



LONG ISLAND POWER AUTHORITY

**Presentation to the Finance and Audit
Committee of the Board of Trustees –
June 2018 Financial Report**

(\$ in thousands)	June Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
Revenues	\$1,608,021	\$1,581,910	\$26,111	1.7%	\$3,521,694
Power Supply Charge	836,573	864,701	28,128	3.3%	1,876,980
Revenue Net of Power Supply Costs	\$771,448	\$717,209	\$54,239	7.6%	\$1,644,714
PSEG Long Island Operating Expenses	\$278,598	\$284,674	\$6,076	2.1%	\$577,705
PSEG Long Island Managed Expenses	325,432	286,774	(38,658)	-13.5%	585,336
LIPA Managed Expenses	284,444	283,510	(934)	-0.3%	565,133
Total Expenses	\$888,474	\$854,958	(33,516)	-3.9%	\$1,728,174
Other Income and Deductions	\$23,125	\$19,073	\$4,052	21.2%	\$40,258
Grant Income	21,573	12,539	9,034	72.0%	43,578
Total Non-Operating Revenue	\$44,698	\$31,612	\$13,086	41.4%	\$83,836
Change in Net Position	(\$72,328)	(\$106,137)	\$33,809	31.9%	\$376

Note: Variance - favorable/(unfavorable)

(\$ in thousands)	June Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
LIPA Expenses					
LIPA Operating Expenses	\$38,557	\$38,987	\$430	1.1%	\$78,812
LIPA Depreciation and Amortization	56,126	55,900	(226)	-0.4%	111,801
LIPA Deferred Amortized Expenses	15,507	15,507	-	0.0%	31,015
Interest Expense, other Interest Costs and Interest Amortizations	174,254	173,116	(1,138)	-0.7%	343,505
Total Expenses	284,444	283,510	(\$934)	-0.3%	\$565,133
Other Income and Deductions	\$8,075	\$5,437	\$2,638	48.5%	\$13,874
Grant Income	21,573	12,539	9,034	72.0%	43,578
Total Income	\$29,648	\$17,976	\$11,672	64.9%	\$57,452
LIPA Capital Expenditures	\$0	\$0	\$0	0.0%	\$7,547

- Operating expenses are under budget by \$0.4M primarily due to timing of consulting expenditures
- Interest expenses are over budget by \$1.1M due to lower capitalized interest costs than anticipated as a result of the timing of capital activity
- Other income and deductions are favorable against budget by \$2.6M primarily due to higher than anticipated investment income received on UDSA accounts
- Grant income is favorable against budget by \$9.0M due to the timing of NYSERDA grant which was budgeted for July 2018

Liquidity Position*(\$ in thousands)*

	June 30, 2018	Days Cash	May 31, 2018	Days Cash
Operating liquidity				
Unrestricted cash and cash equivalents	\$345,236		\$415,889	
OPEB account cash, cash equivalents & investments	201,473		201,459	
PSEG Long Island Working Capital requirements	219,611		260,385	
Total operating liquidity	766,320	96 days	877,733	109 days
Available credit				
General Revenue Notes - Revolving Credit Facility	352,500		65,000	
General Revenue Commercial Paper	345,000		632,500	
Total available credit	697,500		697,500	
Total cash, cash equivalents, investments & available credit	\$1,463,820	183 days	\$1,575,233	196 days
Restricted cash				
FEMA - restricted	184,895		189,383	
UDSA	112,485		253,548	
Total restricted cash	\$297,380		\$442,931	

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

(\$ in thousands)

	June Year to Date				Annual
	Actual	Budget	\$ Var.	% Var.	Budget
<u>PSEG Long Island Operating Expenses</u>					
Transmission & Distribution	\$90,249	\$94,264	\$4,015	4.3%	\$181,832
Customer Services	65,465	64,279	(1,186)	-1.8%	128,420
Business Services	79,246	76,515	(2,731)	-3.6%	162,824
Power Markets	5,021	5,866	845	14.4%	14,373
Energy Efficiency & Renewable Energy	38,617	43,750	5,133	11.7%	90,256
Total PSEG Long Island Operating Expenses	\$278,598	\$284,674	\$6,076	2.1%	\$577,705

Note: Variance - favorable/(unfavorable)

