Long Island Power Authority

2016 Approved Operating Budget
2016 Approved Capital Budget

2017 and 2018 Projected
Operating and Capital Budget

LIPA
Long Island Power Authority

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Executive Summary

The revenue and expenditure forecasts contained herein represent the approved Operating and Capital Budgets (collectively the "Budgets") of the Long Island Power Authority and its subsidiaries (the "Authority" or "LIPA") for the year ending December 31, 2016. Also included herein is a projection of financial results for the year ending December 31, 2015 and forecasts for the years ending December 31, 2017 and December 31, 2018.

Accomplishments Since the LIPA Reform Act of 2013

The Authority's mission is to oversee the performance of its service provider, meet the expectations of its bondholders, and faithfully carry out its fiscal and contractual duties, all with the goals of providing efficient, reliable, and affordable service to Long Island electric customers. The approved 2016 Budgets further the Authority's mission and benefit from the rapid changes that have occurred on Long Island over the past 22 months. To name a few of the accomplishments since the LIPA Reform Act of 2013 (the "Reform Act"):

- **Seamless Transition to New Service Provider.** The Authority's new service provider, PSEG Long Island, took over transmission and distribution operations on January 1, 2014 and power supply planning and fuel and purchase power delivery operations on January 1, 2015. The transition was smooth and without incident, in itself a significant achievement;
- **Improving Service and Operations.** In 22 months, PSEG Long Island has implemented a new storm response plan, a new outage management system, and a new system for emergency liaison with municipalities, opened two new customer service centers, implemented several major IT systems for call center operations and business management, implemented 40 business change initiatives, and transitioned a workforce of over 2,200 employees;
- **Improving Customer Satisfaction and High Reliability.** PSEG Long Island was formed from its sister company PSE&G, which has an outstanding record of customer service in its own service territory[1]. Meanwhile, according to J.D. Power, PSEG Long Island showed the most improvement in overall customer satisfaction for residential customers of any large electric provider anywhere in the nation in 2014, a trend that continues in 2015, and Long Island also had the highest electrical reliability in New York among overhead utilities in 2014[2];
- **Continued Leadership in Renewables and Efficiency.** PSEG Long Island continues Long Island's strong record

[1] PSE&G is ranked #2 in the 2015 J.D. Power Residential Utility Customer Satisfaction Survey, East Large Segment with a score of 680.
[2] Source: New York State Department of Public Service, 2014 Electric Reliability Performance Report, June 2015.

of investment in energy efficiency and renewable energy, including reaching the 10,000th solar photovoltaic system installed on Long Island in 2014 (and approaching the 25,000th in 2016), achieving Efficiency Long Island program goals in 2014 and 2015, and continued progress towards a goal of 400 megawatts of renewable energy;

- **Securing Federal Grant Agreements to Increase Investment at a Lower Cost.** In 2014, the Authority signed $1.4 billion in federal grant agreements, minimizing cost for customers, including a grant to fund 90% of a $730 million program to improve the Long Island electric system's storm resiliency;
- **Transitioning to the Authority's New Role.** The Authority reconstituted its own role as owner of the utility system, including downsizing its staff from 100 to 40 positions and filling approximately a third of those positions with experienced utility professionals possessing high "utility IQ," while maintaining a tax-exempt status.

The Three-Year Rate Plan for 2016-2018 and DPS Recommendation

Three-Year Rate Plan Filing. The 2016 Budgets implement the first year of a Three-Year Rate Plan for 2016 to 2018 (the "Rate Plan"), which began with a filing with the New York State Department of Public Service (the "DPS") on January 30, 2015. Pursuant to the Reform Act, the DPS was required to review and make recommendations to the Authority's Board of Trustees (the "Board") within 240 days of a filing. Accordingly, on September 28, 2015, the DPS submitted its Rate Recommendation (the "DPS Recommendation") to the Authority's Board. Documents relating to the Rate Plan filing can be found on the DPS' website (www.dps.ny.gov) under PSEG Long Island Electric Rate Case # 15-00262.

The Authority's Board met on October 19, 2015 to consider the DPS Recommendation and did not make a preliminary determination of inconsistency; therefore, the LIPA Reform Act requires that the Board implement the Rate Plan as set forth in the DPS Recommendation.

The DPS Recommendation. The DPS Recommendation includes modest delivery rate increases of $30.4 million in 2016, $77.6 million in 2017, and $79.0 million in 2018, respectively, which cumulatively represent a revenue requirement increase of $325.4 million or 5.0% over three years. During this period, overall electric revenues are forecast at more than $10 billion. At these levels, the Authority's overall electric rates, including power supply costs, would increase by approximately 0.8%, 2.1%, and 2.1%, respectively. These increases follow a three-year delivery rate freeze in 2013, 2014 and 2015, and therefore represent an increase in delivery rates of less than 1% per year over the entire six-year period.

In addition to determining the level of electric rates for the next three years, the DPS Recommendation establishes several other initiatives. The first is a retail choice collaborative to consider enhancements to Long Island's power supply choice program similar to those adopted by other New York utilities. The DPS Recommendation also envisions a revenue neutral rate design filing during 2016 that will not change the level of rates but will look at rate design issues currently being examined by the New York State Public Service Commission in Track II of the Reforming the Energy Vision ("REV") proceeding. Additionally, PSEG Long Island will file its second annual Utility 2.0 filing by December 31, 2015, which will be separately reviewed from the Three-Year Rate Plan.

2016 Budget Staged Update Lowers Rates By $38 million over Three Years. The DPS Recommendation includes an update process as part of the Authority's annual budgeting for 2016, 2017, and 2018 to adjust delivery rates higher or lower for the coming year to reflect known and measurable changes in certain costs ("Staged Updates"). The Recommendation also has a cost reconciliation mechanism (the "Delivery Service Adjustment" or "DSA") to reconcile certain projections to actual costs after the end of each year. The Staged Updates and DSA ensure that customers pay only the actual costs incurred to provide service in these specified cost categories rather than the higher or lower costs that were reasonably projected at the time of the Rate Plan filing in 2015. Each of these specified costs vary based on factors largely outside of the control of the utility, and only the specified cost categories are reconciled. The cost elements subject to these updates and reconciliations include debt service costs (for variances in interest rates, capital expenditures, and bond refinancing savings), certain power supply costs recovered in delivery rates[3], collective bargaining agreements, property payments-in-lieu-of-taxes or PILOTs, and costs related to legal or regulatory changes enacted subsequent to the Rate Plan filing.

The 2016 Staged Update will be implemented as part of the Authority's 2016 budget process. The 2016 Budget and delivery rates will be somewhat lower than the DPS Recommendation due to greater than forecast savings from a debt refinancing that occurred in October 2015 as well as lower than anticipated property PILOT payments. The 2016 Staged Update reduces anticipated 2016 delivery rates by $10.3 million, reducing the rate adjustment for 2016 from 0.8% to 0.5% of total electric rates[4] and the cumulative revenue requirement adjustment over three-years from $325.4 million to $287.6 million. The delivery rate adjustments, reflecting the 2016 Staged Update, equate to approximately $0.65 per month in 2016, $3.33 more per month in 2017, and $3.41 more per month in 2018 for an average residential customer using 775 kilowatt hours (kWh) of service per month.

Updated Fuel and Purchased Power Projection Lowers Projected Rates By $1.1 Billion over Three Years. The 2016 Budget also updates the forecast of fuel and purchased power costs to reflect current lower prevailing costs, significantly reducing projected power supply costs, which are reconciled on customers' bills through the Power Supply Charge to actual costs on a monthly basis. The revised projection results in a decrease in projected 2016 costs of $349.2 million. For the average residential customer using 775 kilowatt hours (kWh) per month, the combined delivery rates, reflecting the 2016 Staged Update, and lower projected power supply costs, could lower rates by $9.04 per month in 2016, $5.69 less

[3] The costs associated with legacy generating plants of the Long Island Lighting Company ("LILCO"), including the Power Supply Agreement with National Grid and the operating costs of Nine Mile Point 2, remain in the Authority's delivery rates while other power supply costs are recovered through the Authority's Power Supply Charge, which is reconciled to actual cost monthly.
[4] Based on forecast power supply costs as of the Rate Plan filing on January 30, 2015.

per month in 2017, and $1.65 less per month in 2018 relative to projected 2015 levels. The cost of electricity on Long Island in 2016 is forecast to be at the lowest level since 2009 due to these lower prevailing fuel and purchased power costs.

Three-Year Rate Plan Funds Improvements. In addition to the normal inflationary costs of doing business, the delivery rate adjustments in the Three-Year Rate Plan fund improvements to the Long Island electric system, including:

- **Achieving Specific Performance Targets.** Improvements in utility service agreed upon for the first five years of the Amended and Restated Operations Service Agreement ("OSA") between PSEG Long Island and the Authority, as measured by industry benchmarked "first quartile" targets for 21 specified performance metrics;
- **Adopting Industry Best Practices.** Increased investment over 2015's budgeted levels consistent with industry best practices for customer service, tree trimming, pole inspection and treatment, and equipment maintenance, which increase reliability and reduce cost over the long term;
- **Record Infrastructure Investment.** $2.1 billion of infrastructure investment over three years – approximately double the historic level of investment in the electric system -- to maintain reliability and improve resiliency and customer service, including a $730 million storm hardening program (90% funded by a FEMA grant); and
- **Financial Responsibility.** An improved approach to financial policies consistent with rating agency standards that will reduce the Authority's borrowings to prudent industry levels, maintain access to capital to fund infrastructure improvements on reasonable terms, and reduce customer cost both during the Rate Plan and in the future, all while funding record infrastructure investment.

The Authority's Tax-Exempt Status and Electric Rates in Context

Actions Taken to Minimize Delivery Rate Adjustments. As a public power utility, formed, owned, and operated by the State of New York, the Authority has no shareholders, pays no dividends, and is operated at the lowest electric rates consistent with long-term sound fiscal and operating policies. The Authority's electric rates are driven by its costs, not profits. The Three-Year Rate Plan funds necessary investments to adopt industry best practices and enhance customer service, reliability, storm resiliency and recovery, and fiscal soundness, while taking steps to minimize electric rate increases for customers. Some of the initiatives to minimize cost for customers include:

- **Maintaining our Tax-Exempt Status.** Access to tax-exempt debt financing, exemption from corporate income taxes, and access to federal grants, collectively reduce electric rates for our customers by approximately $400 million per year or 20% of delivery rates;[5]

- **Savings on Capped and Eliminated Taxes and PILOTs.** The Reform Act recognized that the tax burden on Long Island customers embedded in electric rates had grown to constitute over 15% of customers' bill – approximately 10% higher than the national average[6] – and took steps to minimize this cost by eliminating the gross receipts tax in 2014 (estimated savings of $26 million in 2016 and $78 million through 2018) and capping future increases in property PILOTs at 2% per year beginning in 2015 rather than the 7.7% average annual increase since 2006 (estimated savings of $16 million in 2016 and $102 million through 2018); additional savings amounting to $7.9 million per year (or $24 million through 2018) resulted from third-party litigation for taxes related to municipal service not utilized by utilities;
- **Property Tax Litigation on Legacy Generating Plants.** Included in electric customers' high tax burden is the over assessment of property taxes on the legacy LILCO generating plants on Long Island; the Authority continues to pursue property tax fairness for all its customers by challenging these high tax assessments on the E.F. Barrett, Glenwood, Northport, and Port Jefferson generating stations; as with the municipal service tax litigation, the Authority will pass 100% of any savings from this litigation to customers through the reconciliation mechanisms in the Three-Year Rate Plan;
- **Reduced Debt Costs from UDSA Refinancing.** The Reform Act, as amended by the Governor and Legislature in April 2015, permits the Authority to refinance up to $4.5 billion of "triple-B"-rated LIPA bonds with "triple-A"-rated securitization bonds[7] at a lower cost. The Authority completed the first $2.0 billion refinancing in 2013, which was an important component to maintaining the 3-year rate freeze in 2013-2015. The Authority completed an additional $1 billion refinancing in October 2015, which achieved more savings than expected, further reducing the 2016-2018 rate adjustments. And the Authority plans to complete additional refinancings during 2016, 2017 and 2018, passing 100% of the savings to customers as they are realized through the reconciliation mechanisms in the Rate Plan. Combined, the Authority expects these bond refinancings to save customers $367 million over the next three years;
- **Federal Grants to Fund Storm Hardening and Storm Restoration.** The Authority's status as a publically-owned utility allows it to access Federal grants for storm restoration and storm hardening not available to the State's investor-owned utilities. The Authority, with the assistance of the Governor, has aggressively pursued grant

[5] Calculation of savings to Long Island customers compared to an investor-owned utility serving Long Island based on applying a Public Service Commission approved capital structure from Electric Case 13-E-0300 to the Authority.
[6] *Payments and Contributions By Public Power Systems*, American Public Power Association, March 2014
[7] Securitization bonds are issued by the Utility Debt Securitization Authority ("UDSA") to obtain higher "triple-A" credit ratings; the new UDSA bond funds are used to retire outstanding Authority bonds for savings.

opportunities to reduce cost for customers, signing an agreement providing $1.4 billion of federal grants during 2015, including a grant to pay for 90% of the Authority's multi-year $730 million storm hardening program; and

- **Productivity and Efficiency Savings.** The Three-Year Rate Plan commits the utility to productivity enhancements that grow general costs at the inflation rate less 1% over the next three years.

Progress in Achieving Competitive Rates for the Region. In addition to the actions taken to reduce cost during the Three-Year Rate Plan, it is important to note the significant progress that has been made in restraining electric rates on Long Island since the Authority became the provider of electric service in 1998. The Authority's electric rates went from the highest in the region to being generally comparable to and, in some cases, up to 40% lower than those of other large utilities in the metropolitan area. These are the utilities that face costs most similar to those that prevail on Long Island (see residential rates in table below), which is among the highest cost regions of the country. The table sets forth the Authority's residential rates in 1997 and 2014 as compared to those of nearby electric utilities. Residential electric rates on Long Island have declined by 30% in after-inflation terms compared to increases at nearly all utilities in the region and across the country.

Average Residential Electric Rates for Regional Utilities

	1997		2014		Rate	After Inflation
Utility	cents / kWh	Compared to LIPA	cents / kWh	Compared to LIPA	Change 1997 to 2014	Change 1997 to 2014
Consolidated Edison Co-NY Inc	16.61	-1%	29.02	41%	75%	22%
Orange & Rockland Utils Inc	12.98	-23%	23.24	13%	79%	27%
United Illuminating Co	13.65	-19%	21.77	6%	59%	7%
Change in Consumer Price Index	-	-	-	-	52%	-
Long Island Power Authority	16.83	-	20.52	-	22%	-30%
Connecticut Light & Power Co	11.95	-29%	18.32	-11%	53%	1%

Sources: Residential Rates EIA Form 826 and FERC data (O&R rate for 1997); CPI-U Bureau of Labor Statistics (NY/NJ CPI-U)

The Authority's mission – efficient, reliable, and affordable service to Long Island electric customers – requires continual improvement. The 2016 Budgets build off the accomplishments of the last 22 months, and through the Three-Year Rate Plan filing, funds specific plans and goals for further progress in customer service, satisfaction, reliability, resiliency, and fiscal responsibility.

