



CEO REPORT

July 27, 2022

A G E N D A

01

AGENDA ITEMS

02

COMMUNITY NEWS

03

NATURAL GAS PRICES

04

LEGISLATIVE COMMISSION

05

FINANCIAL UPDATES

JULY BOARD MEETING AGENDA ITEMS

FOR DISCUSSION

- Quarterly Report on PSEG Long Island 2022 Metrics
- Quarterly Report on Isaias Task Force and Management Recommendations
- Low and Moderate-Income Customer Arrears Forgiveness Program
- Board Policies on Employee Relations, CEO Evaluation, Fiscal Sustainability, and Economic Development and Community Engagement
- Emergency Response Plan Updates

FOR APPROVAL

- Firms to Provide Legal Services
- Treasury Management System Vendor
- Letter of Credit Facilities and Bank Direct Placements
- Department of Public Service Management Audit Contract
- Amendments to LIPA's FOIL Regulations
- Tariff Amendments
- Recommendations to Improve Work Management
- Establishment of a 457(f) Plan
- Extension of Contracts Related to the Y-49 Cable and Establishment of a Regulatory Asset for Amortization of Certain Y-49 Repairs

COMMUNITY NEWS

NORTH SHORE RAIL TRAIL



- 10-mile path from Port Jefferson to Wading River is now home to a trail for walking, running, and biking using LIPA's right of way
- LIPA took part in the opening of the North Shore Rail Trail on a site formerly occupied by a 19th century railroad line
- LIPA gained ownership of land after the rail line was abandoned in the 1930s
- The project dates to the 1970s, but inactivity and funding complications delayed it becoming a reality for decades



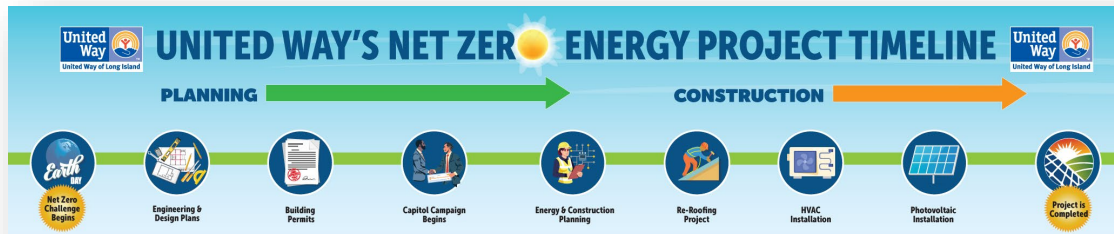
Photo Credit: Denise Byrne



Photo Credit: Suffolk Times

UNITED WAY GRANT

- LIPA recently awarded United Way of Long Island with a grant worth **\$200,000** in support of the organization's Net Zero Energy Challenge campaign
- United Way's headquarters in Deer Park will include rooftop solar, air-source heat pumps, and electric vehicle charging
- **United Way expects \$60,000+ in reduced energy bills to be reinvested back into their core mission for Long Island**
- United Way runs programs in their facility for **disadvantaged young adults and veterans** providing skills training in **clean energy jobs of the future**



NORTH SHORE SCHOOL DISTRICT SETTLEMENT

- LIPA has reached a settlement with the North Shore School District related to the closure of the **Glenwood Landing Power Plant** and recent settlement with Nassau County
- LIPA will make three payments totaling **\$3.25 million** to the school district, including a \$2 million payment on August 1
- Extra funding creates a glide path for school district to adjust to more sustainable taxes



North Shore School District reaches deal with LIPA

By WILL SHEELINE
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After years of legal battles, the North Shore School District has finally reached a settlement with the Long Island Power Authority, with the school withdrawing their third party beneficiary suit against the company in exchange for three payments totaling \$3.25 million to be made to the district. Although the funds will not cover the estimated loss of \$29 million in annual revenue the district is facing from LIPA's closure of their Glenwood Landing power plant, it will allow the district and its officials to close this chapter of the school's history and refocus on providing their students with the best education possible.

