



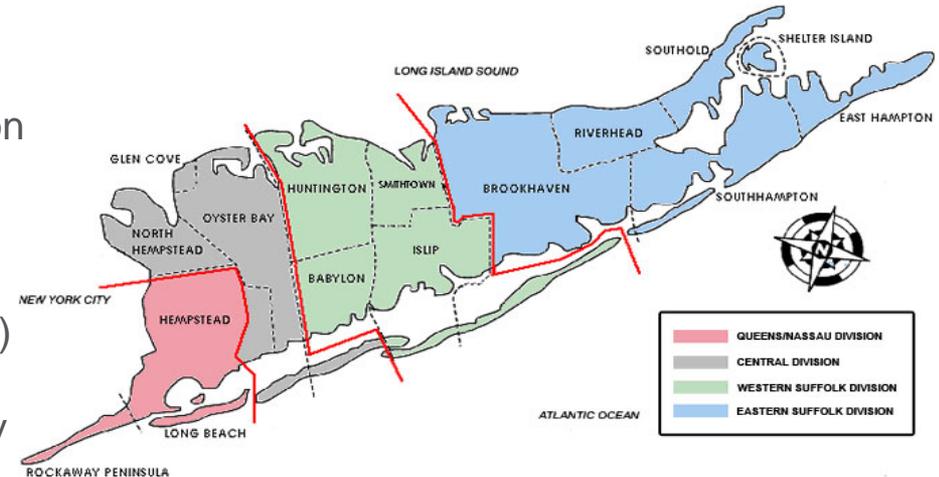
2017 Public Power Symposium

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Long Island Power Authority Overview



- The Authority is one of the largest public power utilities in the U.S.
 - ▶ Serves a population of approximately 3 million
 - ▶ Generated approximately \$3.4 billion in operating revenues in 2016
- Owns the Transmission and Distribution (“T&D”) system for much of Long Island, including Nassau and Suffolk counties and the Rockaway Peninsula
- The Authority is governed through a nine member Board of Trustees
- The Authority has contracted with PSEG Long Island to manage the T&D system
- The Board of Trustees approved a 3-year rate plan for the years 2016-2018



Relationship between LIPA and PSEG Long Island

LIPA owns and manages the debt for the T&D system assets; PSEG Long Island operates the T&D system assets. The below table outlines the division of responsibilities.

		
Number of Employees	~55	~2,350
Ownership of T&D System Assets	✓	
Financing and Debt Management	✓	
Reporting	✓	
Meter Reading		✓
Billing and Collections		✓
Customer Service		✓
Managing Customer Delinquencies and Disconnections		✓
Naming/Branding on Customer Bills		✓
Forecasting		✓

PSEG Long Island (“PSEG-LI”) — Performance Based Contract



- LIPA evaluates PSEG-LI utilizing Performance Metrics designed to achieve LIPA’s desired performance levels
 - Generally first quartile performance as determined by agreed industry peer benchmarks
- Performance Metrics are structured to maintain good performance and improve poor performance
 - Maintenance Metrics encourage continued satisfactory performance
 - Improvement Metrics incent improved performance over time
- To date, PSEG-LI has completed three years of T&D operations and:
 - Made substantial progress toward achieving or maintaining the Performance Metrics
 - Substantially improved LIPA’s standing as measured by J.D. Power Residential and Business customer satisfaction surveys



