

Presentation to the Finance and Audit Committee of the Board of Trustees – August 2017 Financial Report



LIPA Consolidated Results – August 2017

(\$ in thousands)

	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
Revenues	\$407,384	\$425,132	(\$17,748)	-4.2%	\$2,391,561	\$2,468,176	(\$76,615)	-3.1%	\$3,586,948
Power Supply Charge	206,974	222,189	15,215	6.8%	1,266,500	1,366,938	100,438	7.3%	1,992,875
Revenue Net of Power Supply Costs	\$200,410	\$202,943	(\$2,533)	-1.2%	\$1,125,061	\$1,101,238	\$23,823	2.2%	\$1,594,073
PSEG Long Island Operating and Managed Expenses									
PSEG Long Island Operating Expenses	\$52,611	\$48,489	(\$4,122)	-8.5%	\$373,346	\$367,232	(\$6,114)	-1.7%	\$556,743
PSEG Long Island Managed Expenses	(4,930)	7,487	12,417	165.8%	62,066	49,501	(12,565)	-25.4%	73,040
Utility Depreciation	15,167	14,031	(1,136)	-8.1%	112,626	111,510	(1,116)	-1.0%	167,634
PILOTS - Revenue-Based Taxes	3,680	3,943	263	6.7%	21,126	22,390	1,264	5.6%	32,482
PILOTS - Property-Based Taxes	23,753	23,757	4	0.0%	190,036	190,054	18	0.0%	285,772
LIPA Expenses									
LIPA Operating Expenses	7,341	8,013	672	8.4%	61,463	63,789	2,326	3.6%	95,655
LIPA Depreciation and Amortization	9,320	9,315	(5)	-0.1%	74,577	74,521	(56)	-0.1%	111,781
LIPA Deferred Amortized costs	2,585	2,585	-	0.0%	20,676	20,676	-	0.0%	31,015
Interest Expense, Other Interest Costs and Interest Amortizations	28,336	27,302	(1,034)	-3.8%	224,874	221,617	(3,257)	-1.5%	331,032
Total Expenses	\$137,863	\$144,922	\$7,059	4.9%	\$1,140,790	\$1,121,290	(\$19,500)	-1.7%	\$1,685,154
Other Income and Deductions	\$3,410	\$2,753	\$657	23.9%	\$24,534	\$22,548	\$1,986	8.8%	\$33,552
Grant Income	374	898	(524)	-58.4%	4,621	24,495	(19,874)	-81.1%	45,388
Change in Net Position	\$66,331	\$61,672	\$4,659	7.6%	\$13,426	\$26,991	(\$13,565)	-50.3%	(\$12,141)

Note: Variance - favorable/(unfavorable)



LIPA Managed Costs – Variance Explanations – August 2017

(\$ in thousands)

	Current Month				Year to Date				Annual
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	Budget
LIPA Expenses									
LIPA Operating Expenses	\$7,341	\$8,013	\$672	8.4%	\$61,463	\$63,789	\$2,326	3.6%	\$95,655
LIPA Depreciation and Amortization	9,320	9,315	(5)	-0.1%	74,577	74,521	(56)	-0.1%	111,781
LIPA Deferred Amortized Expenses	2,585	2,585	-	0.0%	20,676	20,676	-	0.0%	31,015
Interest Expense, Other Interest Costs and Interest Amortizations	28,336	27,302	(1,034)	-3.8%	224,874	221,617	(3,257)	-1.5%	331,032
Total Expenses	\$47,582	\$47,215	(\$367)	-0.8%	\$381,590	\$380,603	(\$987)	-0.3%	\$569,483
Other Income and Deductions	\$1,140	\$566	574	101.4%	\$5,769	\$4,531	1,238	27.3%	\$6,797
Grant Income	374	898	(524)	-58.4%	4,621	24,495	(19,874)	-81.1%	45,388
Total Income	\$1,514	\$1,464	\$50	3.4%	\$10,390	\$29,026	(\$18,636)	-64.2%	\$52,185

Note: Variance – favorable/(unfavorable)

