



# August 2021 Financial Results

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F&A Committee – September 2021

# LIPA CONSOLIDATED RESULTS – AUGUST 2021

(\$ in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>\$ Var.</u>	<u>% Var.</u>	<u>FY Budget</u>
<b>Revenues</b>	<b>\$2,770,543</b>	<b>\$2,549,761</b>	<b>\$220,782</b>	<b>8.7%</b>	<b>\$3,661,987</b>
Power Supply Charge	1,385,545	1,228,752	(156,794)	-12.8%	1,776,149
<b>Revenue Net of Power Supply Charge</b>	<b>\$1,384,998</b>	<b>\$1,321,009</b>	<b>\$63,988</b>	<b>4.8%</b>	<b>\$1,885,837</b>
<b>PSEG Long Island Operating and Managed Expenses</b>					
PSEG Long Island Operating Expenses	367,671	368,758	1,087	0.3%	550,976
PSEG Long Island Managed Expenses	188,710	125,044	(63,666)	-50.9%	186,685
Utility Depreciation	192,026	189,321	(2,705)	-1.4%	290,151
PILOTs	224,565	227,468	2,903	1.3%	339,496
LIPA Operating Expenses	52,018	58,757	6,740	11.5%	92,275
LIPA Depreciation and Amortization	91,806	91,660	(147)	-0.2%	137,489
Interest Expense	238,806	229,535	(9,270)	-4.0%	345,834
<b>Total Expenses</b>	<b>\$1,355,601</b>	<b>\$1,290,543</b>	<b>(\$65,058)</b>	<b>-5.0%</b>	<b>\$1,942,907</b>
Other Income and Deductions	49,671	23,648	26,023	110.0%	44,062
Grant Income	26,287	24,469	1,817	7.4%	42,041
<b>Total Non-Operating Revenue</b>	<b>\$75,958</b>	<b>\$48,117</b>	<b>\$27,840</b>	<b>57.9%</b>	<b>\$86,103</b>
<b>Change in Net Position</b>	<b>\$105,354</b>	<b>\$78,584</b>	<b>\$26,771</b>	<b>-34.1%</b>	<b>\$29,033</b>

Note: Variance - favorable/(unfavorable)

# LIPA MANAGED EXPENSES & INCOME – AUGUST 2021

(\$ in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>\$ Var.</u>	<u>% Var.</u>	<u>FY Budget</u>
<b>LIPA Expenses</b>					
LIPA Operating Expenses	\$52,018	\$58,757	\$6,740	11.5%	\$92,275
LIPA Depreciation and Amortization	75,130	74,983	(147)	-0.2%	112,475
LIPA Deferred Amortized Expenses	16,676	16,676	-	0.0%	25,014
Interest Expense, other Interest Costs and Interest Amortizations	238,806	229,535	(9,270)	-4.0%	345,834
<b>Total Expenses</b>	<b>\$382,629</b>	<b>\$379,952</b>	<b>(\$2,677)</b>	<b>-0.7%</b>	<b>\$575,599</b>
Other Income and Deductions	35,218	8,995	26,223	291.5%	22,443
Grant Income	26,287	24,469	1,817	7.4%	42,041
<b>Total Income</b>	<b>\$61,504</b>	<b>\$33,464</b>	<b>\$28,041</b>	<b>83.8%</b>	<b>\$64,484</b>
<b>LIPA Capital</b>	<b>\$1,390</b>	<b>\$4,333</b>	<b>\$2,944</b>	<b>67.9%</b>	<b>\$6,500</b>

Note: Variance - favorable/(unfavorable)

- LIPA operating expense is under budget by \$6.7M primarily due to the lower allocation of the PSEG Long Island management fee between capital and O&M, lower consulting spend, and the PSEG Long Island reimbursement to LIPA for incurred legal costs in accordance with the A&R OSA.
- Interest expense is over budget (\$9.3M) primarily due to the basis swap termination payments combined with a non-cash unbudgeted amortization.
- Other income and deductions is over budget \$26.2M primarily due to the recognition of the non-cash gain recognized on the termination of the basis swaps coupled with favorable market to market adjustments.

