FitchRatings

RATING ACTION COMMENTARY

Fitch Rates LIPA Electric System Rev Bonds 'A'; Outlook Revised to Positive

Tue 07 Sep, 2021 - 12:38 PM ET

Fitch Ratings - New York - 07 Sep 2021: Fitch Ratings has assigned an 'A' rating to the following Long Island Power Authority, NY (LIPA or the authority) bonds:

--Approximately $368 million electric system general revenue bonds (tax-exempt fixed rate) series 2021A;

--Approximately $175 million electric system general revenue bonds (mandatory tender, tax-exempt) series 2021B;

--Approximately $195 million electric system general revenue bonds (federally taxable) series 2021C.

Proceeds from the series 2021A bonds will be used to fund system improvements, refund existing debt and pay the costs of issuance. Proceeds from the series 2021B and C bonds will be used to fund system improvements and to pay the costs of issuance. All of the bonds will be sold with a fixed interest rate. The series 2021A and B bonds will amortize through 2042 and 2051, respectively. The series 2021C bonds will mature on March 1, 2023.

In addition, Fitch has affirmed the following LIPA ratings at 'A':

--Issuer Default Rating (IDR);

--Approximately $3.9 billion senior-lien electric system revenue and refunding bonds.

The Rating Outlook is revised to Positive from Stable.

ANALYTICAL CONCLUSION

The Positive Outlook reflects LIPA's improved leverage ratio and Fitch's expectation that the deleveraging trend that began in 2015 will continue through 2025. Despite the challenges related to the coronavirus pandemic and Tropical Storm Isaias that hit Long Island in August 2020, leverage, as measured by net adjusted debt-to-adjusted funds available for debt service (FADS), improved to 8.4x at YE 2020 from 8.8x the two years prior. The improvement was attributable, in part, to LIPA's strategy of budgeting to achieve higher fixed obligation coverage. Going forward, leverage ratios are expected to trend below 8.0x in 2023, consistent with a higher rating, as performance continues benefitting from LIPA's revenue-decoupling mechanism (RDM) as well as modest but consistent rate increases designed to achieve higher fixed charge coverage.

LIPA's very strong service area, more disciplined approach to rate setting and authorized RDM should sustain its very strong revenue defensibility and overall performance even through the periods of stress, further supporting its financial profile. LIPA's operating cost burden remains comparatively high within the sector. However, ongoing efforts to moderate costs and operating risk have been reasonably successful in recent years, and are factored in the rating.

Anticipated benefits that could accrue as a result of renegotiating LIPA's operating services agreement (OSA) with LIPA's system operator PSEG Long Island (PSEGLI) are factored in the rating. The changes were triggered by PSEGLI's poor response to Tropical Storm Isaias and follow a number of investigations, LIPA's notice to terminate the contract and an analysis of alternate options for managing its assets. LIPA's estimated costs incurred for Tropical Storm Isaias were $307 million, but the net financial impact of the storm will be limited as a result of Federal Emergency Management Agency (FEMA) reimbursements and other offsetting responses.

CREDIT PROFILE

LIPA owns one of the largest municipal electric distribution systems in the U.S., serving about three million people located throughout New York's Nassau and Suffolk counties and the Rockaway section of New York City. LIPA has provided electric service throughout the area since May 28, 1998, when it acquired the Long Island Lighting Company (LILCO) as its wholly owned subsidiary. Since the acquisition, the LILCO subsidiary does business under the acronym LIPA. LIPA owns the electric transmission and distribution system located throughout its service territory. However, operation and maintenance of the system, and significant responsibilities for power supply are contracted for with external service providers.

System services have been provided by PSEGLI (a subsidiary of Public Service Enterprise Group [PSEG]) since 2014, pursuant to the OSA. PSEGLI's poor response to Tropical Storm Isaias in 2020 led to consideration of alternative options to the current arrangement, including termination of the OSA and the assumption of management responsibilities by LIPA itself. LIPA and PSEGLI have reportedly reached a tentative agreement to retain PSEGLI, but amend the existing contract to eliminate PSEGLI's right to extend the contract from 2025 through 2033, and put in place stronger management incentives, accountabilities and oversights sought by LIPA. The contract is subject to evaluation by the New York Department of Public Service (DPS), as well as the approval of the LIPA board, the state's Comptroller and Attorney General.