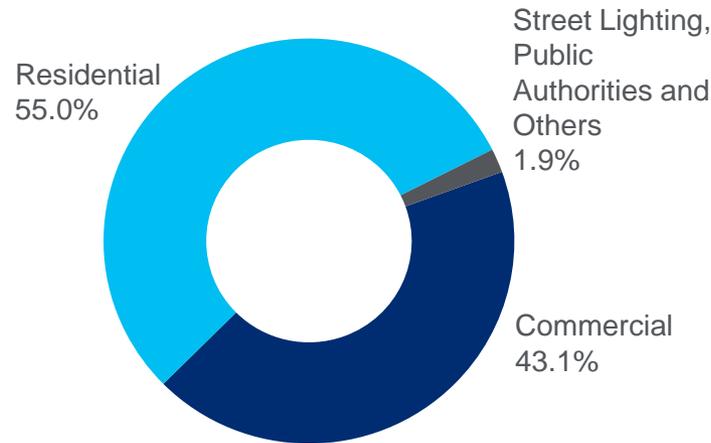
LIPA Service Area and Customer Base

Long Island's strong regional economy supports a diverse and stable customer base, with no industry or customer concentration.

Regional Economy

- Close proximity to Manhattan
- High average personal income, with a median household income that is substantially above the national median
- Highly skilled labor force
- Over 20 Colleges and Universities, Core Research Institutions
- Technology and Science Development Centers
- Desirable suburban lifestyle

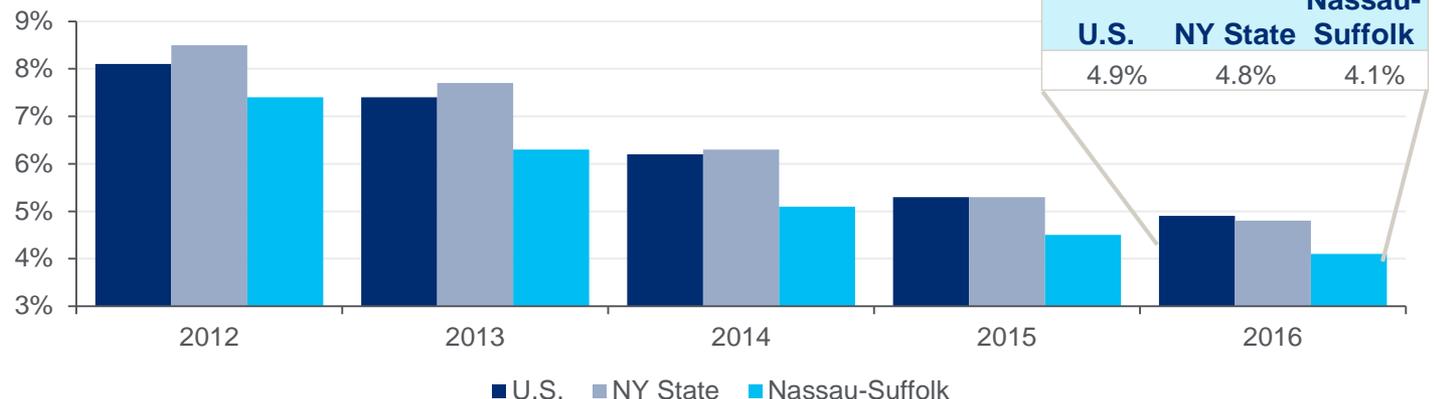
2016 Electric Revenue Composition



Largest Customers

- The 10 largest customers account for less than 6% of revenues
- Largest customer is the Long Island Rail Road which accounts for less than 2% of energy sales and revenues

Low and Declining Unemployment (Average Annual)¹



1. Bureau of Labor Statistics: <http://www.bls.gov/data/> (not seasonally adjusted data).

The T&D System: Reliable and More Resilient

The Authority and PSEG maintain a reliable T&D system.

