



LONG ISLAND POWER AUTHORITY

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

(\$ in thousands)	November Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
Revenues	\$3,312,984	\$3,264,570	\$48,414	1.5%	\$3,521,694
Power Supply Charge	1,730,848	1,732,443	1,595	0.1%	1,876,980
Revenue Net of Power Supply Costs	\$1,582,136	\$1,532,127	\$50,009	3.3%	\$1,644,714
PSEG Long Island Operating Expenses	\$521,554	\$526,483	\$4,929	0.9%	\$577,705
PSEG Long Island Managed Expenses	591,457	537,145	(54,312)	-10.1%	585,336
LIPA Managed Expenses	527,558	524,243	(3,315)	-0.6%	572,308
Total Expenses	\$1,640,569	\$1,587,871	(\$52,698)	-3.3%	\$1,735,349
Other Income and Deductions	\$45,443	\$41,094	\$4,349	10.6%	\$47,433
Grant Income	42,559	33,958	8,601	25.3%	43,578
Total Non-Operating Revenue	\$88,002	\$75,052	\$12,950	17.3%	\$91,011
Change in Net Position	\$29,569	\$19,308	\$10,261	53.1%	\$376

Note: Variance - favorable/(unfavorable)

(\$ in thousands)	November Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
LIPA Expenses					
LIPA Operating Expenses	\$70,492	\$71,504	\$1,012	1.4%	\$78,812
LIPA Depreciation and Amortization	102,656	102,484	(172)	-0.2%	111,801
LIPA Deferred Amortized Expenses	28,430	28,430	-	0.0%	31,015
Interest Expense, other Interest Costs and Interest Amortizations	325,980	321,825	(4,155)	-1.3%	350,680
Total Expenses	527,558	524,243	(\$3,315)	-0.6%	\$572,308
Other Income and Deductions	\$15,438	\$9,968	\$5,470	54.9%	\$13,874
Grant Income	42,559	33,958	8,601	25.3%	43,578
Total Income	\$57,997	\$43,926	\$14,071	32.0%	\$57,452
LIPA Capital Expenditures	\$253	\$3,774	\$3,520	0.0%	\$7,547

Note: Variance - favorable/(unfavorable)

- Operating expenses are under budget by \$1M primarily due to delayed projects and timing of consulting expenditures
- Interest expense, other interest costs and amortization are over budget by \$4.2M due to the 2018 bond issuance costs expensed and the non-cash accrued interest related to the 2018 bond issuance
- Other income and deductions are favorable against budget by \$5.5M primarily due to higher than anticipated investment income earned
- Grant Income is favorable against budget by \$8.6M due to timing as the NYSERDA grant was received earlier than anticipated

Liquidity Position

(\$ in thousands)

	November 30, 2018	Days Cash	October 31, 2018	Days Cash
Operating liquidity				
Unrestricted cash and cash equivalents	\$764,622		\$1,007,631	
OPEB account cash, cash equivalents & investments	199,397		196,678	
PSEG Long Island Working Capital requirements	221,470		268,111	
Total operating liquidity	1,185,489	148 days	1,472,420	184 days
Available credit				
General Revenue Notes - Revolving Credit Facility	345,000		345,000	
General Revenue Commercial Paper	570,500		305,500	
Total available credit	915,500		650,500	
Total cash, cash equivalents, investments & available credit	\$2,100,989	262 days	\$2,122,920	265 days
Restricted cash				
FEMA - restricted	131,811		131,629	
UDSA	263,324		236,289	
Total restricted cash	\$395,135		\$367,918	

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

(\$ in thousands)

	November Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
<u>PSEG Long Island Operating Expenses</u>					
Transmission & Distribution	\$177,984	\$168,069	(\$9,916)	-5.9%	\$181,832
Customer Services	118,893	117,742	(1,152)	-1.0%	128,420
Business Services	143,436	145,273	1,837	1.3%	162,824
Power Markets	9,351	13,074	3,723	28.5%	14,373
Energy Efficiency & Renewable Energy	71,889	82,326	10,437	12.7%	90,256
Total PSEG Long Island Operating Expenses	\$521,554	\$526,483	\$4,929	0.9%	\$577,705

Note: Variance - favorable/(unfavorable)

- Transmission & Distribution expenses are over budget by \$9.9M due to additional tree trimming and additional spending in reliability programs to improve the reliability metrics
- Customer Services expenses are over budget by \$1.2M primarily due to higher marketing spend
- Business Services expenses are under budget by \$1.8M due to lower labor costs and lower outside services spent
- Power Markets expenses are under budget by \$3.7M due to delay in projects
- Energy Efficiency & Renewable Energy expenses are under budget by \$10.4M primarily due to lower rebates than planned for commercial efficiency programs

(\$ in thousands)

	November Year to Date				Annual
	Actual	Budget	\$ Var.	% Var.	Budget
<u>PSEG Long Island Managed Expenses</u>					
Uncollectible Accounts	\$13,797	\$22,151	\$8,354	37.7%	\$22,923
Storm Restoration	88,787	32,000	(56,788)	-177.5%	\$34,854
NYS Assessment	9,155	9,743	588	6.0%	\$10,510
Miscellaneous	(4,891)	(2,244)	2,647	-117.9%	(\$2,445)
Subtotal PSEG Long Island Managed Expenses	\$106,848	\$61,649	(\$45,199)	-73.3%	\$65,842
Utility Depreciation	172,741	179,653	6,912	3.8%	\$197,087
PILOTs - Revenue-Based Taxes	33,117	30,670	(2,447)	-8.0%	\$33,127
PILOTs - Property-Based Taxes	278,751	265,173	(13,578)	-5.1%	\$289,280
Total PSEG Long Island Managed Expenses	\$591,457	\$537,145	(\$54,312)	-10.1%	\$585,336
Other Income and Deductions	\$30,005	\$31,127	(\$1,122)	-3.6%	\$33,559