- Operating expenses, year to date, are under budget by \$2.3M primarily due to lower than expected retirement benefit expenses and lower consulting costs due to delays in start dates
- Interest expense, year to date, is over budget by \$3.3M primarily due to higher amortization of non cash deferrals and fees on extending certain credit agreements
- Grant income, year to date, is under budget by \$19.9M primarily due to the delayed receipt of the Efficiency and Renewables RGGI grant from NYSERDA; \$17.3M was received in September with the balance expected to be received later in the year



LIPA Managed Costs – Professional Services –August 2017

(\$ in thousands)

	Current Month			Year to Date			Annual Budget
	Actual	Budget	\$ Var.	Actual	Budget	\$ Var.	
Professional Services							
Legal	\$310	\$323	\$13	\$2,590	\$2,586	(\$4)	\$3,878
Accounting and Audit Services	227	195	(32)	1,276	1,195	(81)	1,791
Engineering/Strategic Planning/Contract Oversight	6	141	135	523	1,133	610	1,700
Financial Advisor/Cash Management	104	134	30	1,087	1,069	(18)	1,604
Information Technology	42	76	34	566	608	42	912
Risk Management-Fuel & Insurance	(52)	14	66	253	340	87	395
Grant Administration	6	19	13	230	150	(80)	225
Miscellaneous	-	-	-	27	150	123	300
Total Professional Services	\$643	\$902	\$259	\$6,552	\$7,231	\$679	\$10,805

Note: Variance – favorable/(unfavorable)

- Professional services year-to-date, are under budget by \$0.7M primarily due to the timing of outstanding costs budgeted but not yet incurred for Engineering/Strategic Planning /Contract Oversight expenses



LIPA Liquidity Position – August 2017

Liquidity Position

(\$ in thousands)

	August 31, 2017	Days Cash	July 31, 2017	Days Cash
Operating liquidity				
Unrestricted cash and cash equivalents	\$345,244		\$292,331	
OPEB account cash, cash equivalents & investments	138,285		137,563	
PSEG LI Working Capital requirements	216,078		245,328	
Total operating liquidity	699,607	90 days	675,222	86 days
Available credit				
General Revenue Notes - Revolving Credit Facility	220,000		220,000	
General Revenue Commercial Paper	186,875		186,875	
Subordinated Revenue Commercial Paper	50,000		50,000	
Total available credit	456,875		456,875	
Total cash, cash equivalents, investments & available credit	\$1,156,482	148 days	\$1,132,097	145 days
Restricted cash				
FEMA - restricted	421,341		420,853	
UDSA	123,460		94,973	
Total restricted cash	\$544,801		\$515,826	



LIPA Consolidated Statement of Net Position

– August 2017

(\$ in thousands)

ASSETS & DEFERRED OUTFLOWS OF RESOURCES	August 31, 2017	July 31, 2017	Variance
Current assets	\$1,789,479	\$1,706,723	\$82,756
Capital assets	7,961,811	7,939,117	22,694
Regulatory assets (including current)	1,239,807	1,278,797	(38,990)
Other noncurrent assets	1,764,352	1,771,813	(7,461)
Deferred outflows of resources	260,593	266,482	(5,889)
Total assets & deferred outflows of resources	\$13,016,042	\$12,962,932	\$53,110
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Current liabilities	\$1,103,880	\$1,103,566	\$314
Regulatory liabilities	4,269	5,729	(1,460)
Long-term debt, (including current maturities)	7,226,053	7,224,027	2,026
Premiums on long-term debt	588,389	592,787	(4,398)
Capital leases	2,081,527	2,096,875	(15,348)
Other noncurrent liabilities	1,008,740	1,004,629	4,111
Deferred inflows of resources	534,690	533,156	1,534
Total liabilities & deferred inflows of resources	\$12,547,548	\$12,560,769	(\$13,221)
Total net position	\$468,494	\$402,163	\$66,331
Total liabilities, deferred inflows of resources & net position	\$13,016,042	\$12,962,932	\$53,110

- Current assets increased \$83M primarily due to higher cash balances and higher customer receivables due to seasonality
- Capital assets increased \$23M due to FEMA storm hardening of distribution circuits and other T&D system capital improvements
- Regulatory assets decreased \$39M primarily due to the scheduled fixed capacity component amortization of the Power Supply Charge
- Capital leases decreased \$15M due to the scheduled monthly amortization

