,015</u>	<u>21,345,713</u>	<u>20,785,497</u>	<u>21,060,517</u>	<u>20,963,562</u>
Generating Resources:					
Nuclear ³	1,470,928	1,954,492	1,754,463	1,986,063	1,813,889
Purchased Energy:					
National Grid PSA					
Steam	5,002,617	4,564,959	4,386,671	4,880,721	4,331,645
Other	256,264	258,540	171,720	170,206	229,935
Other Purchased Energy	<u>14,582,206</u>	<u>14,567,722</u>	<u>14,472,643</u>	<u>14,023,527</u>	<u>14,588,093</u>
Total Purchased Energy	<u>19,841,087</u>	<u>19,391,221</u>	<u>19,031,034</u>	<u>19,074,454</u>	<u>19,149,673</u>
Total Energy	<u><u>21,312,015</u></u>	<u><u>21,345,713</u></u>	<u><u>20,785,497</u></u>	<u><u>21,060,517</u></u>	<u><u>20,963,562</u></u>

1 Includes LIPA retail sales and Long Island Choice. BNL Hydro excluded.

2 Summer Rating ("ICAP").

3 The actual generation attributable to LIPA's 18% ownership interest in NMP2.

4 Includes on- and off-Island resources under contract at time of peak, including but not limited to the resources of the contract.

5 Equal to Capacity less Demand.

6 Amounts shown for 2012 through 2016 include sales for resale, Power for Jobs (program ended June 2012), Long Island Choice and Grumman Campus.

Power Supply Agreement

Pursuant to the PSA, GENCO supplies LIPA with all of the capacity of the GENCO Generating Facilities. These steam, combustion turbine, and internal combustion generating units operate using oil, natural gas, or both. The purchased energy section of the table above provides historical generation levels for the GENCO Generating Facilities for the 2012 through 2016 period. The decline in generation from the GENCO Generating Facilities reflects the displacement by more economic sources of generation, including off-Island purchases over the newer submarine transmission cables. The PSA provides for approximately 3,700 MW on-Island capacity for the term of the agreement and also provides LIPA with the option to ramp down, retire and/or potentially re-power all or a portion of the PSA units.

Under the PSA, LIPA pays GENCO certain fixed and variable rates for the generating capacity supplied by GENCO. LIPA and GENCO have agreed to a formula for the adjustment of these charges through the term of the PSA. These rates are subject to the jurisdiction of FERC. The current rates were accepted for filing by FERC in May 2013. GENCO has the right to request a rate reset under the PSA upon the occurrence of certain conditions.

GENCO's annual capital expenditures are subject to approval by LIPA. LIPA pays for approved GENCO capital expenditures through the depreciation accruals and return on investments included in the rates for capacity charged under the PSA.

The PSA also provides for certain penalties related to guaranteed performance levels by GENCO, including unforced capacity (i.e., capacity adjusted for forced outages) and efficiency levels (heat rate) of the generating facilities.

Nine Mile Point Nuclear Unit 2

LIPA owns an 18 percent interest in the approximately 1,300 MW NMP2 power plant located on the Lake Ontario shoreline approximately 6 miles east of Oswego, New York. The other 82 percent is owned by Constellation Energy Nuclear Group, LLC (CENG), which is in turn jointly owned by Exelon Corporation and EDF, a French company. LIPA is responsible for 18 percent of the unit's operation and maintenance, capital, and fuel costs, and is entitled to 18 percent of the electric energy produced and capacity provided by the unit.

NMP2 is one of two General Electric boiling-water-reactor units at the Nine Mile Point site. The other, Nine Mile Point Nuclear Unit 1, is entirely owned by CENG. NMP2 began commercial operation in August 1988, and its current operating license from the Nuclear Regulatory Commission ("NRC") extends through October 31, 2046. The unit is operated by Exelon Generation. An operating agreement between Exelon and LIPA specifies the mutual obligations of the two parties. PSEG Long Island employs two on-site representatives for ready communication with Exelon, and close observation and assessment of the unit's operation and maintenance. NMP2's annual business plan and its operating and capital budgets are developed by Exelon, and submitted to LIPA for its review and approval.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Nuclear Plant Matters" in this Part 2 for additional information pertinent to NMP2.

Other Power Supply Agreements

In addition to the generation subject to the Original PSA and PSA with GENCO described above, LIPA currently purchases approximately 1,900 MW of capacity from generation facilities on Long Island and elsewhere under various power supply agreements.

[Remainder of Page Intentionally Left Blank]

The table below contains a summary of existing power supply agreements.

Summary of Power Supply Agreements⁽¹⁾

Unit Name	Summer Capacity (MW)	Contract Expiration	Unit Type ⁽²⁾	Primary Fuel Type
GENCO				
Steam Turbine.....	2,347.9	2028	ST	Natural Gas ⁽³⁾⁽⁴⁾
Internal Combustion/Simple Cycle	1,360.1	2028	IC/SC	Natural Gas/Oil ⁽⁴⁾
Huntington Resource Recovery.....	24.1	2022	ST	Refuse
Babylon Resource Recovery	14.5	2022	ST	Refuse
Hempstead Resource Recovery.....	73.9	2022	ST	Refuse
Islip Resource Recovery	8.8	2022	ST	Refuse
J-Power Shoreham	90	2020	SC	Oil ⁽⁴⁾
National Grid Glenwood Landing.....	79.9	2027	SC	Natural Gas ^(3,4)
National Grid Port Jefferson	79.9	2027	SC	Natural Gas ^(3,4)
NextEra Bayswater	53.9	2020	SC	Natural Gas ⁽⁴⁾
NextEra Jamaica Bay	54.1	2018	SC	Oil ⁽⁴⁾
J-Power Edgewood	90	2018	SC	Natural Gas ⁽⁴⁾
Bear Swamp ⁽⁸⁾	100.0 ^(1b, 5)	2021	PS/Hydro	Water
Marcus Hook ⁽⁸⁾	685.0 ^(1b, 6)	2030	CC	Natural Gas
Calpine Bethpage 3	77.8	2025	CC	Natural Gas ⁽⁴⁾
Hawkeye Greenport	52.8	2018	SC	Oil ⁽⁴⁾
J-Power Equus	47.5	2017	SC	Natural Gas ^(3,4)
J-Power Pinelawn	75.9	2025	CC	Natural Gas ^(3,4)
Caithness	276.3 ^(1b)	2029	CC	Natural Gas ^(3,4)
Village of Freeport.....	10.0 ^(1b)	2034	SC	Natural Gas
NYPA Hydro Sale for Resale (BNL)	15.0 ^(1b)	2020	HY	Water
Long Island Solar Farm (LISF).....	31.5 ^(1a)	2031	SL	Solar
Eastern Long Island Solar Project (ELISP)	11.2 ^(1a)	2032	SL	Solar
Fitzpatrick	N/A ⁽⁷⁾	2017 ⁽⁹⁾	ST	Nuclear
Brookfield	N/A ⁽⁷⁾	2019	HY	Water
PPL Energy Plus	N/A ⁽⁷⁾	2019	IC	Landfill/Methane
Deepwater Wind	90.0 ⁽¹⁰⁾	2042 ⁽¹¹⁾	OSW	Wind
Long Island Energy Storage-East Hampton.....	5.0 ⁽¹⁰⁾	2038 ⁽¹¹⁾	BAT	N/A
Long Island Energy Storage-Montauk.....	5.0 ⁽¹⁰⁾	2038 ⁽¹¹⁾	BAT	N/A
Shoreham Solar Commons.....	24.9 ⁽¹⁰⁾	2038 ⁽¹¹⁾	SL	Solar
Kings Park Solar 1.....	2.0 ⁽¹⁰⁾	2038 ⁽¹¹⁾	SL	Solar
Kings Park Solar 2.....	2.0 ⁽¹⁰⁾	2038 ⁽¹¹⁾	SL	Solar

⁽¹⁾Summer capacity based upon summer 2016 Dependable Maximum Net Capacity (“DMNC”) test results

(a) LISF and ELISP are based on nameplate ratings.

(b) Represents portion of plant capacity sold to LIPA.

⁽²⁾ CC = Combined Cycle; ST = Steam; Cogen = Cogeneration; IC = Internal Combustion; SC = Simple Cycle; PS = Pumped Storage; HY = Hydro; SL = Solar.

