

Q3

2023



QUARTERLY

Unaudited **Financial Report**

For the Nine-Month Period
Ended September 30, 2023

Long Island Power Authority
(A Component Unit of the State of New York)

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(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.

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 nine-month period ended September 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.

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.

Long Island Power Authority
(A Component Unit of the State of New York)
Statements of Net Position
September 30, 2023 and December 31, 2022
(Amounts in thousands)

	2023 (unaudited)	2022 (audited)
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 546,837	609,960
Restricted cash – working capital requirements	177,827	120,724
Restricted cash – LIPA	252,160	—
Restricted cash – UDSA	232,220	153,150
Investments	756,316	726,273
Restricted investments – working capital requirements	129,807	127,136
Counterparty collateral – posted by LIPA	47,557	—
Accounts receivable (less allowance for doubtful accounts of \$32,232 and \$56,324 at September 30, 2023 and December 31, 2022, respectively)	689,194	654,786
Other receivables	70,130	52,755
Fuel inventory	166,942	135,846
Material and supplies inventory	106,740	87,346
Commodity derivative instruments	—	97,435
Regulatory assets to be recovered within one year	123,587	156,314
Prepayments and other current assets	93,194	61,705
Total current assets	3,392,511	2,983,430
Noncurrent assets:		
Utility plant and property and equipment, net	10,510,465	10,453,794
Nuclear decommissioning trust fund (NDTF)	163,132	155,368
Other long-term receivables	141,480	189,997
Unrealized charges	4,229	4,833
Financial derivative instruments	34,130	25,457
Commodity derivative instruments	—	66,006
Regulatory assets for future recovery	498,969	570,427
Acquisition adjustment (net of accumulated amortization)	348,982	432,513
Total noncurrent assets	11,701,387	11,898,395
Total assets	15,093,898	14,881,825
Deferred outflows of resources:		
Deferred defeasance costs on debt refunding	128,267	138,391
OPEB and pension expense	5,611	6,020
Accumulated decrease in fair value of NDTF	5,432	10,887
Total deferred outflows of resources	139,310	155,298
Total assets and deferred outflows of resources	\$ 15,233,208	15,037,123

Long Island Power Authority
(A Component Unit of the State of New York)
Statements of Net Position
September 30, 2023 and December 31, 2022
(Amounts in thousands)

	2023 (unaudited)	2022 (audited)
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Short-term debt	\$ 488,500	131,000
Current maturities of long-term debt	103,615	30,115
Current maturities of UDSA debt	242,250	264,660
Current portion of lease liabilities	356,392	353,069
Counterparty collateral – held by LIPA	—	134,343
Accounts payable and accrued expenses	410,151	444,205
Regulatory liabilities payable in one year	35,141	186,097
Commodity derivative instruments	7,109	—
Accrued payments in lieu of taxes	9,248	18,021
Accrued interest	73,173	59,556
Customer deposits	35,846	34,209
Total current liabilities	1,761,425	1,655,275
Noncurrent liabilities:		
Long-term debt, net	5,543,461	5,291,235
Long-term UDSA debt, net	3,729,207	3,872,915
Lease liabilities	1,527,662	1,766,186
Borrowings	27,219	30,464
Operations Services Agreement – employee retirement benefits	548,313	536,578
Financial derivative instruments	28,704	47,566
Commodity derivative instruments	4,424	—
Regulatory liabilities for future payment	143,750	165,359
Asset retirement obligation	110,508	106,439
Long-term liabilities and unrealized credits	47,784	35,503
Claims and damages	202,813	186,014
Total noncurrent liabilities	11,913,845	12,038,259
Total liabilities	13,675,270	13,693,534
Deferred inflows of resources:		
Regulatory credits – grants	590,263	608,788
Lease revenue	3,925	3,161
OPEB and pension expense	2,108	5,308
Accumulated increase in fair value of financial derivatives	34,130	25,457
Accumulated increase in fair value of OPEB dedicated account	23,916	3,543
Total deferred inflows of resources	654,342	646,257
Net position:		
Net investment in capital assets	368,376	362,168
Restricted	265,573	166,828
Unrestricted	269,647	168,336
Total net position	903,596	697,332
Total liabilities, deferred inflows of resources, and net position	\$ 15,233,208	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

Nine-Month Period Ended September 30, 2023 and 2022

(Amounts in thousands) | (Unaudited)

