



# CEO REPORT

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*March 30, 2022*

# MARCH BOARD MEETING

- 01** Significant Agenda Items

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- 02** Commodity Costs

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- 03** Nassau County Power Plant Tax Settlement

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- 04** Legislative Commission on the Future of LIPA

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- 05** FEMA Reimbursement

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- 06** Large Public Power Council Appointments

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- 07** South Fork Wind Farm Onshore Construction

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# MARCH BOARD MEETING SIGNIFICANT AGENDA ITEMS

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## **FOR DISCUSSION**

- EPRI Briefing on Energy Storage Technologies
- Customer Arrears Programs and Outreach
- Board Policy on Customer Value and Affordability
- Board Policy on Resource Planning and Clean Energy

## **FOR APPROVAL**

- Isaias Task Force Quarterly Report and Certain PSEG LI Project Implementation Plans
- Supplemental Work Management Recommendations
- Annual Report on the Board Policy on Debt and Access to the Credit Markets
- 2021 Investment Report and the 2022 Board Policy on Investments
- 2021 Financial Report
- Vendors to Provide Cyber Security Framework Assessment Services
- New England Capacity Purchases
- Amendments to the Governance, Planning, & Personnel Committee Charter





# COMMODITY COSTS



# ENERGY BILLS ON THE RISE AROUND THE WORLD

yahoo/finance

## Why electric bills keep rising

BBC

Cost of living: Bill shock as energy price rises hit home

The Philadelphia Inquirer

Utility bills are soaring in the Philly region and so is customer outrage

DAILY FREEMAN

Central Hudson bills about to go up again

Newsday  
YOUR EYE ON LI

PSEG charge goes up amid record arrears

Pricing, demand push up costs

silive.com

'Many hard-working families are struggling to keep the lights on'; NYC residents report record high ConEd bills

FINANCIAL TIMES

UK households face £38bn hit from rising energy bills

BDN BANGOR DAILY NEWS

Mainers shocked by skyrocketing electric bills

VOICE of SAN DIEGO

Why Your Energy Bill Spiked This Year

Newsday  
YOUR EYE ON LI

Island heating oil prices hit \$5.25 a gallon

# POWER SUPPLY CHARGE

- LIPA purchases electricity, natural gas, and fuel oil to supply customers.
- The costs are recovered from LIPA customers at cost through a Power Supply Charge that changes each month.
- The Power Supply Charge is subject to fluctuations that occur in the energy markets.



Usage	Reading
Actual reading on 02/24/2022	
Actual reading on 01/27/2022	
Electricity used in 28 day(s)	952 KWH

## DETAILS OF CURRENT ENERGY CHARGES

Rate 180 - Residential, General Use

43% **Delivery & System Charges** **\$ 99.51**

*The cost to deliver electricity: includes operation and maintenance of the electric system and certain transition charges of \$0.01954/kWh on behalf of the Utility Debt Securitization Authority, the owner of such transition charges.*

Basic Service : 28 day(s) @ \$ .4600 = 12.88  
 First 233 KWH @ \$ .0910 = 21.20  
 Next 719 KWH @ \$ .0010 = 0.72

**49% Power Supply Charges \$ 112.45**

*The cost of electricity: includes the purchase of fuel (e.g. oil and gas) used to produce electricity and electricity purchased directly.*

**952 KWH @ \$ .118124 = 112.45**

5% **Taxes & Other Charges** **\$ 17.74**

DER Charge 952 KWH @ \$ .003715 = 3.54  
 Delivery Service Adjustment 4.28  
 Revenue Decoupling Adjustment -3.71  
 NY State Assessment 0.57  
 Revenue-Based PILOTS 2.83  
 Suffolk Property Tax Adjustment 4.63  
 Sales Tax @ 2.5 % 5.60

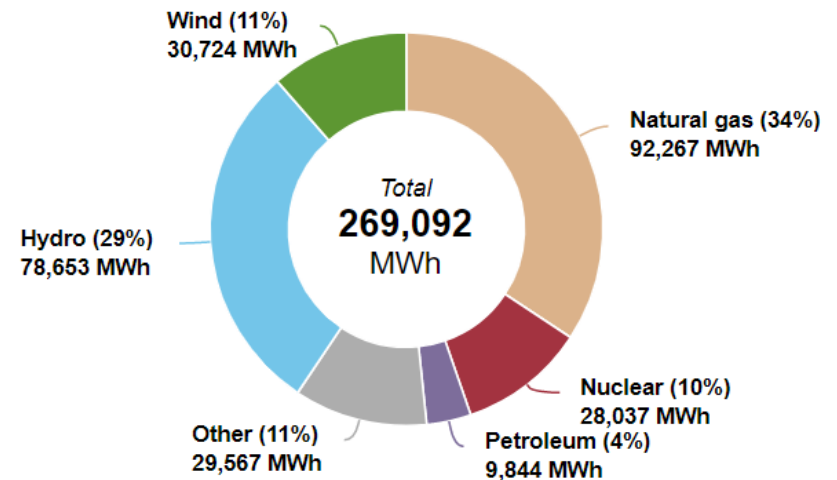
**100% Total Charges \$ 229.70**

Your current monthly payment amount is **\$ 231.00**

# ENERGY MARKET VOLATILITY

- Natural gas and oil make up the **largest share** of electric generation in New York.
- Prices of basic energy (electricity, natural gas, oil) are **more volatile than other costs**.
- Natural gas and fuel oil prices change with:
  - Weather changes
  - Production and imports
  - Storage levels
  - Supply and demand
  - Market information
  - Delivery constraints
  - Geopolitical events

