



# CEO REPORT

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*June 28, 2023*

# A G E N D A

01 AGENDA ITEMS

02 PRIVATIZATION ANALYSIS

03 OFFSHORE WIND TRANSMISSION UPDATE

04 COMMUNITY ENGAGEMENT

05 DISCUSSION

# JUNE BOARD MEETING AGENDA

## **FOR DISCUSSION**

- CEO Report
- Quarterly Report on PSEG Long Island 2023 Performance Metrics and Board Recommendations
- LIPA's Final Report on Outage Management System Remediation
- Update on 5-Year Storm Hardening Program (2021 to 2025)
- Quarterly Update on Call Center Get Well Plan
- Board Policy Working Group Discussion

## **FOR APPROVAL**

- Annual Report and Amendments to the Board Policy on Audit Relationships\*\*
- Resolution Confirming the Security for Interest Rate Swaps\*\*
- Selection of Firms to Provide Rate Consulting Services\*\*
- Selection of Firms to Provide Human Resources Consulting Services\*\*
- Annual Report on the Board Policy on T&D Operations

\*\*Consent agenda (certain items discussed in committee)

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# PRIVATIZATION ANALYSIS

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# FACT SHEET: PRIVATIZATION COSTS CUSTOMERS MONEY

- LIPA updated its fact sheet and analysis comparing the benefits its public power business model versus privatization to include the recent Lazard report ([link](#))
- Over the years both LIPA and the State of New York have analyzed selling LIPA to private investors: 2005, [2011](#), twice in 2013 ([link/link](#)), and [2021](#)
- In each instance, privatization was rejected due to the higher cost for electric customers
- The rationale to remain a public power utility is familiar, straightforward, and echoed in the decisions of other large public power utilities that have explored privatization in recent years and decided to remain public: **Public ownership reduces customer bills**



Fact Sheet: Analysis: Privatization Raises Customer Bills  
([LINK](#))

# PRIVATIZATION ANALYSIS TAKEAWAYS

## Among the key findings:

- Net present value (NPV) cost to customers from a sale of LIPA to private investors would be between **-\$10 billion** and **-\$14.2 billion** over 20 years
- As a public power utility, LIPA has access to federal grants and tax-exempt bonds unavailable to private utilities and is also exempt from corporate income, sales, and certain property taxes. **These benefits significantly reduce customers' bills**
- Privatization would raise customer bills by **\$45 per month by year 7** after a sale, and it would get worse over time
- There is no evidence to suggest that privately owned utilities outperform or are more efficient than public power utilities. **As natural monopolies, electric grids, whether public or private, are governmental in nature**

## Newsday

### LIPA: Privatizing will raise rates in future

BY MARK HARRINGTON  
mark.harrington@newsday.com

LIPA customers could see rate savings for four years if the utility were sold to a private entity, but those reductions would turn to significantly higher bills starting in 2031, a new analysis by the authority indicates.

LIPA has repeatedly said privatization would ultimately hurt ratepayers by depriving it of savings through loss of its tax-exempt status and access to federal emergency funds.

But the latest report from LIPA responds directly to an analysis by financial firm Lazard released earlier this year that indicated customers would see big benefits from a potential \$16 billion buyout of LIPA, including payoff of its \$10 billion debt and other cost-saving measures.

The Long Island Association has helped publicize the privatization initiative, even as it says it hasn't taken a formal stance on LIPA's options. Last week, the LIA briefed members on the Lazard analysis, its president, Matthew Cohen, confirmed. A Lazard spokeswoman said, "Lazard will review the recent LIPA analysis and present the results to the LIA board."



A LIPA study says privatization will cost customers more by 2031.

jump by \$30 in 2031, \$45.02 in 2032 and \$47.17 in 2033, before climbing at that scale "indefinitely."

"Privatization would increase the cost burden on customers," LIPA said in its report.

Conversely, LIPA has previously said, shifting to the fully public power model, by eliminating the annual management fee of around \$78 million paid to PSEG each year, "reduces customer bills."

