Long Island Power Authority

CFO Report to the Board of Trustees
Debt and Access to Credit Markets

March 29, 2018

2017 in Review

- ✓ Achieved Debt and Access to the Credit Markets Policy Metrics
- ✓ Saved customers $492 million from refinancing debt
- ✓ Completed year two of Three-Year-Rate Plan
- ✓ Established and funded LIPA Section 115 Other Post-Employment Benefits (OPEB) Trust
- ✓ KPMG issued an *unqualified* audit opinion on 2017 Financial Statements

Rating Agencies Recognize LIPA's New Financial Plans

Current Senior Lien Ratings

	Fitch Ratings	Moody's	Standard & Poor's
Rating	A-	A3	A-
Outlook	Stable	Stable	Positive

"They have positive momentum and have the possibility of additional credit rating upgrades in two to three years. LIPA management has done a great job displaying a vision for the company and keeping rates low for ratepayers. The management team is laser focused." – Moody's

Board Policy Establishes Clear Financial Goals

The Board Policy on Debt and Access to Capital provides guidance for LIPA's path to a stronger financial position, with the goal of reducing long-term cost for customers.

For the first two years of the Three Year Rate Plan, LIPA met or exceeded all of its goals.

The five key financial planning metrics include:

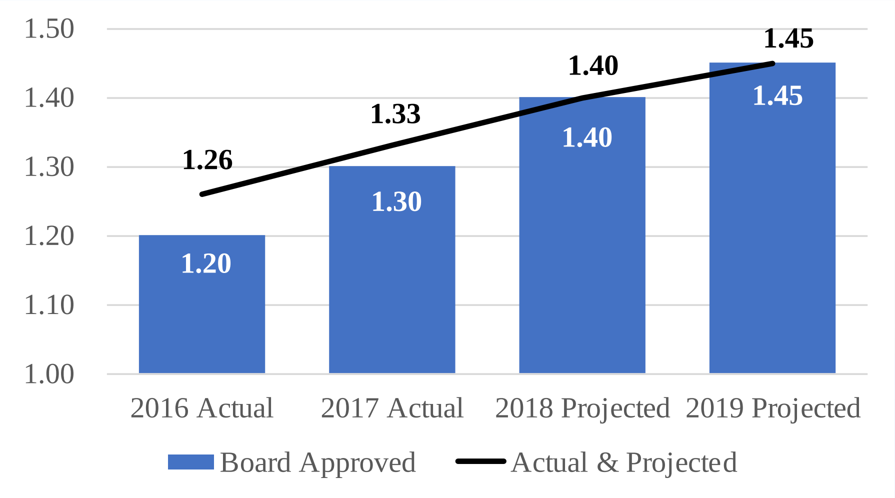
- Implementing financial plans that lead to bond ratings of at least A2/A/A from Moody's, S&P, and Fitch over five years;
- Achieving Debt-Service Coverage Ratio (measure of cash flow available to pay current debt obligations) of 1.20x in 2016, 1.30x in 2017, 1.40x in 2018, and 1.45x in 2019 and beyond;
- Generating sufficient cash flow to fund no more than 64% of capital expenditures with debt; and
- Maintaining cash on hand of at least $100 million in the Operating Fund, $150 million in the Rate Stabilization Fund, and available cash and available credit of at least 120 days of operating expenses.
- Pre-funding of Pension Fund Obligations, Other Post Employment Benefits and Nuclear Decommissioning Trust Fund obligations in a fiscally sound manner, as measured by an actuary.

LIPA's Fixed Obligation Coverage Has Steadily Improved

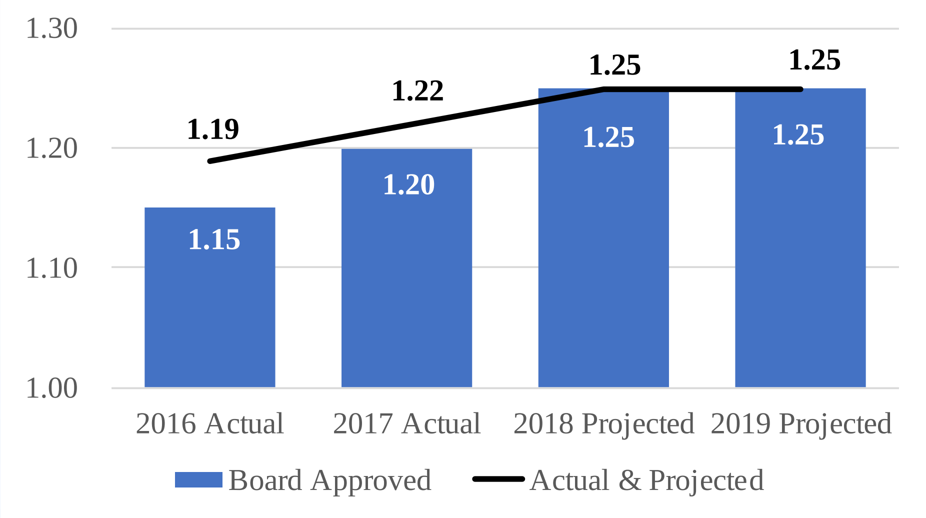
Board financial policies require LIPA to budget for certain levels of Fixed Obligation Coverage.