New York Daily Generation Mix\*

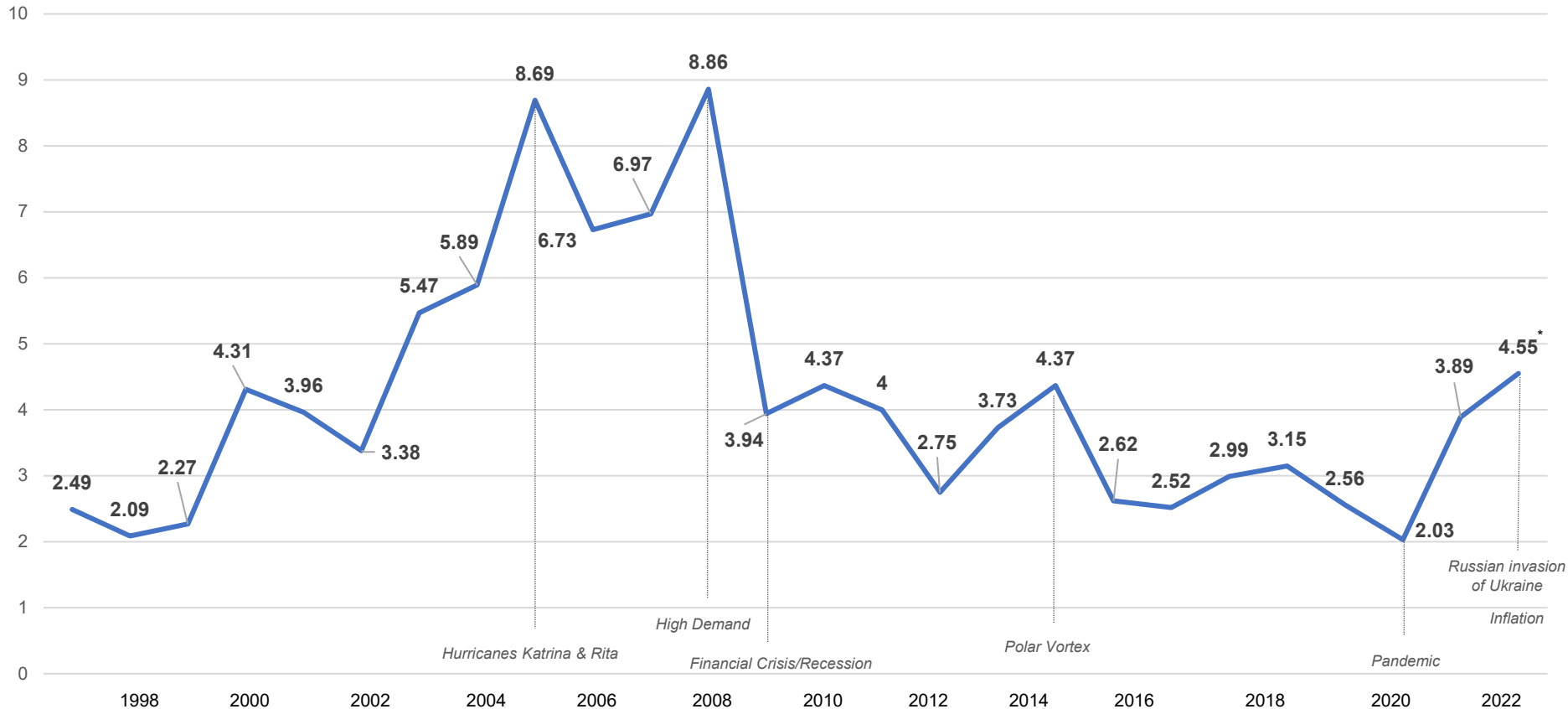


Source: U.S. Energy Information Administration  
\* Data reported on of 3/21/22



# NATURAL GAS PRICING

Annual Average Henry Hub Natural Gas Spot Price \$/MMBTU



Sources: NYMEX and [U.S. Energy Information Administration](#)

