LIPA Annual Report

LIPA Board of Trustees Meeting

March 27, 2024

Presented by: Donna Mongiardo, Vice President — Controller

The Power is Yours ™

Discussion Topics

- Public Authority Information System (PARIS) Deliverables
- Annual Financial Statements
- Management's Discussion & Analysis (Unaudited)
- Summary Statement of Net Position
- Summary Statement of Revenue, Expenses, and Changes in Net Position
- Significant Changes in Notes

Public Authority Reporting Information System (PARIS) Deliverables

File Summary Statements - Annual Report:

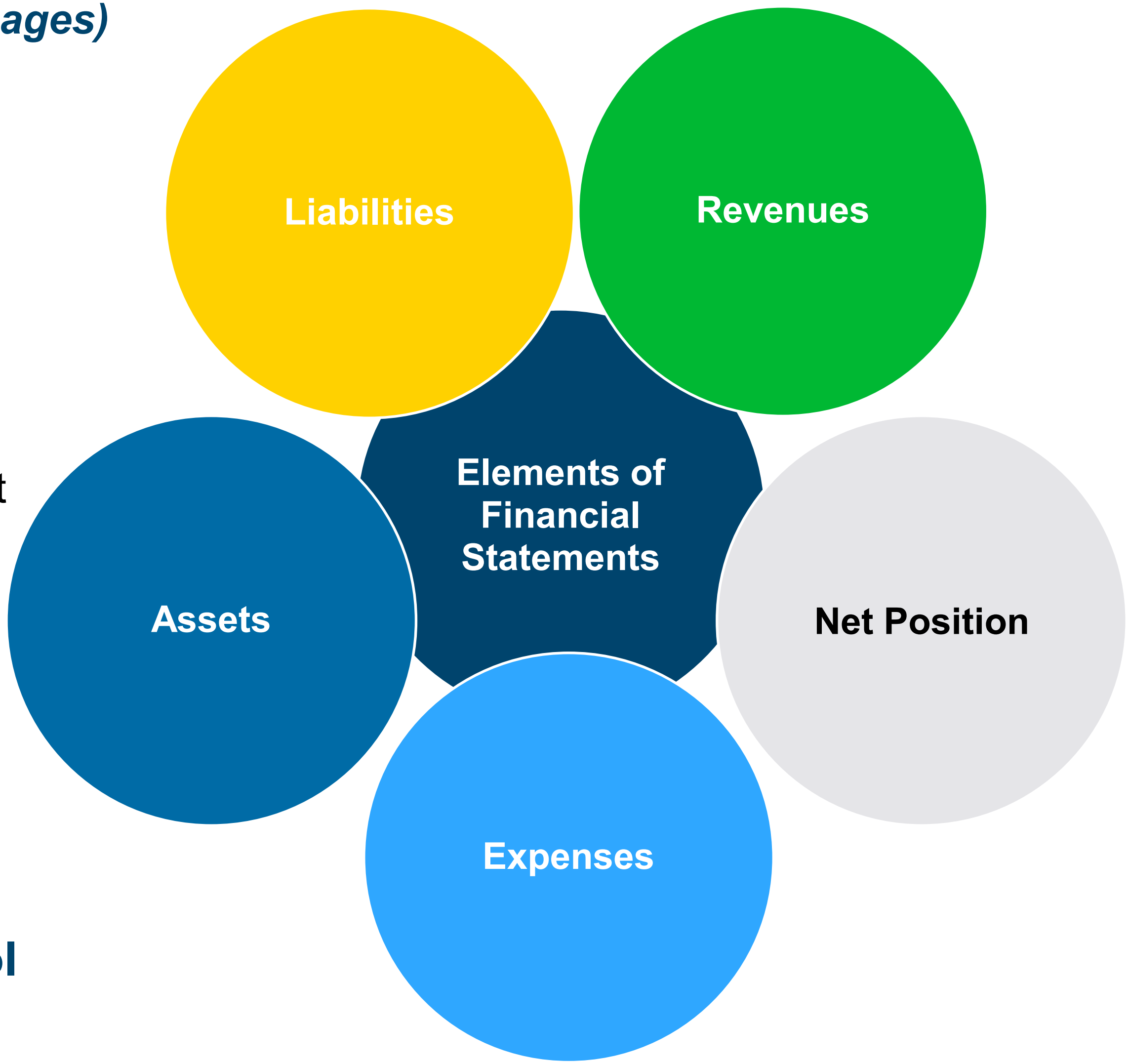
- Statement of Net Position
- Statement of Revenue, Expenses, and Net Position
- Schedule of Debt
- All included in detail in the audited consolidated financial statements

Annual Audit:

- Independent Auditors Report (KPMG Unmodified Opinion)
- Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Accounting Standards*
- Report on Investment Compliance
- Report on Debt Compliance
- Report on the Rate Stabilization Fund agreed upon procedures

Annual **financial statements** – *(95 pages)*

- **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**



Management's discussion & analysis (unaudited)

Operational Highlights

- Second Amended and Restated OSA
- New York State Legislative Commission on the Future of LIPA
- Climate Act and LIPA budget planning to address needs and power plants under Contract
- Certain Litigation Related to Payments in Lieu of taxes
- COVID-19 and related Arrears Credit Program
- Debt-to-Asset Ratio (Note includes detail calculation)

Discuss 2023 and 2022 comparison year-over-year analysis

- As a regulated entity, the Board has approved the deferral of mark-to-market changes to eliminate customer bill volatility and as such the Statement of Net Position has many variances related to deferrals.
  - OPEB Dedicated Account
  - NMP2 Trust
  - Derivative Instruments
  - OSA Employee Retirement Benefit Obligation

Summary Statement of Net position

- Current assets increased $181M due to higher OPEB-dedicated account market values and fuel inventory balances offset by lower AR
- Regulatory assets decreased $44M due to $3M net decrease in the Delivery Service Adjustment (DSA) and Revenue Decoupling Mechanism, $8M in OSA retirement obligation, $117M scheduled amortizations, offset by $50M in lower deferred gains on commodity derivatives and $34M in the property tax litigation deferral.
- Noncurrent assets decreased $206M due to the annual Acquisition Adjustment amortization and $66M decrease in the commodity derivative values.
- Noncurrent liabilities decreased $195M due to $341M lease and SBITA liabilities amortizations offset by a $79M increase in the OSA retirement obligation due to actuarial assumption changes.
- Regulatory liabilities decreased $232M due to the change in unrealized market value of commodity derivatives.
- Deferred inflows increased $67M due to the deferred gain on unrealized market value changes in the OPEB Account

Assets and deferred outflows of resources:		2023	2022	2023-2022 Variance
Capital assets, net	$	10,590,245	10,464,377	125,868
Current assets		3,006,392	2,825,504	180,888
Regulatory assets		682,765	726,741	(43,976)
Noncurrent assets		668,021	874,174	(206,153)
Deferred outflows of resources		165,323	155,298	10,025
Total assets and deferred outflows of resources		**15,112,746**	**15,046,094**	**66,652**
Liabilities and deferred inflows of resources:				
Long-term debt, net of current maturities		9,292,423	9,164,150	128,273
Current liabilities		1,643,720	1,474,470	169,250
Regulatory liabilities		118,990	351,456	(232,466)
Noncurrent liabilities		2,517,407	2,712,429	(195,022)
Deferred inflows of resources		712,785	646,257	66,528
Total liabilities and deferred inflows of resources		**14,285,325**	**14,348,762**	**($63,437)**
Total net position		**827,421**	**697,332**	**130,089**
Total liabilities, deferred inflows of resources, and net position	$	**15,112,746**	**15,046,094**	**$66,652**

Summary statements of **revenue, expenses, and changes in net position**

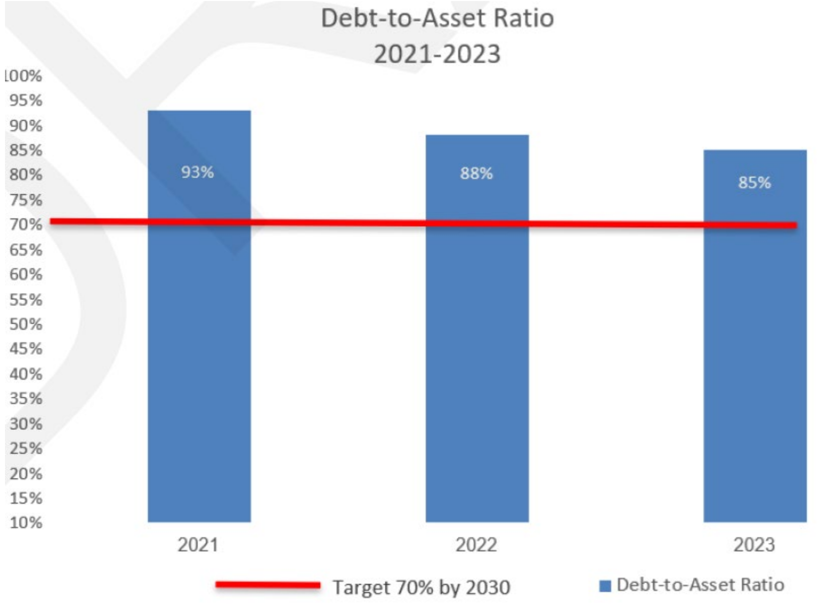
- **Change in Net Position** totaled $130M for FY 2023

		2023	2022
Electric revenue, net of uncollectible accounts expense	$	3,698,833	4,279,158
Operating expenses		(3,351,354)	(3,944,593)
Interest charges, net		(363,393)	(343,080)
Total operating and interest expenses		(3,714,747)	(4,287,673)
Revenue less operating expenses and interest charges, net		(15,914)	(8,515)
Grant income		42,210	40,766
Other income, net		103,793	62,702
Total other income, net		146,003	103,468
Change in net position		130,089	94,953
Net position, beginning of year		697,332	602,379
Net position, end of year	$	827,421	697,332

Management's **Discussion** & **Analysis** (Unaudited)

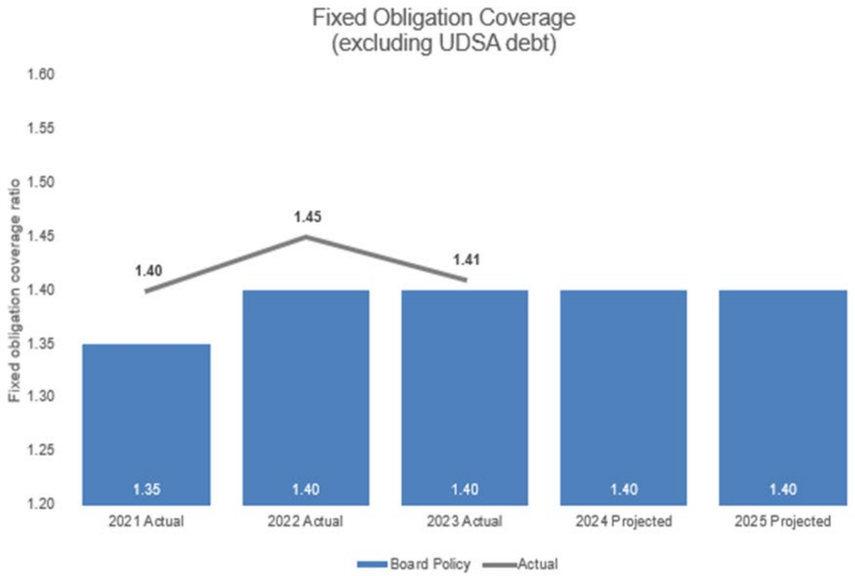
Capital Asset and Financing Activities

- Issued $400M new money
- Issued $698M UDSA refunding for net present value savings of $45M
- Issued $657M LIPA refunding for net present value savings of $6M
- Issued $136M UDSA Green Bonds to fund resiliency projects



