

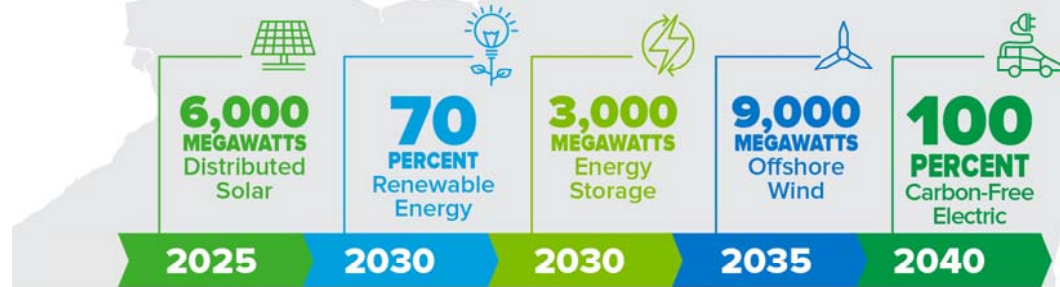


2020 Proposed Budget

November 13, 2019

NEW YORK'S LANDMARK CLIMATE ACT

- ✓ Aggressive greenhouse gas reduction goals: 40% by 2030, 85% by 2050
- ✓ Path to carbon neutrality statewide by 2050
- ✓ Climate Action Council to create Scoping Plan to achieve economy-wide GHG goals



BUDGET COVERS FOUR KEY TRENDS

#1

Electricity is the Clean Fuel to Decarbonize New York's Economy

#2

Electric Load Will Grow Substantially Over Time

#3

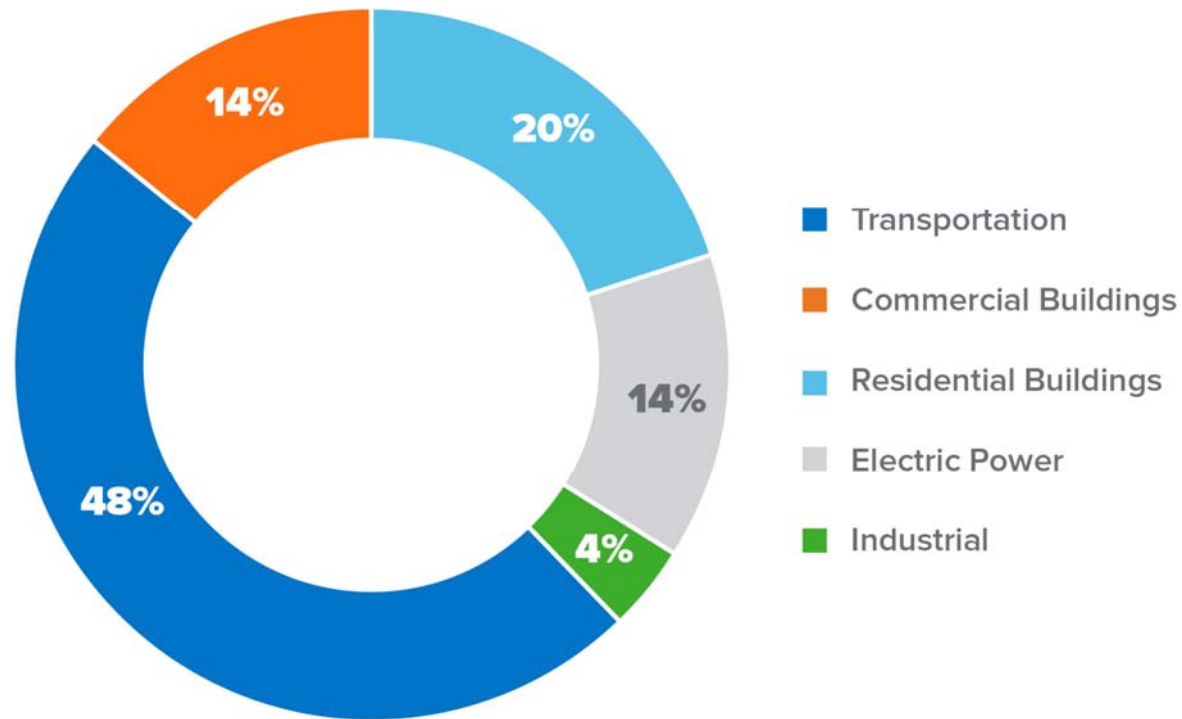
Beneficial Electrification Will Likely Pay for Itself Through a Higher Load Factor

#4

Offshore Wind is an Abundant New Source of Clean Energy

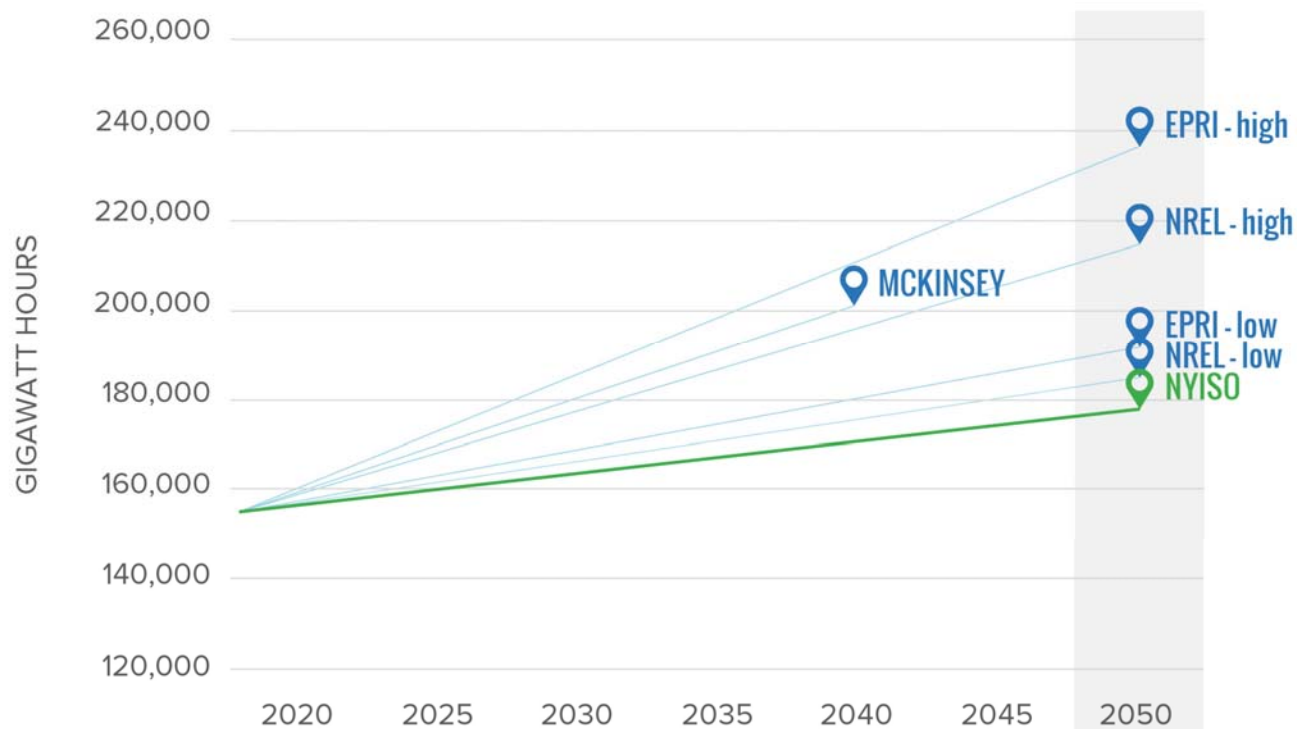
Budget includes initiatives that reflect each of these key trends