The majority of LIPA's generating capacity is provided pursuant to a power supply agreement (PSA) with National Grid plc (BBB-/Stable). The PSA, which extends through May 2028, provides LIPA with access to approximately 3,700MW of on-island generating capacity currently owned by National Grid. LIPA also maintains an ownership interest in the Nine Mile Point 2 (NMP2) nuclear facility. The remainder of LIPA's capacity and the majority of its energy supply are met through a portfolio of purchased power agreements, including off-island purchases. Power supply and fuel management services are provided by PSEG Energy Resources & Trade LLC, a PSEG affiliate.

Coronavirus Impact

The credit impacts from the coronavirus pandemic, related public health orders and economic shock have been limited to date. LIPA's retail electric sales were modestly lower in 2020, but revenue rose as an increase in residential revenue more than offset the decline in commercial revenue. Amounts due from customers have increased by $76 million since March 2020, but budgeted uncollectible accounts (0.85% of revenue) remain manageable and write-offs are subject to a LIPA board-approved true up mechanism.

KEY RATING DRIVERS

Revenue Defensibility: 'aa'

Very Strong and Mature Service Area

LIPA's revenue defensibility assessment reflects the revenue stability provided by its primary role as a transmission and distribution utility, and exceptionally strong service area profile. The assessment also factors in LIPA's legal ability to determine rates and its affordable cost of electric service.

Operating Risk: 'bbb'

Above Average Operating Costs

Operating risk is assessed as midrange given LIPA's relatively high operating cost burden of 17.3 cents per kilowatt hour (kwh) in 2020, which reflects legacy acquisition costs, challenges related to serving LIPA's island geography and high payments in lieu of taxes (PILOTs).

Financial Profile: 'a'

Improved Cash Flow Supports Lower Leverage

Lower leverage of 8.4x and higher coverage of full obligations of 1.3x in 2020 reflect a series of base rate increases and the resulting improvement in FADS, together with increasing cash on hand. Leverage is expected to continue trending below 8x, which is supportive of the financial profile assessment.

Asymmetric Additional Risk Considerations

There are no asymmetric additional risk considerations factored in the rating.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to a positive rating action/upgrade:

--A sustained reduction in leverage, approaching 7.0x in Fitch's base and stress cases;

--A sustained reduction in operating cost burden to below 15 cents/kWh, which improves the authority's operating risk assessment to 'a'.

Factors that could, individually or collectively, lead to a negative rating action/downgrade:

--Failure to achieve leverage approaching 7.0x in Fitch's base and stress cases would likely result in a revision of the Outlook to Stable;

--Failure to sustain leverage below 9.0x in Fitch's base or stress cases would likely result in s downgrade;

--Failure to implement planned rate increases;

--Increased political pressures that weakens performance and introduces asymmetric risk;

--Higher than anticipated capex and related borrowings.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

SECURITY

The series 2021A, B and C bonds are senior-lien obligations of LIPA secured by the net revenues of the electric system, after payment of O&M expenses.

REVENUE DEFENSIBILITY

LIPA's utility operations exhibit very strong revenue source characteristics, anchored by the authority's electric services. While LIPA allows customers to purchase energy from third-party providers, the authority's existing tariff structure provides that alternate energy service providers would be required to pay LIPA the full value of unavoidable power supply charges that would otherwise be recovered from nonparticipating customers, offsetting much of the related credit risk. According to LIPA, less than 2,500 customers are supplied by alternate suppliers.

Service Area Characteristics

LIPA provides transmission and distribution service throughout a built-out territory that exhibits exceptionally strong demographics and very stable demand characteristics. The territory includes most of Nassau (A/Negative) and Suffolk (BBB+/Stable) counties in Long Island, and a small portion of Queens, NY. As of YE 2020, the authority served approximately 1.1 million customers and a population of approximately three million. Both Nassau and Suffolk counties benefit from a broad and diverse economy, a well-educated workforce, and close proximity to New York City. Median household income (MHI) ratios in both Nassau ($116,100) and Suffolk ($101,031) counties remain well above the national average and among the highest in the nation, while unemployment throughout the counties is typically below state and national averages.