⁽³⁾Also capable of burning oil.

⁽⁴⁾LIPA is responsible for fuel procurement.

⁽⁵⁾Reflects Unforced capacity (“UCAP”) stated in contract beginning June 2010.

⁽⁶⁾Capacity only contract. No energy purchase.

⁽⁷⁾Energy only contract.

⁽⁸⁾ LIPA has long term transmission contracts with Cross Sound Cable Company (330 MW, expires 2032) and Neptune Regional Transmission System (660 MW, expires 2027) which are used to deliver capacity associated with Bear Swamp and Marcus Hook facilities identified above, as well as deliver energy purchases from ISO-New England Inc. and PJM (a regional transmission organization operating a transmission grid running from Illinois to New Jersey and south to Virginia, respectively).

⁽⁹⁾ Contract extension to 2020 is under review by the Office of the State Comptroller.

⁽¹⁰⁾ Facility has not achieved Commercial Operation. Capacities shown are projected Project Capacities from respective Power Purchase Agreements.

⁽¹¹⁾ Facility has not achieved Commercial Operation. Expiration dates estimated based on Target Commercial Operation Dates.

Certain Additions to Power Supply Resources

LIPA entered into an agreement with Long Island Solar Farm LLC to purchase approximately 31.5 MW of power from an array of 164,312 photovoltaic solar panels located at Brookhaven National Laboratory, which began full commercial operation in November 2011. In addition, LIPA has entered into an agreement with Eastern Long Island Solar Project, LLC to purchase up to approximately 11 MW of power from solar generating facilities on Long Island that became commercially operational January 1, 2013.

Short-Term Capacity Purchases

In addition to the resources described above, LIPA relies on short-term, firm capacity purchases from the NYISO “Rest of State” market to meet a portion of its total statewide capacity requirements. LIPA currently anticipates the need to continue to make additional capacity purchases. Such purchases are accomplished through solicitations, auctions and/or bilateral arrangements. Currently, PSEG ER&T, a PSEG Long Island affiliate, estimates the requirement and timing of these capacity purchases.

Market Energy Purchases

In addition to energy purchased under the terms of the agreements described above, LIPA routinely purchases energy in the day-ahead and real-time markets operated by the NYISO, ISO-NE and PJM (described below). These purchases are generally made when the price of energy from these sources is below the incremental cost of generation from LIPA’s contracted resources.

The tables below provide a summary of estimated demand and energy requirements for the period shown. During this period, annual peak demands and energy requirements, after adjustment for various demand side programs, are estimated to decrease at annual compound rates of growth of approximately 0.1 percent. The estimated demand and energy requirements shown in the tables below take into account the effects of LIPA’s Long Island Choice program, as described below, and reflect the results of resource planning assessments conducted by PSEG Long Island for planning purposes. Such information is not intended to represent resource specific power supply expansion plans adopted by the Authority. The information contained in the table below is presented on an unforced capacity UCAP basis in order to conform to the requirements of NYISO. Historical data throughout this Part 2 has been presented on an ICAP basis in order to be consistent with prior years. It is anticipated that the Authority will migrate to the UCAP basis as such information becomes available. ICAP is a measurement of a generating unit’s maximum output under certain defined test conditions without considering the impact of forced outages. UCAP is a related measure that takes a generating unit’s ICAP and reduces it based on the proportion of a generating unit’s historic output that was not available due to forced outages.

[Remainder of Page Intentionally Left Blank]

**Estimated Capacity Requirements and Resources (UCAP)
(MW)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>System Demand</u>					
Net LIPA Load ¹	5,384	5,263	5,188	5,133	5,131
plus: Transmission Loss					
Adjustment ²	43	43	43	43	43
net: LIPA Load with Losses	5,427	5,306	5,231	5,176	5,174
Required Reserve Margin ³	379	371	365	361	361
Total Capacity Requirement	<u>5,763</u>	<u>5,634</u>	<u>5,553</u>	<u>5,494</u>	<u>5,492</u>
<u>Resources (UCAP)</u>					
Nine Mile Point 2	222	222	222	222	222
GENCO ⁴	3,468	3,468	3,468	3,468	3,468
Additional Contract Generation ⁵	1,092	1,039	852	852	802
UCAP Net Purchases/(Sales) ⁶	981	905	1,011	952	1,000
Total Capability	<u>5,763</u>	<u>5,634</u>	<u>5,553</u>	<u>5,494</u>	<u>5,492</u>
Reserve Margin	<u>107.04%</u>	<u>107.04%</u>	<u>107.04%</u>	<u>107.04%</u>	<u>107.04%</u>

¹ Zone K Net Peak Load reflects reductions for Energy Efficiency, Renewables & Load Modifiers.

² NYISO Off-Island Transmission Loss Adjustment factor for LIPA.

³ NYISO Required Reserves estimated 107.04% UCAP (118% ICAP equivalent) for May 2017 (as of May 2017).

⁴ National Grid covered under the PSA.

⁵ Includes Combined Cycle units - Pinelawn Power, Calpine Bethpage 3 & Caithness, Fast Track GT's - Glenwood Landing, Port Jefferson, Shoreham, Edgewood, Far Rockaway, Greenport, Equus (2017), Freeport IPP's - Hempstead Resource Recovery, Huntington Resource Recovery, Babylon Resource Recovery, Islip Resource Recovery, & LI Solar Farm.

⁶ UCAP purchases, including Bear Swamp and Marcus Hook, net of short-term UCAP sales.

**Estimated Energy Requirements and Resources¹
(GWH)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Energy Requirements					
Total Energy Requirements ²	20,822	20,502	20,173	20,005	19,872
Resources³					
NMP2	1,982	1,846	1,982	1,781	1,982
GENCO ⁴	4,287	4,417	5,041	4,769	4,914
Contracted PPAs ⁵	2,802	2,979	2,724	2,647	2,884
Non-Dispatchable IPP Resources	1,171	1,183	1,185	919	829
NYPA (BNL).....	259	208	261	208	261
Future Resource Additions ⁶	145	253	588	586	585
Net Economy ⁷	10,177	9,616	8,392	9,095	8,417
Total Resources	<u>20,822</u>	<u>20,502</u>	<u>20,173</u>	<u>20,005</u>	<u>19,872</u>

¹ Based on Fall 2016 Forecast.

² LIPA's estimated Total Energy Requirements including Long Island Choice customers.

³ Includes the estimated GWH output of both the existing and future resources expected to be under contract to LIPA during each year of the projected period and spot market energy purchases. Values based upon final 2017-2021 LIPA Operating Budget.

⁴ Generating units covered under the PSA.

⁵ Power purchase agreements under contract. When contracts expire, it is assumed that the energy is available in the Net Economy market.

⁶ Reflects the estimated energy output from the following Resource Additions expected to be placed into service during the projected period: Feed In Tariffs, and new unit emergency generators in East End (Montauk and East Hampton).

⁷ Short term purchases net of short term sales (includes Bear Swamp).

Fuel Supply

LIPA is responsible for procuring fuel used at the GENCO Generating Facilities and certain non-GENCO facilities in accordance with the terms of its then-current agreement(s). PSEG ER&T provides fuel management services for both the GENCO generating facilities and certain non-GENCO units.

The particular fuel used for generation will depend on generation plant fuel capability, fuel supply and transportation availability, and fuel and fuel transportation cost, subject to environmental constraints. All of the GENCO steam units can burn either natural gas or low sulfur residual oil. Natural gas or distillate fuel is burned in the gas turbines.

The natural gas distribution system on Long Island shares natural gas delivery interconnections with neighboring gas utilities and interstate gas pipelines. Con Edison and two National Grid Subs have entered into an agreement that provides for use of their joint systems to allow the parties to receive gas from interstate pipelines connected to their systems.

Oil is stored on site or at locations accessible by each generation facility with the capacity to burn oil. Existing oil storage capacity plus an active oil management program is employed by the applicable service provider to help LIPA assure continuous fuel oil supply to the GENCO Generating Facilities and certain other non-GENCO generating units.

Constellation is responsible for the fuel requirements of NMP2.

