

Report to the LIPA Finance and Audit Committee

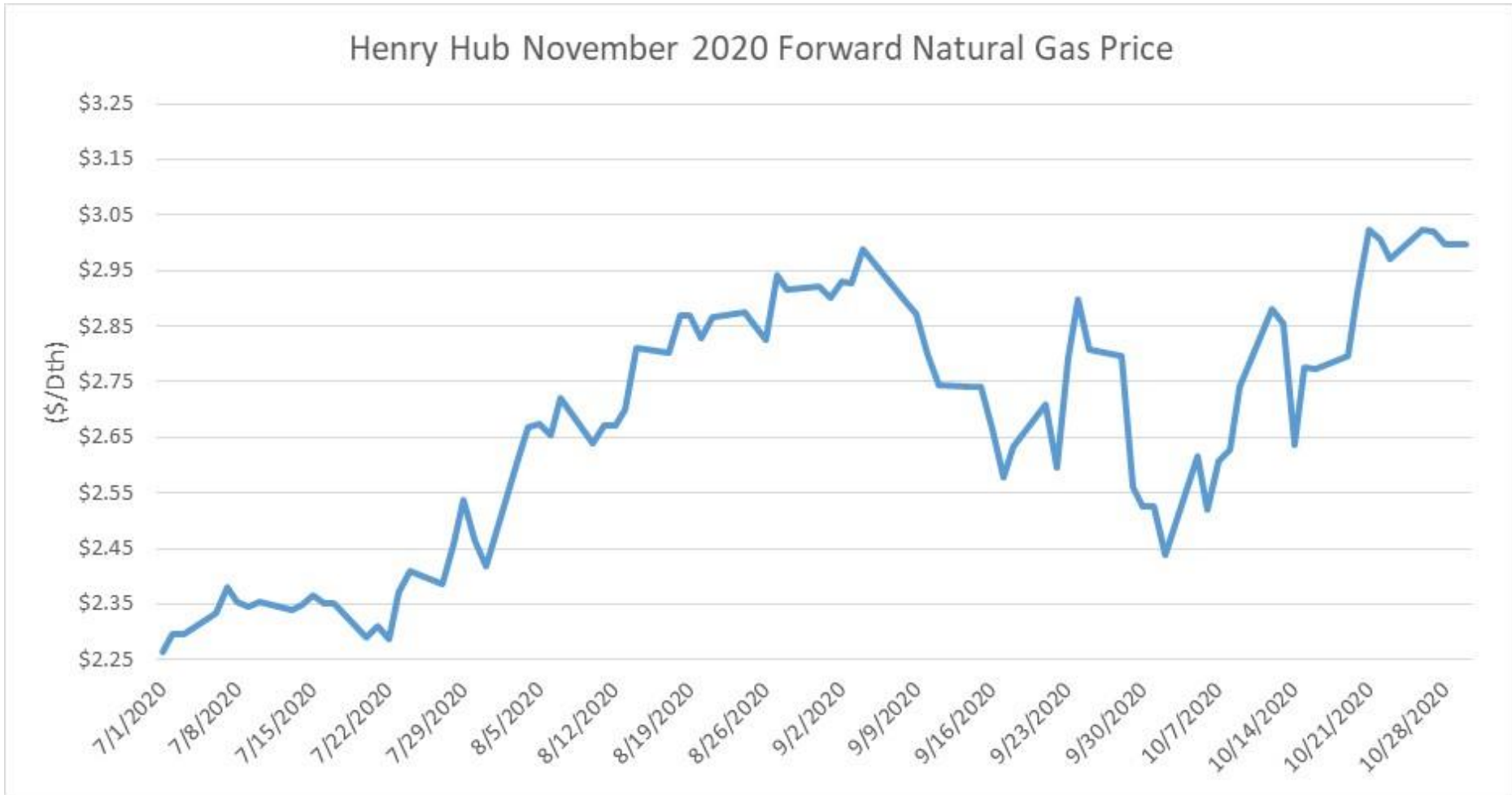
November 18, 2020

Power Supply Hedge Update

Agenda

- Hedging Is Prudent – Example of Natural Gas Price Volatility
- Hedging Is Prudent – Survey of Other Utilities
- Hedging Is Prudent – Volatility of Power Supply Charge vs. Market

