



2023 Projected Financial Results

F&A Committee – November 2023

LIPA CONSOLIDATED RESULTS – PROJECTED 2023

<i>(\$ in thousands)</i>	Approved Annual Budget	Projected Annual Forecast	\$ Var.	% Var.
Revenues	\$4,146,706	\$3,779,193	(\$367,513)	-9.7%
Power Supply Charge	2,072,186	1,782,144	290,042	16.3%
Revenue Net of Power Supply Charge	2,074,519	1,997,049	(77,471)	-3.9%
PSEG Long Island Operating and Managed Expenses				
PSEG Long Island Operating Expenses	638,879	636,254	2,625	0.4%
PSEG Long Island Managed Expenses	156,470	119,338	37,132	31.1%
Utility Depreciation	312,399	310,430	1,969	0.6%
PILOTs	345,506	341,140	4,367	1.3%
LIPA Operating Expenses	104,163	103,953	210	0.2%
LIPA Depreciation and Amortization	138,369	138,428	-	0.0%
Interest Expense	347,324	354,952	(7,628)	-2.1%
Total Expenses	2,043,110	2,004,494	38,615	1.9%
Other Income and Deductions	44,697	86,714	42,017	48.5%
Grant Income	41,349	47,314	5,965	12.6%
Total Non-Operating Revenue	86,046	134,028	47,982	35.8%
Change in Net Position	\$117,455	\$126,582	\$9,127	7.2%
Coverage Ratio on Obligations	1.40x	1.40x		

Note: Variance - favorable/(unfavorable)

LIPA CONSOLIDATED RESULTS – PROJECTED 2023

- Revenue, net of Power Supply Costs, is unfavorable by **\$77.5 million** due to:
 - Delivery Service Adjustment (DSA) of **\$71.1 million** driven by lower Storms **\$58.3 million** and Debt Costs of **\$35.0 million** offset by higher Bad Debt of **\$21.3 million** and Pension and OPEBs of **\$0.9 million**.
 - Other drivers include lower than budgeted late payments charges of **\$3.4 million**, lower Merchant Function Charge of **\$2.1 million**, and lower revenue-related PILOTS of **\$1.5 million**
- Power Supply Costs are under budget by **\$290.0 million** due to lower than-budgeted natural gas and fuel oil prices. These decreases are partially offset by a decrease in gains from financial hedging.
- PSEG Long Island Operating Expenses are under budget due to Utility 2.0 of **\$2.6 million**, EV Make Ready delays of **\$4.8 million**, Power System Management of **\$3.5 million**, Construction Operations of **\$2.6 million**, and Customer Service of **\$1.3 million**, offset by Business Services **\$8.0 million** due to higher IT costs and Energy Efficiency **\$1.8 million**.
- PSEG Long Island Managed Expenses are under budget by **\$37.1 million** due to:
 - Storm Restoration of **\$58.3 million** primarily due to fewer actual storms and related mutual aid assistance than budgeted.
 - Offset by higher than budgeted uncollectible accounts of **\$21.3 million** due to customer credits provided under the Energy Affordability Program (EAP) forgiveness program.
- Interest expense is over budget by **\$7.6 million** due primarily to unbudgeted accrued interest expense related to the 2023AB&C Refunding Bonds.
- Other Income is favorable against budget by **\$42.0 million** due to higher interest rates coupled with higher balances in the Construction Fund, Operating Fund, and UDSA Collection and Reserve Accounts.
- Grant Income is favorable against the budget by **\$6 million** due to the anticipation of reimbursement of COVID-19 expenses filed with FEMA.