Executive Summary

LIPA
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- Approved 2016 Operating and Capital Budgets implement the 3-Year Rate Plan:
  - 3-Year Rate Plan was filed on January 30th in accordance with the LIPA Reform Act (LRA) and the A&R Operations Services Agreement (OSA)
  - Department of Public Service (DPS) reviewed the Rate Plan, weighed the evidence, and recommended rates set at the lowest level consistent with sound fiscal operating practice on September 28th
  - LIPA Board had no preliminary findings of inconsistency with the DPS Recommendation on October 19th, and therefore the Recommendation is being implemented with the 2016 budget

- The 3-Year Rate Plan Filing achieves:
  - Transparent and comprehensive presentation of the operations of PSEG Long Island and the Long Island Power Authority, which was relied on to produce the 2016 budget
  - Targeted spending in operations and infrastructure to support customer satisfaction, maintain reliability, improve storm response, enhance resiliency, and achieve benchmarked improvement targets for service and operations over the first five years of the OSA
  - Customer rates set at the lowest level consistent with achieving customer satisfaction and reliability goals and sound fiscal practice, including savings from:
    - Refinancing existing debt of \$109 million in 2016 and \$367 million over three years
    - Capped and eliminated taxes of \$42 million in 2015 and \$180 million over three years
    - FEMA funding of 90% of a \$730 million storm hardening program
    - Productivity savings of 1% per year

Staged Update of Costs in 2016 Budget Lowers Recommended Delivery Rates by $38 Million

($ in millions)	2016	2017	2018	Cum.
DPS Recommendation*	$30.4	$77.6	$79.0	$325.4
2016 Budget Update	-10.3	-12.4	-15.3	-38.0
Net Increase	$20.1	$65.2	$63.7	$287.4
Percent Increase in Total Bill				
*DPS Recommendation**	*0.8%*	*2.1%*	*2.1%*	*5.0%*
2016 Budget Update	*0.5%*	*2.0%*	*2.0%*	*4.5%*
Additional Savings**				
Projected Lower Fuel and Purchased Power Expenses	-$349.0	-$382.7	-$392.4	-$1,124.1

* subject to staged updates and the Delivery Service Adjustment

** based on currently prevailing fuel and purchased power costs compared to costs prevailing at the time of the Rate Plan filing

Annual Staged Updates to Delivery Rates

LIPA Long Island Power Authority

- Covers items that are subject to wide variability due to external factors and represent significant dollar amounts
  - Projections updated each Fall based on known and certain changes
  - Subject to DPS review and recommendation to LIPA Board
  - Presented to LIPA Board with the annual budget

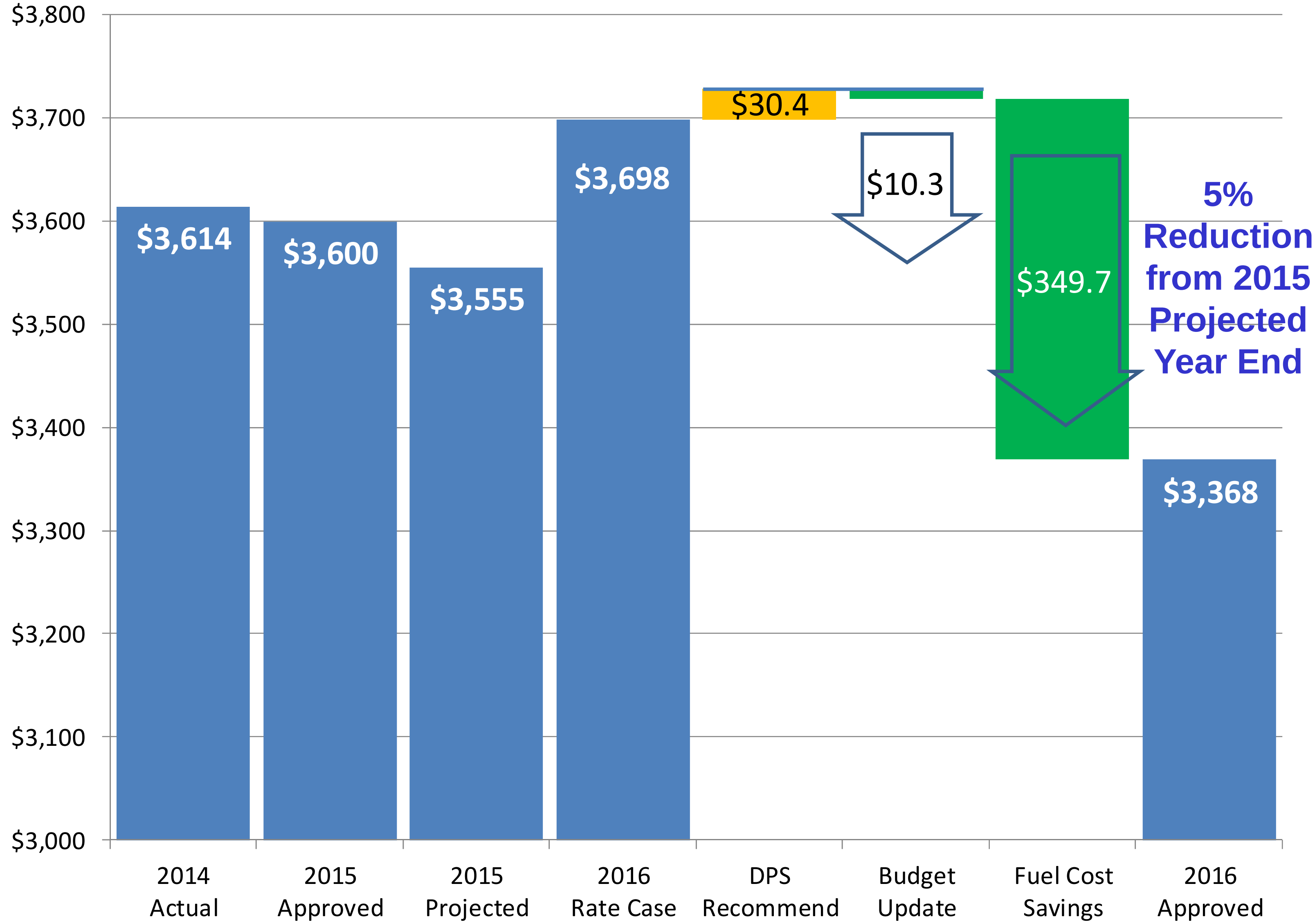
- Staged Update updates delivery rates at the beginning of each year for known changes to:
  - Debt costs (current interest rates, capital expenditures, UDSA refinancing savings)*
  - T&D property PILOTs
  - Collective Bargaining Agreement and associated costs
  - Certain costs of the National Grid Power Supply Agreement*
  - Other legal or regulatory changes

- Update for 2016 Budget has been completed and provided to DPS for review

► UDSA savings were larger than expected.	Rate impact:	-$2.7 million
► Interest rates are higher than expected.	Rate impact:	+$0.3 million
► 2016 Property Taxes were lower than expected.	Rate Impact:	-$7.9 million
► Total impact on Rates from 2016 Budget update:		-$10.3 million

* Capital expenditures subject to annual DPS review and LIPA Board approval; cost also subject to Delivery Service Adjustment true-up to actual cost at year end; Staged Update minimizes future DSA true ups aligns cost of service

Lower Energy Prices Reduce 2016 Budget to Lowest Level Since 2009 and -5% from 2015 PYE



* Power Supply Charge collects only actual costs

Residential Rates are Expected to Decline to 2009 Levels Based on Lower Energy Costs

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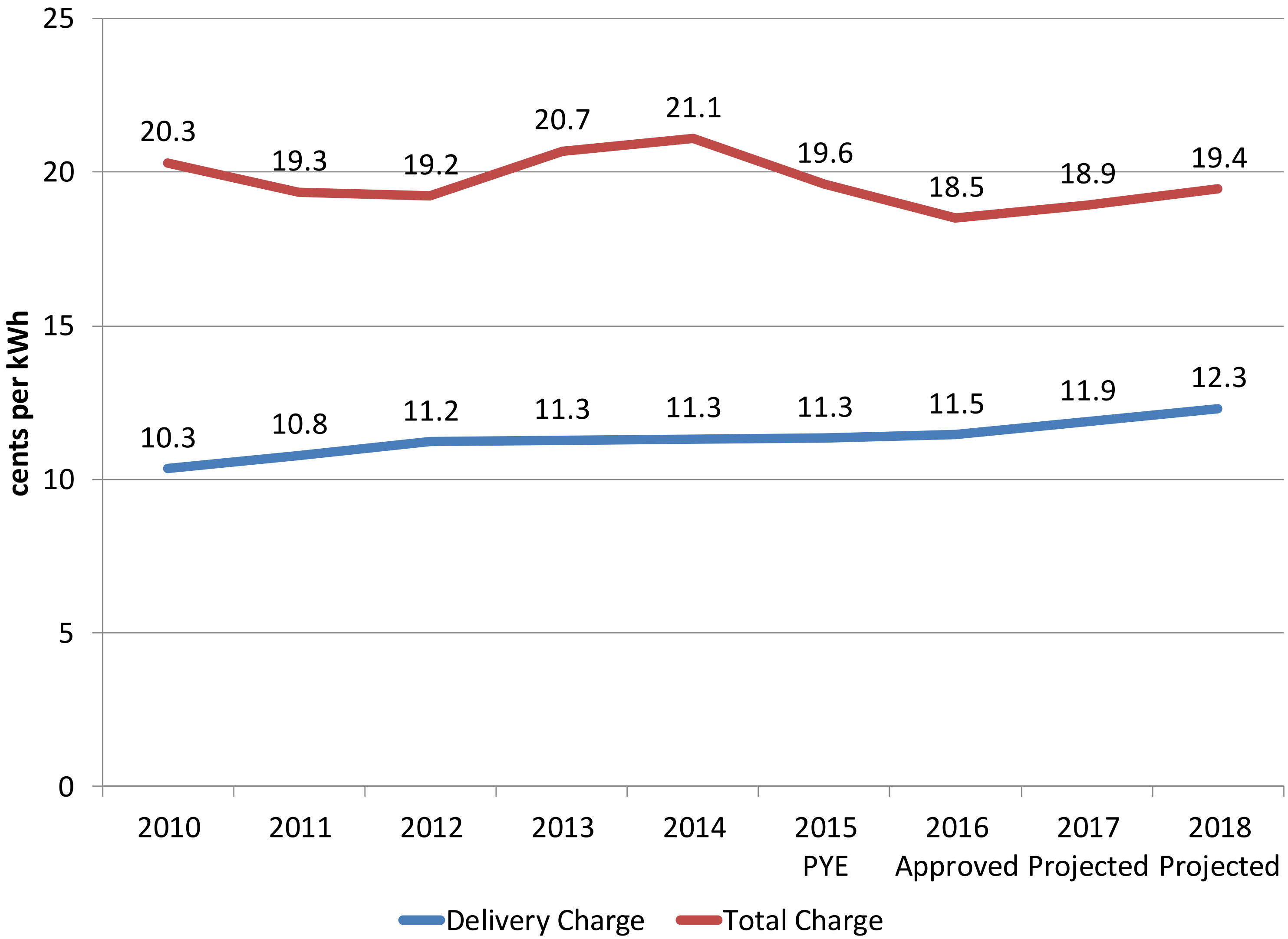
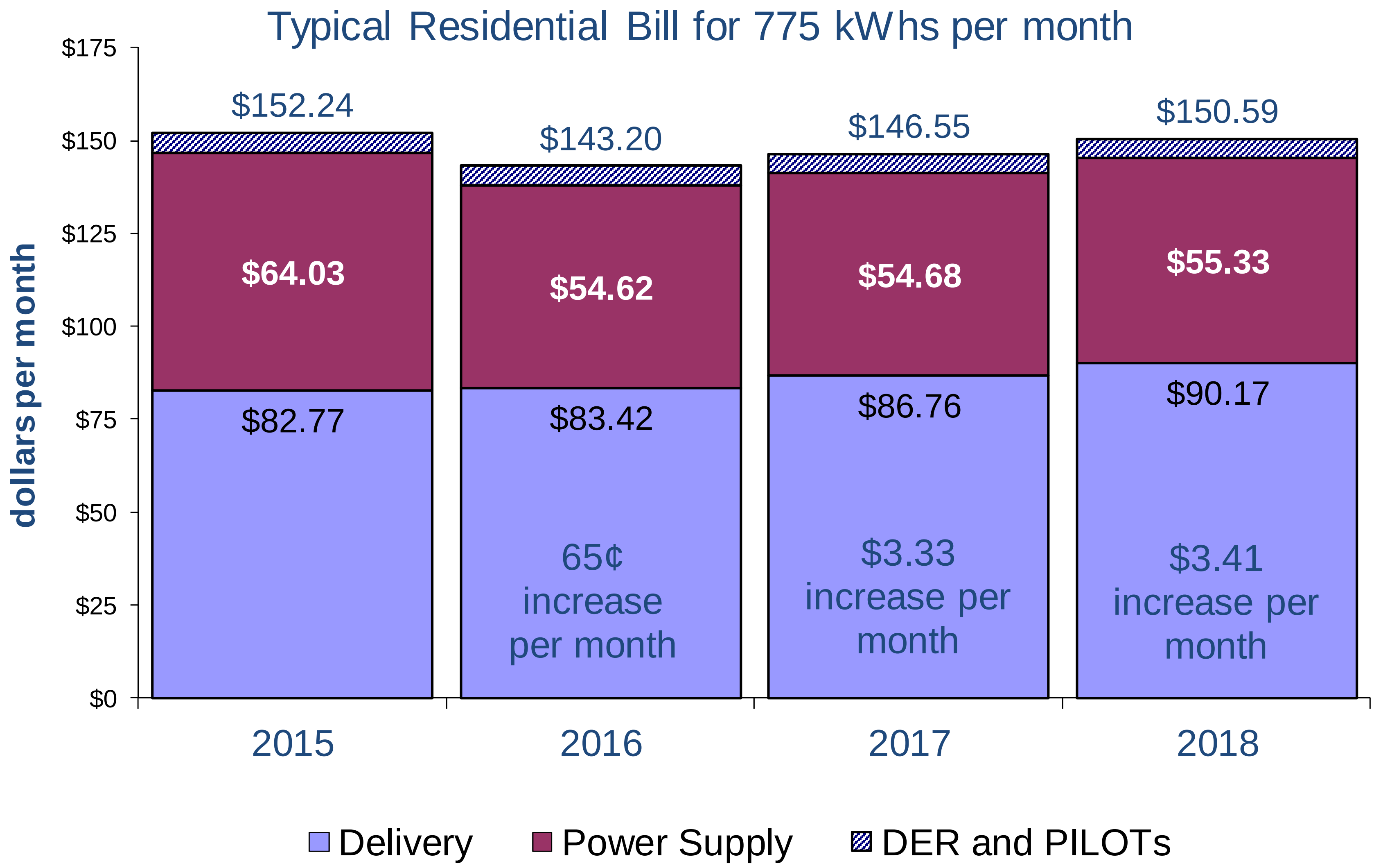


* Power Supply Charge collects only actual costs.

