

Q2 | 2023



# QUARTERLY

## UNAUDITED FINANCIAL REPORT

FOR THE SIX-MONTH  
PERIOD ENDED JUNE 30, 2023

**LONG ISLAND POWER AUTHORITY**  
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

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## LONG ISLAND POWER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

The Long Island Power Authority (LIPA) is a component unit of the State of New York (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) as a wholly owned subsidiary of LIPA. The acquisition included 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 1.2 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, 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 governed by a local Board of Trustees (Board) consisting of nine Trustees, five of whom are appointed by the Governor, two by the Temporary President of the State Senate, and two by the Speaker of the State Assembly. The Board supervises, regulates, and sets policy and rates for LIPA. In accordance with the LIPA Reform Act, codified as Chapter 173, Laws of New York (Reform Act) in 2013, LIPA is required to submit any proposed rate increase to the New York State Department of Public Service DPS (DPS) for review if it would increase the rates and charges by an amount that would increase LIPA's annual revenues by more than 2.5%; however, LIPA's Board retains final rate-setting power.

The Reform Act and subsequent amendments also created the Securitization Law, which established LIPA's component unit, the Utility Debt Securitization Authority (UDSA). The Securitization Law's purpose is to provide statutory authority for the issuance of restructuring bonds in an initial par amount of up to \$8 billion (inclusive of bonds already issued) to provide net present value debt service savings and fund T&D system resiliency investments. A total of \$5.4 billion of UDSA Restructuring Bonds have been issued resulting in \$2.6 billion in remaining statutory capacity which provided total net present value debt service savings for LIPA's customers of \$534 million. UDSA is considered a blended component unit. The activities of UDSA operations are consolidated with the operations of LIPA for financial reporting purposes.

LIPA contracts for the majority of services necessary to deliver electric service in the Service Area. Since 2014, LIPA has contracted with PSEG Long Island LLC (PSEG Long Island), a wholly owned subsidiary of Public Service Enterprise Group (PSEG), for management services, and LIPA provides service to customers under the PSEG Long Island brand name. PSEG Long Island provides up to 19 senior managers to manage day-to-day T&D system operating functions as well as certain administrative support functions. ServCo, a subsidiary service company of PSEG Long Island, provides 14 senior managers at the director level or higher (and currently five of the 19 PSEG Long Island senior manager positions) and substantially all the operations services under the OSA. ServCo consists of approximately 2,500 employees, including the legacy LILCO and National Grid employees that transitioned employment to ServCo in 2014. The salary and benefit costs of ServCo employees are Pass-Through Expenditures paid by the Authority. Upon the termination of the OSA, PSEG Long Island will transfer all Membership Interests in ServCo to LIPA or, at LIPA's direction, its designee, at no cost.

PSEG Long Island acts as agent for LIPA in performing many of its obligations and in return receives (a) a fixed management fee, and (b) a variable fee contingent on meeting certain performance metrics.

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In April 2022, LIPA and PSEG Long Island began operating under a new, reformed contract, the Second Amended and Restated Operations Services Agreement (Second A&R OSA), which 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. 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), a PSEG affiliate, to provide services related to fuel and power supply management and certain commodity activities. LIPA separately maintains power purchase agreements with various third-party power generators.

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

LIPA is engaged in business-type activities and follows financial reporting for enterprise funds. LIPA's unaudited Basic Financial Statements consist of Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position, and the 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 basic financial statements and related Management's Discussion and Analysis do not include all the information and notes required under GAAP for annual basic financial statements. Therefore, the Management's Discussion and Analysis of LIPA's six-month period ended June 30, 2023, compared to 2022 should be read in conjunction with the annual audited basic financial statements, which may be found on LIPA's website at [www.lipower.org](http://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](http://www.lipower.org).