TREND #1: ELECTRICITY IS THE CLEAN FUEL



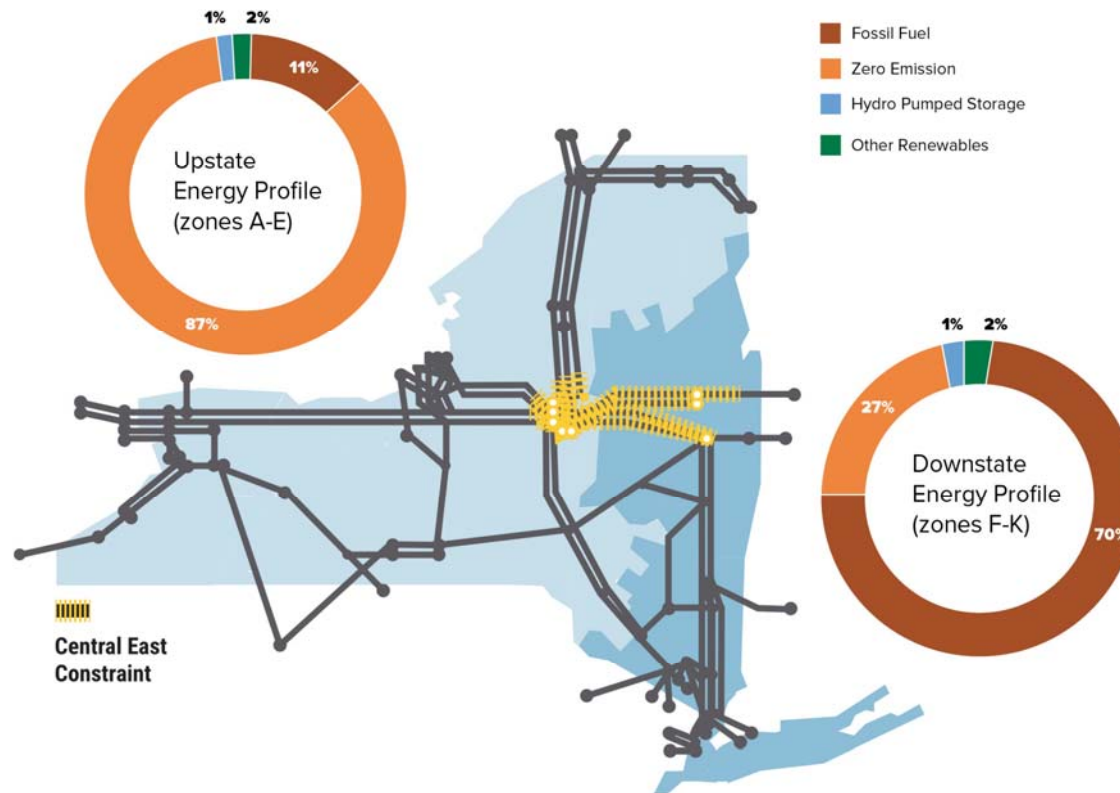
- 82% of State's carbon emissions from transportation and buildings
- 100% carbon-free electric grid fuel of the future for New York – EVs and heating key to an 85% reduction in statewide emissions

TREND #2 & #3: ELECTRICITY LOAD WILL GROW



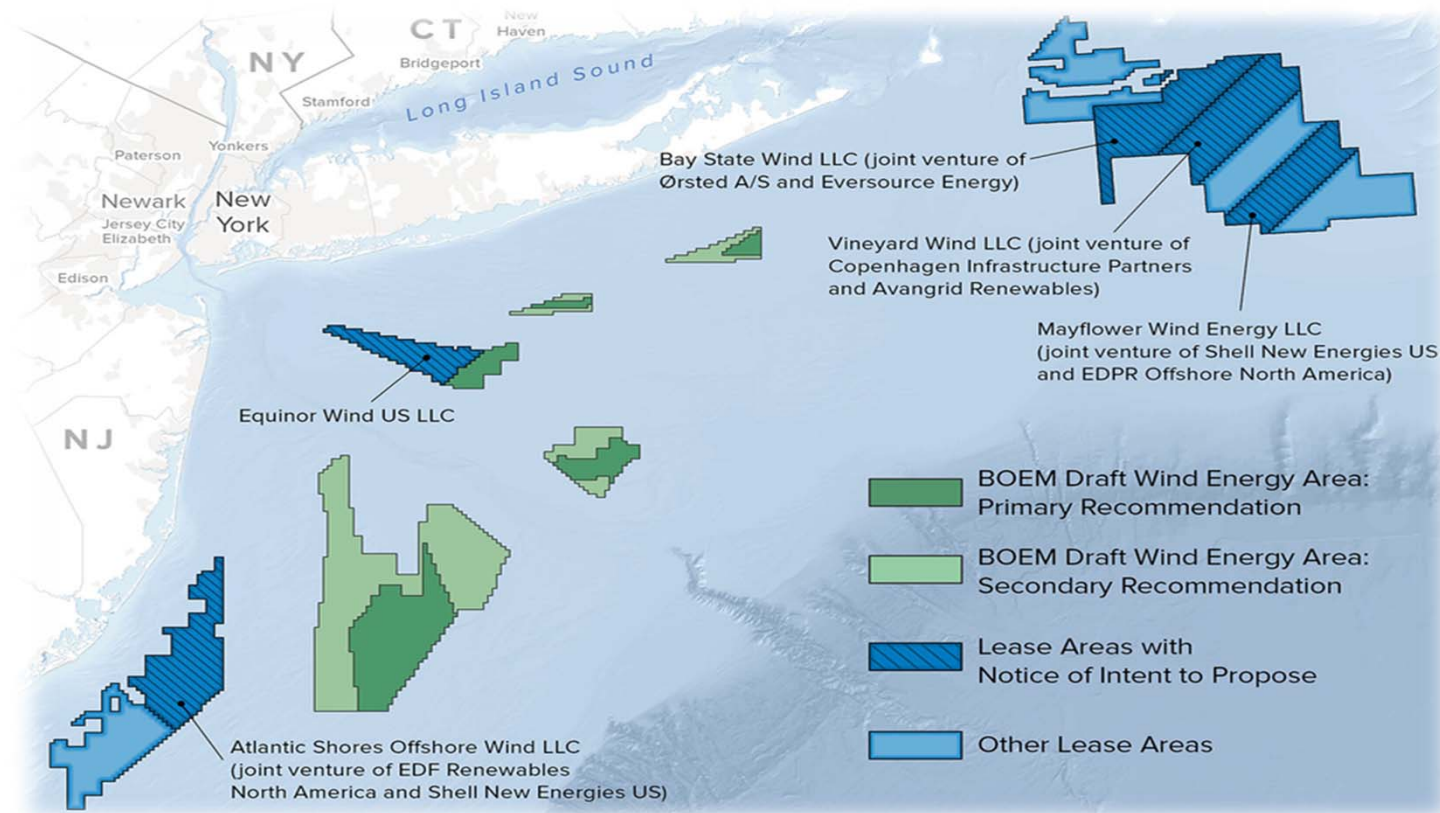
- Today's declining load will be tomorrow's growing load – EVs and heating needs
- Needed infrastructure will pay for itself through a higher load factor
- Convenient ways to manage demand for customers required (e.g. rates and managed charging programs)

