

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



LIPA Consolidated Results – November 2017

(\$ in thousands)

	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
Revenues	\$236,204	\$239,913	(\$3,709)	-1.5%	\$3,234,676	\$3,320,307	(\$85,631)	-2.6%	\$3,586,948
Power Supply Charge	124,668	138,977	14,309	10.3%	1,696,010	1,835,945	139,935	7.6%	1,992,875
Revenue Net of Power Supply Costs	\$111,536	\$100,936	\$10,600	10.5%	\$1,538,666	\$1,484,362	\$54,304	3.7%	\$1,594,073
PSEG Long Island Operating and Managed Expenses									
PSEG Long Island Operating Expenses	\$36,090	\$47,410	\$11,320	23.9%	\$497,673	\$509,052	\$11,379	2.2%	\$556,743
PSEG Long Island Managed Expenses	13,502	5,330	(8,172)	-153.3%	102,256	67,569	(34,687)	-51.3%	73,040
Utility Depreciation	14,635	14,031	(604)	-4.3%	156,177	153,603	(2,574)	-1.7%	167,634
PILOTS - Revenue-Based Taxes	2,249	2,160	(89)	-4.1%	29,564	30,059	495	1.6%	32,482
PILOTS - Property-Based Taxes	22,967	24,102	1,135	4.7%	260,186	261,670	1,484	0.6%	285,772
LIPA Expenses									
LIPA Operating Expenses	7,714	8,066	352	4.4%	84,384	87,781	3,397	3.9%	95,655
LIPA Depreciation and Amortization	9,320	9,315	(5)	-0.1%	102,536	102,465	(71)	-0.1%	111,781
LIPA Deferred Amortized Expenses	2,585	2,585	-	0.0%	28,430	28,430	-	0.0%	31,015
Interest Expense, other Interest Costs and Interest Amortizations	27,773	27,202	(571)	-2.1%	308,462	303,405	(5,057)	-1.7%	331,032
Total Expenses	\$136,835	\$140,201	\$3,366	2.4%	\$1,569,668	\$1,544,034	(\$25,634)	-1.7%	\$1,685,154
Other Income and Deductions	\$2,318	\$2,750	(\$432)	-15.7%	\$33,144	\$30,801	\$2,343	7.6%	\$33,552
Grant Income	9,197	907	8,290	914.0%	32,459	27,199	5,260	19.3%	45,388
Change in Net Position	(\$13,784)	(\$35,608)	\$21,824	-61.3%	\$34,601	(\$1,672)	\$36,273	-2169.4%	(\$12,141)

Note: Variance - favorable/(unfavorable)



LIPA Managed Costs – Variance Explanations – November 2017

(\$ in thousands)

	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
LIPA Expenses									
LIPA Operating Expenses	\$7,714	\$8,066	\$352	4.4%	\$84,384	\$87,781	\$3,397	3.9%	\$95,655
LIPA Depreciation and Amortization	9,320	9,315	(5)	-0.1%	102,536	102,465	(71)	-0.1%	111,781
LIPA Deferred Amortized Expenses	2,585	2,585	-	0.0%	28,430	28,430	-	0.0%	31,015
Interest Expense, other Interest Costs and Interest Amortizations	27,773	27,202	(571)	-2.1%	308,462	303,405	(5,057)	-1.7%	331,032
Total Expenses	47,392	\$47,168	(\$224)	-0.5%	523,812	522,081	(1,731)	-0.3%	\$569,483
Other Income and Deductions	\$52	\$566	(\$514)	-90.8%	\$7,609	\$6,230	\$1,379	22.1%	\$6,797
Grant Income	9,197	907	8,290	914.0%	32,459	27,199	5,260	19.3%	45,388
Total Income	\$9,249	\$1,473	\$7,776	527.9%	\$40,068	\$33,429	\$6,639	19.9%	\$52,185

Note: Variance – favorable/(unfavorable)

- Operating expenses, year to date, are under budget by \$3.4M primarily due to lower than expected retirement benefit expenses and lower consulting costs
- Interest expense, year to date, is over budget by \$5.1M primarily due to higher variable rates than projected, unbudgeted amortization of non-cash deferrals and fees on increasing and extending certain credit
- Grant income, year to date, is over budget by \$5.3M primarily due to the favorable timing of NYSERDA grants offset by delays in completed FEMA projects and associated depreciation expense



