



CEO Report

May 20, 2020

MAY BOARD MEETING STRATEGIC / SIGNIFICANT ITEMS

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*

	2020				Annual	
	Q1	Q2	Q3	Q4	2020	2021
Real GDP (Percentage change from preceding quarter) ^a	-0.9	-11.8	5.4	2.5	n.a.	n.a.
Real GDP (Percentage change, annual rate) ^a	-3.5	-39.6	23.5	10.5	-5.6 ^b	2.8 ^b
Unemployment Rate (Percent)	3.8	14.0	16.0	11.7	11.4	10.1

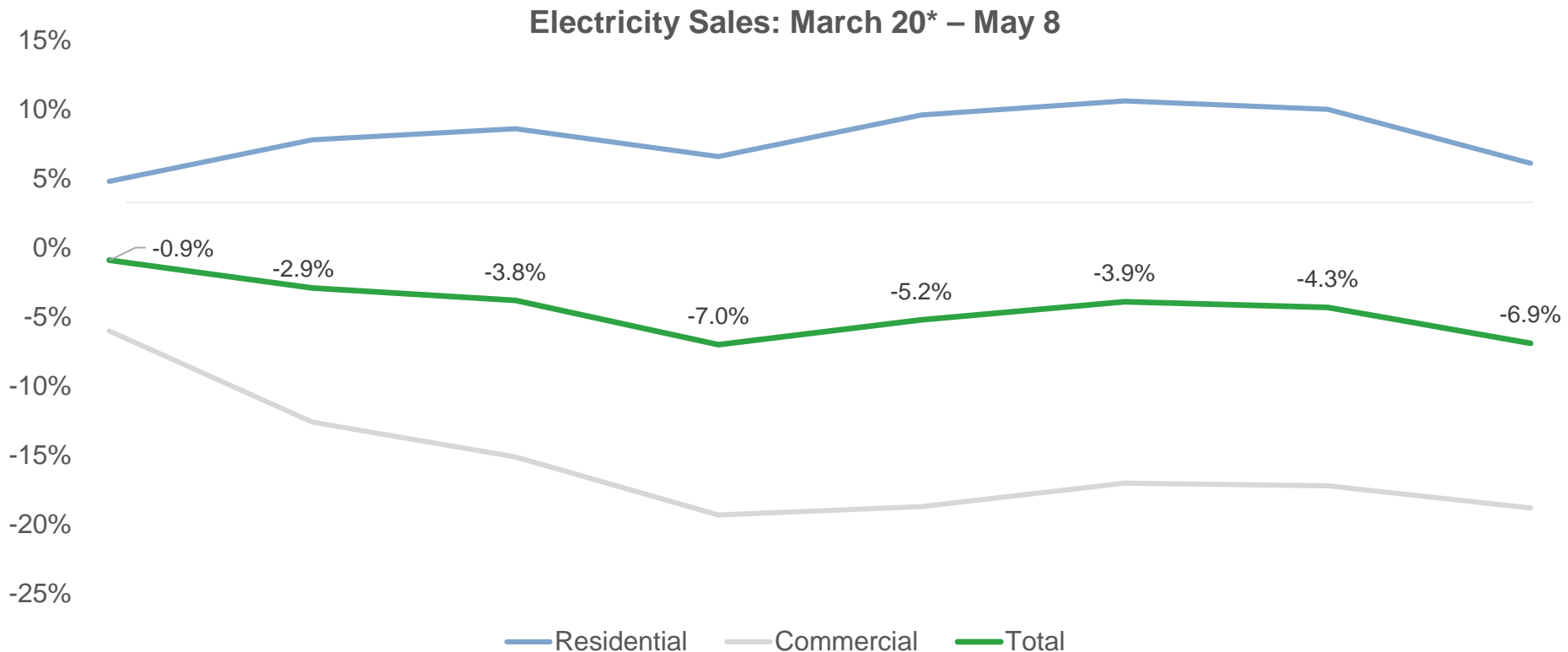
GDP = gross domestic product; n.a. = not applicable.