TREND #4: OFFSHORE WIND



- Many of the new utility scale clean energy projects are located upstate
- Transmission constraints limit ability to delivery power from upstate to downstate or between local load pockets downstate, particularly in NYC and LI – some investment required to increase the flexibility of the grid

TREND #4: OFFSHORE WIND



- Offshore wind is needed for a 100% carbon free grid
- Offshore wind may come through the Long Island electric grid to go other places

AN EXCITING TIME IN THE ENERGY INDUSTRY

Over the next twenty years, the Long Island electric grid will:



Transition to be entirely carbon-free



Become the clean fuel that transports people & things and heats homes & buildings



Accommodate connecting an enormous, entirely new offshore wind industry

How will we manage all that change?

LIPA'S STRATEGY FOR A CHANGING ELECTRIC GRID

CLEAN

carbon-free, reliable energy for Long Island

LEAN

energy efficiently delivered, at the least possible cost to customers

CUSTOMER FIRST

a Long Island electric utility that is focused on our customers' needs

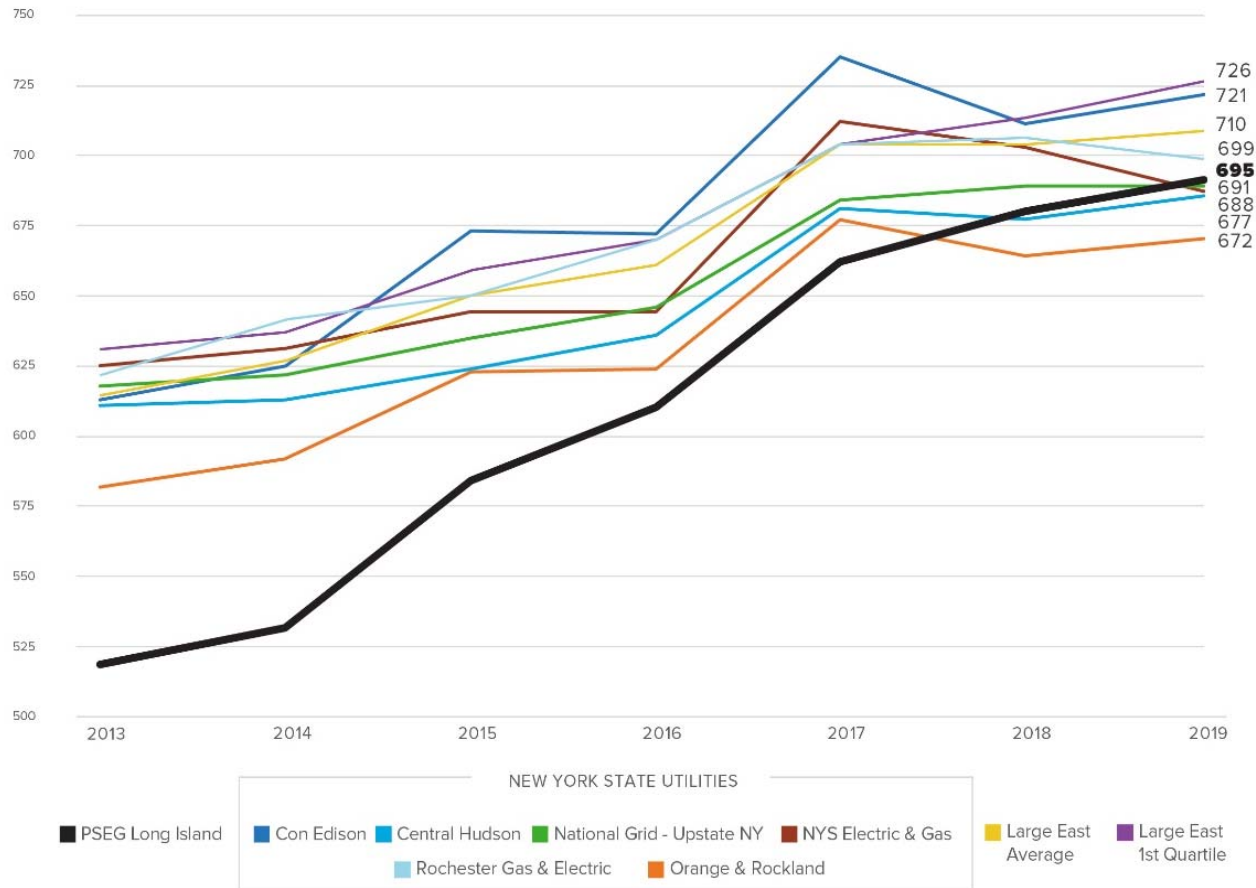
PSEG Long Island Mission

At PSEG Long Island, our mission is to build an industry leading electric service company that places safety first, in all we do, providing our customers across Long Island and the Rockaways with:

- **Excellent customer service**
- **Best in class electric reliability and storm response**
- **Opportunities for energy efficiency and renewables**
- **Local, caring, and committed employees, dedicated to giving back to their communities**



CUSTOMER SATISFACTION CLIMBS 34%



Source: J.D. Power Residential Customer Satisfaction for New York State and Large East Utilities

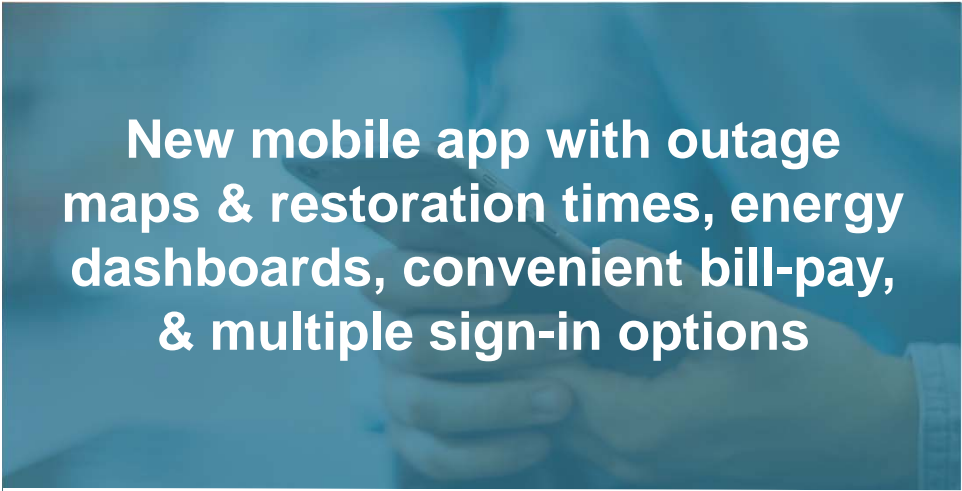
2020 BUDGET INVESTS IN CUSTOMER SERVICE



- Deploying smart meters to all customers by the end of 2022
- Offering new capabilities leveraging smart meter technology and big data
- Modernizing the customer experience
 - ✓ More proactive communication
 - ✓ New convenient payment options
 - ✓ Improved power quality

2020 BUDGET INVESTS IN CUSTOMER SERVICE

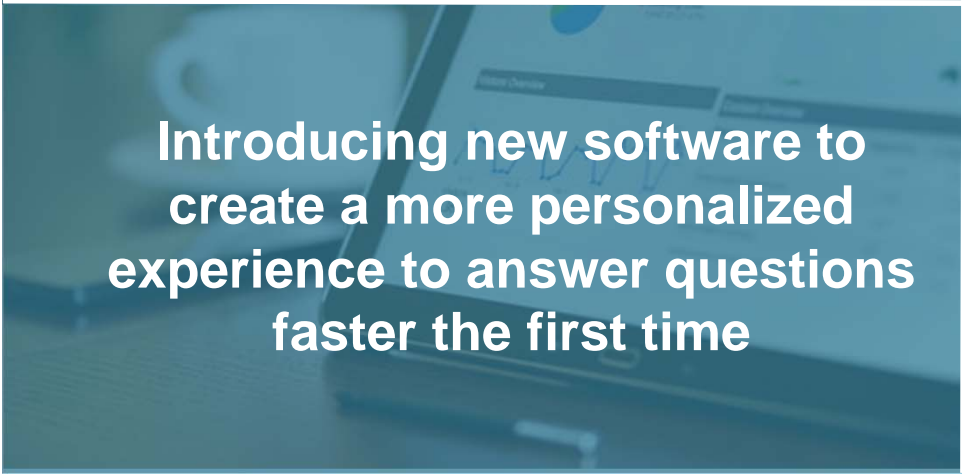
2020 customer touchpoints focus on convenience, empowerment, and personalization:



New mobile app with outage maps & restoration times, energy dashboards, convenient bill-pay, & multiple sign-in options



New online tools for Long Island businesses to gain insights on energy use & personalized tips to save money



Introducing new software to create a more personalized experience to answer questions faster the first time