PSEG Long Island Operating Costs – August 2017

(\$ in thousands)

	Current Month				Year to Date				Annual*
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	Budget
<u>PSEG Long Island Operating Expenses</u>									
Transmission & Distribution	\$23,031	\$16,863	(\$6,168)	-36.6%	\$147,012	\$126,318	(\$20,694)	-16.4%	\$189,850
Customer Services	8,760	10,136	1,376	13.6%	79,895	78,662	(1,232)	-1.6%	117,997
Business Services	10,085	12,641	2,557	20.2%	83,168	95,291	12,123	12.7%	145,925
Power Markets	835	1,270	435	34.3%	5,922	8,922	3,000	33.6%	14,054
Energy Efficiency & Renewable Energy	9,900	7,579	(2,321)	-30.6%	57,349	58,039	690	1.2%	88,917
Total PSEG Long Island Operating Expenses	\$52,611	\$48,489	(\$4,122)	-8.5%	\$373,346	\$367,232	(\$6,114)	-1.7%	\$556,743

Note: Variance - favorable/(unfavorable)

*FIT Evaluation Costs (DER) – annual budget of \$2.6M has been distributed to appropriate lines of business.

- Transmission & Distribution, year to date, is over budget by \$20.7M primarily due to an increase in tree trimming and circuit improvement costs targeted to improve reliability
- Customer Services, year to date, is over budget by \$1.2M primarily driven by additional outside services spend
- Business Services, year to date, is under budget by \$12.1M due to lower legal counsel, facility improvements and outside services spend
- Power Markets, year to date, is under budget by \$3.0M due to timing of various projects (Peaking, Renewable and Market Transition Study)
- Energy Efficiency & Renewable Energy, year to date, is under budget by \$0.7M primarily due to lower rebates than planned for Home Performance with the Energy Star Program

PSEG Long Island Managed Costs – August 2017

(\$ in thousands)

	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
<u>PSEG Long Island Managed Expenses</u>									
Uncollectible Accounts	(\$5,461)	\$3,036	\$8,497	279.9%	\$12,634	\$17,134	\$4,500	26.3%	\$25,647
Storm Restoration	(651)	3,140	3,791	120.7%	43,293	23,008	(20,286)	-88.2%	34,077
NYS Conservation Assessment & ORPS	1,203	941	(262)	-27.8%	7,581	6,402	(1,179)	-18.4%	8,880
Miscellaneous	(21)	370	391	105.8%	(1,442)	2,957	4,400	148.8%	4,436
Subtotal PSEG Long Island Managed Expenses	(4,930)	\$7,487	\$12,417	165.8%	\$62,066	\$49,501	(12,565)	-25.4%	\$73,040
Utility Depreciation	15,167	14,031	(1,136)	-8.1%	112,626	111,510	(1,116)	-1.0%	167,634
PILOTs - Revenue-Based Taxes	3,680	3,943	263	6.7%	21,126	22,390	1,264	5.6%	32,482
PILOTs - Property-Based Taxes	23,753	23,757	4	0.0%	190,036	190,054	18	0.0%	285,772
Total PSEG Long Island Managed Expenses	\$37,670	\$49,218	\$11,548	23.5%	\$385,854	\$373,455	(\$12,400)	-3.3%	\$558,928
Other Income and Deductions	\$2,270	\$2,187	\$83	3.8%	\$18,765	\$18,017	\$748	4.2%	\$26,755

Note: Variance - favorable/(unfavorable)

- Uncollectible Accounts, year to date, is under budget by \$4.5M, due to a decrease in the required accounts receivable reserve
- Storm Restoration, year to date, is over budget by \$20.3M, due to more activity and higher average costs per storm; two of the eight storms incurred required mutual aid assistance
- Miscellaneous is under budget, year to date, by \$4.4M due to expenses related to fleet costs partially offset by ARO NMP2 accretion

