

Annual Report to the Board of Trustees:

- Customer Service
- T&D System Reliability
- Resource Planning

July 26, 2017





Agenda – Customer Service

▲ Metrics

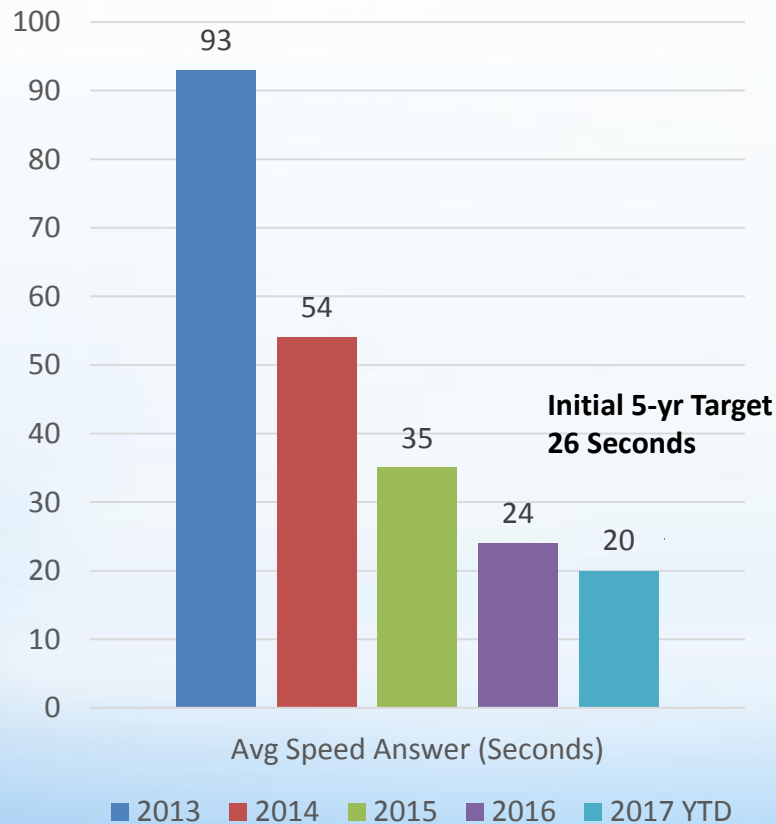
▲ Initiatives

▲ Customer Feedback

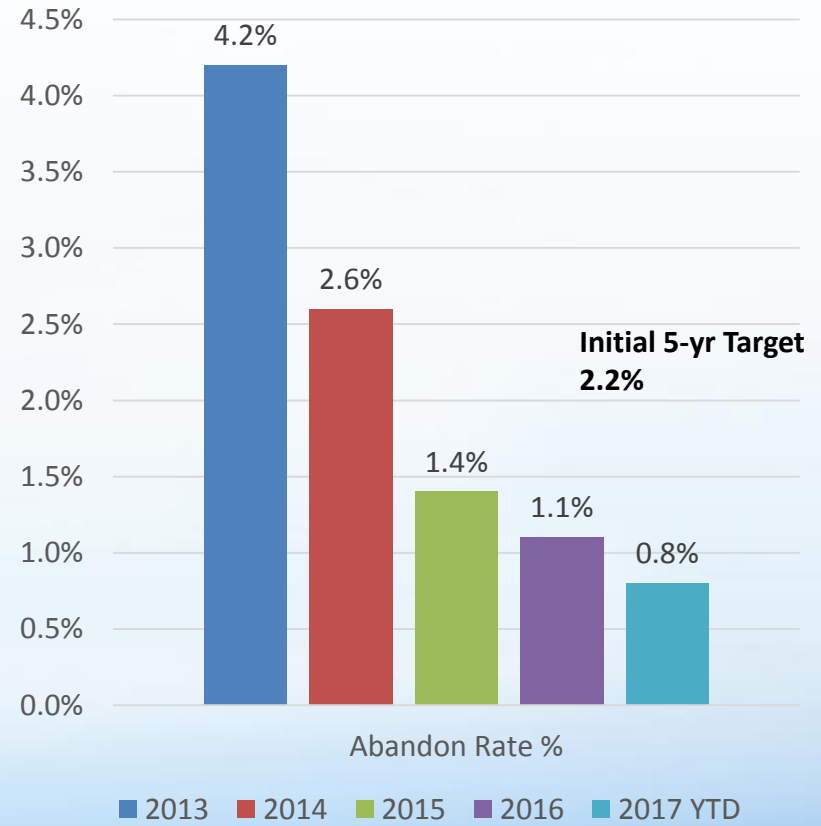
Customer Service – Surpassing 5-year Targets



