



**LONG ISLAND
POWER AUTHORITY**

(A Component Unit of the State of New York)
Quarterly Unaudited Financial Report
For the three-month period ended March 31, 2022

**2022
1ST QTR
FINANCIALS**

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

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Introduction

The Long Island Power Authority (LIPA) is a component unit of New York State (State). LIPA became the retail supplier of electric service in the counties of Nassau and Suffolk (with certain limited exceptions) and a portion of Queens County known as the Rockaways (Service Area), on May 28, 1998 by acquiring the transmission and distribution (T&D) system of the Long Island Lighting Company (LILCO). LILCO is a wholly owned subsidiary of LIPA. As part of the LILCO acquisition, LIPA also acquired an undivided 18% interest in the Nine Mile Point Unit 2 (NMP2) generating facility, located in upstate New York. LIPA provides electric delivery service in the Service Area, which includes approximately 1.1 million customers. The population of the Service Area is approximately 2.9 million.

LIPA was established as a corporate municipal instrumentality of the State, constituting a political subdivision of the State, created by Chapter 517 of the Laws of 1986 (the LIPA Act). As such, it is a component unit of the State and is included in the State's annual financial statements.

LIPA is also subject to the LIPA Reform Act, codified as Chapter 173, Laws of New York (Reform Act), which created the Securitization Law and established the Utility Debt Securitization Authority (UDSA). The Securitization Law provided a legislative foundation for the UDSA to issue restructuring bonds to allow LIPA to retire a portion of its outstanding indebtedness, providing debt service savings to LIPA's customers on a net present value basis. In 2021, LIPA sought a change to permit the UDSA to issue additional securitized bonds for refinancing, storm hardening and resiliency purposes. The legislation authorizing the change was signed into law on August 2, 2021. With these legislative changes, the UDSA may issue up to \$8.0 billion of securitized bonds, inclusive of the bonds already issued. There have been no additional securitized bonds issued in 2021 or 2022 as a result of the changes to the UDSA legislation.

The restructuring bonds are repaid by an irrevocable, nonbypassable restructuring charge on all LIPA's customers. The UDSA has a governing body separate from that of LIPA and has no commercial operations. The UDSA is included as a blended component unit of LIPA.

LIPA has operating agreements with service providers to provide the majority of services necessary to serve LIPA's customers and has power purchase agreements to meet its power supply needs.

Effective January 1, 2014, PSEG Long Island LLC (PSEG Long Island), a wholly owned subsidiary of Public Service Enterprise Group (PSEG), fully dedicated to LIPA's Long Island operations, provides operations, maintenance, and related services for the T&D system under the Amended and Restated Operations Services Agreement (A&R OSA).

During 2021, LIPA sought organizational and contractual changes through a reformed contract as a result of the Tropical Storm Isaias investigation. Tropical Storm Isaias occurred on August 4, 2020, causing approximately \$300 million of damages to LIPA's T&D system, and interrupting service to more than half of LIPA's customers.

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A reformed contract, the second A&R OSA, was approved by LIPA's Board of Trustees (Board) on December 15, 2021, approved by the New York State Attorney General on January 6, 2022, and approved by the State Comptroller on April 1, 2022.

Changes in the second A&R OSA include, among other things, an increase in the amount of PSEG Long Island's annual compensation at risk from \$10 million to \$40 million; automatic compensation reductions for failures to meet minimum emergency response, customer satisfaction, and reliability standards; a strengthened management team dedicated to Long Island; enhanced oversight in long-term planning, project prioritization and budget development; partition of Long Island information technology systems; new tools to facilitate independent verification and validation; and a new New York State Department of Public Service (DPS) investigative process to reduce compensation for failures to provide safe, adequate, and reliable service to customers. In addition, PSEG Long Island is subject to expanded performance requirements set annually by the Board and DPS. The second A&R OSA eliminates PSEG Long Island's eight-year term extension option; instead, the second A&R OSA will expire on December 31, 2025.