Overview of Regulatory Framework as it Applies to LIPA

LIPA's Provision of Transmission Service to Third Parties

As a corporate municipal instrumentality and political subdivision of the State, the Authority, and, indirectly, LIPA, are not considered "public utilities" under the Federal Power Act ("FPA") and therefore are largely exempt from FERC regulation under Part II of the FPA. Notwithstanding this exemption, the Authority and LIPA are subject to the authority of FERC to order interconnection of its facilities pursuant to Section 210 of the FPA, and the authority of FERC to order "transmitting utilities" to provide transmission services in accordance with sections 211 and 212 of the FPA as amended by the 2005 Energy Policy Act (as defined below). Further, FERC applies its "open access" principles set forth in Order No. 888 and its progeny to non-jurisdictional utilities, through a reciprocity requirement (described below).

On April 24, 1996, FERC issued Order No. 888. As that order was modified on rehearing, it (i) requires all public utilities to have a tariff on file with FERC that provides open access transmission services to other entities under comparable terms and conditions of transmission service that the public utility provides to itself and its affiliates and (ii) contains a reciprocity provision that requires non-jurisdictional utilities (including municipal and consumer-owned utilities such as LIPA and the Authority) that purchase transmission services under FERC filed open access tariffs and that own or control transmission facilities to, in turn, provide open access service to the transmitting utility on rates, terms and conditions that are comparable to the service that the non-jurisdictional utility provides itself. In 1998, FERC reviewed LIPA's Open Access Transmission Tariff ("OATT"), including its rates for transmission service, and found that the OATT represents an acceptable reciprocity tariff subject to the condition that LIPA adopt a code of conduct and maintain an Open Access Same-time Information System ("OASIS"). While LIPA has retained a reciprocity OATT, transmission service over LIPA's system occurs primarily through its participation in the NYISO, including offering of transmission service under terms set forth in the NYISO OATT and engagement in the NYISO regional transmission planning process.

The rates that LIPA charges for wholesale transmission service, including the calculation of any stranded cost charge, are not subject to direct regulation by FERC under Sections 205 or 206 of the FPA. LIPA's rates for wholesale transmission service are set by the Authority and incorporated for informational purposes into the NYISO OATT. LIPA remains the entity that charges and collects the transmission service charges from customers using its bulk transmission system.

On July 21, 2011, FERC issued Order No. 1000 to expand upon certain regional planning principles of Order No. 890. Order No. 1000 establishes a framework for developing large regional transmission planning groups, requires the sharing of information between such regional transmission planning groups to enable the development of needed "interregional" transmission facilities and requires the regional transmission planning groups to develop methodologies for allocating the costs of new transmission facilities identified through such regional and interregional transmission planning efforts. Public utilities, including the NYISO, were required to develop changes to their planning processes to integrate the Order 1000 reforms (described below).

As part of the Energy Policy Act of 2005 (the "2005 Energy Policy Act"), Congress amended the FPA to include a new Section 211A which grants FERC limited discretionary authority (but does not mandate the exercise of such authority) over certain non-jurisdictional utilities referred to as "unregulated transmitting utilities." The term "unregulated transmitting utility" is defined as an entity that owns or operates facilities used for wholesale transmission service in interstate commerce and is an otherwise

exempt entity under Section 201(f) of the FPA. LIPA meets this definition and will be considered an unregulated transmitting utility should FERC decide to implement the provisions of Section 211A.

While FERC may apply the terms of Section 211A to LIPA and other unregulated transmitting utilities on a case-by-case basis, it is unclear whether such application will fundamentally change LIPA's provision of wholesale transmission service. LIPA already provides open access transmission service to third parties on a comparability basis through its participation in the NYISO as described below. Further, LIPA maintains its own reciprocity OATT, voluntarily complies with FERC's Standards of Conduct and OASIS requirements and ensures comparability in interconnection service to generators.

New York Independent System Operator

General

The investor-owned utilities in the State, together with NYPA and LIPA (collectively, the "Transmission Owners"), are members of an independent transmission system operator called NYISO. NYISO is a not-for-profit corporation formed to provide for non-discriminatory open-access transmission over electric transmission systems belonging to the Transmission Owners, to maintain the reliability of the combined systems and to operate electric power markets within the State. Customers of NYISO pay non-transmission related charges to NYISO and pay the Transmission Service Charge ("TSC") to the Transmission Owners under the NYISO OATT. LIPA participates in the NYISO under provisions designed to protect the Authority's tax-exempt status and recognize that the Authority, not FERC, is the entity with jurisdiction to set LIPA's rates. LIPA remains the entity responsible for billing and collecting its TSC for use of its transmission facilities pursuant to rates set by the Authority under State law. Further, LIPA retains ownership and operational control over its transmission facilities while coordinating the scheduling, maintenance and use of LIPA's transmission system with the NYISO.

In addition to its transmission-related responsibilities, the NYISO provides power pooling and power coordination functions. Operational features of the NYISO include: (i) the establishment of a day-ahead and real-time bid-based spot energy market; (ii) the implementation of congestion pricing for transmission services; (iii) the creation and administration of transmission congestion contracts; (iv) the administration of a capacity market; (v) markets for certain ancillary services; and (vi) long-term planning for reliability, economic and public policy matters. A significant feature of the NYISO's tariffs is its operation of an electric power market that uses a locational based marginal pricing structure.

LIPA receives payments for use of its transmission system by third parties through the billing and collection of its TSC as well as contractual payments pursuant to certain grandfathered transmission agreements between LIPA and third parties. For non-grandfathered contracts, LIPA directly bills the TSC, a per kilowatt-hour charge, to transmission customers withdrawing energy from the LIPA System, and collects the TSC revenue directly from the customers. LIPA's TSC is developed based upon a formula rate, which was approved by the Authority in October 2003.

As a condition of LIPA's participation in the NYISO and to recognize LIPA's non-jurisdictional status, the NYISO OATT includes provisions that allow the NYISO to file, on LIPA's behalf, LIPA's TSC for inclusion in the NYISO OATT on an informational basis only. FERC limits its review of LIPA's TSC to a comparability review by which it only reviews whether the TSC rates that LIPA is charging are applied to all transmission customers, including LIPA itself, on a comparable basis.

NYISO Compliance with Orders 890 and 1000

Order 890, as modified on rehearing, required the NYISO to adopt a transparent, regional transmission planning process that includes all stakeholders in the State as well as neighboring, interconnected regions. LIPA voluntarily participated in the development of the NYISO's compliance filings covering implementation of most elements of Order 890. Over the course of 2007 and 2009, FERC approved a series of NYISO proposals covering the development, cost-recovery and cost-allocation of reliability and economic transmission upgrade projects. These proposals included provisions recognizing the Authority's role in transmission planning for the Service Area and its jurisdiction over LIPA's rates. Most of the other changes to the OATT included in Order No. 890 do not substantially affect the provision of transmission service by the NYISO because of its "financial transmission rights" rather than "physical transmission rights" structure.

As part of the Order 890 process, FERC also approved changes to the New York Independent System Operator/Transmission Owner Reliability Agreement (the "NYISO/TO Reliability Agreement") which permits the NYISO to require transmission owners to make transmission reliability upgrades subject to certain transmission owner rights and conditions. In particular, the NYISO/TO Reliability Agreement provides cost-allocation and cost-recovery assurance to the transmission owners with respect to the construction of reliability projects identified as part of the NYISO's planning process.

As part of the development of this NYISO/TO Reliability Agreement, LIPA sought and gained inclusion of several key terms intended to protect LIPA's status as a non-jurisdictional utility and its ability to maintain and issue tax-exempt debt. These

conditions include: (i) a provision that LIPA is not obligated to build a project if the construction or use of such project would violate the tax-exempt status of its bonds; (ii) clarification that LIPA's execution of the NYISO/TO Reliability Agreement is not considered a waiver of LIPA's non-jurisdictional status under the FPA; and (iii) procedures by which LIPA may withdraw from the NYISO/TO Reliability Agreement upon 90-days' notice subject to any specific obligation it may have already incurred prior to the date of withdrawal. On January 25, 2010, the Authority's Board of Trustees approved a resolution authorizing the execution and implementation of the terms of the NYISO/TO Reliability Agreement by LIPA.