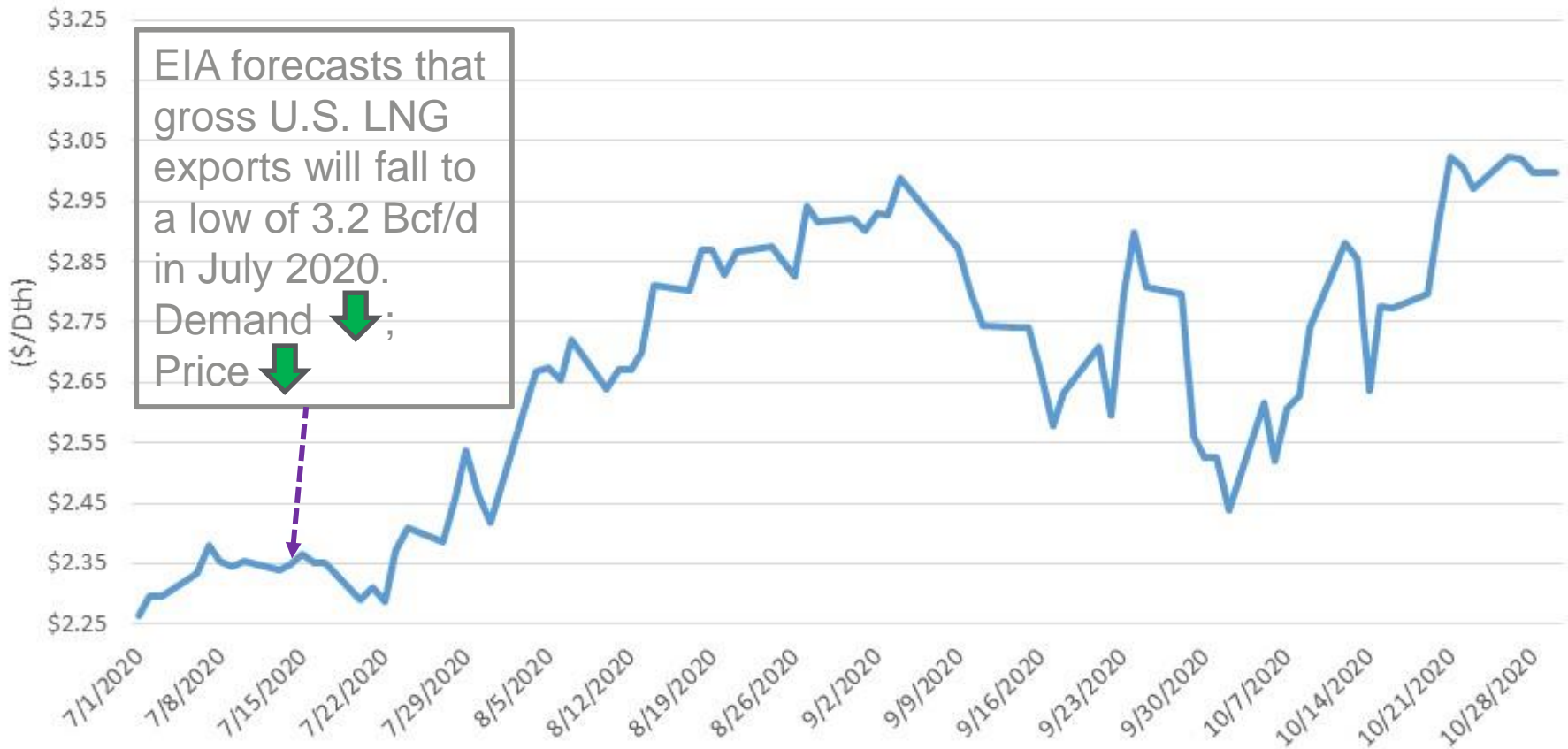
Hedging Is Prudent – Example of Natural Gas Price Volatility