Revenue Variance Analysis – August 2017

(\$ in thousands)	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
Total Revenue	\$407,384	\$425,132	(\$17,748)	-4.2%	\$2,391,561	\$2,468,176	(\$76,615)	-3.1%	\$3,586,948
Power Supply Charge	206,974	222,189	15,215	6.8%	1,266,500	1,366,938	100,438	7.3%	1,992,875
Revenue Net of Power Supply Costs	\$200,410	\$202,943	(\$2,533)	-1.2%	\$1,125,061	\$1,101,238	\$23,823	2.2%	\$1,594,073
Sales of Electricity (MWh)									
Residential	1,038,470	1,072,184	(33,714)	-3.1%	6,259,450	6,410,042	(150,592)	-2.3%	9,237,712
Commercial	928,816	971,130	(42,314)	-4.4%	6,379,434	6,619,253	(239,820)	-3.6%	9,728,068
Public Authorities/Street Lighting	46,122	44,817	1,305	2.9%	368,355	370,556	(2,201)	-0.6%	555,815
Total Sales of Electricity (MWh)	2,013,408	2,088,131	(74,723)	-3.6%	13,007,238	13,399,851	(392,613)	-2.9%	19,521,596

Note: Variance - favorable/(unfavorable)

- Total Revenue, net of Power Supply Costs, year to date, is \$23.8M higher than budget due to the regulatory deferral mechanism primarily related to the Delivery Service Adjustment (DSA) for Storms
- Sales of electricity were lower than budget, year to date, by 393 GWh or 2.9% due to lower than expected load growth. Year to date sales are lower than budget in the Residential Sector by 2.3%, Commercial Sector by 3.6% and in Public Authorities/Street Lighting by 0.6%
- Other factors contributing to lower sales are a) partially related to weather, b) larger penetration of LED lighting, energy efficient products, solar installations and c) economic factors



PSEG Long Island Capital Expenditures – August 2017

(\$ in thousands)

	Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
Transmission and Distribution					
Regulatory Driven	\$1,164	\$7,022	\$5,858	83.4%	\$12,884
Load Growth	121,900	105,655	(16,245)	-15.4%	162,548
Reliability	135,504	127,133	(8,372)	-6.6%	192,183
Economic, Salvage, Tools, Equipment & Other	12,446	16,655	4,208	25.3%	31,156
Total Transmission and Distribution Projects	\$271,015	\$256,465	(\$14,550)	-5.7%	\$398,771
Other PSEG Long Island Capital Expenditures					
Information Technology Projects	11,356	25,446	14,090	55.4%	38,180
Customer Operations	11,780	7,439	(4,340)	-58.3%	11,197
Other General Plant Projects	1,336	2,229	893	40.1%	5,006
Fleet	1,665	15,500	13,835	89.3%	27,899
Management Fee	6,547	8,519	1,972	23.1%	12,779
Total PSEG Long Island Capital Expenditures Excluding FEMA	\$303,698	\$315,598	\$11,900	3.8%	\$493,832
FEMA	136,582	123,334	(13,248)	-10.7%	188,754
Total PSEG Long Island Capital Expenditures	\$440,280	\$438,932	(\$1,349)	-0.3%	\$682,586

Note: Variance - favorable/(unfavorable)

- Transmission and Distribution is over budget, year to date, by \$14.5M due to an increase of \$16.2M in load growth projects related to New Business and an increase of \$8.4M in reliability projects, offset by \$5.9M in regulatory driven projects and \$4.2M due to delay in equipment and tool purchases
- IT is under budget by \$14.1M due to the deferral of several projects, Customer Operations is over budget by \$4.3M due to additional AMI work, and Fleet is under budget by \$13.8M due to the timing of purchasing new vehicles
- FEMA is over budget by \$13.2M, year to date, due to greater circuit mileage completed than planned

PSEG Long Island Major Capital Expenditures Over \$25M (Total Project Cost) – August 2017