Order 1000 (described above) required modifications to the NYISO regional transmission planning process, including the adoption of new cost allocation procedures for projects addressing transmission needs caused by public policy requirements as well as measures for allocation of costs for inter-regional (i.e., inter-ISO) projects. Pursuant to Order 1000, NYISO has adopted changes to its OATT that incorporate the assessment of transmission needs driven by public policy requirements into the NYISO transmission planning process. As part of these changes, the NYISO proposed, and FERC has approved, language detailing the process by which the Authority exercises its statutory responsibility for transmission planning within the Service Area for the purpose of identifying transmission needs on the LIPA transmission system that may be driven by public policy requirements and the integration of such transmission needs into the NYISO's public policy requirements planning process.

Order 1000 also includes requirements for interregional planning between regions. FERC has approved a joint NYISO, PJM and ISO-NE interregional planning coordination program. As approved, any interregionally planned project must be jointly identified by both ISOs and there must be an agreed-upon allocation of costs between both ISOs.

Generator Interconnection Rule

FERC has issued final rules requiring all public utilities that own, operate or control transmission facilities to file standard procedures and standard agreements governing interconnection services for "large" generators producing more than 20 MW (Order No. 2003 & Order No. 2003-A—Large Generator Interconnections) and for "small" generators producing less than 20 MW (Order No. 2006, Order No. 2006-A & Order No. 2006-B—Small Generator Interconnections). The NYISO OATT includes Large Generation Interconnection Procedures and a Large Generation Interconnection Agreement consistent with Order Nos. 2003 and 2003-A as well as Small Generation Interconnection Procedures and a Small Generation Interconnection Agreement consistent with Order Nos. 2006, 2006-A and 2006-B. As LIPA is not a "public utility" under the FPA, it does not have a direct obligation to comply with the Commission's interconnections procedures. However, as part of its participation in the NYISO, LIPA voluntarily complies with the NYISO's generator interconnection procedures for interconnections at the transmission system level. LIPA continues to administer the interconnection process for all generators connecting to its distribution facilities under its own tariff and procedures. LIPA also has adopted revisions to its own generator interconnection procedures in order to be complementary to the NYISO process.

PJM Independent System Operator and Allocation of PJM Regional Transmission Expansion Project Costs

LIPA has entered into a contract with Neptune to purchase 660MW of transmission capacity over an undersea extra high voltage cable installed between Sayreville, New Jersey and Levittown, New York. Beginning in June 2010, LIPA also has a contract with Marcus Hook LLP to purchase 91% of the capacity of the Marcus Hook generating facility located in Pennsylvania.

PJM, a regional transmission organization operating a transmission grid running from Illinois to New Jersey and south to Virginia allocates the costs of "Regional Transmission Expansion Plan" projects ("RTEP") based on a series of cost allocation protocols. These costs are allocated to merchant transmission facilities, such as Neptune, which have obtained firm transmission withdrawal rights under the PJM Tariff. Neptune passes through to LIPA any RTEP charges assessed to the firm transmission withdrawal rights for capacity over the Neptune Line.

New York State Reliability Council

The New York State Reliability Council, LLC ("NYSRC") determines the reliability rules that the NYISO and all market participants must operate under and monitors the NYISO's compliance with the reliability rules. The NYSRC provides reliability guidance consistent with the reliability regulation adopted by Congress in 2005 in Section 215 of the FPA, discussed above under "THE SYSTEM—Overview of Regulatory Framework as it Applies to LIPA—*LIPA's Provision of Transmission Service to Third Parties.*"

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

General

The electric utility industry has been, and in the future will be, affected by a number of factors which will have an impact on the business, operations and financial condition of both public and private electric utilities, including the Authority and LIPA.

Such factors include, among others, (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (ii) changes resulting from “self-generation,” energy efficiency, conservation and demand-side management programs on the timing and use of electric energy, (iii) changes in national energy policy, (iv) new requirements to obtain increasing portions of overall electric energy supply from renewable generating resources, (v) potential imposition of requirements to reduce emissions of greenhouse gases, (vi) issues relating to the ability to issue tax-exempt obligations, (vii) service restrictions on the ability to sell to non-governmental entities electricity from generation projects financed with outstanding tax-exempt obligations, (viii) changes from projected future load requirements, and (ix) increases in costs. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The Authority cannot predict what effects these factors will have on the business, operations and financial condition of the Authority or LIPA, but the effects could be significant. The following sections of this caption provide brief discussions of certain of these factors. However, these discussions do not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Part 2. Extensive information on the electric utility industry is, and is expected to be, available from legislative and regulatory bodies and other sources in the public domain.

FERC Enforcement and Penalty Authority Under the 2005 Energy Policy Act

On August 8, 2005, President Bush signed into law the 2005 Energy Policy Act. The 2005 Energy Policy Act specifically modified certain long-standing exemptions from FERC jurisdiction for municipalities under FPA Section 201(f) (such as the Authority and LIPA) by making it clear that such entities are subject to FERC’s jurisdiction for enforcement of reliability rules (FPA § 215) and market manipulation rules (FPA § 222). On March 18, 2010, as revised on September 17, 2010, FERC issued civil penalty guidelines, which purport to apply to “the penalties to be imposed on all organizations for violations of the statutes, rules, regulations, restrictions, conditions, or orders overseen by [FERC].” FERC’s use of the Penalty Guidelines is discretionary, not mandatory. These new Penalty Guidelines have resulted in significantly higher penalties being imposed by FERC, particularly in cases where a violation causes a significant pecuniary gain for the violator or loss caused by the violation. The revised Penalty Guidelines provide substantial discretion to take into account, among other things, mitigating factors such as the measures taken by the violator to put measures in place to comply with all requirements.

While municipalities are now subject to compliance obligations and potential FERC enforcement actions, including sanctions for violations of reliability standards, there remains an unresolved legal question as to whether FERC has sufficient statutory authority under those sections of the FPA to impose monetary civil penalties on municipalities for such violations. Sections 316 and 316A of the FPA limit the Commission’s authority to apply civil penalties for statutory and rules violations only to “persons,” which is a term defined under the FPA to exclude municipalities. The specific application of monetary civil penalties to municipalities has not yet been the subject of a challenge. However, courts have considered and upheld the imposition of monetary civil penalties upon the U.S. Army Corps of Engineers. Further, FERC reached an enforcement settlement with a California irrigation district (which was established under State law) in which civil penalties were assessed. LIPA expects that in future cases before FERC the statutory limits of FERC’s authority to impose monetary civil penalties on municipalities may be further challenged and the extent of FERC’s authority to impose monetary penalties on municipalities may be clarified by courts of appeal.

The foregoing discussion of certain provisions of the 2005 Energy Policy Act does not purport to be a comprehensive discussion of the 2005 Energy Policy Act. Information on the 2005 Energy Policy Act is available from many sources in the public domain, and investors should obtain and review such information.

Competition

In the State and many other states, there have been legislative and regulatory actions to promote competition in the supply of power by requiring, among other things, the separation of power supply services and costs from electric transmission and distribution services and costs.

The Authority has taken several actions to promote an orderly transition to greater competition in power supply and retail customer choice in the power supply markets in the Service Area. The Authority fosters wholesale competition by offering Open Access Transmission Service to generators that wish to provide power to the NYISO or to other wholesale customers. This service is offered on a comparable basis to the regulated transmission utilities in the State that are also members of the NYISO. Retail choice (sometimes called customer choice, retail wheeling, or retail open access) refers to a process by which retail customers choose among competitive suppliers for electric capacity, energy, and ancillary services. The delivery of capacity and energy is provided by the owner and operator of the local transmission and distribution system. Key issues that have surfaced in the movement to retail choice include the level of rate reductions accompanying the restructuring of individual utilities, recovery of stranded investments, and the timetable and methods for implementation of customer choice.