# LIPA LIQUIDITY POSITION – AUGUST 2021

<i>(\$ in thousands)</i>	<b>August 31, 2021</b>	<b>Days Cash</b>	<b>July 31, 2021</b>	<b>Days Cash</b>
<b>Operating liquidity</b>				
Unrestricted cash, cash equivalents, and investments	\$ 444,129		\$ 471,536	
OPEB Account cash, cash equivalents, and investments	556,048		547,245	
PSEG Long Island working capital requirements	238,097		242,879	
<b>Total operating liquidity</b>	<b>1,238,274</b>	<b>154</b>	<b>1,261,660</b>	<b>156</b>
<b>Available credit</b>				
General revenue notes – Revolving Credit Facility	198,000		198,000	
General revenue notes – Commercial Paper	595,000		515,000	
<b>Total available credit</b>	<b>793,000</b>		<b>713,000</b>	
<b>Total cash, cash equivalents, investments, and available credit</b>	<b>\$ 2,031,274</b>	<b>252</b>	<b>\$ 1,974,660</b>	<b>245</b>
<b>Restricted cash, cash equivalents and investments</b>				
FEMA Grant Proceeds	1,740		1,740	
UDSA	168,902		135,812	
<b>Total restricted cash, cash and cash equivalents, and investments</b>	<b>\$ 170,642</b>		<b>\$ 137,552</b>	

*LIPA continues to exceed its required 120 days cash and available credit on hand*

# 2021 PLAN OF FINANCE UPDATE

- **Credit Rating Agency Update**
  - Fitch Revises Outlook on LIPA to Positive, Cites Improved Leverage Ratio
- **Issued \$725.1 million LIPA Refunding and New Money Bonds (Sold on Sept. 14)**
  - True Interest Cost (TIC) 1.591%
  - Maturities 2022 -2051
    - **Series 2021A** - \$355.7 million - tax-exempt, fixed-rate refunding and new money bonds
    - **Series 2021B** - \$175.0 million - tax-exempt, “put”, fixed-rate bonds
    - **Series 2021C** - \$194.4 million - taxable refunding bonds
  - Very strong investor interest with orders exceeding issue size by 10x, resulting in improved pricing
- **Refinancing Bonds for Savings**
  - Refinanced \$175 million of floating-rate bonds with fixed bonds
  - Refunded \$164 million of fixed-rate bonds to achieve **\$45.8 million net present value savings**

# PSEG LONG ISLAND OPERATING EXPENSES – AUGUST 2021

(\$ in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>\$ Var.</u>	<u>% Var.</u>	<u>FY Budget</u>
<b>PSEG Long Island Operating Expenses</b>					
Transmission & Distribution	\$128,550	\$116,603	(\$11,948)	-10.2%	\$169,871
Customer Services	64,331	66,034	1,703	2.6%	99,403
Business Services	106,979	104,829	(2,150)	-2.1%	157,295
Power Markets	7,031	8,619	1,588	18.4%	12,956
Energy Efficiency & Renewable Energy	53,314	59,329	6,015	10.1%	87,243
Utility 2.0	7,467	13,345	5,879	44.1%	24,208
<b>Total PSEG Long Island Operating Expenses</b>	<b>\$367,671</b>	<b>\$368,758</b>	<b>\$1,087</b>	<b>0.3%</b>	<b>\$550,976</b>

Note: Variance - favorable/(unfavorable)

FY Budget for Customer Services and Business Services expenses include \$11,452 of Utility 2.0 Savings