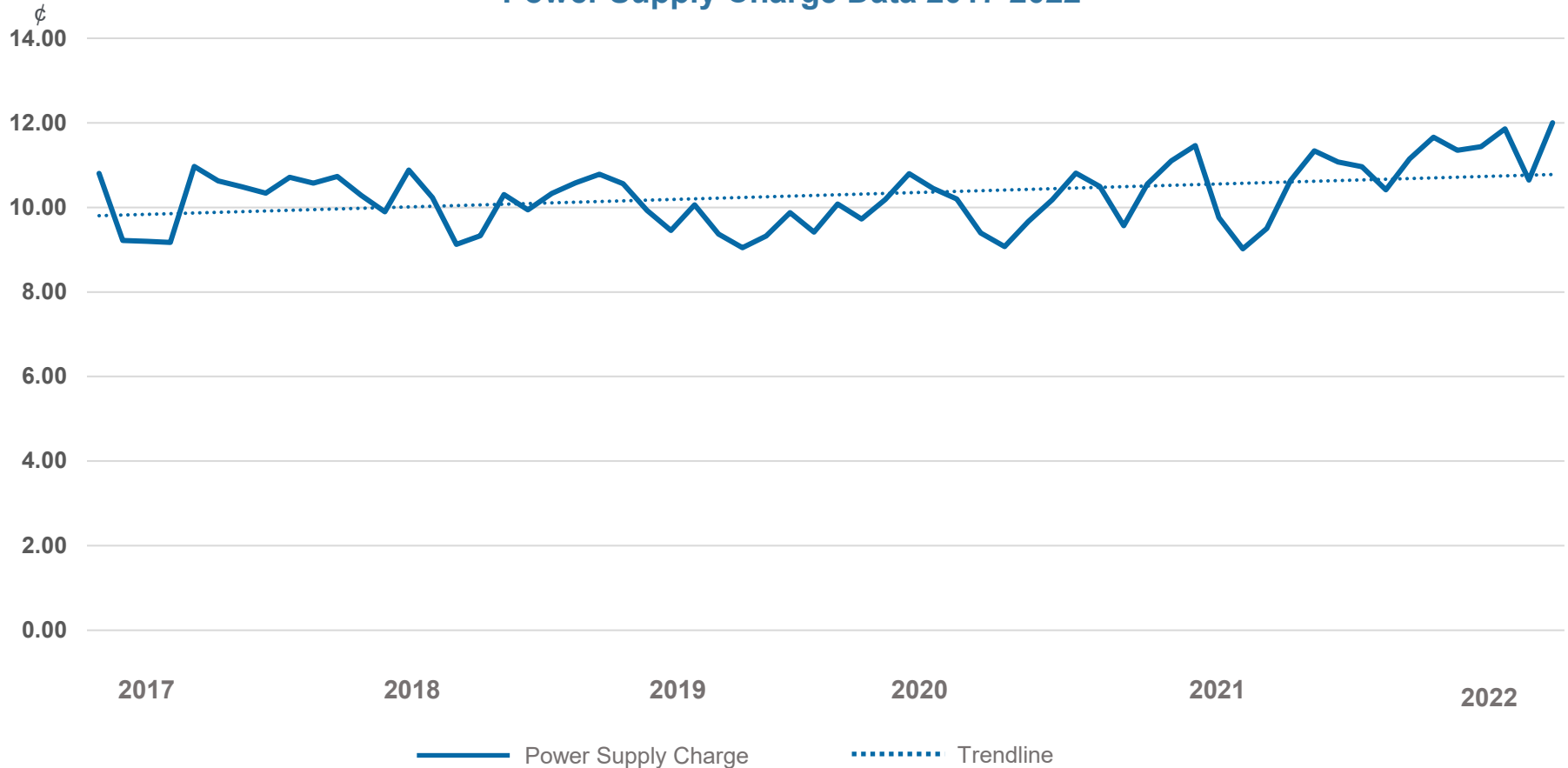
\* Average data shown January 2022- March 15, 2022

# MITIGATING COMMODITY PRICES FOR CUSTOMER

- LIPA's Board Policy for Power Supply Hedging requires LIPA to maintain a commodity hedging program **to reduce the volatility of commodity costs experienced by customers** in their monthly electric bills.
- LIPA's hedging program **mitigates a portion of the price volatility** for natural gas, transportation costs to Long Island, and power imported to Long Island.
- LIPA's hedge program realized gains for January to February 2022: **\$35.9M.**
- At current prices, the hedge program will save customers **\$137.9M** for March to December 2022.

# POWER SUPPLY CHARGE IS MORE STABLE THAN UNDERLYING COMMODITY COSTS

Power Supply Charge Data 2017-2022





# LIPA'S POWER SUPPLY CHARGE IS MORE STABLE THAN OTHER NEW YORK UTILITIES

Utility	Cents per kWh for Residential Customers*						
	Dec 2021	Jan 2021	% Difference Dec-Jan	Feb 2022	% Difference Jan-Feb	March** 2022	% Difference Feb-March
PSEG Long Island	11.86	10.65	<b>-10.23%</b>	12.01	<b>12.76%</b>	12.81	<b>6.70%</b>
Con Edison	6.45	16.28	<b>152.51%</b>	11.60	<b>-28.74%</b>	N/A	<b>N/A</b>
Orange & Rockland	8.47	10.01	<b>18.17%</b>	6.53	<b>-34.84%</b>	9.41	<b>44.15%</b>
Central Hudson	7.50	10.36	<b>38.22%</b>	22.58	<b>117.86%</b>	13.284	<b>-41.16%</b>
NIMO	6.35	7.39	<b>16.40%</b>	7.77	<b>5.20%</b>	5.12	<b>-34.15%</b>
NYSEG	5.87	6.68	<b>13.84%</b>	6.35	<b>-5.05%</b>	N/A	<b>N/A</b>
RG&E	4.85	6.31	<b>30.23%</b>	5.29	<b>-16.22%</b>	N/A	<b>N/A</b>

