



LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)
Quarterly Unaudited Financial Report
For the six-month period ended June 30, 2022

2022
2ND 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 or Authority) 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 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 LIPA and UDSA debt and for funding T&D System resiliency investments. 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.

On May 18, 2022, LIPA's Board adopted additional financing orders No. 6, No. 7, No. 8, and No. 9. On August 2, 2022, the UDSA's Board of Trustees approved the issuance of Series 2022 bonds in an amount not to exceed \$1.3 billion pursuant to financing order No. 6 for the purpose of refinancing certain debt of the LIPA and UDSA and financing resiliency investments.

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 most of its power supply needs.

Beginning 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 operations, provided services for the T&D system under the Amended and Restated Operations Services Agreement (A&R OSA).

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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.

A reformed contract, the Second A&R OSA, was approved by LIPA's 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.

To provide stronger protections for Service Area customers, the Second A&R OSA:

- increases the amount of PSEG Long Island's annual compensation at risk from \$10 million to \$40 million;
- subjects PSEG Long Island to up to 110 detailed Performance Metrics set annually by the Board with a recommendation by the New York State Department of Public Service (DPS) to ensure PSEG Long Island meets the Board's strategic direction for service to customers and industry best practices;
- includes both new and strengthened termination rights and automatic compensation reductions (i.e. default and gating Performance Metrics) for failures to meet minimum emergency response, customer satisfaction, cybersecurity, and reliability standards;
- provides a new DPS investigative process to reduce compensation for failures to provide safe, adequate, and reliable service to customers;
- requires PSEG Long Island to implement plans to fix known operational issues identified by Authority staff or the DPS, with oversight by the Board;
- strengthens PSEG Long Island's dedicated management team with new positions for Chief Information Officer, Chief Information Security Officer, Vice President for Business Services, Director of Human Resources and Director of Emergency Response;
- ensures that all Long Island employees report to managers dedicated to Long Island operations and links the compensation for all PSEG Long Island employees to Service Area performance;
- includes a Duty of Candor with a termination right for failure to timely and accurately disclose significant operational issues that impair PSEG Long Island's ability to provide reliable service, emergency response, cybersecurity, financial impairment, noncompliance with laws, or circumstances that may endanger public health, safety, and welfare;
- has new standards requiring greater long-term planning, transparency, and accountability for delivering projects and services on time and within budget;
- requires PSEG Long Island to demonstrate cost savings or improved service for hiring or retaining PSEG affiliates to perform services for LIPA;
- requires the separation of all LIPA information technology systems from those of PSEG affiliates pursuant to a plan filed on July 29, 2022;

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- provides the Authority with new rights to independently test and validate the performance of mission-critical information technology systems, such as those that failed during Tropical Storm Isaias; and
- eliminates PSEG Long Island's eight-year term extension option; instead, the second A&R OSA will expire on December 31, 2025, subject to extension upon mutual agreement.

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.

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 six-month period ended June 30, 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.

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Consolidated Statements of Net Position

June 30, 2022 and December 31, 2021

(Amounts in thousands)

	2022 (unaudited)	2021 (audited)
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 181,715	258,903
Restricted cash – working capital requirements	207,160	156,163
Restricted cash – UDSA	91,641	111,694
Investments	826,037	1,107,629
Restricted investments – working capital requirements	99,246	128,314
Accounts receivable (less allowance for doubtful accounts of \$66,143 and \$62,184 at June 30, 2022 and December 31, 2021, respectively)	697,360	611,991
Other receivables	49,482	60,378
Fuel inventory	131,524	127,595
Material and supplies inventory	81,555	71,561
Commodity derivative instruments	204,380	73,309
Regulatory assets to be recovered within one year	252,243	214,831
Prepayments and other current assets	135,608	66,216
Total current assets	2,957,951	2,988,584
Noncurrent assets:		
Restricted cash and cash equivalents	—	1,740
Utility plant and property and equipment, net	10,441,206	10,414,617
Nuclear decommissioning trust fund	155,323	184,236
Other long-term receivables	197,697	197,190
Unrealized charges	4,606	4,026
Financial derivative instruments	19,257	354
Commodity derivative instruments	72,216	63,014
Regulatory assets for future recovery	1,133,391	1,221,364
Acquisition adjustment (net of accumulated amortization)	488,200	543,887
Total noncurrent assets	12,511,896	12,630,428
Deferred outflows of resources:		
Deferred defeasance costs on debt refunding	153,898	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	157,024	173,975
Total assets and deferred outflows of resources	\$ 15,626,871	15,792,987