- Total expenses are under budget by \$1.1M primarily due to:
  - T&D is over budget by (\$11.9M) due to primarily due to storm support, which did not meet the reimbursable storm threshold, Storm Hardening Project, and Weather Support
  - Customer Service is under budget by \$1.7M due to vacancies and work shifted to capital projects to support accelerated smart meter project
  - Business Services is over budget (\$2.2M) primarily due to IT contract expenses related to storm remediation costs, partially offset by lower contractor spend and less legal claims
  - Power Markets is under budget \$1.6M due to delay in consulting services for the IRP coupled with partial refund of a deposit for the NNC cable study
  - Energy Efficiency is under budget by \$6.0M due to rebates paid; however, high rebate efficiency allowed YTD goals to be exceeded
  - Utility 2.0 is under budget by \$5.9M due to project delays related to Rate Modernization, Energy Concierge and Customer Experience and deferrals to several projects

# PSEG LONG ISLAND MANAGED EXPENSES – AUGUST 2021

(\$ in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>\$ Var.</u>	<u>% Var.</u>	<u>FY Budget</u>
<b>PSEG Long Island Managed Expenses</b>					
Uncollectible Accounts	\$18,090	\$20,355	\$2,265	11.1%	\$30,362
Storm Restoration	117,102	46,757	(70,345)	-150.4%	70,000
NYS Assessment	6,947	7,617	670	8.8%	10,937
Utility Depreciation	192,026	189,321	(2,705)	-1.4%	290,151
Pension & OPEB Expense	44,621	48,423	3,802	7.9%	72,610
PILOTs - Revenue-Based Taxes	25,685	25,630	(55)	-0.2%	36,694
PILOTs - Property-Based Taxes	198,880	201,838	2,958	1.5%	302,802
PSEGLI Managed - Misc	1,949	1,891	(58)	-3.1%	2,775
<b>Total PSEG Long Island Managed Expenses</b>	<b>\$605,301</b>	<b>\$541,832</b>	<b>(\$63,468)</b>	<b>-11.7%</b>	<b>\$816,332</b>
<b>Other Income &amp; Deductions</b>	<b>\$14,401</b>	<b>\$14,646</b>	<b>(\$245)</b>	<b>-1.7%</b>	<b>\$21,608</b>

Note: Variance - favorable/(unfavorable)

- Uncollectible Accounts is under budget \$2.3M due to lower uncollectible reserve due to modification of the allowance
- Storm Restoration is over budget by (\$70.3M) primarily due to three major storms, one of which was predicted to have hurricane strength winds, which resulted in securing significant on and off-island contractor resources

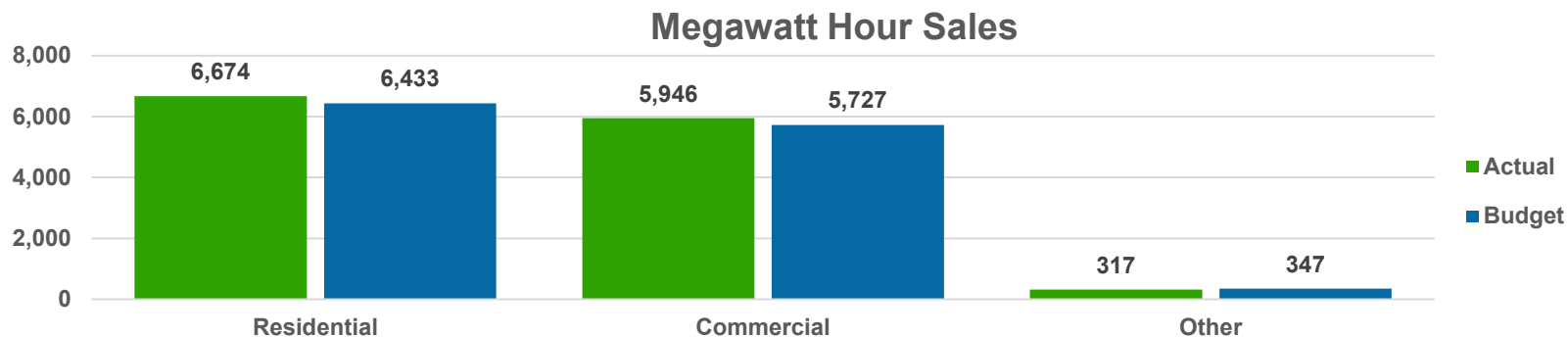
# PSEG LONG ISLAND REVENUE – AUGUST 2021

