

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 2018 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 2018:

- Upgraded New York's first Offshore Wind Farm with next-generation technology to cost-effectively boost output by 44 percent and power nearly 70,000 homes
- Reached a milestone agreement to gradually lower the amount of property taxes customers pay for the Port Jefferson power plant—ensuring the host community remains among the lowest-taxed communities in the surrounding area while simultaneously lowering energy costs for all 1.1 million customers
- Reduced the cost of power supply for customers by \$32 million per year by negotiating new terms on expiring power purchase agreements, new gas transportation contracts, fair settlements on statewide allocated transmission costs, and securing the benefits of federal tax reform
- Improved LIPA's financial condition and positioned the Authority for future credit rating upgrades by Moody's and Standard and Poor's, each of which have placed LIPA on "Positive Outlook"
- Approved new electric rate incentives and rebate programs to encourage electric vehicle adoption
- Approved a four-year Smart Meter deployment to empower customers to manage their energy use and reduce cost to customers
- Launched a new LIPA website—selected as a winner in the American Public Power Association's 2018 Excellence in Public Power Communications Awards
- Completed the 2018 Management Audit by the Department of Public Service, including filing action plans to address opportunities for improvement
- Advanced a new Enterprise Risk Management program, based on industry best practices
- Assessed the effectiveness of PSEG Long Island programs and operations related to customer service, reliability, resource planning, FEMA grant compliance, sales forecasting, billing and collections, administration of low-and-moderate income programs, budgeting, accounting, procurement, and other areas

- Worked with the Board to enhance the Policy Governance process and Board reporting, to assist the Trustees in fulfilling their fiduciary role
- Initiated training and development initiatives that attract, retain, and engage a qualified LIPA staff

For additional information regarding LIPA's 2018 operations, projects, and accomplishments, please see the following documents, which are all located on LIPA's [website](#):

- [Board Policy Reports](#);
- [2019 Work Plan](#);
- [2018 Performance Measurement Report](#);
- [2019 Budget](#); and
- Financial Statements for the periods ended December 31, 2018 and 2017<sup>1</sup>.

Sincerely,

/s/ Thomas Falcone

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<sup>1</sup> Available March 31, 2019