

LIPA Finance and Audit Committee

September 27, 2017

Update by PSEG ER&T

Agenda

- **Impact of Hurricane Harvey**
- **Update on Benchmarking Activity**
- **Hedge Results**
- **Winter Weather Forecasts**

Impact of Hurricane Harvey on LIPA

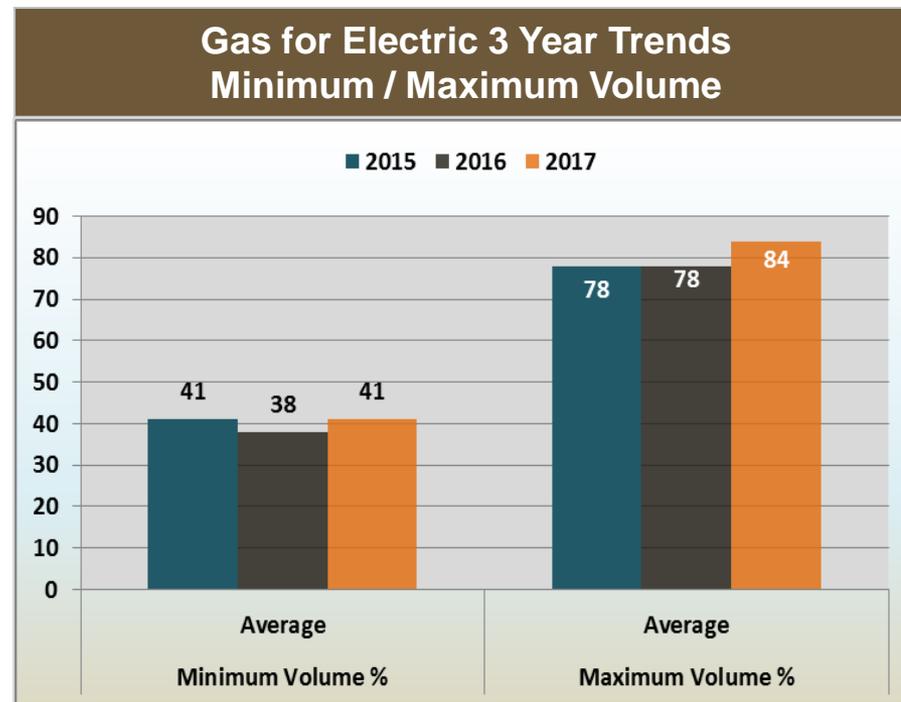
We expected and have seen minimal impact from Harvey on power prices on Long Island due to:

- **Natural gas purchases are sourced from Ohio / Pennsylvania**
 - Natural gas prices in the NE have  8% (Aug 15 – Sept 13)
- **Wells and Pipelines in Texas appear to be intact**
 - Limited production offline / less reliance on offshore rigs
- **Near term production decline vs. demand destruction**
 - Production declines offset by refinery closures and reduced generation
- **Oil prices have little to do with power prices in the Northeast**
 - Power Prices in PJM have  2% (Aug 15 – Sept 13)
- **Refined oil prices increased near-term, refineries coming back**
 - Light oil  10%; gasoline  10 % (\$0.16/gallon)
 - Minimal impact on power prices