LIPA also has a contract with PSEG Energy Resources and Trade LLC (PSEG ER&T) to provide for services related to fuel and power supply management and certain commodity activities. Separately from its contract with PSEG ER&T, LIPA maintains power purchase agreements with third party power generators.

Overview of the Consolidated Financial Statements

LIPA is engaged in business type activities and follows financial reporting for enterprise funds. LIPA's basic unaudited consolidated financial statements include three financial statements: The Consolidated Statements of Net Position, the Consolidated Statements of Revenues, Expenses and Changes in Net Position, and the Consolidated Statements of Cash Flows. These financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). LIPA publishes interim financial results on a quarterly basis with a fiscal year ending December 31. The interim consolidated financial statements and related Management's Discussion and Analysis do not include all the information and notes required under GAAP for annual consolidated financial statements. Therefore, the Management's Discussion and Analysis of LIPA's three-month period ended March 31, 2022 compared to 2021 should be read in conjunction with the annual audited consolidated financial statements, which may be found on LIPA's website at www.lipower.org.

LIPA's reporting entity is comprised of itself and (i) its operating subsidiary LILCO and (ii) the UDSA. All significant transactions between LIPA, LILCO, and UDSA have been eliminated.

Contacting the Long Island Power Authority

This financial report is designed to provide LIPA's bondholders, customers, and other interested parties with a general overview of LIPA's finances and to demonstrate its accountability for the funds it receives. If you have any questions about this report or need additional information, contact LIPA at 333 Earle Ovington Blvd., Suite 403, Uniondale, New York 11553, or visit LIPA's website at www.lipower.org.

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Consolidated Statements of Net Position

March 31, 2022 and December 31, 2021

(Amounts in thousands)

	2022 (unaudited)	2021 (audited)
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 268,995	258,903
Restricted cash – working capital requirements	168,758	156,163
Restricted cash – UDSA	197,023	111,694
Investments	1,024,013	1,107,629
Restricted investments – working capital requirements	120,740	128,314
Accounts receivable (less allowance for doubtful accounts of \$64,146 and \$62,184 at March 31, 2022 and December 31, 2021, respectively)	576,088	611,991
Other receivables	65,413	60,378
Fuel inventory	102,305	127,595
Material and supplies inventory	76,037	71,561
Commodity derivative instruments	219,401	73,309
Regulatory assets to be recovered within one year	291,138	214,831
Prepayments and other current assets	86,917	66,216
Total current assets	3,196,828	2,988,584
Noncurrent assets:		
Restricted cash and cash equivalents	—	1,740
Utility plant and property and equipment, net	10,426,119	10,414,617
Nuclear decommissioning trust fund	174,633	184,236
Other long-term receivables	196,691	197,190
Unrealized charges	4,598	4,026
Financial derivative instruments	10,151	354
Commodity derivative instruments	82,622	63,014
Regulatory assets for future recovery	1,180,406	1,221,364
Acquisition adjustment (net of accumulated amortization)	516,044	543,887
Total noncurrent assets	12,591,264	12,630,428
Deferred outflows of resources:		
Deferred defeasance costs on debt refunding	158,932	164,200
OPEB expense	81	81
Pension expense	3,045	3,045
Accumulated decrease in fair value of financial derivatives	—	6,649
Total deferred outflows of resources	162,058	173,975
Total assets and deferred outflows of resources	\$ 15,950,150	15,792,987

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Consolidated Statements of Net Position

March 31, 2022 and December 31, 2021

(Amounts in thousands)