LIPA Managed Costs – Professional Services – November 2017

(\$ in thousands)

	Current Month			Year to Date			Annual Budget
	Actual	Budget	\$ Var.	Actual	Budget	\$ Var.	
Professional Services							
Legal	\$542	\$323	(\$219)	\$3,854	\$3,555	(\$299)	\$3,878
Accounting and Audit Services	37	158	121	1,555	1,629	74	1,791
Engineering/Strategic Planning/Contract Oversight	-	142	142	564	1,558	994	1,700
Financial Advisor/Cash Management	86	134	48	1,432	1,470	38	1,604
Information Technology	(28)	76	104	729	836	107	912
Risk Management-Fuel & Insurance	73	14	(59)	450	381	(69)	395
Grant Administration	5	19	14	262	207	(55)	225
Miscellaneous	-	-	-	53	225	172	300
Total Professional Services	\$715	\$866	\$151	\$8,899	\$9,861	\$962	\$10,805

Note: Variance – favorable/(unfavorable)

- Professional services year-to-date, are under budget by \$1M primarily due to the timing of outstanding costs budgeted but not yet incurred for Engineering/Strategic Planning /Contract Oversight expenses

LIPA Liquidity Position – November 2017

Liquidity Position

(\$ in thousands)

	November 30, 2017	Days Cash	October 31, 2017	Days Cash
Operating liquidity				
Unrestricted cash and cash equivalents	\$343,085		\$391,684	
OPEB account cash, cash equivalents & investments	144,398		142,168	
PSEG LI Working Capital requirements	222,150		204,864	
Total operating liquidity	709,633	91 days	738,716	95 days
Available credit				
General Revenue Notes - Revolving Credit Facility	308,500		308,500	
General Revenue Commercial Paper	186,875		186,875	
Subordinated Revenue Commercial Paper	90,625		50,000	
Total available credit	586,000		545,375	
Total cash, cash equivalents, investments & available credit	\$1,295,633	166 days	\$1,284,091	164 days
Restricted cash				
FEMA - restricted	311,613		333,049	
UDSA	218,801		183,902	
Total restricted cash	\$530,414		\$516,951	

LIPA Consolidated Statement of Net Position

– November 2017



(\$ in thousands)

ASSETS & DEFERRED OUTFLOWS OF RESOURCES	November 30, 2017	October 31, 2017	Variance
Current assets	\$1,694,618	\$1,750,219	(\$55,601)
Capital assets	8,031,175	8,009,594	21,581
Regulatory assets (including current)	1,255,684	1,247,077	8,607
Other noncurrent assets	1,611,303	1,640,700	(29,397)
Deferred outflows of resources	285,666	265,660	20,006
Total assets & deferred outflows of resources	\$12,878,446	\$12,913,250	(\$34,804)
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Current liabilities	\$977,818	\$1,017,356	(\$39,538)
Regulatory liabilities	1,526	2,271	(745)
Long-term debt, (including current maturities)	7,177,397	7,206,200	(28,803)
Premiums on long-term debt	643,325	579,628	63,697
Capital leases	2,036,336	2,051,859	(15,523)
Other noncurrent liabilities	1,010,394	1,011,016	(622)
Deferred inflows of resources	541,982	541,468	514
Total liabilities & deferred inflows of resources	\$12,388,778	\$12,409,798	(\$21,020)
Total net position	\$489,668	\$503,452	(\$13,784)
Total liabilities, deferred inflows of resources & net position	\$12,878,446	\$12,913,250	(\$34,804)

- Current assets decreased \$56M primarily due lower customer receivables
- Capital assets increased \$22M due to FEMA storm hardening of distribution circuits and other T&D system capital improvements
- Other noncurrent assets decreased \$29M due to the funding of FEMA projects thereby reducing restricted fund balance
- Deferred outflows of resources increased due to deferred defeasance costs resulting from the November refunding
- Current liabilities decreased \$40M primarily due to the repayment of commercial paper
- Long-term debt decreased by \$29M due to the refunding of certain bonds with the UDSA Financing Order No. 5
- Premiums on long-term debt increased by \$64M due to the issuance of UDSA Bonds
- Capital leases decreased \$15M due to the scheduled monthly amortization

PSEG Long Island Operating Costs – November 2017

(\$ in thousands)