The deal was announced at the Board of Education's annual reorganization meeting held on July 1. The settlement promises the district approximately \$2 million to be paid on August 1, with two follow-up payments of roughly \$750,000 and \$500,000 coming later in the year.

Board President Dave Ludmar explained that while of course the board wishes that they could have gotten more money for the district, he believes that this was the best chance they had to recoup some of the financial loss the district will face over the next five years.

"In every negotiation certainly, every party would like to do better, and I'm sure LIPA feels the same way about us," Ludmar stated. "But the fact that we no longer have a physical plant certainly reduced our leverage in the matter, and at the end of the day we do as a board feel that this was the best deal that we could get."

Chris Zublionis, the district's new superintendent, echoed that statement, asserting that by closing the deal the district can get back to focusing on their students. He claimed that while the deal will not make the district financially whole, it will allow them to build up some savings to help defray rising costs in the future.

"LIPA will be providing us extra funding to create a glide path so we can adjust to any changes in taxation in the future," Zublionis asserted in an interview after the meeting. "So, you know, going forward, we're just going to have to continue to look carefully at our budget and be mindful of our spending and costs."

The deal does come with the caveat that should any



THE NORTH SHORE Schools District Board of Education announced the LIPA deal at their July 1 reorganization meeting.

new person or group open a new suit against LIPA in the next month that the deal is off, effectively forcing the district back to square one. And if any suits are brought to LIPA after the initial payment has been made to the district, they no longer have to pay the remaining funds, but it will not retroactively take back the first \$2 million.

With the payment taken care of, however, the district is getting ready to weather the financial storms ahead. They have already been promised a \$1 million dollar grant by outgoing State Senator James Gaughran, and are continuing to work with elected leaders at the local, county and state levels to try and reduce the upcoming economic fallout, which could raise taxes in the district by between \$900 and \$2,400, based on property value, over the next five years.

"We have been and continue to be working with all of our elected representatives on this issue," Ludmar said. "We are in constant communication with them and we very much appreciate the assistance we have had. And we know that our elected officials, from all sides of the aisle, are sympathetic to our plight and recognize the sacrifices that this community has made to provide energy to all of Long Island, and we look forward to continu-

ing to work with them."

With the new school year roughly a month and a half away, the district has begun its preparations under its new superintendent. Zublionis explained that he and the new assistant superintendent for business James Pappas are working to determine the district's new tax levy, which will be announced on Aug. 15.

He also plans to try and make as much headway as possible in developing the curriculum and follow up on the district's goals to increase and improve student engagement. He and the new assistant superintendent for curriculum and instruction, Carol Ann Smyth, will be reviewing surveys and conversations with students, as well as feedback from teachers and the learning committee, about the best ways to continue to improve the experience of the district's young scholars.

Despite the financial storms ahead, newest Board of Education trustee Lisa Cashman is confident of Zublionis' ability to lead the district forward during these trying times.

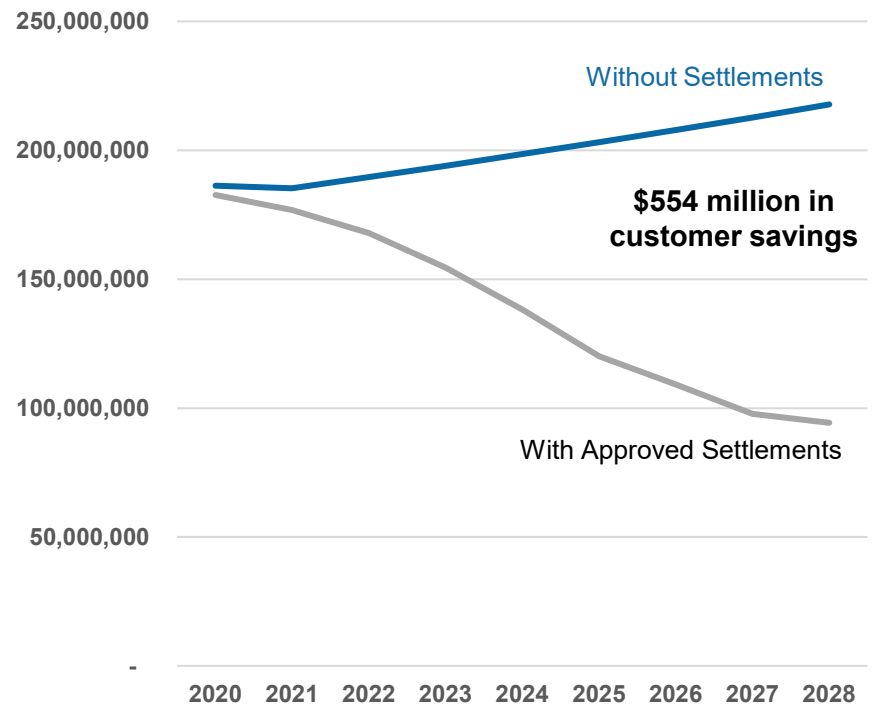
"I've known Dr. Z since he was still Mr. Z and he was principal of Sea Cliff Elementary School, and he has always done a fantastic job," Cashman said.

