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LONG ISLAND’S REGIONAL ELECTRIC GRID

NYISO
New York Independent System Operator
(142 million MWh)

ISO-NE
Independent System Operator New England
(108 million MWh)

NYISO
New York Independent System Operator
(142 million MWh)

ISO-NE
Independent System Operator New England
(108 million MWh)

LIPA SERVICE TERRITORY
(21 million MWh)

PJM
Pennsylvania, Maryland, New Jersey
(787 million MWh)

FAST FACTS
CUSTOMERS: 1,100,000
EMPLOYEES: 2,500

DISTRIBUTION SYSTEM
14,000 Miles

SUBSTATIONS
191

TRANSMISSION SYSTEM
1,400 Miles

TRANSFORMERS
189,000

REGIONAL CABLES
2,125MW

POLES
585,000

POWER PLANTS
32 Plants, 5,800MW

2019 OP. BUDGET
$3,525,334,000
Public-Private Partnership Business Model

LIPA contracts with PSEG Long Island for Management Services

(~55 employees)

(~2,500 employees)
ENERGY PLAYERS ON LONG ISLAND

PSEG LONG ISLAND
Utility Contracted to Operate LIPA’s Grid
- Day-to-Day Operations of T&D System
- Name and Face to Customers
- Storm Response
- Infrastructure and IT Improvements
- Power Supply Planning
- Performance Based Management Fee

LIPA
Not-for-Profit State Authority
- Owns Electric Grid
- Sets Energy Policy and Electric Rates
- Contracts for T&D Services and Generation
- Oversees PSEG Long Island Operations
- Funds LI Clean Energy Programs
- Exempt from Taxes
- FEMA Grant Eligibility

ISO
New York Independent System Operator
- Dispatches Power Plants and Transmission on a Least Cost Basis
- Performs Planning Studies and Sets Energy Market Rules

National Grid
& Other Generators
- Own and Operate Power Plants

NYSPERDA
Other State and Federal Agencies
- Oversight of LIPA and PSEG Long Island
- Independent Rate Recommendations
- Consumer Complaint Investigations
- Management and Operations Audits
- Review Emergency Response Plans

FERC
LIPA acquires grid
Established P3 structure under Management Services Agreement with National Grid

5 Years Later…
✓ Improved service
✓ Greater satisfaction
✓ Better gov’t relations
✓ Focused on value

1986
LIPA Act Signed
Long Island Power Authority (LIPA) created to acquire and decommission the Shoreham Nuclear Power Plant

1998
LIPA Reform Act
Reorganizes LIPA under Operations Services Agreement (OSA) with PSEG Long Island beginning January 2014

2013

2019
Improving Customer Service and Satisfaction

➢ PSEG Long Island has significantly improved customer service operating performance metrics

Key Measures of Customer Service

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2018</th>
<th>2019 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Speed of Answer</td>
<td>93</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>(Seconds)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After-Call Residential</td>
<td>63.7</td>
<td>94.5</td>
<td>95.2</td>
</tr>
<tr>
<td>Survey (Satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After-Call Business</td>
<td>43.7</td>
<td>94.2</td>
<td>95.3</td>
</tr>
<tr>
<td>Survey (Satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Contact</td>
<td>81.9</td>
<td>95.9</td>
<td>96.7</td>
</tr>
<tr>
<td>Survey (Percentage)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

LIPA
Long Island Power Authority
SMART METERS HAVE COME TO LONG ISLAND

- $200+ million multi-year smart meter roll-out to all customers by the end of 2022
- Modernizing the customer experience
  - Timely and accurate information available to customers
  - Rate choices that meet customer’s needs and save them money
  - Automatic outage detection
  - Pro-active alerts and communication
- New convenient payment options
- Improved power quality
- 250,000 meters to be installed in 2019
- Approximately 50% of sales are metered through AMI devices
Drones used for inspection of Electrical Facilities

Annual Infrastructure Investment in
Long Island Electric Grid
LONG ISLAND’S $730 MILLION STORM HARDENING PROGRAM

Funding Secured via an Agreement between Governor Andrew M. Cuomo and the Federal Emergency Management Agency (FEMA)
1st Quartile

2017 SAIDI PERFORMANCE (MINUTES)

SAIDI: System Average Interruption Duration Index
SAIFI: System Average Interruption Frequency Index
CAIDI: Customer Average Interruption Duration Index

Source Data: 2017 EIA 861 Report (Latest Available)
Panel Includes:
- NYS Utilities
- JD Power Large East Electric Companies
- National Electric Companies Serving > 1 Million Customers
## 2019 Operations YTD – On Plan