a. Real values are nominal values that have been adjusted to remove the effects of changes in prices.

b. 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



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+**

Utility
impacts

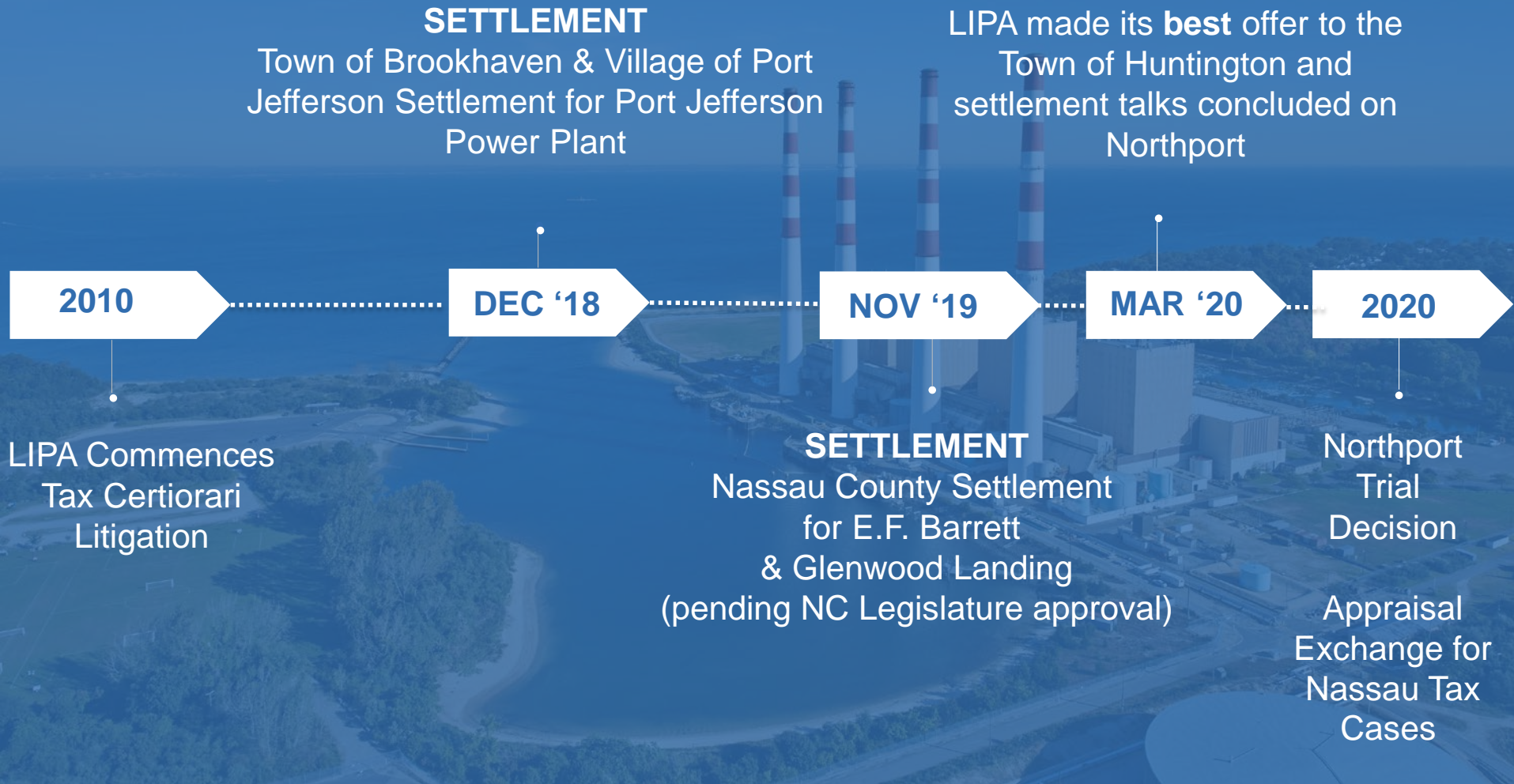
Unemployment to remain above **10%**

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



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**