POWER PLANT SETTLEMENTS

Northport Power Station



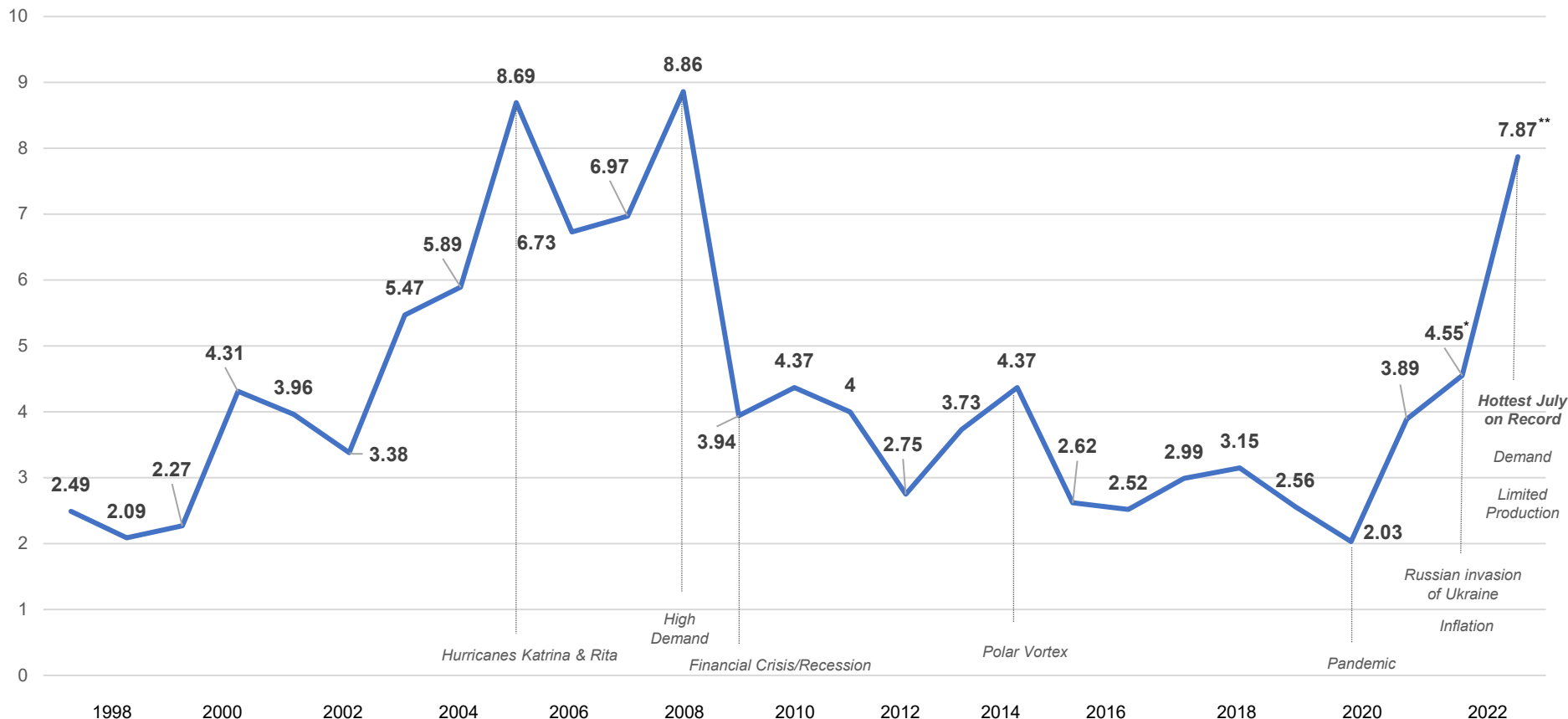
Power Plant Tax Settlements Will Save \$554 Million Through 2028*