Liquidity and Capital Resources

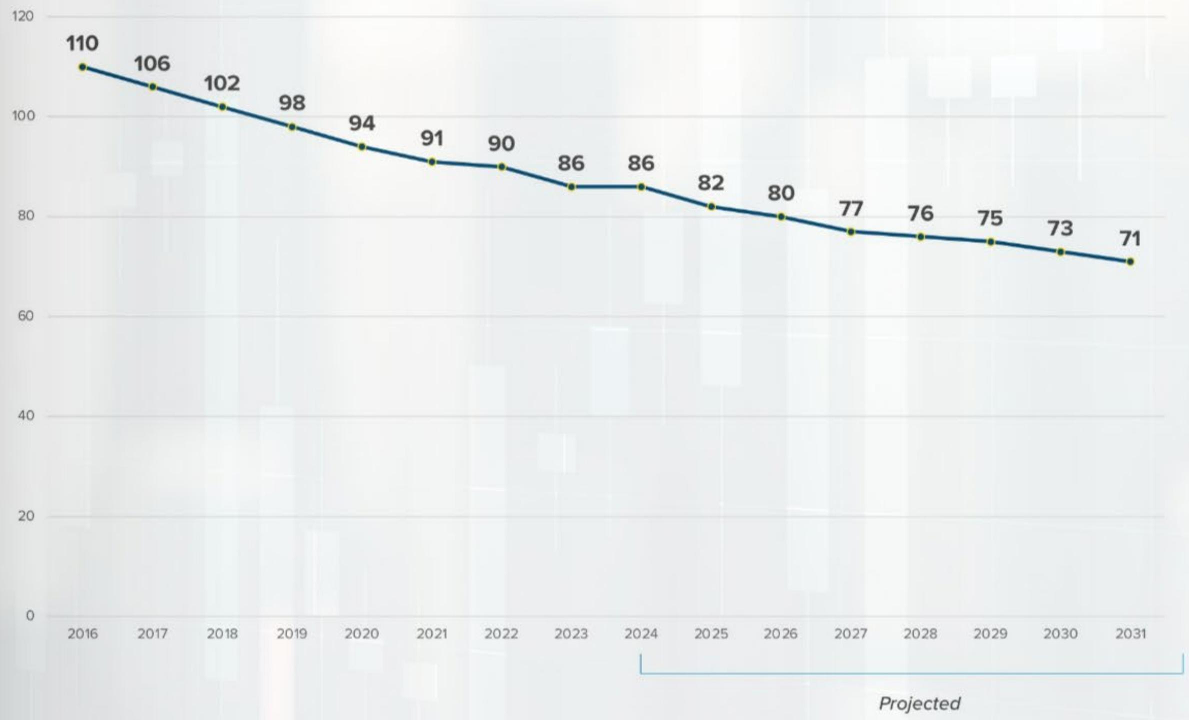
- Debt-to-Asset Ratio
- 276 days available cash and credit
- Achieved 1.41x fixed obligation coverage compared to Board Policy on Fiscal Sustainability of 1.40x



Budget Presented Debt-to-Asset Ratio and Comparison to Public Power Peers *(Page 74 of the 2024 Approved Budget)*

The Board's plan will reduce LIPA's debt-to-assets ratio from 110% in 2016 to 70% by 2030, as shown in Figure 30. By comparison, LIPA's debt-to-assets ratio was over 230% upon the acquisition of the **Long Island Lighting Company** in 1998, primarily because of the legacy of the Shoreham nuclear power plant. A 70% debt ratio is still on the higher end of the industry but with LIPA's other credit strengths will likely be sufficient to achieve the AA-category credit ratings that are typical for large public power utilities.

Figure 30: **LIPA's Debt-to-Asset Ratio Compared to Public Power Peers**



Public Power Utility	Bond Rating	Debt Ratio %
Salt River Project	Aa1	42%
OUC (Orlando)	Aa2	47%
Austin Electric	Aa3	48%
Seattle City Light	Aa2	55%
SMUD (Sacramento)	Aa3	57%
CPS Energy (San Antonio)	Aa1	58%
OPPD (Omaha)	Aa2	64%
LADWP (Los Angeles)	Aa2	65%
Average of Peer Group Members		**55%**

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.

Rating Agency	2023	2022	2021
Moody’s	A2 (Stable)	A2 (Stable)	A2 (Stable)
S&P	A (Stable)	A (Stable)	A (Stable)
Fitch	A (Positive)	A (Positive)	A (Positive)

Significant Notes *(page 31)*

Summary of Significant Accounting Policies (Note 2 *page 33*)

- GASB Statement No. 96, Subscription-Based Information Technology Arrangements adoption - no impact on the Statement of Revenues, Expenses and Changes in Net Position. Through 2023, LIPA's Utility Plant increased $10M and a $8M obligation was recorded.

Regulatory Accounting (Note 5 *page 41*)

- Update for additional annual potential exposure of $34M related to the Suffolk County Tax Litigation until conclusion of the appeals process

Debt-to-Asset Ratio (Note 12 *page 73)*

- LIPA's Board policy seeks to reduce the Debt-to-Asset ratio to approximately 70% by 2030. LIPA's Debt-to-Asset ratio is calculated as Gross debt (including short-term debt) less debt service reserve funds divided by Net Utility Plant and property and equipment, (inclusive of grant-funded mitigation assets), plus net working capital. Net working capital is defined as current assets less current liabilities.

		2023	2022	2021
Plant assets plus net working capital	$	**13,005,212**	**12,416,614**	**12,510,957**
Adjusted Debt	$	**11,034,001**	**10,947,566**	**11,653,923**
Debt-to-Asset Ratio		**84.84%**	**88.17%**	**93.15%**

Debt – to – Asset Ratio (Note 12)

LIPA's Board policy seeks to reduce the Debt-to-Asset ratio to approximately 70% by 2030. LIPA's Debt-to-Asset ratio is calculated as Gross debt (including short-term debt) less debt service reserve funds divided by Net Utility Plant and property and equipment, (inclusive of grant-funded mitigation assets as discussed in Note 6(a)), plus net working capital. Net working capital is defined as current assets less current liabilities. See the calculation below.

		2023	2022	
Long-term LIPA and UDSA debt	$	8,868,456	8,760,431	(1)
Short-term debt		345,000	131,000	(1)
Lease and SBITA liabilities		1,830,817	2,128,226	(2)
LIPA Pension obligations (asset)		2,660	(830)	(3)
Unfunded OSA pension obligations		102,019	81,889	(4)
Less:				
UDSA restricted cash		(114,951)	(153,150)	(2)
Adjusted Debt		**11,034,001**	**10,947,566**	
Current assets		3,159,934	2,981,818	(2)
Less amounts included in adjusted debt:				
UDSA restricted cash		(114,951)	(153,150)	(3)
Current assets, net of amounts included in adjusted debt		3,044,983	2,828,668	
Current liabilities		1,663,977	1,660,567	(2)
Less amounts included in adjusted debt:				
Current maturities of long-term LIPA and UDSA debt		(286,875)	(294,775)	(3)
Current maturities of lease and SBITA liabilities		(402,086)	(358,361)	(3)
Short-term debt		(345,000)	(131,000)	(3)
Current liabilities, net of amounts included in adjusted debt		630,016	876,431	
Net working capital (net current assets minus liabilities)		**2,414,967**	**1,952,237**	
Utility plant and property and equipment, net		10,590,245	10,464,377	(2)
Plant assets plus net working capital	$	**13,005,212**	**12,416,614**	
Adjusted Debt	$	**11,034,001**	**10,947,566**	
Debt-to-Asset Ratio		**85%**	**88%**	(5)

(1) See Note 12(c) and (f)
(2) See Statement of Net Position
(3) See Note 14(a)
(4) See Note 13
(5) 2023 $11,034,001 / $13,005,212
2022 $10,947,566 / $12,416,614

Significant Notes

OSA - Employee Benefit Obligation – Note 13 *(page 75)*

- Discount rate lowered from 5.3% to 5.13% – increased liability
- OSA Pension and OPEB liability totaled $616M compared to the LIPA OPEB- Dedicated Account held by LIPA of $644M.

LIPA Pension Disclosures – Note 14 *(page 78)*

Commitments and Contingencies – Note 15 *(page 86)*

- Primarily related to our Purchase Power Agreements

Legal Disclosures – Note 16 *(page 89)*

Condensed Statements with UDSA (LIPA Component Unit) – Note 17 *(page 92)*

Questions?

Donna Mongiardo
Vice President — Controller

lipower.org

LIPA

<u>FOR CONSIDERATION</u>
March 27, 2024

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the 2023 Financial Report of the Long Island Power Authority

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Requested Action

The Board of Trustees (the “Board”) is being requested to approve the 2023 Financial Report (the “Financial Report”) prepared in accordance with Section 2800(1) of the Public Authorities Law (“PAL”), in the form attached as **Exhibit “B.”**

2023 Financial Report

Section 2800(1) of the PAL requires LIPA to submit an annual report to the Governor, the Chairman and ranking minority member of the Senate Finance Committee, the Chairman and ranking minority member of the Assembly Committee on Ways and Means, the State Comptroller, and the Authorities Budget Office, within ninety days after the end of LIPA’s fiscal year. Under Section 2800(1)(a)(2) of the PAL, the Financial Report shall include the following: audited financials; grant and subsidy programs; operating and financial risks; current bond ratings; and long-term liabilities. Section 2800(3) of the PAL requires the Financial Report to be approved by the Board.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form attached hereto.

Attachments

Exhibit “A” Resolution
Exhibit “B” Financial Report of the Long Island Power Authority

<u>Exhibit “A”</u>

RESOLUTION APPROVING THE 2023 FINANCIAL REPORT OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, Section 2800(1) of the Public Authorities Law (“PAL”) requires public authorities such as the Long Island Power Authority (“LIPA”) to prepare an annual report; and

WHEREAS, LIPA’s annual report includes, among other things, a financial report, as defined under Section 2800(1)(a)(2) of the PAL (the “Financial Report”); and

WHEREAS, LIPA has prepared its Financial Report, which, pursuant to Section 2800(3) of the PAL, is subject to the approval of the Board of Trustees.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees hereby approves the 2023 Financial Report of the Long Island Power Authority, in the form presented at this meeting.

Dated: March 27, 2024

(A Component Unit
of the State of New York)

Basic Financial Statements and Required Supplementary Information

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

Table of Contents

PMG LLP
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1305 Walt Whitman Road
Melville, NY 11747-4302

Independent Auditors' Report

Board of Trustees
Long Island Power Authority:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities of the Long Island Power Authority (LIPA), a component unit of the State of New York, as of and for the years ended December 31, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise LIPA's consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing* Standard issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Long Island Power Authority and its blended component unit as of December 31, 2023 and 2022, and the respective changes in their net position and, where applicable, their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 3 through 22 and Required Supplementary Information on page 87 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audits of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Melville, New York
March 27, 2024

Introduction

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 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 the statutory authority for the issuance of restructuring bonds that allows UDSA issue an initial par up to $8.0 billion of securitized bonds (inclusive of the bonds already issued) to refinance outstanding indebtedness for net present value savings or to fund LIPA's T&D system resiliency investments. LIPA and UDSA retired an additional $750 million and $852 million of its outstanding indebtedness in 2023 and 2022, respectively, bringing the total net present value debt service savings for LIPA's customers to $579 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 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 of the operations services under the OSA. ServCo consists of approximately 2,600 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 is required to transfer all Membership Interests in ServCo to LIPA or, at LIPA's direction, its designee, at no cost.

PSEG Long Island performs many utility functions on LIPA's behalf 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 and Amended and Restated Operations Service 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 Controller 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.

(Amounts in thousands, unless otherwise stated)

Overview of the Basic Financial Statements

LIPA's basic 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).