LIPA in its report said the Lazard analysis "omits key details and context, creating an inaccurate assessment of how

grants, while "improperly accounting for LIPA's cost of tax-exempt debt."

A report commissioned by the State Legislature studying conversion of LIPA to a fully public entity also had issues with Lazard's analysis, saying potential synergy cost savings were "significantly overstated," while future borrowing costs estimate was "simply incorrect."

"Every independent analysis, including our own, and common sense, says that ratepayers will be left holding the bag if we turn our grid over to a for-profit utility that

June 18, 2023

# LIPA'S VALUATION AND NET PRESENT VALUE OF A SALE TO CUSTOMERS

(\$ in Millions)

## Earnings Multiple

2025 Average Rate Base \$10,988  
 Equity Share of Capital 48.0%  
Return on Equity 9.25%  
 Equity Value

Debt Share of Capital 52.0%

## Total Value

Implied Market/Book Value

LIPA Debt Repayment -\$10,093

## Net Sale Proceeds

## 20-Year Net Present Value

*Loss as a % of Sale Price*

## LIPA Valuation

13.0x 16.8x 22.0x

5,274 5,274 5,274

488 488 488

6,342 8,196 10,733

5,714 5,714 5,714

**12,543 14,397 16,934**

1.14x 1.31x 1.54x

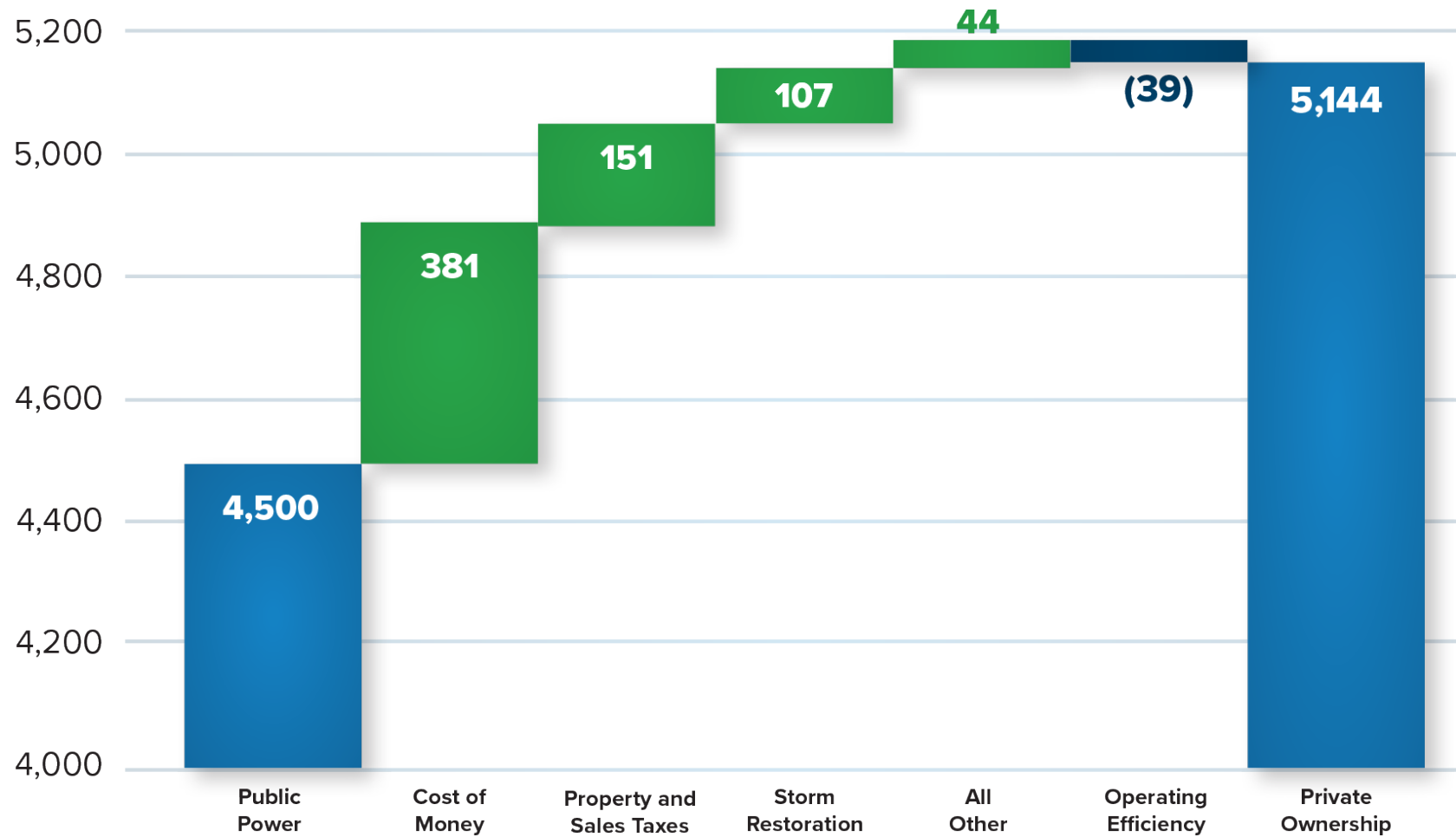
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**2,450 4,304 6,841**