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June 30, 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	\$ 420,000	422,000
Current maturities of long-term debt	70,230	69,735
Current maturities of UDSA debt	204,285	177,511
Current portion of lease obligations	350,870	348,638
Counterparty collateral – held by LIPA	246,918	109,035
Accounts payable and accrued expenses	501,487	431,939
Regulatory liabilities payable in one year	346,920	203,635
Accrued payments in lieu of taxes	7,867	11,485
Accrued interest	58,718	57,079
Customer deposits	32,701	30,391
Total current liabilities	2,239,996	1,861,448
Noncurrent liabilities:		
Long-term debt, net	5,258,041	5,301,796
Long-term UDSA debt, net	3,703,004	3,839,019
Lease obligations	1,945,127	2,121,921
Borrowings	32,609	34,739
Operations Services Agreement – employee retirement benefits	824,427	813,362
Financial derivative instruments	107,823	137,554
Asset retirement obligation	102,093	90,746
Long-term liabilities and unrealized credits	42,396	41,125
Claims and damages	160,212	155,459
Total noncurrent liabilities	12,175,732	12,535,721
Deferred inflows of resources:		
Regulatory credits – grants	617,641	626,460
Accumulated increase in fair value of financial derivatives	19,257	—
Lease revenue	3,258	9,258
OPEB expense	4,608	5,369
Pension expense	2,900	2,900
Accumulated increase in fair value of NMP2 Trust and OPEB Account	5,121	149,452
Total deferred inflows of resources	652,785	793,439
Net position:		
Net investment in capital assets	372,738	349,036
Restricted	100,846	127,439
Unrestricted	84,774	125,904
Total net position	558,358	602,379
Total liabilities, deferred inflows of resources, and net position	\$ 15,626,871	15,792,987

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

Six-month period ended June 30, 2022 and 2021

(Amounts in thousands)

(unaudited)

	2022	2021
Operating revenues – electric sales (net of uncollectible expense)	\$ 1,872,886	1,699,263
Operating expenses:		
Operations – power supply charge	938,120	798,684
Operations – power supply charge – property taxes	106,752	115,489
Operations and maintenance	333,855	324,672
Storm restoration	11,586	25,729
General and administrative	15,963	17,297
Depreciation and amortization	209,917	211,016
Payments in lieu of taxes and assessments	175,543	169,522
Total operating expenses	<u>1,791,736</u>	<u>1,662,409</u>
Operating income	<u>81,150</u>	<u>36,854</u>
Nonoperating revenues and expenses:		
Other income, net:		
Investment income, net	15,605	11,251
Grant income	20,366	19,538
Carrying charges on regulatory assets	9,132	9,999
Other	(148)	24,189
Total other income, net	<u>44,955</u>	<u>64,977</u>
Interest charges and (credits):		
Interest on debt	183,347	183,953
Other interest	15,531	22,660
Other interest amortizations	(28,752)	(24,951)
Total interest charges and (credits), net	<u>170,126</u>	<u>181,662</u>
Change in net position	<u>(44,021)</u>	<u>(79,831)</u>
Net position, beginning of year	<u>602,379</u>	<u>537,688</u>
Net position, end of period	<u>\$ 558,358</u>	<u>457,857</u>

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Consolidated Statements of Cash Flows

Six-month period ended June 30, 2022 and 2021

(Amounts in thousands)