Average Speed of Answer



Call Abandonment Rate

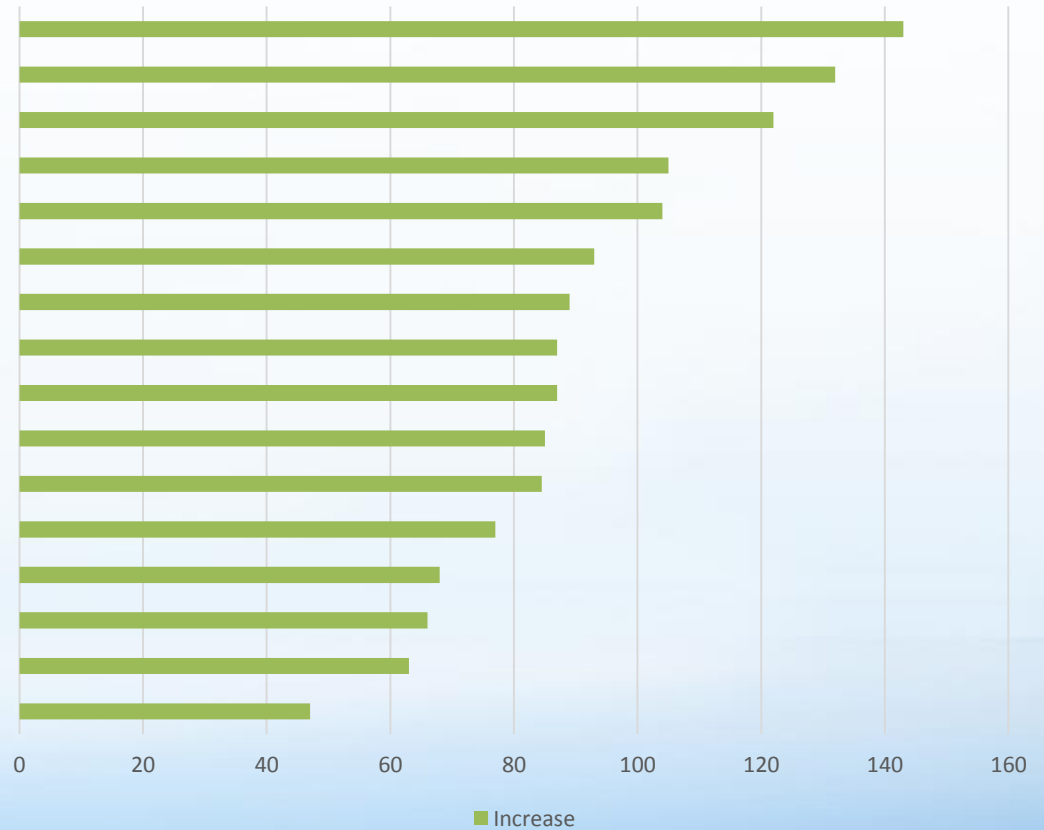




Customer Satisfaction - Most Improved in J.D. Power Residential - East Region/Large Segment

J.D. Power Residential Customer Satisfaction Study East Region: Large Segment

Company	2013	2017	Increase
PSEG Long Island	519	662	143
Pepco	573	705	132
Con Edison	613	735	122
Jersey Central Power & Light	580	685	105
BGE	611	715	104
PSE&G	634	727	93
Appalachian Power	590	679	89
PECO	631	718	87
NYSEG	625	712	87
Penelec	615	700	85
Eversource Energy*	596	680	85
PPL Electric Utilities	662	739	77
Duquesne Light	643	711	68
National Grid	618	684	66
Central Maine Power	657	720	63
West Penn Power	636	683	47
PSEG LI Gap to 1st Quartile	115	57	-58



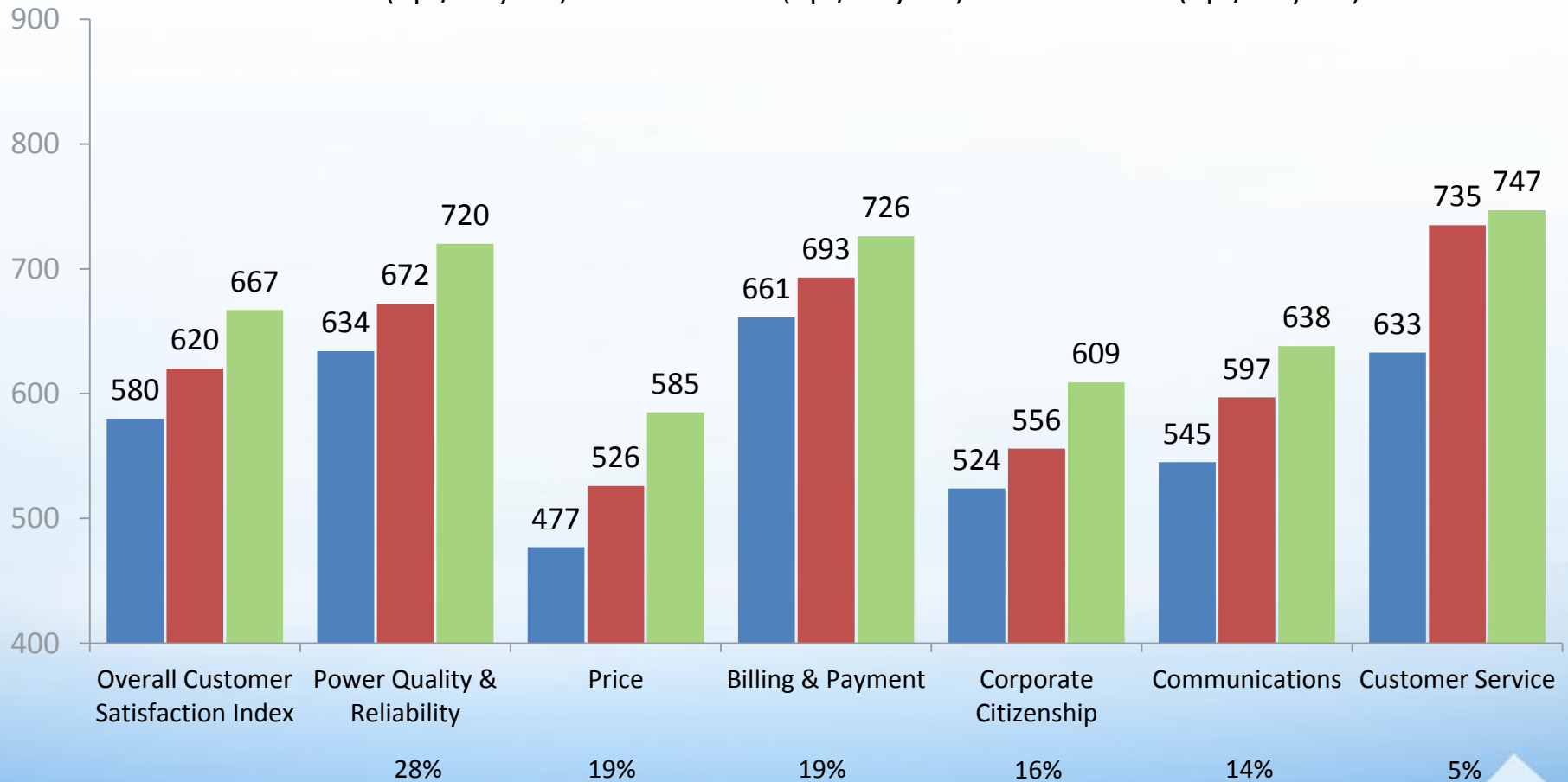
*2013 Eversource Energy is the average of NSTAR (611) and Connecticut Light & Power (580)