NATURAL GAS PRICES

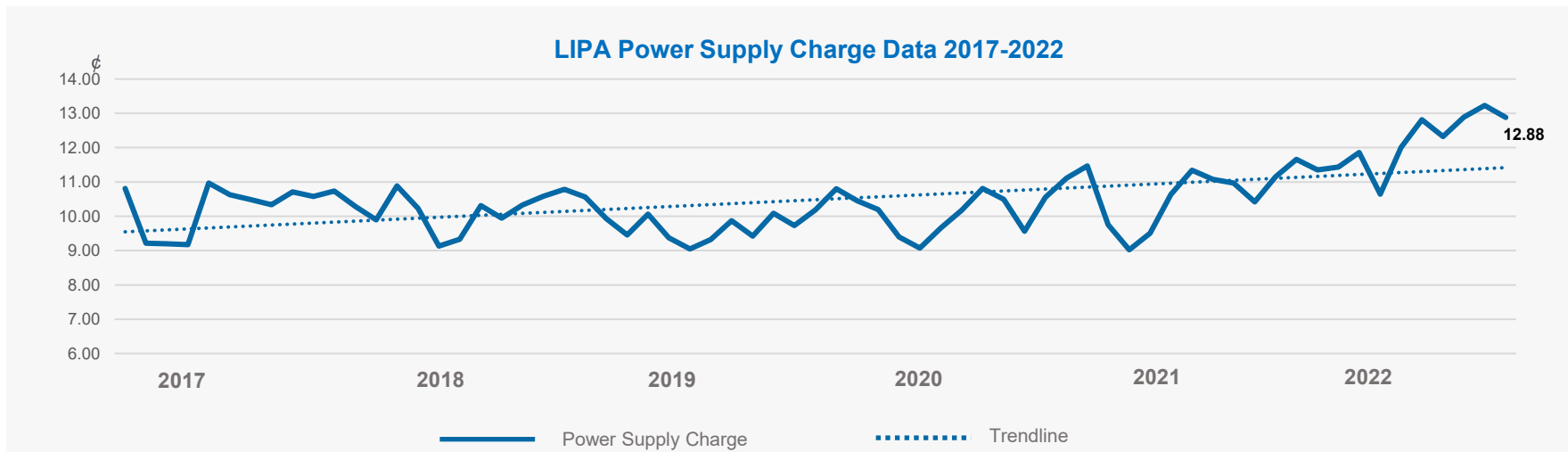
NATURAL GAS PRICING

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



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 hedge program realized gains for January to June 2022: **\$113 million**
- At current prices, the hedge program will save customers **\$202 million** for July to December 2022



LEGISLATIVE COMMISSION

NEW YORK STATE LEGISLATIVE COMMISSION ON THE FUTURE OF LIPA

- The 2022 New York State budget enacted a Legislative Commission on the Future of LIPA to investigate and report to the legislature on the establishment of a public power model of management for LIPA's assets
- Six members of the Commission have been announced so far, with two more to come. There will also be an Advisory Committee to the Commission, but that has not yet been appointed
- The first hearing will be held in September with a draft report published in December 2022