T&D System Assets

- 1,375 miles of transmission lines
- 39 transmission substations
- 14,000 miles of distribution lines
- 157 substations

Investment in Resiliency

- \$730 million storm hardening program
 - 90% Payable with FEMA Grant
- Expected to harden the worst performing mainline circuits on the Authority's electric grid over the next several years
 - For 2018, includes upgrading, installing or replacing 320 miles of distribution circuits with stronger wire and poles

Record of Reliability

- LIPA and PSEG Long Island undertake programs intended to maintain and/or improve the reliability and quality of electric service within the Service Area

Reliability Averages over 2012-2016

	LIPA and PSEG Long Island	NY State Utilities*
Time between Outages (Months)	14.8	12.1
Interruption Time (Minutes)	73.7	118.2

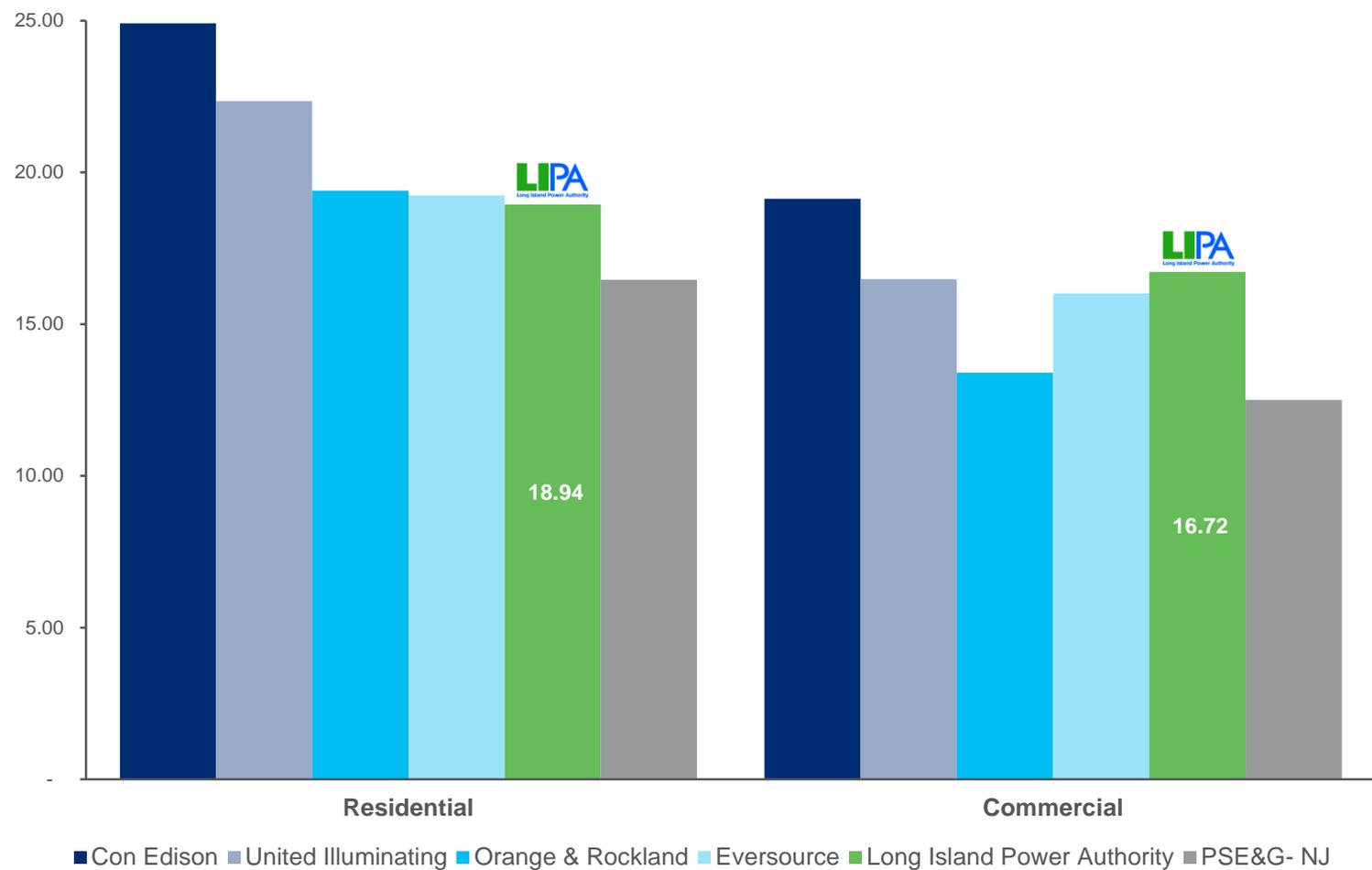
*Excluding Con-Ed NY which is primarily an underground utility

- These statistics indicate that LIPA's system-wide frequency and duration of outages were among the most favorable for similar overhead State utilities

Competitive Rates

The Authority maintains rates that compare favorably with peer utilities in the region.