Under current law, customers may purchase energy from third party providers. In 1998, the Authority adopted a retail choice program (called “Long Island Choice”) which is intended to offer electric customers the opportunity to choose an electric energy supplier other than LIPA. The program is available to all customers in the Service Area. As of July 2017, other suppliers were selling electricity to 11,059 commercial customers in the Service Area representing a total coincident peak load of 295 MW. PSEG Long Island and the Authority have undertaken a “collaborative” review of the Long Island Choice program organized by the DPS (as defined below) and with the participation of other interested parties in 2016. At calendar year end 2015, the DPS initiated “MATTER 15-02754 – In the Matter of Examining the Potential Benefits of Retail Competition for Long Island Electric Customers,” which invited comments on the potential benefits to customers of retail competition in the Long Island electricity market. According to the DPS, its objective in the proceeding is to investigate potential benefits to customers and examine what reforms, if any, are needed to achieve them. On May 18, 2016, the DPS provided that the comment period established in the Long Island participatory process is extended until 30 days after the resolution of matters raised in the Order Resetting Retail Energy Markets and Establishing Further Process, issued by the PSC on February 23, 2016 in Cases 15-M-0127, 12-M-0476 and 98-M-1343 (the “Regulated Utilities Retail Choice Proceedings”). The Regulated Utilities Retail Choice Proceedings are still pending, having been delayed by litigation. The Authority cannot make a prediction as to the resolution of the Regulated Utilities Retail Choice Proceedings or effect, if any, new or revised State or federal laws addressing retail and commercial competition will have on ongoing implementation of retail competition.

New York State Electric Utility Industry Regulation

General. Legislation is regularly introduced in the State Legislature, which could affect the operations of the Authority. The Authority is not able to predict which, if any, of such legislation might be enacted into law, what form any of such legislation, if enacted, might take or what impact any of such legislation if enacted might have on the Authority’s operations.

NYISO. For a description of the NYISO and its present activities, see “THE SYSTEM – New York Independent System Operator” in this Part 2.

Reforming the Energy Vision, the Clean Energy Standard and the Zero-Emissions Credit Requirement.

In April 2014, the PSC commenced its REV initiative to transform the State’s energy industry and regulatory practices. Reports as well as additional REV information are available on the DPS, which is the staff arm of the PSC, website at <http://www.dps.ny.gov/>. Information on that website is not included herein by specific cross-reference. See “RECENT DEVELOPMENTS –*Reforming the Energy Vision, Clean Energy Standard and the Zero-Emissions Credit Requirement*” for additional information relating to REV and certain other State energy initiatives.

In addition, in January 2016, the PSC approved the 10-year \$5.3 billion Clean Energy Fund (the “CEF”) to be managed by NYSERDA under the direction of the PSC. The clean energy fund has four portfolios: market development (to reduce costs and accelerate customer demand for energy efficiency and other behind-the-meter clean energy solutions, and increase private investment); innovation and research (to invest in cutting-edge technologies that will meet increasing demand for clean energy); NY Green Bank (to partner with private financial institutions to accelerate and expand the availability of capital for clean energy projects) and NY-Sun (to provide long-term certainty to the State’s growing solar market and to lower the costs for homeowners and businesses investing in solar power).

While the Authority is not a regulated utility subject to the PSC’s jurisdiction, it has been monitoring, and expects to continue to monitor, the REV proceeding closely and review and evaluate orders put forth by the PSC and implemented by the investor-owned utilities to develop and recommend a plan of action by the Authority consistent with REV goals and objectives. The Authority is not able to predict the outcome of the REV proceeding or related proceedings or their impact on the business, operations or financial condition of the Authority.

Public Authorities Reform. The Public Authorities Accountability Act of 2005 (the “PAAA”) was signed into law by the Governor in January 2006. The PAAA addressed a wide range of matters pertaining to many public authorities in the State, including the Authority. In December 2009, the Governor signed into law additional legislation (the Public Authorities Reform Act – “PARA”) intended to further reform the way public authorities conduct business in the State. Among other things, PARA creates an independent authorities budget office with certain oversight powers and expands on the filing and publication requirements of the PAAA.

Environmental

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures, which regulate the environmental impact of electric utilities, are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the facilities owned or under contract to LIPA will remain subject to the regulations currently in effect, will always be in compliance

with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital expenditures to comply, reduced operating levels or the complete shutdown of individual electric generating units, including NMP2 and other units under contract to LIPA under the PSA, not in compliance.

The United States Environmental Protection Agency (“EPA”), the states and local jurisdictions may issue new regulations governing emissions from many types of power plants. State regulation of electric utility emissions may change significantly. The changes could affect the cost of purchased power from combustion turbines and other types of plants. If enacted, new regulations may change existing cost assumptions for electric utilities. While it is too early to determine if any new provisions will be enacted, in what form, or what their effect will be, any changes may have a material impact on the cost of power generated at affected electric generating units. See also “ENVIRONMENTAL MATTERS” in this Part 2.

Cross-State Air Pollution Rule

On March 10, 2005, the EPA issued the final Clean Air Interstate Rule (“CAIR”) that capped SO₂ and NO_x emissions from power plants in 28 states and the District of Columbia. Based on federal court decisions that remanded CAIR back to the EPA, the EPA published a final replacement rule for CAIR referred to as the “Cross-State Air Pollution Rule” (“CSAPR”) on August 8, 2011. Under the CSAPR, 28 states would have been required to reduce their power plant emissions of SO₂ and NO_x that cross over state boundaries under a two-phase program starting in 2012. The D.C. Circuit vacated CSAPR on August 21, 2012 in *EME Homer City Generation LP v. EPA* and directed EPA to continue to enforce CAIR in the interim until the EPA developed another replacement transport rule. The U.S. Supreme Court reversed the D.C. Circuit on April 29, 2014 and remanded the matter back to the D.C. Circuit, which resulted in the D.C. Circuit lifting the stay of EPA’s implementation of CSAPR. On November 21, 2014, EPA issued an Interim Rule that revised the compliance dates by three years, requiring that power plants comply with the CSAPR’s Phase I emissions budgets in 2015 and 2016 and Phase 2 emissions budgets and assurance provisions in 2017 and beyond. EPA signed a final rule adopting the new CSAPR compliance dates on February 26, 2016. In December 2015, the New York State Department of Environmental Conservation (“DEC”) adopted its final rules repealing its NO_x ozone season and annual trading programs and SO₂ trading programs under CAIR to replace them with new rules to allocate allowances as created by CSAPR for electric generating units. In 2017 under CSAPR, DEC will (i) allocate allowances based on the average of the last three years for which data are available to existing 25 megawatt or larger electric generating units (“EGUs”), (ii) set aside 5% of the budget for new electric generating units, and (iii) provide the remaining 10% of allowances to NYSERDA to promote energy efficiency and renewable energy technologies.

Climate Change

In recent years, there has been growing concern in the scientific community and among the public about climate change and the potential impact upon climate change made by fossil-fueled electric generating plants. Any legislation or regulation that addresses global warming is likely to have an adverse impact on fossil fuel-fired generation, particularly operation of older, less efficient units.

The regulation of CO₂ and other greenhouse gases (“GHGs”) from power plants has received increasing focus from the federal government and state governments in recent years. EPA’s authority to regulate GHG emissions stems from a 2007 decision in which the United States Supreme Court held GHG emissions are “air pollutants” under the federal Clean Air Act (“CAA”). EPA has begun regulating the energy sector by: (i) mandating GHG reporting as of 2011; (ii) establishing a nationwide New Source Performance Standard (“NSPS”) for CO₂ emissions from new fossil-fueled fired electric generating units pursuant to CAA § 111(b); and (iii) addressing GHGs from existing electric generating units pursuant to CAA § 111(d) as discussed below.

Clean Power Plan

On August 3, 2015, the EPA issued the Clean Power Plan final rule (“CPP”). The CPP regulates CO₂ emissions from existing fossil fuel-fired EGUs, specifically coal-, oil-, and gas-fired steam generating units and natural gas combined cycle units. Several states and industry groups filed lawsuits challenging the CPP with the D.C. Circuit and, on February 9, 2016, the U.S. Supreme Court stayed the implementation of the CPP final rule pending the outcome of the lawsuits. The CPP final rule did not directly regulate the permissible CO₂ emissions from any particular EGU; instead, each state was given an overall emissions reduction target expressed as a rate (pounds CO₂ per MWh of output). This target could also be translated into a mass-based goal, with a numerical cap on the permissible short tonnage of CO₂. Each state was given responsibility for identifying and implementing appropriate measures to meet its EPA-established goal. Under the CPP rule, as approved, the State would need to meet its overall emissions goal of 918 pounds of CO₂ per MWh of output – roughly a 19.5% reduction from 2012 levels – by 2030. Prior to the final 2030 goal, the state would also meet targets for an interim period, running from 2022 to 2030. The interim period itself uses three steps (each with its own goal), as shown below.