Despite the service area's strong demographics profile, energy sales at LIPA declined 1% per year on average over the past five years, reflecting efficiency gains, weather patterns and modest customer growth that is somewhat constrained by the mature and well-developed nature of large portions of the service area.

LIPA's customer base is well diversified, exhibits no customer concentration and is heavily weighted toward residential users, which account for approximately 56% of revenues. Commercial users account for approximately 43% of revenue. LIPA does not serve any large energy-intensive customers, more typical of the industrial service class. LIPA's 10 largest customers typically account for approximately 6% of retail revenues, with the largest user (the Long Island Rail Road) representing less than 2% of electric sales and revenues.

Rate Flexibility

LIPA's rate flexibility is assessed as very strong despite retail rates that rank among the highest in the nation, and a history of pressure to moderate rate increases from ratepayers and local constituents alike. Fitch's assessment focuses on LIPA's legal ability to determine rates, which, while influenced by recent reforms, has not been undermined. It also factors in the authority's improving rate competitiveness and affordability, as measured by average annual electric costs to income levels.

LIPA's rates for electric service are legally determined by the authority's board of trustees and are not subject to the approval of the New York Public Service Commission (NYPSC) or any other regulatory authority. However, following passage of the LIPA Reform Act in 2013, certain rate proposals may be subject to review and recommendation by the NYPSC's DPS. These include any rate proposal that seeks to increase delivery rates more than 2.5%, in addition to LIPA's initial rate plan filed in 2015. Overall, Fitch viewed the DPS's recommendations related to LIPA's initial rate plan as constructive. Although the recommendations reduced LIPA's original three-year revenue request by 26.4%, the DPS positively endorsed several rate adjustment mechanisms to offset variability in some of LIPA's largest expense items, including debt service, storm damage, energy efficiency, PILOTs, and fuel and purchased power costs.

The authority has not proposed a rate increase of more than 2.5% since the initial rate plan concluded, and does not expect to do so through 2022, obviating the need for DPS review. To the extent that increases exceeding 2.5% are necessary to support credit quality, and the DPS review process and LIPA board approvals constrain revenue over time, Fitch's assessment of rate flexibility could be lowered.

LIPA's rate flexibility is further supported by the regional competitiveness of its retail rates and the very high affordability of electric service. While LIPA's residential rates of roughly 20 cents/kWh remain 17% above the New York state average, comparisons against neighboring systems, including Consolidated Edison Company of New York and United Illuminating, are more favorable. Moreover, despite the absolute level of rates, the affordability of LIPA electric service remains very high. The retail cost of electricity for LIPA's residential customers represents less than 2% of MHI, lower than the national average.

Rate Structure Features

LIPA's revenue defensibility assessment is further supported by its electric rate structure, which includes recovery mechanisms for more than 80% of its revenue requirements and an RDM that will annually adjust for the difference in actual revenues versus DPS recommended revenues. Electric rates incorporate a base delivery service charge, as well as a series of charges and riders designed to automatically recover fuel and purchased power expenditures, required PILOT payments, and costs related to energy efficiency and renewable resources. Most of the recovery mechanisms are adjusted at least annually, including the authority's power supply charge, which is adjusted monthly. LIPA's largest adjustment factor remains the power supply charge, which recovers 50% of total revenue. Together, these mechanisms should stabilize margins even during periods of higher demand and cost volatility.

OPERATING RISK

LIPA's operating cost burden is assessed as midrange, reflecting operating costs that are well above the national average and have consistently exceeded 15 cents/kWh over the last five years. LIPA's comparatively high cost burden reflects, among other factors, the high cost structure and debt burden of the original acquisition, the inherent challenges of serving the island geography and PILOT payment requirements that are more than double the average of the Fitch-rated portfolio. The burden rose above 17 cents/kWh in 2020 reflecting storm restoration costs that exceeded budget by almost $277 million and lower energy sales, but should stabilize and remain consistent with the assessment.