EIA = US Energy Information Administration; LNG = Liquefied Natural Gas

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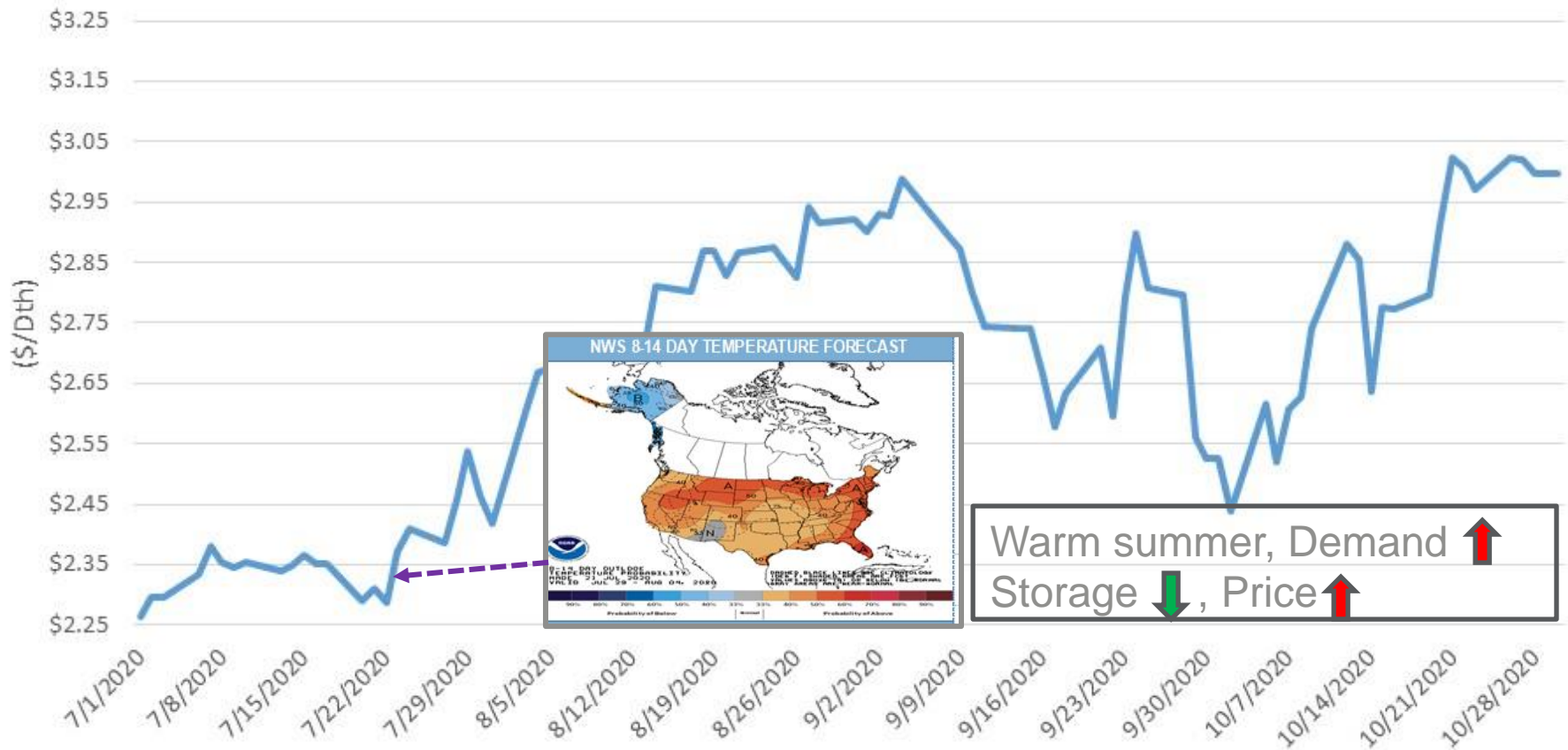
Henry Hub November 2020 Forward Natural Gas Price