*\*Rate for the month is based on a per day average and is calculated after the final day of the month*

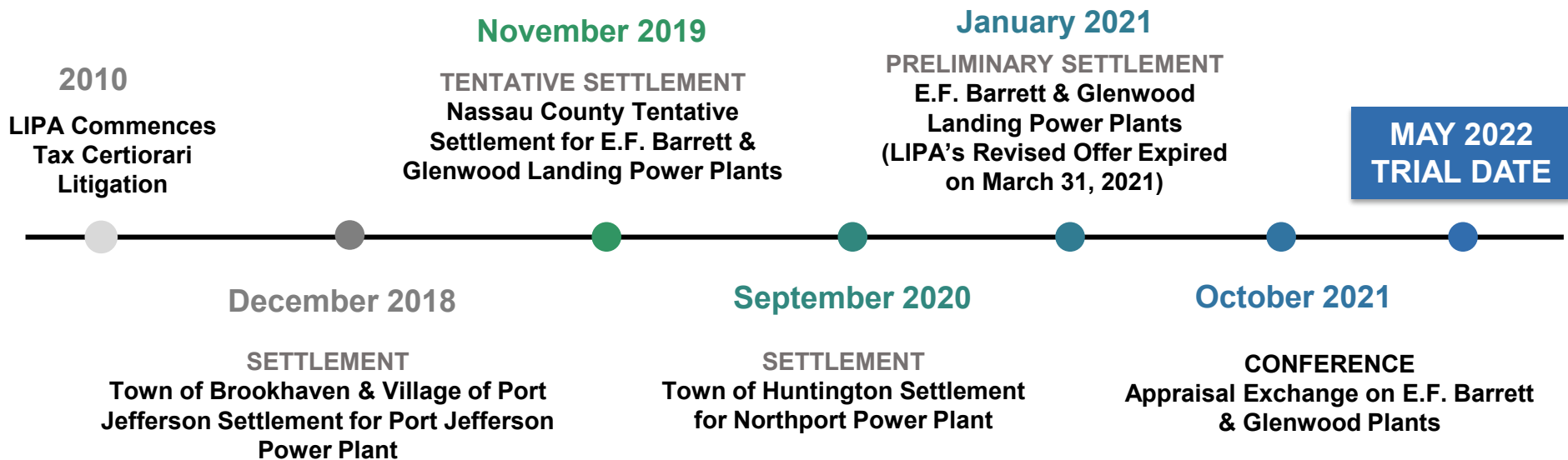
*\*\*March numbers for ConEd, NYSEG, and RG&E will not be available until early April 2022*



# NASSAU COUNTY POWER PLANT TAX SETTLEMENT

# BACKGROUND INFORMATION

- Taxes are **LIPA's third largest expense** at over \$702 million, or approximately 19 percent of customer bills – 3x the national average and 2x the New York State average.
- Four “legacy” plants were at one time the “workhorses” of the Long Island electric grid but use dated technology and run less and less each year. The plants will retire as New York transitions to an entirely fossil-free electric grid. **The taxes are no longer sustainable.**
- LIPA has attempted to obtain fair assessments on these four vintage steam power plants since 2010. **The two plants in Nassau County are 4-5x over assessed.**