Forward prices for October 2017 delivery

Benchmarking Activities Associated With Hedging

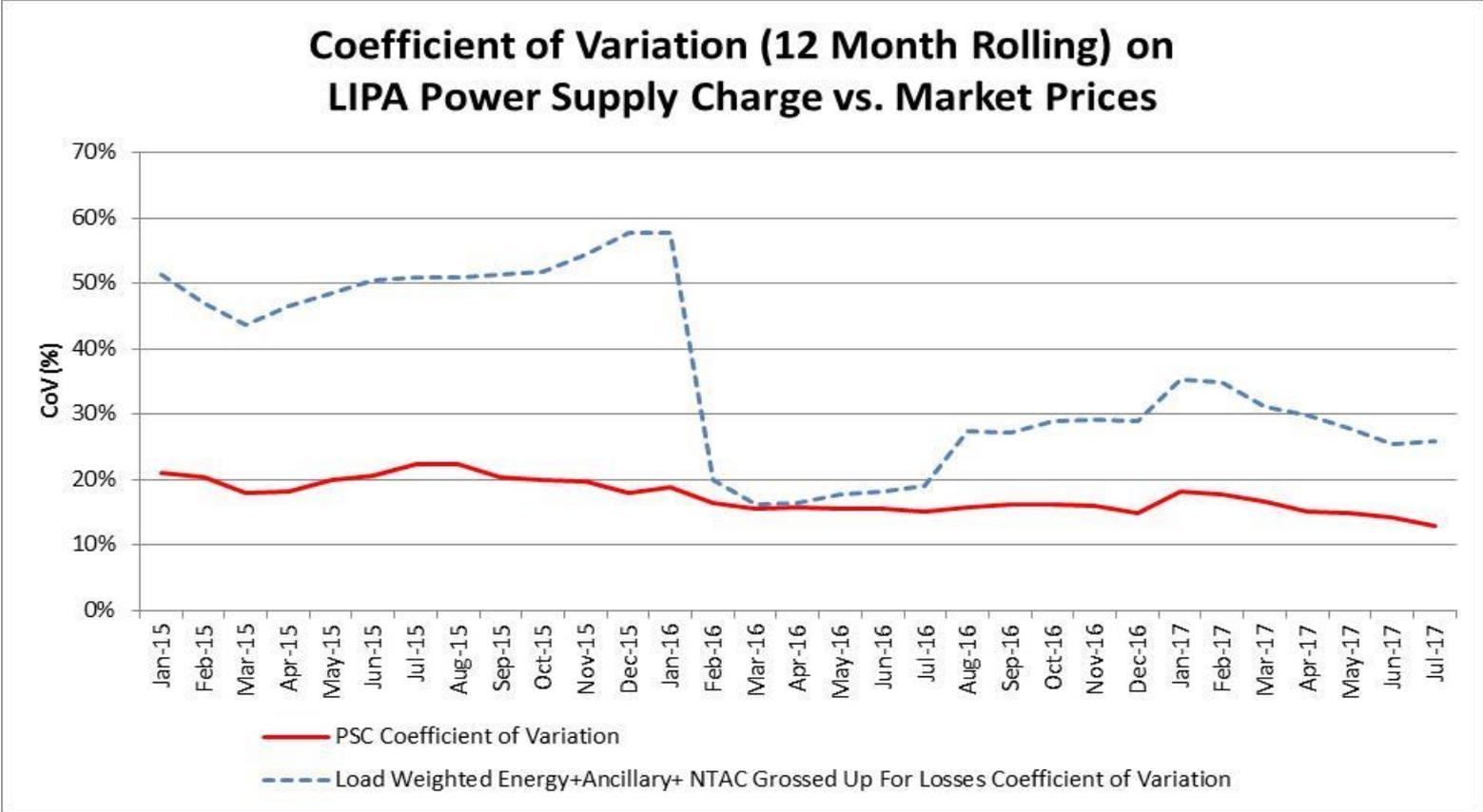
- We continue to use industry surveys to guide our hedging program
 - Over 21 utilities across North America participate
- We review survey results concerning:
 - Why companies hedge, when they hedge and how much
- We review annually with ERM and update as necessary



FCStone 2017 Hedge Survey

Hedge Results – Customer Price Volatility Has Been Declining

Board Policy: Mitigate a portion of the volatility of power supply costs in a programmatic and reasonable way on behalf of the Authority’s customer-owners



After Two Extremely Mild Winters, The Forecasters Are Saying..

WSI: “with warmer-than-normal temperatures through the eastern US, although some models like the ECMWF hint at a cooler eastern US scenario as we saw in 2013-14 and 2014-15”.

Farmer’s Almanac: “colder than last winter”, “a bit more normal”

WeatherBell: normal for Northeast