**-14,237 -12,440 -9,981**

-114% -86% -59%

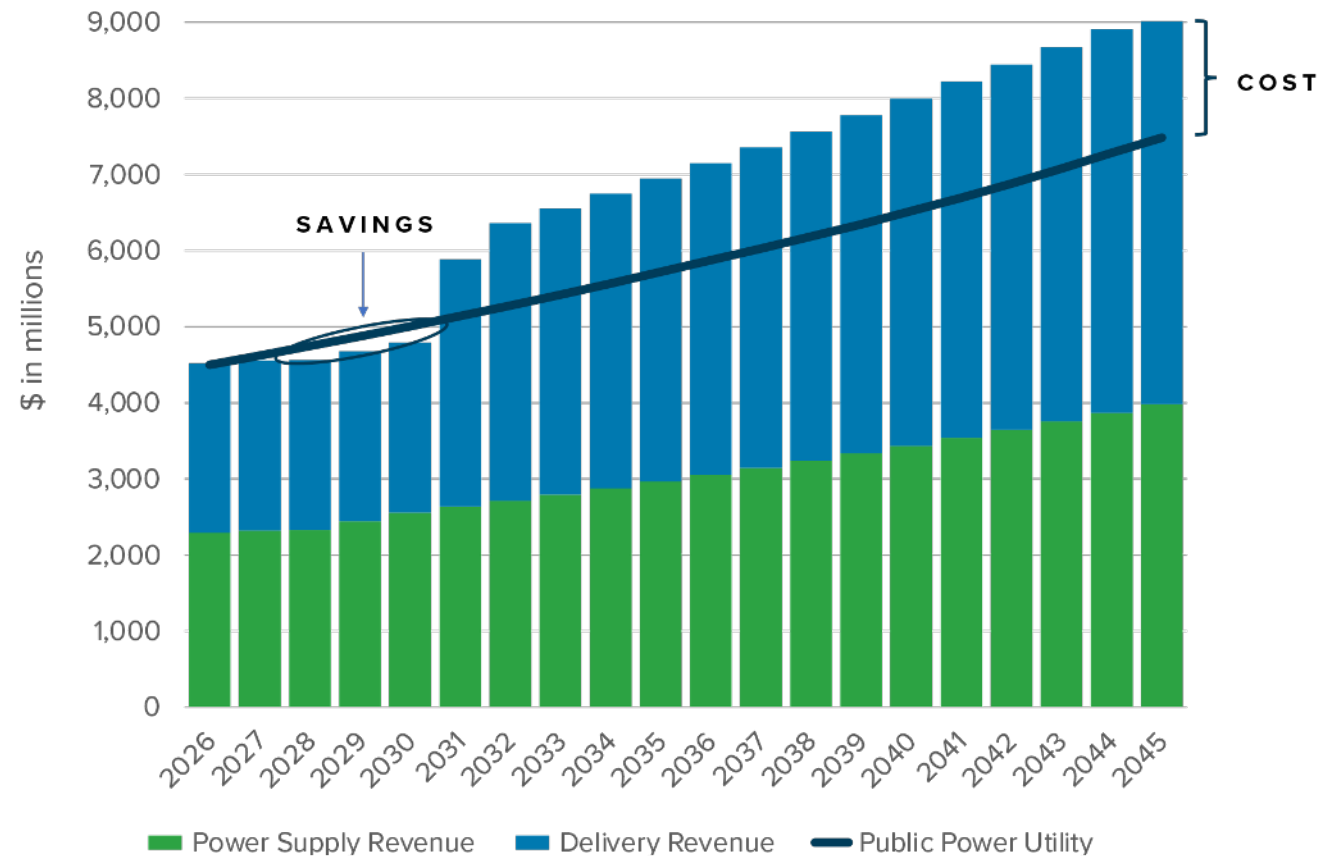
# IMPACT OF PRIVATIZATION ON 2026 CUSTOMER REVENUES