	2022 (unaudited)	2021 (audited)
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Short-term debt	\$ 519,000	422,000
Current maturities of long-term debt	69,735	69,735
Current maturities of UDSA debt	177,511	177,511
Current portion of lease obligations	348,638	348,638
Counterparty collateral – held by LIPA	243,118	109,035
Accounts payable and accrued expenses	378,125	431,939
Regulatory liabilities payable in one year	367,603	203,635
Accrued payments in lieu of taxes	4,884	11,485
Accrued interest	70,895	57,079
Customer deposits	31,604	30,391
Total current liabilities	2,211,113	1,861,448
Noncurrent liabilities:		
Long-term debt, net	5,298,428	5,301,796
Long-term UDSA debt, net	3,828,269	3,839,019
Lease obligations	2,034,235	2,121,921
Borrowings	33,676	34,739
Operations Services Agreement – employee retirement benefits	818,781	813,362
Financial derivative instruments	129,143	137,554
Asset retirement obligation	91,900	90,746
Long-term liabilities and unrealized credits	59,895	41,125
Claims and damages	158,994	155,459
Total noncurrent liabilities	12,453,321	12,535,721
Deferred inflows of resources:		
Regulatory credits – grants	622,248	626,460
Accumulated increase in fair value of financial derivatives	10,151	—
Lease revenue	4,756	9,258
OPEB expense	4,989	5,369
Pension expense	2,900	2,900
Accumulated increase in fair value of NMP2 Trust and OPEB Account	96,894	149,452
Total deferred inflows of resources	741,938	793,439
Net position:		
Net investment in capital assets	306,907	349,036
Restricted	169,488	127,439
Unrestricted	67,383	125,904
Total net position	543,778	602,379
Total liabilities, deferred inflows of resources, and net position	\$ 15,950,150	15,792,987

LONG ISLAND POWER AUTHORITY

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Consolidated Statements of Revenues, Expenses, and Changes in Net Position

Three-month period ended March 31, 2022 and 2021

(Amounts in thousands)

(unaudited)

	2022	2021
Operating revenues – electric sales (net of uncollectible expense)	\$ 897,814	821,926
Operating expenses:		
Operations – power supply charge	464,094	398,015
Operations – power supply charge – property taxes	55,577	58,328
Operations and maintenance	166,700	154,662
Storm restoration	9,574	27,801
General and administrative	8,869	10,398
Depreciation and amortization	103,338	103,695
Payments in lieu of taxes and assessments	87,466	86,063
Total operating expenses	895,618	838,962
Operating income (loss)	2,196	(17,036)
Nonoperating revenues and expenses:		
Other income, net:		
Investment income, net	9,417	3,734
Grant income	5,774	10,800
Carrying charges on regulatory assets	4,212	5,064
Other	4,675	11,326
Total other income, net	24,078	30,924
Interest charges and (credits):		
Interest on debt	91,099	92,191
Other interest	8,032	12,129
Other interest amortizations	(14,256)	(12,524)
Total interest charges and (credits), net	84,875	91,796
Change in net position	(58,601)	(77,908)
Net position, beginning of year	602,379	537,688
Net position, end of period	\$ 543,778	459,780

LONG ISLAND POWER AUTHORITY

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Consolidated Statements of Cash Flows

Three-month period ended March 31, 2022 and 2021

(Amounts in thousands)

(unaudited)