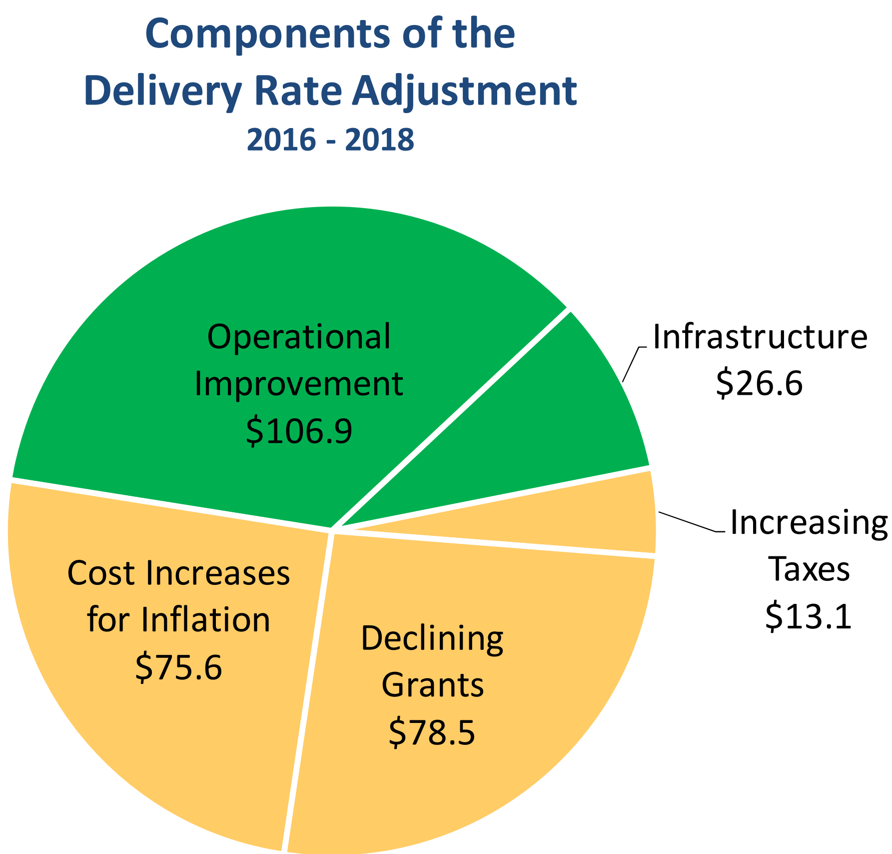
Delivery Charge Increase is 65¢ per month while the Total Bill Declines by $9.04 per month



* Power Supply Charge collects only actual costs.

Three-Year Rate Plan Aims to Improve Utility Service for Long Island

- **Service improvements** and industry best practices for customer experience, storm response, and reliability
- **Infrastructure investments** of $2.1 billion to support T&D reliability and IT investments that benefit customers
- **$730 Million Storm Hardening** program (90% funded by FEMA)
- **Minimum level of rate increases** reflecting productivity savings, savings from UDSA refinancing, and reductions from capping and eliminating taxes



Total increase in rates over 3 years is $287 million

Major Elements of the Three-Year Rate Plan

- **Modest increase in delivery rates of 4.5% over three years** for all major rate classes*
  - Follows three years of no increase in delivery rates (3-year rate freeze)
  - Rate design collaborative in 2016 will address other rate design issues in a revenue-neutral manner (no increase to overall rates)
  - Rate 285 Exit provision effective January 2016 assigns commercial customers to appropriate rate classes

- **Funds $2.1 billion of infrastructure investments** over the three-year rate plan to enhance reliability and improve resiliency to severe weather – double the historic level of investment in the Long Island electric system

- ***Reforming the Energy Vision* (REV), Utility 2.0, and Retail Choice** reviews are on a separate track to proceed during 2016

- **New Finance Policy** will reduce debt funding of infrastructure investments to industry best practice, improve low bond ratings, and reduce cost for customers during the Rate Plan and over the long term

* Subject to annual updates for specified costs and reconciliation between actual and budgeted cost

New Financial Policy Ensures Reasonable Levels of Borrowing During Rate Plan

- Rate Plan included two debt-related components – securitization to bring down the cost of existing debt and a new financial policy to raise LIPA's credit ratings (target A2/A/A), reducing borrowing to 60 to 65% of capital plan by 2019, and lower cost of new debt
- $2.1 billion of infrastructure investments to maintain reliability and enhance resilience to severe weather of electric infrastructure; FEMA Grants and increased cash funding of capital expenditures (in lieu of borrowing) reduce new debt borrowings
- Tax-exempt public ownership continues to benefit customers with savings of $400 million per year or 20% of delivery rates from lower cost tax-exempt debt, no corporate income taxes, and access to federal grants

- **LIPA Capital Plan Funding** ($ in millions)

	2016	2017	2018	3 Years
Capital Expenditures	$676	$739	$622	$2,037
Funded by FEMA	168	281	168	617
Funded from cash	74	116	142	332
Funded from debt	$435	$342	$312	$1,088
Percent funded from debt	63%	46%	50%	54%
w/o FEMA	83%	72%	66%	76%

PSEG Long Island Record of Accomplishments in 2014 and 2015

- **Better Storm Response and Communications:** Improved storm recovery and communications through implementation of a new Outage Management System and system for emergency liaison with municipalities;
- **High Reliability:** better than 99.9 percent overall system reliability; highest in New York State for an overhead utility;
- **Improving Customer Satisfaction:** most improved utility in the nation in 2014 and 2015 in JD Power Survey; continued investments in systems, tree trimming, maintenance and upgrades to achieve 5-year OSA targets for improved service and operations;
- **Information Technology Improvements:** Flawless implementation of several major new IT systems for call center operations and improved management systems; including migration of over 500 business applications to PSEG LI's platforms;
- **More Renewable Energy:** Deployment of efficiency measures and renewable resources consistent with REV initiative.
- **Lower Cost Power Supply:** Improved power supply and fuel purchasing decisions saving customers millions of dollars during the rate plan years by delaying certain plants

LIPA's Rates Are Up to 40% Below Neighboring Utilities and Competitive for the Region

Long Island Power Authority

Average Residential Electric Rates for Regional Utilities

	1997		2014		Change in	Real
Utility	cents / kWh	Compared to LILCO	cents / kWh	Compared to LIPA	Total Rate 1997 to 2014	Change 1997 to 2014
Consolidated Edison	16.61	-1%	29.02	41%	75%	22%
Orange & Rockland	12.98	-23%	23.24	13%	79%	27%
United Illuminating Co	13.65	-19%	21.77	6%	59%	7%
LILCO / LIPA	**16.83**	**-**	**20.52**	**-**	**22%**	**-30%**
Connecticut Light & Power	11.95	-29%	18.32	-11%	53%	1%

Versus 52% Change in CPI

Source: EIA Form 826, except O&R rate for 1997 based on data from FERC; Bureau of Labor Statistics (NY/NJ CPI-U)

LIPA's Relative Tax Burden Is High Compared to State and National Utilities

Utility	2014 Non-Income Taxes as % of Total Revenue	2014 Non-Income Taxes $ Million
Long Island Power Authority (2015 Budget)	15.1%	$549
Consolidated Edison	12.2%	$1,457
Rochester Gas and Electric	8.0%	$67
New York State Electric and Gas	5.9%	$104
Orange and Rockland	4.9%	$41
Central Hudson Gas & Electric	4.8%	$43
National Grid	4.7%	$204
New York State Weighted Average (excluding Authority)	9.2%	$1,916
National Average for Public Power and Investor Owned Utilities	4.2% - 5.5%	-

- Taxes are 15% of LIPA customers' bills compared to national averages of 4-5% and a statewide weighted average of 9%
- State and local *Payments in Lieu of Taxes* (PILOTs) are 29% of Long Island's delivery rates

Source: NYS DPS, *2014 Average Cost Electric Service by Cost Component; Authority 2015 Operating Budget; Payments and Contributions by Public Power Distribution Systems to State and Local Governments,* American Public Power Association, March 2014

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Revenue Requirements
(Thousands of Dollars)

	Approved 2016	Projected 2017	Projected 2018	Ref.
DPS Recommendation Revenues at Current Rates	**$ 3,697,954**	**$ 3,704,893**	**$ 3,705,295**	A-2
DPS' Recommended Cumulative Revenue Adjustments	30,396	108,017	186,986	
2016 Budget Staged Updates	(10,282)	(12,264)	(15,183)	
Projected Cumulative Delivery Revenue Adjustments	**$ 20,114**	**$ 95,753**	**$ 171,803**	
Annual Delivery Rate Adjustment as % of Revenues	**0.5%**	**2.0%**	**2.0%**	
2016 Fuel Projections Updates	(346,557)	(380,628)	(391,117)	
Updates to PILOTs and Assessments	(2,673)	(3,195)	(1,800)	
Projected Revenue Adjustments	**$ (329,116)**	**$ (288,070)**	**$ (221,114)**	
Projected Revenues	**$ 3,368,434**	**$ 3,416,823**	**$ 3,484,181**	
Change in Projected Revenues vs. 2015 PYE	**-5.3%**	**-3.9%**	**-2.0%**	
Fuel and Purchased Power Costs	$ 1,335,273	$ 1,320,866	$ 1,323,135	A-3
Projected Revenues Net of Fuel Costs	**$ 2,033,161**	**$ 2,095,957**	**$ 2,161,047**	
PSEG Long Island Operating and Managed Expenses (Excluding OPEBS and Pensions)	**$ 1,040,639**	**$ 1,055,134**	**$ 1,066,334**	A-4
PSEG Long Island Retiree Benefits Expense	73,303	73,070	74,293	
PSEG Long Island Operating and Managed Expenses	**$ 1,113,941**	**$ 1,128,204**	**$ 1,140,628**	
PILOTs - Revenue-Based Taxes	36,828	37,819	38,942	A-7
PILOTs - Property-Based Taxes	296,160	302,225	308,415	A-7
LIPA Operating Expenses & Deferred Expenses	**$ 131,420**	**$ 132,843**	**$ 135,272**	
Total Operating Expenses & Deferred Expenses	**$ 1,578,350**	**$ 1,601,092**	**$ 1,623,256**	A-4
Less Non-Cash Items	**$ (138,843)**	**$ (140,605)**	**$ (144,072)**	
LIPA Deferred Expenses	(47,618)	(47,618)	(47,618)	A-4.4
PSEG Pensions/OPEBS	(73,303)	(73,070)	(74,293)	
Suffolk Property Tax Settlement	(17,526)	(19,496)	(21,714)	A-2 & A-7
Visual Benefits Assessment	(396)	(420)	(446)	A-2
Plus Cash Expenditures	**$ 58,114**	**$ 57,523**	**$ 59,346**	
Contribution to Pension Trust [(a)]	17,199	16,695	18,522	
Swap Payments, LOC Fees and Remarketing Fees	40,915	40,828	40,824	A-9
Other Income and Deductions	**$ (32,368)**	**$ (33,999)**	**$ (35,158)**	A-7
Grant Income [(b)]	**$ (38,363)**	**$ (38,363)**	**$ (38,363)**	A-8
Total Adjustments to Operating Expenses	**$ (151,460)**	**$ (155,444)**	**$ (158,247)**	
Debt Service	**$ 606,270**	**$ 650,309**	**$ 696,036**	
LIPA Debt	266,418	222,171	187,859	A-10
UDSA Debt	215,980	262,728	314,098	A-10
Fixed Obligation Coverage Requirement	123,872	165,410	194,079	A-10
Revenue Requirements Net of Fuel	**$ 2,033,160**	**$ 2,095,957**	**$ 2,161,046**	
Total Revenue Requirements	**$ 3,368,433**	**$ 3,416,822**	**$ 3,484,181**	

Note (a): Portion funded from customer charges
Note (b): Cash portion of grant income

Revenue Requirements

The Authority's annual revenue requirements are projected to decline from a budgeted $3.6 billion in 2015 to $3.5 billion in 2016. The primary drivers of this change are forecast declines in fuel and purchased power costs partially offset by increases in operating expenses to support new programs to maintain reliability and improve resiliency and customer satisfaction, increases in property tax assessments, a reduction in grant income, and increases in fixed obligation coverage. These costs are further detailed on the following pages herein.

Beginning in 2016, the Authority's revenue requirements are calculated in accordance with the practices utilized by other large public power utilities in the United States (the "Public Power Model") and reflect the recovery of operating expenses in the current year plus debt and other fixed payment obligations (including fiscally sound levels of fixed obligation coverage), as opposed to the requirements to reach a targeted net income of $75 million in each year. A $75 million net income target had been the Authority's historic practice through 2015.

As set forth on the page, the Authority's methodology for calculating revenue requirements and fixed obligation coverage excludes certain specified non-cash items from reported expense. These exclusions reflect the non-cash portion of costs amortized to expense, such as depreciation, amortization, and deferred expenses (the costs of which are generally recovered in revenues through debt service payments) and the portion of expense associated with voluntary contributions to the Authority's OPEB Account, which are made after debt payments each year (and thus are first available to make debt payments and are thus part of fixed obligation coverage). The Authority's financial policies are further detailed herein in the description of debt service and fixed obligation coverage requirements.

Statements of Revenues and Expenses
(Thousands of Dollars)

	Actual 2014	2015 Approved [a]	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*	Ref.
Revenues	**$ 3,613,982**	**$ 3,599,685**	**$ 3,555,298**	**$ 3,368,434**	***$ (231,251)***	**$ 3,416,823**	***$ 48,389***	**$ 3,484,181**	***$ 67,359***	A-2
Fuel and Purchased Power Costs	1,659,272	1,604,422	1,558,534	1,335,273	*(269,149)*	1,320,866	*(14,407)*	1,323,135	*2,269*	A-3
Revenue Net of Fuel Costs	**$ 1,954,710**	**$ 1,995,263**	**$ 1,996,764**	**$ 2,033,161**	***$ 37,897***	**$ 2,095,957**	***$ 62,796***	**$ 2,161,047**	***$ 65,090***	
PSEG Long Island Operating and Managed Expenses										
PSEG Long Island Operating Expenses	$ 481,682	$ 468,271	$ 454,545	$ 455,209	*$ (13,062)*	$ 474,775	*$ 19,566*	$ 487,623	*$ 12,848*	A-4.1
PSEG Long Island Pensions/OPEBs	-	-	-	73,303	*73,303*	73,070	*(233)*	74,293	*1,223*	A-4.1
PSEG Long Island Managed Expenses	580,638	584,444	601,570	585,430	*987*	580,359	*(5,071)*	578,711	*(1,648)*	A-4
Utility Depreciation	109,914	109,470	115,298	139,362	*29,892*	147,297	*7,935*	157,628	*10,331*	A-5
PILOTs - Revenue-Based Taxes	36,599	36,991	36,119	36,828	*(163)*	37,819	*991*	38,942	*1,122*	A-6
PILOTs - Property-Based Taxes	296,022	297,906	289,797	296,160	*(1,746)*	302,225	*6,065*	308,415	*6,190*	A-6
LIPA Operating Expenses	$ 70,199	$ 60,930	$ 62,457	$ 83,802	*$ 22,872*	$ 85,225	*$ 1,423*	$ 87,653	*$ 2,428*	A-4.4
LIPA Deferred Amortized Expenses	3,183	4,500	11,388	47,618	*43,118*	47,618	*-*	47,618	*-*	A-4.4
LIPA Depreciation and Amortization	113,869	112,888	112,888	112,239	*(649)*	112,157	*(83)*	112,305	*149*	A-5
Interest Expense	358,488	365,316	363,997	318,176	*(47,140)*	326,874	*8,698*	343,447	*16,572*	A-9
Total Expenses	**$ 2,050,595**	**$ 2,040,715**	**$ 2,048,058**	**$ 2,148,128**	***$ 107,412***	**$ 2,187,420**	***$ 39,292***	**$ 2,236,636**	***$ 49,216***	
Other Income and Deductions	37,857	31,633	32,334	32,368	*735*	33,999	*1,631*	35,158	*1,159*	A-8
Grant Income	114,522	76,015	68,205	40,570	*(35,445)*	43,503	*2,933*	48,423	*4,920*	A-9
Excess of Revenues Over Expenses	**$ 56,494**	**$ 62,194**	**$ 49,245**	**$ (42,029)**	***$ (104,223)***	**$ (13,961)**	***$ 28,068***	**$ 7,992**	***$ 21,953***	

Note: (a) 2015 Approved Budget reflects proposed budget amendment for Non-Storm Emergencies of $6,372k as well as Utility 2.0 Development costs of $2,000k, and rate case costs of $4,434k that were originally anticipated to be deferred and recovered in subsequent periods.