New York Statewide Emission Goals Under CPP Final Rule

	Rate-based (pounds CO ₂ /MWH)	Mass-based (tons of CO ₂)
2012 Emissions	1,140	34,596,456
CPP Interim Goal – 2022-2029	1,025	33,595,329
-Interim Step 1 – 2022-2024	1,095	35,493,488
-Interim Step 2 – 2025-2027	1,005	32,932,763
-Interim Step 3 – 2028-2029	948	31,741,940
CPP Final Goal – 2030 onwards	918	31,257,429

On October 16, 2017, EPA published a proposed rule that would repeal the CPP, in its entirety, on the basis that the CPP exceeded EPA’s authorities under the CAA. EPA proposes to change its legal interpretation underlying the CPP to conclude that the CAA’s use of the term “best system of emission reduction” must involve technological or operational measures that apply to an individual point source as opposed to the approach taken in the CPP that would have involved a shifting of the balance of coal, gas, and renewable-generated power at the grid-wide level, which EPA states constitutes energy policy as opposed to environmental policy. EPA also announced its intent to publish in the future an Advance Notice of Proposed Rulemaking (“ANPR”) through which EPA would solicit information on systems of emissions reductions for greenhouse gases applicable at and to an individual point source. Comments on the ANPR would then inform a further rulemaking proceeding to adopt a revised regulatory framework, if EPA determines it is warranted. The proposed repeal of the CPP, any future ANPR and any replacement rule will be subject to a public comment and review process. Further, it is anticipated that EPA’s repeal of the CPP and any replacement rule, if finalized, will be subject to litigation. Given these developments, implementation of the CPP final rule in the State is not certain. To the extent that the CPP is reinstated, or a revised framework for regulating greenhouse gas emissions is adopted by EPA, such regulatory regimes for greenhouse gas emissions may affect generating units on Long Island that are under contract to LIPA, and also may materially impact energy and capacity prices in both the NYISO wholesale market and the Eastern Interconnection more broadly.

DEC GHG standards for new power plants, as adopted in June 2012, are more stringent than the NSPS finalized by EPA on August 3, 2015. Specifically, new power plants must achieve a standard of 925 pounds of carbon dioxide equivalent per megawatt gross electrical output or 120 pounds carbon dioxide equivalent per million Btu of input. The standards are set at a level that permits the construction of natural gas plants with back-up fuel oil but the standards are too low to permit construction of new coal-fired power plants in the State. In addition, effective January 1, 2014, DEC had revised its regulations under the RGGI program, a CO₂ cap and trade program that applies to electric generating units within nine RGGI states in the Northeast, based on the decision of the RGGI states to lower the overall emissions cap to 91 million tons effective in 2014. The previous cap for the first five years of the RGGI program had been set at a level of 165 million tons, a level that provided too many allowances into the market such that the allowances were sold at auction at the minimum reserve price. It is expected that power companies will comply with the 2014 to 2020 cap by purchasing new allowances at auction at slightly higher prices and using allowances already banked. The RGGI states have also announced plans to further reduce the regional cap by 30 percent from 2020 to 2030. The State’s CES is also designed to address GHGs by requiring that 50 percent of the State’s electricity come from renewable energy sources such as solar and wind by 2030. Compliance with the new, proposed or modified climate change programs adopted by EPA and DEC is not expected to have a material effect on LIPA although future climate change programs not now known could have an impact.

See “REGULATION – New York State - *Reforming the Energy Vision, Clean Energy Standard and the Zero-Emissions Credit Requirement*” in this Part 2 for a description of certain State initiatives intended to transform the State’s energy industry and regulatory practices.

Cooling Water Intake Structure Regulation

The federal Clean Water Act § 316(b) requires existing power plants with once-through circulating-water systems to implement modifications to reduce impingement and entrainment of fish and other aquatic organisms. This requirement applies to the Barrett, Northport, and Port Jefferson Power Stations. As of this time, Port Jefferson has been brought into compliance, and construction is ongoing at Northport in accordance with a plan and schedule approved by DEC to bring it into full compliance in 2021. Modifications at both stations involve new “fish-friendly” traveling screens, and variable-speed circulating-water pumps. A proposal and draft environmental impact statement for similar modifications at Barrett was submitted to DEC in 2014, and is awaiting action. Based on DEC’s approval of the Northport and Port Jefferson modifications, LIPA believes the proposed modifications for Barrett will also be approved.

Nuclear Plant Matters

Wholesale Electricity Prices

Decreases in natural-gas prices in the Northeast, brought about by increased gas production in the region through hydraulic fracturing of the Marcellus Shale Formation, have led to lower wholesale electricity prices in the NYISO. These lower prices have significantly reduced the operating margin of NMP2. With CENG's majority share of NMP2 being a merchant endeavor, continuing operation of NMP2 depends on its returning positive margins for CENG. If its margin should become persistently negative, a decision by CENG to cease operation of NMP2 before the expiration of its operating license is possible.

Recognizing the possibility that NMP2 and the three other nuclear units in Oswego and Wayne Counties might cease operation due to low wholesale electricity prices, the State's Governor directed the PSC to develop a Clean Energy Standard that, among other things, would provide an extra payment in the form of ZECs to these four units as compensation for their not emitting carbon dioxide in the generation of electricity. See "RECENT DEVELOPMENTS –*Reforming the Energy Vision, Clean Energy Standard and the Zero-Emissions Credit Requirement.*"

New York ZECs

In 2016, the PSC adopted a CES that, among other things, established a ZEC Requirement. Under this requirement, NMP2 and the other three nuclear units in Oswego and Wayne Counties are eligible to receive a payment from NYSERDA for every MWH of electricity generated, up to an annual maximum established for each nuclear site. These payments started on April 1, 2017 and are scheduled to continue through March 31, 2029. They are in addition to payments made by the NYISO for energy and capacity delivered. Funds for these payments are to be provided by the State's LSEs, including the Authority, based on each LSE's percentage of total retail sales in the State. The stated objective of the ZEC Requirement is to avoid the shutdown of these units before their license-expiration dates because of wholesale electric-energy prices that are insufficient to cover their total costs of operation, and that do not adequately reflect the societal value of the "carbon-free" electricity they produce. Payments started on April 1, 2017 at \$17.48/MWH. This rate will be adjusted on April 1, 2019, and every two years thereafter for the first ten years of the program. Adjustments will be based on a formula established in the CES. A lawsuit challenging the legality of ZEC payments was filed on October 19, 2016 in the U.S. District Court for the Southern District of the State by a group called the Coalition for Competitive Electricity. The suit was dismissed on July, 27, 2017, but the Coalition appealed the dismissal to the U.S. Second Circuit Court of Appeals. See "RECENT DEVELOPMENTS –*Reforming the Energy Vision, Clean Energy Standard and the Zero-Emissions Credit Requirement.*"

Spent Fuel

Under the Nuclear Waste Policy Act of 1982 the Department of Energy ("DOE") was to develop, construct, and operate a system for the disposal of spent nuclear fuel and high-level radioactive waste. The system was to include interim storage capability and a permanent geological repository. A deadline of January 1, 1998 was set for DOE to begin moving spent fuel from nuclear power plants, and a fee of \$1.00/MWH was collected from nuclear-plant operators to cover the department's costs for spent-fuel disposal. LIPA reimbursed CENG for its share of these payments. However, with the cancellation of DOE's plans for a permanent geologic repository at Yucca Mountain in Nevada, it is unlikely that DOE will accept any spent nuclear fuel from commercial nuclear power plants in the near term. Collection of the disposal fee was suspended in May 2014.

Until such time as a permanent repository is built, spent nuclear fuel from NMP2 in excess of the capacity of its spent-fuel pool is being stored in dry casks at an on-site Independent Spent Fuel Storage Installation ("ISFSI"), as is spent fuel at other nuclear sites. Exelon is being reimbursed for its ongoing ISFSI costs by DOE from funds previously paid for NMP2's fuel disposal. Exelon is forwarding to LIPA 18 percent of these reimbursements.

Decommissioning

Federal regulations require reactor operators to certify that sufficient funds will be available for decommissioning the radioactively contaminated portions of nuclear-plant sites. Funds are required to be in the form of prepayments or external sinking funds, both of which must be segregated from the licensee's assets and outside its administrative control, or by the surety of insurance payable to a trust established for decommissioning costs. LIPA funds a trust for its share of NMP2's decommissioning costs, and believes that by the expiration of NMP2's operating license in 2046, there will be sufficient funds in the trust for its share of decommissioning costs.