	Current Month				Year to Date				Annual*
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	Budget
PSEG Long Island Operating Expenses									
Transmission & Distribution	\$8,296	\$16,161	\$7,866	48.7%	\$188,342	\$173,942	(\$14,400)	-8.3%	\$189,850
Customer Services	10,870	9,973	(896)	-9.0%	108,367	108,264	(103)	-0.1%	117,997
Business Services	11,309	12,525	1,216	9.7%	116,109	132,704	16,594	12.5%	145,925
Power Markets	731	1,258	527	41.9%	7,994	12,756	4,762	37.3%	14,054
Energy Efficiency & Renewable Energy	4,885	7,493	2,608	34.8%	76,860	81,386	4,526	5.6%	88,917
Total PSEG Long Island Operating Expenses	\$36,090	\$47,410	\$11,320	23.9%	\$497,673	\$509,052	\$11,379	2.2%	\$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 \$14.4M primarily due to an increase in tree trimming and circuit improvement costs targeted to improve reliability
- Business Services, year to date, is under budget by \$16.6M due to lower legal counsel, shared facilities expenses and outside services spend
- Power Markets, year to date, is under budget by \$4.8M due to the deferral of various projects (Peaking, Renewable and Market Transition Study)
- Energy Efficiency & Renewable Energy, year to date, is under budget by \$4.5M primarily due to lower rebates than planned for Home Performance with the Energy Star Program

PSEG Long Island Managed Costs – November 2017

(\$ in thousands)

	Current Month				Year to Date				Annual
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	Budget
PSEG Long Island Managed Expenses									
Uncollectible Accounts	\$1,745	\$1,633	(\$111)	-6.8%	\$18,238	\$23,860	\$5,622	23.6%	\$25,647
Storm Restoration	11,226	2,796	(8,430)	-301.5%	76,570	31,352	(45,218)	-144.2%	34,077
NYS Conservation Assessment & ORPS	744	531	(213)	-40.2%	10,121	8,290	(1,830)	-22.1%	8,880
Miscellaneous	(212)	370	582	157.5%	(2,673)	4,066	6,739	165.7%	4,436
Subtotal PSEG Long Island Managed Expenses	\$13,502	\$5,330	(\$8,172)	-153.3%	\$102,256	\$67,569	(\$34,687)	-51.3%	\$73,040
Utility Depreciation	14,635	14,031	(604)	-4.3%	156,177	153,603	(2,574)	-1.7%	167,634
PILOTs - Revenue-Based Taxes	2,249	2,160	(89)	-4.1%	29,564	30,059	495	1.6%	32,482
PILOTs - Property-Based Taxes	22,967	24,102	1,135	4.7%	260,186	261,670	1,484	0.6%	285,772
Total PSEG Long Island Managed Expenses	\$53,353	\$45,623	(\$7,730)	-16.9%	\$548,184	\$512,900	(\$35,283)	-6.9%	\$558,928
Other Income and Deductions	\$2,266	\$2,184	\$82	3.8%	\$25,535	\$24,571	\$965	3.9%	\$26,755

Note: Variance - favorable/(unfavorable)

- Uncollectible Accounts, year to date, is under budget by \$5.6M, due to a decrease in the required accounts receivable reserve
- Storm Restoration, year to date, is over budget by \$45.2M, due to a higher number of storms than planned and higher average costs per storm; four of the thirteen storms incurred required mutual aid assistance. Included in YTD Storm actual is \$9.7M for Hurricane Jose storm preparation costs
- Miscellaneous, year to date, is under budget by \$6.7M due to depreciation and interest costs partially offset by ARO NMP2 accretion

Revenue Variance Analysis – November 2017

(\$ in thousands)	Current Month				Year to Date				Annual
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	Budget
Total Revenue	\$236,204	\$239,913	(\$3,709)	-1.5%	\$3,234,676	\$3,320,307	(\$85,631)	-2.6%	\$3,586,948
Power Supply Charge	124,668	138,977	14,309	10.3%	1,696,010	1,835,945	139,935	7.6%	1,992,875
Revenue Net of Power Supply Costs	\$111,536	\$100,936	\$10,600	10.5%	\$1,538,666	\$1,484,362	\$54,304	3.7%	\$1,594,073
Sales of Electricity (MWh)									
Residential	636,378	607,817	28,562	4.7%	8,361,007	8,509,247	(148,240)	-1.7%	9,237,712
Commercial	733,997	732,620	1,377	0.2%	8,665,912	8,957,863	(291,951)	-3.3%	9,728,068
Public Authorities/Street Lighting	48,320	44,472	3,848	8.7%	509,901	506,901	3,000	0.6%	555,815
Total Sales of Electricity (MWh)	1,418,695	1,384,908	33,787	2.4%	17,536,820	17,974,010	(437,190)	-2.4%	19,521,596

