

# Presentation to the Finance and Audit Committee of the Board of Trustees – April 2018 Financial Report



# LIPA Consolidated Results – April 2018

| (\$ in thousands)                        | Year to Date       |                    |                   |              | Annual Budget      |
|--|--------------------|--------------------|-------------------|--------------|--------------------|
|  | Actual             | Budget             | \$ Var.           | % Var.       |                    |
| <b>Revenues</b>                          | <b>\$1,018,044</b> | <b>\$999,498</b>   | <b>\$18,546</b>   | <b>1.9%</b>  | <b>\$3,521,694</b> |
| Power Supply Charge                      | 539,934            | 571,070            | 31,136            | 5.5%         | 1,876,980          |
| <b>Revenue Net of Power Supply Costs</b> | <b>\$478,110</b>   | <b>\$428,428</b>   | <b>\$49,682</b>   | <b>11.6%</b> | <b>\$1,644,714</b> |
| PSEG Long Island Operating Expenses      | \$178,742          | \$185,182          | \$6,440           | 3.5%         | \$577,705          |
| PSEG Long Island Managed Expenses        | 234,994            | 189,640            | (45,354)          | -23.9%       | 585,336            |
| LIPA Managed Expenses                    | 190,192            | 188,893            | ( 1,299 )         | -0.7%        | 565,133            |
| <b>Total Expenses</b>                    | <b>\$603,928</b>   | <b>\$563,715</b>   | <b>(\$40,213)</b> | <b>-7.1%</b> | <b>\$1,728,174</b> |
| Other Income and Deductions              | \$14,543           | \$12,886           | \$1,657           | 12.9%        | \$40,258           |
| Grant Income                             | 11,413             | 11,165             | 248               | 2.1%         | 43,578             |
| <b>Total Non-Operating Revenue</b>       | <b>\$25,956</b>    | <b>\$24,051</b>    | <b>\$1,905</b>    | <b>7.9%</b>  | <b>\$83,837</b>    |
| <b>Change in Net Position</b>            | <b>(\$99,862)</b>  | <b>(\$111,236)</b> | <b>\$11,374</b>   | <b>10.2%</b> | <b>\$376</b>       |

Note: Variance - favorable/(unfavorable)

# LIPA Managed Costs – Variance Explanations

## April 2018

| <i>(\$ in thousands)</i>   | Year to Date    |                 |                  |              | Annual<br>Budget |
|--|-----------------|-----------------|------------------|--------------|------------------|
|  | Actual          | Budget          | \$ Var.          | % Var.       |                  |
| <b>LIPA Expenses</b>   |                 |                 |                  |              |                  |
| LIPA Operating Expenses  | \$26,166        | \$25,289        | (\$877)          | -3.5%        | \$78,812         |
| LIPA Depreciation and Amortization                                   | 37,515          | 37,267          | (248)            | -0.7%        | 111,801          |
| LIPA Deferred Amortized Expenses                                     | 10,338          | 10,338          | -                | 0.0%         | 31,015           |
| Interest Expense, other Interest Costs<br>and Interest Amortizations | 116,173         | 115,999         | (174)            | -0.2%        | 343,505          |
| <b>Total Expenses</b>  | <b>190,192</b>  | <b>188,893</b>  | <b>(\$1,299)</b> | <b>-0.7%</b> | <b>\$565,133</b> |
| <br>   |                 |                 |                  |              |                  |
| Other Income and Deductions  | \$4,083         | \$3,624         | \$459            | 12.7%        | \$13,874         |
| Grant Income   | 11,413          | 11,165          | 248              | 2.1%         | 43,578           |
| <b>Total Income</b>  | <b>\$15,496</b> | <b>\$14,789</b> | <b>\$707</b>     | <b>4.8%</b>  | <b>\$57,452</b>  |
| <br>   |                 |                 |                  |              |                  |
| <b>LIPA Capital Expenditures</b>                                     | <b>\$4</b>      | <b>\$0</b>      | <b>\$4</b>       | <b>0.0%</b>  | <b>\$7,547</b>   |

Note: Variance – favorable/(unfavorable)

- Operating expenses are over budget by \$0.9M primarily due to timing of expenditures related to consulting fees
- Other income and deductions are over budget by \$0.5M primarily due to settlement amounts received partially offset by lower than anticipated budgeted investment income