	2022	2021
Cash flows from operating activities:		
Operating revenues received	\$ 841,586	885,013
Paid to suppliers and employees:		
Operations and maintenance	(194,423)	(265,691)
Operations – power supply charge	(276,430)	(425,035)
Operations – power supply charge – property tax related	(55,577)	(52,426)
Payments-in-lieu-of-taxes	(151,020)	(152,689)
Collateral on commodity derivative transactions, net	134,083	22,986
PSEG Long Island pension funding	(7,500)	(9,350)
Net cash provided by operating activities	290,719	2,808
Cash flows from investing activities:		
Earnings received on investments	(3,081)	2,066
Sale of investment securities	83,617	77,223
Sale of restricted investment securities – working capital investments	7,573	—
Purchase of restricted investment securities – working capital investments	—	(353)
Purchase of investment securities – OPEB Account	(31,498)	(16,602)
Sale of investment securities – OPEB Account	—	28,643
Net cash provided by investing activities	56,611	90,977
Cash flows from noncapital financing related activities:		
Grant proceeds	—	8,079
Proceeds from credit facility draws and commercial paper program	360,000	490,000
Redemption of credit facility draws and commercial paper program	(263,000)	(325,000)
Interest paid - LIPA	(1,250)	(229)
Net cash provided by noncapital related activities	95,750	172,850
Cash flows from capital and related financing activities:		
Capital expenditures	(150,855)	(175,203)
Lease payments	(105,320)	(93,735)
Proceeds from the issuance of long-term debt	—	253,163
Debt issuance costs	—	(498)
Other interest costs	(9,165)	(12,936)
Interest paid – LIPA	(71,464)	(68,388)
Net cash used in capital and related financing activities	(336,804)	(97,597)
Net increase in cash and cash equivalents	106,276	169,038
Cash and cash equivalents at beginning of year	528,500	475,136
Cash and cash equivalents at end of period	\$ 634,776	644,174

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Consolidated Statements of Cash Flows

Three-month period ended March 31, 2022 and 2021

(Amounts in thousands)

(unaudited)

	<u>2022</u>	<u>2021</u>
Reconciliation to net cash provided by operating activities:		
Operating income (loss)	\$ 2,196	(17,036)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	103,338	103,695
Other post – employment benefit non – cash expense	10,733	11,737
Nuclear fuel burned	1,705	2,380
Shoreham and VBA surcharges	10,906	10,654
Accretion of asset retirement obligation	1,153	927
Changes in operating assets and liabilities:		
Accounts receivable, net	95,421	21,142
Regulatory assets and liabilities	111,461	(96,121)
Fuel and material and supplies inventory	20,814	814
Accounts payable, accrued expenses, and other	(67,008)	(35,384)
Net cash provided by operating activities	\$ <u>290,719</u>	<u>2,808</u>

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Management's Discussion and Analysis (Unaudited)

Three-month period ended March 31, 2022

Operational Updates

New York State Legislative Commission on the Future of LIPA

The 2022 New York State budget enacts a Legislative Commission on the Future of LIPA. This new Commission will consist of members of the Legislature appointed in a bipartisan manner guided by an advisory committee of local stakeholders representing diverse interests. This Commission will engage the community and conduct an in-depth examination of whether LIPA should implement a full public power management model for the first time in its history.

LIPA will continue to monitor developments relating to this Commission.

New York State Climate Leadership and Community Protection Act (CLCPA)

The CLCPA, signed in 2019, requires the State to reduce economy-wide greenhouse emissions 40% by 2030 and 85% by 2050. In order to develop a path forward for compliance with the CLCPA, in June 2021, LIPA launched its 2022 Integrated Resource Plan (IRP). The IRP, which is scheduled for completion in December 2022, will support LIPA by developing plans to ensure there is access to adequate electric power resources to enable LIPA to continue to serve its customers reliably and affordably.

The IRP will result in a plan that will identify the key activities and investments that LIPA will need to undertake to meet State and local goals. Objectives include supporting and meeting CLCPA goals; retiring fossil-fueled generation; integrating substantial amounts of renewable energy resources; identifying the impacts of beneficial electrification; and increasing the availability of clean energy technologies in disadvantaged communities.

To support transition to the CLCPA, LIPA's 2022 operating budget includes \$106 million for utility-scale renewable projects, \$93 million for energy efficiency and beneficial electrification programs, \$52 million for residential and commercial solar and distributed energy systems, \$5 million for Utility 2.0 programs and \$3 million for new utility-owned LED lighting.

Furthermore, to continue LIPA's commitment to the investments necessary to provide reliable electric service to customers, LIPA's 2022 capital budget of \$783 million includes \$178 million for load growth projects, \$252 million for projects that target improved system reliability, \$70 million for the second phase on LIPA's storm hardening initiative called "Power-On," \$3 million associated with the final phase of the FEMA funded storm hardening, and \$82 million in information technology related investments.