LIPA has exceeded the coverage requirement in 2016 and 2017 and has budgeted to achieve the required level in 2018.

LIPA Only Coverage



LIPA and UDSA Coverage



LIPA Capital Expenditure Funding

LIPA's Board policy reduced the percentage of capital expenditures funded by debt to 64% or less

($ in Thousands)	2017		2016	
Capital Expenditures:	706,862		531,774	
Sources of Funds:				
Debt Financing	**389,080**	**55%**	**282,317**	**53%**
FEMA Grants*	177,898	25%	139,789	26%
PAYGO	139,884	20%	109,668	21%
Total Sources	706,862		531,774	

** LIPA advances funding for FEMA projects, which are reimbursed after completed documentation is received from PSEG Long Island.*

- 55% of capital plan funded by debt in 2017
- Gradually improve LIPA's debt-to-asset ratio gradually toward 64%, consistent with other "A" rated major public power utilities
- The 2017 capital program saw an increase in size with a larger FEMA funded storm hardening program

Pension, OPEB and NDTF Funding

LIPA annually funds the PSEG and LIPA Pension and OPEB obligations and maintains required funding levels of the Nuclear Decommissioning Trust Fund in a fiscally sound manner, as measured, no less than every three years by an actuarial services firm

- *PSEG Long Island pension plan trust account - $191 million*
- *PSEG Long Island OPEB account - $195 million*
- *Fund contributions for LIPA to the NYS Employee Retirement System*
- *Established LIPA Section 115 OPEB Trust for LIPA employees - $19 million*
- *NMP2 Nuclear Decommissioning Trust Funds at required levels - $132 million*

LIPA Liquidity Position
December 31, 2017 and 2016

LIPA continues to exceed its required 120 days cash and available credit for 2017, has strengthened and extended its access to short term capital, and created and funded the LIPA OPEB Trust, all in accordance with the Board Policy

Liquidity Position

($ in Thousands)	December 31, 2017	Days Cash	December 31, 2016	Days Cash
Operating Liquidity				
Unrestricted cash and cash equivalents	$633,531		$652,370	
OPEB account cash, cash equivalents & investments	194,699		128,998	
Restricted cash - Working Capital Requirements	211,972		207,045	
Total operating liquidity	**$1,040,202**	**133**	**$988,413**	**126**
Available credit				
General Revenue Notes - Revolving Credit Facility	337,180		337,500	
General Revenue Commercial Paper	277,500		169,375	
Subordinated Revenue Commerical Paper	50,000		50,000	
Total available credit	664,680		556,875	
Total cash, cash equivalents, investments & available credit	**$1,704,906**	**218**	**$1,545,288**	**197**
Restricted cash				
FEMA - restricted	275,784		470,972	
UDSA	109,167		88,572	
Total restricted cash	$384,951		$559,544	

LIPA/UDSA Debt Outstanding
December 31, 2017, 2016, and 2015

The Authority's consolidated debt at December 31, 2017 (unaudited), 2016, and 2015, including current maturities, is comprised of the following:

		2017	2016	2015
Long-term debt:				
General Revenue Bonds	$	3,214,214	3,356,972	4,380,595
Subordinated Revenue Bonds		—	—	—
UDSA Restructuring Bonds		4,262,396	3,965,529	2,919,439
Total long-term debt	$	7,476,610	7,322,501	7,300,034
Short-term debt:				
Revolving Credit Agreement		12,820	—	—
General Revenue Commercial Paper Notes		97,500	155,625	50,000
Subordinated Commercial Paper Notes		250,000	250,000	300,000
Total short-term debt	$	360,320	405,625	350,000
Total debt	$	7,836,930	7,728,126	7,650,034

- LIPA's debt has remained relatively stable for the past three years, while LIPA has funded over $1.5 billion of capital investment to improve the reliability and resiliency of the electric grid.
- Through UDSA the Authority has taken advantage of market opportunities by achieving a lower cost of funds through "AAA" credit ratings generating present value savings for ratepayers of $492 million.