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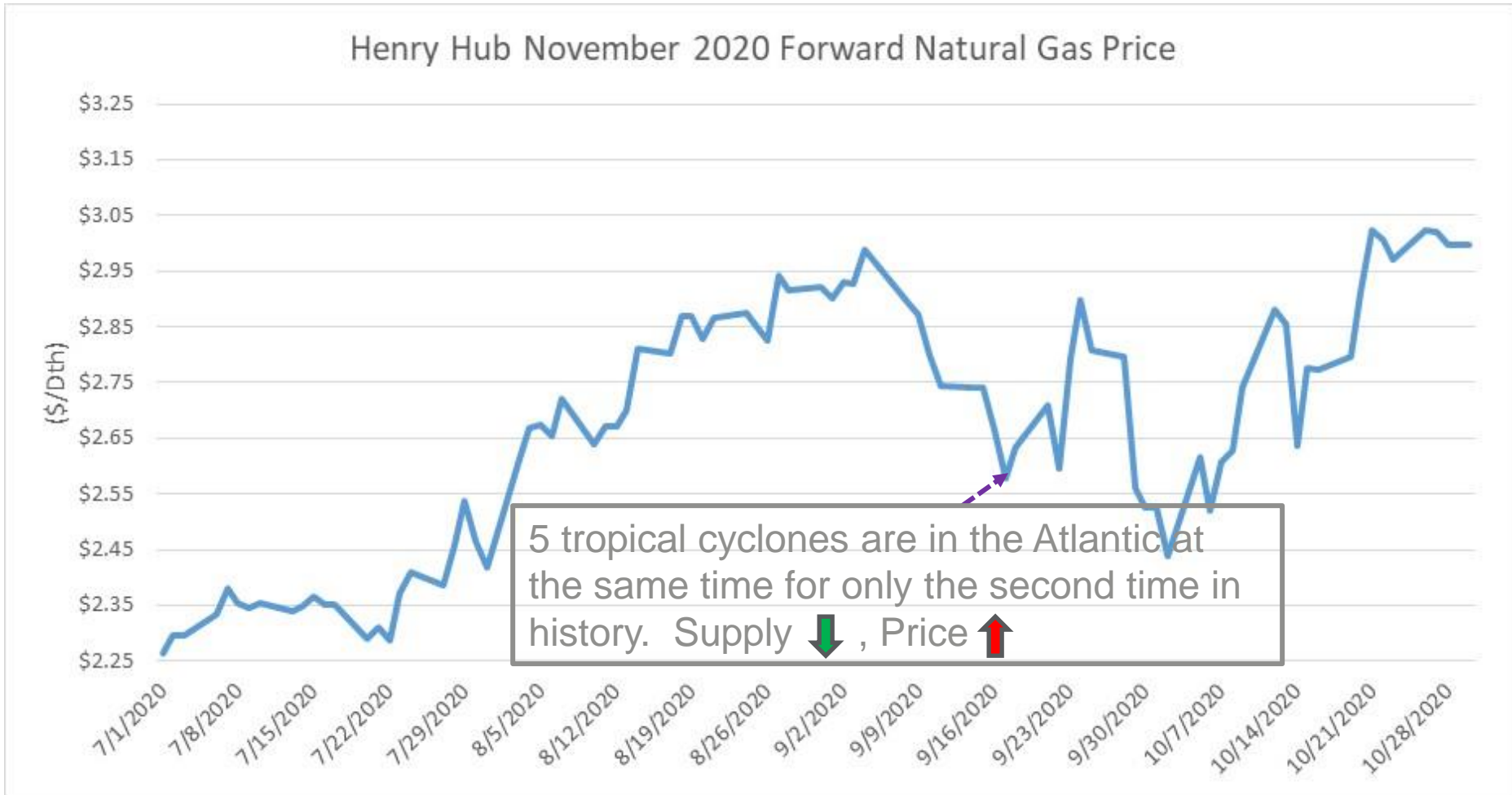
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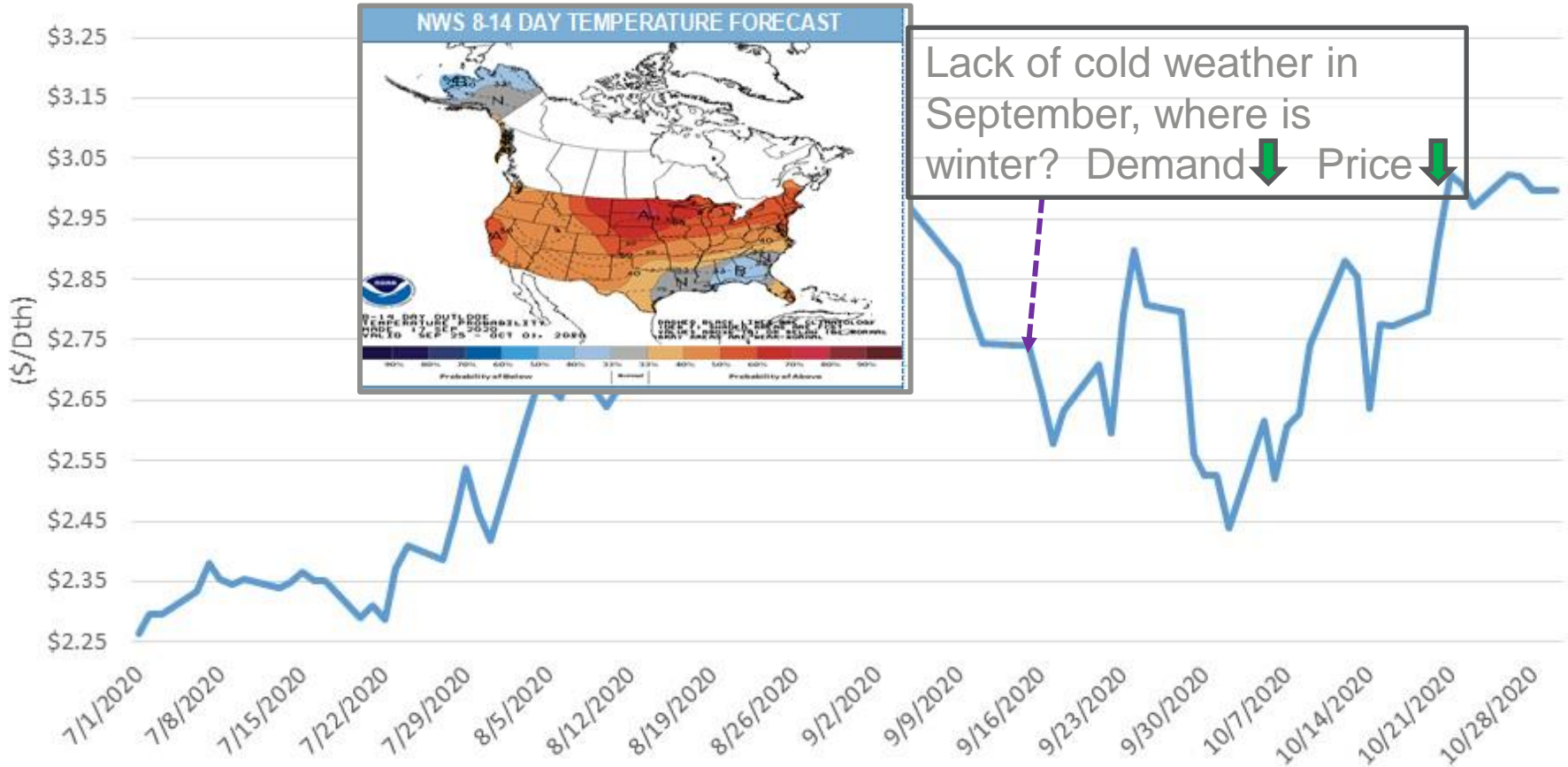
