



Annual Report

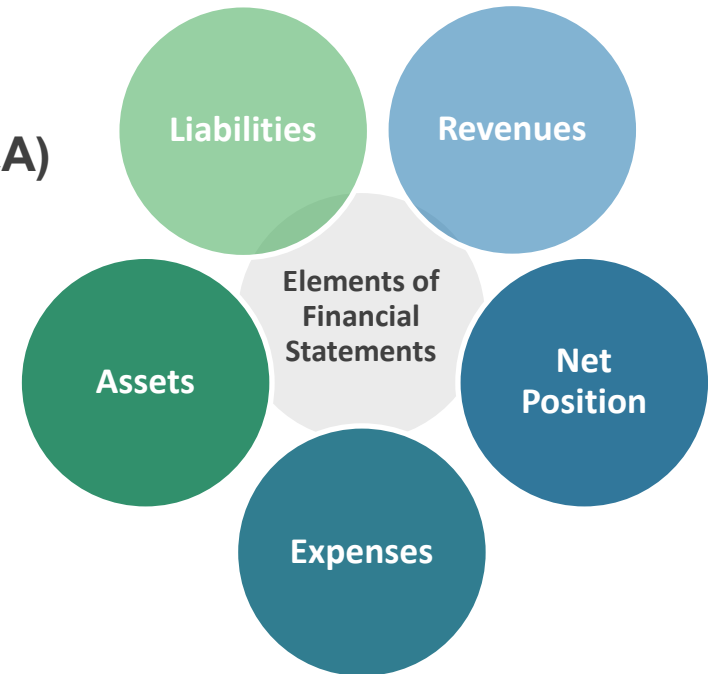
March 2023

DELIVERABLES

- **Annual Report:**
 - Unmodified Opinion in Auditors Report (KPMG)
- **File Annual Report to the Public Authority Reporting Information System:**
 - Statement of Net Assets (Position)
 - Statement of Revenue, Expenses, and Net Assets
 - Schedule of Debt
 - All included in detail in the audited consolidated financial statements

ANNUAL FINANCIAL STATEMENTS

- **Independent Auditors' Report**
- **Management's Discussion and Analysis (MD&A)**
- **Financial Statements**
 - Statements of Net Position (Balance Sheet)
 - Statements of Revenues, Expenses and Changes in Net Position (Income Statement)
 - Statements of Cash Flows
- **Notes to Financial Statements**
- **Required Supplementary Information (RSI's for Pension)**
- **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (unmodified opinion)**



MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

- **Operational Highlights**
 - Second Amended and Restated OSA
 - New York State Legislative Commission on Future of LIPA
 - Climate Act and LIPA budget planning to address needs
 - Certain Litigation Related to Payments in Lieu of taxes
 - COVID-19 Update and related Customer Bill Credit Program
- **Discuss 2022 and 2021 comparison year over year analysis**
 - Due to significant volatility in the interest rate market in 2022, LIPA experienced many variances on its Statement of Net Position due to deferral accounting
 - As a regulated entity, the Board has approved deferral of mark-to-market changes to eliminate customer bill volatility
 - OPEB Dedicated Account
 - NMP2 Trust
 - Derivative Instruments
 - OSA Employee Retirement Benefit Obligation

SUMMARY STATEMENT OF NET POSITION

	2022	2021	2022-2021 Variance
Assets and deferred outflows of resources:			
Capital assets, net	\$ 10,453,794	10,414,617	39,177
Current assets	2,827,116	2,773,753	53,363
Regulatory assets	726,741	1,436,195	(709,454)
Noncurrent assets	874,174	994,447	(120,273)
Deferred outflows of resources	155,298	173,975	(18,677)
Total assets and deferred outflows of resources	15,037,123	15,792,987	(755,864)
Liabilities and deferred inflows of resources:			
Long-term debt, net of current maturities	9,164,150	9,140,815	23,335
Current liabilities	1,469,178	1,657,813	(188,635)
Regulatory liabilities	351,456	203,635	147,821
Noncurrent liabilities	2,708,750	3,394,906	(686,156)
Deferred inflows of resources	646,257	793,439	(147,182)
Total liabilities and deferred inflows of resources	14,339,791	15,190,608	(\$850,817)
Total net position	697,332	602,379	94,953
Total liabilities, deferred inflows of resources, and net position	\$ 15,037,123	15,792,987	(\$755,864)

- Current assets increased \$39M primarily due to increased customer arrears balances
- Regulatory assets decreased \$709M due to (i) lower Storm DSA of \$394 million due to the FEMA receipt of deferred Tropical Storm Isaias costs of \$276M combined with lower incurred storm restoration costs compared to budgeted amounts in 2022, (ii) a \$277M decrease related to the OSA retirement benefit obligation and (iii) \$81M financial derivative market value changes
- Noncurrent assets decreased \$120M primarily due to amortization of Acquisition Adjustment
- Noncurrent liabilities decreased \$686M due to (i) scheduled amortization of lease liabilities of \$356M, (ii) a \$277 decrease in the OSA retirement benefit obligation due to actuarial assumption changes, and (iii) mark-to-market changes in financial derivatives
- Regulatory liabilities increased \$148M due to the change in unrealized market value of commodity derivatives
- Deferred inflows decreased \$147M primarily due to mark-to-market changes in the OPEB Account