Customer Satisfaction – J.D. Power Residential

Components of Index

■ 2015 W4 (Apr/May '15) ■ 2016 W4 (Apr/May '16) ■ 2017 W4 (Apr/May '17)





J.D. Power Residential Components

POWER QUALITY & RELIABILITY

- Supply Electricity During Extreme Temps
- Provide Quality Electric Power
- Restore Power Promptly After Outages
- Avoid Brief Interruptions
- Avoid Lengthy Interruptions
- Keep You Informed About An Outage

PRICE

- Total Monthly Cost of Electricity
- Ease of Understanding Pricing
- Price Options That Meet Needs
- Fairness of Pricing
- Utilities Efforts to Help Manage Monthly Usage

BILLING & PAYMENT

- Ease of Paying Bill
- Amount of Time Given to Pay Bill
- Usefulness of Information on Bill
- Variety of Methods to Pay Bill

CORPORATE CITIZENSHIP

- Involvement in Local Charities & Civic Organizations
- Actions to Take Care of Environment
- Variety of Energy Efficiency Programs Offered
- Develop Energy Supply Plans for the Future

COMMUNICATIONS

- Communicating How to be Safe Around Electricity
- Usefulness of Suggestions on Ways to Reduce Energy
- Efforts to Communicate Changes
- Keep You Informed About Keeping Costs Low
- Creating Messages That Get Your Attention

CUSTOMER SERVICE

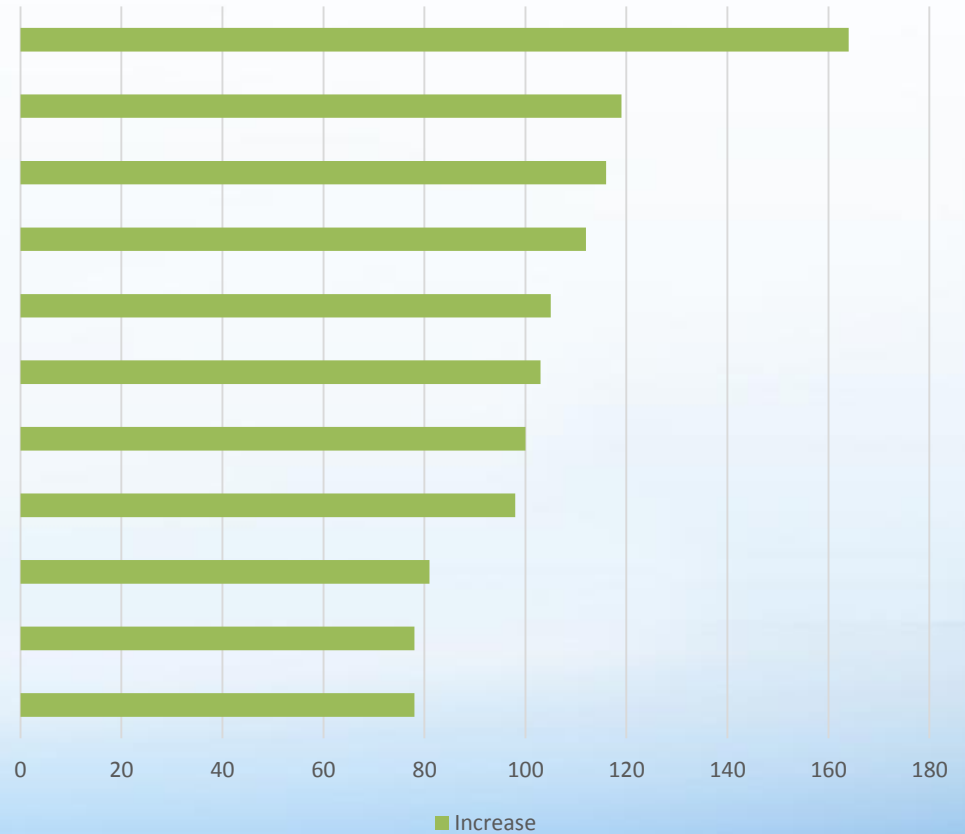
- Timeliness of Resolving Problem/Question/Request
- Promptness Speaking to Person/Clarity of Info
- Cust Reps' Courtesy/Knowledge/Concern for Needs
- Ease of Navigating Phone Menu Prompts/Website
- Appearance/Quality of Website/Phone Menu



Customer Satisfaction - Most Improved in J.D. Power Commercial - East Region/Large Segment

J.D. Power Commercial Customer Satisfaction Study East Region: Large Segment

Company	2013	2016	Increase
PSEG Long Island	525	689	164
NYSEG	636	755	119
Con Edison	655	771	116
Jersey Central Power & Light	629	741	112
BGE	636	741	105
Eversource Energy *	616	719	103
Appalachian Power	611	711	100
PSE&G	659	757	98
PPL Electric Utilities	681	762	81
PECO	652	730	78
National Grid	645	723	78
PSEG LI Gap to 1st Quartile	128	67	-61



* 2013 Eversource Energy is the average of NSTAR (623) and Connecticut Light & Power (610)