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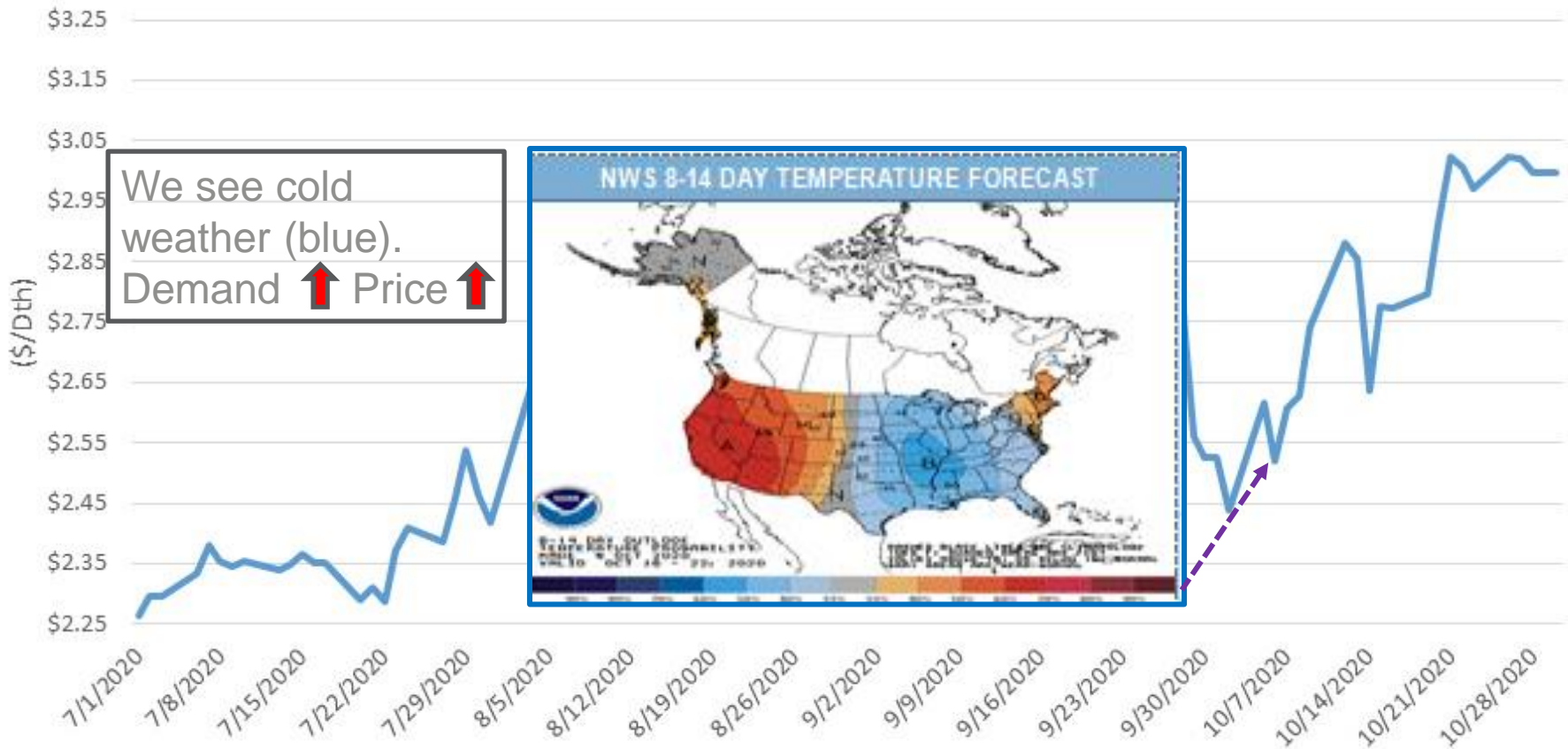
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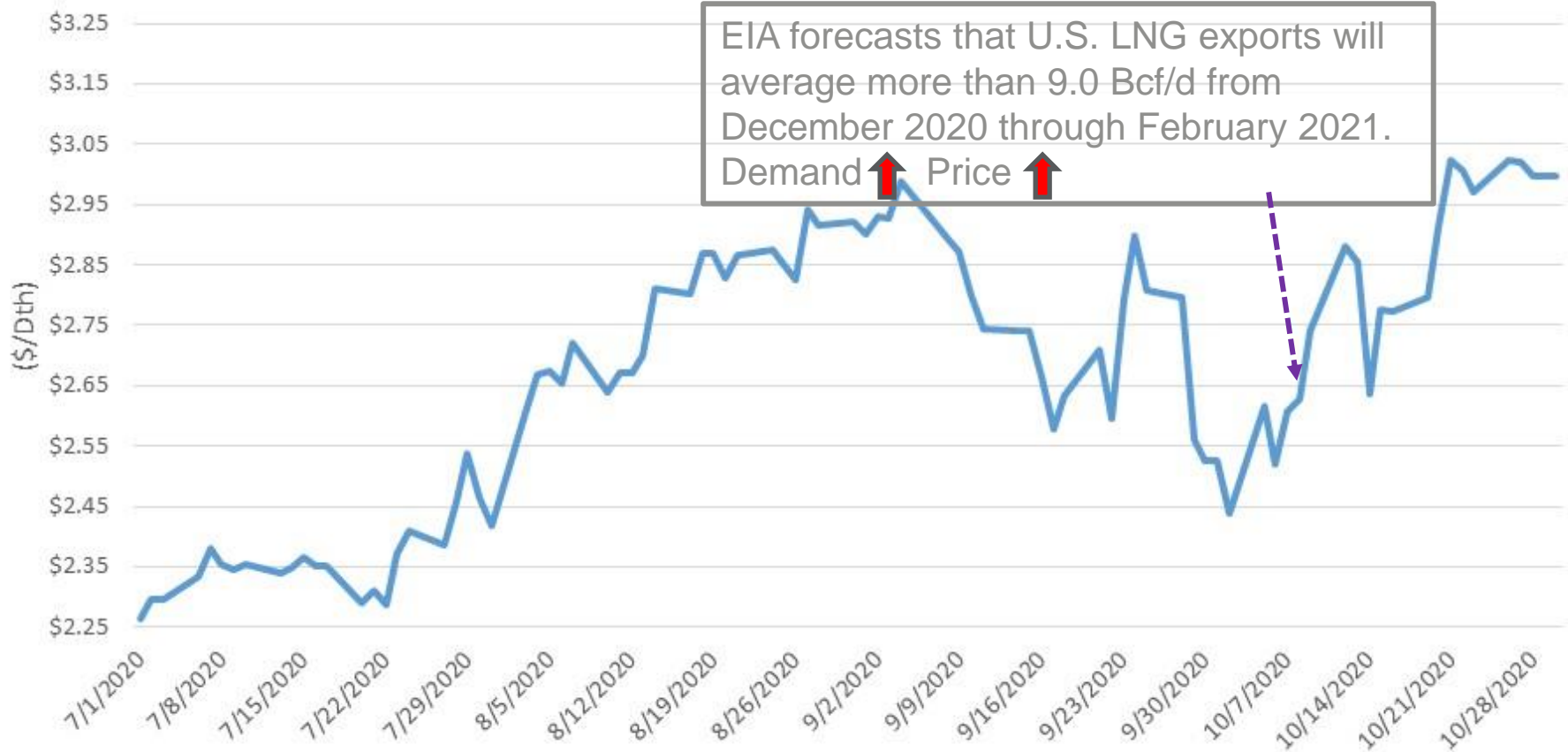
