FOR DISCUSSION:
- COVID-19 Financial and Operational Impacts
- Northport Repowering Study
- Emergency Response
- Summer Preparation for Power Supply, Transmission and Distribution
- Technology Pilots

FOR APPROVAL:
- Annual Report and Amendments to the Board Policy on Taxes and PILOTs
- Annual Report and Amendments to the Board Policy on Debt and Access to the Credit Markets
- Amendments to the Oversight and REV Committee Charter and By-Laws
- Bond Refinancing for Savings
- Tariff Changes
COVID-19: U.S. ECONOMIC PROJECTIONS

- U.S. inflation-adjusted gross domestic product expected to decline by about 12% during the second quarter, equivalent to an annual rate of 40%
- Unemployment rate expected to peak at 16% in 2020 and average above 10% in 2021

### U.S. Economic Projections for 2020-2021*

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Real GDP (Percentage change from preceding quarter)a</td>
<td>-0.9</td>
<td>-11.8</td>
</tr>
<tr>
<td>Real GDP (Percentage change, annual rate)a</td>
<td>-3.5</td>
<td>-39.6</td>
</tr>
<tr>
<td>Unemployment Rate (Percent)</td>
<td>3.8</td>
<td>14.0</td>
</tr>
</tbody>
</table>

GDP = gross domestic product; n.a. = not applicable.

- Real values are nominal values that have been adjusted to remove the effects of changes in prices.
- Data are shown on a fourth-quarter-to-fourth-quarter basis.
COVID-19: SALES UPDATE

- Weather-adjusted sales averaging net **5% lower** during NYS on Pause, with residential sales up and commercial sales down.
- Uncertain timing of economic recovery or impact on sales in future years from COVID-19 and severe recession; expectation for lower sales in 2020 to 2022 due to economy.

Electricity Sales: March 20* – May 8

- Residential
- Commercial
- Total

*5% excludes partial shutdown week of March 20
COVID-19: 2020 Budget Impacts

- Suspension of late payment fees: $5 to $9 million
- Higher projected write-offs: $12 to $20 million
- Higher O&M costs directly related to COVID-19 mitigation: $5 to $10 million (before FEMA recovery)
- Lower income on investments: $5 to $6 million
- Projected Fixed-Obligation Coverage for 2020: 1.25x to 1.30x (compared to 1.35x target)
PRELIMINARY ESTIMATES FOR COVID-19 IMPACTS FOR 2021

Electric sales down **4-7%** (weather adjusted)

Higher write-offs **$12 to $20mm**

Investment income down **$5 to $6mm**

Pension costs up **$5mm+**

Unemployment to remain above **10%**

Utility impacts

Customer impacts
BELT TIGHTENING ACTIONS FOR 2021 TO 2023

- Defer $60 million from the capital projects budget from 2021 and 2022 and defer $150 million of new capital initiatives
- Cut $15 million of O&M spending and defer $80 million of new O&M initiatives
- Refinance existing bonds for $70+ million in present value savings
- Finance an average of 66% of capital expenditures with debt over the next three years compared to Board Policy of 64%

- Retire excess generation:
  - Previously announced peaking unit retirements at West Babylon and Glenwood Landing in 2020 and 2021; additional peaking unit retirements under consideration, including at Glenwood Landing;
  - Study to conclude in Q4 2020 will identify 400 to 600 MW of steam unit retirements for 2022; additional steam plant retirements after 2024
  - Continue to monitor economic developments and adjust plans accordingly
PROPERTY TAX TIMELINE

SETTLEMENT
Town of Brookhaven & Village of Port Jefferson Settlement for Port Jefferson Power Plant

2010

LIPA Commences
Tax Certiorari Litigation

DEC ‘18

SETTLEMENT
Nassau County Settlement for E.F. Barrett & Glenwood Landing (pending NC Legislature approval)

NOV ‘19

LIPA made its best offer to the Town of Huntington and settlement talks concluded on Northport

MAR ‘20

2020

Northport Trial Decision

Appraisal Exchange for Nassau Tax Cases

CEO Report – May 2020
BENEFITS OF A SETTLEMENT

- Ensures host communities **retain lowest tax rates**
- Provides **hundreds of millions of dollars of continued tax revenue in excess of that required by law**
- Offers **glidepath of tax payments even if power plants close**