<table>
<thead>
<tr>
<th>Operations Services Agreement Metrics</th>
<th>L/H</th>
<th>OSA YE Target</th>
<th>OSA YTD Target</th>
<th>YTD Result</th>
<th>OSA Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>OSHA Recordable Incidence Rate</td>
<td>L</td>
<td>1.53</td>
<td>1.53</td>
<td>1.41</td>
<td></td>
</tr>
<tr>
<td>OSHA Says Away Rate (Severity)</td>
<td>L</td>
<td>22.61</td>
<td>22.61</td>
<td>40.39</td>
<td></td>
</tr>
<tr>
<td>Reduce Motor Vehicle Accidents</td>
<td>L</td>
<td>-5.6%</td>
<td>-5.6%</td>
<td>-29.1%</td>
<td></td>
</tr>
<tr>
<td>JD Power Customer Satisfaction Survey (Residential)</td>
<td>H</td>
<td>689 or 12th</td>
<td>689 or 12th</td>
<td>695</td>
<td></td>
</tr>
<tr>
<td>JD Power Customer Satisfaction Survey (Business)</td>
<td>H</td>
<td>732 or 8th</td>
<td>732 or 8th</td>
<td>Wave 1 - Aug</td>
<td></td>
</tr>
<tr>
<td>After Call Survey (Residential)</td>
<td>H</td>
<td>91.5%</td>
<td>91.5%</td>
<td>95.2%</td>
<td></td>
</tr>
<tr>
<td>After Call Survey (Business)</td>
<td>H</td>
<td>91.5%</td>
<td>91.5%</td>
<td>95.3%</td>
<td></td>
</tr>
<tr>
<td>Personal Contact Survey</td>
<td>H</td>
<td>92.0%</td>
<td>92.0%</td>
<td>96.7%</td>
<td></td>
</tr>
<tr>
<td>Average Speed of Answer</td>
<td>L</td>
<td>19</td>
<td>19</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Customer Complaint Rate</td>
<td>L</td>
<td>6.5</td>
<td>6.5</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>SAIFI (System Average Interruption Frequency Index)</td>
<td>L</td>
<td>0.83</td>
<td>0.31</td>
<td>0.23</td>
<td></td>
</tr>
<tr>
<td>CAIDI (Customer Average Interruption Duration Index)</td>
<td>L</td>
<td>85</td>
<td>85</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>SAIDI (System Average Interruption Duration Index)</td>
<td>L</td>
<td>72.5</td>
<td>25.7</td>
<td>17.1</td>
<td></td>
</tr>
<tr>
<td>Customers Experiencing Multiple Sustained Outages (&gt; 4)</td>
<td>L</td>
<td>36,289</td>
<td>37,427</td>
<td>29,451</td>
<td></td>
</tr>
<tr>
<td>MAIFI (Momentary Average Interruption Frequency Index)</td>
<td>L</td>
<td>3.29</td>
<td>1.06</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>AMI Installations</td>
<td>H</td>
<td>250,000</td>
<td>104,167</td>
<td>135,062</td>
<td></td>
</tr>
<tr>
<td>Double Wood Poles</td>
<td>L</td>
<td>9,626</td>
<td>11,084</td>
<td>11,075</td>
<td></td>
</tr>
<tr>
<td>First Call Resolution (FCR)</td>
<td>H</td>
<td>82.8%</td>
<td>80.5%</td>
<td>81.0%</td>
<td></td>
</tr>
<tr>
<td>Utility 2.0 - OMS Integration</td>
<td>H</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>JD Power Communications Effectiveness</td>
<td>H</td>
<td>6.6%</td>
<td>6.6%</td>
<td>4.7%</td>
<td></td>
</tr>
<tr>
<td>Operating Budget ($M)</td>
<td>L</td>
<td>606.4</td>
<td>252.4</td>
<td>240.0</td>
<td></td>
</tr>
<tr>
<td>Capital Budget ($M)</td>
<td>L</td>
<td>670.8</td>
<td>250.1</td>
<td>187.9</td>
<td></td>
</tr>
<tr>
<td>Net Write-Offs Per $100 Billed Revenue</td>
<td>L</td>
<td>0.61</td>
<td>0.61</td>
<td>0.55</td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable &gt; 90 Days</td>
<td>L</td>
<td>18.0%</td>
<td>18.3%</td>
<td>18.0%</td>
<td></td>
</tr>
<tr>
<td>Low to Moderate Income (LMI) Program Participation</td>
<td>H</td>
<td>27,000</td>
<td>25,849</td>
<td>26,849</td>
<td></td>
</tr>
<tr>
<td>Customer Self-Service</td>
<td>H</td>
<td>40.5%</td>
<td>31.9%</td>
<td>38.0%</td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency Annualized Energy Savings</td>
<td>H</td>
<td>276,500</td>
<td>113,150</td>
<td>137,904</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- Color Coding in YTD Results column represents current status versus YTD Plan.
- YE Forecast is a subjective estimate of whether each metric is expected to meet the YE Target.
- For Utility 2.0 - OMS Integration; 1 = Pass and 0 = Fail.