Launching a live chat feature for faster response & quicker resolution

CUSTOMERS SEE THE BENEFITS OF \$3.4 BILLION RELIABILITY INVESTMENT SINCE 2016

Customers with Power Outages

↓ 37%

Customers with >4 Outages Per Year

↓ 75%

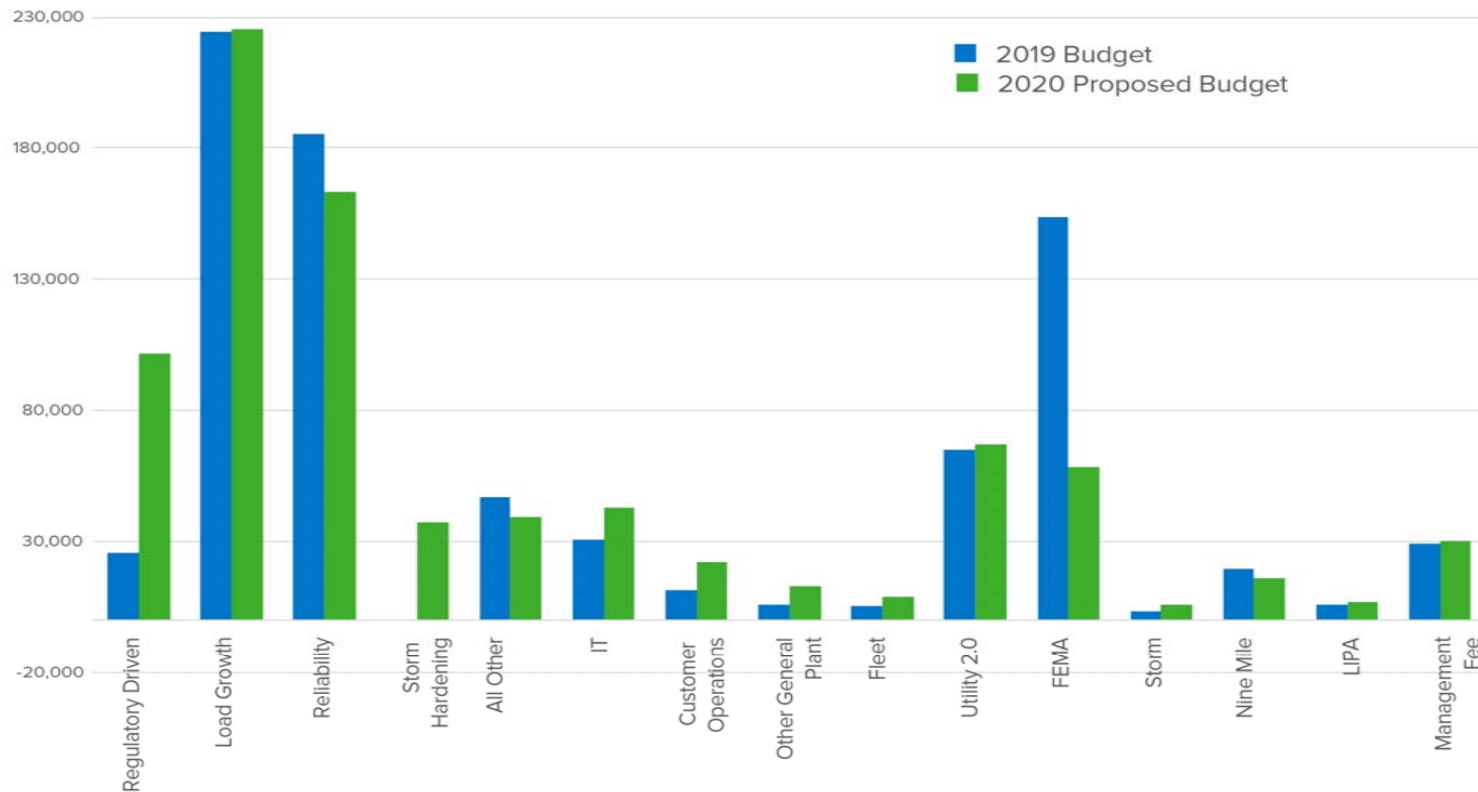
Customers with “Flicker” Interruptions

↓ 35%

National Utilities Ranking for Reliability **TOP 25%**

Diamond-Level Reliable Public Power Provider

\$820 MILLION 2020 CAPITAL BUDGET



- Significant changes compared to 2019 – \$76 million increase for regulatory driven projects, \$37 million storm hardening phase II program, offset by \$95 million reduction in FEMA storm hardening as program concludes

2020 BUDGET INVESTS IN RELIABILITY

- **\$264 million to Enhance Reliability Across Long Island**, including repairing circuits and replacing poles and transformers
- **\$225 million to Power Up New Projects**, including Nassau Hub, Belmont Racetrack, and projects in Hempstead, Smithtown, Massapequa, and on the South Fork



NEW! \$200 MILLION STORM HARDENING – PHASE II

- **\$730 million** FEMA storm hardening program concludes in 2020
- **\$200 million** storm hardening phase II program to begin in 2020

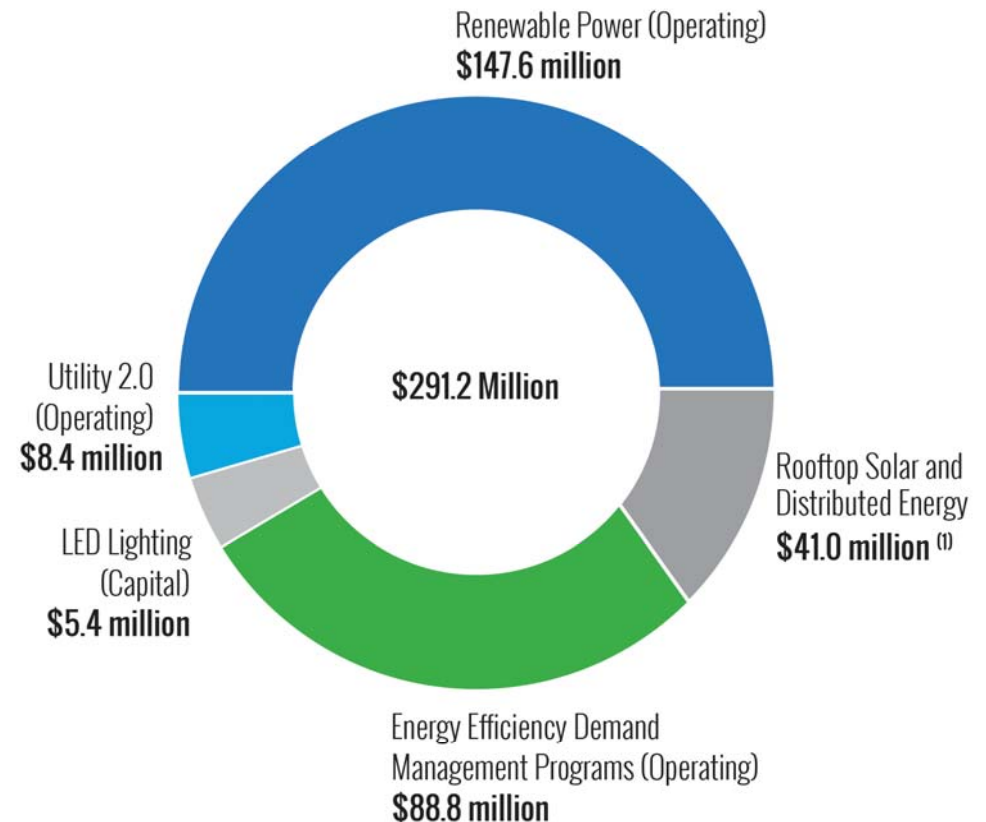


RECORD BUDGET FOR CLEAN ENERGY

Long Island's Clean Energy Goals*

- **100 percent** carbon-free electric grid by 2040
- **750 megawatts** of distributed solar by 2025
- **30,000** heat pumps by 2025
- **375 megawatts** of storage by 2030
- **1,125 megawatts** of offshore wind by 2035

** Reflects LIPA's share of statewide goals*





OFFSHORE WIND

New York's first offshore wind farm, 130MW operational in 2022, will power 70,000 homes



UTILITY SCALE SOLAR

New York's three largest utility-scale solar farms, with total utility-scale commitments of 400 megawatts