**LONG ISLAND POWER AUTHORITY**  
(A COMPONENT UNIT OF THE STATE OF NEW YORK)

STATEMENTS OF NET POSITION  
JUNE 30, 2023 AND DECEMBER 31, 2022  
(AMOUNTS IN THOUSANDS)

	2023 (unaudited)	2022 (audited)
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Cash and cash equivalents	\$ 94,834	609,960
Restricted cash – working capital requirements	175,051	120,724
Restricted cash – LIPA	251,598	—
Restricted cash – UDSA	129,974	153,150
Investments	775,300	726,273
Restricted investments – working capital requirements	126,813	127,136
Restricted investments – LIPA	21,102	—
Counterparty collateral – posted by LIPA	73,291	—
Accounts receivable (less allowance for doubtful accounts of \$33,288 and \$32,482 at June 30, 2023 and December 31, 2022, respectively)	475,704	654,786
Other receivables	48,292	52,755
Fuel inventory	149,615	135,846
Material and supplies inventory	98,444	87,346
Commodity derivative instruments	—	97,435
Regulatory assets to be recovered within one year	178,233	156,314
Prepayments and other current assets	130,001	61,705
Total current assets	2,728,252	2,983,430
Noncurrent assets:		
Utility plant and property and equipment, net	10,481,825	10,453,794
Nuclear decommissioning trust fund (NDTF)	168,626	155,368
Other long-term receivables	177,362	189,997
Unrealized charges	4,094	4,833
Financial derivative instruments	25,643	25,457
Commodity derivative instruments	6,965	66,006
Regulatory assets for future recovery	546,462	570,427
Acquisition adjustment (net of accumulated amortization)	376,826	432,513
Total noncurrent assets	11,787,803	11,898,395
Total assets	14,516,055	14,881,825
Deferred outflows of resources:		
Deferred defeasance costs on debt refunding	132,061	138,391
OPEB expense	3,511	3,511
Pension expense	2,509	2,509
Accumulated decrease in fair value of NDTF	—	10,887
Total deferred outflows of resources	138,081	155,298
Total assets and deferred outflows of resources	\$ 14,654,136	15,037,123



**LONG ISLAND POWER AUTHORITY**  
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STATEMENTS OF NET POSITION  
JUNE 30, 2023 AND DECEMBER 31, 2022  
(AMOUNTS IN THOUSANDS)

	2023 (unaudited)	2022 (audited)
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
Current liabilities:		
Short-term debt	\$ 430,403	131,000
Current maturities of long-term debt	69,550	30,115
Current maturities of UDSA debt	248,205	264,660
Current portion of lease liabilities	355,284	353,069
Counterparty collateral – held by LIPA	—	134,343
Accounts payable and accrued expenses	443,232	444,205
Regulatory liabilities payable in one year	37,582	186,097
Commodity derivative instruments	27,555	—
Accrued payments in lieu of taxes	5,012	18,021
Accrued interest	58,966	59,556
Customer deposits	35,435	34,209
Total current liabilities	1,711,224	1,655,275
Noncurrent liabilities:		
Long-term debt, net	5,227,161	5,291,235
Long-term UDSA debt, net	3,740,612	3,872,915
Lease liabilities	1,584,541	1,766,186
Borrowings	28,305	30,464
Operations Services Agreement – employee retirement benefits	547,335	536,578
Financial derivative instruments	38,899	47,566
Regulatory liabilities for future payment	114,145	165,359
Asset retirement obligation	109,134	106,439
Long-term liabilities and unrealized credits	29,888	35,503
Claims and damages	198,882	186,014
Total noncurrent liabilities	11,618,902	12,038,259
Total liabilities	13,330,126	13,693,534
Deferred inflows of resources:		
Regulatory credits – grants	598,943	608,788
Lease revenue	3,133	3,161
OPEB expense	2,135	2,440
Pension expense	2,868	2,868
Accumulated increase in fair value of financial derivatives	25,643	25,457
Accumulated increase in fair value of OPEB dedicated account	47,023	3,543
Accumulated increase in fair value of NDTF	798	—
Total deferred inflows of resources	680,543	646,257
Net position:		
Net investment in capital assets	435,476	362,168
Restricted	188,287	166,828
Unrestricted	19,704	168,336
Total net position	643,467	697,332
Total liabilities, deferred inflows of resources, and net position	\$ 14,654,136	15,037,123

## LONG ISLAND POWER AUTHORITY

(A COMPONENT UNIT OF THE STATE OF NEW YORK)

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022

(AMOUNTS IN THOUSANDS) | (UNAUDITED)

