

# **CFO Report: Noteworthy Progress & Real Results** *2017 Finance Results and 2018 Financial Plan*

December 19, 2017



# LIPA Consolidated Results – November 2017

(\$ in thousands)

	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
<b>Revenues</b>	<b>\$236,204</b>	<b>\$239,913</b>	<b>(\$3,709)</b>	<b>-1.5%</b>	<b>\$3,234,676</b>	<b>\$3,320,307</b>	<b>(\$85,631)</b>	<b>-2.6%</b>	<b>\$3,586,948</b>
Power Supply Charge	124,668	138,977	14,309	10.3%	1,696,010	1,835,945	139,935	7.6%	1,992,875
<b>Revenue Net of Power Supply Costs</b>	<b>\$111,536</b>	<b>\$100,936</b>	<b>\$10,600</b>	<b>10.5%</b>	<b>\$1,538,666</b>	<b>\$1,484,362</b>	<b>\$54,304</b>	<b>3.7%</b>	<b>\$1,594,073</b>
<b>PSEG Long Island Operating and Managed Expenses</b>									
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
<b>LIPA Expenses</b>									
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
<b>Total Expenses</b>	<b>\$136,835</b>	<b>\$140,201</b>	<b>\$3,366</b>	<b>2.4%</b>	<b>\$1,569,668</b>	<b>\$1,544,034</b>	<b>(\$25,634)</b>	<b>-1.7%</b>	<b>\$1,685,154</b>
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
<b>Change in Net Position</b>	<b>(\$13,784)</b>	<b>(\$35,608)</b>	<b>\$21,824</b>	<b>-61.3%</b>	<b>\$34,601</b>	<b>(\$1,672)</b>	<b>\$36,273</b>	<b>-2169.4%</b>	<b>(\$12,141)</b>

Note: Variance - favorable/(unfavorable)



# LIPA Liquidity Position – November 2017

## Liquidity Position

(\$ in thousands)

	November 30, 2017	Days Cash	October 31, 2017	Days Cash
<b>Operating liquidity</b>				
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	
<b>Total operating liquidity</b>	<b>709,633</b>	<b>91 days</b>	<b>738,716</b>	<b>95 days</b>
<b>Available credit</b>				
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	
<b>Total available credit</b>	<b>586,000</b>		<b>545,375</b>	
<b>Total cash, cash equivalents, investments &amp; available credit</b>	<b>\$1,295,633</b>	<b>166 days</b>	<b>\$1,284,091</b>	<b>164 days</b>
<b>Restricted cash</b>				
FEMA - restricted	311,613		333,049	
UDSA	218,801		183,902	
<b>Total restricted cash</b>	<b>\$530,414</b>		<b>\$516,951</b>	

# LIPA 2017 Debt Summary

# LIPA 2017 Debt Accomplishments

- Early in 2017 LIPA renegotiated its Revolving Credit Agreement increasing the facility to \$350 million and extending the final maturity to March 2019
- LIPA completed an RFP solicitation for letters of credit that provide credit support for our General Revenue Notes
- LIPA secured letters of credit from six banks totaling \$800 million with expiration dates ranging from December 2020 to December 2021 at reduced cost
- LIPA also eliminated a provision in its senior lien bond resolution that restricted the final maturity of our General Revenue Notes that resulted in a market anomaly and a higher cost

Type	Capacity (Mils)	Broker-Dealer	Provider	Expiration	Status
Revolver	\$350	TD	Various	2019	Existing, extended
GR-1	200	Goldman	TD	2021	Existing, extended
GR-2	100	Wells Fargo	State Street	2021	New LOC
GR-3	100	Wells Fargo	US Bank	2020	Existing, extended
GR-4	200	RBC	RBC	2021	New LOC
GR-5	100	Citi	Citi	2020	New LOC
GR-6	100	Barclays	Barclays	2021	New broker-dealer & LOC

## LIPA issued Bonds on November 30 to Fund System Improvements

- Sold \$350 million par amount of new money bonds to fund electric system improvements
- LIPA offering was aggressively priced
- Robust investor demand resulted in **\$6.1 billion in orders for \$350 million bonds**
- Bond yields were lowered 15 basis points saving the Authority \$525,000 per year
- **LIPA bonds were priced to yield 1.79% in 2021 to 3.21% in 2047**
- **All-in borrowing cost of 3.82%**