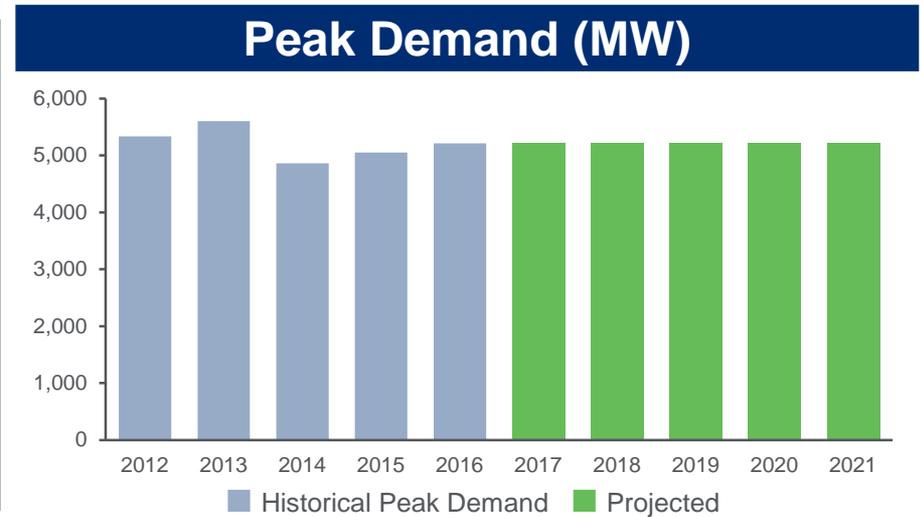
2016 Comparative Average Rates (¢/kWh)



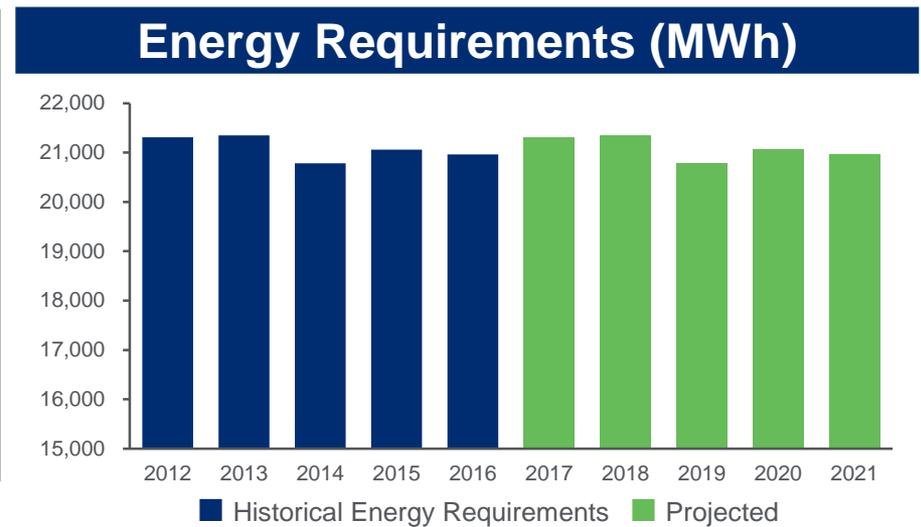
Stable Energy Demands and Declining Requirements

Consistent with state and national trends, the Authority's peak demand and energy sales have been stable and are expected to decline slightly over the longer-term.