	2023	2022
Operating revenues – electric sales, net of uncollectible accounts expense	\$ 1,599,188	1,872,886
Operating expenses:		
Operations – power supply charge	717,281	938,120
Operations – power supply charge – property taxes	52,650	106,752
Operations and maintenance	363,968	333,855
Storm restoration	1,364	11,586
General and administrative	21,157	15,963
Depreciation and amortization	215,207	209,917
Payments in lieu of taxes and assessments	173,269	175,543
Total operating expenses	1,544,896	1,791,736
Operating income	54,292	81,150
Nonoperating revenues and expenses:		
Other income, net:		
Investment income, net	28,662	9,667
Grant income	12,781	11,784
Other	4,027	2,569
Subtotal	45,470	24,020
Nuclear decommissioning trust fund income	1,572	3,221
Deferred grant income amortization	8,813	8,582
Carrying charges on regulatory assets	8,198	9,132
Subtotal	18,583	20,935
Total other income, net	64,053	44,955
Interest charges and (credits):		
Interest on debt	199,023	183,347
Other interest	7,789	15,531
Other interest amortizations	(34,602)	(28,752)
Total interest charges, net	172,210	170,126
Change in net position	(53,865)	(44,021)
Net position, beginning of year	697,332	602,379
Net position, end of period	\$ 643,467	558,358

**LONG ISLAND POWER AUTHORITY**  
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STATEMENTS OF CASH FLOWS  
SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022  
(AMOUNTS IN THOUSANDS) | (UNAUDITED)

	2023	2022
Cash flows from operating activities:		
Operating revenues received	\$ 1,910,932	1,971,823
Payments to suppliers and employees:		
Operations and maintenance	(409,749)	(330,932)
Operations – power supply charge	(640,538)	(786,642)
Operations – power supply charge – property tax related	(52,650)	(106,752)
Payments-in-lieu-of-taxes	(330,348)	(304,614)
Collateral on commodity derivative transactions, net	(207,634)	137,883
PSEG Long Island pension funding	(9,200)	(15,000)
Net cash provided by operating activities	260,813	565,766
Cash flows from investing activities:		
Investment income, net	21,268	(2,705)
Sales and maturities of investment securities	19,153	201,652
Sale of restricted investment securities – working capital investments	323	29,068
Purchase of investment securities – OPEB Account	(18,000)	(18,000)
Net cash provided by investing activities	22,744	210,015
Cash flows from noncapital financing related activities:		
Grant proceeds	64,849	11,547
Proceeds from credit facility draws and commercial paper program	435,000	660,000
Redemption of credit facility draws and commercial paper program	(135,597)	(662,000)
Interest paid - LIPA	(1,250)	(1,250)
Net cash provided by noncapital financing related activities	363,002	8,297
Cash flows from capital and related financing activities:		
Capital expenditures	(343,364)	(327,420)
Lease payments	(174,581)	(193,246)
Proceeds from the issuance of long-term debt	349,955	—
Payments for debt issuance costs	(553)	(208)
Other interest costs	(8,117)	(15,795)
Interest paid – LIPA	(96,571)	(80,228)
Redemption of long-term debt – LIPA	(16,975)	(36,390)
Payments to bond escrow agent to refinance bonds	(370,107)	—
Interest paid – UDSA	(93,748)	(91,034)
Redemption of long-term debt – UDSA	(124,875)	(87,741)
Net cash used in capital and related financing activities	(878,936)	(832,062)
Net decrease in cash and cash equivalents	(232,377)	(47,984)
Cash and cash equivalents at beginning of year	883,834	528,500
Cash and cash equivalents at end of period	\$ 651,457	480,516



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STATEMENTS OF CASH FLOWS  
SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022  
(AMOUNTS IN THOUSANDS) | (UNAUDITED)

	2023	2022
Reconciliation to net cash provided by operating activities:		
Operating income	\$ 54,292	81,150
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	215,207	209,917
Other post-employment benefits, non-cash expense	9,727	21,111
Nuclear fuel burned	5,585	5,233
Shoreham and VBA surcharges	18,035	21,770
Accretion of asset retirement obligation	129	2,367
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for uncollectible accounts	196,181	(74,979)
Regulatory assets and liabilities	(228,227)	159,569
Fuel and material and supplies inventory	(24,867)	(13,923)
Accounts payable, accrued expenses, and other	14,751	153,551
Net cash provided by operating activities	\$ 260,813	565,766

# 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, 2023

## OPERATIONAL UPDATES

### FINANCING ACTIVITIES

On February 24, 2023, LIPA issued Electric System General Revenue Bonds, Series 2023A and Series 2023B totaling approximately \$287 million and used the proceeds to repay existing long-term debt. Funds were used to pay approximately \$92 million in principal and interest due on LIPA's outstanding Electric System Revenue Bonds, Series 2020C and approximately \$195 million in principal and interest due on LIPA's outstanding Electric System Revenue Bonds, Series 2021C. Principal amounts due on Series 2020C and 2021C were excluded from short-term maturities due to the anticipated refunding.