Customer Satisfaction Surveys

PSEG Long Island Surveys of Customers after Contact with Utility

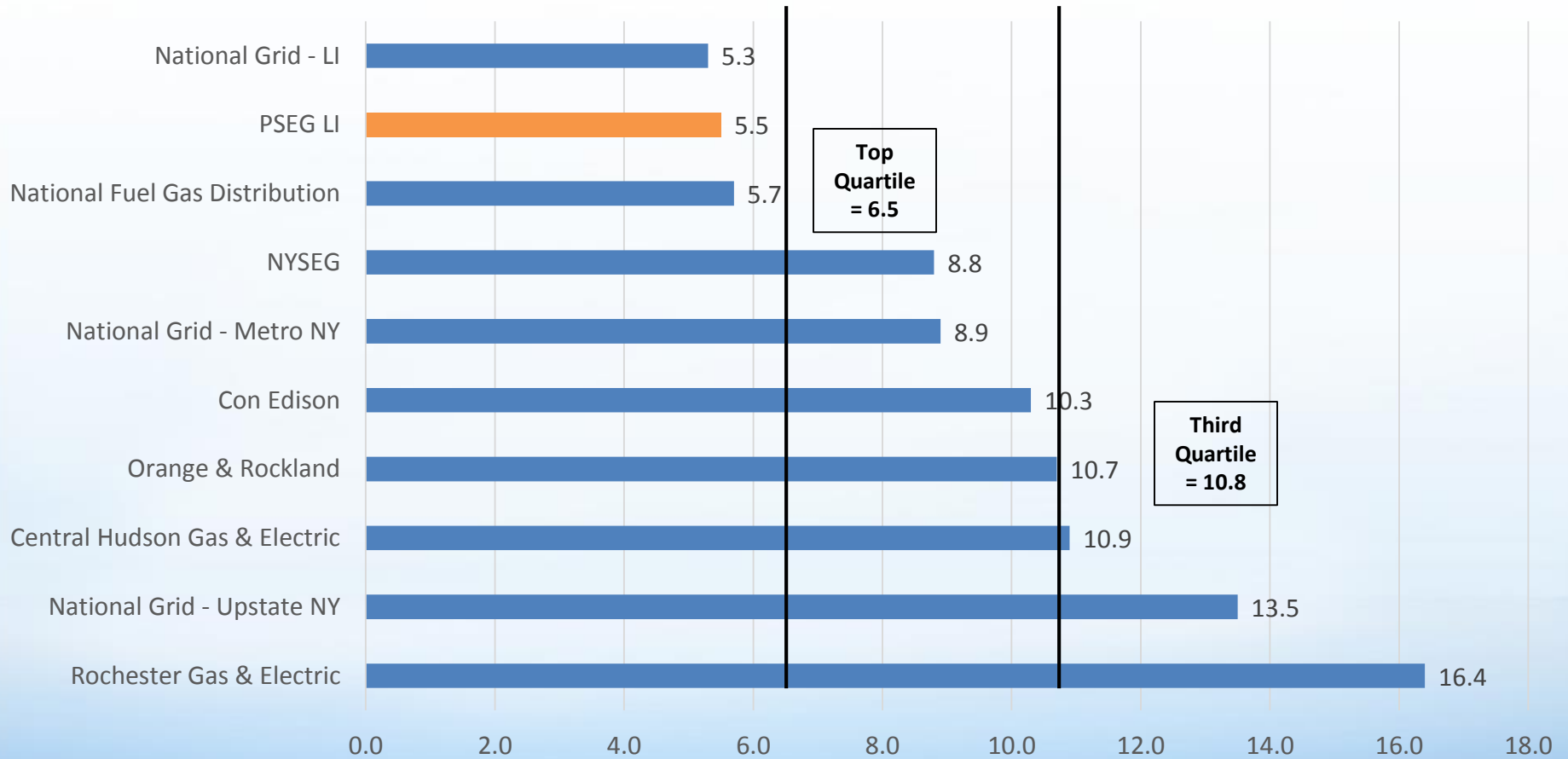


Initial 5-year Targets: 80%, 63%, and 91%



Complaint Rate Per 100,000 Customers

12-Months Ending June 2017



Note: Peer utilities are reported with a 2-month lag.

Customer Service Initiatives

- ▲ Next 50 Campaign – Employee Awareness & Engagement Initiative
- ▲ Home Energy Reports
- ▲ Proactive Storm Alerts and Updates
- ▲ Focused “Ways to Save” Communications Q3 & Q4
- ▲ Targeted Messaging
- ▲ Expansion/Continuous Improvement Customer Technology

Customer Feedback

PSEG Long Island obtains feedback from customers through customer focus group meetings in addition to internal and external customer surveys.

- ▲ On average, four in-person focus group meetings each quarter

- ▲ Customers positive remarks:
 - ✧ Improved Reliability – extended and momentary outages
 - ✧ Better Communications, particular around storm
 - ✧ Improved Call Center Performance
 - ✧ Employee competency and courtesy
 - ✧ Home energy audits
 - ✧ Tree Trimming & Infrastructure Improvements
 - ✧ Improved Customer Technology (Website, IVR, Credit Cards, Outage Information, etc.)



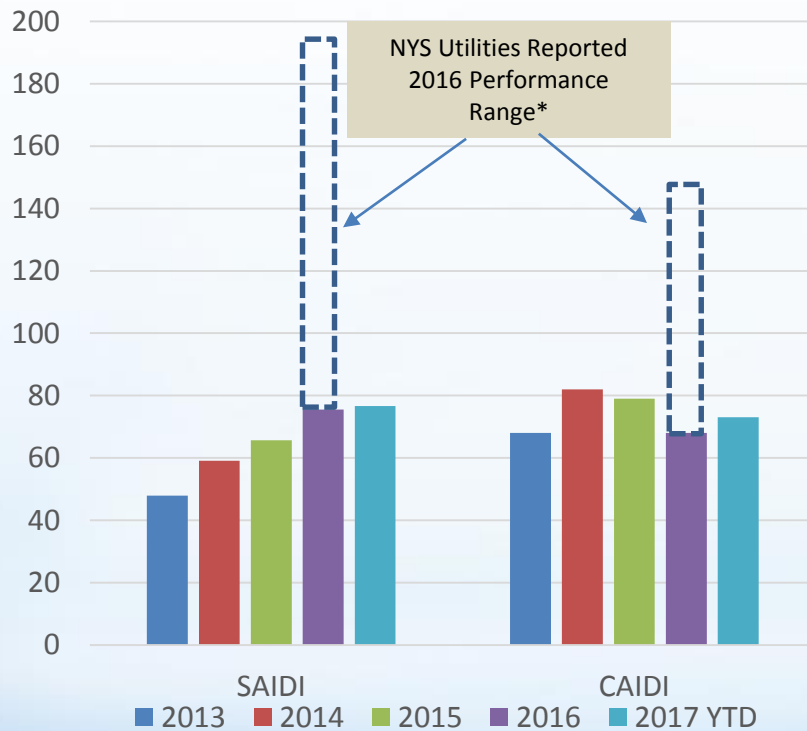
Agenda – T&D System Reliability

- ▲ Metrics
- ▲ Storm Restoration
- ▲ Compliance
- ▲ Smart Grid Progress
- ▲ Initiatives