# LONG ISLAND IS ADDING CLEAN ENERGY TO THE ELECTRIC GRID

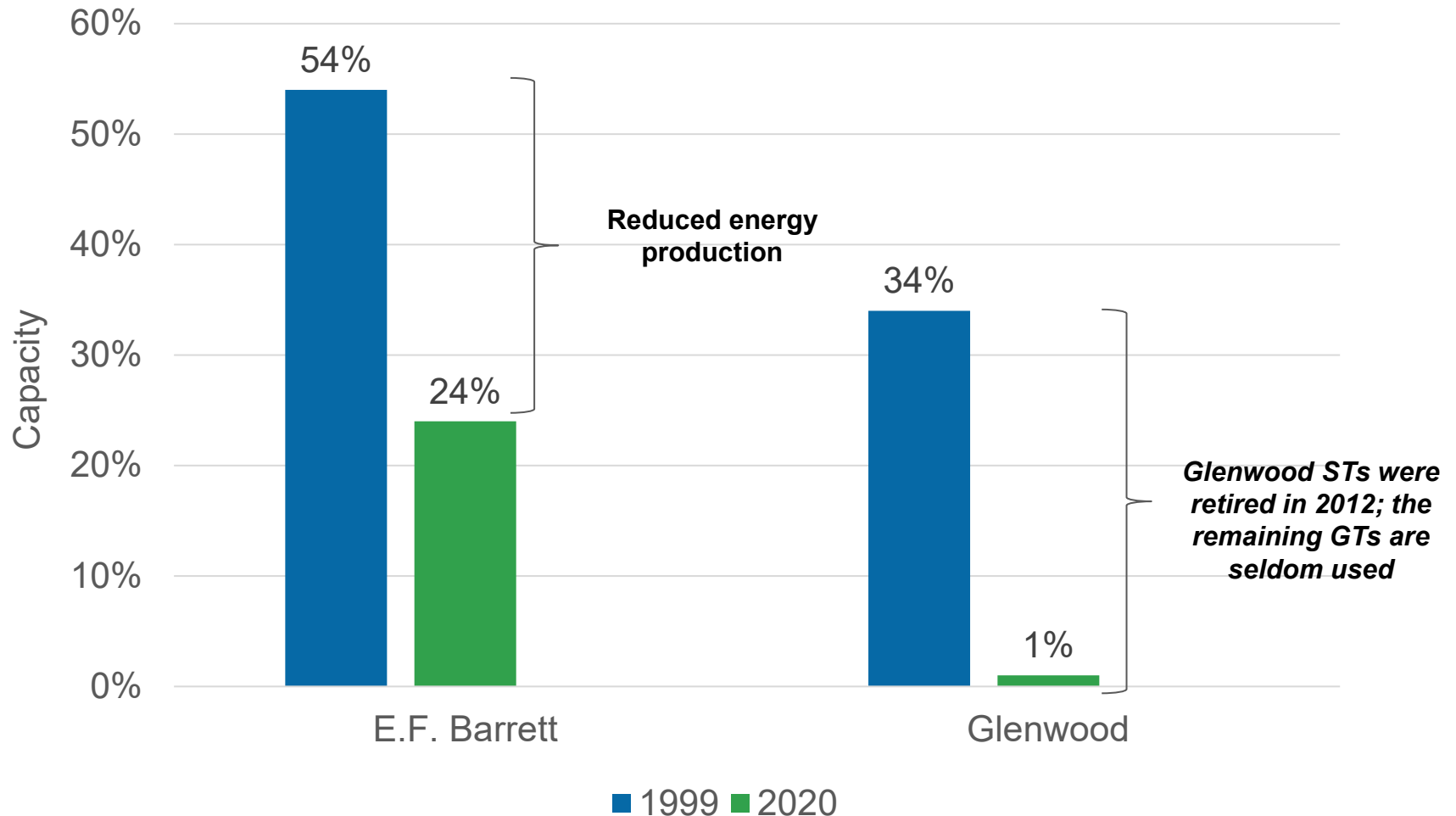
## Long Island Clean Energy Projects in Service and Under Procurement

	Size (MW)	In-service (Est.)
<b>Solar (~ 800 MW)</b>		
Long Island Solar Farm	32	2011
Eastern Long Island Solar Project	11	2013
Shoreham Solar Commons	25	2018
Riverhead Solar	20	2019
Kings Park Solar 1 and 2	4	2019
Feed-in Tariffs (FIT I – FIT III)	89.5	2012-2021
LI Solar Calverton	23	2021
Riverhead Solar II	36	2022
Behind-the-Meter Solar*	528	pre-2021
Community Solar Program (FIT V)	21.5	2022
<b>Offshore Wind (~ 2,300 MW)</b>		
South Fork Wind Farm	130	2023
Sunrise Wind	880	2024
Empire Wind 2	1,260	2026
<b>Energy Storage (~ 400 MW)</b>		
East Hampton & Montauk Storage	10	2018 & 2019
TBD	175	2025
TBD	175	2030
<b>Total</b>	<b>3,420</b>	

\* Long Island has averaged more than 80 megawatts (MW) per year of new behind-the-meter solar for the last six years and the total continues to grow.