Statement of Revenues and Expenses

The Authority's projection of Revenues and Expenses is expected to result in a net income loss over the three years of the Rate Plan. Further information on the components of Revenues and Expenses is included on supplemental schedules herein.

Two factors contribute to the projection of net income losses over the Rate Plan: (i) a new financial policy that adopts the Public Power Model, seeking to recover current year operating expenses plus debt and fixed obligation payments (including a fixed obligation coverage requirement) rather than achieve a net income target; and (ii) the amortization of certain non-cash regulatory assets to expense, which are excluded from revenue requirements under the Public Power Model including (a) non-cash pension expenses and voluntary deposits into the Authority's OPEB Account for post-retirement benefits of PSEG Long Island employees (see Schedule A-4.1) and (b) for other deferred expenses (see Schedule A-4.4).

As shown on Schedule A-10, despite these net income losses, the Authority is forecast to achieve higher levels of fixed obligation coverage and increase the amount of cash flow available to fund its capital program in lieu of debt financing during the Rate Plan period, consistent with the Authority's financial goals to improve its credit ratings and reduce debt funding of its capital plan over five years.

Long Island Power Authority and Subsidiaries
2016 Approved and 2017-2018 Projected Operating and Capital Budgets

Sales and Revenues

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
Sales of Electricity (MWh)									
Residential Sales	9,389,926	9,562,411	9,675,072	9,584,560	*22,149*	9,520,409	*(64,151)*	9,485,567	*(34,843)*
Commercial & Industrial Sales	9,700,047	9,935,481	9,862,050	10,251,721	*316,240*	10,205,501	*(46,221)*	10,160,504	*(44,997)*
Other Sales to Public Authorities/Street Lighting	597,089	579,227	586,163	582,554	*3,327*	580,211	*(2,343)*	579,896	*(315)*
Total Sales of Electricity (MWh)	**19,687,062**	**20,077,119**	**20,123,285**	**20,418,835**	***341,716***	**20,306,121**	***(112,714)***	**20,225,966**	***(80,155)***
Revenues ($ in thousands)									
Delivery Charge (Rates at DPS 2nd stage update)	$ 1,774,515	$ 1,849,803	$ 1,861,667	$ 1,895,334	*$ 45,531*	$ 1,960,252	*$ 64,918*	$ 2,028,131	*$ 67,879*
Power Supply Charge	1,658,314	1,604,422	1,558,534	1,335,273	*(269,149)*	1,320,866	*(14,407)*	1,323,135	*2,269*
Energy Efficiency and Renewable Energy	74,127	49,290	49,026	47,719	*(1,571)*	49,745	*2,026*	51,775	*2,030*
New York State Assessment	37,518	24,665	21,485	20,841	*(3,824)*	15,005	*(5,836)*	8,339	*(6,666)*
Suffolk Property Tax Settlement	40,507	42,462	39,347	43,498	*1,036*	44,318	*820*	45,274	*956*
Suffolk Property Tax Settlement - Amortization	(12,540)	(16,802)	(12,327)	(17,526)	*(724)*	(19,496)	*(1,970)*	(21,714)	*(2,217)*
Suffolk Property Tax Settlement - Interest Income	(27,968)	(25,660)	(27,020)	(25,972)	*(312)*	(24,822)	*1,150*	(23,560)	*1,261*
Visual Benefits Assessment (VBA)	958	948	1,006	948	*-*	948	*-*	948	*-*
VBA - Amortization	(361)	(373)	(431)	(396)	*(23)*	(420)	*(24)*	(446)	*(26)*
VBA - Interest Income	(597)	(575)	(575)	(552)	*23*	(527)	*24*	(502)	*26*
Revenue Related PILOTS	35,835	36,991	36,119	36,828	*(163)*	37,819	*991*	38,942	*1,122*
Sales for Resale	1,136	1,676	1,499	1,207	*(468)*	1,207	*-*	1,207	*-*
Wheeling Revenues	3,785	4,035	3,676	3,947	*(88)*	3,940	*(7)*	3,933	*(8)*
Pole Attachment Fees	5,937	3,943	6,733	3,635	*(309)*	3,628	*(6)*	3,621	*(7)*
Late Payment and Dishonored Check Charges	14,610	18,992	13,858	15,668	*(3,323)*	16,389	*720*	17,140	*751*
Miscellaneous Revenues	8,204	5,868	2,701	7,810	*1,942*	7,845	*35*	7,894	*49*
NYS Assessment on Miscellaneous Revenues	-	-	-	171	*171*	126	*(45)*	65	*(61)*
Total Revenues	**$ 3,613,982**	**$ 3,599,685**	**$ 3,555,298**	**$ 3,368,434**	***$ (231,251)***	**$ 3,416,823**	***$ 48,389***	**$ 3,484,181**	***$ 67,359***

Sales and Revenues

Revenues are derived primarily from retail sales of electricity to residential and commercial customers. Also included are revenues from electric sales to public authorities and for street lighting. In accordance with the Authority's Tariff for Electric Service (the "Tariff"), the Authority's Delivery Charge recovers the costs associated with maintaining and improving its transmission and distribution system and serving its retail customers. Additionally, the Authority recovers those costs associated with purchasing and producing electric energy (fuel and purchased power) through the Power Supply Charge. Finally, the Authority has various surcharges and non-electric service charges, such as those to recover costs associated with its distributed energy programs, assessments, revenue-related PILOTs, fees for pole attachments, late payment charges to customers whose bills are in arrears, and other miscellaneous service fees.

The 2016 Operating Budget adopts the sales forecast of the DPS Staff as recommended to the Authority's Board in the DPS Rate Recommendation of September 28, 2015. Electric sales were projected at 20,077,119 in the approved 2015 Budget. Per the DPS Staff forecast, electric sales for 2016-2018 are projected to grow at 1.7% from the Authority's 2015 budgeted level in 2016, and decline at -0.6% and -0.4%, respectively in 2017 and 2018. The forecast assumes historically average weather conditions over the period.

The Revenue Decoupling Mechanism adopted by the Authority's Board of Trustees on April 1, 2015 reconciles differences between forecast and actual delivery revenues in each year of the Rate Plan, which can vary based on weather conditions, economic growth, and the penetration of efficiency and renewables programs.

Fuel and Purchased Power Costs

(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
Fuel Oil	$ 127,489	$ 61,605	$ 112,365	$ 50,586	*$ (11,018)*	$ 34,280	*$ (16,307)*	$ 28,835	*$ (5,445)*
Natural Gas	402,611	297,256	288,629	228,477	*(68,780)*	200,808	*(27,668)*	201,696	*888*
Purchased Power	475,661	635,382	576,009	478,137	*(157,245)*	518,015	*39,878*	553,745	*35,729*
Regional Greenhouse Gas Initiative	18,778	21,122	28,314	28,495	*7,373*	25,396	*(3,099)*	25,985	*589*
Renewable Power	49,664	36,416	44,774	36,382	*(34)*	36,676	*294*	37,463	*787*
Wheeling Charges	31,681	28,875	14,011	18,389	*(10,485)*	19,012	*623*	16,400	*(2,613)*
Capacity Charges	444,850	425,747	405,490	423,843	*(1,904)*	417,991	*(5,852)*	393,837	*(24,154)*
Nine Mile Nuclear Fuel	13,159	15,471	14,203	13,195	*(2,276)*	14,923	*1,729*	14,387	*(536)*
Y-49 Cable Operating Costs	23,911	25,506	23,456	25,181	*(325)*	22,275	*(2,907)*	21,987	*(288)*
Fuel Hedging Program Costs	6,217	11,273	8,022	10,924	*(350)*	5,737	*(5,187)*	612	*(5,125)*
ESCO Bill Credit Adjustment Payments	48,018	18,254	26,955	617	*(17,637)*	2,454	*1,837*	4,561	*2,107*
Transco	-	9,274	-	2,523	*(6,751)*	4,432	*1,909*	4,411	*(21)*
Power Supply Management Services	12,088	13,941	12,008	14,127	*185*	14,367	*240*	14,612	*246*
Fuel Management Services	5,146	4,300	4,300	4,399	*99*	4,500	*101*	4,604	*104*
Total Fuel and Purchased Power Costs	**$ 1,659,272**	**$ 1,604,422**	**$ 1,558,534**	**$ 1,335,273**	***$ (269,149)***	**$ 1,320,866**	***$ (14,407)***	**$ 1,323,135**	***$ 2,269***

Fuel and Purchased Power Costs

Fuel and purchased power costs were budgeted at $1.60 billion in 2015 and are forecast to decrease by -$349.2 million in 2016, -$383.8 million in 2017 and -$392.9 million in 2018. The primary driver of this decline is lower projected commodity expenses, net of the impact of the Authority's commodity hedge positions. No new baseload generating capacity is forecast within the Three Year Rate Plan period.

Fuel and purchased power cost projections are prepared utilizing a generation economic dispatch model that considers among other variables, the availability and efficiency of generating resources, delivered fuel prices, and environmental regulatory requirements. The projected fuel prices are currently provided by an energy consulting firm, whose forecast was as of October 2015 of forward prices for 2016-2018.

In addition to the cost for generation fuels and purchased power, fuel and purchased power costs include the cost of emission allowances for generation under contract to the Authority, generation and transmission cable capacity covered by contract, the Authority's share of costs charged by the New York, New England and PJM independent system operators ("ISO") net of revenues from the sale of ancillary services, electric power wheeling, payments made to Energy Service Companies ("ESCOs") in accordance with the Long Island Choice program, services received under energy, power and fuel management agreements, fuel hedging program costs, and energy from renewable resources.

Operating and Deferred Expenses

(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*	Ref
PSEG Long Island Operating Expenses	**$ 481,682**	**$ 468,271**	**$ 454,545**	**$ 528,511**	***$ 60,240***	**$ 547,845**	***$ 19,334***	**$ 561,916**	***$ 14,072***	A-4.1
PSEG Long Island Managed Expenses										
National Grid Power Supply Agreement	447,210	$ 458,461	$ 456,086	$ 465,642	*$ 7,181*	$ 467,072	*$ 1,430*	$ 471,105	*$ 4,033*	A-4.2
Nine Mile Point 2 O&M	35,358	28,431	29,867	27,989	*(442)*	28,004	*15*	29,857	*1,853*	A-4.3
Uncollectible Accounts	24,659	21,726	24,511	18,421	*(3,305)*	16,639	*(1,782)*	14,458	*(2,181)*	(a)
Storm Restoration	30,462	48,597	64,300	48,169	*(428)*	49,077	*908*	50,199	*1,122*	(a)
NYS Assessment	37,705	21,463	21,653	21,012	*(451)*	15,131	*(5,881)*	8,404	*(6,727)*	A-2
Accretion of Asset Retirement Obligation	3,675	4,611	3,802	4,021	*(591)*	4,253	*233*	4,498	*244*	(a)
Miscellaneous	1,569	1,154	1,351	176	*(978)*	183	*7*	191	*8*	(a)
Total PSEG Long Island Managed Expenses	**$ 580,638**	**$ 584,444**	**$ 601,570**	**$ 585,430**	***987***	**$ 580,359**	***(5,071)***	**$ 578,711**	***(1,648)***	
Total PSEG Long Island Operating and Managed Expenses	**$ 1,062,320**	**$ 1,052,715**	**$ 1,056,115**	**$ 1,113,941**	***61,227***	**$ 1,128,204**	***14,263***	**$ 1,140,628**	***12,424***	
LIPA Operating Expenses										
Management Fee (including incentive)	$ 44,259	$ 45,402	$ 44,108	$ 73,383	*$ 27,981*	$ 75,034	*$ 1,651*	$ 76,722	*$ 1,688*	A-4.4
Capitalized Management Fee	(9,896)	(10,000)	(6,507)	(16,406)	*(6,406)*	(16,776)	*(369)*	(17,153)	*(378)*	A-4.4
LIPA Operating Costs	35,836	25,528	24,856	26,825	*1,297*	26,967	*141*	28,084	*1,118*	A-4.4
LIPA Operating Expenses	**$ 70,199**	**$ 60,930**	**$ 62,457**	**$ 83,802**	***$ 22,872***	**$ 85,225**	***$ 1,423***	**$ 87,653**	***$ 2,428***	
LIPA Deferred Amortized Expenses	3,183	4,500	11,388	47,618	*43,118*	47,618	*-*	47,618	*-*	A-4.4
LIPA Operating Expenses & Deferred Expenses	**$ 73,383**	**$ 65,430**	**$ 73,845**	**$ 131,420**	***$ 65,990***	**$ 132,843**	***$ 1,423***	**$ 135,272**	***$ 2,428***	
Total Operating Expenses & Deferred Expenses	**$ 1,135,703**	**$ 1,118,144**	**$ 1,129,960**	**$ 1,245,362**	***$ 127,217***	**$ 1,261,047**	***$ 15,686***	**$ 1,275,899**	***$ 14,852***	

Note: (a) Not detailed on a separate schedule

Operating and Deferred Expenses

Total Operating and Deferred Expenses were $1.1 billion in the approved 2015 Operating Budget and are planned to increase $127 million in 2016, $15 million in 2017, and $15 million in 2018. The majority of the increase in 2016 relates to PSEG Long Island retiree benefits expense $56 million and LIPA Deferred Expenses $43 million, neither of which are directly recovered in revenue requirements as shown on Schedule A.

Operating and Deferred Expenses are comprised primarily of costs associated with operating and maintaining the Authority's Transmission and Distribution (T&D) system and providing generated and purchased power. They consist of three major expense categories: PSEG Long Island Operating Expenses (which constitute the expenses for which PSEG Long Island must remain within 102% of budget in order to earn incentive compensation), PSEG Long Island Managed Expenses (expenses for which PSEG Long Island manages the expense but which are substantially outside of the control of the Service Provider), and the Authority Operating and Deferred Expenses. Costs related to each category of expense are detailed and discussed on Schedules A-4.1 through A-4.4.