Generation Plants Under Contract

Under the Amended and Restated Power Supply Agreement (A&R PSA) with National Grid, LIPA contracts for approximately 3,700 megawatts of capacity (and related energy) from National Grid's legacy fossil generating plants located on Long Island. Under this agreement, which expires in 2028, LIPA is responsible for the property taxes on these generating plants. LIPA has sought reductions to such assessments and associated property tax bills over the past decade.

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As a result, LIPA negotiated a settlement with the Town of Brookhaven and the Village of Port Jefferson on the Port Jefferson power plant for the taxes to decrease to approximately half of current levels by 2027. In September 2020, LIPA also reached an agreement with the Huntington Town Board and the Northport-East Northport School District for similar reductions on assessments of the Northport power plant.

In April 2022, LIPA reached an agreement with Nassau County to settle the E. F. Barrett and Glenwood Landing power plant tax cases on similar terms.

Also impacting LIPA's contracted generating plants are new Department of Environmental Conservation (DEC) regulations for nitrogen oxide (NOx) air emissions from peaking plants to take effect May 1, 2023, which directed all affected generation owners to submit compliance plans by March 2, 2020. National Grid, as owner of the plants, in consultation with LIPA, identified which units would require retrofits. As a result, LIPA and National Grid plan to retire five peaking units where retrofits are not cost-effective: two units at Glenwood Landing (15 and 55 megawatts); one unit at West Babylon (52 megawatts); and two units at Shoreham (53 and 19 megawatts). The retirements are expected to take effect in May 2025. In the meantime, the units will operate in compliance with the regulations that are applicable between 2023 and 2025. LIPA is reviewing other generating units for retirement prior to the expiration of the A&R PSA in 2028, potentially facilitated by the addition of new offshore wind and storage resources. All remaining National Grid peaking units are, or will be, in compliance with the DEC NOx regulations by the May 2023 deadline.

In April 2021, PSEG Long Island issued a Request for Proposals to solicit bids for development of up to 175 MW of bulk energy storage projects to be located on Long Island under contract to LIPA. The procurement will help LIPA meet its share of the State's energy storage deployment goal established in the CLCPA, which amounts to approximately 187 MW out of the 2025 statewide goal of 1,500 MW LIPA is currently evaluating the proposals.

Certain Litigation Related to Payments in Lieu of Taxes

By statute, LIPA makes payments in lieu of taxes (PILOTs) for real property it acquired from LILCO. Beginning in calendar year 2015, the LIPA Reform Act capped LIPA's PILOT payments to no more than 2% higher than the prior calendar year.

In 2017, LIPA received notices from Suffolk County claiming to enforce liens against certain LIPA properties for alleged unpaid real estate taxes. LIPA has paid the PILOT amounts it is authorized to pay by law. Furthermore, Suffolk County lacks legal authority to enforce a tax lien on LIPA's property. LIPA filed a legal action to negate any attempt by Suffolk County to enforce the alleged tax liens. LIPA also filed suit against the ten Suffolk County towns to ensure that they comply with the annual 2% limit on growth in such taxes.

On April 1, 2021, the Supreme Court, Suffolk County issued a Decision and Order that found: (1) LIPA's T&D properties are not exempt from real-property taxation for tax years 2014/15 through 2019/20 by reason of LIPA's failure to timely challenge its unlawful assessment as non-exempt, taxable properties by the Town Assessors during those tax years; and (2) compelling LIPA to pay to Suffolk County alleged unpaid real property taxes levied against the T&D properties for tax years 2014/15 through 2019/20 (by stipulation, the judgment includes the 2020/21 tax year). A judgment was entered on October 8, 2021. LIPA filed a notice of appeal from the judgment on October 14, 2021, and the appeal was filed on December 17, 2021.