Description	Original Total Project Cost (\$M)	Total Project Actuals Through 8/31/17 (\$M)	Current Working Estimate (\$M)	Current Estimated Completion Date
Berry St.: New substation	\$25.4	\$23.2	\$26.9	Jun-18
Kings Highway: New substation	\$35.5	\$6.0	\$35.8	Dec-18
Southampton to Canal: Transmission	\$56.2	\$0.1	\$52.2	Jun-19
Bridgehampton to Buell: Transmission	\$49.6	\$0.1	\$46.1	Jun-19
Sagtikos: New substation	\$64.5	\$0.0	\$60.2	Jun-25
Nassau Hub (Lindbergh): New substation	\$57.0	\$0.1	\$51.0	Jun-19
Two Way Radio System Replacement	\$50.0	\$1.6	\$45.6	Dec-19
East Garden City to Valley Stream: Transmission	\$190.6	\$0.9	\$175.9	Dec-20
Syosset to Shore Rd.: Transmission	\$254.9	\$0.0	\$254.9	Jun-24
Riverhead to Canal: Transmission	\$191.5	\$0.0	\$191.5	Jun-22
Substation Security Expansion Project	\$57.6	\$8.6	\$52.3	Dec-24
Wainscott to Canal: Transmission	\$413.7	\$0.0	\$413.7	Jun-25
Ruland Rd to Plainview: Transmission	\$26.8	\$2.1	\$22.7	Dec-18
Shelter Island Replace Underground Failed Cable	\$29.5	\$2.9	\$24.7	May-18
Hempstead: New substation	\$49.8	\$4.4	\$44.7	Jun-19
Total	\$1,552.6	\$49.9	\$1,498.2	

PSEG Long Island Capital Expenditures 2017 Project Carry Over Cost into 2018

T&D 2017 Project Carry Over Costs into 2018 (Thousands of Dollars)

Transmission & Distribution

	Location	Investment Description	2017 Carry Over Costs
Reliability Projects			
	Kings Highway	Establish new 138/13kV substation	3,000
Total Reliability Projects			\$ 3,000

Business Services

Facilities

	Hicksville	Operations 2 Renovation	1,000
Total Business Services			\$ 1,000
Total 2017 Carry Over Costs into 2018			\$ 4,000