PSEG Long Island Operating Expenses include costs related to the following major areas: Transmission and Distribution, Customer Services, Shared Services, Power Markets and Energy Efficiency and Renewable Energy Programs. The budget for the Energy Efficiency and Renewable Energy Programs provides for additional peak load reductions as well as customer-based solar and wind distributed generation, among other things.

PSEG Long Island Managed Expenses includes costs related to the National Grid Power Supply Agreement, the Authority's 18% share of operation and maintenance expenses related to the Nine Mile Point 2 nuclear generating plant, assessments, losses on uncollectible accounts, and Storm Restoration. The Rate Recommendation includes reconciliation mechanisms for several of the PSEG Long Island Managed Expenses, which are subject to variation for reasons generally outside of the control of the utility, including power supply costs, storm restoration costs, and assessments.

LIPA Operating and Deferred Expenses consist of the PSEG Long Island Management fee, amortizations of deferred costs, and costs related to the Authority staff and outside professional services, as detailed on Schedule A-4.4

Depreciation, Amortization and Deferred Expenses

(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
PSEG Long Island Managed Utility Depreciation	**$ 109,914**	**$ 109,470**	**$ 115,298**	**$ 136,910**	***$ 27,440***	**$ 141,586**	***$ 4,676***	**$ 146,450**	***$ 4,864***
Depreciation Expense Related to FEMA Capital Projects	-	-	-	2,452	*2,452*	5,711	*3,259*	11,178	*5,467*
Total PSEG Long Island Managed Utility Depreciation	**$ 109,914**	**$ 109,470**	**$ 115,298**	**$ 139,362**	***$ 29,892***	**$ 147,297**	***$ 7,935***	**$ 157,628**	***$ 10,331***
LIPA Depreciation and Amortization									
Amortization of Acquisition Adjustment	$ 111,375	$ 111,375	$ 111,375	$ 111,375	*$ -*	$ 111,375	*$ -*	$ 111,375	*$ -*
Depreciation - LIPA	2,494	1,513	1,513	864	*(649)*	782	*(83)*	930	*149*
Total LIPA Depreciation and Amortization	**$ 113,869**	**$ 112,888**	**$ 112,888**	**$ 112,239**	***(649)***	**$ 112,157**	***(83)***	**$ 112,305**	***149***
Total Depreciation and Amortization	**$ 223,783**	**$ 222,358**	**$ 228,186**	**$ 251,602**	***$ 29,243***	**$ 259,453**	***$ 7,852***	**$ 269,933**	***$ 10,480***
LIPA Deferred Expenses									
Deferred Transition Cost	$ 3,183	$ 4,500	$ 11,388	$ 13,600	*$ 9,100*	$ 13,600	*$ -*	$ 13,600	*$ -*
2014/2015 Pension/OPEB Deferral	-	-	-	10,573	*10,573*	10,573	-	10,573	-
Rate Case Deferral	-	-	-	1,811	*1,811*	1,811	-	1,811	-
Ngrid Pension/OPEB Settlement	-	-	-	21,634	*21,634*	21,634	-	21,634	-
Total Deferred Expenses	**$ 3,183**	**$ 4,500**	**$ 11,388**	**$ 47,618**	***$ 43,118***	**$ 47,618**	***$ -***	**$ 47,618**	***$ -***
Total Depreciation, Amortization and Deferred Expenses	**$ 226,966**	**$ 226,858**	**$ 239,574**	**$ 299,220**	***$ 72,362***	**$ 307,072**	***$ 7,852***	**$ 317,552**	***$ 10,480***

Depreciation, Amortization and Deferred Expenses

Depreciation, Amortization and Deferred Expenses are planned at $299.2 million in 2016, $307.1 million in 2017 and $317.6 million in 2018.

PSEG Long Island Managed Utility Depreciation consists primarily of depreciation of transmission and distribution, information technology, and FEMA storm hardening assets.

LIPA Depreciation and Amortization consists primarily of the amortization of the Acquisition Adjustment related to the merger with the Long Island Lighting Company in 1998, which is budgeted at $111.4 million a year for 2016-2018 (consistent with the 2015 budget), and certain LIPA leasehold improvements referred to as Depreciation-LIPA.

LIPA Deferred Expenses are the amortization of certain regulatory assets, the majority of which relate to pension and OPEB expenses for former National Grid and current PSEG Long Island employees that directly serve the Authority's customers, for which the expense is a contractual obligation of the Authority. The amortization of the regulatory asset aligns the cost in reported expenses in a manner similar to if this workforce were directly employed by the Authority. See the Authority's audited financial statements for more information.

Taxes, Payments in-lieu-of Taxes, and Assessments

(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
PILOTs - Revenue-Based Taxes	**$ 36,599**	**$ 36,991**	**$ 36,119**	**$ 36,828**	***$ (163)***	**$ 37,819**	***$ 991***	**$ 38,942**	***$ 1,122***
PILOTs - Property-Based Taxes									
Long Island and New York City	$ 278,767	$ 280,709	$ 273,022	$ 278,482	*$ (2,227)*	$ 284,052	*$ 5,570*	$ 289,733	*$ 5,681*
Nine Mile PILOTs	6,000	5,674	5,802	5,844	*170*	6,020	*175*	6,200	*181*
Merchant Power Plants	11,255	11,522	10,973	11,834	*311*	12,153	*320*	12,481	*328*
Total PILOTs - Property-Based Taxes	**$ 296,022**	**$ 297,906**	**$ 289,797**	**$ 296,160**	***$ (1,746)***	**$ 302,225**	***$ 6,065***	**$ 308,415**	***$ 6,190***
Property Taxes on National Grid Power Plants (PSA) [a]	**$ 184,356**	**$ 192,729**	**$ 192,729**	**$ 200,958**	***$ 8,229***	**$ 209,516**	***$ 8,558***	**$ 218,417**	***$ 8,901***
Property Tax Settlement [b]	-	-	-	-	*-*	(8,000)	*(8,000)*	(16,000)	*(8,000)*
Net Property Taxes	**$ 184,356**	**$ 192,729**	**$ 192,729**	**$ 200,958**	***$ 8,229***	**$ 201,516**	***$ 558***	**$ 202,417**	***$ 901***
Other Taxes and Assessments									
NYS Conservation Assessment	$ 37,525	$ 21,295	$ 21,485	$ 12,836	*$ (8,459)*	$ 6,947	*$ (5,889)*	$ 213	*$ (6,734)*
NYS Department of Public Service (DPS)	-	-	-	8,000	*8,000*	8,000	*-*	8,000	*-*
NYS Office of Real Property Services	180	168	168	176	*8*	183	*8*	191	*8*
Total Other Taxes and Assessments	**$ 37,705**	**$ 21,463**	**$ 21,653**	**$ 21,012**	***$ (451)***	**$ 15,131**	***$ (5,881)***	**$ 8,404**	***$ (6,727)***
Total PILOTs, State and Local Taxes and Assessments	**$ 554,683**	**$ 549,089**	**$ 540,298**	**$ 554,958**	***$ 5,869***	**$ 556,691**	***$ 1,733***	**$ 558,177**	***$ 1,486***

Notes: (a) PSA property taxes are not subject to the 2% property tax cap on transmission and distribution property
(b) Assumes savings from ongoing property tax litigation

Taxes, Payments-in-Lieu of Taxes and Assessments

Payments-In-Lieu of Taxes ("PILOTs") and New York State Assessments are budgeted at $550.0 million in 2016, $556.7 million in 2017 and $558.2 million in 2018 or approximately 15% of total revenues, compared to a median of 5.5% for public power utilities and 4.2% for investor-owned utilities around the country.[8] As illustrated in the table below, this is the highest non-income tax burden of any utility in New York and simply reducing the tax burden on the Authority's customers to the national median for public power utilities would reduce customer bills by approximately 10%.

Taxes as a % of Customer Bills for NYS Electric Utilities and National Averages

Utility	2014 Non-Income Taxes as % of Total Revenue	2014 Non-Income Taxes ($MM)
Long Island Power Authority	**15.1%**	**$549**
Consolidated Edison	12.2%	$1,457
New York State Weighted Average (ex. LIPA)	**9.2%**	**$1,916**
Rochester Gas and Electric	8.0%	$67
New York State Electric and Gas	5.9%	$104
National Average for Public Power and IOUs	**4.2-5.5%**	**-**
Orange and Rockland	4.9%	$41
Central Hudson Gas and Electric	4.8%	$43
National Grid	4.7%	$204

Notes:

Source: NYS DPS, 2014 Average Cost Electric Service by Cost Component; Authority 2015 Operating Budget; *Payments and Contributions by Public Power Distribution Systems*, APPA, March 2014

[8] Source: *Payments and Contributions by Public Power Distribution Systems to State and Local Governments*, American Public Power Association, March 2014.

Revenue-based PILOTs are based on gross revenues received from the sale of electricity and other sources of revenue and are subject to true up to actual cost through a PILOT payments recovery rider.

Property-based PILOTs are for payments on Authority owned properties. The LIPA Reform Act establishes a 2% cap in the increase in T&D property based PILOT payments allowable in every year beginning in 2015. Additionally, this cost is reflected in a Staged Update to actual cost in each year.

Additionally, the Authority also incurs real property-based taxes associated with the generating assets under contract through the National Grid PSA, which are included in Operating Expenses. These taxes are budgeted at $200.9 million in 2016, $201.5 million in 2017, and $202.4 million in 2018. The Authority continues to challenge the property tax assessments on the PSA plants, which are significantly over-assessed. The Authority has included $8.0 million in tax savings in 2017 and $16.0 million in savings in 2018 related to this litigation. These costs, as with all power supply costs, are reconciled to actual costs through Staged Updates and the Delivery Service Adjustment.

The budget for the New York State Temporary Energy and Utility Conservation Assessment is budgeted at $12.7 million in 2016 and $6.8 million in 2017 when this charge is phased-out. This cost is reconciled to actual cost through the NYS Assessment rider.

In 2017, New York State DPS Administrative Assessment will be imposed to recover costs related to DPS' oversight of PSEG Long Island's operations. This cost is planned at $8.0 million per year.

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Other Income and Deductions

(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	Change from Prior Year $	Projected 2017	Change from Prior Year $	Projected 2018	Change from Prior Year $
Short-Term Investment Income	$ 1,641	$ 619	$ 1,220	$ 746	*$ 127*	$ 746	*$ -*	$ 746	*$ -*
Interest from Shoreham Property Tax Settlement	27,968	25,660	25,660	25,972	*312*	24,822	*(1,150)*	23,560	*(1,261)*
Interest from Visual Benefits Assessment	597	575	575	552	*(23)*	527	*(24)*	502	*(26)*
Income on Nuclear Decommissioning Trust Fund	5,248	3,500	1,688	3,004	*(496)*	3,803	*798*	4,252	*450*
Earnings on OPEB Fund	-	-	-	1,103	*1,103*	3,127	*2,024*	5,193	*2,066*
Miscellaneous Income and Deductions	2,404	1,279	3,191	991	*(288)*	975	*(17)*	905	*(70)*
Total Other Income and Deductions	**$ 37,857**	**$ 31,633**	**$ 32,334**	**$ 32,368**	***$ 735***	**$ 33,999**	***$ 1,631***	**$ 35,158**	***$ 1,159***

Other Income and Deductions

Other income and deductions are budgeted at $32.3 million in 2016, $34.0 million in 2017 and $35.2 million in 2018. This category consists of income on the Authority's short-term investments, non-cash carrying charges accrued on deferred balances related to the Shoreham property tax settlement, earnings on NMP2 decommissioning trust fund and OPEB Account balances, and miscellaneous sources of revenues and expenses, such as income from certain customer-requested work not included in electric rates.

Pursuant to the DPS Rate Recommendation, projected interest rates on short-term investments are updated to then-prevailing interest rates in a Staged Update each Fall as part of the annual budget process and differences between projected and actual interest rates are reconciled at year end through the Delivery Service Adjustment.

Grant Income
(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
Build America Bonds Subsidy - U.S. Treasury	$ 3,822	$ 3,763	$ 3,821	$ 3,763	*$ -*	$ 3,763	*$ -*	$ 3,763	*$ -*
Smart Grid Corridor Project - ARRA	2,643	1,602	1,380	-	*(1,602)*	-	-	-	-
Efficiency & Renewables - RGGI Funding	24,600	34,600	34,600	34,600	-	34,600	-	34,600	-
Community Development Block Grant	80,000	36,000	27,000	-	*(36,000)*	-	-	-	-
FEMA Grant	3,457	-	1,404	-	-	-	-	-	-
Offshore Wind Study - Congressional Grant	-	50	-	-	*(50)*	-	-	-	-
Total Grant Income	**$ 114,522**	**$ 76,015**	**$ 68,205**	**$ 38,363**	***$ (37,652)***	**$ 38,363**	**$ -**	**$ 38,363**	***$ -***
Deferred Credit of FEMA Grant	-	-	-	2,207	-	5,140	*2,933*	10,060	*4,920*
Total Grant Income & Deferred Credit	**$ 114,522**	**$ 76,015**	**$ 68,205**	**$ 40,570**	***$ (35,445)***	**$ 43,503**	***$ 2,933***	**$ 48,423**	***$ 4,920***

Grant Income

Grant Income consists primarily of a grant of $34.6 million to be received from NYSERDA Regional Greenhouse Gas Initiative funds to support PSEG Long Island's energy efficiency programs.

Additionally, in February 2014, the Authority signed a Letter of Undertaking ("LOU") with FEMA that provides for $730 million of grant funding for storm hardening measures. To better reflect the nature of the grant, the FEMA grant will be amortized to Grant Income in an amount equal to the incremental depreciation expense incurred as a result of the storm hardening program. This amortization is estimated at $2.2 million, $5.1 million, and $10.1 million in 2016, 2017, and 2018, respectively.

The budget for Grant Income also includes subsidy payments from the United States Treasury equal to approximately 35% of the interest payable on the Authority's debt issued as Build America Bonds pursuant to the American Recovery and Reinvestment Act of 2009 ($3.8 million).