The Annual Financial Report for LIPA includes the Basic Financial Statements and the Required Supplementary Information. The Basic Financial Statements consist of the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position, the Statements of Cash Flows, and the Notes to the Financial Statements (Notes). Following the Basic Financial Statements is LIPA's Required Supplementary Information.

Management's Discussion and Analysis (MD&A) provides an overview of LIPA's financial information for the years ended December 31, 2023 and 2022, with certain comparative information as of and for the year ended December 31, 2021. Management's Discussion and Analysis should be read in conjunction with the Basic Financial Statements. The Notes are an integral part of LIPA's Basic Financial Statements and provide additional information on certain components of these statements.

During 2023, LIPA adopted GASB Statement No. 96*, Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 defines a Subscription-Based Information Technology Arrangement (SBITA) as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (with underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB Statement No. 96 requires the recognition of a subscription liability and an intangible asset representing the right to use the subscription asset at the commencement of the subscription term. As a result of the adoption of GASB Statement No. 96, LIPA recognized an increase in Utility plant and property and equipment for the years ended December 31, 2023 and 2022 of approximately $10 million and $11 million, respectively, and an increase in SBITA obligations of $8 million and $9 million, respectively. Amounts shown in MD&A for 2021 have not been restated.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses, and Changes in Net Position report all of LIPA's revenues and expenses for the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to the Financial Statements provide additional detailed information to support the Financial Statements.

The Required Supplementary Information is required by GASB to accompany the Basic Financial Statements and includes MD&A and information related to LIPA's participation in the New York State and Local Employees' Retirement System.

Forward-Looking Statements

The statements in this MD&A that are not purely historical facts are forward-looking statements based on current expectations of future events. Such forward-looking statements are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes to or development in various important factors. Accordingly, actual results may vary from those we presently expect and such variations may be material. We therefore caution against placing undue reliance on the forward-looking statements contained in this MD&A. All forward-looking statements included in this MD&A are made only as of the date of this MD&A and we assume no obligation to update any such forward-looking statements as a result of new information, future events, or other factors.

Operational Highlights

Second Amended and Restated Operations Services Agreement

During 2021, LIPA sought organizational and contractual changes through a reformed contract as a result of its investigation of PSEG Long Island's storm response during Tropical Storm Isaias which occurred on August 4, 2020.

A reformed contract, the Second A&R OSA, 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.

To provide stronger protections for Service Area customers, the Second A&R OSA:

- increases the amount of PSEG Long Island's annual compensation at risk from $10 million to $40 million;
- subjects PSEG Long Island to up to 110 detailed Performance Metrics set annually by the Board with a recommendation by the DPS to ensure PSEG Long Island meets the Board's strategic direction for service to customers and industry best practices;
- includes both new and strengthened termination rights and automatic compensation reductions (i.e. default and gating Performance Metrics) for failures to meet minimum emergency response, customer satisfaction, cybersecurity, and reliability standards;
- provides a new DPS investigative process to reduce compensation for failures to provide safe, adequate, and reliable service to customers;
- requires PSEG Long Island to implement plans to fix known operational issues identified by LIPA staff or the DPS, with oversight by the Board;
- strengthens PSEG Long Island's dedicated management team with new positions for Chief Information Officer, Chief Information Security Officer, Vice President for Business Services, Director of Human Resources, and Director of Emergency Response;
- ensures that all Long Island employees report to managers dedicated to Long Island operations and links the compensation for all PSEG Long Island employees to Service Area performance;
- includes a Duty of Candor with a termination right for failure to timely and accurately disclose significant operational issues that impair PSEG Long Island's ability to provide reliable service, emergency response, cybersecurity, financial impairment, noncompliance with laws, or circumstances that may endanger public health, safety, and welfare;
- includes new standards requiring greater long-term planning, transparency, and accountability for delivering projects and services on time and within budget;
- requires PSEG Long Island to demonstrate cost savings or improved service for hiring or retaining PSEG affiliates to perform services for LIPA;
- requires the separation of all LIPA information technology systems from those of PSEG affiliates pursuant to a plan approved by the Board on September 28, 2022;
- provides LIPA with new rights to independently test and validate the performance of mission-critical information technology systems, such as those that failed during Tropical Storm Isaias; and
- eliminates PSEG Long Island's eight-year term extension option; instead, the Second A&R OSA will expire on December 31, 2025.

New York State Legislative Commission on Future 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.

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 operation of LIPA.

The Legislative Commission began its work in late 2022, holding public hearings across Long Island and the Rockaways. LIPA provided testimony at many of the Commission's hearings to provide relevant facts, data, and analysis. The Legislative Commission issued its draft report in April 2023, and the New York State Comptroller also published a 10-page report to the Commission. After additional hearings held in September 2023, on November 17, 2023, the Commission released its final report with recommendations detailing its action plan for implementing a directly-managed public power model. In January 2024, a bill seeking to implement the Commission's recommendations was introduced in the New York State Assembly.

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 of 2025.

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 summarizing 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.

To support LIPA's commitment to the Climate Act goals, LIPA's 2024 operating budget includes $162 million for utility-scale renewable projects, and $95 million for energy efficiency and distributed energy programs. LIPA's 2024 capital budget includes $67 million for storm-hardening projects and $23 million to support offshore wind.

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 2028. LIPA is reviewing certain of these power plants that may not be required in the future for local reliability, facilitated by the addition of new offshore wind and storage resources, and potentially could be removed from the Agreement before it expires by exercising the ramp down provisions in the Agreement.

Impacting the peaking power plants under the A&R PSA are New York State Department of Environmental Conservation (DEC) regulations, which became effective in May 2023, that reduce the allowable level of nitrogen oxide (NOx) air emissions from these power plants. 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.

Under the A&R PSA, LIPA pays the property taxes and payments in lieu of taxes (PILOTs) on the PSA power plants either directly or as a reimbursement to National Grid. To improve affordability and fairness for customers, LIPA successfully sought reductions to such assessments and associated property tax bills in litigation that began in 2010. Between 2018 and 2022, LIPA negotiated settlements on certain plants that will reduce taxes to approximately half of their 2018 levels by 2027. The settlements included the (i) Town of Brookhaven and the Village of Port Jefferson for the Port Jefferson power plant (ii) the Huntington Town Board and the Northport-East Northport School District for the Northport power plant, (iii) Nassau County, North Shore Central School District and Island Park Union Free School District for the E. F. Barrett and Glenwood Landing power plant.

In addition to the PSA, LIPA is party to several power purchase agreements with other third-party generators for approximately 1,800 megawatts of capacity and related products.

In March 2023, LIPA entered into a new four-year 55 MW capacity agreement with Calpine Energy Services for its Bethpage combined cycle power plant. The capacity contract was needed to support the incremental investment to repair the plant.

In November 2023, two 90 MW power purchase contracts for the Shoreham and Edgewood power plants, for a total of 180 MW, expired and were not extended. The plants continue to participate in the NYISO markets as merchant generators.

LIPA is currently in negotiations with a developer to acquire up to three new utility-scale battery storage projects, totaling 179 MW of energy storage if all three projects reach contract execution. The three projects will help LIPA meet a portion of its load ratio share of the State's energy storage deployment goal established in the Climate Act, which is currently projected to be about 750 MW by 2030. The contract negotiations stem from an April 2021 Request for Proposals soliciting bids for the development of bulk energy storage projects to be located on Long Island under 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 also makes PILOTs for real property it acquired from LILCO. Beginning in calendar year 2015, the LIPA 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. Enforcement of the judgment is stayed pending the determination of LIPA's appeal. LIPA estimates the potential exposure with penalties and interest to be approximately $154 million through 2023, plus a potential addition of up to $34 million per year in the event of an adverse result on appeal. 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 2021/2022 tax year.

In January 2024, LIPA received a decision from the Suffolk County Supreme Court declaring that LIPA's properties located in five of Suffolk County's towns are exempt from taxation. This decision is subject to 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.

For a more complete discussion of the litigation issues, see Note 16(d) of the Notes to the Financial Statements.

COVID-19

Due to the economic impact of the COVID-19 pandemic, the Board, in 2021, 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. The moratorium on disconnections for nonpayment ended on May 1, 2022 and as such DSA modification will end on May 1, 2024.

In 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. Credits provided in excess of State funds were charged against LIPA's reserve for uncollectible expense.

In 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 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 in rates in 2024 through LIPA's DSA.

For further discussion of the DSA, see Note 5(d) of the Notes to the Financial Statements.

(Amounts in thousands, unless otherwise stated)

Financial Condition Overview

LIPA's Condensed Statements of Net Position as of December 31, 2023, 2022, and 2021 are summarized below.

		2023	2022	2021[1]
Assets and deferred outflows of resources:				
Capital assets, net	$	10,590,245	10,464,377	10,414,617
Current assets		3,006,392	2,825,504	2,773,753
Regulatory assets		682,765	726,741	1,436,195
Noncurrent assets		668,021	874,174	994,447
Deferred outflows of resources		165,323	155,298	173,975
Total assets and deferred outflows of resources		**15,112,746**	**15,046,094**	**15,792,987**
Liabilities and deferred inflows of resources:				
Long-term debt, net of current maturities		9,292,423	9,164,150	9,140,815
Current liabilities		1,643,720	1,474,470	1,657,813
Regulatory liabilities		118,990	351,456	203,635
Noncurrent liabilities		2,517,407	2,712,429	3,394,906
Deferred inflows of resources		712,785	646,257	793,439
Total liabilities and deferred inflows of resources		**14,285,325**	**14,348,762**	**15,190,608**
Total net position				
Net investment in capital assets		460,406	362,168	291,226
Restricted		316,159	166,828	185,169
Unrestricted		50,856	168,336	125,984
		827,421	**697,332**	**602,379**
Total liabilities, deferred inflows of resources, and net position	$	**15,112,746**	**15,046,094**	**15,792,987**

(1) Amounts in 2021 have not been restated to reflect the adoption of GASB Statement No. 96

Assets and Deferred Outflows of Resources

2023 Compared to 2022

Assets and deferred outflows of resources increased $67 million compared to 2022 due to increases of $181 million in current assets, $126 million in capital assets and $10 million in deferred outflows of resources. These increases were partially offset by decreases of $206 million in noncurrent assets, and $44 million in regulatory assets.

Capital assets, net increased $126 million compared to 2022 primarily due to higher investment in reliability and storm hardening projects. These capital additions were partially offset by asset retirements and annual depreciation expense.

Current assets increased $181 million compared to 2022 primarily due to higher mark-to-market values in the Other Post-Employment Benefits (OPEB) dedicated investment account, higher cash balances and higher fuel inventory levels. These increases are partially offset by lower accounts receivable due to the resumption of normal collection processes.

Regulatory assets decreased $44 million primarily due to a decrease of $29 million in the Delivery Service Adjustment (DSA), a decrease of $8 million in the OSA-Employee Retirement Benefits resulting from an updated actuarial study and scheduled annual recovery or amortizations of regulatory assets totaling $117 million. These decreases were partially offset by a $50 million increase in unrealized mark-to-market changes on financial and commodity derivative instruments, a $34 million increase in the deferred recovery of costs associated with the estimated potential impact of the Suffolk County property tax litigation, and an increase of $26 million in the Revenue Decoupling Mechanism (RDM) due to lower than budgeted revenues. For a full discussion of the regulatory assets and liabilities, see Note 5 to the Notes the Financial Statements.

Noncurrent assets decreased $206 million due to the $111 million of scheduled amortization of the Acquisition Adjustment, a $68 million decrease in the long-term portion of the financial and commodity derivative valuations, a $49 million decrease in other long-term receivables primarily due to receipt of FEMA funds related to Superstorm Sandy. These decreases were partially offset by a $22 million market value increase in the Nuclear Decommissioning Trust Fund (NDTF).