**YTD Results Color**
- At or Better than YTD Plan
- On Track
- Worse than YTD Plan
- At Risk
- Will Not Meet
PSEG-LI won the 2019 Energy Star Partner of the Year Award for its efforts to help lower customer energy usage and reduce their carbon footprint.
MEETING NEW YORK’S CLEAN ENERGY GOALS

**OFFSHORE WIND**
- New York’s first offshore wind farm, operational in 2022, will power 70,000 homes
- Delivers clean energy to an area on Long Island that needs more power

**SOLAR**
- Home to New York’s three largest solar farms
- Over 47,000 customers with residential rooftop solar

**LARGE-SCALE BATTERIES**
- Two utility-scale batteries are now operational on Long Island
- Battery technology stores and distributes clean energy when renewables are not producing power
ENCOURAGING ELECTRIC VEHICLE ADOPTION

- Residential charger rebates
- Smart charging discount
- Fast charging stations
- Reduces Long Island’s Carbon Footprint
FLAT CUSTOMER BILLS FOR OVER A DECADE

Discontinuing investments in combined cycle plants                      $342M
LIPA Reform Act’s 2% Tax Cap                                            $100M
Refinancing existing debt                                               $88M
Renegotiating expiring power purchase agreements                        $18.5M
Investing in cost-effective energy efficiency                          $15.6M
PSEG Long Island productivity savings                                  $9.6M
PSA pension and retirement savings                                      $8M
Corporate tax savings on power purchase agreements                     $6M
Reductions to gas transportation costs                                 $6M
Transmission and distribution investment deferrals from                $3M
distributed energy resources
Reductions to New York Independent System                               $1.7M
Operator state-wide transmission costs

TOTAL :                                                              $598.4M
in savings to customers in 2019
CLIMATE LEADERSHIP AND COMMUNITY PROTECTION ACT OF 2019 (CLCPA)
NEW YORK’S ELECTRIC POWER GOALS

100% X 2040
New York’s power grid will be 100% carbon neutral by 2040

70% X 2030
70 percent of electricity generated in New York to come from renewable energy by 2030

6,000 MW X 2025
Deploy 6,000 MW of distributed solar by 2025

9,000 MW X 2035
New York aims to develop 9,000 MW of offshore wind by 2035

3,000 MW X 2030
Energy storage target of 3,000 megawatts by 2030 to store clean & renewable energy

J.P. Morgan Transportation & Utility Investor Forum

LIPA
Long Island Power Authority
NEW YORK STATE EMISSION GOALS

➢ 60% reduction statewide greenhouse gas emissions by 2030

➢ Carbon neutral statewide greenhouse gas emissions by 2050

➢ Achieving targets will likely require significant beneficial electrification of transportation and heating
OFFSHORE WIND IS THE LARGEST SOURCE OF DOWNSTATE CLEAN ENERGY

Approx. 20 GW Regional Market

Bay State Wind LLC (joint venture of Ørsted A/S and Eversource Energy)

Vineyard Wind LLC (joint venture of Copenhagen Infrastructure Partners and Avangrid Renewables)

Mayflower Wind Energy LLC (joint venture of Shell New Energies US and EDPR Offshore North America)

Equinor Wind US LLC

Atlantic Shores Offshore Wind LLC (joint venture of EDF Renewables North America and Shell New Energies US)

BOEM Draft Wind Energy Area:
Primary Recommendation

BOEM Draft Wind Energy Area:
Secondary Recommendation

Lease Areas with Notice of Intent to Propose

Other Lease Areas
• N-1 and N-1-1 Study impacts down to the 69kV system
• Deliverability Analysis
• Short Circuit Analysis
• Summer Peak and Light Load Conditions
• Approximate costs of transmission upgrades and fast-start resources to remedy impacts
EUROPE’S BOOMING OFFSHORE MARKET

Cumulative European offshore wind power capacity installations from 2006 to 2018 (in megawatts)

Cumulative offshore wind power capacity installations in Europe 2006-2018
The cost of offshore wind continues to decline in Europe due to scale, competition, and technology. That trend is now evident in the U.S. as offshore wind scales.