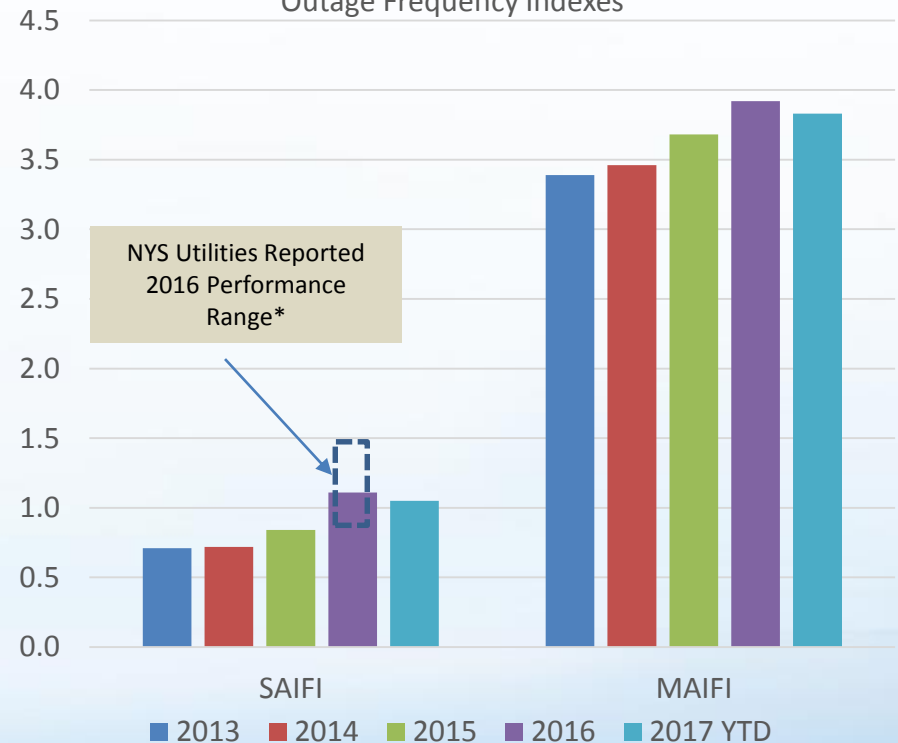


T&D Reliability Metrics

System Average (SAIDI) and Customer Average (CAIDI) Outage Duration Indexes (Minutes)



System Average (SAIFI) and Momentary (MAIFI) Outage Frequency Indexes

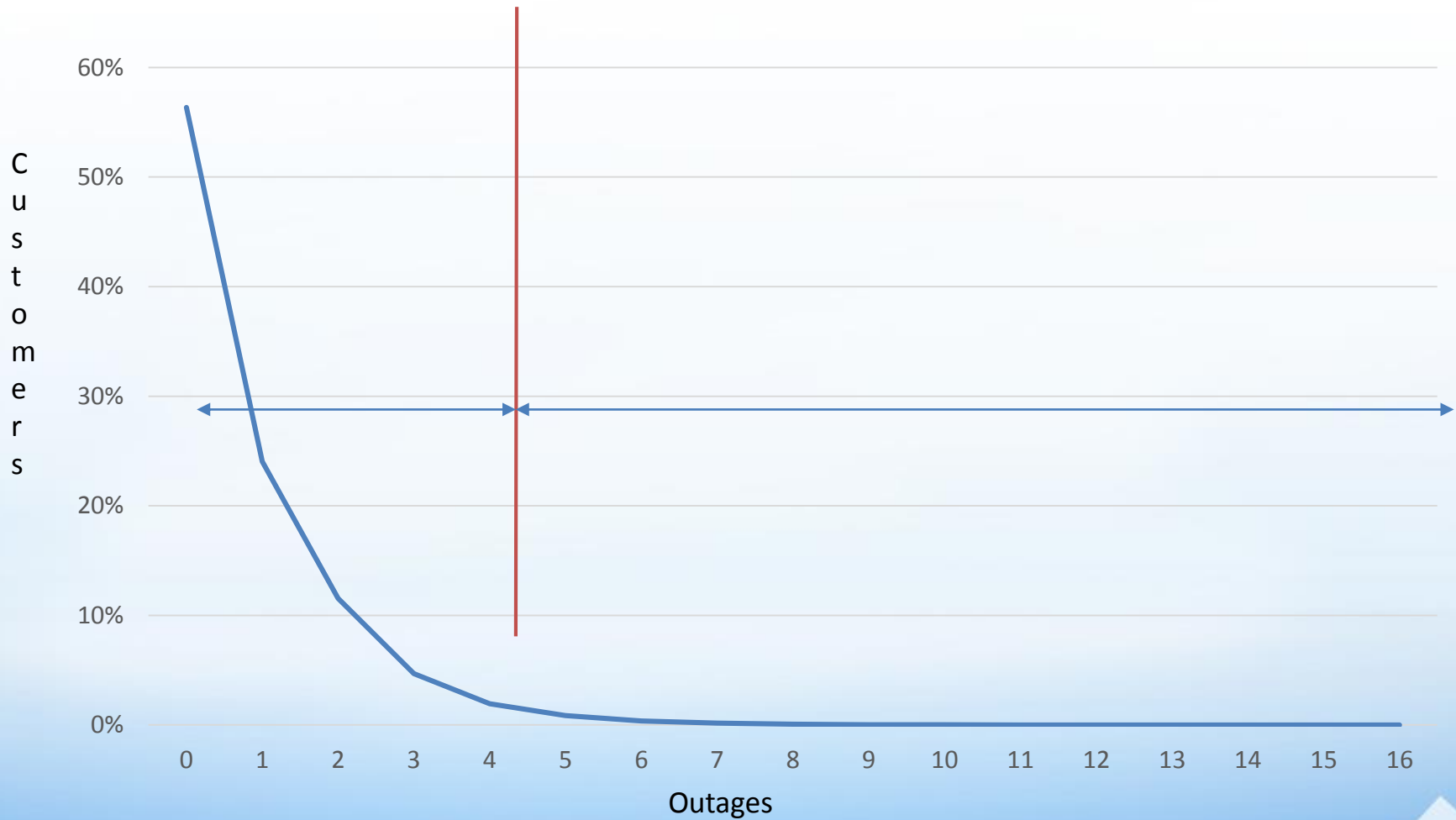


- Excludes Con Edison

Note: Reliability programs have decreased “controllable” outages (e.g., equipment, vegetation) by 10% system-wide in 2017 vs. 2016