- Peak demand has been stable historically
- PSEG-LI estimates annual peak demand growing at a rate of 0.7% for the five year period 2017 to 2021
- Adjusted for various demand side programs such as energy efficiency and renewables, summer peak demand is expected to decline over the same period



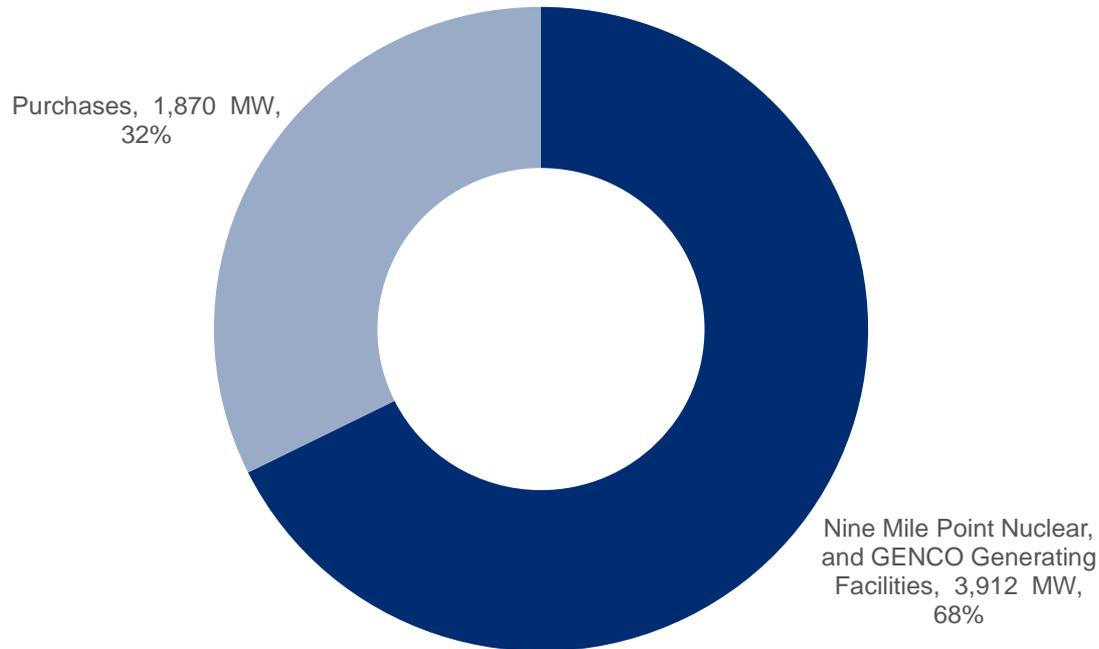
- To meet its capacity and energy requirements through 2021, LIPA expects to rely on
 - existing power supply resources
 - planned and approved projects
 - additional purchases
 - energy efficiency and demand side management programs



Sources of Electricity to Power Long Island

The Authority maintains a diversified power supply, with legacy generators representing 40% of LIPA's maximum electric production capability while only generating 21% of its energy.

2016 Actual Generating Capacity Provided



- LIPA's 18% interest in NMP2 and its rights to the capacity of the GENCO Generating Facilities provided approximately 3,910 MW of generating capacity.
- Purchases, including on-Island IPPs and off-Island purchases from other suppliers, provided approximately 1,870 MW of additional capacity.

Capital Improvement Plan

The Authority continues to reinvest in the T&D System, and bolster its resiliency.

