

LIPA Finance and Audit Committee

July 25, 2018

Update by PSEG ER&T

Agenda

- **Summary of Results From NorthStar Management Audit**
- **Update on Benchmarking Activity**
- **Hedge Results**

Summary of Results From NorthStar Management Audit Power Supply & Fuel Management Services Including Hedging

Positive findings with no outstanding recommendations

2013 NorthStar Audit

- All comments previously addressed

2017 NorthStar Management Audit

- **Power and Fuel Management**

- LIPA has appropriate resources and effective processes to monitor/review fuel and power management
- ER&T has exceeded most performance benchmarks; ensures no conflicts of interest

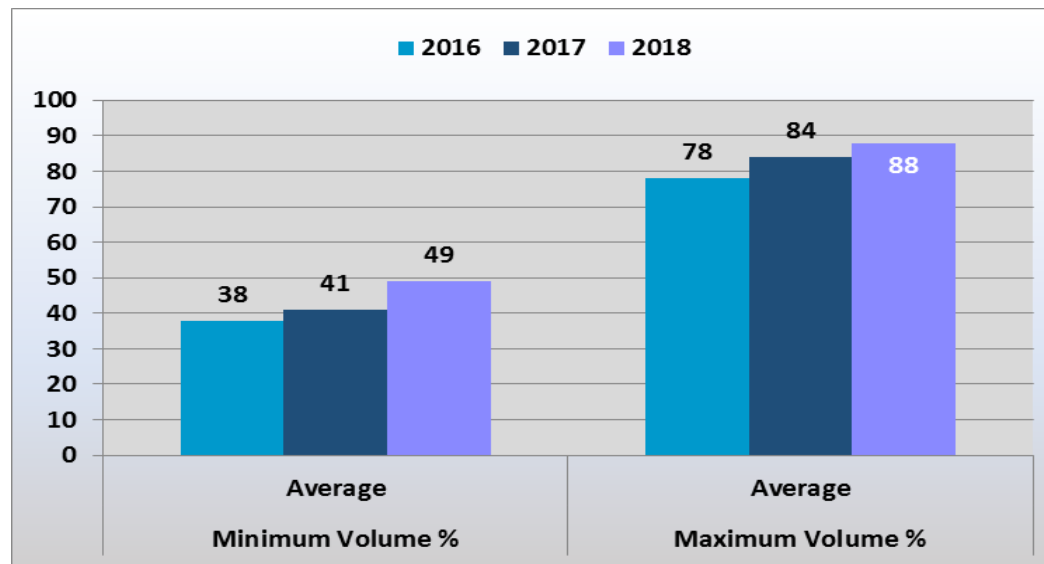
- **Hedging Program**

- LIPA has a defined and disciplined approach for hedging
- LIPA's hedge program meets its objective of reducing energy price volatility
- LIPA exercises appropriate oversight over the hedging program
- LIPA and ER&T perform a quarterly benchmark of the hedging program
- LIPA appropriately compares its hedging program to other utilities / in line with industry best practices

Benchmarking Activities Associated With Hedging

- We continue to use industry surveys to guide our hedging program
 - 25 utilities across North America participate
- We review survey results concerning:
 - Why companies hedge, when they hedge and how much
- We review annually with ERMC and update LIPA's program

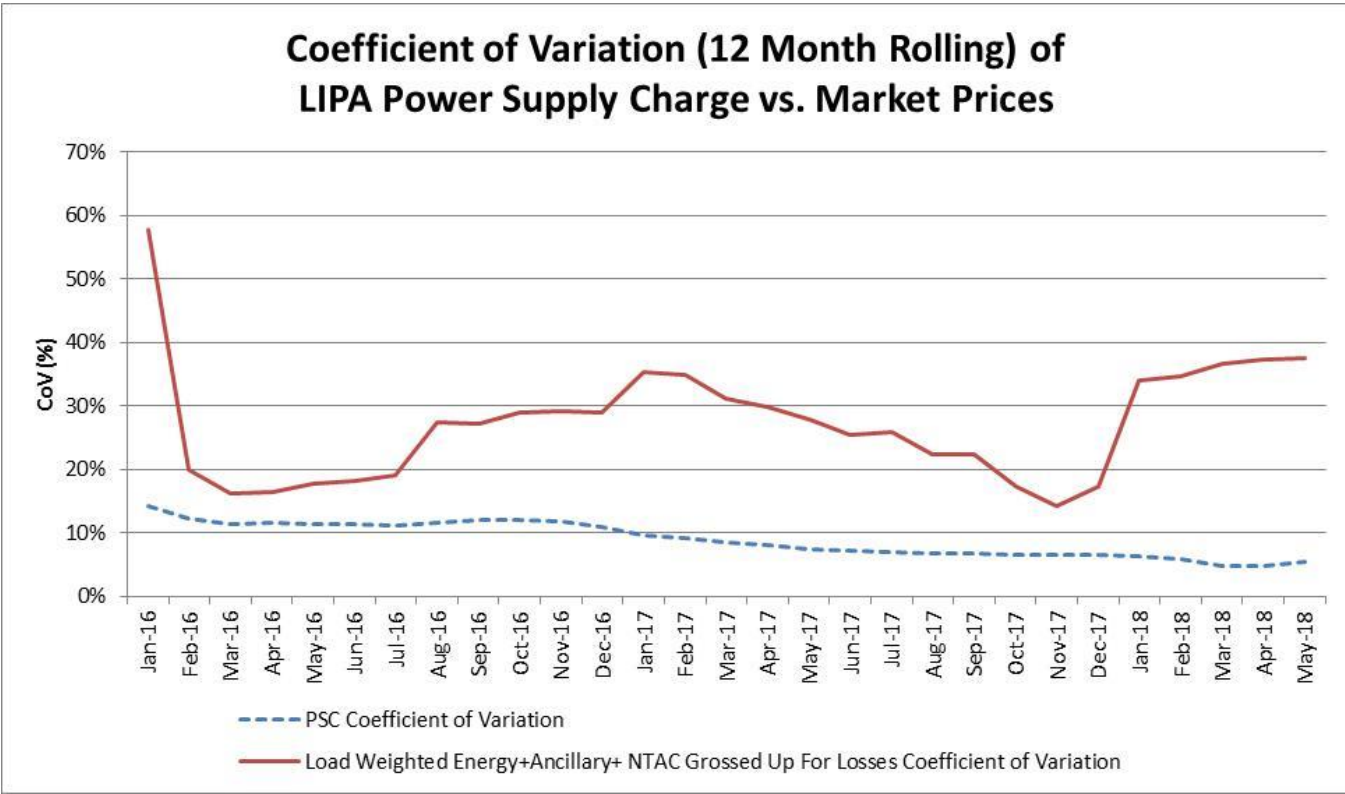
**FCStone 2018 Hedge Survey Minimum/Maximum Volumes
GAS FOR ELECTRIC TRENDS**



FCStone 2018 Hedge Survey

Hedge Results – Customer Price Volatility Continues To Decline

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



PSC pre 1/1/2017 adjusted up by 2.5 cents/kwh associated with transfer of capacity costs