# PRODUCTION AT BARRETT AND GLENWOOD IS DOWN SIGNIFICANTLY





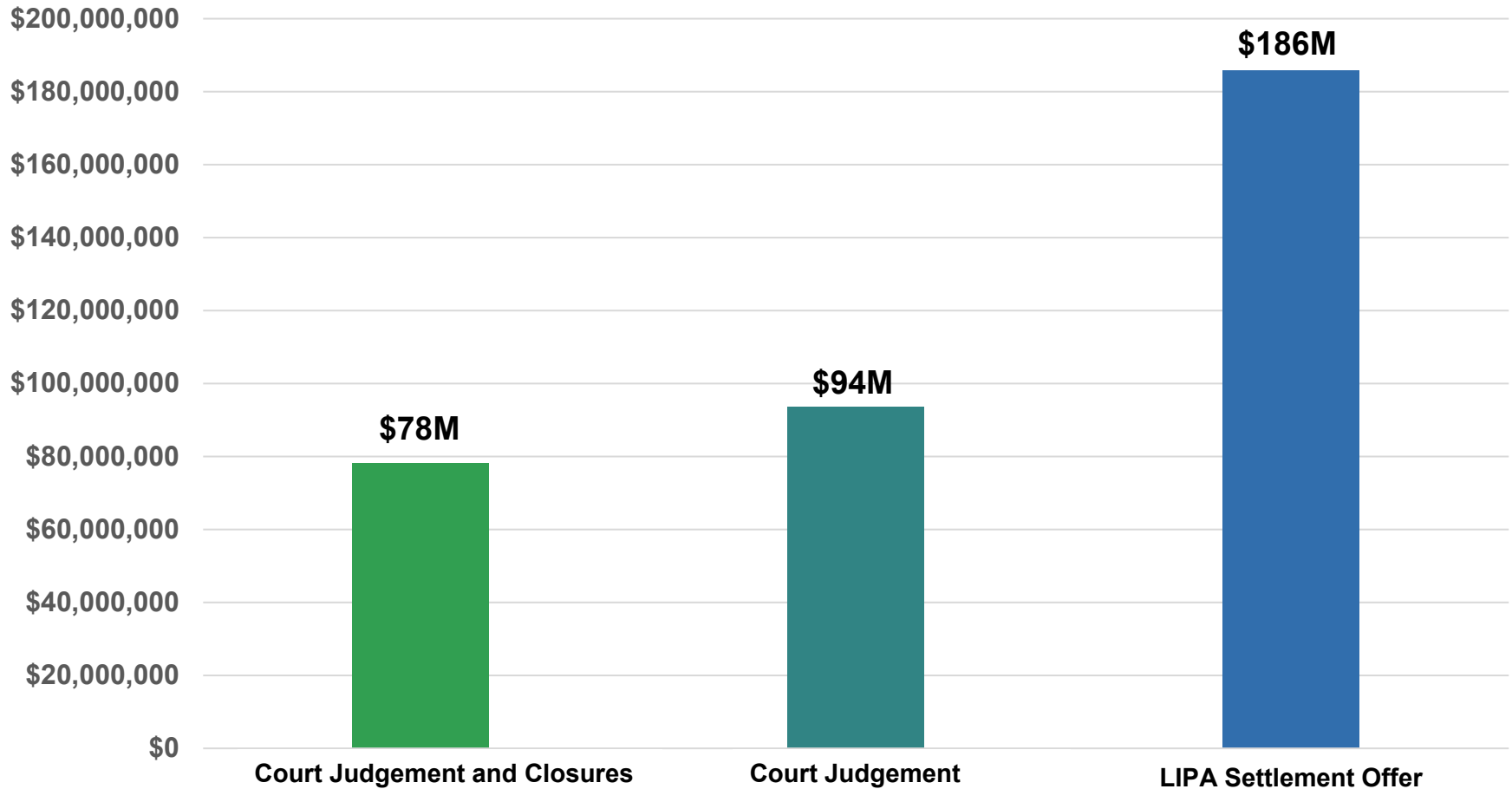
# SETTLEMENT AGREEMENT

- LIPA has reached a settlement with the Nassau County Executive that **protects all Nassau County residents from hundreds of millions in tax refund liability** for years dating back to 2010 and is a **fair compromise for LIPA customers**.
- Current \$59 million annual tax bill on E.F. Barrett and Glenwood Landing will be reduced by **46.5 percent over five-years** to \$32 million. **Taxes are guaranteed even if plants close.**
- LIPA also agreed to stabilize the payments at **\$32 million** for an additional five additional years for the plants that remain open.
- Savings for LIPA customers estimated at **\$126 million over five years**.
- Tax payments over next five years far exceed the fair tax assessments, which are likely to be reduced **70+ percent** in a tax certiorari trial scheduled to begin in May 2020
- Settlement terms are consistent with the terms negotiated for the Port Jefferson and Northport power plants.
- **NEXT STEP: Approval by Nassau County Legislature.**



# POTENTIAL OUTCOMES

Continued LIPA Payments on Nassau County Power Plants through 2027



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# LEGISLATIVE COMMISSION

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# POTENTIAL LEGISLATIVE COMMISSION TO STUDY THE FUTURE OF LIPA

Eight-member legislative commission on the future of the LIPA to investigate and **evaluate the establishment of a public power model for the operation of LIPA.**

The commission would consider:

- The method of governance of the public authority
- Improved transparency, accountability, and public involvement
- Improved reliability of the system
- The impact on electric rates
- Improved storm response
- The powers required by LIPA to more effectively operate the utility
- The oversight role of the department of public service and the public service commission over LIPA's operation
- Goals of New York's Climate Leadership and Community Protection Act
- Impact on existing bonded indebtedness
- Taxation and payments-in-lieu-of-taxes
- Special needs of communities impacted by power generating facilities

# ADVISORY COMMITTEE

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“The commission shall establish an advisory committee to actively assist and advise the commission in the preparation of the public power report.”