Interest Expense
(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	Change from Prior Year $	Projected 2017	Change from Prior Year $	Projected 2018	Change from Prior Year $
Accrued Interest Expense on Debt Securities	$ 313,305	$ 337,375	$ 330,136	$ 318,084	*$ (19,291)*	$ 340,428	*$ 22,345*	$ 354,842	*$ 14,414*
Amortization of Premium	(22,911)	(23,921)	(23,840)	(44,737)	*(20,816)*	(59,755)	*(15,017)*	(56,712)	*3,043*
Net Interest Expense on Debt Securities	**$ 290,393**	**$ 313,454**	**$ 306,296**	**$ 273,346**	***$ (40,108)***	**$ 280,674**	***$ 7,327***	**$ 298,130**	***$ 17,457***
Other Interest Expense									
Amortization of Deferred Debt Issue Costs	$ 4,545	$ 4,000	$ 4,321	$ 3,505	*$ (495)*	$ 3,264	*$ (241)*	$ 3,293	*$ 29*
Amortization of Deferred Losses on Refundings	33,141	19,857	20,055	9,307	*(10,550)*	9,307	-	9,307	-
Interest Rate Swap Payments	25,393	28,026	27,668	29,334	*1,308*	29,254	*(80)*	29,254	-
Letter of Credit and Remarketing Fees	13,280	9,721	9,859	10,189	*468*	10,164	*(24)*	10,142	*(23)*
Interest on Customer Security Deposits	767	703	197	892	*189*	909	*17*	928	*19*
Bond Administration Costs and Bank Fees	742	500	1,265	500	-	500	-	500	-
Total Other Interest Expense	**$ 77,869**	**$ 62,807**	**$ 63,364**	**$ 53,727**	***$ (9,080)***	**$ 53,399**	***$ 62,479***	**$ 53,424**	***$ (9,055)***
Subtotal - Interest Expense	**$ 367,450**	**$ 376,262**	**$ 369,660**	**$ 327,073**	***$ (49,189)***	**$ 334,073**	***$ 6,999***	**$ 351,554**	***$ 17,482***
Less: Capitalized Interest	8,961	10,946	5,663	8,897	*(2,049)*	7,198	*(1,699)*	8,108	*910*
Total Interest Expense [(a)]	**$ 358,488**	**$ 365,316**	**$ 363,997**	**$ 318,176**	***$ (47,140)***	**$ 326,874**	***$ 8,698***	**$ 343,447**	***$ 16,572***

Note: (a) Forecast using interest rates as of 10/15/15 per DPS Recommendation

Interest Expense

Interest expense is planned at $318.2 million in 2016, $326.9 million in 2017 and $343.5 million in 2018. The planned expense for this period is based on forecasted levels of outstanding debt, associated fees, and the amortization of debt-related deferred charges and credits. Pursuant to the DPS Rate Recommendation, interest expenses are updated to then-prevailing interest rates in a Staged Update each fall as part of the annual budget process and differences between projected and actual interest expense, alongside other components of debt cost, are reconciled at year end through the Delivery Service Adjustment.

Interest expense reflects the accrual of interest on outstanding debt in the calendar year. It can differ from interest payments made to bond holders with respect to timing, but the actual amounts will be the same over time.

Amortization of premiums increases in 2016 as a result of the projected issuance of securitization bonds by the Utility Debt Securitization Authority ("UDSA") on behalf of the Authority. It is projected that the UDSA bonds will be sold at a premium to their par value, and the premium will be amortized over the life of each series of bond issued. These bonds bear a lower interest cost than Authority bonds due to their higher credit ratings.

Debt Service Requirements [a]

(Thousands of Dollars)

		2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
UDSA Debt Service on Existing Debt	A	$ 104,572	$ 101,286	$ 144,786	*$ 40,214*	$ 95,618	*$ (49,169)*	$ 128,465	*$ 32,847*
LIPA Debt Service on Existing Debt	B	416,578	414,864	414,067	*(2,511)*	414,272	*205*	403,286	*(10,986)*
LIPA Debt Service on New Capital		-	-	2,438	*2,438*	13,646	*11,208*	30,094	*16,448*
Total Debt Service		521,150	516,150	561,291	*40,141*	523,536	*(37,755)*	561,844	*38,309*
Total Coverage Requirements	C	138,911	113,156	153,890	*15,583*	227,134	*75,727*	292,287	*72,126*
Subtotal Debt Service plus Coverage without Securitization Legislation		**$ 660,061**	**$ 629,306**	**$ 715,181**	***$ 55,723***	**$ 750,670**	***$ 37,972***	**$ 854,131**	***$ 110,435***
Impacts of Securitization Legislation									
UDSA Debt Service	D	$ -	$ -	$ 71,194	*$ 71,194*	$ 167,111	*$ 114,761*	$ 185,633	*$ (1,489)*
LIPA Debt Service	E	-	-	(150,087)	*(150,087)*	(205,747)	*(72,549)*	(245,520)	*(23,095)*
Reduced Coverage on Debt Service	F	$ -	$ -	$ (30,017)	*$ (22,532)*	$ (61,724)	*$ (34,226)*	$ (98,208)	*$ (30,250)*
Net Debt Service Requirements									
UDSA Debt Service	A+D=G	$ 104,572	$ 101,286	$ 215,980	*$ 111,408*	$ 262,728	*$ 46,748*	$ 314,098	*$ 51,370*
LIPA Debt Service	B+E=H	416,578	414,864	266,418	*(150,160)*	222,171	*(44,247)*	187,859	*(34,312)*
Coverage Requirements	C+F=I	138,911	113,156	123,872	*(15,039)*	165,410	*41,538*	194,079	*28,669*
Total Debt Service plus Coverage	**J**	**$ 660,061**	**$ 629,306**	**$ 606,270**	***(53,791)***	**$ 650,309**	***44,039***	**$ 696,036**	***45,727***
Savings from Securitization Legislation									
Debt Service Requirements	D+E=K	$ -	$ -	$ 78,893	*$ 62,827*	$ 38,636	*$ (24,190)*	$ 59,887	*$ 21,250*
Coverage Requirements	L	-	-	30,017	*22,532*	61,724	*39,192*	98,208	*36,484*
Total Savings to Customers		**$ -**	**$ -**	**$ 108,911**	***85,359***	**$ 100,360**	***15,002***	**$ 158,095**	***57,734***
LIPA Capital Lease Obligation	M	$ 310,882	$ 310,882	$ 312,944	*2,062*	$ 302,529	*(10,414)*	$ 277,338	*(25,191)*
Minimum Coverage Ratio on LIPA Fixed Obligations	=1+I/(H+I+M)	1.19 x	1.16 x	1.21 x		1.32 x		1.42 x	
Minimum Coverage Ratio on LIPA + UDSA Fixed Obligations	=1+I/(M+G+H)	1.17 x	1.14 x	1.16 x		1.21 x		1.25 x	

Note: (a) Assumes passage of bill proposed in Governor's Budget to permit refinancing additional LIPA bonds with lower cost UDSA bonds; dependent upon market condtions

Debt Service Requirements

Debt service consist of principal and interest payments due to the bondholders. Debt service payments are broken out separately for UDSA debt, existing Authority debt, and new Authority debt to support PSEG Long Island's capital program. Existing Authority debt service is projected to decline largely as a result of refinancing debt through the UDSA. UDSA debt service payments will increase, but still result in a net savings to customers.

In addition to debt service payments, under the Public Power Model, the Authority also recovers "fixed obligation coverage." Fixed obligation coverage is the portion of the Authority's capital program funded by cash flow in each year rather than by new borrowings. Fixed obligation coverage is a ratio based on the Authority's annual debt service payments and the imputed payments on capitalized leases. Capitalized leases are obligations of the Authority, usually in the form of Power Purchase Agreements ("PPAs"), which represent long term obligations of the Authority.

The DPS Rate Recommendation endorsed a new financial policy proposed by the Authority in the Three-Year Rate Plan filing, which included several components:

(i) **Adoption of the Public Power Model.** The Public Power Model used by nearly all of the country's major public power issuers recovers the Authority's operating expenses in each year plus its debt service requirements (including fixed obligation coverage) in place of the $75 million net income target the Authority had previously used to calculate revenue requirements;

(ii) **Mid-A Ratings Target Over Five Years.** At the time of the Rate Plan filing, the Authority had credit ratings of Baa1 (stable outlook), A- (negative outlook), and A- (negative outlook) (M/S/F), which are the lowest of any large public power utility by several credit categories. The negative outlooks by Standard and Poor's and Fitch Ratings indicated the potential for a further deterioration in the Authority's credit ratings over the following 24 months. In response, the Authority explicitly adopted a five-year rating target to improve ratings to A2/A/A;

(iii) **Reduce Borrowings to No More than 60-64% of Capital Spending.** The Authority's "debt ratio" (defined as debt as a percentage of the net physical assets of the electric system plus working capital) is higher than the average utility. This is a historical legacy. A ratio of 55%-65% is typical for large public power utilities like the Authority, whereas the Authority's debt ratio is 137%. The higher-than-average debt ratio is attributable to the debt incurred to acquire the electric system from its previous owner in 1998. That acquisition resulted in an approximate 20% reduction in customers' electric bills, a benefit that continues today. However, in order to reduce the debt ratio over time, the Authority proposed reduce borrowings in each year to no more than 60-64% of capital spending, with the balance funded by cash flow in lieu of new debt. This level is typical for large public power utilities and an industry best practice.

(iv) **Increasing Fixed Obligation Coverage Targets.** To achieve the Authority's goals of improved credit ratings and reduced borrowings over five years, the Authority proposed translating its historic $75 million net income target into a similar fixed obligation coverage target in 2016 and to increase that target gradually each year through 2019 as outlined in the table below. Given the Authority's two types of debt – Authority revenue bonds and UDSA securitization debt – the Authority adopted coverage ratios with and without UDSA bonds.

Minimum Fixed Obligation Coverage Ratios

Fixed Obligations	2016	2017	2018	2019
Authority Debt + Capitalized Leases	1.20x	1.30x	1.40x	1.45x
Authority Debt + UDSA Debt + Capitalized Leases	1.15x	1.20x	1.25x	1.25x

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Capital and Deferred Expenditures
(Thousands of Dollars)

	2015 Approved	2015 Projected	Approved 2016	*$ Chg. From Approved 2015*	Projected 2017	*$ Chg. From Approved 2016*	Projected 2018	*$ Chg. From Projected 2017*
Transmission and Distribution								
Regulatory Driven	$ 36,024	$ 48,602	$ 35,757	*$ (266)*	$ 34,753	*$ (1,004)*	$ 30,990	*$ (3,763)*
Load Growth	130,185	77,067	97,724	*(32,461)*	126,514	*28,791*	90,914	*(35,600)*
Reliability[(a)]	149,042	142,961	226,121	*77,079*	172,381	*(53,740)*	178,603	*6,222*
N-1-1 Reliability	-		2,000	*2,000*	-	*(2,000)*	54,561	*54,561*
Economic/Salvage	1,264	1,044	(471)	*(1,735)*	(490)	*(19)*	(509)	*(19)*
Tools, Equipment & Other	3,949	5,755	5,629	*1,680*	9,265	*3,636*	15,275	*6,010*
Total Transmission and Distribution Projects Excluding FEMA	**$ 320,464**	**$ 275,429**	**$ 366,760**	***$ 46,296***	**$ 342,423**	***$ (24,337)***	**$ 369,834**	***$ 27,411***
Other PSEG Long Island Capital Expenditures								
Information Technology Projects	$ 77,410	$ 69,124	$ 22,559	*$ (54,851)*	$ 22,686	*$ 127*	$ 22,183	*$ (503)*
Utility 2.0 - Deferred Expenses	15,300	-	-	*(15,300)*	-	*-*	-	*-*
Utility 2.0 - AMI	3,938	-	-	*(3,938)*	-	*-*	-	*-*
Customer Operations[(b)]	11,463	8,150	25,694	*14,231*	26,146	*452*	26,557	*411*
Other General Plant Projects	8,457	3,282	4,841	*(3,616)*	5,006	*164*	5,162	*157*
DPS Recommended Capital Reductions			(14,170)	*(14,170)*	(15,700)	*(1,530)*	(15,900)	*(200)*
Total PSEG Long Island Excluding FEMA and Before Deferred Projects	**$ 437,032**	**$ 355,985**	**$ 405,684**	***$ (31,347)***	**$ 380,561**	***$ (25,124)***	**$ 407,836**	***$ 27,276***
2015 Deferred Capital Projects	(52,074)	-	52,074	*104,148*		*(52,074)*		*-*
FEMA Related Projects[(c)]	140,129	43,908	186,200	*46,071*	312,400	*126,200*	186,300	*(126,100)*
Total PSEG Long Island Capital	**$ 525,087**	**$ 399,893**	**$ 643,958**	*118,871*	**$ 692,961**	*49,002*	**$ 594,136**	*(98,824)*
LIPA Capital and Deferred Expenditures								
Nine Mile Point 2	$ 33,056	$ 34,677	$ 10,363	*$ (22,694)*	$ 29,045	*$ 18,682*	$ 10,663	*$ (18,381)*
LIPA - Accounting System	5,431	-	5,431	*-*	-	*(5,431)*	-	*-*
Deferred Rate Case Expenses - PSEG Long Island	4,434	-	-	*(4,434)*	-	*-*	-	*-*
Deferred Rate Case Expenses - LIPA	1,000	-	-	*(1,000)*	-	*-*	-	*-*
Total LIPA Capital Expenditures & Deferrals	**$ 43,921**	**$ 34,677**	**$ 15,794**	***$ (28,128)***	**$ 29,045**	***$ 13,251***	**$ 10,663**	***$ (18,381)***
Allowance For Funds Used During Construction	10,946	5,663	8,897	*(2,049)*	7,198	*(1,699)*	8,108	*910*
Capitalized Management Fee	10,000	6,507	16,406	*(15,955)*	16,776	*(16,959)*	17,153	*(18,026)*
Total Capital Expenditures & Deferrals	**$ 589,954**	**$ 446,740**	**$ 685,055**	***$ 95,101***	**$ 745,979**	***$ 60,924***	**$ 630,061**	***$ (115,918)***
FEMA Contribution	$ (126,116)	$ (39,517)	$ (167,580)	*$ (41,464)*	$ (281,160)	*$ (113,580)*	$ (167,670)	*$ 113,490*
Net Capital Expenditures & Deferrals	**$ 463,838**	**$ 407,222**	**$ 517,475**	***$ 53,637***	**$ 464,819**	***$ (52,656)***	**$ 462,391**	***$ (2,428)***
Deduct Allowance For Funds Used During Construction	$ 10,946	$ 5,663	$ 8,897	*$ (2,049)*	$ 7,198	*$ (1,699)*	$ 8,108	*$ 910*
Funding Available from Coverage	138,911	113,156	123,872	*(15,039)*	165,410	*41,538*	194,079	*28,669*
Contribution to OPEB Fund from Revenue Requirements	(2,000)	(2,000)	(49,821)	*(47,821)*	(49,689)	*133*	(52,143)	*(2,455)*
Deduct Net Funding of Capital Expenditures	$ 136,911	$ 111,156	$ 74,051	*$ (62,860)*	$ 115,721	*$ 41,670*	$ 141,936	*$ 26,214*
Funding Required from New Debt	**$ 315,981**	**$ 290,404**	**$ 434,527**	***$ 118,546***	**$ 341,900**	***$ (92,628)***	**$ 312,347**	***$ (29,552)***
Percent of Capital Funded from Debt:								
including FEMA spending and reimbursement		65.0%	63.4%	*63.4%*	45.8%	*-17.6%*	49.6%	*3.7%*
excluding FEMA spending and reimbursement		71.0%	83.4%	*83.4%*	71.7%	*-11.7%*	66.2%	*-5.5%*

Notes: (a) 2016 to 2018 reflects $8M change in capitalization criteria
(b) Includes Utility 2.0 AMI ($5.55mil) not authorized for spending by the Board until recommended by the Department of Public Service.
(c) Amounts not available to be reallocated within the approved budgets.