BATTERY STORAGE

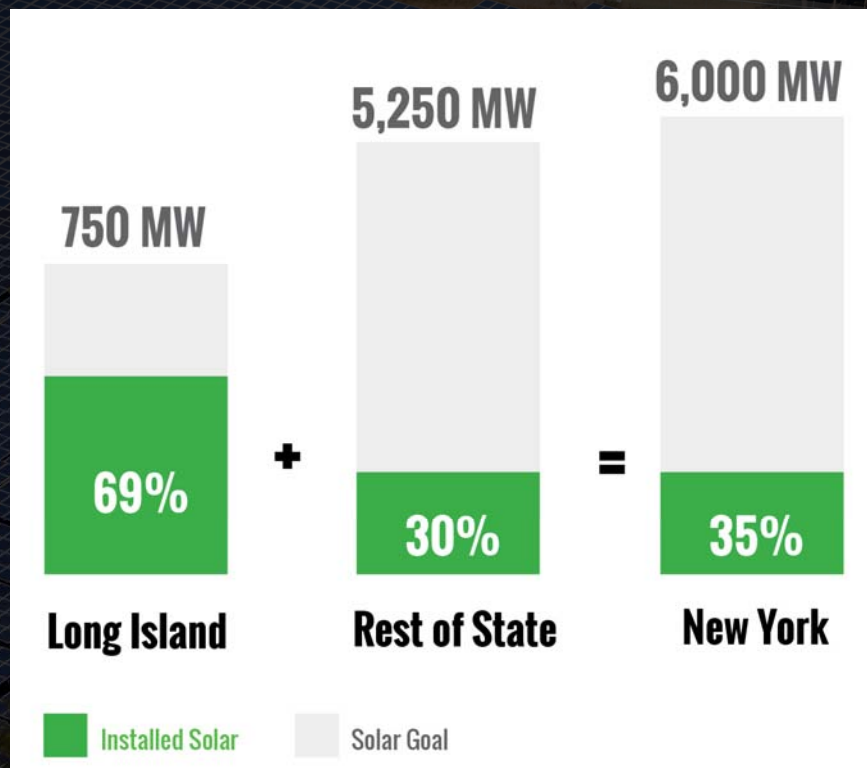
Ranked #6 nationwide among 211 utilities for storage development



ENERGY EFFICIENCY

Most aggressive energy efficiency programs in New York

LONG ISLAND IS NEW YORK'S LEADER IN DISTRIBUTED SOLAR



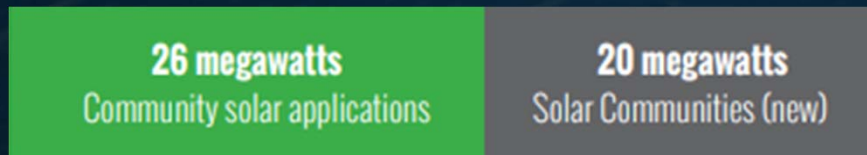
- State goal of 6,000MW by 2025
- LIPA's share of statewide goals is 750MW (12.5% of state load)
- LIPA is on track to exceed the 750 MW distributed solar goal

NEW!

PSEG LONG ISLAND SOLAR COMMUNITIES

- ✓ New 2020 program to deliver clean energy to low and moderate income households – traditionally underserved in the solar market
- ✓ 20-megawatts Solar Communities will nearly double the Long Island community solar market

Total Shareable Solar on Long Island



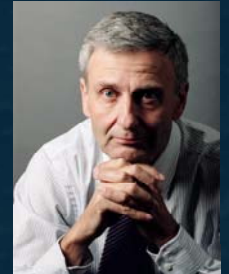
Advocates for Solar Communities



Nassau County Executive
Laura Curran



Suffolk County Executive
Steve Bellone



Gordian Raacke
President
Renewable Energy
Long Island

ELECTRIFICATION - TRANSPORTATION



PSEG Long Island's Electrification Program Highlights

Electric Vehicles



- 25 Percent **EV Overnight Charging Discount**¹ (Coming 2020)
- New! \$500 **EV Residential Charger Rebates**
- New! **Fast Charging Station Incentives**
- Up to \$2,000 **New York State Drive Clean Rebate**

BENEFICIAL ELECTRIFICATION - BUILDINGS

Modern Electric Heating



- 15 Percent **Electric Discount** for Winter Heating²

- New! **Heat Pump Rebates**

- > \$1,800 to \$2,400 for Oil Heat Conversions
- > \$750 for Hot Water
- > \$750 for Pool Heaters

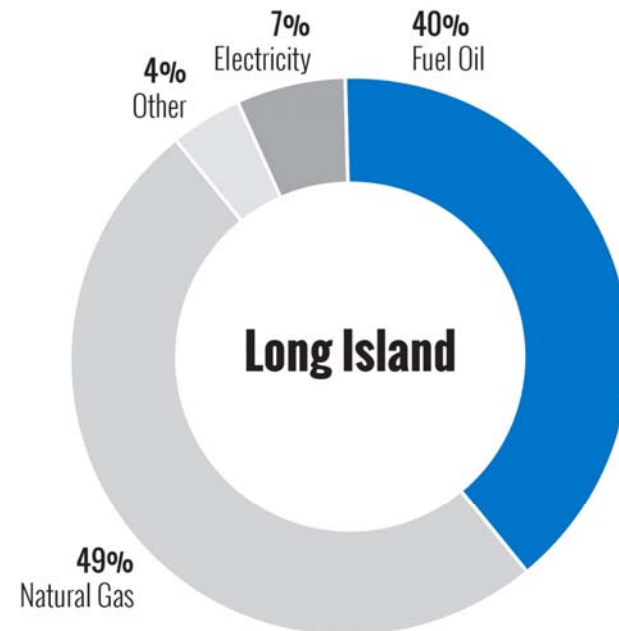
- \$8,000 Rebate for **Geothermal Systems**³

¹ 5 cents per kilowatt hour

² 3 cents per kilowatt hour

³ Average rebate, varies with size, equipment efficiency and current heating fuel