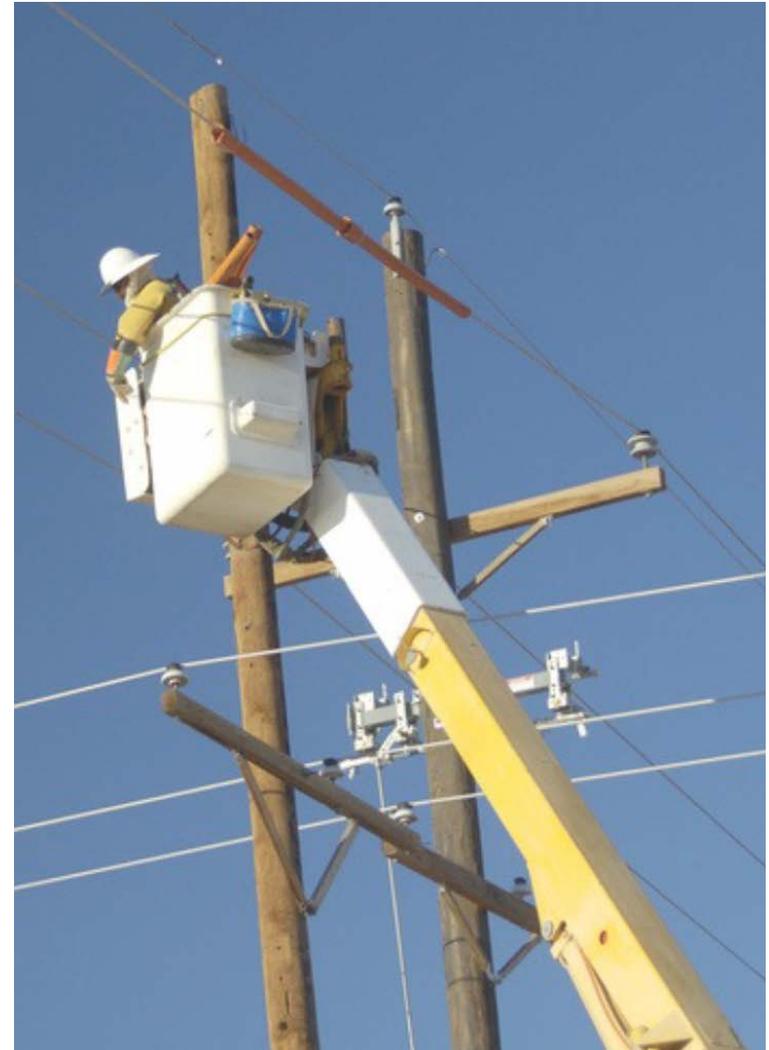
- 2017 capital expenditures through September 30, 2017 were approximately \$505 million
 - \$305 million was spent on transmission and distribution projects
 - Projects included reliability enhancements, capability expansion, new customer connections, facility replacements and public works
 - \$14 million was spent on information technology projects
 - \$44 million was spent on customer operations, other facilities, and other items
 - \$142 million was spent on FEMA-related storm hardening
- Approved 2017 capital expenditures are approximately \$683 million, which represents an increase over 2016 that is primarily a result of an additional:
 - \$69 million for T&D reliability projects
 - \$49 million to fund a portion of the continuing FEMA grant sponsored \$730 million storm hardening program



2018 Budget Highlights

The Authority's proposed 2018 Budget increases capital spending while maintaining improved targets for fixed obligation coverage.

- The Authority's proposed operating and capital budget for calendar year 2018 was released on November 14, 2017
- It is expected to be adopted, as it may be modified by the Authority's Board of Trustees, at a meeting scheduled for December 19, 2017
- Key highlights include:
 - \$761 million capital spending
 - \$190 million for FEMA Storm Hardening
 - 2017 expected fixed obligation coverage (excluding UDSA restructuring bonds): 1.31x
 - This approximates the targeted 1.30x
 - 2018 fixed obligation coverage target remains 1.40x
 - 1.25x including UDSA restructuring bonds



Strategic Objectives

The Authority is positioned to meet the challenges facing the utility industry as a whole, and has Board approved metrics designed to bolster its financial strength.