	2023	2022
Operating revenues – electric sales, net of uncollectible accounts expense \$	2,910,693	3,391,637
Operating expenses:		
Operations – power supply charge	1,277,223	1,708,045
Operations – power supply charge – property taxes	79,885	156,115
Operations and maintenance	533,448	515,275
Storm restoration	8,148	17,439
General and administrative	36,323	27,523
Depreciation and amortization	335,508	315,545
Payments in lieu of taxes and assessments	266,448	273,790
Total operating expenses	2,536,983	3,013,732
Operating income	373,710	377,905
Nonoperating revenues and expenses:		
Other income, net:		
Investment income, net	46,756	15,021
Grant income	18,724	17,625
Other	7,609	3,543
Subtotal	73,089	36,189
Nuclear decommissioning trust fund income	2,309	3,850
Deferred grant income amortization	13,224	12,972
Carrying charges on regulatory assets	11,940	13,358
Subtotal	27,473	30,180
Total other income, net	100,562	66,369
Interest charges and (credits):		
Interest on debt	304,870	277,468
Other interest	14,176	23,349
Other interest amortizations	(51,038)	(42,921)
Total interest charges, net	268,008	257,896
Change in net position	206,264	186,378
Net position, beginning of year	697,332	602,379
Net position, end of period	\$ 903,596	788,757

Long Island Power Authority

(A Component Unit of the State of New York)

Nine-Month Period Ended September 30, 2023 and 2022

(Amounts in thousands) | (Unaudited)

	2023	2022
Cash flows from operating activities:		
Operating revenues received	\$ 3,139,108	3,850,539
Payments to suppliers and employees:		
Operations and maintenance	(570,999)	(470,349)
Operations – power supply charge	(1,091,547)	(1,955,594)
Operations – power supply charge – property tax related	(79,885)	(156,115)
Payments-in-lieu-of-taxes	(442,636)	(416,041)
Collateral on commodity derivative transactions, net	(181,900)	113,708
PSEG Long Island pension funding	(18,400)	(30,000)
Net cash provided by operating activities	753,741	936,148
Cash flows from investing activities:		
Investment income, net	35,500	6,257
Sales and maturities of investment securities	27,492	300,745
Sale of restricted investment securities – working capital investments	—	61,328
Purchase of restricted investment securities – working capital investments	(2,671)	—
Purchase of investment securities – OPEB Account	(27,000)	(27,000)
Net cash (used in) provided by investing activities	33,321	341,330
Cash flows from noncapital financing related activities:		
Grant proceeds	61,564	16,651
Proceeds from credit facility draws and commercial paper program	635,000	885,000
Redemption of credit facility draws and commercial paper program	(277,500)	(920,000)
Interest paid - LIPA	(2,500)	(2,500)
Net cash provided by (used in) noncapital financing related activities	416,564	(20,849)
Cash flows from capital and related financing activities:		
Capital expenditures	(533,698)	(492,602)
Lease payments	(264,539)	(287,841)
Proceeds from the issuance of long-term debt	1,119,858	1,458,197
Proceeds from termination of financial derivatives	—	8,257
Payments for debt issuance costs	(3,822)	(9,105)
Other interest costs	(9,959)	(23,840)
Interest paid – LIPA	(183,986)	(156,239)
Redemption of long-term debt – LIPA	(16,975)	(56,765)
Payments to bond escrow agent to refinance bonds	(691,505)	(368,333)
Early defeasance of long-term debt – LIPA	(69,212)	—
Early defeasance of long-term debt – UDSA	—	(702,279)
Interest paid – UDSA	(93,748)	(91,034)
Redemption of long-term debt – UDSA	(130,830)	(87,741)
Net cash used in capital and related financing activities	(878,416)	(809,325)
Net increase in cash and cash equivalents	325,210	447,304
Cash and cash equivalents at beginning of year	883,834	528,500
Cash and cash equivalents at end of period	\$ 1,209,044	975,804

Long Island Power Authority

(A Component Unit of the State of New York)

Statements of Cash Flows
 Nine-Month Period Ended September 30, 2023 and 2022
 (Amounts in thousands) | (Unaudited)

	2023	2022
Reconciliation to net cash provided by operating activities:		
Operating income	\$ 373,710	377,905
Adjustments to reconcile operating income to net cash provided by operating		
Depreciation and amortization	335,508	315,545
Other post-employment benefits, non-cash expense	14,589	31,700
Nuclear fuel burned	8,364	7,677
Shoreham and VBA surcharges	33,469	40,969
Accretion of asset retirement obligation	195	3,593
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for uncollectible accounts	(3,266)	(290,220)
Regulatory assets and liabilities	(120,611)	300,831
Fuel and material and supplies inventory	(50,490)	(23,436)
Accounts payable, accrued expenses, and other	162,273	171,584
Net cash provided by operating activities	\$ 753,741	936,148

Long Island Power Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)
Nine-Month Period Ended September 30, 2023

Operational Updates

Financing Activities

On February 24, 2023, LIPA issued Electric System General Revenue Bonds, Series 2023A and 2023B totaling \$287 million. Funds were used to pay \$92 million in principal and interest due on LIPA's outstanding Electric System Revenue Bonds, Series 2020C and \$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 \$63 million and used the proceeds to repay \$63 million in principal on LIPA's Electric System Revenue Bonds, Series 2015C that were due in April 2023.