40% of Long Island Households
Use Fuel Oil

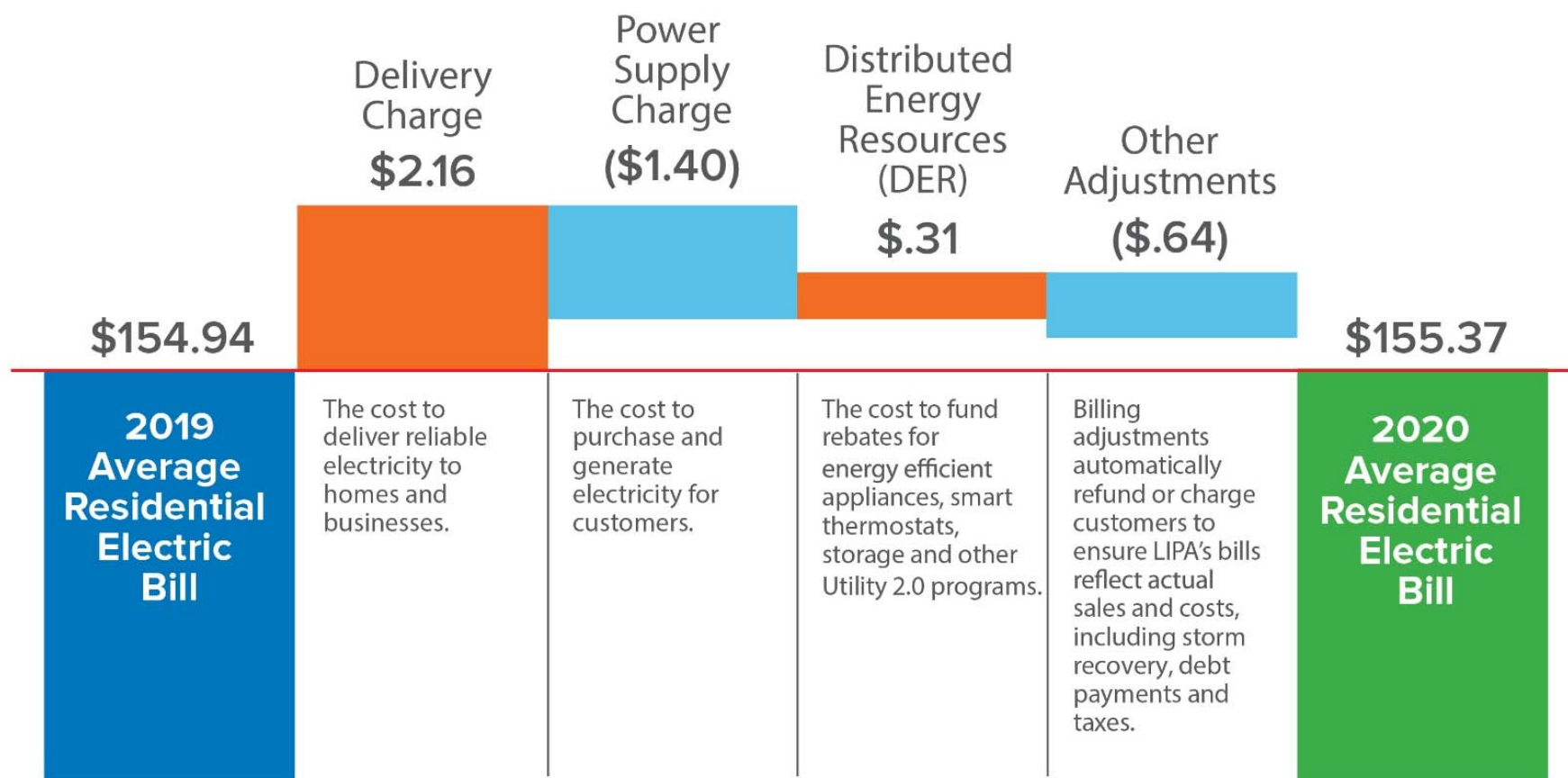


BENEFICIAL ELECTRIFICATION - BUILDINGS

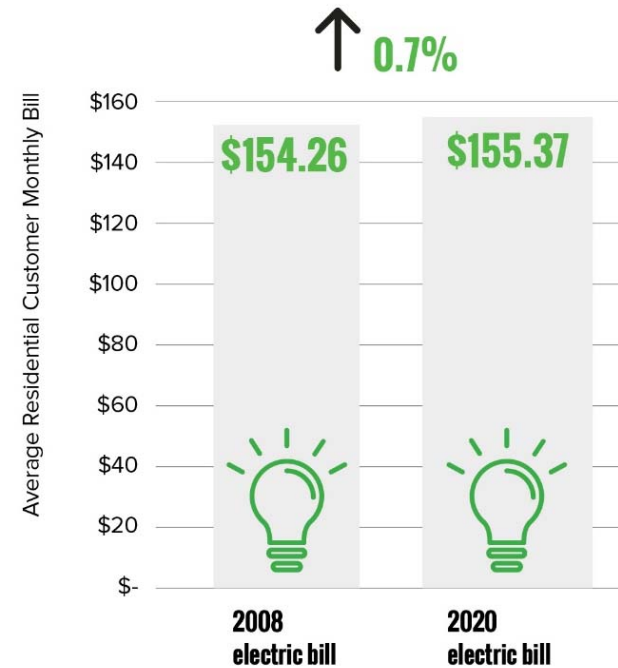
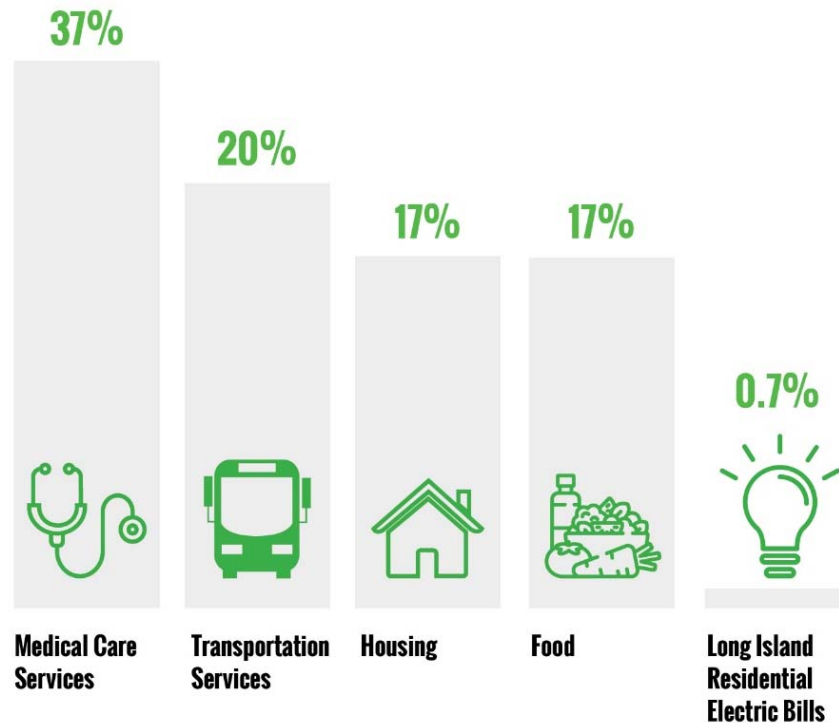


	Buying NEW Central Air Conditioner	Buying NEW Air-Source Heat Pump
Upfront Cost*	\$6,700	\$9,700
PSEG Long Island Rebate		\$1,800
Net Cost	\$6,700	\$7,900
Annual Home Heat Bill	\$1,800	\$800
Annual Savings		\$1,000
Payback period		1.2 years
Carbon Footprint from heating (2020)		-42%
Carbon Footprint from heating (2040)		-100%