## LIPA Recognized by Rating Agencies

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### S&P Global Ratings

- Standard & Poor's ratings were confirmed at A- with a **rating outlook upgrade from Stable to Positive**, this is the first outlook change to Positive for the Authority in two decades

### MOODY'S INVESTORS SERVICE

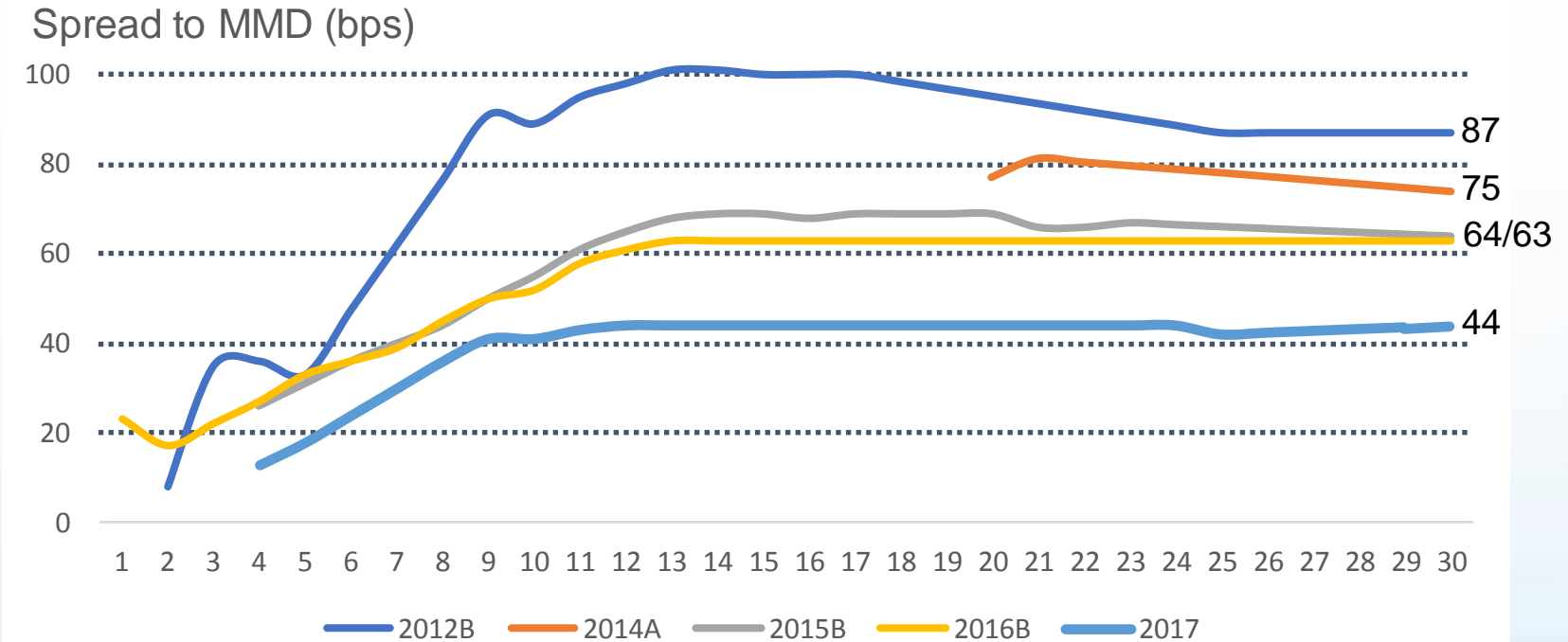
- Moody's confirmed LIPA's A3 rating indicating that an upgrade could occur if LIPA's fixed charge coverage rises above 1.40x and its debt ratio decline below 100% on a sustained basis

### FitchRatings

- Fitch indicates that a sustained trend of improved financial performance including a material decline in leverage could result in a positive rating action over the long-term

# LIPA Bond Pricing Continues to Improve

*LIPA Pricing Has Improved in Every Financing since the LIPA Reform Act*





# UDSA 2017 Finance Summary

# Utility Debt Securitization Authority Restructuring Bonds, Series 2017



**The Series 2017 Transaction generated over \$45.4 million of PV Savings bringing total UDSA savings to \$492 million**

<b>Offering Terms</b>	
<b>Issuer</b>	Utility Debt Securitization Authority
<b>Ratings (M/S/F)</b>	Aaa (sf) / AAA (sf) / AAA (sf)
<b>Principal Amount</b>	\$369,465,000
<b>Pricing Date</b>	October 24, 2017