The advisory committee would consist of not more than fifteen members which could include but not be limited to representatives of organizations and institutions including:

- ✓ Business
- ✓ Labor
- ✓ Local government
- ✓ Indian Nations and Tribes
- ✓ Economic Development
- ✓ Environment
- ✓ Energy
- ✓ Social Justice
- ✓ Consumer
- ✓ Civic
- ✓ School Districts or higher education interests



# TIMELINE

*LIPA will support the work of the Legislative Commission, should the study move forward, and is open to the Commission's findings as to the arrangement that is in the best interest of our customers on Long Island and in the Rockaways.*

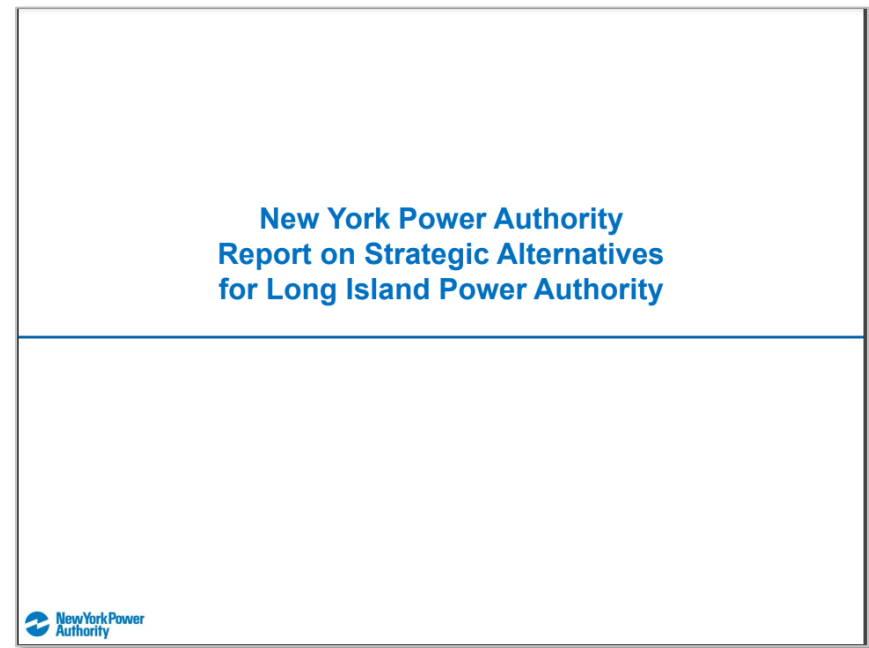
## Timeline





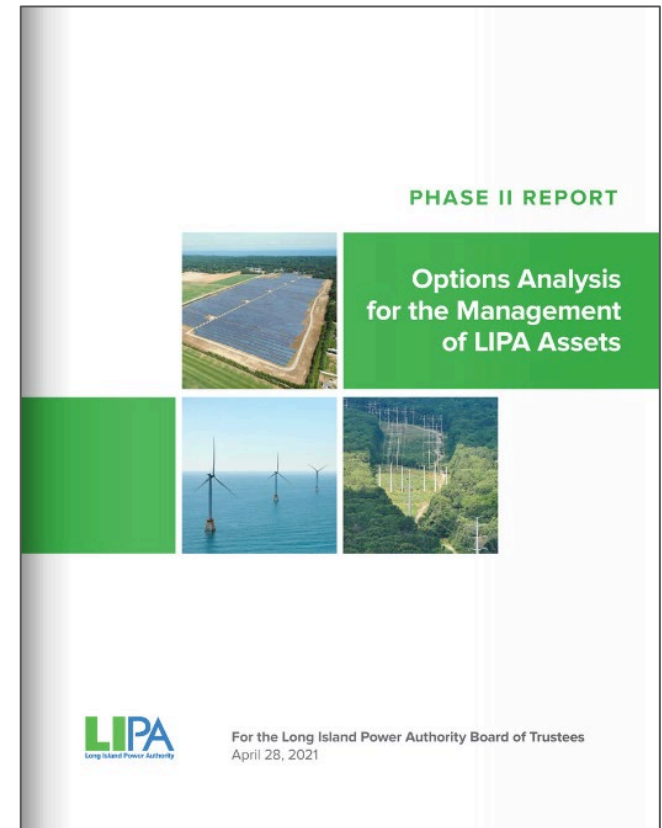
# PRIVATIZATION: PAST STUDIES

Privatization for the Long Island electric grid has been studied in **1998, 2005, 2011, and 2013**, which all concluded that it was not possible without a **significant increase in customer rates**. LIPA revisited the analysis a fifth time in 2021 and found no evidence that would change the conclusions previously reached.