Capital and Deferred Expenditures

Capital and Deferred Expenditures are planned at $685.1 million in 2016, $745.9 million in 2017 and $630.1 million in 2018. Net of contributions from FEMA, Capital and Deferred Expenditures are planned at $517.5 million, in 2016, $464.8 million in 2017 and $462.4 million in 2018. The 2016 Capital Budget includes a deferral of certain specified 2015 Capital projects into 2016, as detailed in Schedule B-1.

Transmission and Distribution projects are evaluated using a Project Prioritization and Risk Evaluation protocol to determine the projects that have the highest risk for system and company performance. Starting in 2016, PSEG Long Island will also use an Investment Evaluation System that is consistent across all PSEG companies. Use of both tools will ensure a consistent and uniform basis for evaluating projects. The projects being pursued will improve system reliability and resiliency and include a Circuit Improvement Program to address poor performing circuits, the Multiple Customer Outage Program to address customers that experience an unusual number of outages, and a Transformer Load Management Program that will target transformers for replacement prior to an emergency.

In February 2014, the Authority signed a Letter of Undertaking ("LOU") with FEMA that provides for a $730 million storm hardening initiative. As part of this program, FEMA will contribute 90% of the cost to this project.

Information Technology projects include improvements and upgrades to systems that support Transmission and Distribution, Customer Services and Power Markets. Capital expenditures for Customer Services are primarily comprised of costs associated with residential and commercial meter replacement. AMI Utility 2.0 expenditures of $5.55 million for 2016, 2017 and 2018 are also included, and will require future board approval before spending can occur.

NMP2 Capital Expenditures relates to the Authority's share of capital expenses for the NMP2 nuclear generating station of which the Authority owns an undivided 18% interest in one of two nuclear units. These expenditures include cost for capital improvements to the facility and the cost of nuclear fuel.

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Appendix

PSEG Long Island Operating Expenses
(Thousands of Dollars)

	Actual 2014	2015 Approved [a]	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
Transmission & Distribution	$ 146,041	$ 142,897	$ 152,405	$ 170,943	*$ 28,046*	$ 173,628	*$ 2,685*	$ 174,183	*$ 555*
Customer Services	87,864	95,746	92,475	121,156	*25,410*	123,458	*2,302*	127,441	*3,983*
Shared Services	106,077	116,784	111,969	137,912	*21,128*	151,228	*13,316*	159,775	*8,547*
National Grid Transition Services Agreement	58,450	16,309	16,107	-	*(16,309)*	-	*-*	-	*-*
Power Markets	-	12,239	6,844	13,328	*1,089*	13,152	*(177)*	12,463	*(688)*
Energy Efficiency & Renewable	83,250	85,887	74,745	86,807	*920*	88,054	*1,247*	89,769	*1,715*
Turnover	-	(1,591)	-	(1,634)	*(43)*	(1,674)	*(40)*	(1,715)	*(40)*
Total PSEG Long Island Operating Expenses	**$ 481,682**	**$ 468,271**	**$ 454,545**	**$ 528,511**	***$ 60,240***	**$ 547,845**	***$ 19,334***	**$ 561,916**	***$ 14,072***

GAAP Pensions/OPEBS Expense [b]	Actual 2014	2015 Approved [a]	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
Transmission & Distribution	N/A	$ 19,954	$ 21,588	$ 24,414	*$ 4,460*	$ 24,374	*$ (40)*	$ 24,778	*$ 405*
Customer Operations	N/A	18,246	19,739	25,482	*7,236*	25,439	*(42)*	25,862	*422*
Storm Costs	N/A	7,394	8,000	10,292	*2,898*	10,275	*(17)*	10,446	*171*
Shared Services	N/A	6,647	7,191	9,182	*2,534*	9,055	*(126)*	9,216	*160*
Energy Efficiency and Renewables	N/A	1,575	1,704	2,487	*911*	2,483	*(4)*	2,524	*41*
Power Markets	N/A	1,180	1,276	1,446	*267*	1,444	*(2)*	1,468	*24*
Deferred 2014/2015 Pension & OPEB	N/A	(54,996)	(59,499)	-	*54,996*	-	*-*	-	*-*
Grand Total Pensions/OPEBS	N/A	**$ -**	**$ -**	**$ 73,303**	***$ 73,303***	**$ 73,070**	***$ (233)***	**$ 74,293**	***$ 1,223***
Contribution to Pension Trust O&M/Storms [C]	N/A	17,199	19,200	17,199	*-*	16,695	*(504)*	18,522	*1,827*
Net GAAP Pensions/OPEBS	N/A	**$ (17,199)**	**$ (19,200)**	**$ 56,104**	***$ 73,303***	**$ 56,375**	***$ 271***	**$ 55,771**	***$ (604)***

Note: (a) 2015 Approved Budget reflects proposed budget amendment for Non-Storm Emergencies of $6,372k as well as Utility 2.0 Development costs of $2,000k, and rate case costs of $4,434k that were originally anticipated to be deferred
(b) GAAP cost of retirement benefits included in operating expenses above
(c) Contribution to Pension Trust is the cost of retirement benefits recovered in revenues in the current period to meet ERISA funding requirements which is significantly less than the GAAP accounting cost

PSEG Long Island Operating Expenses

PSEG Long Island Operating Expenses are related to five major areas: Transmission and Distribution, Customer Services, Shared Services, Power Markets and Energy Efficiency and Renewable Energy Programs. Operating expenses in 2016 reflect an increase of $56.1 million for non-cash GAAP pension and post-retirement benefits that are not recovered in revenue requirements. The remaining increase is primarily due to increased efforts to maintain system reliability and improve resiliency, customer satisfaction, and storm response, and inflationary pressures less a 1% per year productivity benefit.

This budget includes significant investment in process improvement activities including storm response and communication, system reliability and safety enhancements, preventative maintenance activities and vegetation management. It also reflects the utilization of newly implemented systems including the Outage Management System, Interactive Voice Response (IVR) technology, and the Asset Management Model in T&D. Labor costs are based on an organization structure consisting of 2,279 employees. The benefit costs are based on programs designed and utilized in 2014 that substantially duplicated the benefits of the transitioned bargaining unit employees from National Grid and in accordance with the requirements of the OSA and the Collective Bargaining Agreement.

National Grid Power Supply Agreement

(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
Power Supply Agreement									
Operation and Maintenance Expenses	$ 262,854	$ 265,732	$ 263,357	$ 264,685	*$ (1,048)*	$ 265,556	*$ 871*	$ 268,688	*$ 3,132*
Property Taxes	184,356	192,729	192,729	200,958	*8,229*	209,516	*8,558*	218,417	*8,901*
Property Tax Settlement [(a)]	-	-	-	-	*-*	(8,000)	*(8,000)*	(16,000)	*(8,000)*
Total Power Supply Agreement	**$ 447,210**	**$ 458,461**	**$ 456,086**	**$ 465,642**	***$ 7,181***	**$ 467,072**	***$ 1,430***	**$ 471,105**	***$ 4,033***

Note (a) : Assumes savings from ongoing property tax litigation

National Grid Power Supply Agreement

Expenses included in this section are comprised of costs related to the Power Supply Agreement ("PSA") with National Grid. PSA expenses include a return of and a return on National Grid's investment in its generating facilities, including projected capital additions, and other related operating costs, as determined in accordance with FERC approved rates. PSA costs also include property taxes assessed on the facilities. The 2016 Budget assumes that ongoing tax litigation regarding the assessed value of the generating facilities will be settled in 2017 and that, conservatively estimated, this will result in an additional $8.0 million in property tax saving in 2017 and $16 million in 2018.

Nine Mile Point Unit 2 Expenses

(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
Refueling Outage Amortization	$ 4,547	$ 4,499	$ 4,577	$ 3,927	*$ (572)*	$ 3,736	*$ (191)*	$ 4,819	*$ 1,083*
Non-Outage Operating Expenses	30,811	23,933	25,290	24,062	*129*	24,268	*206*	25,037	*770*
Total Nine Mile Point 2 O&M Expenses	**$ 35,358**	**$ 28,431**	**$ 29,867**	**$ 27,989**	***$ (442)***	**$ 28,004**	***$ 15***	**$ 29,857**	***$ 1,853***

Nine Mile Point 2 Expenses

This category relates to the Authority's share of expenses incurred to operate and maintain its 18% ownership in Unit 2 of the Nine Mile Point ("NMP2") nuclear generating station located in Oswego, New York. The other 82% interest in NMP2 is owned by CENG, a nuclear generating company jointly owned by Exelon Corporation and EDF. CENG is managed by Exelon Corporation. The Authority is responsible for 18% of all operation, maintenance and capital expenditures related to NMP2 (see Schedule B-1 for budgeted capital expenditures.)

LIPA Operating & Deferred Expenses
(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
PSEG Long Island Management Fee	$ 44,259	$ 45,402	$ 44,108	$ 73,383	*$ 27,981*	$ 75,034	*$ 1,651*	$ 76,722	*$ 1,688*
Capitalized Fee	(9,896)	(10,000)	(6,507)	(16,406)	*(6,406)*	(16,776)	*(369)*	(17,153)	*(378)*
LIPA OPERATING EXPENSES									
Employee Salaries & Benefits Expenses	$ 9,809	$ 10,128	$ 9,961	$ 10,735	*$ 607*	$ 11,104	*$ 369*	$ 11,482	*$ 378*
Insurance	2,308	2,397	1,873	2,482	*85*	2,541	*59*	2,599	*58*
Office Rent	1,674	1,685	1,779	1,687	*3*	1,687	-	1,687	-
Miscellaneous	9,731	1,421	1,275	2,049	*628*	1,926	*(124)*	1,948	*23*
Total Labor, General and Administrative	**$ 23,522**	**$ 15,631**	**$ 14,887**	**$ 16,954**	***$ 1,323***	**$ 17,258**	***$ 304***	**$ 17,717**	***$ 459***
Engineering	$ 3,029	$ 1,700	$ 1,165	$ 1,441	*$ (259)*	$ 1,162	*$ (279)*	$ 1,312	*$ 149*
Legal	3,217	4,250	4,305	3,850	*(400)*	3,878	*28*	4,004	*125*
Financial Advisor/Cash Management	1,158	1,560	1,881	1,270	*(290)*	1,280	*11*	1,291	*10*
Deferred Rate Case Expenses	-	(1,000)	-	-	*1,000*	-	-	-	-
Accounting and Audit Services	1,811	1,702	1,672	1,748	*46*	1,798	*51*	1,847	*49*
Information Technology	1,662	840	840	863	*23*	888	*25*	912	*24*
Risk Management-Fuel & Insurance	393	439	-	442	*3*	442	-	442	-
Superstorm Sandy Grant Administration	-	-	-	200	*200*	200	-	500	*300*
Miscellaneous	1,043	406	106	58	*(348)*	60	*2*	61	*2*
Total Professional Services	**$ 12,314**	**$ 9,897**	**$ 9,969**	**$ 9,871**	***$ (25)***	**$ 9,709**	***$ (162)***	**$ 10,368**	***$ 659***
LIPA Operating Expenses	**$ 70,199**	**$ 60,930**	**$ 62,457**	**$ 83,802**	***$ 22,872***	**$ 85,225**	***$ 1,423***	**$ 87,653**	***$ 2,428***
Deferred Expenses									
Deferred Transition Cost	$ 3,183	$ 4,500	$ 11,388	$ 13,600	*$ 9,100*	$ 13,600	*$ -*	$ 13,600	*$ -*
2014/2015 Pension/OPEB Deferral	-	-	-	10,573	*10,573*	10,573	-	10,573	-
Rate Case Deferral	-	-	-	1,811	*1,811*	1,811	-	1,811	-
Ngrid Pension/OPEB Settlement	-	-	-	21,634	*21,634*	21,634	-	21,634	-
Total Deferred Expenses	**$ 3,183**	**$ 4,500**	**$ 11,388**	**$ 47,618**	**$ 43,118**	**$ 47,618**	-	**$ 47,618**	-
Total LIPA Cash Operating and Deferred Expenses	**$ 73,383**	**$ 65,430**	**$ 73,845**	**$ 131,420**	***$ 65,990***	**$ 132,843**	***$ 1,423***	**$ 135,272**	***$ 2,428***

LIPA Operating and Deferred Expenses

The Authority Operating and Deferred Expenses are planned at $131.4 million in 2016, $132.8 million in 2017 and $135.3 million in 2018. The 2016 plan represents an increase of $65.9 million as compared with the Approved Budgeted for 2015. The increase primarily represents the following:

- Increase in the PSEG Long Island Management Fee ($21.6 million net of capitalization);
- Amortization of the deferred Transition Costs, including the costs related to the PSEG Long Island ERP and OMS systems ($9.1 million);
- Amortization of the 2014 and 2015 non-capital, non-cash portion of pensions and other post-retirement benefits ($10.6 million);
- Amortization of the National Grid pension and other post-retirement benefits settlement ($21.6 million);
- Amortization of the deferral of Rate Plan costs ($1.8 million);
- The salaries and benefits budget reflects a staffing level of approximately 40 positions for 2016, 2017 and 2018;
- General and Administrative expenses, consists of office rent, insurance and other administrative activities;
- Professional Services includes engineering consulting, auditing, financial, legal, and grant administration activities.

In total, $47.6 million of Authority operating expenses are non-cash costs not recovered in revenue requirements under the Authority's cash flow-based Public Power Model of setting electric rates, as identified herein.