On July 3, 2023, LIPA used cash from operations to deposit \$69 million into an escrow account to legally defease certain 2024 maturities of Series 1998A, 2000A, and 2014B Bonds.

In August 2023, LIPA issued Electric System General Revenue Bonds, Series 2023E (Green Bonds) and 2023F, totaling \$579 million. Proceeds from the sale of the Series 2023E Green Bonds were used to fund T&D system resiliency projects. Proceeds from the sale of the Series 2023F Bonds were used to refinance certain of its outstanding variable rate bonds. LIPA also issued Electric System General Revenue Bonds, Series 2023D, totaling \$128 million which also was used to refinance Series 2014C and 2015C Bonds on September 1, 2023.

On March 28, 2023, the UDSA's Board of Trustees approved the issuance of Series 2023 bonds in an amount not to exceed \$2 billion pursuant to Financing Order No. 7. UDSA priced \$833 million Series 2023 Restructuring Bonds on November 8, 2023. The Series 2023 Restructuring Bonds are scheduled to be issued on December 15, 2023. Series 2023 Bonds will refund the remaining 2013 UDSA Restructuring Bonds as of December 15, 2023, producing an additional \$45 million in net present value savings. \$136 million of the 2023 Restructuring Bonds (Green Bonds) will fund LIPA resiliency investments.

New York State Legislative Commission on the Future of LIPA

In 2022, the New York State Budget enacted a Legislative Commission on the Future of LIPA to investigate and report to the State Legislature on establishing a public power model for the management and operations of LIPA.

LIPA has outsourced day-to-day management of the electric grid to neighboring utilities since its purchase of the transmission and distribution system from LILCO in 1998. From 1998 through 2013, LIPA was the customer-facing brand, but KeySpan and later National Grid were the management service providers. Since 2014, PSEG Long Island has served as both the service provider and the customer-facing brand of the utility.

The Legislative Commission began its work in 2023, holding public hearings across Long Island and the Rockaways. LIPA was invited to appear and provide testimony at many of the Commission's hearings to provide relevant facts, data, and analysis.

The Commission issued its draft report in April 2023, and the New York State Comptroller also published a 10-page report to the Commission. The Commission is expected to release a final report, with recommendations for outstanding issues in the areas of labor and governance, in November 2023. The Commission's work will be evaluated by the full Legislature and Governor in the next legislative session to begin in January 2024.

While a decision by the Legislature and Governor is pending, LIPA is also preparing to rebid the management contract in 2024 as PSEG Long Island's contract expires at the end in 2025.



Long Island Power Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

Nine-Month Period Ended September 30, 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. In November 2023, LIPA released the IRP to study future supply and demand-side resources needed for electric power for Long Island and the Rockaways. Conducted every five years, the IRP charts a path towards a zero-carbon electric grid by 2040 while meeting electric customer needs reliably and affordably. The 2023 IRP specifically focuses on actions and decisions that need to occur between now and 2030 to provide reliable, cost-effective service to customers under a range of scenarios and considers factors such as customer usage trends, existing resources, policy and regulatory requirements, changing technology, risks, and opportunities.

The IRP identifies 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.

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.

Long Island Power Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)
Nine-Month Period Ended September 30, 2023

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 Reform Act capped LIPA's PILOT payments to no more than 2% higher per parcel than the prior calendar year. LIPA has paid the PILOT amounts it is authorized to pay by law. Litigation with Suffolk County and its constituent towns over the amounts of LIPA's PILOTs 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

LIPA increased its allowance for expected write-offs as a result of the economic impact of the pandemic 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.

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 up to \$2,000 arrears forgiveness of balances owed through May 1, 2022, except for those customers who participated in the Phase 1 Forgiveness Program. Under the Phase 2 Forgiveness Program, approximately 39,000 residential customers received bill credits totaling approximately \$40 million and 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. The uncollectible expense in excess of budgeted amounts are being collected through LIPA's DSA in 2024.

Long Island Power Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

Nine-Month Period Ended September 30, 2023

Financial Condition Overview

Nine-month period ended September 30, 2023 compared to 2022

Change in Net Position

Net position increased \$206 million for the nine-month period ended September 30, 2023, compared to the increase for the nine-month period ended September 30, 2022 of \$186 million.