- Transmission & Distribution expenses are under budget by \$4.0M due to lower headcount in Engineering, less tree trimming due to weather, and resources diverted to multiple storm restorations which occurred in March
- Customer Services are over budget by \$1.2M primarily due to higher marketing spend
- Business Services are over budget by \$2.7M due to higher information technology spend
- Energy Efficiency & Renewable Energy expenses are under budget by \$5.1M; variance in spending to budget is a reflection of more cost savings being a larger portion of overall claimed savings than budgeted

(\$ in thousands)

	June Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
<u>PSEG Long Island Managed Expenses</u>					
Uncollectible Accounts	\$9,451	\$11,631	\$2,180	18.7%	\$22,923
Storm Restoration	63,031	17,455	(45,576)	-261.1%	34,854
NYS Assessment	4,361	4,717	356	7.5%	10,510
Miscellaneous	(3,818)	(1,198)	2,620	-218.8%	(2,445)
Subtotal PSEG Long Island Managed Expenses	\$73,025	\$32,605	(\$40,420)	-124.0%	\$65,842
Utility Depreciation	92,759	94,715	1,956	2.1%	\$197,087
PILOTS - Revenue-Based Taxes	14,963	14,814	(149)	-1.0%	33,127
PILOTS - Property-Based Taxes	144,685	144,640	(45)	0.0%	289,280
Total PSEG Long Island Managed Expenses	\$325,432	\$286,774	(\$38,658)	-13.5%	\$585,336
Other Income and Deductions	\$15,050	\$13,636	\$1,413	10.4%	\$26,384

Note: Variance - favorable/(unfavorable)

- Uncollectible Accounts is under budget by \$2.2M due to lower than planned electric sales; uncollectible account expense is calculated based on write-offs (which are lower than budget) and the age of customer accounts receivable
- Storm Restoration is over budget by \$45.6M, due to a higher number of storms than planned. PSEG LI responded to ten storms in 2018, six of which included mutual aid assistance. This is compared to seven storms experienced through June 2017, two of which included mutual aid assistance
- Miscellaneous expense is favorable against budget by \$2.6M due to an ARO revision resulting from pole top transformer retirements
- Other Income and Deductions are favorable against budget by \$1.4M due to an annual distribution of nuclear insurance receipts and a one-time nuclear insurance distribution received as a result of tax law changes

(\$ in thousands)	June Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
Total Revenue	\$1,608,021	\$1,581,910	\$26,111	1.7%	\$3,521,694
Power Supply Charge	836,573	864,701	28,128	3.3%	1,876,980
Revenue Net of Power Supply Costs	\$771,448	\$717,209	\$54,239	7.6%	\$1,644,714
Sales of Electricity (MWh)					
Residential	4,170,450	4,077,780	92,669	2.3%	9,239,265
Commercial	4,462,241	4,588,065	(125,824)	-2.7%	9,625,647
Public Authorities/Street Lighting	276,896	271,244	5,652	2.1%	533,528
Total Sales of Electricity (MWh)	8,909,587	8,937,089	(27,502)	-0.3%	19,398,440

Note: Variance - favorable/(unfavorable)

- Revenue, net of Power Supply Costs, is \$54.2M higher than budget due primarily to the storm component of the Delivery Service Adjustment (DSA) regulatory deferral mechanism totaling \$45.6M.
- Sales of electricity were lower than budget by 28 GWh or -0.3%
 - 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 2 days and Cooling Degree Days (CDD) were higher than anticipated by approximately 40 days positively impacting sales. The budget uses weather assumptions based on a twenty year average.

(\$ in thousands)

	June Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
Transmission and Distribution					
Regulatory Driven	\$2,298	\$3,857	\$1,560	40.4%	\$8,130
Load Growth	70,033	69,837	(197)	-0.3%	188,668
Reliability	84,613	102,796	18,182	17.7%	191,845
Economic, Salvage, Tools, Equipment & Other	10,377	20,384	10,007	49.1%	34,569
Total Transmission and Distribution Projects	\$167,322	\$196,874	\$29,552	15.0%	\$423,212
Other PSEG Long Island Capital Expenditures					
Information Technology Projects	11,578	14,922	3,344	22.4%	43,828
Customer Operations	9,586	12,730	3,144	24.7%	19,394
Other General Plant Projects	435	1,278	843	66.0%	9,196
Fleet	3,834	5,126	1,292	25.2%	8,901
Management Fee	12,785	15,316	2,531	16.5%	30,632
Total Other Capital Expenditures	\$38,218	\$49,373	\$11,154	22.6%	111,952
Total PSEG Long Island Capital Expenditures Excluding FEMA	\$205,540	\$246,246	\$40,706	16.5%	\$535,164
FEMA	69,632	99,127	29,495	29.8%	190,273
Total PSEG Long Island Capital Expenditures	\$275,172	\$345,373	\$70,201	20.3%	\$725,437
Nine Mile Point 2	\$16,008	\$14,664	(\$1,344)	-9.2%	\$15,858

