

Dear Stakeholder,

LIPA is a community-owned, locally controlled, not-for-profit utility. We contract with PSEG Long Island, a subsidiary of Public Service Enterprise Group (PSEG), to operate our electric system under a 12-year contract. By maintaining a public power business model, we combine local control, public ownership and a low-cost structure with the customer service and industry experience of a recognized private utility. LIPA and PSEG Long Island continue to improve service quality for our 1.1 million customers.

The Long Island Power Authority's 2017 accomplishments furthered our mission to enable clean, reliable, and affordable electric service for our customers on Long Island and the Rockaways.

The following highlights are LIPA's most significant projects of 2017:

- Released 2017 Integrated Resource Plan (IRP) and repowering studies for the Port Jefferson and E.F. Barrett steam plants, recommended not proceeding with Caithness II or repowering of Barrett and Port Jefferson and performing a peaking plant study to better support system needs for anticipated growth in intermittent renewable resources.
- Signed power purchase agreement for 90-megawatt offshore wind project, launched feed-in-tariffs for up to 20 megawatts of solar and up to 40 megawatts of fuel cell resources, and signed three power purchase agreements for a total of 79 megawatts of utility-scale solar, in furtherance of New York State's Clean Energy Standard.
- Adopted a 2017 budget that provided the resources necessary to achieve performance metrics for customer service and satisfaction, electric reliability, safety, and other key areas of electric utility operations.
- Reached agreement with PSEG Long Island for improvement targets for certain metrics such as J.D. Power customer satisfaction with a goal to achieve first quartile performance in these measures within five years; updated targets for other metrics to reflect past and planned improvements in budgets and programs.
- Initiated a revised enterprise risk management program to provide greater "bottom up" information and analysis to management.
- Developed Rate Roadmap to modernize LIPA's electric rate design to support changing technology and customer expectations, including the integration of greater distributed and clean energy resources.
- Adopted Board Policies which set the long-term strategic goals for staffing and employment, enterprise risk management, power supply hedging, economic development, customer service, reliability, audit relationships, safety, undergrounding, resource planning, renewables, and efficiency.

- Provided the Board with annual reports on Board policies for taxes, debt, development, retention and succession, staffing and employment, reliability, customer service, safety and resource planning, renewables, and efficiency.

For additional information regarding LIPA's 2017 operations, projects, and accomplishments, please see the following documents, which are all located on LIPA's [website](#):

- [Board policy reports](#);
- [2018-2020 Work Plan](#);
- [2017 Performance Measurements Report](#);
- [2018 Budget](#); and
- [Financial Statements for the periods ended December 31, 2017 and 2016](#).

Sincerely,

/s/ Thomas Falcone