Figure 1. Recent strike prices of European offshore wind winning tenders adjusted to U.S. dollars with grid cost, development cost, and contract length adders.
Property Tax Update
## Long Island Power Authority Power Plants Among Highest Taxed Property in America

<table>
<thead>
<tr>
<th>Rank</th>
<th>2017 Taxes</th>
<th>Building Name</th>
<th>City, State</th>
<th>Year Built</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$82,093,239</td>
<td>Northport Power Station</td>
<td>Northport, NY</td>
<td>1967</td>
</tr>
<tr>
<td>2</td>
<td>$75,568,292</td>
<td>General Motors Building</td>
<td>New York, NY</td>
<td>1968</td>
</tr>
<tr>
<td>3</td>
<td>$66,504,858</td>
<td>Stuyvesant Town</td>
<td>New York, NY</td>
<td>1945</td>
</tr>
<tr>
<td>5</td>
<td>$52,089,329</td>
<td>MetLife Building</td>
<td>New York, NY</td>
<td>1963</td>
</tr>
<tr>
<td>11</td>
<td>$42,617,000</td>
<td>E.F. Barrett</td>
<td>Island Park, NY</td>
<td>1956</td>
</tr>
<tr>
<td>15</td>
<td>$39,895,406</td>
<td>Empire State Building</td>
<td>New York, NY</td>
<td>1931</td>
</tr>
<tr>
<td>21</td>
<td>$36,576,768</td>
<td>Exelon - Byron Nuclear Generating Station</td>
<td>Byron, IL</td>
<td>1985</td>
</tr>
<tr>
<td>22</td>
<td>$35,642,819</td>
<td>Disneyland® Resort</td>
<td>Anaheim, CA</td>
<td>1955</td>
</tr>
<tr>
<td>27</td>
<td>$32,661,000</td>
<td>Port Jefferson Power Plant</td>
<td>Port Jefferson, NY</td>
<td>1958</td>
</tr>
<tr>
<td>28</td>
<td>$31,742,883</td>
<td>Sears/Willis Tower</td>
<td>Chicago, IL</td>
<td>1973</td>
</tr>
<tr>
<td>31</td>
<td>$30,761,902</td>
<td>Mall Of America</td>
<td>Bloomington, MN</td>
<td>1990</td>
</tr>
<tr>
<td>44</td>
<td>$23,000,000</td>
<td>Glenwood Landing Power Plant</td>
<td>Glenwood Landing, NY</td>
<td>1967</td>
</tr>
<tr>
<td>58</td>
<td>$20,411,225</td>
<td>Borgata Hotel and Casino</td>
<td>Atlantic City, NJ</td>
<td>2003</td>
</tr>
<tr>
<td>68</td>
<td>$19,230,044</td>
<td>The Waldorf Astoria</td>
<td>New York, NY</td>
<td>1930</td>
</tr>
<tr>
<td>76</td>
<td>$17,912,974</td>
<td>Xcel Energy Monticello Nuclear Generating Plant</td>
<td>Monticello, MN</td>
<td>1971</td>
</tr>
<tr>
<td>94</td>
<td>$16,365,273</td>
<td>Bellagio Hotel and Casino</td>
<td>Las Vegas, NV</td>
<td>1998</td>
</tr>
</tbody>
</table>

Source: CommercialCafe
Status of LIPA’s tax certiorari challenges:

✧ Nassau County: E.F. Barrett and Glenwood
  ▪ Settlement discussions are continuing with Nassau County

✧ Town of Brookhaven & Village of Port Jefferson: Port Jefferson Power Station
  ▪ Process in place to reduce annual tax payments 50% by 2027

✧ Town of Huntington: Northport Power Station
  ▪ Trial anticipated to be completed in 2019

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

Key financial planning metrics:

- 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 Fixed Obligation 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
- Maintain Cash on hand of $100 million in Operating Fund and $150 million in Rate Stabilization Fund
- Cash available credit of at least 120 days of operating expenses
LIPA Cost Recovery Mechanisms Greatly Reduce Financial Volatility

**Rate Components**

**Base Delivery Charges**

**Cost Recovery**
- Fuel and purchased power true up - Monthly
- Energy efficiency program true up - Annually
- Revenue and assessment tax true up - Annually
- Sales true up (Revenue decoupling) - Annually
- Debt, PILOTs, labor, regulation, taxes update - Annually
- Debt/Coverage, storms costs - Annually