# LIPA Liquidity Position – April 2018

## Liquidity Position

*(\$ in thousands)*

|   | April 30, 2018     |                 | March 31, 2018     |                 |
|---|--------------------|-----------------|--------------------|-----------------|
| <b>Operating liquidity</b>  |                    |                 |                    |                 |
| Unrestricted cash and cash equivalents                                  | \$450,809          |                 | \$419,617          |                 |
| OPEB account cash, cash equivalents & investments                       | 199,358            |                 | 199,024            |                 |
| PSEG Long Island Working Capital requirements                           | 271,810            |                 | 269,074            |                 |
| <b>Total operating liquidity</b>  | <b>921,977</b>     | <b>115 days</b> | <b>887,715</b>     | <b>111 days</b> |
| <b>Available credit</b>   |                    |                 |                    |                 |
| General Revenue Notes - Revolving Credit Facility                       | 65,000             |                 | 65,000             |                 |
| General Revenue Commercial Paper  | 632,500            |                 | 632,500            |                 |
| <b>Total available credit</b>   | <b>697,500</b>     |                 | <b>697,500</b>     |                 |
| <b>Total cash, cash equivalents, investments &amp; available credit</b> | <b>\$1,619,477</b> | <b>202 days</b> | <b>\$1,585,215</b> | <b>198 days</b> |
| <b>Restricted cash</b>  |                    |                 |                    |                 |
| FEMA - restricted   | 207,097            |                 | 213,702            |                 |
| UDSA  | 224,103            |                 | 195,694            |                 |
| <b>Total restricted cash</b>  | <b>\$431,200</b>   |                 | <b>\$409,396</b>   |                 |

*LIPA continues to exceed its required 120 days cash and available credit on hand*

# PSEG Long Island Operating Costs – April 2018

(\$ in thousands)

|   | Year to Date     |                  |                |             | Annual Budget    |
|---|------------------|------------------|----------------|-------------|------------------|
|   | Actual           | Budget           | \$ Var.        | % Var.      |                  |
| <b><u>PSEG Long Island Operating Expenses</u></b> |                  |                  |                |             |                  |
| Transmission & Distribution                       | \$52,374         | \$60,756         | \$8,382        | 13.8%       | \$181,832        |
| Customer Services                                 | 44,116           | 42,716           | (1,400)        | -3.3%       | 128,420          |
| Business Services                                 | 52,813           | 49,560           | (3,253)        | -6.6%       | 162,824          |
| Power Markets                                     | 3,291            | 3,470            | 179            | 5.2%        | 14,373           |
| Energy Efficiency & Renewable Energy              | 26,149           | 28,681           | 2,532          | 8.8%        | 90,256           |
| <b>Total PSEG Long Island Operating Expenses</b>  | <b>\$178,742</b> | <b>\$185,182</b> | <b>\$6,440</b> | <b>3.5%</b> | <b>\$577,705</b> |

Note: Variance - favorable/(unfavorable)

- Transmission & Distribution expenses are under budget by \$8.4M due to lower headcount in Engineering, less tree trimming due to weather, and resources diverted to multiple storm restorations in March
- Customer Services are over budget by \$1.4M primarily due to higher marketing spend
- Business Services are over budget by \$3.2M due to higher information technology spend
- Energy Efficiency & Renewable Energy expenses are under budget by \$2.5M primarily due to lower rebates than planned for commercial efficiency programs

# PSEG Long Island Managed Costs – April 2018

(\$ in thousands)

|   | Year to Date     |                  |                   |                | Annual Budget    |
|---|------------------|------------------|-------------------|----------------|------------------|
|   | Actual           | Budget           | \$ Var.           | % Var.         |                  |
| <b><u>PSEG Long Island Managed Expenses</u></b>   |                  |                  |                   |                |                  |
| Uncollectible Accounts                            | \$6,201          | \$7,835          | \$1,634           | 20.9%          | \$22,923         |
| Storm Restoration                                 | 61,098           | 11,571           | (49,527)          | -428.0%        | \$34,854         |
| NYS Assessment                                    | 2,783            | 2,979            | 196               | 6.6%           | \$10,510         |
| Miscellaneous                                     | (3,207)          | (758)            | 2,449             | -323.1%        | (\$2,445)        |
| <b>Subtotal PSEG Long Island Managed Expenses</b> | <b>\$66,875</b>  | <b>\$21,627</b>  | <b>(\$45,249)</b> | <b>-209.2%</b> | <b>\$65,842</b>  |
| Utility Depreciation                              | 61,612           | 62,290           | 678               | 1.1%           | \$197,087        |
| PILOTs - Revenue-Based Taxes                      | 10,053           | 9,296            | (757)             | -8.1%          | \$33,127         |
| PILOTs - Property-Based Taxes                     | 96,454           | 96,427           | (27)              | 0.0%           | \$289,280        |
| <b>Total PSEG Long Island Managed Expenses</b>    | <b>\$234,994</b> | <b>\$189,640</b> | <b>(\$45,354)</b> | <b>-23.9%</b>  | <b>\$585,336</b> |
| <b>Other Income and Deductions</b>                | <b>\$10,461</b>  | <b>\$9,261</b>   | <b>(\$1,200)</b>  | <b>-13.0%</b>  | <b>\$26,384</b>  |