SUMMARY STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	<u>2022</u>	<u>2021</u>
Electric revenue, net of uncollectible accounts expense	\$ 4,279,158	3,930,788
Operating expenses	(3,944,593)	(3,630,026)
Interest charges, net	(343,080)	(357,243)
Total operating and interest expenses	<u>(4,287,673)</u>	<u>(3,987,269)</u>
Revenue less operating expenses and interest charges, net	<u>(8,515)</u>	<u>(56,481)</u>
Grant income	40,766	39,986
Other income, net	62,702	81,186
Total other income, net	<u>103,468</u>	<u>121,172</u>
Change in net position	<u>94,953</u>	<u>64,691</u>
Net position, beginning of year	<u>602,379</u>	<u>537,688</u>
Net position, end of year	\$ <u>697,332</u>	<u>602,379</u>

- **Change in Net Position increase** due primarily to resumption of late payment charges in 2022 impacting net position by \$39 million

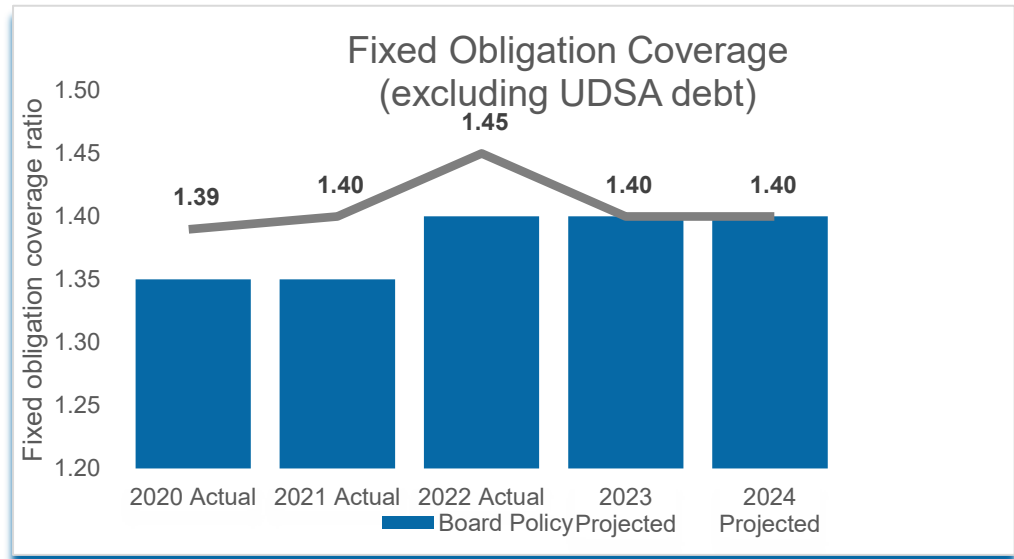
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

- **Capital Asset and Financing Activities**

- Issued \$230M new money
- Issued \$840M UDSA refunding for net present value savings of \$42M
- Issued \$95M UDSA Green Bonds to fund resiliency projects

- **Liquidity and Capital Resources**

- 309 days available cash and credit
- Achieved 1.45x fixed obligation coverage compared to Board Policy on Fiscal Sustainability of 1.40x



MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

- **Bond Ratings**

- Board's Policy on Fiscal Sustainability has resulted in four upgrades to LIPA's credit ratings since 2013 and a change to a "positive outlook" by Fitch in 2021

Rating Agency	2022	2021	2020
Moody's	A2 (Stable)	A2 (Stable)	A2 (Stable)
S&P	A (Stable)	A (Stable)	A (Stable)
Fitch	A (Positive)	A (Positive)	A (Stable)

SIGNIFICANT CHANGES IN NOTES

I. Nature of Operations (Note 1)

- Updates reflected for Second Amended and Restated Operations Services Agreement

II. Regulatory Accounting (Note 5)

- Update for additional annual potential exposure of \$30M related to the Suffolk County Tax Litigation until conclusion of the appeals process
- Decreased DSA Storm recovery to reflect the FEMA reimbursement of \$276M for Tropical Storm Isaias eliminating potential recovery from customers
- Other significant changes due to market changes include:
 - a decrease of \$81M of deferred loss related to financial derivatives
 - an increase of \$27M related to commodity derivatives
 - a decrease of \$277M related to the OSA retirement benefit obligations which are deferred for recovery over period of service of such employees

III. Subsequent Events (Note 18)

- On February 24, 2023, LIPA issued Series 2023A and B totaling approximately \$287 million to repay Series 2020C and 2021C. Principal amounts due on Series 2020C and 2021C were excluded from short-term maturities due to the refunding
- On March 15, 2023, LIPA issued Series 2023C totaling approximately \$63 million to repay Series 2015C