# REVENUE FROM CUSTOMERS FOR A PUBLIC POWER AND PRIVATE UTILITY

**Hypothetical Annual Revenue Paid by Customers**  
*Reflecting a Delivery-Only Rate Freeze Funded from a Public Benefits Trust*



# PRIVATIZATION RAISES CUSTOMER BILLS

## Impact of Privatization on Monthly Delivery-Only Charges for the Typical Residential Customer

	2026	2027	2028	2029	2030	2031	2032	2033
Cost/ (Savings)	\$0.98	\$(2.81)	\$(7.82)	\$(8.24)	\$(9.11)	\$30.01	\$45.02	\$47.17

# NEW YORK CITY METROPOLITAN AREA DELIVERY RATES

- In a sale, the buyer would be buying a T&D delivery system, without power plants
- It is most helpful to compare LIPA's charges for delivery service to those of other New York City metropolitan area utilities. These utilities have the most similar costs (e.g., land, labor, taxes, weather patterns, etc.) – **a privately-owned LIPA would face the same conditions**
- LIPA's residential delivery rates are **competitive** for the metropolitan region

UTILITY	CENTS PER kWh
Consolidated Edison	17.3
United Illuminating	16.3
Connecticut Light & Power	13.6
Orange and Rockland	12.6
Central Hudson	11.6
<b>LIPA</b>	<b>11.0</b>
PSEG (NJ) *	8.7

Source: National Renewable Energy Laboratory, 2021

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# OFFSHORE WIND TRANSMISSION UPDATE