Liability for Nuclear Accidents

The Price-Anderson Nuclear Industries Indemnity Act requires a nuclear-plant licensee to carry private insurance for public damages that might be caused by a nuclear accident at its site. As of January 1, 2017, the required liability limit of such insurance is \$450 million. LIPA reimburses Exelon for 18 percent of the cost of this insurance.

In the event that damages from a nuclear accident at any site in the U.S. were to exceed \$450 million, all reactor licensees would be collectively liable for the excess, with a limit of \$121,255,000 per licensee, payable at no more than \$18,963,000 per year. LIPA's share of this liability for NMP2 is \$21.8 million, payable at no more than \$3.4 million per year.

Fukushima Daiichi

Following the March 11, 2011 earthquake and tsunami that led to the catastrophic damage of the Fukushima Daiichi Plants in Japan, the NRC and the nuclear industry studied the sequence of events that resulted in the catastrophe to determine if changes were warranted at United States nuclear plants. The performance of the General Electric boiling water reactors with Mark I containments was of particular interest. NMP2 is a General Electric boiling water reactor with a Mark II containment, which is a similar system. On March 12, 2012, the NRC issued three orders to the U.S. nuclear industry. The first order requires all domestic nuclear plants to better protect supplemental safety equipment and to obtain additional equipment to protect the reactor in the event of beyond-design-basis external events. The second order requires operators of boiling water reactors to modify them with reliable hardened containment vents. The third order requires operators to add reliable spent-fuel-pool water level instrumentation. NMP2 has been brought into by compliance with all of these orders.

ENVIRONMENTAL MATTERS

As discussed in "CERTAIN OTHER MATTERS —Guarantees and Indemnities" in this Part 2, National Grid Parties and LIPA Parties have entered into Liabilities Undertaking and Indemnification Agreements which, taken together, provide, generally, that environmental liabilities are to be divided between National Grid Parties and LIPA Parties on the basis of whether they relate to Transferred Assets (defined below) or LIPA Assets (defined below). In addition, to clarify and supplement these agreements, National Grid Parties and LIPA Parties have also entered into an agreement to allocate between them certain liabilities, including environmental liabilities, arising from events occurring prior to the 1998 acquisition of LILCO and relating to the business and operations to be conducted by LIPA Parties after the 1998 acquisition (the "Retained Business") and to the business and operations to be conducted by National Grid Parties after the 1998 acquisition (the "Transferred Business"). For a more complete description of specific actual and potential environmental liabilities of the LIPA Parties and the National Grid Parties, see "Legal Proceedings" in Note 16 of Notes to the Authority's Basic Financial Statements for the years ended December 31, 2016 and 2015, which are included herein by specific cross-reference.

The Authority and LIPA are subject to a number of federal, State and local environmental laws and regulations governing the installation, operation and maintenance of electric transmission and distribution systems.

REGULATION

The operations of the Authority and LIPA are subject to regulation by various State and federal agencies, discussions of which appear in other parts of this Part 2. The principal agencies having a regulatory impact on the Authority and LIPA and the conduct of their activities are as follows:

New York State

DPS. See "LIPA REFORM ACT" above for a description of the DPS's role and relationship with LIPA and PSEG Long Island.

PACB. The Authority is required by the Act to obtain certain approvals of the PACB. The PACB consists of five members appointed by the Governor of the State. One of the members is appointed upon the recommendation of the Majority Leader of the State Senate, one upon the recommendation of the Speaker of the State Assembly, one upon the recommendation of the Minority Leader of the State Senate and one upon the recommendation of the Minority Leader of the State Assembly. The two members of the PACB appointed by the Governor upon the recommendations of the Minority Leaders of the Senate and the Assembly do not vote. The unanimous vote of the voting members of the PACB is required to authorize action by the PACB.

Pursuant to the Act, the Authority may not undertake any "project" without PACB approval. A "project" of the Authority is defined by the Act to mean an action undertaken by the Authority that: (i) causes the Authority to issue bonds, notes or other obligations, or shares in any subsidiary corporation; (ii) significantly modifies the use of an asset valued at more than one million dollars owned by the Authority or involves the sale, lease or other disposition of such an asset; or (iii) commits the Authority to a

contract or agreement with a total consideration of greater than one million dollars and does not involve the day-to-day operations of the Authority. The Act provides that the PACB shall only approve a proposed project of the Authority upon the PACB's determination that: (i) the project is financially feasible; (ii) the project does not materially adversely affect overall real property taxes in the Service Area; (iii) the project is anticipated to result generally in lower utility rates; and (iv) the project will not materially adversely affect overall real property taxes or utility rates in other areas of the State.

New York State Comptroller. Pursuant to the Act, the Authority must obtain the written approval of the Comptroller of any private sale of bonds or notes of the Authority and the terms of such sale. By letter dated July 22, 1999, the Comptroller set forth his determination that pursuant to Section 1020-cc of the Act (which subjects all Authority contracts to "the provisions of the State Finance Law relating to contracts made by the State") certain Authority contracts that exceed \$50,000 in amount must be approved by the Comptroller before such contracts become effective. The LIPA Reform Act amended Section 1020-cc of the Act to exempt, among other things, contracts entered into between the Authority's service provider and third parties from this requirement. In addition, the Comptroller's office periodically conducts audits of the Authority to examine the Authority's policies, procedures, controls and other financial and management practices.

Utility Intervention Unit. Under the LIPA Reform Act, the Utility Intervention Unit, within the Department of State, is empowered to participate in rate proceedings and hold regular forums in the Service Area.

State Board on Electric Generation Siting and the Environment. On August 4, 2011, Governor Cuomo signed legislation (the "Power NY Act of 2011"), which, among other things, establishes a new process for the siting of electric generating facilities and repowering projects over 25 megawatts. With respect to siting, the Power NY Act of 2011 is intended to provide greater certainty to the regulated community by providing a time-certain review process by a multi-agency board capable of granting all necessary permits, as well as to provide more meaningful input from those impacted by the siting of a facility.

Department of Environmental Conservation. The Department of Environmental Conservation (the "DEC") is the principal agency of the State government regulating air, water and land quality. Before any federal license or permit can be issued for any activity involving a discharge into navigable waters, the DEC must certify that the discharge will comply with the State water quality standards (or waive certification). Certain aspects of the DEC's regulatory authority over pollutant discharge permits, air quality permits and hazardous waste regulation arise from delegation of such authority to the State by federal legislation.

Federal

Nuclear Regulatory Commission. The NRC regulates the construction and operation of nuclear power plants. An operating license is required for the operation of any nuclear power plant. In addition, the NRC prescribes various operating standards and other rules.

Federal Energy Regulatory Commission. FERC regulates the rates, terms and conditions of: (i) the sale for resale of electric power by "public utilities"; and (ii) the provision of transmission service in interstate commerce by public utilities. Neither the Authority nor LIPA is a "public utility" under the FPA and therefore, FERC does not exercise direct jurisdiction over rates for service over LIPA's facilities under either FPA Sections 205 or 206. Although the rates, terms and conditions under which the Authority provides transmission service are not currently subject to general FERC jurisdiction, FERC may order the Authority to provide transmission service to individual customers meeting the requirements of Sections 211 and 212 of the FPA on rates, terms and conditions comparable to those of the Authority for the Authority's own use of its system. Further, FERC may, in the future, apply the provisions of FPA Section 211A to LIPA, in which case LIPA would become subject to FERC jurisdiction with respect to the provision of wholesale transmission service at rates that are comparable to the rates it charges itself, on terms and conditions that are comparable and not unduly discriminatory or preferential. Since its enactment, FERC has taken a conservative approach to its implementation of FPA Section 211A and only asserted jurisdiction in very limited instances, none of which have involved an unregulated transmitting utility participating in an organized market, such as LIPA's existing participation in the NYISO.