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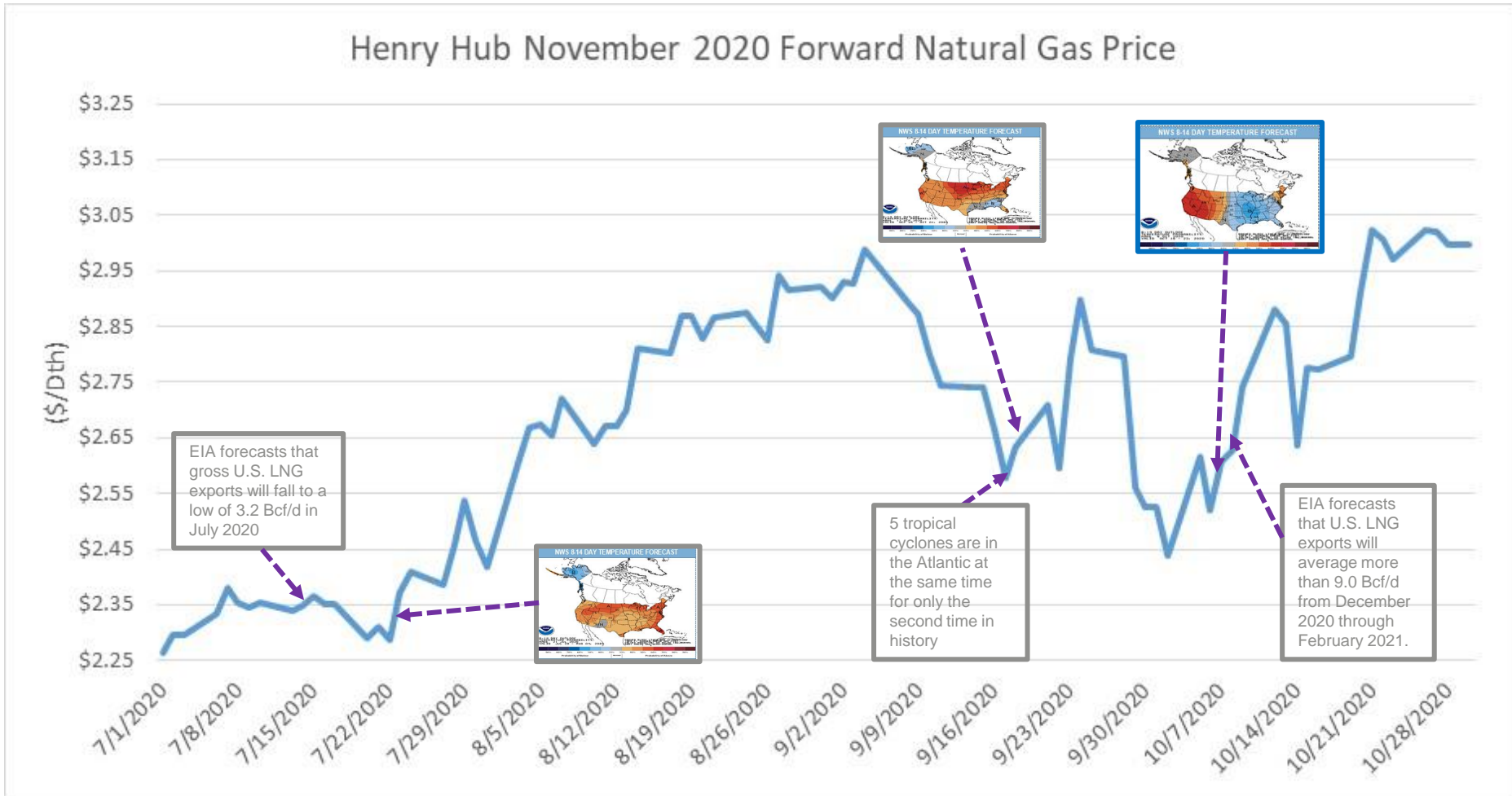
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Hedging Is Prudent – Example of Natural Gas Price Volatility