Utility Debt Securitization Authority
(Thousands of Dollars)

	Actual 2014	2015 Approved	2015 Projected	Approved 2016	Change from Prior Year $	Projected 2017	Change from Prior Year $	Projected 2018	Change from Prior Year $
OPERATING REVENUES (NOTE 1)	$ 233,437	$ 78,031	$ 78,031	$ 220,085	*$ 142,054*	$ 270,315	*$ 50,230*	$ 321,468	*$ 51,154*
LIPA OPERATING EXPENSES									
Allowance for Bad Debt	$ 1,067	$ 580	$ 580	$ 1,298	*$ 718*	$ 1,595	*$ 296*	$ 1,897	*$ 302*
General and Administrative Expense									
Ongoing Servicer Fee	$ 1,022	$ 1,011	$ 1,011	$ 1,803	*$ 792*	$ 2,089	*$ 286*	$ 2,089	*$ -*
Administration Fees	100	110	100	316	*$ 206*	400	*$ 84*	400	*$ -*
Bond Administration Fees	0	65	65	205	*$ 140*	260	*$ 55*	260	*$ -*
Bond Trustee Fees and Expenses	0	14	14	44	*$ 30*	56	*$ 12*	56	*$ -*
Legal Fees	0	35	10	32	*$ (3)*	40	*$ 8*	40	*$ -*
Accounting Fees	72	75	20	63	*$ (12)*	80	*$ 17*	80	*$ -*
Directors and Officers Insurance	434	352	182	352	*$ -*	375	*$ 23*	375	*$ -*
Miscellaneous	0	20	6	20	*$ (0)*	25	*$ 5*	25	*$ -*
Total General and Administrative Expense	$ 1,628	$ 1,682	$ 1,408	$ 2,835	*$ 1,153*	$ 3,325	*$ 490*	$ 3,325	*$ -*
Amortization of Restructuring Property	$ 94,035	$ 17,707	$ 15,672	$ 62,690	*$ 44,983*	$ 66,193	*$ 3,503*	$ 138,361	*$ 72,168*
Interest Expense Accrual	$ 88,129	$ 86,286	$ 86,286	$ 158,167	*$ 71,881*	$ 189,018	*$ 30,851*	$ 185,070	*$ (3,948)*
Amortization of Issue Premium	(9,449)	(12,729)	(12,729)	(29,340)	*$ (16,611)*	(44,151)	*$ (14,811)*	(41,109)	*$ 3,043*
Amortization of Issuance Costs		1,345	1,345	1,907	*$ 562*	2,125	*$ 218*	2,073	*$ (52)*
Total Interest Expense	$ 78,680	$ 74,902	$ 74,902	$ 130,734	*$ 55,832*	$ 146,992	*$ 16,258*	$ 146,034	*$ (957)*
Reserve Fund Earnings	$ 4	$ 10	$ 10	$ 36	*$ 26*	$ 42	*$ 6*	$ 42	*$ -*
NET INCOME	$ 58,031	$ (16,830)	$ (14,521)	$ 22,564	*$ 39,394*	$ 52,252	*$ 29,688*	$ 31,893	*$ (20,359)*

NOTE 1) Assumes semi-annual rate adjustments

Utility Debt Securitization Authority

The LIPA Reform Act, as amended, created the Utility Debt Securitization Authority ("UDSA") to issue restructuring bonds in an aggregate amount not to exceed $4.5 billion so as to refinance a portion of the Authority's existing debt at a lower cost. The UDSA has no commercial operations and was formed solely to issue bonds to refinance Authority debt. The UDSA has bond ratings of Aaa(sf), AAA(sf) and AAA(sf) from Moody's, Standard & Poor's and Fitch Ratings, respectively, compared to ratings of Baa1, A-, and A-, respectively, for Authority issued bonds.

The Authority issued approximately $2 billion of UDSA bonds in 2013 and an additional $1 billion in October 2015. The Authority plans to issue the balance of the authorized par amount of UDSA bonds of approximately $1.5 billion during its Three-Year Rate Plan to refinance Authority bonds as they become eligible for refinancing or are otherwise attractive.

The Authority's customer bills recover Restructuring Charges on every kWh of energy delivered on each customer's meter owed by the Authority's customers to the UDSA, and the Authority's own delivery charges are reduced by an amount that corresponds to the UDSA charges in each period; however, the UDSA charges are <u>not</u> Revenues subject to the Authority's bond resolutions.

The UDSA's revenues and expenses are consolidated with those of the Authority for financial reporting purposes; and therefore the information on UDSA presented herein is also reflected within the categories of revenue and expense of the Authority's Operating Budgets shown elsewhere. This supplemental schedule is shown separately as an information item for the reader.

Projected Borrowing Requirements and Facility Renewals

(Thousands of Dollars)

	Projected 2015	Approved 2016	*Change from Prior Year $*	Projected 2017	*Change from Prior Year $*	Projected 2018	*Change from Prior Year $*
Total Capital Expenditures & Deferrals	**$ 446,740**	**$ 685,055**	*$ 95,101*	**$ 745,979**	*$ 60,924*	**$ 630,061**	*$ (115,918)*
FEMA Contribution	(39,517)	(167,580)	*(41,464)*	(281,160)	*(113,580)*	(167,670)	*113,490*
Deduct Allowance for AFUDC	(5,663)	(8,897)	*2,049*	(7,198)	*1,699*	(8,108)	*(910)*
Net Capital Expenditures & Deferrals	**$ 401,559**	**$ 508,578**	***55,686***	**$ 457,621**	***(50,957)***	**$ 454,283**	***(3,338)***
Projected Funding Available from Coverage	$ (113,156)	$ (123,872)	*$ 15,039*	$ (165,410)	*$ (41,538)*	$ (194,079)	*$ (28,669)*
Contribution to OPEB Account from Coverage	2,000	49,821	*47,821*	49,689	*(133)*	52,143	*2,455*
Proceeds from 2014 Borrowings	(256,500)	-	*256,500*	-	*-*	-	*-*
Proceeds from 2015B Borrowings	(33,904)	(94,578)	*33,904*	-	*94,578*	-	*-*
Projected Borrowing Requirements for Capital Expenditures	**$ -**	**$ 339,949**	***408,950***	**$ 341,900**	***1,950***	**$ 312,347**	***(29,552)***
Projected Cost of Issuance on Borrowing Requirements	-	1,700	*2,045*	1,709	*10*	1,562	*(148)*
Projected Borrowing Requirements with Cost of Issuance	-	341,649	*154,495*	343,609	*1,960*	313,909	*(29,700)*
Series 2012C - Variable Rate Demand Bonds	$ 175,000	$ -	*$ (175,000)*	$ -	*$ -*	$ -	*$ -*
Series 2015A - Floating Rate Notes	200,000	-	*(200,000)*	-	*-*	-	*-*
Series 2014C - Floating Rate Notes	-	-	*-*	-	*-*	150,000	*150,000*
Series 2015C - Floating Rate Notes	149,000	-	*(149,000)*	-	*-*	149,000	*149,000*
Bonds Subject to Mandatory Refinancing	**$ 524,000**	**$ -**	***$ (524,000)***	**$ -**	***$ -***	**$ 299,000**	***$ 299,000***
General Revenue Notes, Series 2015	$ 325,000	$ -	*$ (325,000)*	$ -	*$ -*	$ 125,000	*$ 125,000*
Revolving Credit Agreement, Series 2013A	337,500	-	*-*	337,500	*-*	-	*-*
Subordinate Lien Commercial Paper, Series 2014	-	-	*-*	300,000	*-*	-	*-*
Revolving Bank Facilities and Commercial Paper Subject to Renewal [(a)]	**$ 662,500**	**$ -**	***$ (662,500)***	**$ 637,500**	***$ 637,500***	**$ 125,000**	***$ (512,500)***
Total Capital Expenditures, Mandatory Refinancings, and Facility Renewals	**$ 1,186,500**	**$ 341,649**	***$ (1,032,005)***	**$ 981,109**	***$ 639,460***	**$ 737,909**	***$ (243,200)***
Series 2006A-F	$ 477,165	$ 1,047,955	*$ 570,790*	$ -	*$ (1,047,955)*	$ -	*$ -*
Series 2008A-B	448,135	267,750	*(180,385)*	-	*(267,750)*	-	*-*
Series 2009A	108,610	183,250	*74,640*	-	*(183,250)*	-	*-*
Series 2011A	11,365	-	*(11,365)*	-	*-*	-	*-*
Potential Refinancing Opportunities	**$ 1,045,275**	**$ 1,498,955**	***$ 453,680***	**$ -**	***$ (1,498,955)***	**$ -**	***$ -***
Total Borrowings, Facility Renewals, and Refinancing Opportunities	**$ 2,231,775**	**$ 1,840,604**	***$ (578,325)***	**$ 981,109**	***$ (859,495)***	**$ 737,909**	***$ (243,200)***

Notes:

(a) These facilities provide the Authority with access to working capital; amounts represent the capacity of the facilities and are not necessarily drawn or borrowed

Projected Borrowing Requirements and Facility Renewals

The Authority anticipates funding from fixed obligation coverage (i.e. cash flow) after the payment of all expenses of $123.8 million in 2016, $165.4 million in 2017, and $194.0 million in 2018. The Authority has established an OPEB Account to pre-fund future post retirement related workforce expenses in each year after the payment of all other expenses and debt payments. These contributions are budgeted at $49.8 million, $49.7 million, and $52.1 million, respectively, leaving funds available to contribute to the Capital Budget in each year (in lieu of debt financing) of $74.1 million, $115.7 million, and $141.9 million. The balance of the Capital Budget would be funded from debt issues. In total, the Authority will fund $2.1 billion of infrastructure investments during the Rate Plan with debt funding of $1.0 billion, or approximately 48% debt financing and 52% grant and pay-as-you-go funding, significantly reducing the ratio of debt to net tangible assets.

The Authority has $299 million of variable-rate bonds that are subject to mandatory refinancing in 2018. In addition, the Authority has $762.5 of revolving and other bank facilities due for renewal during the Rate Plan period.

In addition, the Authority anticipates potential economic refinancing opportunities of up to $1.5 billion. All or a portion of these refinancings of outstanding debt may be executed pursuant to the additional UDSA authorization.

2016 Capital and Deferred Expenditures

(Thousands of Dollars)

Transmission and Distribution	
Regulatory Driven	
New Business	$15,616
Public Works	7,124
Tel Pole Transfers	3,650
Disturbance Monitoring (DME) (New program for 2015-NERC requirement)	3,398
Total Other Projects less than $1 million	1,245
Budget Reallocation	4,723
Total Regulatory Driven	$35,757
Load Growth	
Shelter Island - New Distribution. Substation	$12,000
Berry St Substation (formally North Lindenhurst) - New Sub 2 - 33 MVA Banks)	11,546
Kings Hwy - New Sub (3-33MVA Banks)	11,203
Conversion & Reinforcement (C&R) & New Exits individually valued at greater than $1 million	10,800
Riverhead - Eastport 69-951 Reconductor	10,300
Hempstead - Convert Sub from 23kV to 69kV	9,130
Navy Rd (Montauk) new 23-13kV Sub	9,000
Orchard Sub - Add Bank	8,460
Malverne - Replace existing banks & switchgear w/ 2-69/13kv 33MVA banks & 2 1/2 switchgear lineups	7,294
Middle Island - New Sub Land Purchase in 2015	6,000
Flowerfield Sub, C&R, Exit	5,250
Syosset Add 33MVA Bank	5,030
Cedarhurst-Upgrade Substation from 3 33kv, 69-13kv Bank	4,573

2016 Capital and Deferred Expenditures

(Thousands of Dollars)

Electric System Planning Jobs (C&R/DSI)	4,115
Mitchell Gardens new exit feeder	3,641
Ruland-Plainview-New Trans Circuit	3,544
New Cassel New Sub	2,400
Bayport - New feeder (Serota)	2,150
Levittown-Plainedge Reconductor 69-571	1,829
Greenfield - Land Purchase & Replace existing 33-4kv Banks with 69-13 kv Banks & UG Transmission	1,372
Total Other Projects less than $1 million	800
Budget Reallocation - NERC/CIP	(27,300)
Budget Reallocation - Other	(7,847)
Adjustments	2,433
Total Load Growth	$97,724
Reliability	
Distribution Transformers	$29,555
Minor Extension & Changes	20,983
Ocean Beach-Fire Island Pines Transmission Cable Life extension & N-1-1	15,758
Distribution Cable Replacement	13,894
Distribution Pole Replacement / Reinforcement	9,420
Long Beach - Replace first and second 1/2 switchgears & control cables	7,659
Far Rockaway Replace Distribution Switchgear 2&11	6,516
Far Rockaway - Replace 33kV Switchgear, Control Wiring and Control Panels	6,288

2016 Capital and Deferred Expenditures

(Thousands of Dollars)

Nesconset Cap Bank Addition (Smithtown area)	6,173
Multiple Interruptions	5,534
Substation Control & Protection Improvements	5,301
Distribution Station Equipment Failures	5,252
West Hempstead replace 69-13 kV 56 MVA bank with 69-13 kV 2-33 MVA banks	4,801
Rockaway Beach - Replace 4kv Banks & Switchgear 1&2	4,115
Transmission System Reliability	3,755
Transmission Breaker- Replacement/Additions	3,638
System Spares	3,532
Circuit Improvement Program	3,532
Arverne - Replace 33kv Switchgear, control wiring and control panels	3,430
Garden City Park 4kV Switchgear Replacement	3,430
Accidents	3,061
Bayport-Fire Island Pines and Other Circuits Splices Improvements	2,858
Captree-Robert Moses Trans. Cable Life Ext. circuit 23-738	2,744
Southampton - Cable Tapping	2,401
Transmission System Failures	2,263
Substation Reliability Enhancements Program	2,191
Elwood Install Double Bus Tie	2,058
Replace Transmission Poles	1,766
Barrett - Replace 1/2 switchgear a/w Bank 7 and 1/2 switchgear a/w Bank 8 & Bank 11	1,715
MacArthur - Install 27 MVAR Cap Bank	1,372
Ocean Beach Fair Harbor & Robert Moses-Fair Harbor Life Ext. Cable 23-749 & 23-742	1,372
Transmission Station Equipment Failures	1,235

2016 Capital and Deferred Expenditures

(Thousands of Dollars)

Distribution Subs - Minor Additions Program	1,226
Total Other Projects less than $1 million	6,021
Budget Reallocation - NERC/CIP	27,300
Budget Reallocation - Other	(1,595)
Adjustments	5,566
Total Reliability	$226,121
N-1-1 Reliability	$2,000
Economic/Salvage	($471)
Tools, Equipment & Other	
Capital Tools & Equipment	$2,792
Improve Substation Restoration Communications	118
Budget Reallocation	2,719
Total Tools, Equipment & Other	$5,629
Total Transmission and Distribution Projects	**$366,760**
Information Technology	
Transmission and Distribution Projects	$9,745
Customer Operations Projects	8,399

2016 Capital and Deferred Expenditures

(Thousands of Dollars)

Information Technology Projects	3,069
Power Markets Projects	1,346
Total Information Technology Projects	**$22,559**
Customer Operations	
Purchase and Install Conventional Electric Meters (Residential & Commercial)	$5,523
AMI Expansion - Use of AMI Meter for All New, Replace, Cause and Selective Sampling (Residential and Commercial)	4,000
AMI Expansion - Residential Meters (Targeted AMI Installations for Route Optimization)	3,000
Selective Residential Meter Test & Retirement Program	1,657
Extending of AMI and Installation	3,500
Utility 2.0 AMI	5,550
Total Other Projects less than $1 million	2,464
Total Customer Operations Projects	**$25,694**
Facilities	**$4,841**
DPS Reduction	**($14,170)**
Total PSEG Long Island Projects Excluding FEMA	**$405,684**

2016 Capital and Deferred Expenditures

(Thousands of Dollars)

2015 Deferred Capital Projects	
Transmission and Distribution	
Berry Street & Shelter Island	$27,361
Distribution Cable Replacements	4,000
Total Transmission and Distribution	$31,361
Information Technology	
IT Disaster Recovery	$3,644
Mobile Data Terminals	2,030
CGI OMS Phase2 Enhancements	1,051
Customer Billing - Paperless	805
ICL Replacement	439
eMeter	317
Total Information Technology	$8,286
Customer Operations	
Selective Meter Program	$1,446
Periodic Meter Program	641
Purchase Conventional Meters	423
I-Park Metering	255
LIRR Metering	233
ECOC	190

2016 Capital and Deferred Expenditures

(Thousands of Dollars)

Install Conventional Meters	118
Purchase Tools/Equipment - Measurement Svcs	7
Total Customer Operations	$3,314
Utilitity 2.0 AMI	$3,938
Facilities	$5,175
Total 2015 Deferred Capital Projects	**$52,074**
FEMA Related Projects	$186,200
Total PSEG Long Island Capital	**$643,958**