Note: Variance - favorable/(unfavorable)

- Uncollectible Accounts is under budget by \$1.6M, due to lower revenue. The reserve is calculated based on aging and write-offs which are also lower than plan
- Storm Restoration is over budget by \$49.5M, due to a higher number of storms than planned. PSEG LI responded to eight storms in 2018, six of which required mutual aid assistance. This is compared to six storms experienced in 2017, two of which required mutual aid assistance
- Other Income and Deductions are over budget \$1.2M due to nuclear insurance receipts

# Revenue Variance Analysis – April 2018

| (\$ in thousands)                        | Year to Date     |                  |                  |              | Annual Budget      |
|--|------------------|------------------|------------------|--------------|--------------------|
|  | Actual           | Budget           | \$ Var.          | % Var.       |                    |
| <b>Total Revenue</b>                     | \$1,018,044      | \$999,498        | \$18,546         | 1.9%         | \$3,521,694        |
| <b>Power Supply Charge</b>               | 539,934          | 571,070          | 31,136           | 5.5%         | 1,876,980          |
| <b>Revenue Net of Power Supply Costs</b> | <b>\$478,110</b> | <b>\$428,428</b> | <b>\$49,682</b>  | <b>11.6%</b> | <b>\$1,644,714</b> |
| <b>Sales of Electricity (MWh)</b>        |                  |                  |                  |              |                    |
| Residential                              | 2,675,132        | 2,726,201        | (51,069)         | -1.9%        | 9,239,265          |
| Commercial                               | 2,906,336        | 2,990,345        | (84,009)         | -2.8%        | 9,625,647          |
| Public Authorities/Street Lighting       | 187,206          | 186,665          | 542              | 0.3%         | 533,528            |
| <b>Total Sales of Electricity (MWh)</b>  | <b>5,768,674</b> | <b>5,903,210</b> | <b>(134,536)</b> | <b>-2.3%</b> | <b>19,398,440</b>  |

Note: Variance - favorable/(unfavorable)

- Revenue, net of Power Supply Costs, is \$49.7M higher than budget due to the regulatory deferral mechanism for the Storm related Delivery Service Adjustment (DSA).
- Sales of electricity were lower than budget by 134 GWh or -2.3%
  - Factors contributing to lower sales are:
    - a) Lower than expected load growth;
    - b) Larger penetration of LED lighting, energy efficient products and solar installations;
    - c) Partially offset by weather impact; Heating Degree Days (HDD) were higher than anticipated by approximately 81 days positively impacting sales. The budget uses weather assumptions based on a twenty year average.



# PSEG Long Island Capital Expenditures – April 2018

(\$ in thousands)

|   | Year to Date     |                  |                 |              | Annual Budget    |
|---|------------------|------------------|-----------------|--------------|------------------|
|   | Actual           | Budget           | \$ Var.         | % Var.       |                  |
| <b>Transmission and Distribution</b>                              |                  |                  |                 |              |                  |
| Regulatory Driven   | \$1,607          | \$2,240          | \$633           | 28.3%        | \$8,130          |
| Load Growth   | 39,944           | 46,989           | 7,045           | 15.0%        | 188,668          |
| Reliability   | 52,229           | 70,303           | 18,074          | 25.7%        | 191,845          |
| Economic, Salvage, Tools, Equipment & Other                       | 4,886            | 10,767           | 5,882           | 54.6%        | 34,569           |
| <b>Total Transmission and Distribution Projects</b>               | <b>\$98,666</b>  | <b>\$130,300</b> | <b>\$31,634</b> | <b>24.3%</b> | <b>\$423,212</b> |
| <b>Other PSEG Long Island Capital Expenditures</b>                |                  |                  |                 |              |                  |
| Information Technology Projects                                   | 5,954            | 8,645            | 2,691           | 31.1%        | 43,828           |
| Customer Operations   | 5,948            | 9,545            | 3,597           | 37.7%        | 19,394           |
| Other General Plant Projects                                      | 253              | 222              | (30)            | -13.6%       | 9,196            |
| Fleet   | 2,090            | 2,236            | 146             | 6.5%         | 8,901            |
| Management Fee  | 8,764            | 10,211           | 1,446           | 14.2%        | 30,632           |
| <b>Total PSEG Long Island Capital Expenditures Excluding FEMA</b> | <b>\$121,674</b> | <b>\$161,159</b> | <b>\$39,484</b> | <b>24.5%</b> | <b>\$535,164</b> |
| FEMA  | 42,388           | 61,516           | 19,128          | 31.1%        | 190,273          |
| <b>Total PSEG Long Island Capital Expenditures</b>                | <b>\$164,062</b> | <b>\$222,674</b> | <b>\$58,612</b> | <b>26.3%</b> | <b>\$725,437</b> |