LIPA relies heavily on purchased resources to meet its energy demand and capacity requirements. Declining wholesale market prices and expanded access to regional energy markets moderated the cost of LIPA's energy supply in recent years by allowing the authority to displace more expensive generation from its PSA resources in favor of more economic energy purchases from independent power producers and short-term purchases in the regional electricity markets.

Most of LIPA's available capacity remains rooted in its legacy PSA with National Grid. Although available capacity under the agreement has declined slightly in recent years as a result of unit retirements, the agreement still provides important access to 3,700MW of on-island gas/oil-fired resources; approximately 65% of the authority's total capacity requirements. Power is supplied under the PSA at rates and charges approved by the Federal Energy Regulatory Commission.

The addition of several new system interconnections over the last decade significantly has increased LIPA's access to a broad range of off-island resources and improved LIPA's power supply diversity. The interconnections, which include several underwater cables, now provide in aggregate more than 2,125MW of import capacity that is partially owned or contracted and capable of supplying up to 40% of LIPA's peak energy requirements. Purchases pursuant to the PSA accounted for 25% of requirements in 2020 compared to 51% in 2005; purchases from other suppliers, including short-term purchases, now account for 60% of requirements.

Current requirements for PILOT payments by LIPA remain another meaningful contributor to the authority's cost burden. PILOT payments and assessments totaled 8.7% of total revenue in 2020, well above the 4.5% average for the Fitch-rated portfolio. Including property taxes, aggregate payments were even higher totaling 14.3% of revenue in 2020. Recent efforts to address the burden, including provisions of the LIPA Reform Act that limit annual increases to no more than 2% and a settlement to reduce payments related to the Port Jefferson and Northport Power Stations, should moderate payments. Even more meaningful reductions hinge on settlements with Nassau County. Collectively, these initiatives could lower total property tax payments by $348 million through 2028.

Operating Cost Flexibility

LIPA's operating cost flexibility is assessed as neutral. As noted above, the authority worked to diversify its power supply mix, adding roughly 1,800MW of purchased capacity from independent generating units located on Long Island and elsewhere. LIPA's current portfolio of contracts includes roughly 30 individual agreements with expiration dates and capacity ranging between 2021 and 2051 and between 2MW and 685MW, respectively. Natural gas is the predominant fuel source for the vast majority of the contracted capacity, supplemented by smaller amounts of nuclear, solar, hydro, oil-fired and refuse capacity. Additional contracts for renewable energy, particularly offshore wind, are expected to diversify resources going forward.

LIPA's minority 18% ownership interest in the (NMP2) nuclear generating station (224MW share) facility located in Oswego, NY, and operated by Constellation Energy Nuclear Group, LLC, accounts for roughly 4% of LIPA's capacity and 9% of its energy supply, broadening the authority's fuel mix and operating cost flexibility even further.

The authority's available capacity remained comfortably above peak demand (5,203 MW in 2020) in recent years, due to moderate summer temperatures, pandemic-related slowdowns and energy-efficiency initiatives. Reserve margins ranged between 9% and 17% since 2015.

Capital Planning and Management

LIPA's capex needs are assessed as moderate, evidenced by a low Fitch-calculated average age of plant (seven years) and the robust capex program that the authority has undertaken in recent years. Since 2016, capex averaged 148% of depreciation.

Recent resource planning by PSEGLI suggests that peak demand will decline by 750MW, or 14% by 2030, primarily due to the greater adoption of energy efficiency and rooftop solar. These plans not only confirm that there is no need for additional baseload capacity through the foreseeable future, but also provides an opportunity to retire existing capacity and continue the transformation of LIPA's resource portfolio. LIPA has announced its intention to retire 400MW-800MW of steam capacity by 2027.

LIPA plans to complete another integrated resource plan (IRP) in 2022 that will consider future projects to meet the service area need and goals outlined in New York State's Climate Leadership and Community Protection Act (CLCPA). Given LIPA's commitment to the CLCPA, resource planning is expected to involve the integration of over 3,000MWs of offshore wind energy by 2035 and the addition of 375MW of battery storage by 2030.