Note: Variance - favorable/(unfavorable)

- Uncollectible Accounts is under budget by \$8.4M due to a \$7.7M decline in the average year-to-date arrears balance, hence an improvement in collections. Write-offs were forecasted at 0.72% of billed revenue based on three-year historical data. Year-to-date write-offs are trending at 0.47%
- Storm Restoration is over budget by \$56.8M due to a higher number of storms than planned. PSEG Long Island responded to eighteen storms in 2018, six of which included mutual aid assistance. This is compared to thirteen storms experienced through November 2017, four 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

(\$ in thousands)	November Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
Total Revenue	\$3,312,984	\$3,264,570	\$48,414	1.5%	\$3,521,694
Power Supply Charge	1,730,848	1,732,443	1,595	0.1%	1,876,980
Revenue Net of Power Supply Costs	\$1,582,136	\$1,532,127	\$50,009	3.3%	\$1,644,714
Sales of Electricity (MWh)					
Residential	8,807,255	8,531,528	275,727	3.2%	9,239,265
Commercial	8,754,472	8,861,896	(107,425)	-1.2%	9,625,647
Public Authorities/Street Lighting	508,610	486,775	21,835	4.5%	533,528
Total Sales of Electricity (MWh)	18,070,337	17,880,200	190,137	1.1%	19,398,440

Note: Variance - favorable/(unfavorable)

- Revenue, net of Power Supply Costs, is \$50.0M higher than budget due primarily to the storm component of the Delivery Service Adjustment (DSA)
- Sales of electricity were higher than budget by 190 GWh or 1.1%
 - Factors contributing to higher sales are:
 - a) Weather impact; Heating Degree Days (HDD) were higher than anticipated by approximately 220 days during the winter months and Cooling Degree Days (CDD) were higher than anticipated by approximately 183 days during the summer months positively impacting sales Lower than expected load growth; Partially offset by:
 - b) Larger penetration of LED lighting, energy efficient products and solar installation
 - c) Lower than expected load growth

(\$ in thousands)

	November Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
Transmission and Distribution					
Regulatory Driven	\$4,757	\$7,467	\$2,710	36.3%	\$8,130
Load Growth	110,884	157,954	47,069	29.8%	188,668
Reliability	164,778	177,584	12,806	7.2%	191,845
Economic, Salvage, Tools, Equipment & Other	27,740	31,860	4,121	12.9%	34,569
Total Transmission and Distribution Projects	\$308,159	\$374,865	\$66,705	17.8%	\$423,212
Other PSEG Long Island Capital Expenditures					
Information Technology Projects	27,523	34,830	7,306	21.0%	43,828
Customer Operations	21,348	18,573	(2,775)	-14.9%	19,394
Other General Plant Projects	1,208	8,356	7,148	85.5%	9,196
Fleet	6,416	8,321	1,905	22.9%	8,901
Management Fee	23,461	28,080	4,618	16.4%	30,632
Total Other Capital Expenditures	\$79,956	\$98,159	\$18,203	18.5%	\$111,952
Total PSEG Long Island Capital Expenditures Excluding FEMA	\$388,115	\$473,024	\$84,908	18.0%	\$535,164
FEMA	140,326	176,255	35,930	20.4%	190,273
Total PSEG Long Island Capital Expenditures	\$528,441	\$649,279	\$120,838	18.6%	\$725,437
Nine Mile Point 2	\$17,700	\$15,675	(\$2,024)	-12.9%	\$15,858

Note: Variance - favorable/(unfavorable)

- Transmission and Distribution is under budget by \$66.7M primarily due to delays of load growth projects and reliability projects caused by additional public outreach and delays in permitting
- IT is under budget by \$7.3M due to delays in projects, Customer Operations is over budget by \$2.8M due to the timing of AMI work, Other General Plant Projects are under budget by \$7.1M due to permit delays and deferral of work at multiple locations and Fleet is under budget by \$1.9M due to delays in vendor delivery and lower upfitting costs
- Management Fee is under budget by \$4.6M due to lower actual capital labor percentage versus budgeted
- FEMA is under budget by \$35.9M due to weather delays, storm restoration activity and support of storm restoration activities in

Puerto Rico

Description	Original Total Project Cost (\$M)	Total Project Actuals Through 11/30/18 (\$M)	Current Working Estimate (\$M)	Current Estimated Completion Date
Shelter Island Replace Underground Failed Cable	\$29.5	\$18.7	\$26.0	Jun-18
Southampton to Canal: Transmission	\$56.2	\$2.0	\$29.8	Jun-19
Two Way Radio System Replacement	\$50.0	\$24.4	\$47.7	Dec-19
Berry St.: New substation	\$25.4	\$29.0	\$43.2	Jun-21
Hempstead: New substation	\$49.8	\$23.6	\$40.4	Oct-20
Ruland Rd to Plainview: Transmission	\$26.8	\$3.2	\$59.2	Jun-20
East Garden City to Valley Stream: Transmission	\$190.6	\$7.5	\$176.9	Dec-20
Kings Highway: New substation	\$35.5	\$20.6	\$64.4	Dec-20
Bridgehampton to Buell: Transmission	\$49.6	\$0.5	\$46.9	Jun-21
Riverhead to Canal: Transmission	\$191.5	\$0.1	\$105.3	Jun-21
Lindbergh (Nassau Hub): New substation	\$57.0	\$6.0	\$65.1	Jun-22
Substation Security Expansion Project	\$57.6	\$8.8	\$48.3	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	\$144.4	\$1,227.1	

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