While the Authority and LIPA are non-jurisdictional entities with respect to the establishment of rates, terms and conditions of service for the sale of energy and provision of transmission service, FERC has jurisdiction over municipal utilities such as LIPA with respect to compliance with reliability standards and prohibitions against market manipulation. Under FPA, Section 215, all users, owners and operators of the bulk power system, including LIPA, are required to comply with reliability standards issued by NERC, which FERC has approved as the Electric Reliability Organization responsible for overall adoption and enforcement of the reliability standards. In the Northeast, implementation of the NERC reliability standards is largely delegated to, and undertaken by, the Northeast Power Coordinating Council ("NPCC"). There are now over 100 federal reliability standards covering transmission and generation operations conducted by, or on behalf of LIPA. In addition to NERC standards and NPCC standards and criteria, the NYISO and State market participants are required to comply with NYSRC Reliability Rules for

planning and operating the State Power System. NYSRC Reliability Rules are consistent with and more stringent and specific than associated ERO standards and NPCC standards and criteria. This is permitted by federal legislation in FPA Section 215. The NYSRC Reliability Rules include local rules that apply to New York City and Long Island that are more stringent than other NYSRC Rules. These Local Rules are more stringent because of the need to protect the reliable delivery of electricity for specific electric system characteristics and demographics relative to these zones. These conditions include unique circumstances and complexities related to the maintenance of reliable transmission service, and the dire consequences that would result from failure to provide uninterrupted service.

Separately, FPA Section 222 prohibits “any entity” (including otherwise non-jurisdictional entities such as LIPA) from engaging in the use of any manipulative or deceptive device or contrivance as part of its purchase or sale of electric energy or transmission service. FERC has implemented FPA Section 222 through the issuance of an anti-market manipulation rule set forth in 18 C.F.R. §1.c.2 and applied such rule to non-jurisdictional entities participating in wholesale energy markets. Violations of these requirements are subject to enforcement and potential sanctions by FERC, for which the Commission may apply its new Penalty Guidelines. The Penalty Guidelines have the potential to result in imposition of significant penalties in cases where a violation causes a significant pecuniary gain for the violator or loss caused by the violation. As described above, prior court decisions have held that FERC’s penalty authority under FPA Section 316 and 316A does not extend to a municipality. However, this precedent has not yet been raised in the context of a penalty assessment for violation of FPA Section 222 and LIPA expects that future cases before FERC and courts of appeal may clarify the authority of FERC to apply monetary civil penalties to municipalities under the FPA for violations of FPA Section 222.

Environmental Protection Agency. The EPA is the principal agency of the federal government regulating air, water and land quality. The Authority and LIPA are subject to EPA rules requiring permits for discharge of identified pollutants in waters of the United States that may occur during utility operations. However, EPA does not regulate radiological emissions or effluents from nuclear facilities, rather the NRC reviews such environmental impacts as part of its permit and licensing proceedings.

Department of Energy. DOE is authorized to issue Presidential permits for international transmission interconnections and grant authorizations for the export of energy into Canada.

United States Army Corps of Engineers. The United States Army Corps of Engineers is authorized to approve construction undertaken in connection with a power plant or transmission line, which affects navigation, involves dredging or filling in waters of the United States, or involves crossing of navigable streams.

Other Jurisdictions

The regulatory procedures of neighboring states such as Connecticut and New Jersey impact the ability of LIPA to obtain additional power supplies through the construction of new cables which extend into such jurisdictions.

LITIGATION

The Offered Bonds

There is no litigation pending or threatened in any court (either State or federal) to restrain or enjoin the issuance or delivery of the Offered Bonds or questioning the creation, organization or existence of the Authority, the title to office of the Trustees or officers of the Authority, the validity or enforceability of the Resolution, Financing Agreement, the pledge of the Trust Estate, the proceedings for the authorization, execution, authentication and delivery of the Offered Bonds or the validity of the Offered Bonds.

Other Litigation

LIPA is involved in numerous actions arising from the ordinary conduct of its business both prior to and subsequent to the 1998 acquisition of LILCO that include claims related to: Superstorm Sandy, LIPA’s challenge to current tax assessments and environmental claims brought by governments and individual plaintiffs that allege LIPA is responsible for all or a portion of the clean-up costs, personal injuries and/or damages resulting from its alleged use, release or deposit of hazardous substances which include asbestos. While LIPA cannot presently predict the costs of such pending claims, or additional similar claims which may arise in the future, LIPA believes that such litigation, in the aggregate, will not have a material adverse impact on the business or the affairs of the Authority or LIPA. See “Legal Proceedings” in Note 16 of Notes to the Authority’s Basic Financial Statements for the years ended December 31, 2016 and 2015.

CERTAIN OTHER MATTERS

LIPA Assets and Liabilities

At the time of the 1998 Acquisition of LILCO, in addition to the electric assets described under “Introduction to the Authority and LIPA” in this Part 2, LILCO also retained certain other of its former assets (these electric and other retained assets are referred to collectively as the “LIPA Assets”) and liabilities (the “LIPA Liabilities” and, together with the LIPA Assets, the “LIPA Assets and Liabilities”). The LIPA Assets included, among other assets (i) certain regulatory assets of LILCO, including the Shoreham Regulatory Asset, (ii) the judgments, actions and claims of LILCO for refunds of property taxes, including the judgment resulting from the litigation contesting the assessment of certain Shoreham Nuclear Power Station property and (iii) other intangible assets of LILCO’s former retail electric business, including the right to provide electric service in the Service Area. The LIPA Liabilities included, among other liabilities, certain environmental liabilities of LILCO not otherwise transferred to or indemnified by a National Grid Sub.

Upon the consummation of the 1998 Acquisition, LIPA recorded various purchase accounting adjustments to give recognition to the fact that LIPA is not subject to the regulatory jurisdiction of the PSC and is exempt from federal income tax. The primary result of these adjustments was the elimination of the regulatory assets and liabilities of LILCO, including the Shoreham Regulatory Asset, and the elimination of LILCO’s net deferred federal income tax liability. The unamortized balance of the excess of the acquisition costs over the original net book value of the transmission and distribution and nuclear assets and the fair value of the other net assets retained appears on the financial statements included by specific cross-reference herein as the “Acquisition Adjustment.” This Acquisition Adjustment was originally being amortized over 35 years (commencing in 1998). In May 1998, when LIPA acquired LILCO, the original Acquisition Adjustment was approximately \$4.2 billion. At September 30, 2017, the balance of the Acquisition Adjustment, net of accumulated amortization was approximately \$1.017 billion and the remaining amortization period on the Acquisition Adjustment has been shortened by approximately seven years based on the results of a depreciation study commissioned by National Grid prior to the termination of the MSA.

Guarantees and Indemnities

Keyspan Corporation (now a subsidiary of National Grid) has absolutely and unconditionally guaranteed to the Authority (i) the full and prompt payment when due of all amounts required to be credited or paid by National Grid Sub under the PSA and (ii) the full and prompt performance of the covenants and agreements of the National Grid Sub under the PSA. Upon certain reductions in the credit ratings of Keyspan Corporation, LIPA has the right to have Keyspan Corporation obtain letters of credit securing these undertakings and agreements. The Authority has been advised that National Grid is planning to merge Keyspan Corporation into its direct parent, National Grid USA. With respect to the Keyspan guarantee, National Grid Sub and LIPA are currently negotiating an amendment to the PSA pursuant to which National Grid USA would become the guarantor in place of Keyspan Corporation, which amendment would take effect only after receipt of certain required approvals.

PSEG Power LLC, a wholly-owned subsidiary of PSEG, has absolutely and unconditionally guaranteed to the Authority (i) the full and prompt payment when due of all amounts required to be credited or paid by PSEG Long Island under the TSA and OSA up to \$60,000,000 and (ii) the full and prompt performance of the covenants and agreements of PSEG Long Island under the TSA and OSA. Upon certain reductions in the credit ratings of PSEG Power LLC, LIPA has the right to have PSEG Long Island obtain a letter of credit in lieu of the corporate guaranty.

ADDITIONAL INFORMATION

Certain of the corporations mentioned in this Part 2, including National Grid plc., PSEG, Exelon Corporation, the parent of Constellation Energy Nuclear Group, LLC, the operator of NMP2, file reports and other information with the Securities and Exchange Commission, which reports and information are publicly available. None of the above-mentioned additional information is included herein by specific cross-reference, and neither the Authority nor the Underwriters take any responsibility for the accuracy or completeness thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

LIPA

Long Island Power Authority



Printed by: ImageMaster, LLC
www.imagemaster.com