Deferred outflows of resources increased $10 million primarily due to a $25 million accumulated change in the fair value of LIPA's commodity derivatives, a $15 million increase in the measurement Asset Retirement Obligation (ARO) related to NMP2 due to an updated study; partially offset by a $18 million decrease resulting from the scheduled amortization of previously deferred costs associated with refunding of higher cost of debt, a $11 million decrease in the deferred unrealized loss on the mark-to-market valuations of the NDTF, and a $1 million decrease in deferred Pension and OPEB expenses.

2022 Compared to 2021

Assets and deferred outflows of resources decreased $747 million compared to 2021 due to decreases of $709 million in regulatory assets, $120 million in noncurrent assets and $19 million in deferred outflows of resources. These decreases were partially offset by increases of $50 million in capital assets, and $51 million in current assets.

GASB Statement No. 96 implementation required retrospective application and as a result, LIPA restated its 2022 capital assets to reflect the recognition of approximately $11 million of right-to-use assets. The remaining balance of capital assets, net, increased $39 million compared to 2021 primarily due to higher investment in reliability projects, as well as certain storm hardening projects. These capital additions were partially offset by asset retirements and annual depreciation expense.

Current assets increased $51 million compared to 2021 primarily due to increased accounts receivable, combined with increased values on LIPA's short-term portion of its commodity derivative instruments. These increases are partially offset by lower mark-to-market values in the OPEB dedicated investment account.

Regulatory assets decreased $709 million primarily due to a decrease of $394 million in the Delivery Service Adjustment (DSA) resulting from the FEMA reimbursement of $276 million for eligible Tropical Storm Isaias restoration costs with the remaining balance a result of the annual DSA rate recovery and a decrease in the deferral resulting from lower storm restoration costs incurred than budgeted amounts. Also contributing to the decrease in regulatory assets was a decrease of $277 million in the OSA-Employee Retirement Benefits resulting from an updated actuarial study, a decrease of $81 million in unrealized mark-to-market changes on financial derivative instruments and scheduled annual recovery or amortizations of regulatory assets totaling $41 million. These decreases were partially offset by an increase of $54 million in the power supply charge recoverable, and a $30 million increase in the deferred recovery of costs associated with the estimated potential impact of the Suffolk County property tax litigation. For a full discussion of the regulatory assets and liabilities, see Note 5 to the Notes the Financial Statements.

Noncurrent assets decreased $120 million due to the $111 million of scheduled amortization of the Acquisition Adjustment, a $29 million market value decrease in the NMP2 decommissioning trust, a $6 million decrease in prefunding amounts related to LIPA OPEB costs, and a $2 million decrease in restricted cash. These decreases were partially offset by a $28 million increase in the long-term portion of the financial and commodity derivative valuations.

Deferred outflows of resources decreased $19 million primarily due to the scheduled amortization of previously deferred costs associated with refunding of higher cost of debt.

Liabilities and Deferred Inflows of Resources

2023 Compared to 2022

Liabilities and deferred inflows of resources decreased $63 million due to decreases of $232 million in regulatory liabilities and $195 million in noncurrent liabilities. These decreases were partially offset by increases of $169 million in current liabilities, $128 million in long-term debt and $67 million in deferred inflows of resources.

Long-term debt, net of current maturities, increased $128 million as LIPA issued Electric System General Revenue Bonds, Series 2023 totaling $1.057 billion, plus premium received of $63 million, to fund capital improvements and refinance $676 million of debt. In addition, UDSA issued restructuring bonds totaling $833 million, consisting of $36 million of Series 2023 Taxable Restructuring Bonds, $662 million of Series 2023 Tax-Exempt Restructuring Bonds, and $136 million of Series 2023 Tax-Exempt Green Bonds. The proceeds from these bonds, plus $57 million of premium received, refunded certain LIPA and UDSA outstanding indebtedness and funded LIPA resiliency investments. These increases were partially offset by $287 million of current debt maturities classified as current liabilities and the scheduled amortization of premiums totaling $107 million.

Current liabilities increased $169 million primarily due to a $214 million increase in short-term debt to support the collateral posted by LIPA on its commodity positions, $56 million increase in the change in the mark-to-market value of commodity derivative instruments; and a $36 million increase in current maturities of long-term debt, and lease and SBITA liabilities. These increases were partially offset by a $134 million decrease in counterparty collateral and a $3 million decrease in accounts payable and other accrued expenses.

Regulatory liabilities decreased $232 million primarily due to a $163 million elimination of the unrealized mark-to-market gains on commodity derivative instruments, a $65 million decrease in the RDM due to the refund provided to customers in 2023 to return the 2022 over-collection, a $46 million decrease in the impact of the updated actuarial study related to the OSA-Employee Retirement Benefits, and a $5 million decrease in the deferrals related to the Utility 2.0 program. These decreases were partially offset by a $46 million increase in the DSA and a $1 million increase in other various components. For a full discussion of the regulatory assets and liabilities, see Note 5 of the Notes to the Financial Statements.

Noncurrent liabilities decreased $195 million primarily due to the amortization of the lease and SBITA liabilities of $341 million and a $4 million decrease due to the amortization of swap instrument premiums. These decreases were partially offset by a $79 million increase in the PSEG Long Island's workforce obligation retirement benefits resulting from updated assumptions in the actuarial valuation, a $17 million increase in the mark-to-market value of financial and commodity derivative instruments, a $21 million increase in the NMP2 ARO resulting from an updated study, a $23 million increase in claims and damages related to the Suffolk County property tax litigation and a $10 million increase in long-term liabilities and unrealized credits.

Deferred inflows of resources increased $67 million primarily due to an increase in the deferred unrealized gain on the mark-to-market valuations of the OPEB dedicated investment accounts.

2022 Compared to 2021

Liabilities and deferred inflows of resources decreased $842 million due to decreases of $683 million in noncurrent liabilities, $183 million in current liabilities, and $147 million in deferred inflows of resources. These decreases were partially offset by increases of $148 million in regulatory liabilities and $23 million in long-term debt.

Long-term debt, net of current maturities, increased $23 million as LIPA issued Electric System General Revenue Bonds, Series 2022 totaling $380 million plus premium of $31 million, to fund capital improvements and refinance debt. In addition, UDSA issued restructuring bonds totaling $936 million, consisting of $54 million of Series 2022 Taxable Restructuring Bonds, $787 million of Series 2022 Tax-Exempt Restructuring Bonds, and $95 million of Series 2022 Tax-Exempt Green Bonds. The proceeds from these bonds, plus $91 million of premium received, refunded certain LIPA and UDSA outstanding indebtedness and funded LIPA resiliency investments. The remaining increase is attributable to the accretion of capital appreciation bonds. These increases were partially offset by $295 million of current debt maturities classified as current liabilities and the scheduled amortization of premium totaling $112 million.

Current liabilities decreased $183 million primarily due to a decrease of $291 million in short-term debt due to repayments of LIPA's Commercial Paper General Revenue Notes in 2022. This decrease was partially offset by an increase of $52 million in current maturities of long-term debt and lease liabilities, a $5 million increase in current portion of SBITA obligations due to the implementation of GASB Statement No. 96, a $25 million increase in counterparty collateral due to changes in the market value of LIPA's commodity derivative instruments and an increase of $13 million in accounts payable primarily due to increased cable repairs, with the remaining $13 million increase due to various higher accruals.

(Amounts in thousands, unless otherwise stated)

Regulatory liabilities increased $148 million primarily due to a $80 million increase in the impact of the updated actuarial study related to the OSA-Employee Retirement Benefits, a $39 million increase in the RDM due to higher-than-budgeted residential sales, a $27 million increase in unrealized mark-to-market gains on commodity derivative instruments, and a $11 million increase in power supply charge refundable related to the clean energy compliance fund. These increases were partially offset by a $7 million decrease in the deferrals related to the Utility 2.0 program and a $2 million decrease in the DSA. For a full discussion of the regulatory assets and liabilities, see Note 5 of the Notes to the Financial Statements.

Noncurrent liabilities decreased $682 million primarily due to the amortization of lease and SBITA liabilities of $356 million , a $277 million decrease in the PSEG Long Island's workforce obligation retirement benefits resulting from updated assumptions in the actuarial valuation, a $90 million decrease in the mark-to-market value of financial and commodity derivative instruments, and a $4 million decrease due to the amortization related to swap instrument premiums. These decreases were partially offset by a $10 million increase in the NMP2 asset retirement obligation, a $30 million increase in claims and damages related to the Suffolk County property tax litigation, and a $4 million increase in SBITA obligations due to the implementation of GASB Statement No. 96.

Deferred inflows of resources decreased $147 million primarily due to a decrease in the mark-to-market valuations on OPEB dedicated investment accounts.

Results of Operations

LIPA's Condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2023, 2022, and 2021 are summarized as follows:

		2023	2022	2021
Electric revenue, net of uncollectible accounts expense	$	3,698,833	4,279,158	3,930,788
Operating expenses		(3,351,354)	(3,944,593)	(3,630,026)
Interest charges, net		(363,393)	(343,080)	(357,243)
Total operating and interest expenses		(3,714,747)	(4,287,673)	(3,987,269)
Revenue less operating expenses and interest charges, net		(15,914)	(8,515)	(56,481)
Grant income		42,210	40,766	39,986
Other income, net		103,793	62,702	81,186
Total other income, net		146,003	103,468	121,172
Change in net position		130,089	94,953	64,691
Net position, beginning of year		697,332	602,379	537,688
Net position, end of year	$	827,421	697,332	602,379

(Amounts in thousands, unless otherwise stated)

2023 Compared to 2022

Electric operating revenues, net of uncollectible accounts expense, for 2023 totaled $3.70 billion, a decrease of $580 million compared to 2022 due to decreases in the (i) Power Supply Charge (PSC) revenue totaling $610 million; (ii) a decrease of $30 million in the DSA primarily due to lower storm costs, (iii) lower miscellaneous revenues primarily driven by the recognition of lower late payment charges of $17 million: (iv) higher uncollectible accounts of $13 million and (v) amortization of $1 million of Utility 2.0 revenue collected in prior periods. These decreases were partially offset by (i) an $84 million increase to base delivery revenues; and (ii) a $7 million increase to the Distributed Energy Resources (DER) revenue.