Customer Outage Frequency – 2016





Storm Restoration

Year	No. of Storms	Total Outage Jobs	Total Customer Outages	Cust. Restored Within 4 hrs	Average Outage Duration
2014	16	4,632	228,382	88%	125
2015	19	5,909	408,609	88%	134
2016	20	8,689	554,664	90%	120
2017 (YTD)	7	2,704	160,284	90%	93

▲ NERC Compliance

- ✧ Met requirements for shifting role in operating and planning transmission lines above 100 kV from NYISO to local utilities
- ✧ Responded to NERC Alerts (e.g. Ukraine Incident)

▲ Conducted Annual Operating Studies (NERC, NYISO)

Smart Grid Progress

▲ Automatic and remote switching

- ✧ Adding approximately 900 switches (“ASUs”) as part of the FEMA Storm Hardening program

▲ Advanced Metering (AMI)

- ✧ Installed to date – 31,000 meters
- ✧ 100% of large commercial customers and 34% of system sales by year end

Initiatives to Improve Reliability

- ▲ Non-Reclosure Assurance (“NRA”) Automation (to be completed in 2018)

- ▲ Targeted Programs to Improve Reliability:
 - ✧ Circuit Improvement Program (102 Circuits vs 67 in 2016)
 - ✧ FEMA (Hardened 289 miles, 320 ASUs commissioned vs. 206 miles and 25 ASUs in 2016)
 - ✧ Vegetation Management (3,261 miles, completes four year cycle vs. 2,908 miles in 2016)
 - ✧ Infrared (2,500 miles, 50% higher than historical)
 - ✧ Circuit Patrols (444 circuits to be inspected vs 200 in 2016)

- ▲ Customer Centric Reliability Programs
 - ✧ Multiple Customer Outages
 - ✧ Residential Underground Distribution

- ▲ Inspection and Maintenance Programs
 - ✧ Pole inspections (45,680 Planned vs 35,641 in 2016)
 - ✧ Substation Maintenance (5,718 Planned vs 5,366 in 2016)

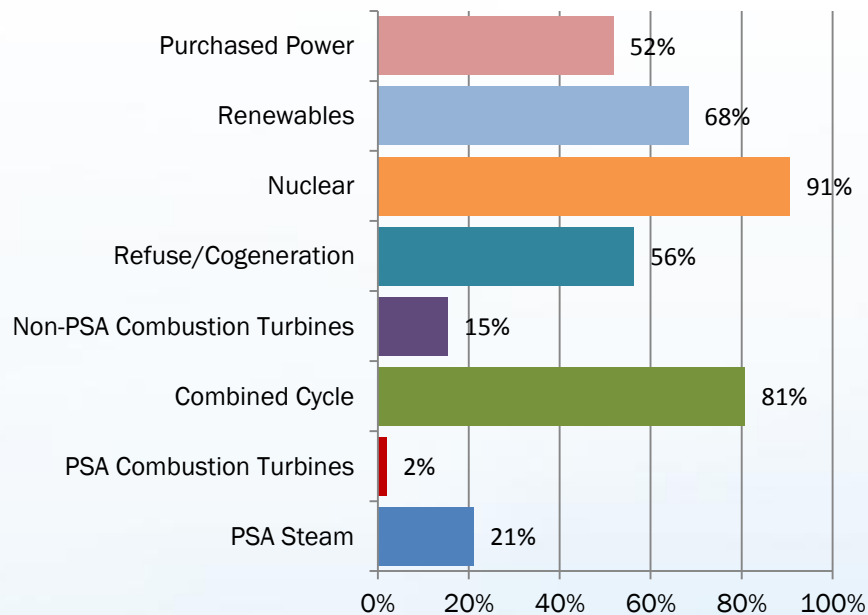
Agenda – Resource Planning

- ▲ Generation Portfolio
- ▲ Resource Adequacy
- ▲ Clean Energy Standard
- ▲ Market Policy Advocacy
- ▲ 2017 Peak (so far)

Generation Portfolio – 2016 Performance

- ▲ Capacity factor of units is within the range of normal operation for a system of Long Island’s generation mix and load characteristics
- ▲ All contracts met or exceeded contract standards
- ▲ Nine Mile Point Unit 2 2016 capacity factor exceeded the industry average
- ▲ The PSA steam units operate reliably with equivalent availability (summer) averaging well above 90%