On March 15, 2023, LIPA issued Electric System General Revenue Bonds, Series 2023C totaling approximately \$63 million and used the proceeds to repay approximately \$63 million in principal on LIPA's Electric System Revenue Bonds, Series 2015C that were due in April 2023.

On June 30, 2023, LIPA purchased \$21 million of treasury securities in an escrow and classified the funds as a restricted investment obligated as a part of a defeasance of LIPA's Electric System Revenue Bonds, Series 2014B, which occurred on July 3, 2023.

### 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 (the Commission) to investigate and report to the State Legislature on establishing a public power model for the management and operations of LIPA.

LIPA has outsourced the day-to-day management of the electric grid since its purchase of the T&D system from LILCO in 1998. On April 17, 2023, the Commission approved a draft report for submission to the legislature, detailing its preliminary findings and plan for transitioning LIPA into a public power provider that both owns and operates the electric grid on Long Island and in the Rockaways.

The draft report lays out the operational, legal, and legislative steps necessary to achieve a public power operating model at the expiration of PSEG Long Island's contract on December 31, 2025. The Legislative Commission has announced a series of public hearings to receive comments on the draft report in September 2023, with a final report expected in November 2023.

### NEW YORK STATE CLIMATE LEADERSHIP AND COMMUNITY PROTECTION ACT (CLIMATE ACT)

The Climate Act, signed in 2019, requires the State to, among other things, achieve a zero-carbon electric grid by 2040 and reduce economy-wide greenhouse gas emissions 85% by 2050. In June 2021, LIPA launched an Integrated Resource Plan (IRP) to develop a path for compliance with the Climate Act. The IRP, scheduled for completion in 2023, will develop plans for electric power resources to meet the State's climate objectives reliably and affordably.

The IRP will identify the key activities and investments that LIPA will need to undertake to meet State objectives and those set by its Board. Objectives include supporting and meeting Climate Act 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.

# LONG ISLAND POWER AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SIX-MONTH PERIOD ENDED JUNE 30, 2023

## POWER PLANTS UNDER CONTRACT

LIPA contracts for approximately 3,700 megawatts (MW) of capacity (and related energy) from National Grid's legacy fossil-fueled generating plants located on Long Island in an Amended and Restated Power Supply Agreement (A&R PSA) that expires in April 2028. LIPA is reviewing certain of these power plants for retirement on or before the expiration of the A&R PSA, facilitated by the addition of new offshore wind and storage resources.

Department of Environmental Conservation (DEC) regulations for nitrogen oxide (NOx) air emissions from peaking plants became effective on May 1, 2023. National Grid, as owner of certain plants, in consultation with LIPA, identified a strategy for compliance for units under contract to LIPA. As a result, LIPA and National Grid plan to retire five peaking units where retrofits are not cost-effective and the units are not needed for reliability purposes: two units at Glenwood Landing (15 and 55 MW); one unit at West Babylon (52 MW); and two units at Shoreham (53 and 19 MW). 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. All remaining National Grid peaking units under contract to LIPA are in compliance with the DEC NOx regulations.

In April 2021, PSEG Long Island issued a Request for Proposals on LIPA's behalf to solicit bids for the development of bulk energy storage projects to be located on Long Island. The procurement will help LIPA meet its load ratio share of the State's energy storage deployment goal, which amounts to approximately 750 MW by 2030. Five projects totaling 329 MW have been selected for competitive negotiation of build-own-transfer contracts, with the projects reverting to LIPA after seven years of operation.

## CERTAIN LITIGATION RELATED TO PAYMENTS IN LIEU OF TAXES

By statute, LIPA makes payments in lieu of taxes (PILOTs) for real property 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 property taxes. LIPA has paid the PILOT amounts it is authorized to pay by law. Litigation for the tax years 2014/15 to 2020/21 resulted in a judgment against LIPA that is currently on appeal. The judgment is stayed pending the outcome of the appeal. LIPA estimates the potential exposure with penalties and interest to be approximately \$120 million through 2022, plus a potential addition of up to \$34 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.