Note: Variance - favorable/(unfavorable)

- Transmission and Distribution is under budget, by \$29.5M primarily due to timing of reliability and timing of equipment purchases
- IT is under budget by \$3.3M due to timing of several projects, Customer Operations is under budget by \$3.1M due to the timing of AMI work and Fleet is under budget by \$1.3M due to delays in vendor delivery
- FEMA is under budget by \$29.5M due to weather delays, storm restoration activity and support of storm restoration activities in Puerto Rico

Description	Original	Total Project	Current	Current Estimated Completion Date
	Total Project Cost (\$M)	Actuals Through 06/30/18 (\$M)	Working Estimate (\$M)	
Shelter Island Replace Underground Failed Cable	\$29.5	\$17.9	\$26.0	Jun-18
Southampton to Canal: Transmission	\$56.2	\$0.8	\$23.1	Jun-19
Two Way Radio System Replacement	\$50.0	\$15.4	\$43.7	Dec-19
Berry St.: New substation	\$25.4	\$27.9	\$39.4	Jun-20
Hempstead: New substation	\$49.8	\$13.2	\$33.3	Oct-20
Ruland Rd to Plainview: Transmission	\$26.8	\$3.0	\$22.6	Jun-20
East Garden City to Valley Stream: Transmission	\$190.6	\$5.1	\$176.9	Dec-20
Kings Highway: New substation	\$35.5	\$15.4	\$70.9	Dec-19
Bridgehampton to Buell: Transmission	\$49.6	\$0.4	\$46.9	Jun-21
Riverhead to Canal: Transmission	\$191.5	\$0.0	\$105.3	Jun-21
Lindbergh (Nassau Hub): New substation	\$57.0	\$0.1	\$65.0	Jun-22
Substation Security Expansion Project	\$57.6	\$8.8	\$56.8	Dec-23
Syosset to Shore Rd.: Transmission	\$254.9	\$0.0	\$0.0	Jun-30 **
Sagtikos: New substation	\$64.5	\$0.0	\$60.2	Jun-25
Wainscott to Canal: Transmission	\$413.7	\$0.0	\$413.7	Jun-26
Total	\$1,552.6	\$107.9	\$1,183.8	

** Project ISD is beyond 10 Years - will be re-estimated

Hedge Program Summary Report - June 2018

Ref.	Hedge Position	Bal. of 2018	2019	2020	2021	2022
1	Hedge Ratio %: Swaps, Options + FP Physical Contracts	67%	66%	60%	50%	41%
2	Change from last Month, %	0%	1%	1%	0%	1%
Mark-to-Market (\$ millions)			Collateral, Received / (Posted)			
Realized		Unrealized		All Forward Periods		
Jun-18	YTD	All Forward Periods, Unrealized*		As of 6/30/2018	As of 5/31/2018	Change Since Last Month
\$0.2	\$16.3	(\$9.4)		(\$20.5)	(\$21.7)	\$1.2

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

- **LIPA remains in compliance with the Board Policy on Power Supply Hedging:**
 - Maximum hedge level is below the Policy maximum of 90% of projected fuel and power needs
 - Maximum term is below the Policy maximum of 60 months
 - All hedges are for the purpose of appropriate risk mitigation
- **Hedge Ratios for calendar years 2019 increased by 1% to 66%, 2020 was up 1% to 60% and 2022 rose by 1% to 41% as reflected on Line Ref. #1 and #2**
- **June 2018 realized hedge gains totaled \$0.246M and the unrealized MtM value decreased by \$0.77M to -\$9.4M versus the end of May 2018; while LIPA collateral posting decreased \$1.2M to \$20.5M as noted on Line Ref. #3**
- **Daily cash gas prices at Transco Zone 6 NY ranged from \$2.32 to \$3.38/dthm, approximately \$0.22/dthm higher than May's prices, as a result of summer-like weather moving into the Northeast during June and has rolled into a very hot start to July. Gas production hit an all-time high on June 19 and higher than forecasted gas injections into storage has kept NYMEX Natural Gas prices under \$3.00/dthm.**
- Natural gas remained the least costly fuel to consume at the LI generating fleet (99.2% natural gas, 00.8% liquid fuels) in June