(unaudited)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Operating revenues received	\$ 1,971,823	1,774,123
Paid to suppliers and employees:		
Operations and maintenance	(330,932)	(413,005)
Operations – power supply charge	(786,642)	(707,101)
Operations – power supply charge – property tax related	(106,752)	(115,489)
Payments-in-lieu-of-taxes	(304,614)	(307,394)
Collateral on commodity derivative transactions, net	137,883	119,026
PSEG Long Island pension funding	(15,000)	(18,700)
Net cash provided by operating activities	<u>565,766</u>	<u>331,460</u>
Cash flows from investing activities:		
Earnings received on investments	(2,705)	1,051
Sale of investment securities	201,652	147,130
Sale of restricted investment securities – working capital investments	29,068	—
Purchase of restricted investment securities – working capital investments	—	(77)
Purchase of investment securities – OPEB Account	(18,000)	(24,000)
Net cash provided by investing activities	<u>210,015</u>	<u>124,104</u>
Cash flows from noncapital financing related activities:		
Grant proceeds	11,547	18,041
Proceeds from credit facility draws and commercial paper program	660,000	720,000
Redemption of credit facility draws and commercial paper program	(662,000)	(555,000)
Interest paid – LIPA	(1,250)	(229)
Net cash provided by noncapital related activities	<u>8,297</u>	<u>182,812</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(327,420)	(371,015)
Lease payments	(193,246)	(192,518)
Proceeds from the issuance of long-term debt	—	253,163
Debt issuance costs	(208)	(563)
Other interest costs	(15,795)	(21,391)
Interest paid – LIPA	(80,228)	(78,671)
Redemption of long-term debt – LIPA	(36,390)	(52,370)
Interest paid – UDSA	(91,034)	(94,951)
Redemption of long-term debt – UDSA	(87,741)	(88,743)
Net cash used in capital and related financing activities	<u>(832,062)</u>	<u>(647,059)</u>
Net decrease in cash and cash equivalents	<u>(47,984)</u>	<u>(8,683)</u>
Cash and cash equivalents at beginning of year	<u>528,500</u>	<u>475,136</u>
Cash and cash equivalents at end of period	<u>\$ 480,516</u>	<u>466,453</u>

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Six-month period ended June 30, 2022 and 2021

(Amounts in thousands)

(unaudited)

	2022	2021
Reconciliation to net cash provided by operating activities:		
Operating income	\$ 81,150	36,854
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	209,917	211,016
Other post – employment benefit non – cash expense	21,111	22,887
Nuclear fuel burned	5,233	4,766
Shoreham and VBA surcharges	21,770	21,905
Accretion of asset retirement obligation	2,367	1,861
Changes in operating assets and liabilities:		
Accounts receivable, net	(74,979)	(51,167)
Regulatory assets and liabilities	159,569	(48,125)
Fuel and material and supplies inventory	(13,923)	776
Accounts payable, accrued expenses, and other	153,551	130,687
Net cash provided by operating activities	<u>\$ 565,766</u>	<u>331,460</u>

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Management's Discussion and Analysis (Unaudited)

Six-month period ended June 30, 2022

(Amounts in thousands, unless otherwise stated)

Operational Updates

New York State Legislative Commission on the Future of LIPA

The State's 2022 budget enacted a Legislative Commission on the Future of LIPA (the Commission) to investigate and report to the State Legislature on the establishment of the public power model for management of the operations of LIPA, whereby Authority management would directly operate the utility. The Commission will report to the State Legislature on the specific actions, legislation, and timeline necessary to restructure LIPA to bring T&D System operations under Authority management no later than December 31, 2025.

LIPA will continue to monitor developments relating to this Commission.

Integrated Resource Planning and Repowering Studies

LIPA and PSEG Long Island are currently in the process of developing LIPA's 2022 Integrated Resource Plan (IRP), with a report expected by December 2022. The IRP examines potential strategies within LIPA's control to respond to evolving developments in both electricity supply and demand. Given recent changes in law and policy initiatives (e.g., the Climate Leadership and Community Protection Act (CLCPA), as well as the need to plan for the expiration of major contracts, the IRP will provide options that may ultimately result in substantially altering the profile of LIPA's current resource portfolio.

The CLCPA calls for 70% electric generation from renewable energy sources statewide by 2030, and a 100% zero-emissions electric system by 2040. Transitioning to a zero-emissions electric system means both adding new clean sources of energy and retiring older, fossil-fueled power plants. The CLCPA mandates target amounts of clean energy additions for specific technologies. In addition, the Governor has announced more aggressive targets, which have not been formally adopted to date. It is expected that LIPA's shares of these target amounts would be 1,125 megawatts (MW) of offshore wind (through bundled products or renewable attributes) by 2035, 1,310 MW of distributed solar by 2030, and 750 MW of energy storage by 2030. The IRP will build on these minimum targets and suggest additional flexible resources to complement the intermittency of the wind and solar additions.

A primary objective of the IRP is to provide guidance as to the order, amount, and timing of fossil power plant retirements. In August 2021, National Grid submitted amended compliance plans to New York State Department of Environmental Conservation (DEC) stating its plans to postpone the retirement of five LILCO-era combustion turbines, totaling 195 MW, until May 1, 2025 so the units will continue to remain available to support near-term system reliability, as contemplated by the DEC regulations.