In July 2023, Suffolk County filed an additional lawsuit against LIPA and certain Suffolk County towns seeking to have LIPA pay to the County alleged shortfalls in property tax payments for the 2021/22 tax year. LIPA does not believe this new action will impact our exposure described above.

## COVID-19

In response to the COVID-19 pandemic, LIPA's tariff for electric service was temporarily modified to provide for the suspension of normal collections activity. As a result of the economic impact of the pandemic and delay in service terminations, LIPA has incurred increased customer arrears balances. LIPA increased its allowance for expected write-offs and furthermore, effective in 2021, the Board approved a modification to the Delivery Service Adjustment (DSA) electric rate mechanism to capture budget variances related to uncollectible expense during periods affected by a government-ordered or Board-authorized moratorium on service disconnections and up to two years following the end of such moratorium.

**LONG ISLAND POWER AUTHORITY**  
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SIX-MONTH PERIOD ENDED JUNE 30, 2023

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 Phase 1 Forgiveness Program). The Phase 1 Forgiveness Program provided LIPA's low-income customers with approximately \$10 million of credits from State funds, and LIPA funded an additional \$15 million of bill credits through year-end 2022. Credits provided in excess of State funds were charged against LIPA's reserve for uncollectible expense.

In January 2023, the New York State Public Service Commission approved additional relief for customers. LIPA similarly implemented a second phase of its residential arrears forgiveness program (the Phase 2 Forgiveness Program). Under the Phase 2 Forgiveness Program, all residential customers were eligible for forgiveness of balances owed through May 1, 2022, except for those customers that participated in the Phase 1 Forgiveness Program. The arrears forgiven were capped at \$2,000 for any individual account. Under the Phase 2 Forgiveness Program, approximately 39,000 residential customers received bill credits totaling approximately \$40 million. LIPA's small commercial customers with demands that never exceeded 40 kW or that averaged less than 20 kW over an annual period were also provided bill credits for arrears forgiveness. Approximately 750 small commercial customers received bill credits totaling approximately \$1.2 million.

Both the Phase 1 and Phase 2 Forgiveness Program credits were charged against LIPA's reserve for uncollectible expense. To the extent the uncollectible expense exceeds reserves, it will be collected through LIPA's DSA.

**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, 2023****FINANCIAL CONDITION OVERVIEW****SIX-MONTH PERIOD ENDED JUNE 30, 2023 COMPARED TO 2022****CHANGE IN NET POSITION**

Net position decreased \$54 million for the six-month period ended June 30, 2023, compared to the decrease for the six-month period ended June 30, 2022 of \$44 million.

**OPERATING REVENUES**

Operating revenue decreased \$274 million compared to the six-month period of 2022, primarily due to a decrease in the Power Supply Charge and related fuel and purchased power expenses.

**OPERATING EXPENSES**

Power supply costs, including property taxes, decreased \$275 million when compared to the same six-month period of 2022 primarily due to (i) milder weather in 2023 and (ii) lower property tax payments resulting from a lower annual escalation rate on the PSA power plants.

Operations and maintenance expense increased \$30 million compared to the same six-month period of 2022 due to higher costs associated with (i) energy efficiency programs for heat pumps and LED lighting rebates, (ii) information technology projects, and (iii) increased customer call center support.

Storm restoration expense decreased \$10 million when compared to the same six-month period of 2022 due to a lower level of storm activity. PSEG Long Island responded to two major storms through June 2023, none of which required mutual aid assistance, compared with five major storm events through June 2022, one of which required mutual aid assistance.

General and administrative expense increased \$5 million when compared to the same six-month period of 2022 due to higher professional service fees.

**NON-OPERATING REVENUES AND EXPENSES**

Other income increased \$19 million compared to the same six-month period of 2022 primarily due to higher investment income earned due to higher interest rates.

# 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, 2023

#### LIQUIDITY AND CAPITAL RESOURCES

LIPA's policy is to, at all times, maintain cash on hand and available credit equivalent to at least 150 days of operating expenses. As of June 30, 2023 and December 31, 2022, LIPA's available sources of liquidity for operating purposes and capital program funding, as displayed below, exceeded the policy target.