Capacity Factor by Resource Type



Steam Plants - 2016

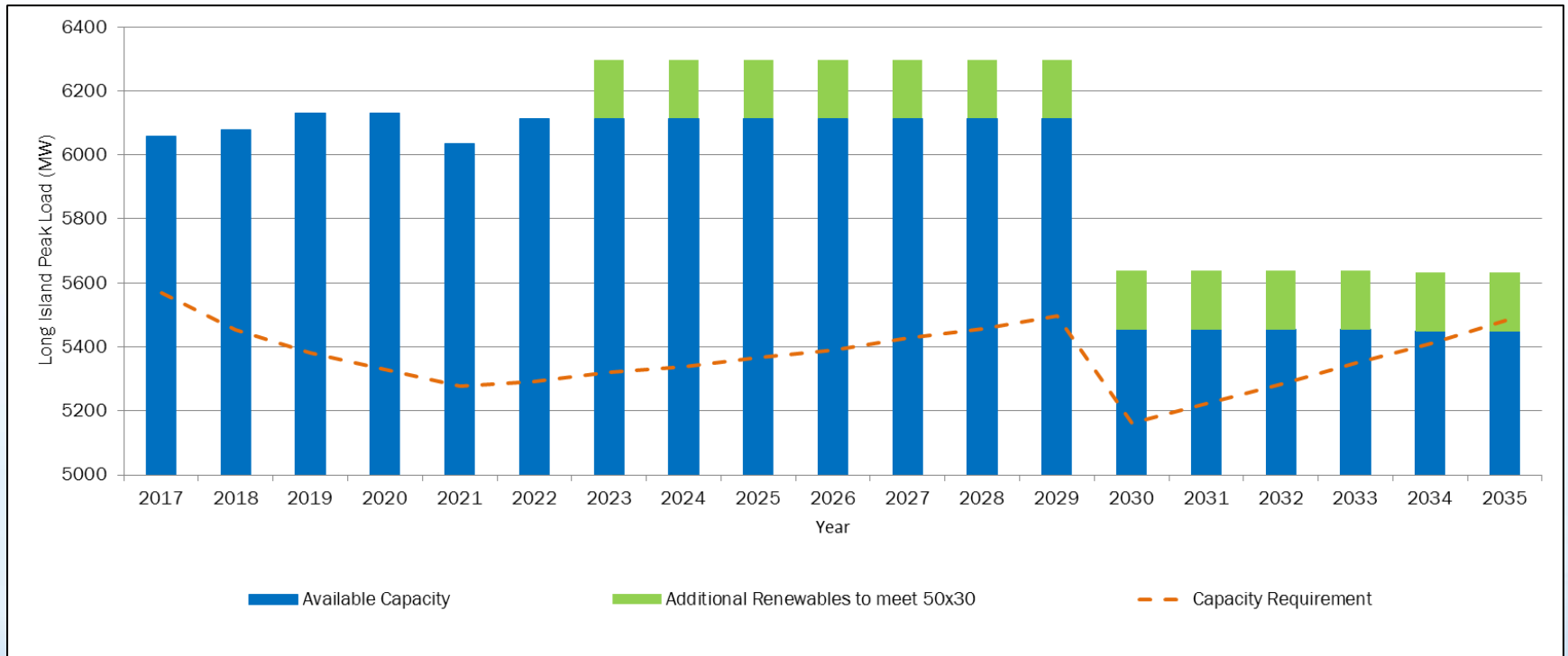
Plant	Equivalent Availability: Summer (%)
Barrett ST	92
Northport ST	94
Port Jefferson ST	98
Combined Cycle Contractual Guarantee (typical)	95 - 97

Generation Portfolio - Compliance

- ▲ Compliance with applicable regulatory and environmental standards
 - ✧ Air permits and continuous emissions monitoring
 - ✧ Water discharge permits - monthly sampling and reporting
 - ✧ Petroleum and chemical bulk storage
 - ✧ Waste management
- ▲ Power Supply Agreement with National Grid
 - ✧ Upgraded physical and cyber security to meet NERC Critical Infrastructure Protection standards
 - ✧ Plants operated to comply with System-wide NOx requirements
 - Investment in combustion and emission controls have reduced NOx emission rates by up to 60%
 - ✧ 316b of Federal Clean Water Act requires best technology available to reduce entrainment and impingement at circulating water intake systems.
 - Port Jefferson – Completed installation of technology and operating controls to meet updated DEC permit requirements
 - Northport – Installing technology and operating controls to meet updated DEC permit requirements. All units planned to be completed by 2021.
 - Barrett – In process with NYSDEC to determine required technology. Likely outcome to be similar to Port Jefferson and Northport.



Resource Adequacy Through 2035 (IRP Projection)





Clean Energy Standard Procurements

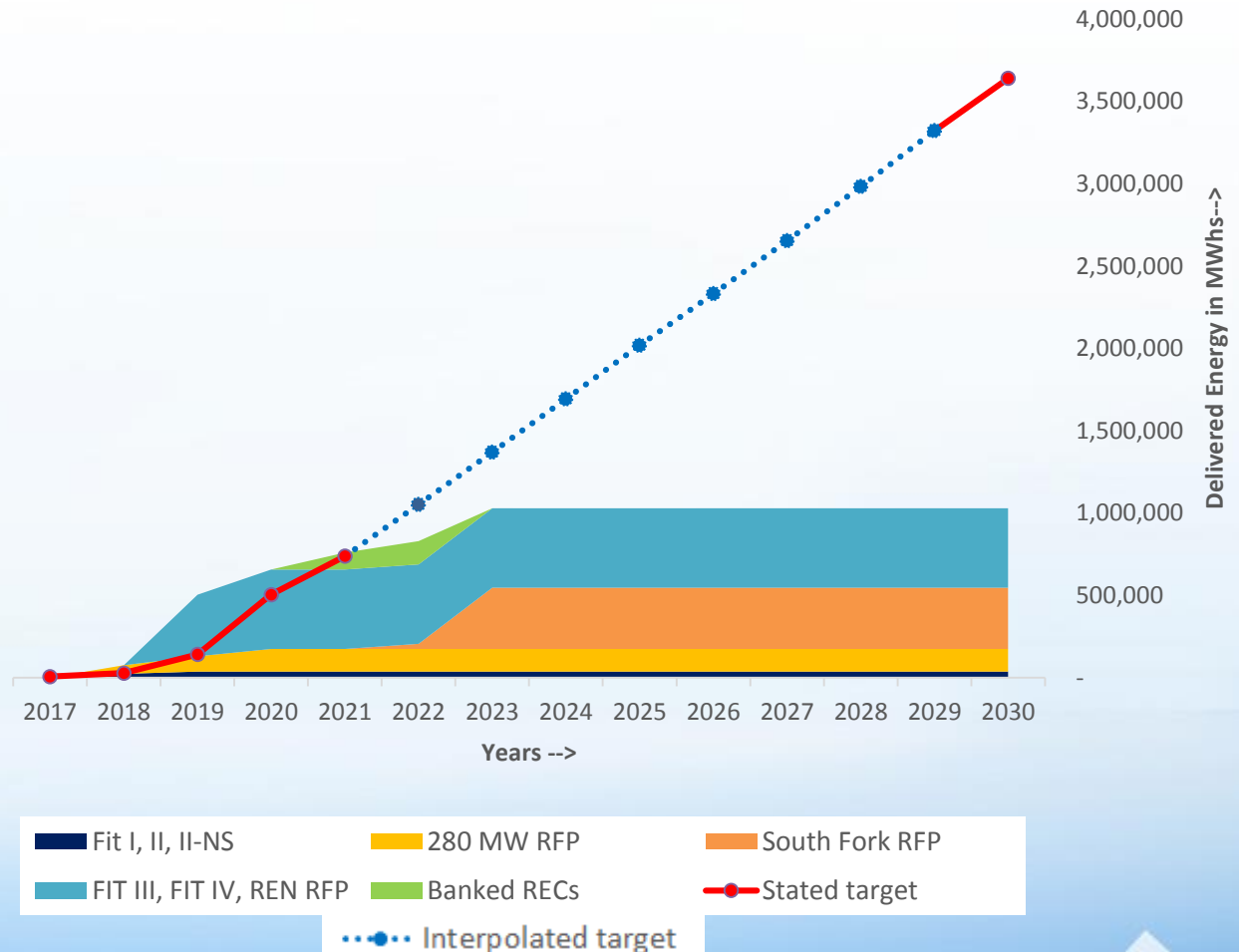
Procurement	Date of Issuance	Projected (MW)
FIT I*	July 2012	21-31
FIT II	October 2013	17-42
280 MW RFP	October 2013	49-76
FIT II (NS)	May 2014	1-9
South Fork	June 2015	90
2015 Renewable RFP	December 2015	59
FIT III	July 2016	20
FIT IV	July 2016	40
	Total	298-367