(\$ in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>\$ Var.</u>	<u>% Var.</u>	<u>Budget</u>
<b>Revenues</b>	\$2,770,543	\$2,549,761	\$220,782	8.7%	\$3,661,987
<b>Power Supply Charge</b>	\$1,385,545	\$1,228,752	(\$156,794)	-12.8%	\$1,776,149
<b>Revenue Net of Power Supply Costs</b>	<u>\$1,384,998</u>	<u>\$1,321,009</u>	<u>\$63,988</u>	<u>4.8%</u>	<u>\$1,885,837</u>

Note: Variance - favorable/(unfavorable)

- Revenue, net of PSCs, is \$64.0M higher than budget primarily driven by:
  - Delivery Service Adjustment (DSA) of \$73.8M due to higher Storm expenses (\$70.3M) coupled with debt service (\$9.4M) offset by lower bad debt expense (\$2.3M) and decrease in DSA Pensions/OPEBs (\$3.6M)
  - Lower miscellaneous revenue of \$9.3M due to the suspension of late payment charges, reconnection charges, service initiation fees and non-access fees (to assist customers impacted by COVID-19) and \$0.6M of other items



- Sales of electricity are higher than budget by 430GWh or 3.4% primarily due to better than expected performance in the local economy



# CAPITAL EXPENDITURES – AUGUST 2021

(\$ in thousands)

## Transmission and Distribution

	Actual	Budget	\$ Var.	% Var.	FY Budget
Regulatory Driven	\$1,040	\$5,994	\$4,953	82.6%	\$6,000
Load Growth	124,505	131,354	6,849	5.2%	214,349
Reliability	137,303	132,227	(5,076)	-3.8%	196,212
Storm Hardening	59,373	52,049	(7,324)	-14.1%	70,000
Economic, Salvage, Tools, Equipment & Other <sup>1</sup>	35,296	46,268	10,972	23.7%	55,017
<b>Total Transmission and Distribution Projects</b>	<b>\$357,517</b>	<b>\$367,891</b>	<b>\$10,374</b>	<b>2.8%</b>	<b>\$541,579</b>

## Other PSEG Long Island Capital Expenditures

Information Technology Projects	34,861	28,386	(6,475)	-22.8%	49,647
Customer Operations	9,520	11,511	1,991	17.3%	17,282
Other General Plant Projects	2,810	5,409	2,599	48.0%	11,517
Fleet	43	-	(43)	0.0%	9,719
Utility 2.0	52,336	57,343	5,007	8.7%	95,739
<b>Total Expenses</b>	<b>\$99,569</b>	<b>\$102,649</b>	<b>\$3,080</b>	<b>3.0%</b>	<b>\$183,904</b>

## Total PSEG Long Island Capital Expenditures (excl. FEMA)

<b>Total PSEG Long Island Capital Expenditures (excl. FEMA)</b>	<b>\$457,087</b>	<b>\$470,541</b>	<b>\$13,454</b>	<b>2.9%</b>	<b>\$725,482</b>
FEMA	14,222	16,565	2,343	14.1%	24,414
Capital Storm	988	2,979	1,991	66.8%	4,468
Management Fee	23,235	20,672	(2,563)	-12.4%	31,007
<b>Total PSEG Long Island Capital Expenditures</b>	<b>\$495,532</b>	<b>\$510,756</b>	<b>\$15,225</b>	<b>3.0%</b>	<b>\$785,372</b>

## Nine Mile Point 2

<b>Nine Mile Point 2</b>	<b>\$1,452</b>	<b>\$4,593</b>	<b>\$3,141</b>	<b>68.4%</b>	<b>\$6,910</b>
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## LIPA Capital