Note: Variance - favorable/(unfavorable)

- Transmission and Distribution is under budget, by \$31.6M primarily due to timing of reliability and load growth projects and timing of small tools and equipment purchases
- IT is under budget by \$2.7M due to timing of several projects and Customer Operations is under budget by \$3.6M due to the timing of AMI work



# PSEG Long Island Major Capital Expenditures Over \$25M (Total Project Cost) – April 2018



| Description                                     | Original                    | Total Project                     | Current                   | Current Estimated<br>Completion Date |
|---|-----------------------------|-----------------------------------|---------------------------|--------------------------------------|
|   | Total Project<br>Cost (\$M) | Actuals Through<br>04/30/18 (\$M) | Working<br>Estimate (\$M) |                                      |
| Shelter Island Replace Underground Failed Cable | \$29.5                      | \$17.2                            | \$24.5                    | Jun-18                               |
| Southampton to Canal: Transmission              | \$56.2                      | \$0.7                             | \$52.2                    | Jun-19                               |
| Two Way Radio System Replacement                | \$50.0                      | \$13.6                            | \$42.1                    | Dec-19                               |
| Berry St.: New substation                       | \$25.4                      | \$27.9                            | \$39.4                    | Jun-20                               |
| Hempstead: New substation                       | \$49.8                      | \$10.1                            | \$33.2                    | Jun-20                               |
| Ruland Rd to Plainview: Transmission            | \$26.8                      | \$3.0                             | \$51.8                    | Jun-20                               |
| East Garden City to Valley Stream: Transmission | \$190.6                     | \$4.3                             | \$175.9                   | Dec-20                               |
| Kings Highway: New substation                   | \$35.5                      | \$13.7                            | \$70.9                    | Dec-19                               |
| Bridgehampton to Buell: Transmission            | \$49.6                      | \$0.3                             | \$62.2                    | Jun-21                               |
| Riverhead to Canal: Transmission                | \$191.5                     | \$0.0                             | \$191.5                   | Jun-21                               |
| Lindbergh (Nassau Hub): New substation          | \$57.0                      | \$0.1                             | \$65.7                    | 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                               |
| <b>Total</b>                                    | <b>\$1,552.6</b>            | <b>\$99.6</b>                     | <b>\$1,591.1</b>          |                                      |

# Hedge Program Summary Report April 2018

# Hedge Program Summary Report – April 2018



| Ref.                                | Hedge Position  | 2018              | 2019                                    | 2020                                   | 2021                   |
|-------------------------------------|---|-------------------|---|--|------------------------|
| 1                                   | Hedge Ratio %: Swaps, Options + FP Physical Contracts | 69%               | 57%                                     | 53%                                    | 44%                    |
| 2                                   | Change from last Month, %                             | 0%                | 0%                                      | 2%                                     | 0%                     |
| <b>Mark-to-Market (\$ millions)</b> |   |                   |   | <b>Collateral, Received / (Posted)</b> |                        |
| <b>Realized</b>                     |   | <b>Unrealized</b> |   | <b>All Forward Periods</b>             |                        |
|                                     | <b>Apr-18</b>   | <b>YTD</b>        | <b>All Forward Periods, Unrealized*</b> | <b>As of 4/30/2018</b>                 | <b>As of 3/31/2018</b> |
| 3                                   | (\$0.3)   | \$16.9            | (\$22.0)                                | (\$23.5)                               | (\$22.5)               |

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

- NYMEX Natural Gas prices for 2018 through 2021 were \$2.74/dthm down 2.7% or \$0.08/dthm since March. Several hedges were placed for natural gas, natural gas basis, power and power basis. **Hedge Ratios for calendar year 2020 increased to 53%, with smaller hedges in 2019 and 2021 not having a material impact to the hedge ratios. The hedge ratios are reflected on Line Ref. #1 above.**
- The April 2018 NYMEX Natural Gas contract settled at \$2.691/dthm. **April 2018 realized hedge loss totaled \$0.27M and the unrealized MtM value decreased \$0.17M since March to -\$22.0M; while collateral posting increased to \$23.5M as noted on Line Ref. #3**
- During April Long Island experienced temperatures ranging from 36° to a high of 72°, while **cash gas prices observed at Transco Zone 6 NY ranged from \$2.36 to \$3.21/dthm, \$0.15 - \$0.64/dthm lower than March's range from \$2.51 to \$3.85/dthm.** Due to gas inventory withdrawals in early April, the NYMEX Natural Gas futures prompt month contract (May '18) traded from \$2.621 - \$2.839/dthm, settling at \$2.821/dthm on April 26 which is \$0.15 above the April futures contract. **EIA reported, April 2018 natural gas injections into storage were the smallest since 1983**
- Natural gas remained the least costly fuel to consume at the LI generating fleet (99% natural gas, 1% liquid fuels).