Hedge Program Summary Report August 2017

Hedge Program Summary Report – August 2017

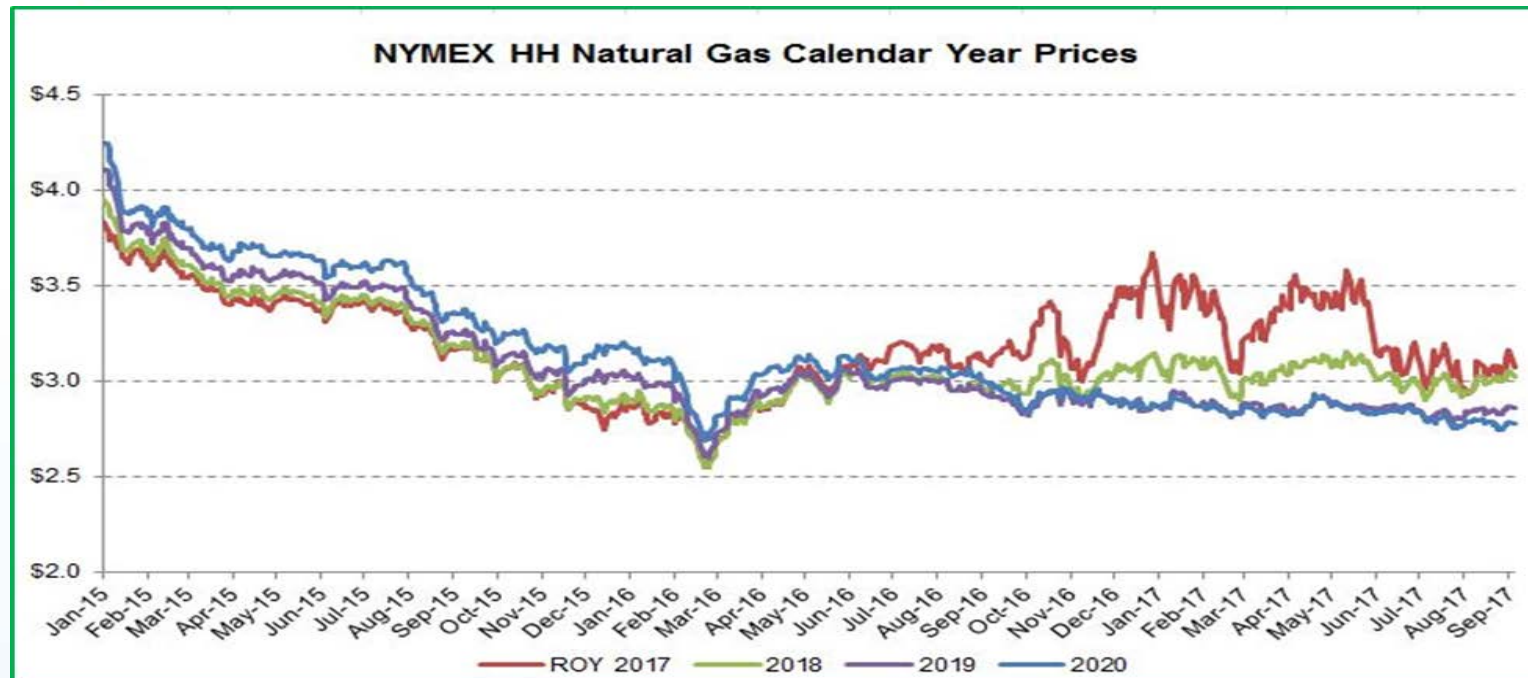


Ref.	<u>Hedge Position</u>	2017	2018	2019	2020
1	Hedge Ratio %: Swaps, Options + FP Physical Contracts	64%	58%	49%	42%
2	Change from last Month, %	1%	0%	0%	0%
<u>Mark-to-Market (\$ millions)</u>				<u>Collateral, Received / (Posted)</u>	
Realized		Unrealized		All Forward Periods	
Aug-17	YTD	All Forward Periods, Unrealized*		As of 8/31/2017	As of 7/31/2017
3	(\$4.85)	(\$38.1)	(\$21.1)	(\$21.3)	(\$24.0)

*Includes the Net Present Value ("NPV") of all forward MtM and Premium values

- NYMEX Natural Gas prices declined during the first week of August due to lackluster weather impacting demand giving PSEG ER&T an opportunity to execute value trigger hedges across our hedge time horizon. During the latter part of the month smaller time-trigger hedges were placed for natural gas basis, power and power basis which are reflected in the Hedge Ratios in Line Ref. #1 noting that in some periods did not materially move the calendar Hedge Ratios
- **August 2017 realized hedge losses totaled \$4.85M**, due to lower prices for natural gas and purchased power impacting the settlement on August 2017 hedges. The August 2017 NYMEX Natural Gas Contract (commodity) settled on July 27th, 2017 at \$2.969/dthm which is **3.2% below the July 2017 Natural Gas Contract** settlement of \$3.067/dthm
- In spite of anemic weather in the Northeast, NYMEX NG prices moved higher due to concerns surrounding the impact of Hurricane Harvey on gas demand and supply that would be curtailed. These factors pushed natural gas and power prices higher at the end of August 2017 causing the **Unrealized MtM value of the LIPA portfolio to increase at the end of August 2017 by \$18.9M to (\$21.1M)** versus the value observed at the end of July; while **LIPA collateral posting decreased \$2.7M to \$21.3M** as noted on Line Ref. #3

Hedge Program Summary Report – August 2017



- The **balance of calendar year 2017 (Oct – Dec) NYMEX natural gas prices were up 6.1%** since last month breaking back above \$3.10/dthm. Natural gas prices for **2018 increased 4.3%**, while natural gas prices in **2019 through 2020 increased 1.0%** versus prices observed at the end of last month
- In August 2017 L.I. high temperatures averaged just below 80° and during the last weekend in August high temperatures hovered near 70° and as a result **spot gas prices at the Transco NY City Gate touched a low of \$1.405/dthm during this period.** Earlier in the month **spot gas prices at the Transco NY City Gate were averaging \$2.30/dthm, and touched a high of \$3.145/dthm during mid-month**
- Updated forecasts for September 2017 indicate normal weather for much of the U.S. with the warmest anomalies in the interior west part of the country. The forecast did little to move the **NYMEX Natural Gas Futures contract (Sept. 2017) which settled on August 29th at \$2.961/dthm, very close to the August 2017 NYMEX NG contract settlement of \$2.969/dthm**