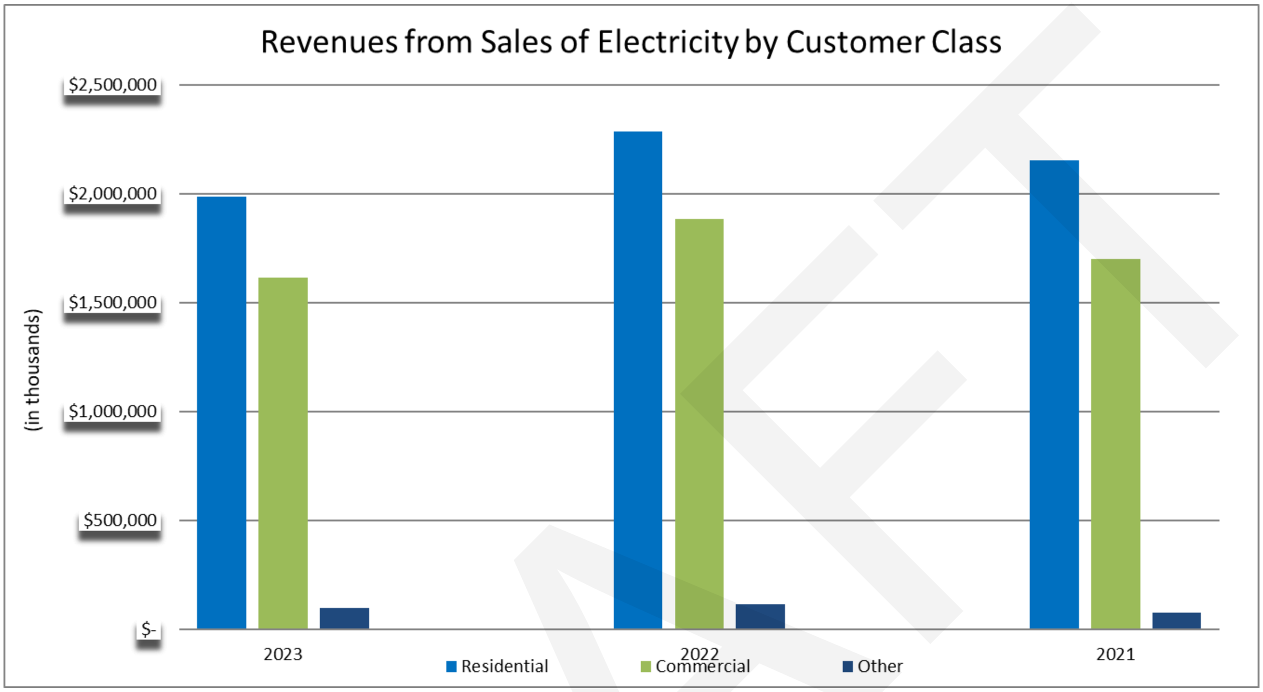
2022 Compared to 2021

Electric operating revenues, net of uncollectible accounts expense, for 2022 totaled $4.28 billion, an increase of $348 million compared to 2021 due to increases in the (i) PSC revenue totaling $346 million; (ii) base delivery revenues of approximately $79 million; (iii) miscellaneous revenues primarily driven by the recognition of late payment charges of $39 million; and (iv) amortization of $5 million of Utility 2.0 revenue collected in prior periods. These increases were partially offset by a decrease of $121 million in the DSA primarily due to lower storm costs.

The following table and chart represent revenue for the years ended December 31, 2023, 2022, and 2021 by customer class (residential, commercial, and other):

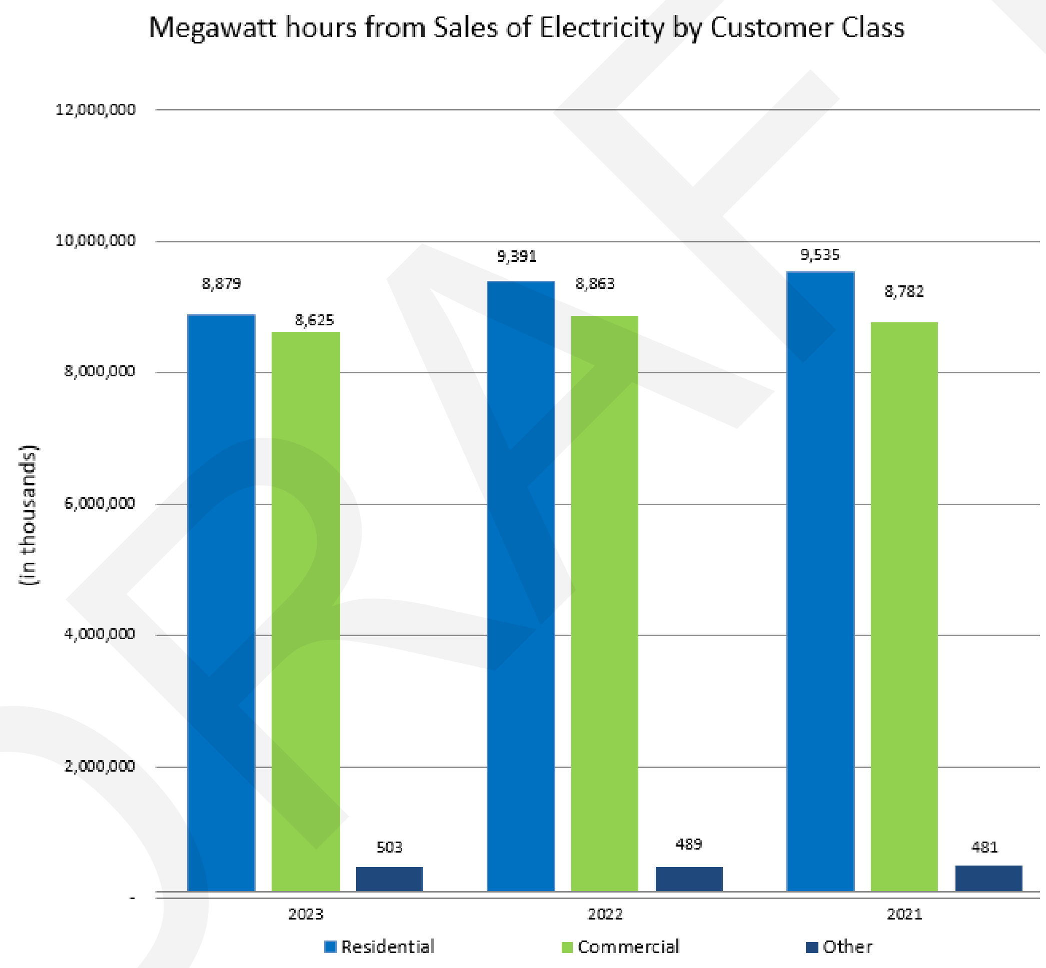
Revenues from sales of electricity:		**2023**	**2022**	**2021**
Residential	$	1,987,845	2,283,553	2,153,778
Commercial		1,612,543	1,881,656	1,700,386
Other		98,445	113,949	76,624
Total revenue, net of uncollectibe accounts expense	$	3,698,833	4,279,158	3,930,788

(Amounts in thousands, unless otherwise stated)



(Amounts in thousands, unless otherwise stated)

The following chart shows megawatt hour (MWh) sales for the years ended December 31, 2023, 2022, and 2021 by customer class (residential, commercial and other). The largest customer in the Service Area (the Long Island Rail Road) accounted for less than 2% of total sales and less than 2% of revenue, and is included in "Other" sales. In addition, the ten largest customers in the Service Area accounted for approximately 8% of total sales and 6% of revenue.



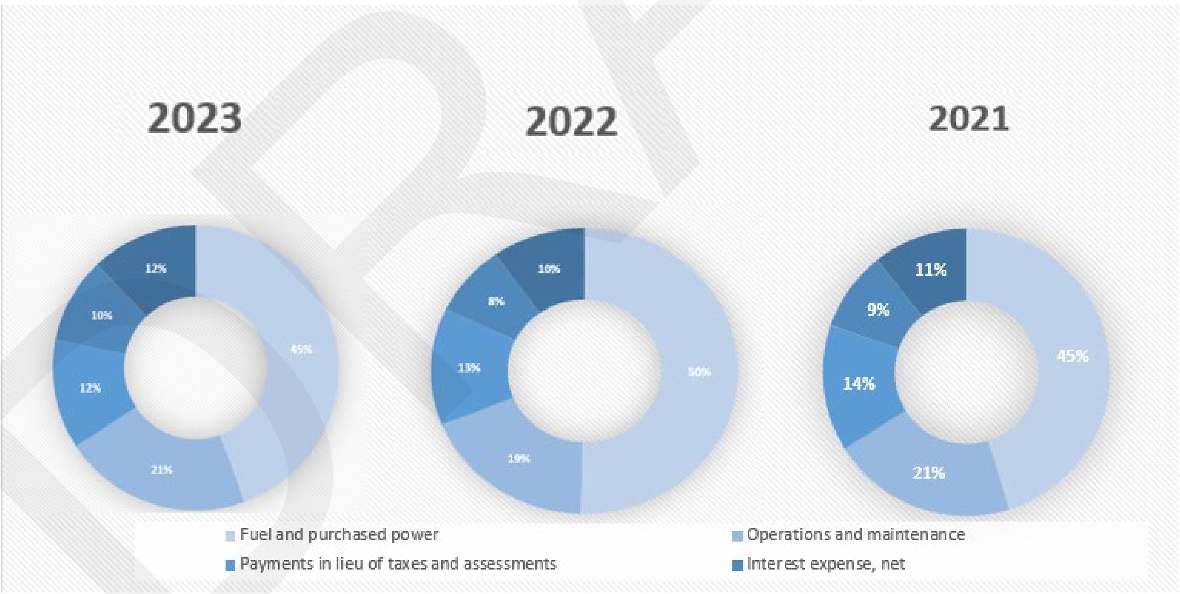
(Amounts in thousands, unless otherwise stated)

Operating and Interest Charges

For the years ended December 31, 2023, 2022, and 2021, LIPA's expenses were comprised of (i) power supply costs; (ii) operations and maintenance expenses; (iii) PILOTs, other taxes, and assessments (including property taxes on generating assets under contract); (iv) interest charges, net; and (v) depreciation and amortization, as shown below:

Operating and interest charges:		**2023**	**2022**	**2021**
Power supply costs	$	1,651,509	2,160,832	1,800,933
Operations and maintenance		791,002	792,204	833,750
Payments in lieu of taxes, other taxes, and assessments*		460,789	568,760	569,445
Interest charges, net		363,393	343,080	357,243
Depreciation and amortization		448,054	422,797	425,898
Total	$	3,714,747	4,287,673	3,987,269

*Amounts for 2023, 2022 and 2021 excludes approximately $126 million, $146 million, and $130 million, respectively, for sales tax revenue collected by LIPA on behalf of local government jurisdictions and remitted to such jurisdictions.



2023 Compared to 2022

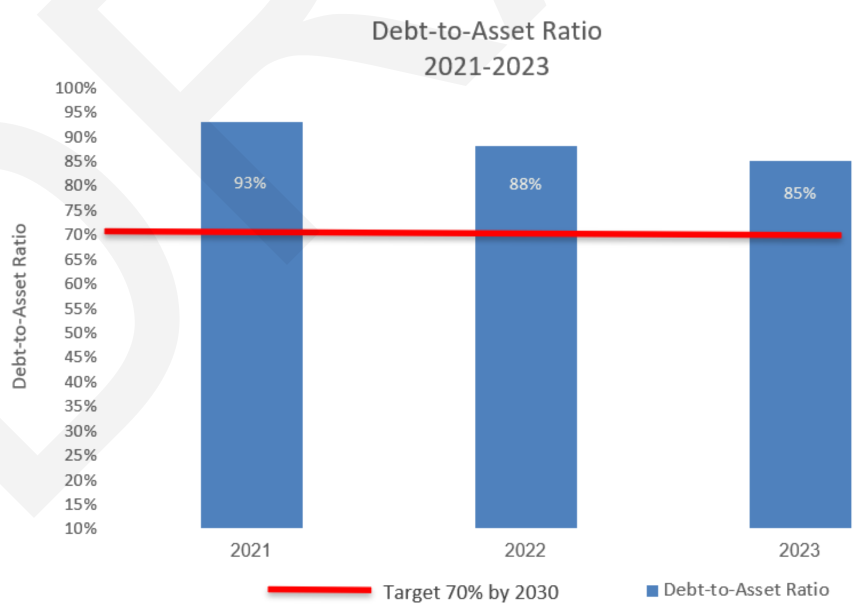
For the year ended December 31, 2023, operating and interest charges totaled $3.71 billion, a decrease of $573 million compared to 2022. The decrease was primarily due to lower (i) power supply costs of $509 million due to lower sales and lower commodity costs, (ii) PILOTs, other taxes, and assessments of $108 million due to a one-time billing adjustment related to the PSA power plant property tax settlements and (iii) operations and maintenance costs of $1 million. These decreases were partially offset by higher depreciation and amortization of $25 million and higher interest charges of $20 million.