<i>(amounts in thousands)</i>	<b>June 30, 2023</b>	<b>Days Cash</b>	<b>December 31, 2022</b>	<b>Days Cash</b>
<b>Operating liquidity</b>				
Unrestricted cash, cash equivalents, and investments	\$ 279,305		\$ 813,585	
OPEB Account cash, cash equivalents, and investments	590,829		522,648	
PSEG Long Island working capital requirements	282,119		228,312	
Total operating liquidity	<u>1,152,253</u>	<u>127</u>	<u>1,564,545</u>	<u>184</u>
<b>Available credit</b>				
General Revenue Notes – Revolving Credit Facility	200,000		200,000	
General Revenue Notes – Commercial Paper	569,597		869,000	
Total available credit	<u>769,597</u>		<u>1,069,000</u>	
<b>Total cash, cash equivalents, investments, and available credit</b>	<b>\$ <u>1,921,850</u></b>	<b><u>211</u></b>	<b>\$ <u>2,633,545</u></b>	<b><u>309</u></b>
<b>Restricted cash, cash equivalents and investments</b>				
Clean Energy Compliance Fund	19,745		19,548	
UDSA	129,974		153,150	
Repayment of 2021 Notes	251,250		—	
Bond Proceeds for refunded bonds	21,450		—	
Total restricted cash, cash and cash equivalents, and investments	<u>\$ 422,419</u>		<u>\$ 172,698</u>	



## 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, 2023

## CONSOLIDATED DEBT

LIPA's consolidated debt as of June 30, 2023 and December 31, 2022 is comprised of the following:

<i>(amounts in thousands)</i>	June 30, 2023	December 31, 2022
Long-term debt:		
General revenue bonds/notes	\$ 4,949,249	4,958,223
Unamortized premiums	347,462	363,127
Less: Current maturities	(69,550)	(30,115)
	<u>5,227,161</u>	<u>5,291,235</u>
 UDSA restructuring bonds	 3,677,335	 3,802,210
Unamortized premiums	311,482	335,365
Less: Current maturities	(248,205)	(264,660)
	<u>3,740,612</u>	<u>3,872,915</u>
 Total Long-term debt	 \$ <u>8,967,773</u>	 <u>9,164,150</u>
 Short-term debt:		
General Revenue Notes - Commercial Paper	\$ 430,403	131,000
Total Short-term debt	<u>\$ 430,403</u>	<u>131,000</u>

# 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, 2023

### 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 \$2 million due primarily to the timing of recovery of (i) the delivery service adjustment and (ii) a decrease to the power supply charge recoverable offset by increases in (i) property tax litigation reserves and (ii) the revenue decoupling mechanism. Regulatory liabilities decreased \$200 million due primarily to unrealized commodity derivative gains which are deferred until settled.

	June 30, 2023			December 31, 2022		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Regulatory assets:						
OSA – employee retirement benefits \$	17,917	—	17,917	19,481	—	19,481
Shoreham property tax settlement	50,300	247,720	298,020	50,300	257,135	307,435
Property tax litigation	—	146,336	146,336	—	120,083	120,083
Delivery service adjustment	5,181	—	5,181	—	40,995	40,995
Employee benefit plan settlement	15,634	23,451	39,085	15,634	31,268	46,902
Power supply charge recoverable	55,739	34,896	90,635	66,835	37,829	104,664
Debt issuance costs	2,804	20,726	23,530	2,804	22,283	25,087
Revenue decoupling mechanism	—	32,890	32,890	—	12,155	12,155
Unfunded actuarially determined reserves	—	8,132	8,132	—	8,132	8,132
Southampton visual benefit assessment	1,260	3,837	5,097	1,260	4,218	5,478
Unrealized financial instrument losses	—	28,474	28,474	—	36,329	36,329
Unrealized commodity instrument losses	27,555	—	27,555	—	—	—
New York State assessment	1,844	—	1,844	—	—	—
Total regulatory assets \$	178,234	546,462	724,696	156,314	570,427	726,741
Regulatory liabilities:						
Unrealized commodity derivative gains	—	6,965	6,965	97,435	66,006	163,441
OSA – employee retirement benefits	—	87,714	87,714	—	79,887	79,887
Revenue decoupling mechanism	20,112	—	20,112	65,010	—	65,010
Utility 2.0	17,266	—	17,266	20,222	—	20,222
Power supply charge refundable	—	19,466	19,466	—	19,466	19,466
Distributed energy resources	115	—	115	1,881	—	1,881
Delivery service adjustment	88	—	88	1,538	—	1,538
New York State assessment	—	—	—	11	—	11
Total regulatory liabilities \$	37,581	114,145	151,726	186,097	165,359	351,456



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