Note: Variance - favorable/(unfavorable)

- Total Revenue, net of Power Supply Costs, year to date, is \$54.3M higher than budget due to the regulatory deferral mechanism primarily related to the Delivery Service Adjustment (DSA) for storms and debt service
- Sales of electricity were lower than budget, year to date, by 437 GWh or 2.4%
- Factors contributing to lower sales are:
 - a) Weather: Cooling Degree Days (CDD) during the summer peak months (May-September) were lower than anticipated by approximately 32 CDDs. Heating Degree Days (HDD) during the winter months (January - April & October - November) were lower than anticipated by approximately 405 HDDs. Both variances create a negative impact on sales from budget. Weather assumptions utilized in the budget process are based on a thirty year average.
 - b) Lower than expected Load growth
 - c) Larger penetration of LED lighting, energy efficient products and solar installations
 - d) Economic factors



PSEG Long Island Capital Expenditures – November 2017

(\$ in thousands)

	Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
Transmission and Distribution					
Regulatory Driven	\$2,553	\$10,829	\$8,277	76.4%	\$12,884
Load Growth	152,821	143,779	(9,042)	-6.3%	162,548
Reliability	186,739	177,344	(9,395)	-5.3%	192,183
Economic, Salvage, Tools, Equipment & Other	23,206	22,039	(1,166)	-5.3%	31,156
Total Transmission and Distribution Projects	\$365,318	\$353,992	(\$11,326)	-3.2%	\$398,771
Other PSEG Long Island Capital Expenditures					
Information Technology Projects	17,896	34,995	17,099	48.9%	38,180
Customer Operations	16,213	10,259	(5,955)	-58.0%	11,197
Other General Plant Projects	2,005	4,359	2,354	54.0%	5,006
Fleet	14,720	24,799	10,080	40.6%	27,899
Management Fee	8,830	11,714	2,884	24.6%	12,779
Total PSEG Long Island Capital Expenditures Excluding FEMA	\$424,982	\$440,117	\$15,135	3.4%	\$493,832
FEMA	171,870	171,952	82	0.0%	188,754
Total PSEG Long Island Capital Expenditures	\$596,852	\$612,069	\$15,217	2.5%	\$682,586

Note: Variance - favorable/(unfavorable)

- Transmission and Distribution is over budget, year to date, by \$11.3M due to an increase of \$9.4M in reliability projects, an increase of \$9.0M in load growth projects related to New Business and an increase of \$1.2M in equipment purchases offset by \$8.3M in regulatory driven projects
- IT is under budget by \$17.1M due to the deferral of several projects, Customer Operations is over budget by \$6.0M due to additional AMI work, and Fleet is under budget by \$10.1M due to the timing of purchasing new vehicles

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



Description	Original Total Project Cost (\$M)	Total Project Actuals Through 11/30/17 (\$M)	Current Working Estimate (\$M)	Current Estimated Completion Date
Shelter Island Replace Underground Failed Cable	\$29.5	\$6.6	\$26.1	Jun-18
Southampton to Canal: Transmission	\$56.2	\$0.2	\$52.2	Jun-19
Two Way Radio System Replacement	\$50.0	\$8.7	\$42.1	Dec-19
Berry St.: New substation	\$25.4	\$26.7	\$36.2	Jun-20
Hempstead: New substation	\$49.8	\$6.1	\$33.2	Jun-20
Ruland Rd to Plainview: Transmission	\$26.8	\$2.7	\$46.8	Jun-20
East Garden City to Valley Stream: Transmission	\$190.6	\$2.1	\$175.9	Dec-20
Kings Highway: New substation	\$35.5	\$7.1	\$54.7	Dec-19
Bridgehampton to Buell: Transmission	\$49.6	\$0.2	\$46.1	Jun-21
Riverhead to Canal: Transmission	\$191.5	\$0.0	\$191.5	Jun-21
Nassau Hub (Lindbergh): New substation	\$57.0	\$0.1	\$51.4	Jun-22
Substation Security Expansion Project	\$57.6	\$8.7	\$52.9	Dec-23
Syosset to Shore Rd.: Transmission	\$254.9	\$0.0	\$254.9	Jun-24
Sagtikos: New substation	\$64.5	\$0.0	\$60.2	Jun-25
Wainscott to Canal: Transmission	\$413.7	\$0.0	\$413.7	Jun-25
Total	\$1,552.6	\$69.2	\$1,537.9	