Certain Litigation Related to Payments in Lieu of Taxes

Under the Amended and Restated Power Supply Agreement (A&R PSA) with National Grid, LIPA contracts for approximately 3,700 MW 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. In July 2022, LIPA reached an agreement with the North Shore Central School District, whereby the school district withdraw its lawsuit that disputes LIPA's right to file tax challenges for the Glenwood Landing power plant, in exchange for three payments totaling \$3.25 million.

By statute, in addition to the property taxes on National Grid power plants, LIPA is required to make 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 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. A judgment was entered on October 8, 2021. By stipulation, the judgment includes the 2020/21 tax year. LIPA filed a notice of appeal from the judgment on October 14, 2021, and the appeal was filed on December 17, 2021. Enforcement of the judgment is stayed pending the determination of LIPA's appeal. LIPA estimated the potential exposure with penalties and interest to be approximately \$90 million plus a potential addition of up to \$22 million per year in the event of an adverse result on appeal. 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, on March 27, 2020, the Board approved staff proposals for temporary emergency modifications to the Authority's tariff for electric service to allow PSEG Long Island, as needed to address COVID-19's impact on customers, including (1) to suspend the application of customer late payment charges, (2) to suspend the application of customer reconnection charges (including back-billed demand and service charges), and (3) to extend the grace period for customers to re-enroll in the low-income customer discount program. On May 28, 2020, the State Legislature passed a bill that amended Article 2 of the State's Public Service Law (Article 2) to prevent residential disconnections during and including a 180-day period following the end of the COVID-19 state of emergency. Although not generally subject to the Public Service Law, the Authority is required by the State's Public Authorities Law to provide its customers the rights and protections provided in Article 2. In May 2021, an extension of the disconnection moratorium was signed into law. That extension expired on December 21, 2021. Commercial disconnections resumed in November 2021 and residential disconnects resumed in July 2022.

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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, the Board approved modification of LIPA's Delivery Service Adjustment (DSA) to capture budget variances related to uncollectible expense during periods affected by a government-ordered or Board-authorized moratorium on service disconnections and for up to two years following the end of such moratorium.

In April 2022, New York State's budget included \$250 million to eliminate pandemic-related utility arrears accumulated through May 1, 2022 for eligible low-income households. The state program provided \$9.8 million towards an estimated \$20.7 million of arrears forgiveness distributed by LIPA to eligible customers on or before August 5, 2022. Eligible low-income customers may continue to enroll in the program through December 31, 2022 and receive arrears forgiveness. Amounts in excess of state funds are charged against LIPA's reserve for uncollectible expense.

Sales variances stemming from the change in customer's usage patterns in the wake of COVID-19 are captured in LIPA's Revenue Decoupling Mechanism (RDM), which allows for the recovery or refund of differences in actual revenues for delivery service compared to the approved budget. To aid its customers from any high bill impact, LIPA's Board elected to limit the RDM rate to a maximum of 5% of delivery service revenues for any customer class with amounts not collected carried forward to subsequent periods in subsequent years.

In addition, the Federal Emergency Management Agency (FEMA) declared that federal emergency funds will be available for certain incremental costs during the recovery efforts related to the COVID-19 pandemic. LIPA has been approved for such public assistance; however, as no grant application has been finalized or approved as of June 30, 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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Six-month period ended June 30, 2022

(Amounts in thousands, unless otherwise stated)

Management's Discussion and Analysis (Unaudited)

Financial Condition Overview

Six-Month Period ended June 30, 2022 compared to 2021

Change in net position

Net position decreased \$44 million for the six-month period ended June 30, 2022, compared to the decrease for the six-month period ended June 30, 2021 of \$80 million.

Operating revenues

Operating revenue increased \$174 million compared to the six-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 \$131 million when compared to the same six-month period of 2021 primarily due to (i) higher commodity costs and (ii) increased costs associated with on-island generation related to unscheduled outages of certain transmission cables. These increases were partially offset by higher realized gains from commodity hedge activities.

Operations and maintenance expense increased \$9 million compared to the same six-month period of 2021 due to higher costs associated with (i) additional tree trimming in the first half of 2022 (ii) storm hardening and (iii) costs related to the repair of transmission cable failures.

Storm restoration expense decreased \$14 million when compared to the same six-month period of 2021 primarily due to the lack of major storm activity as was experienced in the first quarter of 2021 that required mutual aid assistance.

General and administrative expense decreased \$1 million when compared to the same six-month period of 2021 due to lower professional services fees resulting from the timing of projects.