CAPITAL EXPENDITURES – PROJECTED 2023

(\$ in thousands)	Approved Annual Budget	Projected Annual Forecast	\$ Var.	% Var.
Transmission and Distribution				
Load Growth	\$173,016	\$155,972	\$17,044	10.9%
Reliability	302,598	315,174	(12,576)	-4.0%
Storm Hardening ^(a)	77,465	73,988	3,477	4.7%
Economic, Salvage, Tools, Equipment & Other	70,356	60,562	9,794	16.2%
Total Transmission and Distribution Projects	623,435	605,695	17,739	2.9%
Other PSEG Long Island Capital Expenditures				
Information Technology Projects ^(a)	70,348	54,161	16,187	29.9%
Information Technology - Cyber Security	12,711	11,661	1,050	9.0%
Customer Operations	10,336	8,022	2,314	28.8%
Other General Plant	4,571	3,329	1,243	37.3%
Fleet	23,556	8,429	15,127	179.5%
Utility 2.0	17,838	5,040	12,798	253.9%
Total T&D and Other Projects	762,796	696,338	66,457	9.5%
FEMA Storm Hardening	-	1,196	(1,196)	-100.0%
FEMA Pre-Grant Approval	7,620	8,490	(870)	-10.2%
Capital Storm	3,479	2,767	713	25.8%
Total PSEG Long Island Capital	773,895	708,791	65,104	9.2%
Capitalized Management Fee	29,529	29,602	73	0.2%
Pending Project Authorization ^(a)	37,743	-	37,743	0.0%
Property Acquisition and Development	5,000	-	5,000	0.0%
Nine Mile Point 2	5,960	4,156	1,804	43.4%
LIPA - Other	9,900	3,000	6,900	230.0%
Total Capital Expenditures	\$862,027	\$745,549	\$116,477	15.6%

(a) Pending Project Authorization Funds has released \$2.5M for T&D Storm Hardening and \$2.6M in IT

Note: Variance - favorable/(unfavorable)

CAPITAL EXPENDITURES – PROJECTED 2023

- Transmission & Distribution is under budget by **\$17.7 million**, primarily driven by delays in some large-scale specific projects that will be carrying over scope and funding into 2024 and 2025.
 - These delays are attributed to property availability, long lead items, permitting, clearances, and other project execution constraints.
 - Additionally, the underrun is attributed to savings in material and lower construction bids.
 - The net underrun is partially offset by emergent transmission line failures, emergent reliability initiatives, and an increase in cost per unit for reactive work associated with distribution system improvements, new services, and customer requests.
- IT Projects are under budget by **\$16.2 million** primarily due to the Enterprise Asset Management System project being placed on hold, a shift in the project schedule to 2024, and lower costs for Primavera Upgrade, CRM Alternative, and Storage LCP – VNX Array.
- Fleet is under budget by **\$15.1 million** due to disruptions in the supply chain for heavy-duty vehicles.
- Utility 2.0 is under budget by **\$12.8 million** primarily due to a switch of the Grid Storage Miller Place project to a traditional T&D solution (bank & switchgear) and forecast re-alignment due to NYSERDA delays for the IEDR Platform.

LIPA LIQUIDITY POSITION

<i>(\$ in thousands)</i>	September 30, 2023	Days Cash	August 31, 2023	Days Cash
Operating liquidity				
Unrestricted cash and cash equivalents	\$ 722,970		\$ 778,593	
OPEB account cash, cash equivalents & investments	580,183		592,229	
PSEG Long Island working capital requirements	287,759		285,147	
Total operating liquidity	<u>1,590,912</u>	<u>175</u>	<u>1,655,969</u>	<u>182</u>
Available credit				
General Revenue Notes - Revolving Credit Facility	200,000		200,000	
General Revenue Notes - Commercial Paper	511,500		511,500	
Total available credit	<u>711,500</u>		<u>711,500</u>	
Total cash, cash equivalents, investments & available credit	<u>\$ 2,302,412</u>	<u>253</u>	<u>\$ 2,367,469</u>	<u>260</u>
Restricted cash				
Clean Energy Compliance Fund	19,866		19,825	
UDSA	232,220		192,042	
Repayment of Series 2021 Notes	252,159		251,359	
Series 2023D Bond Proceeds restricted for refunded bonds	-		127,732	
Series 2023F Bond Proceeds restricted for refunded bonds	-		202,155	
Total restricted cash	<u>\$ 504,245</u>		<u>\$ 793,113</u>	

LIPA continues to exceed its required 150 days cash and available credit on hand