ELECTRIC BILLS TO REMAIN FLAT



LONG ISLAND ELECTRIC BILLS HAVE INCREASED 0.7% SINCE 2008

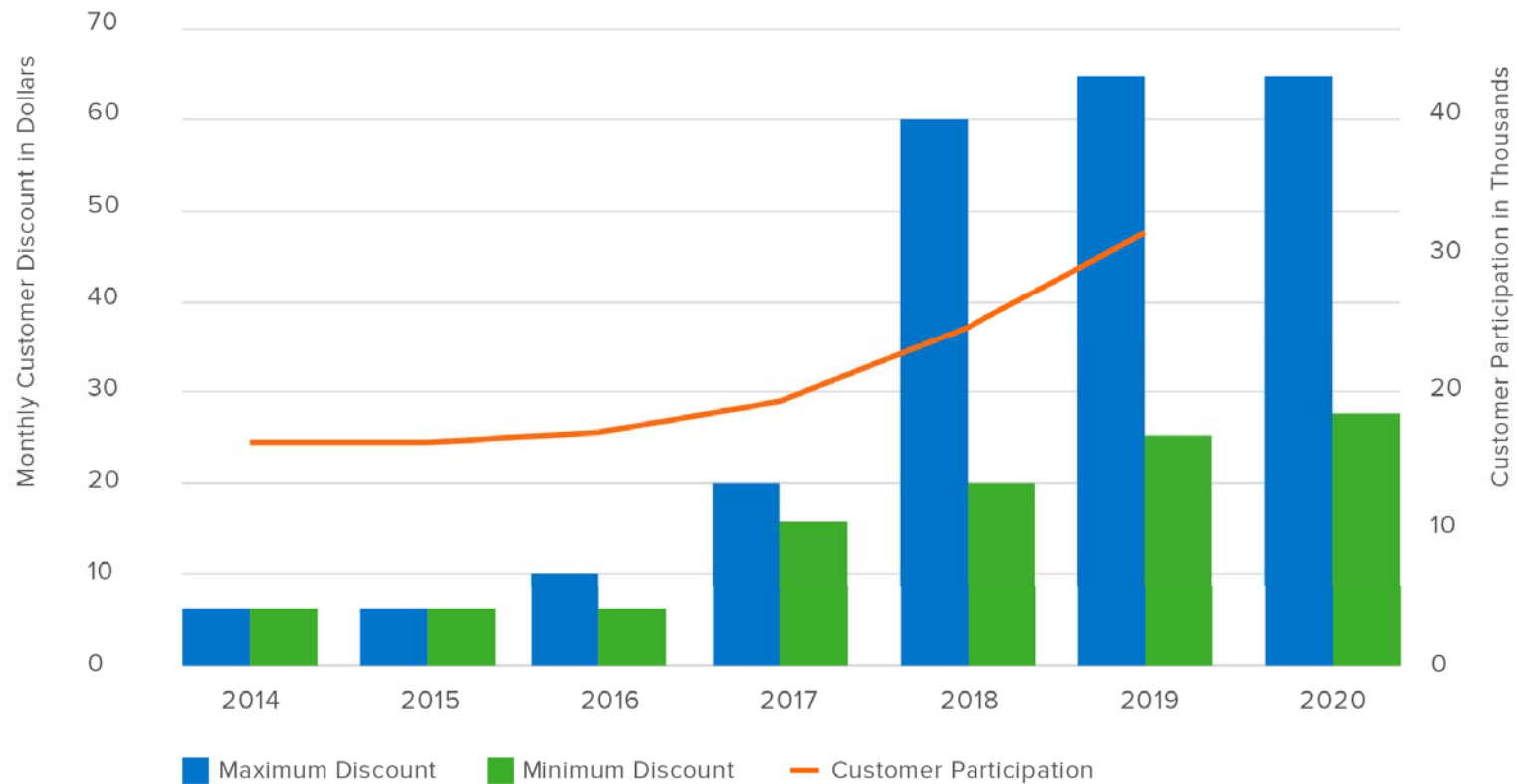


SAVINGS IN 2020 TO HELP MANAGE CUSTOMER BILLS

	Millions
Discontinuing investment in combined cycle plants	\$348
LIPA Reform Act 2% Tax Cap	\$141
Refinancing existing debt	\$60
Renegotiating expiring power purchase agreements	\$29
Investing in cost-effective energy efficiency	\$19
PSA pension and retirement savings	\$8
Smart Meter savings	\$7
Reduction to gas transportation costs	\$6
Total	\$618

- Initiatives over the last several years will save customers \$618 million in 2020 or 17% of electric bills – nearly \$26 a month for an average residential customer

INCREASING LOW & MODERATE INCOME CUSTOMER DISCOUNTS AND DOUBLING PARTICIPATION



CHANGES IN 2020 OPERATING REVENUES



- Long Island Choice increase related to cost to purchase or generate electricity for 3,300 former Choice commercial customers who returned to LIPA for their power supply in 2019; does not impact customer bills
- See budget pages 32 to 33 for more detail

2020 BUDGET MAINTAINS FISCAL SUSTAINABILITY

	2013 Ratings (Outlook)	2019 Ratings (Outlook)
Moody's Investors Service	Baa1 (Negative)	A2 (Stable)
Standard and Poor's	A- (Negative)	A (Stable)
Fitch Ratings	A- (Negative)	A (Stable)

- LIPA has achieved four credit rating upgrades since 2013
- Operating Budget targets 1.35x fixed obligation coverage*
- Capital Budget temporarily exceeds Board's 64% borrowing target due to two sizable projects: Western Nassau Transmission (\$175 million) and Smart Meters (\$242 million)

2020 BUDGET BY THE NUMBERS

2020 Proposed Operating Budget (\$ thousands)

Operating Revenues	3,683,301
Grant & Other Income	77,091
Total Revenues and Income	3,760,392
Power Supply Costs	1,624,678
Delivery Costs	752,519
PILOTs, Taxes & Fees	554,829
Interest Payments	377,089
Debt Reduction & OPEB	451,277
Operating Budget	3,760,392
Fixed Obligation Coverage	
LIPA Debt Plus Leases	1.35x
LIPA & USDA Debt Plus Leases	1.24x

Note: Operating Budget shown based on revenue requirements. Taxes on power supply have been reclassified to PILOTs, Taxes and Fees

2020 Proposed Capital Budget (\$ thousands)

Capital Projects	761,698
Storm Hardening	58,665
Capital Budget	820,363
Funding from Operating Budget	207,892
FEMA Grant	52,799
Debt Issued to Fund Projects	559,673
Funding Sources	820,363
Percent of Capital Projects Funded from Debt	
Including FEMA Projects	68%
Excluding FEMA Projects	73%