Preparing for Lower Demand

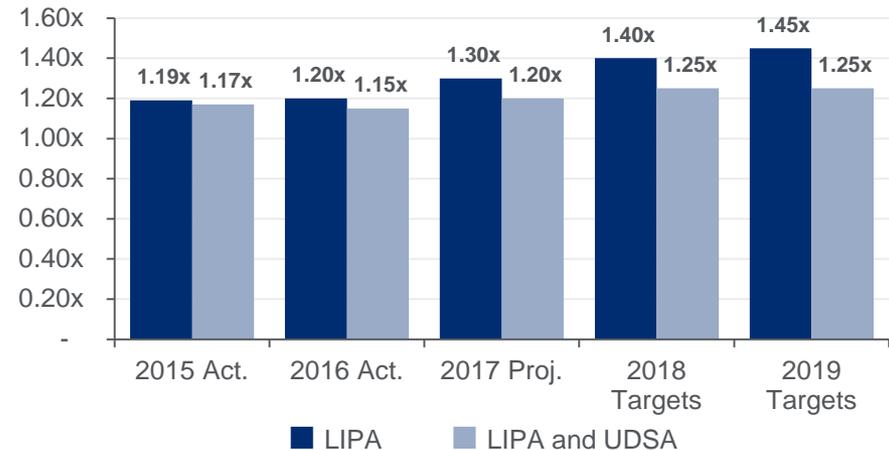
- The forecasted need for power plants in 2030 on Long Island has declined by 1,700 megawatts (24%) since 2013, the equivalent of 3-5 large baseload central station power plants
- This reduction is primarily due to greater adoption of energy efficiency as well as rooftop solar, and is consistent with state and national trends

Building the Renewables Portfolio

- The State has adopted a 50 percent renewable by 2030 goal
- For Long Island, this means adding approximately 800 megawatts of new renewable generation by 2030, enough to power approximately 300,000 typical homes

Three Year Rate Plan Goals

- Adopted the “Public Power Model” of rate-setting, using debt service coverage method in determining revenue requirements
- Increased fixed obligation coverage targets



- Bring down the level of debt funding as a percentage of LIPA’s annual capital program to 64% or less
- Raise credit ratings to A2 / A / A from Moody’s, S&P, and Fitch over the next 5 years

Looking Ahead — Integrated Resource Planning

As a result of the IRP, Repowering Studies and Brattle Group review, the Authority's staff made a number of recommendations to position LIPA's power supply for the future.

- Monitor Long Island energy and peak demand growth each year and the operating performance and budgets of generation plants relative to expectations
- Evaluate opportunities for economies of scale in offshore wind by partnering with NYSERDA and other local utilities in procurement and interconnection to the electric grid
- Maintain energy efficiency programs to reduce load by 950 megawatts through 2030 and ongoing efforts for fair property tax reductions on existing plants that reflect their past and forecasted decline in use
- Study the peaking generation fleet — particularly its ability to accommodate the flexible operating profile required by greater amounts of renewable generation
- Conduct technology neutral competitive procurements (e.g. peaking plants, batteries, demand response, etc.) to meet future identified needs



Summary

- ***Beneficial Public-Private Partnership*** — LIPA and PSEG Long Island maintain a performance-based relationship to incent satisfactory performance
- ***Strong Regional Economy and Customer Base*** — Long Island's strong regional economy supports a diverse and stable customer base, with no industry or customer concentration
- ***Reliable Power at Regionally Competitive Rates*** — The Authority and PSEG maintain a reliable T&D system, with rates that compare favorably with peer utilities in the region
- ***Preparing for a Lower Demand, Higher Renewable Future*** — The Authority is well positioned to meet the challenges facing the utility industry as a whole, with a diversified power supply with ample flexibility to resize as needed and meet renewables targets in the future
- ***Strong and Improving Overall Financial Profile*** — LIPA's improved financial profile warranted credit rating increases; higher targeted fixed obligation coverage, and reduced leverage position the Authority for continued improvement

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