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

2017 Carry Over Costs into 2018
(Thousands of Dollars)

Location	Investment Description	2017 Carry Over Costs
<u>Transmission and Distribution</u>		
Reliability Projects		
Kings Highway	Establish new 138/13 kV substation	3,000
Total Transmission and Distribution		\$ 3,000
 <u>Business Services</u>		
Facilities		
Hicksville	Operations 2 Renovation	1,000
Total Business Services		\$ 1,000
Total 2017 Carry Over into 2018		\$ 4,000

Hedge Program Summary Report November 2017

Hedge Program Summary Report – November 2017



Ref.	<u>Hedge Position</u>	2017	2018	2019	2020
1	Hedge Ratio %: Swaps, Options + FP Physical Contracts	57%	59%	49%	42%
2	Change from last Month, %	0%	0%	0%	0%

<u>Mark-to-Market (\$ millions)</u>			Collateral, Received / (Posted) All Forward Periods		
Realized		Unrealized			
Nov-17	YTD	All Forward Periods, Unrealized*	As of 11/30/2017	As of 10/31/2017	
3	(\$7.45)	(\$48.9)	(\$13.7)	(\$12.6)	(\$26.6)

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

- NYMEX Natural Gas prices remained volatile during November with the prompt month NYMEX Natural Gas contract hitting an intra-day high of \$3.231/dthm on November 13th. Price were driven by an increase in natural gas demand for residential heating as temperatures fell across the Midwest and Northeast. During this period, high temperatures on LI hovered just above the freezing point with the lows falling to between 24^o-28^o. Despite the mid-month temperatures, NYMEX Natural Gas prices fell during the last week of the month touching \$2.797/dthm as demand abated with milder weather and increases in Northeast gas production.
- PSEG ER&T placed smaller volume required time-trigger hedges during the month for natural gas basis, power and power basis. The smaller volume trades did not have a material impact on the Hedge Ratios in Line Ref. #1.
- **November 2017 realized hedge losses totaled \$7.454M** due to lower settlement of gas basis (transportation cost to the Transco Zone 6 NYC gate) and lower settlement prices on power hedges. The **unrealized MtM value of LIPA's portfolio increased at the end of November 2017 by \$15.2M to (\$13.7M)** versus the value observed at the end of October of (\$28.9M); while **LIPA collateral posting decreased \$14M from \$26.6M to \$12.6M** as noted on Line Ref. #3.