2022 Compared to 2021

For the year ended December 31, 2022, operating and interest charges totaled $4.29 billion, an increase of $300 million compared to 2021. The increase was primarily due to higher power supply costs of $360 million. This increase was partially offset by lower (i) operations and maintenance costs of $43 million from lower storm restoration costs; (ii) interest charges of $14 million; (iii) depreciation and amortization of $3 million; and (iv) PILOTs, other taxes, and assessments of $1 million.

Capital Asset and Financing Activities

LIPA's Board financial policy for fiscal sustainability outlines LIPA's goal to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA's assets and result in the lowest long-term cost to customers. To achieve this goal, LIPA seeks to decrease its leverage by reducing its debt-to-assets ratio to 70 percent or less by 2030. LIPA's debt-to-asset ratio has decreased from over 110% as of the end of 2015 to 85% in 2023.



For a full discussion of the Debt-to-Asset ratio calculation, see Note 12(i) of the Notes to the Financial Statements.

(Amounts in thousands, unless otherwise stated)

The financial policy also seeks to provide low-cost funding sources such as grants and to minimize borrowing costs with securitization of debt and tax-exempt financing. Consistent with that policy, as shown below, during 2023 LIPA issued $657 million to refinance certain of its outstanding bonds. In addition, UDSA issued approximately $698 million to refund LIPA and UDSA outstanding indebtedness through the issuance of securitization bonds generating net present value savings of $45 million. In addition, UDSA issued Green Bonds totaling $136 million to support LIPA's resiliency investments. In 2023 and 2022, LIPA and UDSA repaid scheduled debt maturities totaling $295 million and $247 million, respectively.

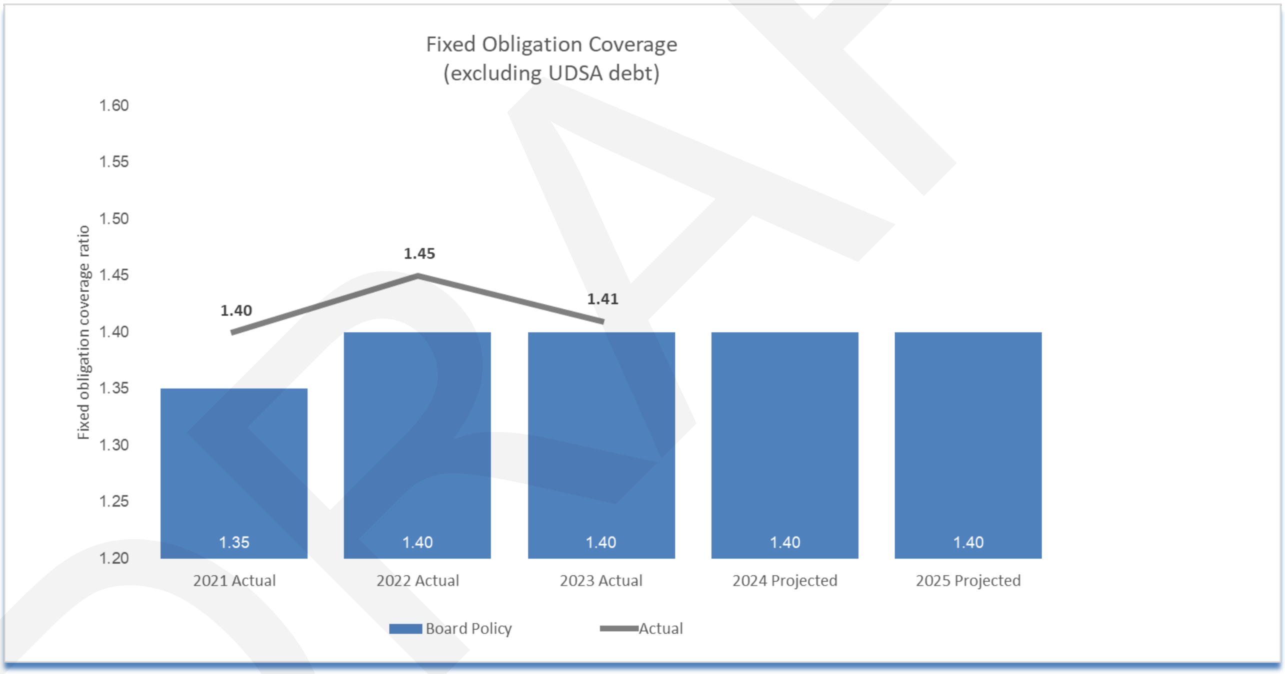
Below is a summary of the financing activity for LIPA and UDSA for the years ended December 31, 2023 and 2022.

		Bonds to fund capital projects	Refinancing/ refunding notes or bonds
2023			
LIPA:			
General Revenue 2023A	$	—	137,000
General Revenue 2023B		—	149,700
General Revenue 2023C		—	63,000
General Revenue Series 2023E		400,000	—
General Revenue Series 2023F		—	179,310
General Revenue Series 2023D		—	128,000
UDSA:			
Restructuring Bonds 2023T		—	36,200
Restructuring Bonds 2023TE-1		—	661,500
Restructuring Bonds 2023TE-2 (Green Bonds)		135,515	—
Total	$	535,515	1,354,710
2022			
LIPA:			
2022A General Revenue Bonds	$	130,360	—
2022B General Revenue Bonds		100,000	—
2022C General Revenue Bonds		—	150,000
UDSA:			
2022T Restructuring Bonds		—	53,585
2022TE-1 Restructuring Bonds		—	787,290
2022TE-2 Restructuring Bonds (Green Bonds)		94,780	—
Total	$	325,140	990,875

For a full discussion on LIPA's debt activities, see Note 12 of the Notes to the Financial Statements.

Fixed Obligation Coverage Ratios

LIPA's Board policy on fiscal sustainability provides minimum fixed obligation coverage ratios to be incorporated into revenue requirements when setting rates annually. As shown in the chart below, the LIPA budget was approved to achieve fixed obligation coverage targets on LIPA-issued debt and lease payments of a minimum of 1.40x for 2023, 1.40x for 2022 and 1.35x for 2021. For 2023, 2022, and 2021, LIPA exceeded its targets by achieving fixed obligation ratios of 1.41x for 2023, 1.45x for 2022, and 1.40x for 2021.

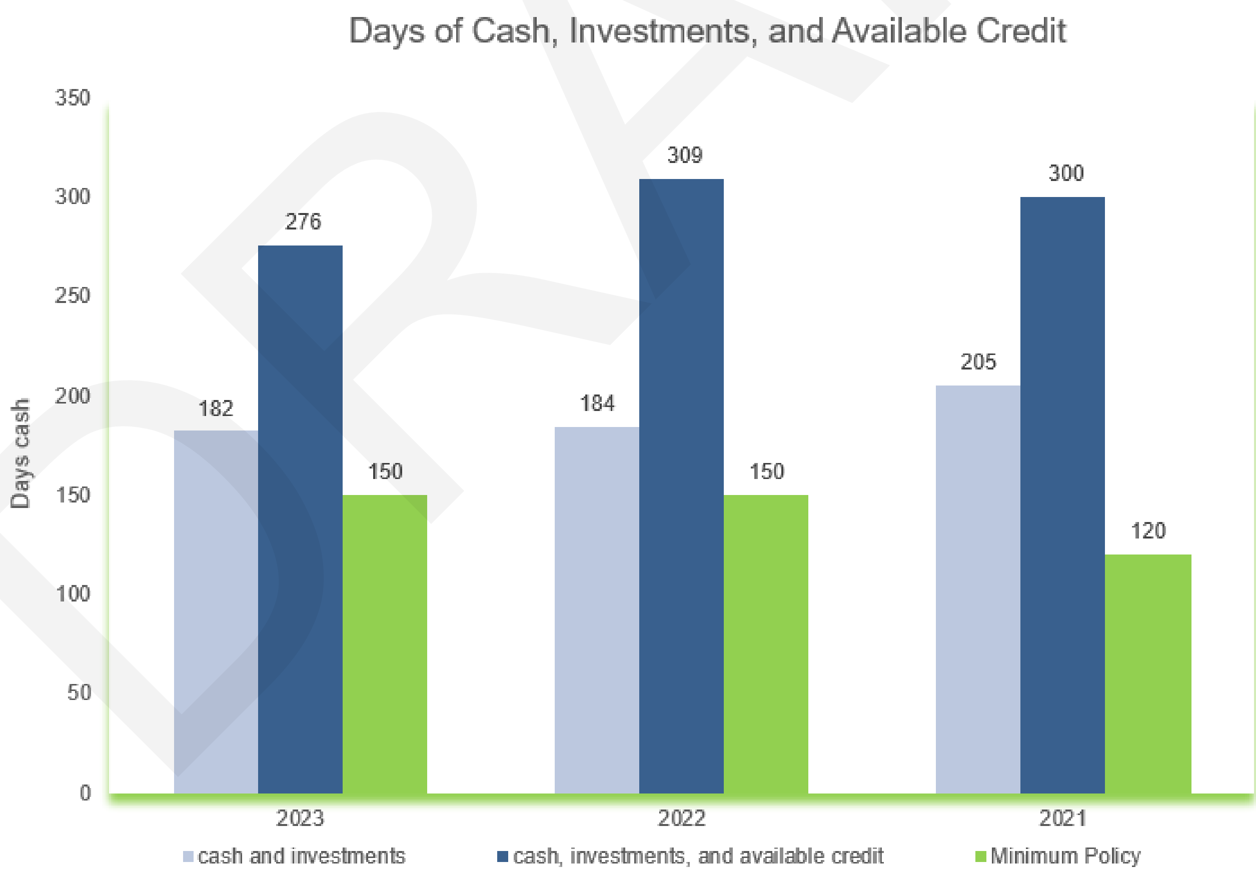


For a full discussion of the fixed obligation coverage ratio calculation, see Note 12() of the Notes to the Financial Statements.

Liquidity and Capital Resources

LIPA's Board policy on fiscal sustainability includes a requirement, among others, to maintain a minimum month-end balance of at least $100 million in the Operating Fund and $150 million in the Rate Stabilization Fund. In 2022, LIPA's Board policy was updated to require overall cash, investments, and available credit of at least 150 days of operating expenses whereas prior to 2022, the overall requirement was 120 days.

As of December 31, 2023, 2022, and 2021, LIPA's available sources of liquidity for operating purposes and capital program funding exceeded the policy target with 276 days, 309 days, and 300 days of cash, investments, and available credit, respectively. This represents cash, cash equivalents, investments, and available credit totaling approximately $2.5 billion, $2.6 billion, and $2.4 billion as of December 31, 2023, 2022 and 2021, respectively.



(Amounts in thousands, unless otherwise stated)

The table below summarizes LIPA's operating liquidity and available credit capacity:

		2023	2022	2021
Operating liquidity				
Unrestricted cash, cash equivalents, and investments	$	685,690	813,585	785,271
OPEB Account cash, cash equivalents, and investments		643,733	522,648	581,261
PSEG Long Island working capital requirements		320,709	228,312	276,391
Total operating liquidity		1,650,132	1,564,545	1,642,923
Available credit				
General Revenue Notes – Revolving Credit Facility		200,000	200,000	198,000
General Revenue Notes – Commercial Paper		655,000	869,000	580,000
Total available credit		855,000	1,069,000	778,000
Total cash, cash equivalents, investments, and available credit	$	2,505,132	2,633,545	2,420,923
Restricted cash and cash equivalents				
Clean Energy Compliance Fund	$	19,991	19,548	8,086
Extraordinary working capital		250,000	—	—
FEMA Grant Proceeds		—	—	1,740
UDSA		114,951	153,150	111,694
Total restricted cash and cash equivalents	$	384,942	172,698	121,520

Funds included in available cash, cash equivalents, and investments

LIPA's available liquidity balances include accounts dedicated to pre-funding PSEG Long Island's working capital needs totaling approximately $321 million, $228 million, and $276 million, as of December 31, 2023, 2022, and 2021, respectively. This represents approximately 35 operating days of cash as of December 31, 2023. These accounts are owned by LIPA and are available only for LIPA's operating and capital costs. The funds are restricted due to a contractual obligation to pre-fund the accounts from which PSEG Long Island, who acts as agent for LIPA, pays expenses related to operating LIPA's electric system; however, LIPA considers these funds to be part of its working capital as these funds are available to meet its operating and capital needs.