Despite limited generation needs, LIPA's five-year capex budget of approximately $3.5 billion remains elevated. The increased investment in the electric system reflects LIPA's remaining initiatives related to strengthening system resiliency, reliability and storm hardening, as well as major projects related to smart meter installation and reliability. LIPA expects to debt finance roughly 70% of the planned capex over the next three years, which exceeds its target of 64%. The higher debt funding is designed to minimize the rate impact to customers still struggling due to coronavirus pandemic. FEMA grants and cash from operations will provide the remainder of funding.

FINANCIAL PROFILE

LIPA's financial profile assessment reflects the authority's improving leverage ratio, cash flow and coverage metrics. Cash flow and coverage metrics improved steadily since 2015 as higher FADS, driven by rate increases and improved cost recovery, outpaced slightly higher debt service. The improvement in LIPA's FADS, despite lower operating income, reflects the effect of certain noncash charges and funds received to offset certain debt obligations, as well as consistent rate increases, and is consistent with LIPA's stated objectives. Coverage of LIPA's full obligations, which conservatively incorporates the authority's sizable PILOT payments and a portion of purchased power expense as a fixed obligation, improved to 1.29x in 2020 from 1.09x in 2016.

Leverage has also steadily improved to 8.4x at YE 2020 from over 9.8x in 2015, due to the authority's improved cash flow and its accumulation of cash reserves. Fitch calculates LIPA's net adjusted debt burden for 2020 at roughly $12.5 billion, which is higher than historical levels, but a significant portion of the increase reflects LIPA's adoption of accounting guidelines for leases. The calculation incorporates LIPA's long- and short-term borrowings ($12.2 billion; including Utility Debt Securitization Authority [UDSA] borrowings), capitalized purchased power obligations pursuant to Fitch's criteria ($1.7 billion), and modest net pension obligations ($4.5 million), offset by cash and investments that are unrestricted and/or available for debt service ($1.2 billion) and debt service reserve funds $129 million.

LIPA's liquidity profile also improved, supporting a neutral assessment. Total liquidity, including borrowing capacity under its revolving credit agreement and CP program, improved to 308 days in 2020 from 232 days in 2016. LIPA intends to maintain solid liquidity levels of at least $250 million in cash and available credit of at least 120 days of operating expenses.

Fitch Analytical Stress Test (FAST) - Base and Stress Cases

Overall performance through Fitch's FAST scenario analysis is expected to improve gradually and remain consistent with the authority's financial profile assessment. Fitch's base case is informed by LIPA's approved and projected budgets for 2021-2025, and factors an average decline in energy sales of 1.5% per annum, rate increases sufficient to meet LIPA's increasing fixed coverage goals (1.35x in 2021 and 1.4x thereafter), cost recovery pursuant to clauses in place, RDM collections and FEMA reimbursements. Capital spending ranges between $763 million and $604 million per annum. The results of the base case indicate that leverage could trend below 8.0x by 2023. Debt levels are also expected to moderate as a lower percentage of capital spending is debt-funded and scheduled debt and capital lease principal payments are made. Coverage of full obligations is expected to remain relatively stable at 1.2x-1.3x over the scenario and cash balances remain neutral to the rating.

Fitch's standard stress scenario incorporates a more pronounced decline in energy sales, however, the financial impact is modest given the authority's RDM, which adjusts revenue collections for deviations from budgeted energy sales. In Fitch's stress scenario, leverage is still expected to trend below 8.0x in 2023.

Finally, Fitch's assessment recognizes that LIPA's leverage ratio is modestly overstated given the terms of the unique UDSA-issued debt, which provides for mandated debt service coverage and related revenue collection that are lower than the authority's remaining indebtedness.

Debt Profile

LIPA's debt profile is neutral in Fitch's assessment. Total debt obligations have stabilized in recent years, and largely include the authority's electric system revenue bonds, capitalized lease obligations and securitized restructuring bonds issued by the UDSA (a special-purpose corporate municipal instrumentality of the State of New York). Total reported debt at YE 2020 ($12.2 billion) was higher than reported last year as a result of LIPA's adoption of new accounting guidelines for leases, but the restated yoy increase was modest.