# PRIVATIZATION: 2021 STUDY

- Higher cost of capital and corporate taxes of an investor-owned utility raise cost to customers by about **\$450 million per year**.
- LIPA would lose access to federal grants for storm recovery and hardening, **which have saved customers nearly \$1.8 billion over the last ten years**.
- LIPA currently has applications pending with FEMA for between **\$300 and \$500 million of additional storm hardening grants** to be awarded over the next several years. These grants are not available to privately-owned utilities.
- The private buyer of LIPA's assets would have to identify **\$450 to \$600 million per year of operating "synergies"** out of an operating expense pool of \$640 million per year for customers to break even.



# EFFECTS OF POTENTIAL PRIVATIZATION STUDY

- **If a privatization study is included as part of the legislative commission, it may prohibit LIPA from accessing the tax-exempt bond market for the duration of the study.**
  - To sell tax-exempt bonds, governmental bodies must make representations that the facilities financed are expected to be used for governmental purposes throughout the term of the bonds.
  - A state evaluation of LIPA's sale to private entities and the possibility that such a sale might be recommended would make such representations challenging.
  - LIPA was unable to access the tax-exempt bond market for over a year each during the prior state privatization studies in 2005 and 2013.
- Last session, the Legislature authorized the refinancing of billions of dollars of LIPA and Utility Debt Securitization Authority bonds. The purpose of that bill was to access **hundreds of millions of dollars** of savings available in today's low interest rate environment. Being barred from selling tax-exempt bonds for a year or more could prove very costly to customers should interest rates increase pending the conclusion of the study.

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# FEMA REIMBURSEMENT

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# FEMA REIMBURSEMENT FOR HURRICANE IDA AND TROPICAL STORM ISAIAS

- On March 15, President Biden signed “H.R. 2471, Consolidated Appropriations Act, 2022” into law granting additional disaster funding to states, tribal nations, and territories. LIPA is eligible as a public power utility.
- Law permits an increase from the standard 75% federal cost share to at least 90% for any emergency or major disaster declaration declared in 2020 and 2021.
- For LIPA, this means FEMA will reimburse an additional **\$46 million** of our storm restoration expenses from Hurricane Ida and Tropical Storm Isaias, **with total expected grants increasing from \$232 million to \$278 million.**
- Customers will see the savings through a credit from the Delivery Service Adjustment (DSA), which reconciles the difference between budgeted storm restoration expenses and the actual cost.





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# LPPC APPOINTMENTS

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# LARGE PUBLIC POWER COUNCIL APPOINTMENTS

The **Large Public Power Council (LPPC)** is comprised of 27 of the largest consumer-owned utilities in the U.S., focused on providing clean, reliable, and affordable electricity for the customers and communities they serve.

With new appointments, LIPA is well represented among LPPC leadership roles:

- **Tom Falcone, CEO**
  - Vice Chair, Board of Directors/CEOs
- **Ken Kane, Senior Advisor for Oversight**
  - Chair, Tax and Finance Task Force
- **Carolyn MacKool, Director of Customer Experience Oversight**
  - Chair, Customer Service Working Group
- **Rich Muzikar, ERM Advisor**
  - Chair, Emergency Risk Management Working Group



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# SOUTH FORK WIND UPDATE

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# SOUTH FORK WIND FARM GROUNDBREAKING



New York State Governor Kathy Hochul



LIPA Trustee Mark Fischl and CEO Tom Falcone



# SOUTH FORK ONSHORE CONSTRUCTION

- Construction began in February 2022
- Total onshore construction route is approximately **4 miles**, of which half is adjacent to a LIRR right-of-way
- Limited onshore work during summer months
- Offshore construction for 12 wind turbines will begin in 2023
- Project to be complete July 2023



# ONSHORE CONSTRUCTION



Source: Ørsted

# COMMUNITY RELATIONS

**Ørsted has been engaged with the local Wainscott community informing residents of:**

- Weekly status reports
- Updates on construction schedules and timelines
- Planned routes
- Public notices
- Frequently asked questions

**Public also has access to:**

- Virtual onshore construction [open house](#)
- Live look at current onshore construction via [Google](#)

The screenshot shows the 'South Fork Wind' website, powered by Ørsted & Eversource. The navigation bar includes links for 'About South Fork Wind', 'News', 'Resources & FAQs', and a 'Contact us' button. The main heading is 'Onshore construction updates'. Below this, a paragraph states: 'South Fork Wind, New York's first offshore wind farm, has officially started onshore construction. Throughout the onshore construction phase, we will be making continuous updates to this section of the website. Below is the full onshore construction timeline, a map of the route, and frequently asked questions. Also, there is a weekly update section and a public notice section where you can find important updates.' The page features two main sections: 'Onshore Construction schedule' with a 'See timeline' button, and a 'Wainscott Construction Schedule' Gantt chart. The Gantt chart displays a timeline from January 2022 to August 2023, with various construction activities represented by colored bars (green, blue, orange, red) and labels such as 'Foundation Construction', 'Cable Installation', and 'Turbine Installation'.

*For more information or to sign up for updates, visit: [southforkwind.com](https://southforkwind.com)*



# Discussion

Questions?