<b>LIPA Capital</b>	<b>\$1,390</b>	<b>\$4,333</b>	<b>\$2,944</b>	<b>67.9%</b>	<b>\$6,500</b>
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- T&D is under budget by \$10.4M primarily driven by timing of scheduled work, lower construction bids than estimated, and LIRR reimbursement paid in 2021, partially offset by increased scope for Storm Hardening
- IT is over budget (\$6.5M) due to Isaias storm remediation projects
- Customer Operations is under budget by \$2.0M due to focus being shifted to Smart Meter project and reductions in program demands for Dusk till Dawn Lighting program
- Other General Plant Projects is under budget by \$2.6M primarily due to tenant improvement project delays as re-entry occupancy levels and facility usage are being reviewed
- Utility 2.0 is under budget by \$5.0M primarily due to delays in Grid Storage RFP bid, project delays, and CVR deferral
- FEMA is under budget \$2.3M due delay in IP Repeater construction for the final two sites and ASUV commissioning which is projected to be completed by Q1 2022

Note: Variance - favorable/(unfavorable)

(1) The 2021 annual budget has been revised to include LIPA's amendment resolution of \$27.2M for the purchase of Garden City Property

# PSEG LONG ISLAND MAJOR CAPITAL EXPENDITURES – OVER \$25M (TOTAL PROJECT COST) – AUGUST 2021

Description	Original Total Project Cost (\$M)**		Total Project Actuals Through 8/31/21 (\$M)	Current Working Estimate* (\$M)	Current Estimated Completion Date*
	Cost Estimate	Date of Cost Estimate			
Two Way Radio System Replacement	\$42.1	2017	\$43.2	\$47.7	Dec-20***
Belmont New Substation	\$51.3	2017	\$24.1	\$36.1	Dec-20***
Hempstead: New Substation	\$33.2	2017	\$35.3	\$35.3	Dec-20***
Round Swamp Substation	\$20.5	2018	\$9.9	\$29.2	Jun-22
Ruland Rd to Plainview: Transmission	\$46.8	2017	\$29.8	\$53.0	Dec-21
East Garden City to Valley Stream: Transmission	\$176.6	2017	\$96.7	\$106.3	Dec-20***
Kings Highway: New Substation	\$54.0	2017	\$51.1	\$55.1	Jul-20***
Bridgehampton to Buell: Transmission	\$46.1	2017	\$3.2	\$45.5	Jun-25
Riverhead to Canal: Transmission	\$191.5	2017	\$63.8	\$82.5	Jun-21***
Lindbergh (Nassau Hub): New Substation	\$51.0	2017	\$43.6	\$48.1	Jan-21***
Navy Road New Substation	\$33.5	2017	\$25.8	\$31.7	Dec-23
Fire Island Pines New Circuit to Ocean Beach	\$51.1	2017	\$2.3	\$50.8	Jun-22
Far Rockaway 33-309 Reconductoring	\$31.2	2020	\$1.4	\$31.2	Jun-22
East Garden City: Switchgear replacement	\$28.6	2020	\$0.1	\$28.6	Dec-23
Brooklyn Ave (Massapequa) New Substation	\$22.7	2017	\$5.9	\$33.0	Jun-23
Transmission Operations Control Room Facility Replacement	\$84.0	2018	\$0.0	\$78.2	Dec-24
Substation Security Expansion Project	\$52.9	2017	\$15.4	\$48.3	Dec-24
Syosset to Shore Rd.: Transmission	\$268.0	2019	\$0.2	\$268.0	Dec-26
Southampton Install new 138kV cable to Deerfield	\$142.4	2021	\$0.0	\$142.4	Jun-27
<b>Total</b>	<b>\$1,427.5</b>		<b>\$451.4</b>	<b>\$1,251.0</b>	

\*The Current Working Estimate and Completion Dates will be updated ending June 30 and November 30.

\*\* Revised estimate based on PSEG LI new estimating process.

\*\*\* Projects are completed and in-service

# Outage Management System Remediation Cost – August 2021

*(\$ in thousands)*

	2020					2021								TOTAL
	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	
<b>TOTAL</b>	\$0	\$0	\$631	\$0	\$717	\$1,195	\$3,788	\$4,786	\$4,281	\$4,525	\$3,017	\$3,556	\$3,504	\$30,004