**UDSA Charge**
- Separate charge to repay UDSA bonds
- Revenues not subject to the LIPA Bond Resolution
LIPA Cost Recovery Mechanisms Have Delivered On or Better Than Planned Budgets

- LIPA has exceeded the financial targets in the Three-Year Rate Plan for 2016 to 2018

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Change in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
</tr>
<tr>
<td>2016</td>
<td>$(42,031)</td>
</tr>
<tr>
<td>2017</td>
<td>$(12,140)</td>
</tr>
<tr>
<td>2018</td>
<td>376</td>
</tr>
</tbody>
</table>
Board financial policies require LIPA to budget for certain levels of Fixed Obligation Coverage annually. LIPA has exceeded the coverage requirement in 2016, 2017, and 2018 and has budgeted to achieve the required level in 2019.

<table>
<thead>
<tr>
<th>Year</th>
<th>LIPA Only Coverage</th>
<th>LIPA and USDA Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Board Approved</td>
<td>Actual &amp; Projected</td>
</tr>
<tr>
<td>2016 Actual</td>
<td>1.20</td>
<td>1.15</td>
</tr>
<tr>
<td>2017 Actual</td>
<td>1.30</td>
<td>1.20</td>
</tr>
<tr>
<td>2018 Actual</td>
<td>1.40</td>
<td>1.25</td>
</tr>
<tr>
<td>2019 Projected</td>
<td>1.45</td>
<td>1.25</td>
</tr>
</tbody>
</table>
LIPA has exceeded its Board required 120 days cash on hand
Available Resources

- Board authorized OPEB account: $308 million
- Board permits account to be available for debt service, if necessary
- Rate Stabilization Fund: $160 million (Covenant with credit providers currently requires $150 million)
- Unrestricted cash of $220 million
- Approximately $582 million of remaining available credit capacity

![Bar chart showing DSRF Mitigants and 2019 LIPA Debt Service Obligations]

The above mitigants far exceed the equivalent of maximum annual debt service reserve requirement of $329 million.
➢ High leverage - acquisition of LILCO in 1998 financed 100% with debt
➢ LIPA’s plan is for debt-to-capital ratio to decline to the level of “A-rated” public power utilities over 10 years (mid-60%)
➢ LIPA’s debt over the past 3 years has remained relatively stable (increase < $250 million) while LIPA increased capital investments to improve reliability and resiliency of the grid by over $1.5 billion
### Rating Agency View

<table>
<thead>
<tr>
<th></th>
<th>Fitch Ratings</th>
<th>Moody's</th>
<th>Standard &amp; Poor's</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2013</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rating</td>
<td>A-</td>
<td>Baa1</td>
<td>A-</td>
</tr>
<tr>
<td>Outlook</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rating</td>
<td>A-</td>
<td>A3</td>
<td>A-</td>
</tr>
<tr>
<td>Outlook</td>
<td>Stable</td>
<td>Positive</td>
<td>Positive</td>
</tr>
</tbody>
</table>

“The rating considers LIPA’s … improved financial, operating, and customer satisfaction measures … LIPA's continued investment in operational and systems improvements and the strong economic profile of LIPA's service territory.” - Moody’s
Issuance of up to $540 million in New Money bonds to finance electric system infrastructure required to provide safe and reliable electric service to Long Island

<table>
<thead>
<tr>
<th></th>
<th>2018 Actual</th>
<th>2019 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmission and Distribution</td>
<td>$356,526</td>
<td>$530,403</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$40,439</td>
<td>$35,236</td>
</tr>
<tr>
<td>FEMA-Storm Hardening</td>
<td>$151,384</td>
<td>$153,609</td>
</tr>
<tr>
<td>Customer Operations &amp; Other</td>
<td>$42,209</td>
<td>$95,494</td>
</tr>
<tr>
<td>NMP2</td>
<td>$17,956</td>
<td>$19,461</td>
</tr>
<tr>
<td>Total ¹</td>
<td>$608,514</td>
<td>$834,203</td>
</tr>
</tbody>
</table>

Percent of Capital Funded from Debt 62% 62%

¹ Excludes portion of management fee funded through capital and LIPA capital expenditures
REFINANCING FOR SAVINGS

Refunding Dependent on Market Conditions

- LIPA monitors its debt for cost savings opportunities and is currently seeking authorization to refund select series of bonds

- While tax-exempt advance refunding transactions are no longer permitted, LIPA is considering structuring options that would maximize present value savings on any refinancing