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# UPGRADING THE LONG ISLAND ELECTRIC GRID FOR OSW

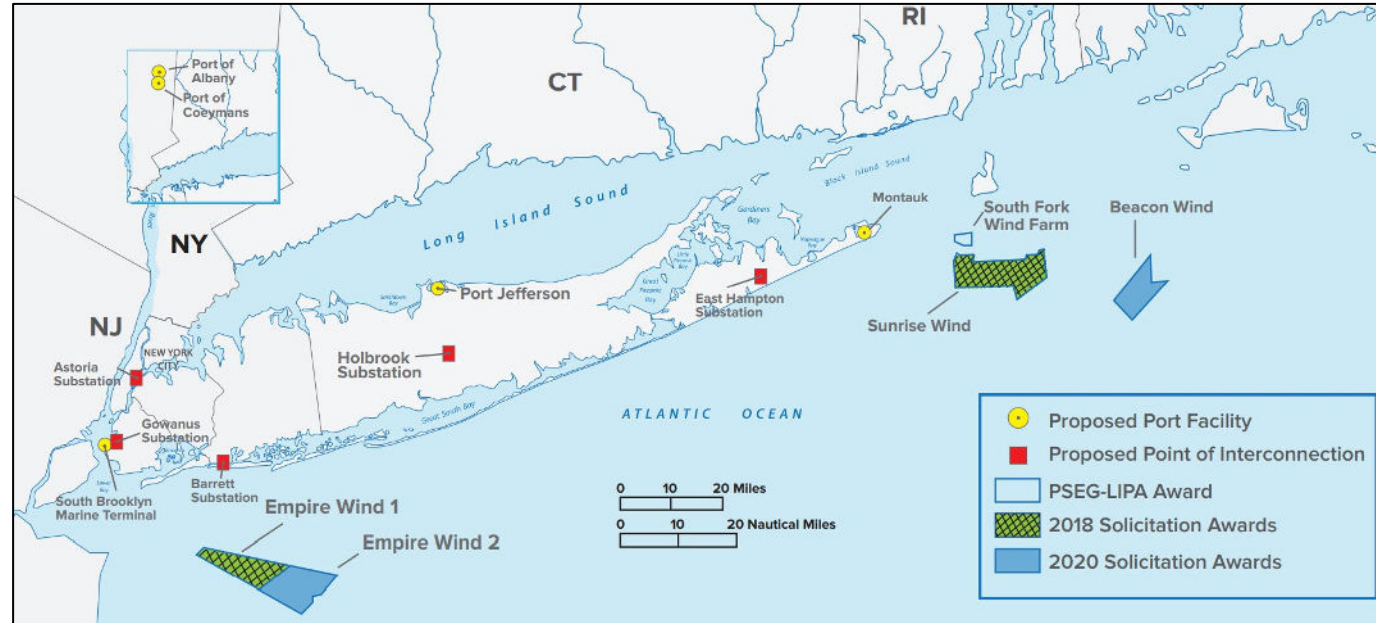
- On June 20, 2023 the New York Independent System Operator (NYISO) selected Propel New York, by New York Power Authority and New York Transco LLC, for a **\$3.3 billion transmission project** that will enable the export of **up to 3,000 MW of offshore wind generation** from the Long Island to the rest of New York
- The need for this project was first identified in studies conducted in 2020 by LIPA/Con Edison and the New York State Energy Research and Development Authority (NYSERDA)/Department of Public Service (DPS) on how best to connect **9,000 megawatts (MW) of offshore wind** to the Long Island and New York City electric grids.
- Decisions by the New York State Public Service Commission (PSC) in 2021 and 2022 confirmed the need for Long Island's transmission system upgrades to move offshore wind-generated electricity onshore and to the rest of the state and should be paid for by **statewide cost allocation** on a "load-ratio share" basis.
- As a result of the PSC ruling, **LIPA will pay about 12.5% of costs for the Propel New York project.**
- The project is expected to be in service by **May 2030**