Payments in lieu of taxes and assessments increased \$6 million due to higher taxes on T&D properties combined with increased revenue taxes due to increased revenues.

Non-operating revenues and expenses

Other income decreased \$24 million compared to the same six-month period of 2021 primarily due to the one-time recognition in 2021 of non-cash gains related to three basis swap terminations.

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Management's Discussion and Analysis (Unaudited)

Six-month period ended June 30, 2022

(Amounts in thousands, unless otherwise stated)

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 June 30, 2022 and December 31, 2021, LIPA's available sources of liquidity for operating purposes and capital program funding, as displayed below, exceeded the policy target.

	June 30, 2022	Days Cash	December 31, 2021	Days Cash
Operating liquidity				
Unrestricted cash, cash equivalents, and investments	\$ 506,431		\$ 785,271	
OPEB Account cash, cash equivalents, and investments	501,321		581,261	
PSEG Long Island working capital requirements	289,783		276,391	
Total operating liquidity	1,297,535	152	1,642,923	205
Available credit				
General Revenue Notes – Revolving Credit Facility	200,000		198,000	
General Revenue Notes – Commercial Paper	580,000		580,000	
Total available credit	780,000		778,000	
Total cash, cash equivalents, investments and available credit	\$ 2,077,535	244	\$ 2,420,923	300
Restricted cash, cash equivalents and investments				
Clean Energy Compliance Fund	16,622		8,086	
FEMA Grant Proceeds	–		1,740	
UDSA	91,641		111,694	
Total restricted cash, cash and cash equivalents, and investments	\$ 108,263		\$ 121,520	

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

Six-month period ended June 30, 2022

(Amounts in thousands, unless otherwise stated)

Consolidated Debt

LIPA's consolidated debt as of June 30, 2022 and December 31, 2021 is comprised of the following:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Long-term debt:		
General revenue bonds/notes	\$ 4,968,793	4,996,159
Unamortized premiums	359,478	375,371
Less: Current maturities	(70,230)	(69,735)
	<u>5,258,041</u>	<u>5,301,796</u>
UDSA restructuring bonds	3,615,615	3,703,356
Unamortized premiums	291,674	313,174
Less: Current maturities	(204,285)	(177,511)
	<u>3,703,004</u>	<u>3,839,019</u>
Total Long-term debt	<u>\$ 8,961,045</u>	<u>9,140,815</u>
Short-term debt:		
General Revenue Notes – Commercial Paper	\$ 418,000	420,000
General Revenue Notes – Revolving Credit Facility	2,000	2,000
Total Short-term debt	<u>\$ 420,000</u>	<u>422,000</u>

LONG ISLAND POWER AUTHORITY

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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 decreased \$51 million due primarily to the timing of recovery of (i) employee retirement benefits (ii) the delivery service adjustment and (iii) unrealized financial derivative losses. Regulatory liabilities to be paid within one-year period increased \$143 million due primarily to 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	43,003	76,838
Employee benefit plan settlement	15,634	15,634
Power supply charge recoverable	83,101	13,476
Debt issuance costs	3,209	3,209
Southampton visual benefit assessment	1,049	1,049
New York State assessment	3,004	1,382
	<u>\$ 252,243</u>	<u>214,831</u>
Regulatory assets for future recovery:		
OSA – employee retirement benefits	213,256	242,697
Shoreham property tax settlement	279,617	291,835
Delivery service adjustment	331,194	358,208
Unrealized financial derivative losses	95,773	117,689
Property tax litigation	96,369	90,134
Employee benefit plan settlement	39,085	46,901
Power supply charge recoverable	42,545	36,708
Revenue decoupling mechanism	3,669	3,669
Debt issuance costs	18,680	19,930
Unfunded actuarially determined reserves	8,132	8,132
Southampton visual benefit assessment	5,071	5,461
	<u>\$ 1,133,391</u>	<u>1,221,364</u>
Regulatory liabilities payable within one year:		
Unrealized commodity derivative gains	276,595	136,323
Power supply charge refundable	16,621	8,085
Revenue decoupling mechanism	29,510	26,047
Utility 2.0	19,153	26,955
Distributed energy resources	1,534	2,441
Delivery service adjustment	3,507	3,784
	<u>\$ 346,920</u>	<u>203,635</u>
Regulatory credits:		
Grants	617,641	626,460
	<u>\$ 617,641</u>	<u>626,460</u>