* Consists of FIT I projects that commenced operation after 1/1/15. Approximately 8 MW do not qualify for CES because they began operation prior to 2015.

Projected CES Targets and Anticipated Supply

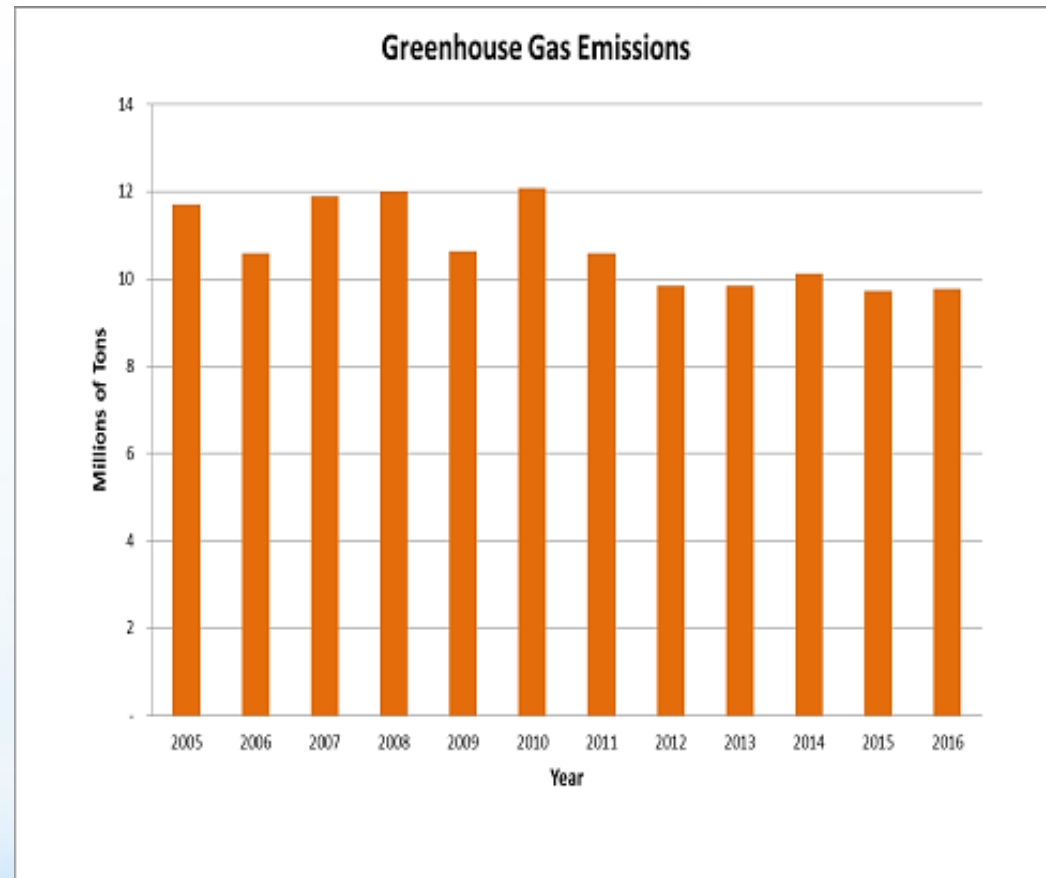
- ❑ Current procurements are expected to provide sufficient REC credits to carry LIPA through 2021
- ❑ Targets may be reduced by the effect of behind the meter renewable resources
- ❑ Future procurements may provide for some or all of additional needs after 2021

CES Targets VS Anticipated supply



Greenhouse Gas Progress

- ▲ 2016 greenhouse gas emissions – 9.8 million tons, a 16% reduction since 2005
- ▲ Key drivers of emissions drop to date
 - ✧ Change from oil/gas mix to primarily gas mix
 - ✧ Increased use of renewable energy from off-island and on-island sources
 - ✧ Decreased energy sales
 - ✧ More efficient use of gas in new combined cycle plants



- ▲ NY Independent System Operator (NYISO) rulemaking
 - ✧ Integrating the Clean Energy Standard in market design
 - ✧ Seeking to more accurately value ramping and storage capabilities
 - ✧ Fair allocation of costs and benefits to Long Island
- ▲ Public Policy Transmission
 - ✧ Identification of new public policy requirements for LI and NYS
 - ✧ Review of Western NY transmission proposals
 - ✧ Negotiation with NY Transco for AC Transmission project cost allocation
- ▲ Assessment of PJM proposed cost allocation methods for regional transmission projects



How LIPA Met the July 20, 2017 Peak Load

5,134 MW

(estimated 34 MW reduction from load management programs)