June 21, 2023



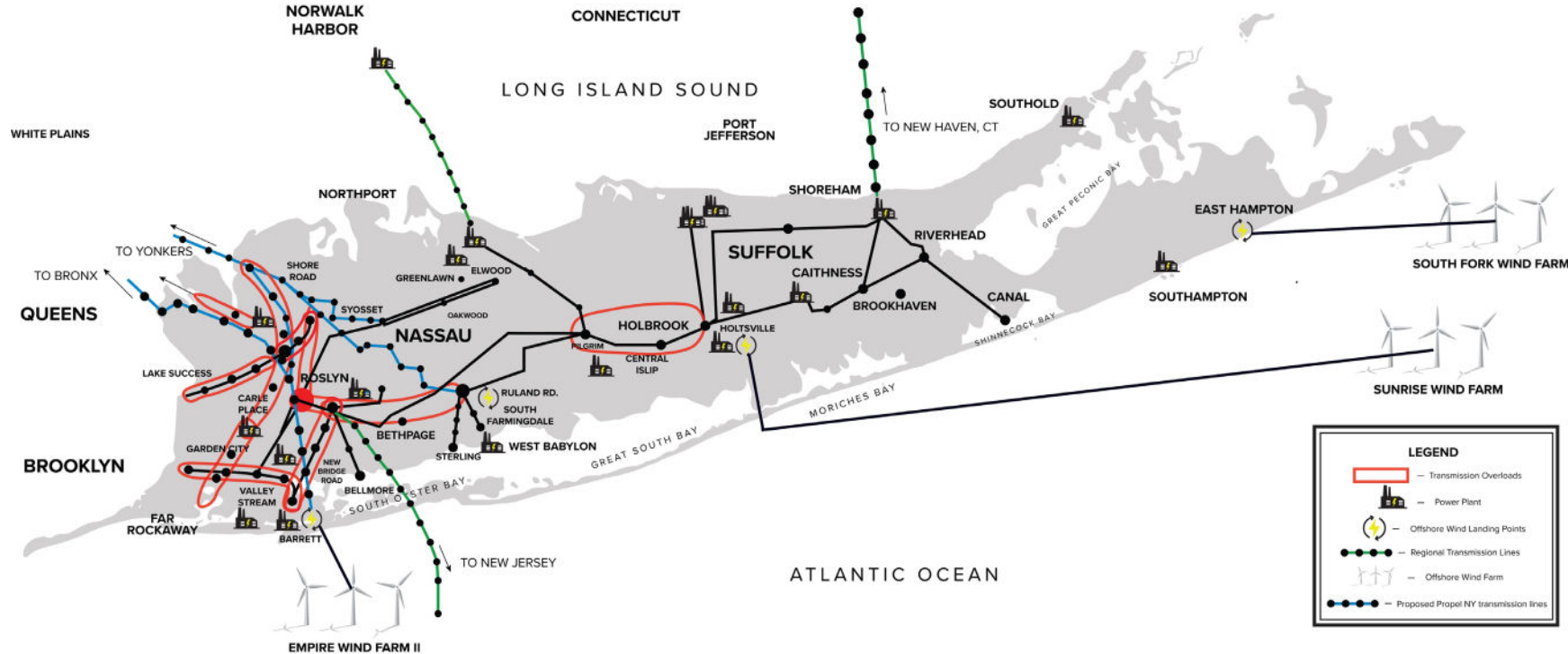
# NEW YORK OFFSHORE WIND PROJECTS



Project Name	Owner	Size (MW)	Contract Off-Taker	Interconnect Utility	In-Service Date
South Fork Wind	Joint Venture: Ørsted and Eversource	130 MW	LIPA	LIPA	2023
Empire Wind 1	Equinor Wind US LLC	816 MW	NYSERDA	ConEd	2024-25
Sunrise Wind	Joint Venture: Ørsted and Eversource	880 MW	NYSERDA	LIPA	2024-25
Empire Wind 2	Equinor Wind US LLC	1,260 MW	NYSERDA	LIPA	2026-27
Beacon Wind	Equinor Wind US LLC	1,230 MW	NYSERDA	ConEd	2028

# UPGRADING THE LONG ISLAND ELECTRIC GRID FOR OSW

- The Propel New York project consists of **three underground 345 kV transmission cables** connecting to substations in the Bronx and Westchester, along with upgrades and new underground cables that will strengthen the LIPA system
- When not needed to export wind energy, the cables can also be used to **import clean energy from upstate** – helping enable our transition to a carbon-free grid



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# COMMUNITY ENGAGEMENT

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# ISLAND HARVEST GRANT

- LIPA has pledged to provide Island Harvest Food Bank with a grant worth **\$40,000** to support a solar installation at their Melville facility
- Island Harvest is one of Long Island's leading hunger-relief organizations, supporting approximately 300,000 individuals each year through their various programs to end hunger and reduce food waste
- Once installed, the solar array will help Island Harvest reduce their carbon footprint, better control their electricity, and reduce costs
- LIPA's support for this project is consistent with the Board's Policy on Purpose and Vision, specifically to "**actively engage with our customers and the communities we serve**"



# APPA SUE KELLY AWARD FOR COMMUNITY SERVICE

- At the American Public Power Association (APPA) National Conference in Seattle, LIPA was awarded the **Sue Kelly Community Service Award**, which “recognizes ‘good neighbor’ activities that demonstrate the commitment of the utility and its employees to the community”
- Among the activities cited by the APPA were:
  - Providing Suffolk County with LIPA-owned land for the North Shore Rail Trail
  - Grant to United Way of Long Island to transition to a net zero building
  - Launching the LIPA Scholarship to help students in underserved communities pursue a career in the electric utility or clean energy sectors
  - Sponsoring the Jones Beach Energy and Nature Center





# Discussion

Questions?