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Three-month period ended March 31, 2022

Enforcement of the judgment is stayed pending the determination of LIPA's appeal. LIPA estimates the potential exposure with penalties and interest to be approximately \$93 million. As a regulated entity, LIPA obtained regulatory approval from its Board to defer the recovery of these costs from its customers until the conclusion of the appeal process. LIPA does not believe this litigation will have a material adverse impact on the business or the affairs of LIPA or its subsidiary, LILCO.

COVID-19

In response to the COVID-19 pandemic, LIPA's Board approved several relief measures for customers, including changes to the revenue decoupling mechanism (RDM) and suspension of the normal collection processes. During the pandemic, many small business customers had to suspend operations, resulting in LIPA experiencing lost revenues in its commercial class of customers. To mitigate these customers from having significant bill impacts, LIPA's Board modified the RDM rate to a maximum of 5% of delivery service revenues for any customer class, with the excess to be recovered from the same customer class in the subsequent period.

The economic impact of the pandemic and suspension of service terminations have contributed to increased customer arrears balances. LIPA increased its allowance for expected write-offs and furthermore, effective in 2021, LIPA's Delivery Service Adjustment (DSA) recovers write-offs above amounts budgeted.

The Federal Emergency Management Agency (FEMA) declared federal emergency funds for certain incremental costs during the recovery efforts related to the COVID-19 pandemic. LIPA has been approved for public assistance; however, as no grant application has been finalized or approved as of March 31, 2022, LIPA's Unaudited Quarterly Consolidated Financial Report does not include amounts for expected FEMA.

LIPA will continue to monitor developments relating to the COVID-19 pandemic; however, LIPA cannot predict the extent to which COVID-19 may have an effect on its liquidity, financial condition, and results of operations.

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Management's Discussion and Analysis (Unaudited)

Three-month period ended March 31, 2022

Management's Discussion and Analysis (Unaudited)

Financial Condition Overview

Three-Month Period ended March 31, 2022 compared to 2021

Change in net position

Net position decreased \$59 million for the three-month period ended March 31, 2022, compared to the decrease for the three-month period ended March 31, 2021 of \$78 million.

Operating revenues

Operating revenue increased \$76 million compared to the three-month period of 2021, primarily due to (i) an increase in the Power Supply Charge and (ii) an increase to the base delivery revenue, partially offset by a decrease in the Delivery Service Adjustment.

Operating expenses

The Power Supply Charge, including property taxes, increased \$63 million when compared to the same three-month period of 2021 primarily due to (i) higher natural gas prices and (ii) increased costs associated with on-island generation related to unscheduled outages of certain transmission cables. These costs were partially offset by increased gains from financial hedges.

Operations and maintenance expense increased \$12 million compared to the same three-month period of 2021 due to higher costs associated with (i) additional tree trimming in the first quarter of 2022 (ii) storm hardening and (iii) pole inspection costs.

Storm restoration expense decreased \$18 million when compared to the same three-month period of 2021 primarily due to a major storm in 2021 that required mutual aid assistance.

General and administrative expense decreased \$2 million when compared to the same three-month period of 2021 due to lower professional services fees resulting from the timing of projects.

Non-operating revenues and expenses

Other income decreased \$7 million compared to the same three-month period of 2021 primarily due to recognition in 2021 of non-cash gains related to the basis swap termination.

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Liquidity and Capital Resources

LIPA's policy is to, at all times, maintain cash on hand and available credit equivalent to at least 120 days of operating expenses. As of March 31, 2022 and December 31, 2021, LIPA's available sources of liquidity for operating purposes and capital program funding, as displayed below, achieved the policy target.