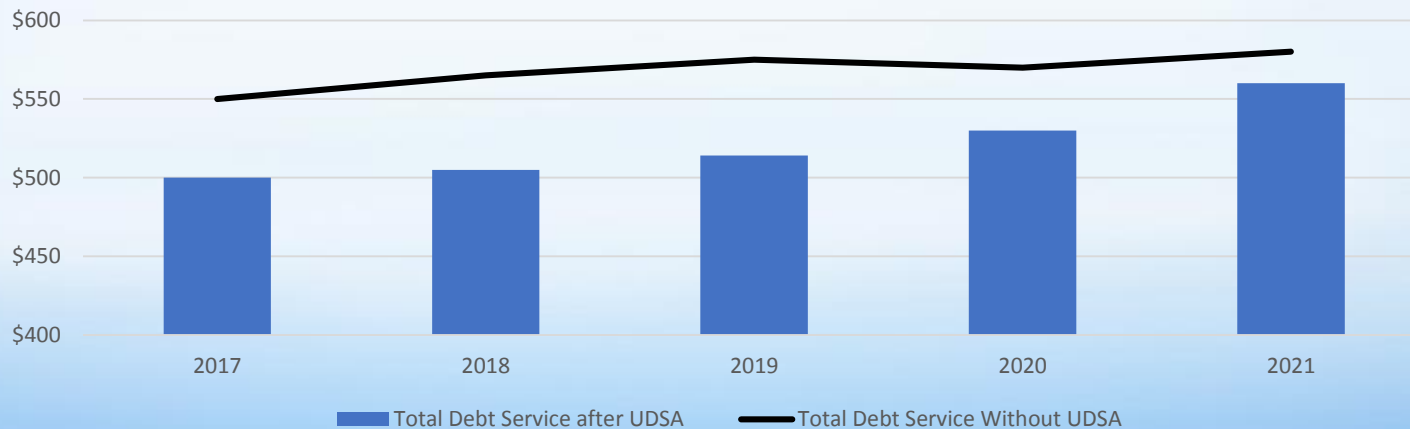
- **\$822 million of investor orders** for \$370 million bonds
- The transaction priced with yields from **1.13% to 2.76% in 2039** and **credit spreads of -24 to +7 bps** to the “AAA” Scale



# LIPA Reform Act Saves Customers \$492 Million

	Series 2013	Series 2015	Series 2016A	Series 2016B	Series 2017	Total
Bond Par Amount	\$2,022,324,000	\$1,002,115,000	\$636,770,000	\$469,320,000	\$369,465,000	<b>\$4,499,994,000</b>
All-in TIC	4.21%	3.4%	2.7%	2.0%	3.45%	
Average Life	14 Years	16 Years	12 Years	7 Years	17 Years	
Average Coupon of Refunded Bonds	4.6%	5.5%	5.2%	4.6%	5.2%	
Net PV Savings	\$131,608,713	\$127,977,538	\$115,238,294	\$71,647,250	\$45,386,975	<b>\$491,858,771</b>
Percentage Savings of Refunded Bonds	6.7%	12.2%	15.8%	11.8%	11.3%	<b>10.5%</b>

## Debt Service After 2015-2017 UDSA Transactions



# LIPA 2018 Plan of Finance

## *Board Authorization for New Money and Potential Refunding*

### **LIPA New Money Bonds to Finance 2018 Capital Expenditures:**

- \$450 million in New Money bonds to finance electric system infrastructure

### **Bonds Subject to Mandatory Refinancing:**

- \$150 million Series 2014C – LIBOR Floating Rate Notes
- \$149 million Series 2015C – LIBOR Floating Rate Notes
- Anticipated renewals will be three to four years

### **Bonds Eligible to be Refinanced for Savings:**

- \$430 million of Series 2012 A & B eligible
- Monitor market opportunities for potential refunding
- Currently, \$390 million of bonds generate \$20 million of savings

## Capital Structure

(Thousands of Dollars)

(in Thousands)	LIPA	UDSA	Total
December 31, 2016 (Actual)	\$ 3,762,597	\$ 3,965,529	<b>\$ 7,728,126</b>
December 31, 2017 (Projected)	3,643,839	4,262,396	<b>7,906,235</b>
December 31, 2018 (Proposed)	3,999,751	4,139,593	<b>8,139,344</b>

- Three-year average annual capital spending of over \$675 million with debt increase slightly over \$205 million per year