LIPA's available liquidity balance also includes an unrestricted OPEB Account established to pre-fund certain future post-employment retirement obligations for PSEG Long Island employees dedicated to LIPA's operations. These post-employment retirement obligations are a contractual obligation of LIPA. However, in the event that revenues are insufficient to pay reasonable and necessary operating expenses, or to make payments on bonds or parity obligations, these funds are available; as such, they are considered unrestricted cash, cash equivalents, and investments. As of December 31, 2023, 2022, and 2021, the unrestricted OPEB Account had approximately $644 million, $523 million, and $581 million on deposit, respectively. This represents approximately 71 days of cash as of December 31, 2023.

Available credit

LIPA maintains a short-term borrowing program to provide resources to meet interim working capital needs, fund its capital program between long-term debt offerings, and meet any cash flow requirements from severe weather events. Among other factors, LIPA's operating and capital needs vary during the year given the summer peaking and seasonal nature of its sales. As of December 31, 2023, 2022 and 2021, the maximum outstanding total short-term borrowings may not exceed $1.2 billion.

The outstanding balance of LIPA's short-term borrowings totaled $345 million, $131 million and $422 million as of December 31, 2023, 2022, and 2021 respectively. The short-term borrowing programs are supported by bank agreements with various expiration dates from 2024 through 2027. Management renews or replaces the bank agreements as needed prior to their expiration. LIPA believes it will have sufficient liquidity to meet its planned operating, maintenance, and capital programs.

Restricted cash, cash equivalents, and investments

LIPA's restricted cash, cash equivalents, and investments as of December 31, 2023, 2022, and 2021, was $385 million, $173 million, and $121 million, respectively. Restricted cash and cash equivalents include amounts related to UDSA debt service payments and required debt service and operating reserves of $115 million, $153 million, and $112 million, as of December 31, 2023, 2022, and 2021, respectively.

In 2021, LIPA borrowed medium-term notes to fund the restoration costs associated with Tropical Storm Isaias while it awaited reimbursement from FEMA. The medium-term notes have a maturity date of September 1, 2025, and LIPA was not required to repay the notes upon reimbursement from FEMA which occurred in 2022; however, as required by tax regulations such funds are required to be held in demand deposit Treasury State and Local Government Series securities (SLGS) and may only be used for extraordinary working capital expenditures (similar to the expenditures that were financed with the proceeds of the 2021 medium-term notes), and as such these funds are being held as restricted.

The remaining restricted balances are related to the amounts collected for the Clean Energy Compliance Fund.

Restricted funds are not included in the days cash calculation.

(Amounts in thousands, unless otherwise stated)

Risk Management

LIPA has a dedicated Enterprise Risk Management department that works with each business unit to identify, assess, develop mitigation actions, and monitor and report on risks. Risk management activities are overseen by the Enterprise Risk Management Committee (ERMC) and significant risks are reported and discussed with LIPA's Finance and Audit Committee of the Board.

As part of risk management, LIPA established a power supply risk management hedging program to mitigate a portion of its exposure to fluctuations in commodity prices on behalf of its customers. These activities are overseen by a Power Supply Risk Management Committee (PRMC). LIPA also hedges its interest rate exposure through certain interest rate derivative instruments that are approved by the PRMC based on the Board policy established for interest rate exchange agreements.

Bond Ratings

LIPA's credit ratings are A2 (Stable) by Moody's Investors Service (Moody's), A (Stable) by Standard and Poor's Global Ratings (S&P), and A (Positive) by Fitch Ratings (Fitch). The 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	2023	2022	2021
Moody's	A2 (Stable)	A2 (Stable)	A2 (Stable)
S&P	A (Stable)	A (Stable)	A (Stable)
Fitch	A (Positive)	A (Positive)	A (Positive)

For the years ended December 31, 2023, 2022 and 2021, UDSA bonds were rated Aaa (sf) by Moody's and AAA (sf) by S&P and Fitch, excluding Series 2022 and Series 2023, for which UDSA did not apply for a Fitch rating.

Certain bonds and notes of LIPA are supported by either a bank letter of credit or are insured against default.

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

December 31, 2023 and 2022

(Amounts in thousands)

Assets and Deferred Outflows of Resources		**2023**	**2022**
Current assets:			
Cash and cash equivalents	$	437,431	609,960
Restricted cash – working capital requirements		207,693	120,724
Restricted cash – LIPA		250,000	—
Restricted cash – UDSA		114,951	153,150
Investments		891,992	726,273
Restricted investments – working capital requirements		133,007	127,136
Counterparty collateral – posted by LIPA		108,039	—
Accounts receivable (less allowance for uncollectible accounts of $30,746 and $56,324 at December 31, 2023 and December 31, 2022, respectively)		458,699	654,786
Other receivables		68,728	52,755
Fuel inventory		174,682	135,846
Material and supplies inventory		115,480	87,346
Commodity derivative instruments		—	97,435
Regulatory assets to be recovered within one year		151,030	156,314
Prepayments and other current assets		45,690	60,093
Total current assets		3,157,422	2,981,818
Noncurrent assets:			
Utility plant and property and equipment, net		10,590,245	10,464,377
Nuclear decommissioning trust fund (NDTF)		178,075	155,368
Other long-term receivables		140,976	189,997
Unrealized charges		4,147	4,833
Financial derivative instruments		23,685	25,457
Commodity derivative instruments		—	66,006
Regulatory assets for future recovery		531,735	570,427
Acquisition adjustment (net of accumulated amortization)		321,138	432,513
Total noncurrent assets		11,790,001	11,908,978
Total assets		14,947,423	14,890,796
Deferred outflows of resources:			
Deferred defeasance costs on debt refunding		120,214	138,391
NMP2 ARO		14,791	—
OPEB expense		3,201	3,511
Pension expense		2,101	2,509
Accumulated decrease in fair value of commodity derivatives		25,016	—
Accumulated decrease in fair value of NDTF		—	10,887
Total deferred outflows of resources		165,323	155,298
Total assets and deferred outflows of resources	$	15,112,746	15,046,094

See accompanying Notes to the Financial Statements.

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Statements of Net Position

December 31, 2023 and 2022

(Amounts in thousands)

Liabilities, Deferred Inflows of Resources and Net Position		**2023**	**2022**
Current liabilities:			
Short-term debt	$	345,000	131,000
Current maturities of long-term debt		82,085	30,115
Current maturities of UDSA debt		204,790	264,660
Current portion of lease and SBITA liabilities		402,086	358,361
Counterparty collateral – held by LIPA		—	134,343
Accounts payable and accrued expenses		439,512	444,205
Regulatory liabilities payable in one year		17,745	186,097
Commodity derivative instruments		56,345	—
Accrued payments in lieu of taxes		11,343	18,021
Accrued interest		67,630	59,556
Customer deposits		34,929	34,209
Total current liabilities		1,661,465	1,660,567
Noncurrent liabilities:			
Long-term debt, net		5,518,877	5,291,235
Long-term UDSA debt, net		3,773,546	3,872,915
Lease and SBITA liabilities		1,428,731	1,769,865
Borrowings		26,130	30,464
Operations Services Agreement – employee retirement benefits		615,890	536,578
Financial derivative instruments		43,166	47,566
Commodity derivative instruments		21,719	—
Regulatory liabilities for future payment		101,245	165,359
Asset retirement obligation		127,028	106,439
Long-term liabilities and unrealized credits		45,955	35,503
Claims and damages		208,788	186,014
Total noncurrent liabilities		11,911,075	12,041,938
Total liabilities		13,572,540	13,702,505
Deferred inflows of resources:			
Regulatory credits – grants		585,775	608,788
Lease revenue		3,031	3,161
OPEB expense		1,663	2,440
Pension expense		125	2,868
Deferred defeasance costs on debt refunding		21,908	—
Accumulated increase in fair value of financial derivatives		23,685	25,457
Accumulated increase in fair value of OPEB dedicated account		70,192	3,543
Accumulated increase in fair value of NDTF		6,406	—
Total deferred inflows of resources		712,785	646,257
Net position:			
Net investment in capital assets		460,406	362,168
Restricted		316,159	166,828
Unrestricted		50,856	168,336
Total net position		827,421	697,332
Total liabilities, deferred inflows of resources, and net position	$	15,112,746	15,046,094

See accompanying Notes to Consolidated Financial Statements.

See accompanying Notes to the Financial Statements

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

(Amounts in thousands)

		2023	2022
Operating revenues – electric sales, net of uncollectible accounts expense	$	3,698,833	4,279,158
Operating expenses:			
Operations – power supply charge		1,651,509	2,160,832
Operations – power supply charge – property taxes		107,961	208,715
Operations and maintenance		717,230	719,626
Storm restoration		23,033	32,520
General and administrative		50,739	40,058
Depreciation and amortization		448,054	422,797
Payments in lieu of taxes and assessments		352,828	360,045
Total operating expenses		3,351,354	3,944,593
Operating income		347,479	334,565
Nonoperating revenues and expenses:			
Other income, net:			
Investment income, net		74,630	32,649
Grant income		24,575	23,399
Other		8,392	4,561
Subtotal		107,597	60,609
Nuclear decommissioning trust fund income		5,114	7,928
Deferred grant income amortization		17,635	17,367
Carrying charges on regulatory assets		15,657	17,564
Subtotal		38,406	42,859
Total other income, net		146,003	103,468
Interest charges and (credits):			
Interest on debt		409,612	375,466
Other interest		22,206	27,875
Other interest amortizations		(68,425)	(60,261)
Total interest charges, net		363,393	343,080
Change in net position		130,089	94,953
Net position, beginning of year		697,332	602,379
Net position, end of year	$	827,421	697,332

See accompanying Notes to the Financial Statements.

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

[illegible]

[illegible]

		2023	2022
[illegible]			
[illegible]	$	4,203,993	4,656,062
[illegible]			
[illegible]		(747,793)	(615,496)
[illegible]		(1,399,550)	(1,959,819)
[illegible]		(107,961)	(208,715)
[illegible]		(356,436)	(521,664)
[illegible]		(242,382)	253,308
[illegible]		(184,000)	(30,000)
[illegible]		1,164,471	1,345,676
[illegible]			
[illegible]		54,156	8,979
[illegible]		–	322,742
[illegible]		–	1,178
[illegible]		(446,634)	–
[illegible]		(5,871)	–
[illegible]		(63,300)	(63,300)
[illegible]		(32,649)	296,599
[illegible]			
[illegible]		71,691	303,238
[illegible]		675,000	935,000
[illegible]		(461,000)	(1,226,000)
[illegible]		(2,500)	(2,500)
[illegible]		283,191	9,738
[illegible]			
[illegible]		(738,570)	(679,500)
[illegible]		(361,469)	(386,989)
[illegible]		2,014,488	1,458,197
[illegible]		–	8,257
[illegible]		(9,421)	(9,122)
[illegible]		(13,110)	(27,144)
[illegible]		(200,122)	(169,955)
[illegible]		(32,235)	(69,735)
[illegible]		(716,688)	(367,504)
[illegible]		(68,933)	–
[illegible]		(713,513)	(702,279)
[illegible]		(184,539)	(173,394)
[illegible]		(264,660)	(177,511)
[illegible]		(1,288,772)	(1,296,679)
[illegible]		126,241	355,334
[illegible]		883,834	528,500
[illegible]	$	1,010,075	883,834

[illegible]

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

(Amounts in thousands)

		2023	2022
Reconciliation to net cash provided by operating activities:			
Operating income	$	347,479	334,565
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		448,054	422,797
Other post-employment benefits, non–cash expense		19,506	42,906
Nuclear fuel burned		11,071	10,176
Shoreham and VBA surcharges		42,392	52,275
Accretion of asset retirement obligation		263	4,915
Changes in operating assets and liabilities:			
Accounts receivable, net of allowance for uncollectible accounts		214,343	(27,973)
Regulatory assets and liabilities		(255,898)	779,986
Fuel and material and supplies inventory		(66,970)	(24,036)
Accounts payable, accrued expenses, and other		404,231	(249,935)
Net cash provided by operating activities	$	1,164,471	1,345,676

See accompanying Notes to the Financial Statements.