Operating Revenues

Operating revenue decreased \$481 million compared to the nine-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 \$507 million when compared to the same nine-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 \$18 million compared to the same nine-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 \$9 million when compared to the same nine-month period of 2022 due to a lower level of storm activity. PSEG Long Island responded to five major storms through September 2023, none of which required mutual aid assistance, compared with seven major storm events through September 2022, one of which required mutual aid assistance.

General and administrative expense increased \$9 million when compared to the same nine-month period of 2022 due to higher professional service fees.

Non-Operating Revenues and Expenses

Other income increased \$34 million compared to the same nine-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)
Nine-Month Period Ended September 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 September 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>	September 30, 2023	Days Cash	December 31, 2022	Days Cash
Operating liquidity				
Unrestricted cash, cash equivalents, and investments	\$ 722,970		\$ 813,585	
OPEB Account cash, cash equivalents, and investments	580,183		522,648	
PSEG Long Island working capital requirements	287,768		228,312	
Total operating liquidity	1,590,921	175	1,564,545	184
Available credit				
General Revenue Notes – Revolving Credit Facility	200,000		200,000	
General Revenue Notes – Commercial Paper	511,500		869,000	
Total available credit	711,500		1,069,000	
Total cash, cash equivalents, investments, and available credit	\$ 2,302,421	253	\$ 2,633,545	309
Restricted cash, cash equivalents and investments				
Clean Energy Compliance Fund	19,866		19,548	
UDSA	232,220		153,150	
Repayment of 2021 Notes	252,160		—	
Total restricted cash, cash and cash equivalents, and investments	\$ 504,246		\$ 172,698	

Long Island Power Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

Nine-Month Period Ended September 30, 2023

Consolidated Debt

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

(amounts in thousands)

	September 30, 2023	December 31, 2022
Long-term debt:		
General revenue bonds/notes	\$ 5,245,024	4,958,223
Unamortized premiums	402,052	363,127
Less: Current maturities	(103,615)	(30,115)
	<u>5,543,461</u>	<u>5,291,235</u>
 UDSA restructuring bonds	 3,671,380	 3,802,210
Unamortized premiums	300,077	335,365
Less: Current maturities	(242,250)	(264,660)
	<u>3,729,207</u>	<u>3,872,915</u>
 Total Long-term debt	 \$ <u>9,272,668</u>	 9,164,150
 Short-term debt:		
General Revenue Notes - Commercial Paper	\$ 488,500	131,000
Total Short-term debt	<u>\$ 488,500</u>	<u>131,000</u>

Long Island Power Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)
Nine-Month Period Ended September 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 \$104 million due primarily to the timing of recovery of (i) decrease to the power supply charge recoverable and (ii) the delivery service adjustment offset by increases in (i) property tax litigation reserves and (ii) the revenue decoupling mechanism. Regulatory liabilities decreased \$173 million due primarily to unrealized commodity derivative gains which are deferred until settled.

	September 30, 2023			December 31, 2022		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Regulatory assets:						
OSA – employee retirement benefits \$	17,135	—	17,135	19,481	—	19,481
Shoreham property tax settlement	50,300	236,450	286,750	50,300	257,135	307,435
Property tax litigation	—	150,133	150,133	—	120,083	120,083
Delivery service adjustment	9,143	—	9,143	—	40,995	40,995
Employee benefit plan settlement	15,634	19,542	35,176	15,634	31,268	46,902
Power supply charge recoverable	5,866	33,430	39,296	66,835	37,829	104,664
Debt issuance costs	2,804	19,775	22,579	2,804	22,283	25,087
Revenue decoupling mechanism	10,209	4,983	15,192	—	12,155	12,155
Unfunded actuarially determined reserves	—	8,132	8,132	—	8,132	8,132
Southampton visual benefit assessment	1,260	3,415	4,675	1,260	4,218	5,478
Unrealized financial instrument losses	—	18,685	18,685	—	36,329	36,329
Unrealized commodity instrument losses	7,109	4,424	11,533	—	—	—
New York State assessment	4,127	—	4,127	—	—	—
Total regulatory assets \$	123,587	498,969	622,556	156,314	570,427	726,741
Regulatory liabilities:						
Unrealized commodity derivative gains	—	—	—	97,435	66,006	163,441
OSA – employee retirement benefits	—	91,627	91,627	—	79,887	79,887
Revenue decoupling mechanism	—	—	—	65,010	—	65,010
Utility 2.0	15,077	—	15,077	20,222	—	20,222
Power supply charge refundable	19,173	19,866	39,039	—	19,466	19,466
Distributed energy resources	891	—	891	1,881	—	1,881
Delivery service adjustment	—	32,257	32,257	1,538	—	1,538
New York State assessment	—	—	—	11	—	11
Total regulatory liabilities \$	35,141	143,750	178,891	186,097	165,359	351,456