In four months, we had large prices swing eventually ending at \$3.00/dth.

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Hedging Is Prudent – Survey of Other Utilities

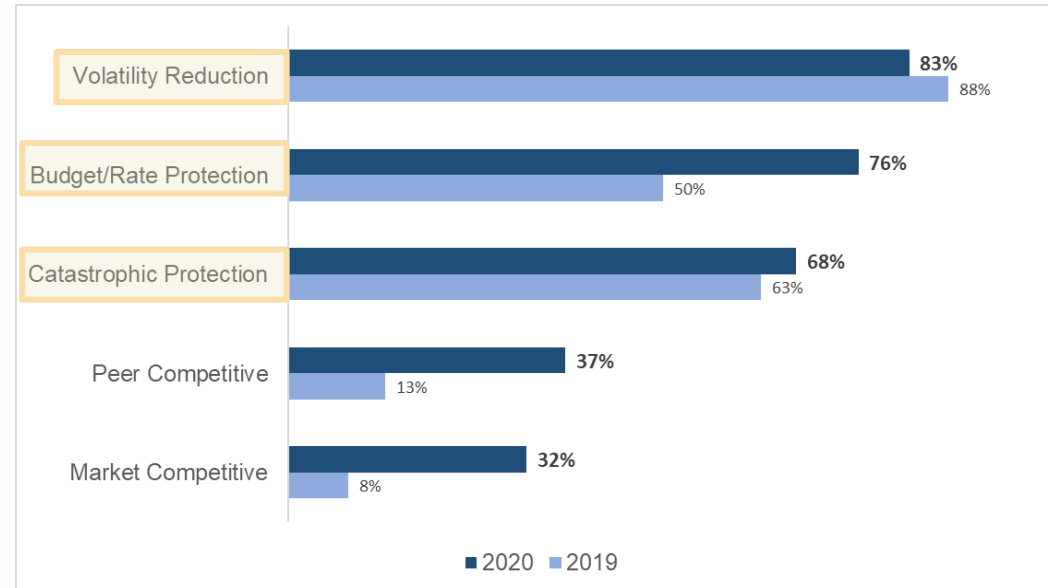
Hedge Plan Objectives

Industry Best Practices

Top 3 objectives in 2020 mirrored 2019 results:

- Volatility Reduction
- Budget/Rate Protection
- Catastrophic Price Protection

Budget/Rate Protection moved up to the 2nd most important objective, swapping with Catastrophic Price Protection

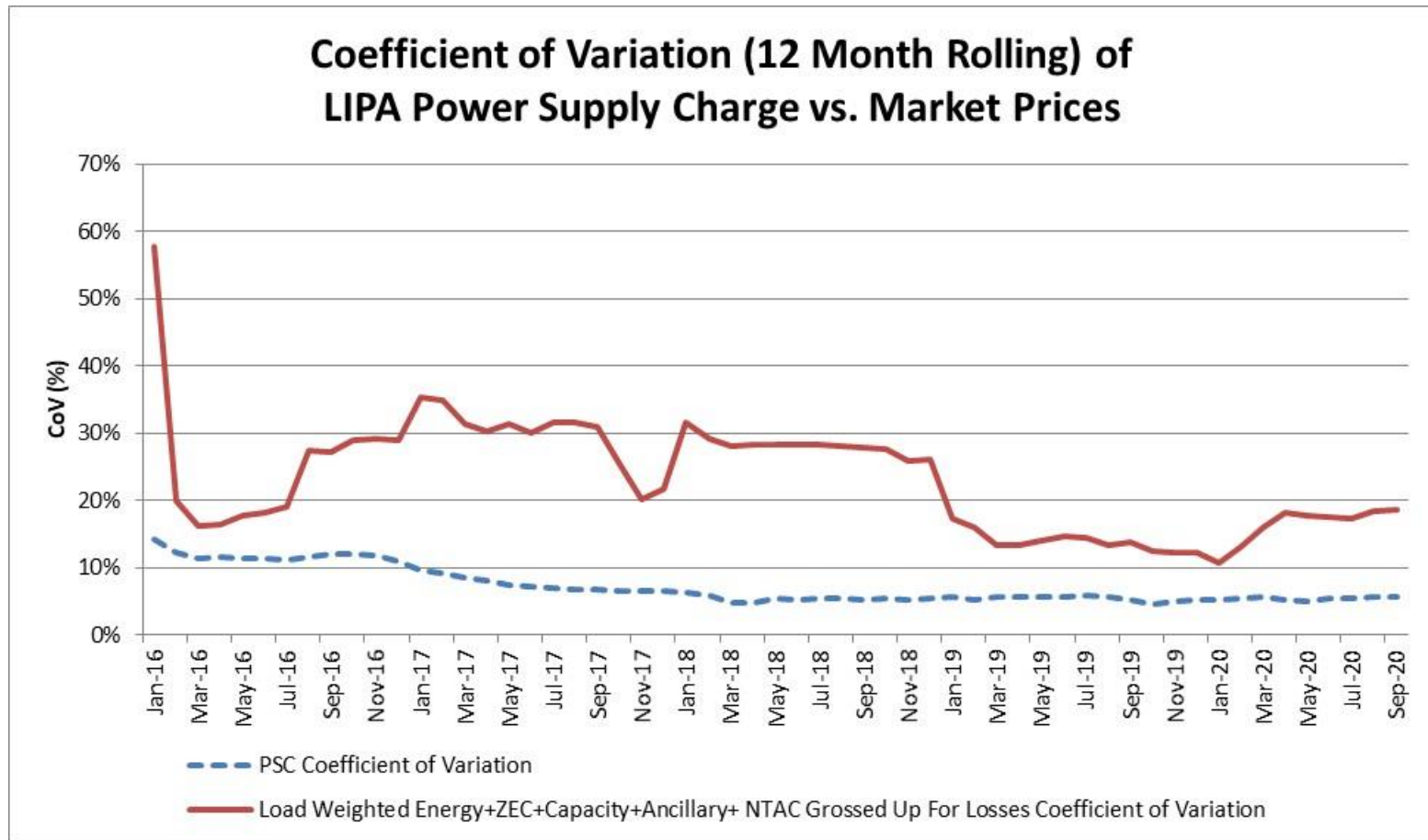


LIPA Hedge Plan Parameter

LIPA's primary program objective is:

- To implement a framework by which LIPA/PSEG will carry out the Program with the primary objectives of reducing a portion of the volatility of energy supply prices in a programmatic & reasonable manner, over what LIPA's customers would experience in the absence of a Program
- LIPA also has a Catastrophic Protection element in place
- Per the PRMC, LIPA has used Budget/Rate Protection when entering into longer-term hedges & allowing %'s to go above the defined plan

Hedging Is Prudent – Volatility of Power Supply Charge vs. Market



Our hedging activity has led to a continuing decline in customer’s price volatility with current volatility levels substantially below wholesale spot market results.

PSC pre 1/1/2017 adjusted up by 2.5 cents/kwh associated with transfer of capacity costs