



July 1, 2014

Mr. John McMahon
Chief Executive Officer
Long Island Power Authority
333 Earle Ovington Blvd
Uniondale, NY 11553

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, NY 12223-1350

Dear Mr. McMahon and Honorable Burgess:

PSEG Long Island ("PSEG Long Island") submits this Utility 2.0 Long Range Plan ("Utility 2.0 Plan" or "Plan") in accordance with Public Authorities Law Section 1020-f(ee) and the Amended and Restated Operations Services Agreement ("OSA") dated December 31, 2013, for approval by the Long Island Power Authority ("the Authority" or "LIPA") and review by the New York State Department of Public Service ("DPS"). The Public Authorities Law and the OSA require that PSEG Long Island submit this inaugural Utility 2.0 Plan no later than July 1, 2014, and annually thereafter.

PSEG Long Island, as the Authority's Service Provider, is committed to building an industry leading electric company dedicated to providing the people of Long Island and the Rockaways with exceptional customer service, best-in-class reliability and storm response, and a strong level of involvement in the communities in which its customers and employees live and work. This proposed Utility 2.0 Plan serves as the first in a series of annual long-range capital and operating plans contemplated by the Public Authorities Law and the OSA to help facilitate this objective.

While the Authority and New York State have been among our country's leaders in clean energy initiatives, PSEG Long Island believes that there remains untapped potential for targeted investments in distributed energy resources and other technologies to enhance customer energy choices and achieve greater system efficiencies. This Utility 2.0 Plan proposes a number of targeted and programmatic investments with a focus on improving energy efficiency and reducing peak load to address emerging capacity and system needs across Long Island and in load pockets. Additional investments in advanced technologies to improve operations are also expected to be proposed through the capital budgeting process.

We seek to implement these investments to spur the development of a market from 2015 through 2018, allowing PSEG Long Island to incorporate the demand savings from this program into supply and system planning. Our proposal would defer repayment by the Authority for potential PSEG Long Island investments until 2016, supporting the current rate freeze. Further, due to the expected cost-effectiveness of this proposed program, total customer bills are expected to be lower than they otherwise would have been, and the rate impacts beyond 2016 are expected to be minimal because the cost of this program would be amortized over an extended period of time.

The support of the leadership and vision of the State of New York has been, and will continue to be, a guiding force in this process. We intend to continue to work collaboratively and seek to align with energy policy and initiatives supported by the Authority, DPS, and the government of the State of New York. We also intend to work with communities, businesses, environmental groups, and other stakeholders to gain their input on this Plan and subsequent implementation. We believe that our proposed investments can provide a significant opportunity to meet Long Island's customer needs and policy objectives, and provide sustainable value to our customers and Long Island.

Sincerely,



David M. Daly
President & Chief Operating Officer
PSEG Long Island

C:
Ms. Bobbi O'Connor
LIPA, Acting General Counsel

Mr. John Little
LIPA, Director Customer Rates and Service and Acting Director Contract Management