<i>(amounts in thousands)</i>	March 31, 2022	Days Cash	December 31, 2021	Days Cash
Operating liquidity				
Unrestricted cash, cash equivalents, and investments	\$ 733,546		785,271	
OPEB Account cash, cash equivalents, and investments	559,462		581,261	
PSEG Long Island working capital requirements	277,144		276,391	
Total operating liquidity	1,570,152	184	1,642,923	205
Available credit				
General Revenue Notes – Revolving Credit Facility	200,000		198,000	
General Revenue Notes – Commercial Paper	481,000		580,000	
Total available credit	681,000		778,000	
Total cash, cash equivalents, investments and available credit	\$ 2,251,152	264	2,420,923	300
Restricted cash, cash equivalents and investments				
Clean Energy Compliance Fund	12,354		8,086	
FEMA Grant Proceeds	-		1,740	
UDSA	197,023		111,694	
Total restricted cash, cash and cash equivalents, and investments	\$ 209,377		121,520	

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

Three-month period ended March 31, 2022

Consolidated Debt

LIPA's consolidated debt as of March 31, 2022 and December 31, 2021 is comprised of the following:

<i>(amounts in thousands)</i>	March 31, 2022	December 31, 2021
Long-term debt:		
General revenue bonds/notes	\$ 5,000,738	4,996,159
Unamortized premiums	367,424	375,371
Less: Current maturities	(69,735)	(69,735)
	<u>5,298,428</u>	<u>5,301,796</u>
 UDSA restructuring bonds	 3,703,356	 3,703,356
Unamortized premiums	302,424	313,174
Less: Current maturities	(177,511)	(177,511)
	<u>3,828,269</u>	<u>3,839,019</u>
 Total Long-term debt	 <u>\$ 9,126,697</u>	 <u>9,140,815</u>
 Short-term debt:		
General Revenue Notes – Commercial Paper	\$ 517,000	420,000
General Revenue Notes – Revolving Credit Facility	2,000	2,000
Total Short-term debt	<u>\$ 519,000</u>	<u>422,000</u>

LONG ISLAND POWER AUTHORITY

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Management's Discussion and Analysis (Unaudited)

Three-month period ended March 31, 2022

Regulatory Assets and Liabilities

The table below displays LIPA's costs to be recovered from, or returned to, LIPA's customers in a future period (regulatory assets or liabilities). Regulatory assets to be recovered within one-year increased \$76 million due to the timing of recovery of the fixed capacity component of the power supply charge. Regulatory liabilities to be paid within one-year period increased \$164 million due primarily to the unrealized commodity derivative gains which are deferred until settled.

	2022	2021
Regulatory assets to be recovered within one year:		
OSA – employee retirement benefits	\$ 54,006	54,006
Shoreham property tax settlement	49,237	49,237
Delivery service adjustment	60,802	76,838
Employee benefit plan settlement	15,634	15,634
Power supply charge recoverable	100,369	13,476
Debt issuance costs	3,209	3,209
Southampton visual benefit assessment	1,049	1,049
New York State assessment	6,832	1,382
	<u>\$ 291,138</u>	<u>214,831</u>
Regulatory assets for future recovery:		
OSA – employee retirement benefits	227,976	242,697
Shoreham property tax settlement	285,778	291,835
Delivery service adjustment	341,360	358,208
Unrealized financial derivative losses	116,687	117,689
Property tax litigation	93,551	90,134
Employee benefit plan settlement	42,993	46,901
Power supply charge recoverable	35,706	36,708
Revenue decoupling mechanism	3,669	3,669
Debt issuance costs	19,304	19,930
Unfunded actuarially determined reserves	8,132	8,132
Southampton visual benefit assessment	5,250	5,461
	<u>\$ 1,180,406</u>	<u>1,221,364</u>
Regulatory liabilities payable within one year:		
Unrealized commodity derivative gains	302,023	136,323
Power supply charge refundable	12,353	8,085
Revenue decoupling mechanism	22,924	26,047
Utility 2.0	23,054	26,955
Distributed energy resources	1,932	2,441
Delivery service adjustment	5,317	3,784
	<u>\$ 367,603</u>	<u>203,635</u>
Regulatory credits:		
Grants	622,248	626,460
	<u>\$ 622,248</u>	<u>626,460</u>