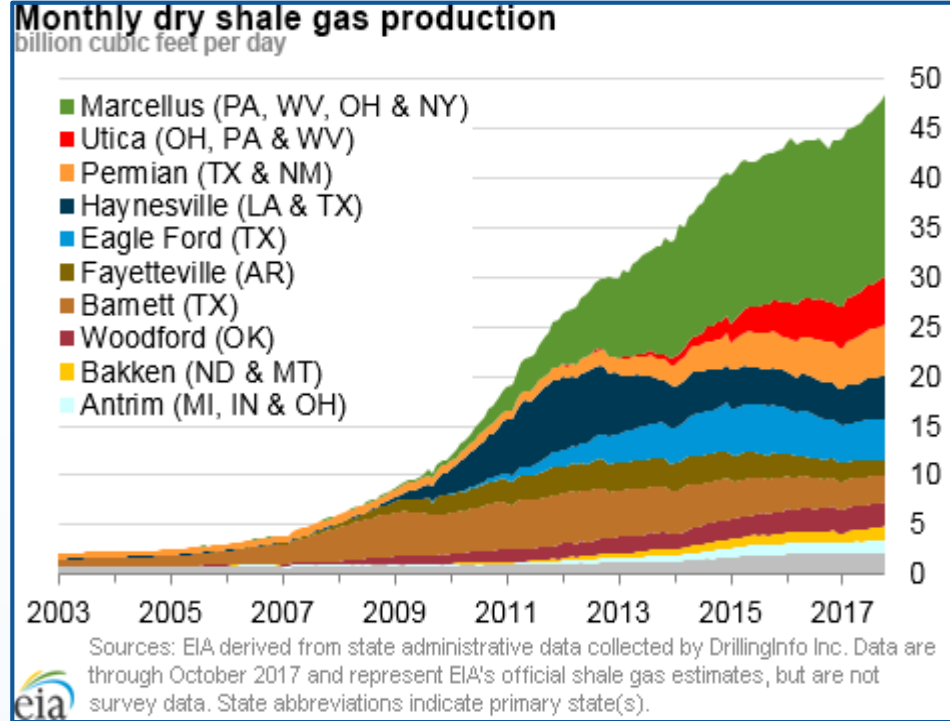
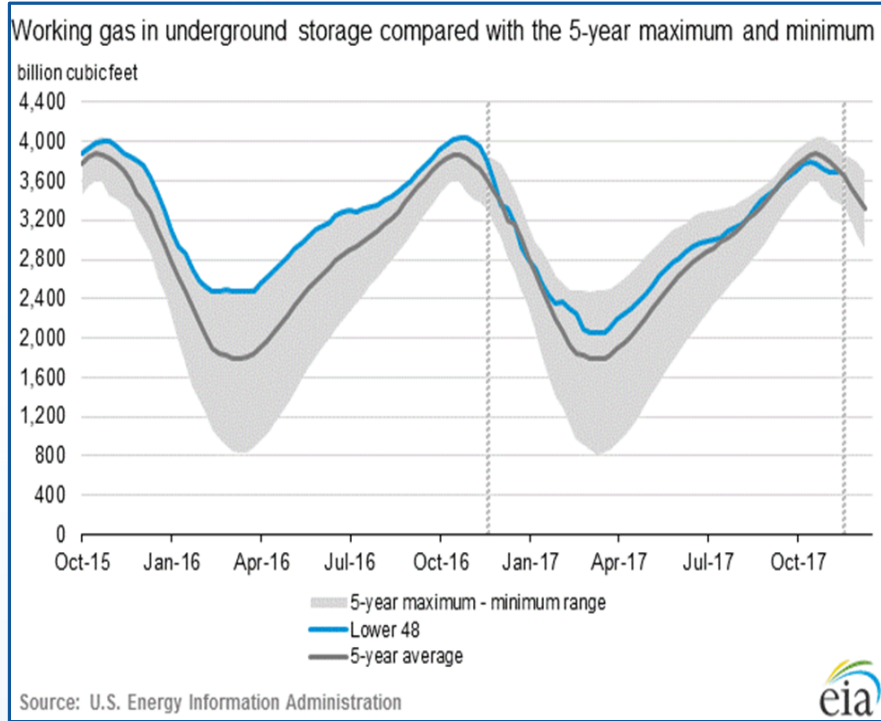
Hedge Program Summary Report – November 2017



- With the December 2017 NYMEX Natural Gas contract expiring on November 28th focus now turns to calendar **2018** (represented by the green line in the graph to the left) **which increased by 0.2%**, compared to the end of last month. However, natural gas prices for **2019 through 2020 (and 2021 not shown) were down by approximately 0.60%**, when compared to prices observed at the end of last month reflecting expectations of increasing production and recent constraints on LNG transportation.

- During November, cash gas prices at Transco Zone 6 NYC were directly impacted by the weather in November with prices ranging from a low of \$1.345/dthm on November 2nd to a high of \$5.695/dthm on November 10th and a monthly average of \$2.914/dthm. Natural gas remained the lowest cost fuel to consume during November with LI generation consuming 99% natural gas and 1% liquid fuels.
- Based on the natural gas forward curve shown above, compared to the projected cost of residual fuel oil, natural gas should remain the economic fuel of choice.

Hedge Program Summary Report – November 2017



- According to the EIA as of December 1st working gas in storage was **3,695 Bcf, 264 Bcf less than last year** at this time and **36 Bcf below the five-year average of 3,731 Bcf**, however current total working gas is within the five-year historical range.
- U.S. natural gas production hit a record high of 76.8Bcf/day in late November according to Reuters News and has also set a new 30-day average production high of 76.1Bcf/day. Northeast shale gas production in the Marcellus and Utica regions has been a major factor to production records.
- The natural gas rig count has dropped from a **high of 192 rigs in July to 180** in recent Baker-Hughes reports, but overall gas production continues to climb.