Commission Members Appointed

*as of July 21



Senator Kevin Thomas
Co-Chair



Assemblyman Fred W. Thiele Jr.
Co-Chair



Senator James Gaughran



Assemblywoman Stacey Pheffer Amato



Senator James Sanders



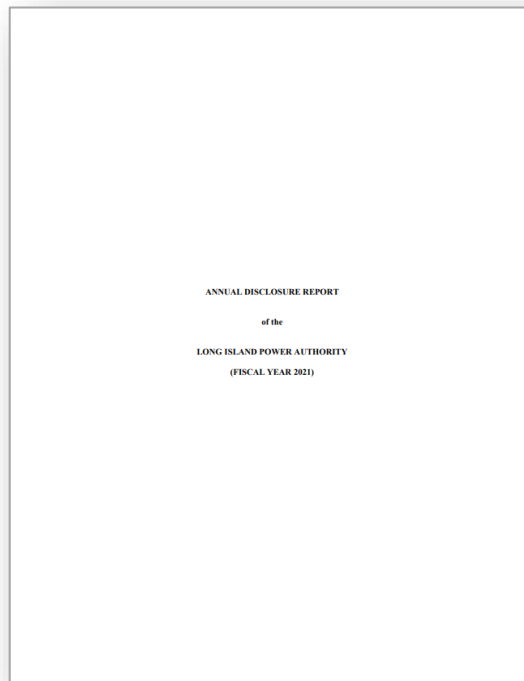
Assemblywoman Judy Griffin



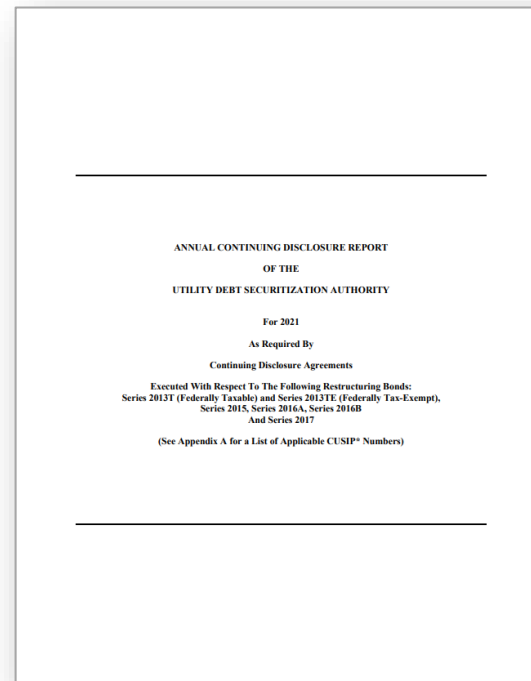
FINANCIAL UPDATES

LIPA'S ANNUAL DISCLOSURE REPORTS

LIPA and UDSA issued annual disclosure reports for bondholders on June 30, 2022. The annual disclosure reports are another step in preparing for bond offerings previously approved by the Board



[LIPA Annual Disclosure Report](#)



[UDSA Annual Disclosure Report](#)

FINANCING UPDATE

| Bond (Ratings) | LIPA Series 2022A/B (A2/A/A) | LIPA Series 2022C/D (A2/A/A) | UDSA Series 2022A (Aaa/AAA) |
|----------------|---|---|--|
| Amount | \$350 million | \$330 million | ~\$650 million |
| Rate Type | Fixed Rate | Variable Rate | Fixed Rate |
| Timing | Credit Ratings expected week of August 1 Bond pricing expected week of August 15 | Bond market portion in August Bank-backed portion in early October | Pricing expected in mid-September |
| Notes | <ul style="list-style-type: none"> Funds LIPA's Capital Budget Potential for a portion as Green Bonds | <ul style="list-style-type: none"> Refinances existing bonds Floating rate notes, variable-rate bonds with Letters of Credit, and directly-placed bank loans Bank-backed bonds awarded through RFP with lower cost than the average of existing variable-rate debt | <ul style="list-style-type: none"> Refinances existing bonds at lower cost and funds storm hardening (approx. \$100 million) Size will depend on market conditions at the time of pricing and results of a tender offer to existing bond holders First of several UDSA bond sales to refinance up to \$3.5 billion of debt and fund storm hardening over the next several years |

All numbers are estimates and rounded

Discussion

Questions?