Part of the LIPA Reform Act created the UDSA and authorized the issuance of restructuring bonds to retire a portion of the authority's outstanding debt, lowering debt costs. The securitization law permits the UDSA to create and collect separate irrevocable and non-bypassable restructuring charges from LIPA's distribution customers that are sufficient to meet its restructuring bond obligations. Moreover, the legislation provides that restructuring charges must be adjusted at least annually to ensure that aggregate collections are sufficient to meet scheduled restructuring bond payments. The restructuring charges are not subject to the lien of LIPA's master or subordinate general resolution supporting its electric system revenue bonds.

The UDSA-issued restructuring bonds (AAAsf) benefit from the strength and stability of the underlying legislatively approved restructuring charges and defined property rights in the restructuring property, which, together with the characteristics of LIPA's service area, provide bondholders with enhanced protections and repayment expectations that lowered financing costs. Although Fitch recognizes the benefits of the separately secured restructuring bonds, which are not direct obligations of the authority, the required restructuring charges remain an obligation and burden of current ratepayers, limiting the benefits attributable to the initiative in Fitch's view.

LIPA issued $4.5 billion in securitized restructuring bonds pursuant the initial securitization law and subsequent amendments. All of the proceeds were used to repay or defease outstanding LIPA debt of matching maturity dates, as required. LIPA estimates that the restructuring debt resulted in present value savings of $492 million and lowered revenue requirements by a like amount, which Fitch views favorably. Recent legislation permits the UDSA to issue an additional $3.5 billion in restructuring bonds to refinance outstanding LIPA or UDSA debt, or to fund resiliency investments.

In aggregate, approximately 9% of LIPA's debt was variable rate, and the remainder was fixed rate, including the securitization bonds at YE 2020. Overall, interest rate and liquidity risk is limited as a portion of the authority's variable-rate debt that is hedged through a floating- to fixed-interest rate swaps, and exposure to failed remarketings or mandatory redemptions is mitigated by the terms of the floating-rate note agreements. LIPA maintains an aggregate $1.2 billion of short-term borrowing arrangements and CP programs, with expiration dates that are comfortably staggered between 2022 and 2025.

ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS

Management and Governance

Fitch views LIPA's governance and management as neutral at this time. LIPA's governing board is comprised of nine members, including five members appointed by the governor, two by the state Senate majority leader and two by the state assembly speaker. The chairperson is appointed by the governor. Each trustee serves for a four-year term. The law stipulates that all board members have relevant utility, corporate board or financial experience. Nonetheless, despite maintaining an independent, appointed governing board, Fitch remains concerned with the influence legislators and local consumer groups can exert on governance, as evidenced through the passage of the LIPA Reform Act.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
Long Island Power Authority (NY)	LT IDR	A Rating Outlook Positive	Affirmed	A Rating Outlook Stable
• Long Island Power Authority (NY) /Electric System Revenues/1 LT	LT	A Rating Outlook Positive	Affirmed	A Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Dennis Pidherny
Managing Director
Primary Rating Analyst
+1 212 908 0738

dennis.pidherny@fitchratings.com
Fitch Ratings, Inc.
Hearst Tower 300 W. 57th Street New York, NY 10019

Lina Santoro
Analytical Consultant
Secondary Rating Analyst
+1 212 908 0522
lina.santoro@fitchratings.com

Kathy Masterson
Senior Director
Committee Chairperson
+1 512 215 3730
kathryn.masterson@fitchratings.com

MEDIA CONTACTS

Sandro Scenga
New York
+1 212 908 0278
sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

U.S. Public Power Rating Criteria (pub. 09 Apr 2021) (including rating assumption sensitivity)

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 01 Sep 2021) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.0.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Long Island Power Authority (NY)	EU Endorsed, UK Endorsed

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, THE FOLLOWING HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE OR ANCILLARY SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF PERMISSIBLE SERVICE(S) FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) OR ANCILLARY SERVICE(S) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

READ LESS

COPYRIGHT

shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.