(1) Nature of Operations

The Long Island Power Authority (LIPA) is the owner of the electric transmission and distribution (T&D) system located in the Counties of Nassau and Suffolk (with certain limited exceptions) and a portion of Queens County known as the Rockaways (Service Area) and is responsible for supplying electricity to customers within the Service Area. LIPA also owns an undivided 18% interest in the Nine Mile Point Unit 2 (NMP2) generating facility, located in upstate New York.

LIPA was established as a corporate municipal instrumentality of the State of New York (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 subject to the LIPA Reform Act (Reform Act) which was passed and codified as Chapter 173, Laws of New York on June 21, 2013, by the New York State Assembly and Senate. The Reform Act is divided into two parts, Part A and Part B.

Part A of the Reform Act addressed the organization of LIPA and Part B, referred to as the Securitization Law, created the Utility Debt Securitization Authority (UDSA). The Securitization Law provided a legislative foundation for UDSA to issue restructuring bonds to allow LIPA to retire a portion of its outstanding indebtedness, providing debt service savings to LIPA's customers on a net present value basis. In 2020, LIPA sought a change to permit UDSA to issue additional securitized bonds for refinancing, storm hardening, and resiliency purposes. The legislation authorizing the change was signed into law on August 2, 2021. With these legislative changes, UDSA may issue an initial par up to $8.0 billion of securitized bonds, inclusive of the bonds already issued.

UDSA has a governing body separate from that of LIPA and has no commercial operations. For a further discussion on UDSA, see Note 4.

LIPA has operating agreements with service providers to provide the majority of services necessary to serve LIPA's customers and has power purchase agreements to meet the majority of its power supply needs. Below is a summary of LIPA's primary operating agreements:

Second Amended and Restated Operations Services Agreement (Second A&R OSA): Effective January 1, 2014, PSEG Long Island LLC (PSEG Long Island), a wholly owned subsidiary of Public Service Enterprise Group (PSEG), fully dedicated to LIPA's Long Island operations, provides operations, maintenance, and related services for the T&D system under the Operations Services Agreement.

In April 2022, LIPA and PSEG Long Island began operating under a new, reformed contract, the Second Amended and Restated Operations Services Agreement. This reformed contract increases the amount of PSEG Long Island's annual compensation at risk from $10 million to $40 million; subjects PSEG Long Island to up to 110 detailed Performance Metrics set annually by the Board with a recommendation by the DPS to ensure PSEG Long Island meets the Board's strategic direction for service to customers and industry best practices; includes both new and strengthened termination rights and automatic compensation reductions (i.e. default and gating Performance Metrics) for failures to meet minimum emergency response, customer satisfaction, cybersecurity, and reliability standards; provides a new DPS investigative process to reduce compensation for failures to provide safe, adequate, and reliable service to customers; requires PSEG Long Island to implement plans to fix known operational issues identified by LIPA staff or the DPS, with oversight by the Board; strengthens PSEG Long Island's dedicated management team with new positions for Chief Information Officer, Chief Information Security Officer, Vice President for Business Services, Director of

Human Resources, and Director of Emergency Response; ensures that all Long Island employees report to managers dedicated to Long Island operations and links the compensation for all PSEG Long Island employees to Service Area performance; includes a Duty of Candor with a termination right for failure to timely and accurately disclose significant operational issues that impair PSEG Long Island's ability to provide reliable service, emergency response, cybersecurity, financial impairment, noncompliance with laws, or circumstances that may endanger public health, safety, and welfare; includes new standards requiring greater long-term planning, transparency, and accountability for delivering projects and services on time and within budget; requires PSEG Long Island to demonstrate cost savings or improved service for hiring or retaining PSEG affiliates to perform services for LIPA; requires the separation of all LIPA information technology systems from those of PSEG affiliates pursuant to a plan approved by the Board on September 28, 2022; provides LIPA with new rights to independently test and validate the performance of mission-critical information technology systems, such as those that failed during Tropical Storm Isaias; and eliminates PSEG Long Island's eight-year term extension option; instead, the Second A&R OSA will expire on December 31, 2025. The reformed contract was approved by LIPA's Board on December 15, 2021, approved by the New York State Attorney General on January 6, 2022, and was approved by the State Comptroller on April 1, 2022.

During the years ended December 31, 2023 and 2022, PSEG Long Island was paid a management fee totaling approximately $60 million and $57 million, respectively. For 2022, PSEG Long Island earned an incentive fee totaling $15 million. For 2023 under the reformed contract, PSEG Long Island may earn variable compensation of up to approximately $23 million, which will be determined by June 2024.

Amended and Restated Power Supply Agreement (A&R PSA): The A&R PSA, which became effective on May 28, 2013, is the successor agreement to the original PSA between National Grid and LIPA. The A&R PSA provides for the sale to LIPA by National Grid of all the capacity, energy, and ancillary services from the oil and gas-fired generating plants on Long Island formerly owned by the Long Island Lighting Company (LILCO). Sales are at cost-based rates, based on wholesale rates regulated by the Federal Energy Regulatory Commission (FERC), which may be modified in accordance with the terms of the A&R PSA for: (i) agreed upon labor and expense indices applied to the base year; (ii) a return of and return on net capital additions, which require approval by LIPA; and (iii) certain reasonably incurred expenses that are outside of the control of National Grid. The annual capacity charge in 2023 and 2022 was approximately $316 million and $437 million, respectively. The 2023 annual capacity charge was impacted by a one-time billing adjustment related to the PSA power plant property tax settlements. The variable charge under both the PSA and A&R PSA is constant at $0.90 per megawatt hour of electric energy generated by the plants. The A&R PSA expires on April 30, 2028.

The A&R PSA has provisions for penalties in the event that annual guarantees for heat rate and unforced capacity are not met. No penalties were assessed in either 2023 or 2022.

In addition to the PSA, LIPA is party to several power purchase agreements with other third-party generators for approximately 1,800 megawatts of capacity and related products.

Fuel Management Agreement and Power Supply Management Agreement: PSEG Energy Resources and Trade LLC (PSEG ER&T) provides fuel management services for both the National Grid generating facilities under contract by LIPA and the other units in LIPA's energy supply portfolio. Certain other services related to power supply management and commodity activities are also provided by PSEG ER&T. During the years ended December 31, 2023 and 2022, PSEG ER&T was paid a management fee totaling approximately $20 million and $19 million respectively. The agreements with PSEG ER&T expire December 31, 2025.

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

LIPA complies with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). LIPA's financial statements report certain transactions in accordance with GASB Codification Section RE10, *Regulated Operations* which requires that the effects of the rate-making process be recorded in the financial statements.

LIPA's reporting entity is comprised of itself and (i) its operating subsidiary, LILCO, a wholly owned subsidiary of the Long Island Power Authority, doing business as LIPA; and (ii) UDSA, as blended component units. All significant transactions between LIPA, LILCO, and UDSA have been eliminated.

In 2017, LIPA established a legally separate trust under Section 115 of the Internal Revenue Code known as the Long Island Power Authority OPEB Trust (OPEB Trust) to fund LIPA's Other Post-Employment Benefit Plan (OPEB) which provides health care benefits to LIPA's qualified retired employees. For further discussion, see Note 11 (f).

(b) Estimates

The accompanying financial statements were prepared in conformity with U.S. generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period as well as the reported amounts of assets and liabilities, including disclosure of contingent assets and liabilities, through the date of the financial statements. Actual results could differ from those estimates.

(c) Cash, Cash Equivalents, and Investments (including Restricted)

Cash and cash equivalents, and restricted cash and cash equivalents, include all highly liquid financial instruments with a maturity of three months or less when purchased.

Funds held by LIPA are administered in accordance with LIPA's investment policies pursuant to Section 2925 of the New York State Public Authorities Law. These policies comply with the New York State Comptroller's investment guidelines for public authorities. Investments' carrying values are reported at fair market value.

Certain amounts have been restricted for specific purposes. For a further discussion, see Note 11(b).

(d) Counterparty Collateral

LIPA and certain of its commodity counterparties require collateral posting for mark-to-market valuations that exceed established credit limits. As of December 31, 2023, LIPA posted approximately $108 million of counterparty collateral. As of December 31, 2022, LIPA held $134 million of counterparty collateral.

(e) Material and Supplies Inventory

The material and supplies inventory supports the operations and maintenance of the T&D system. The inventory is accounted for on a weighted average cost basis of accounting.

LIPA also owns 18% of the material and supplies inventory needed to support the operation of the NMP2 nuclear power station. As of December 31, 2023 and 2022, the value of the NMP2 inventory totaled approximately $17 million and $14 million, respectively.

(f) Other Receivables and Other Long-Term Receivables

The current portion of other receivables is comprised primarily of non-electric billings such as insurance damage claims.

The noncurrent portion of other long-term receivables are comprised primarily of (i) the balance of the Federal Emergency Management Agency (FEMA) public assistance mitigation grant; (ii) the net present value of the reimbursable costs to construct the interconnection facilities related to the Neptune cable, which is to be paid to LIPA over a 20-year period that commenced in 2007; and (iii) a receivable resulting from a long-term land lease.

(g) Acquisition Adjustment

The Acquisition Adjustment, an intangible asset, represents the difference between the purchase price paid and the net assets acquired from LILCO. The Acquisition Adjustment is being amortized on a straight-line basis through 2026 totaling $111 million annually.

(h) Lease and Subscription-Based Information Technology Arrangements (SBITA) Liabilities

During 2023, LIPA adopted GASB Statement No. 96*, Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 defines a Subscription Based Information Technology Arrangement (SBITA) as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (with underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB Statement No. 96 requires the recognition of a subscription liability and an intangible asset representing the right to use the subscription asset at the commencement of the subscription term. As a result of the adoption of GASB Statement No. 96, LIPA recognized an increase in Utility plant and property and equipment for the years ended December 31, 2023 and 2022 of approximately $10 million and $11 million, respectively, and an increase in SBITA obligations of $8 million and $9 million, respectively. GASB Statement No. 96 had no impact on LIPA's Statements of Revenues, Expenses and Changes in Net Position.

The lease and SBITA liabilities represent the net present value of various contracts including capacity and/or energy of certain generation and transmission facilities, fleet vehicles, certain facilities, and SBITAs. The capacity and energy contracts are recognized in power supply expense in an amount equal to the contract payment of the leases, as allowed through the rate-making process. The value of the asset and the obligation is reduced each month to properly reflect the remaining net present value of the asset and obligation. The remaining leases and SBITAs are recognized in operating expense in an amount equal to the contract payment of the agreement consistent with LIPA's rate-making process. Effective in 2023, fleet vehicles are no longer leased and are not a component of the lease liability.

(i) Reclassifications

As a result of the adoption of GASB Statement No. 96, LIPA also reclassed approximately $1 million from prepayments and other current assets to Lease and SBITA obligations. These amounts were prepaid subscriptions that qualified for recognition under GASB Statement No.96 and are offsetting the related obligations.

(j) Fuel Inventory

LIPA owns the fuel oil used in the generation of electricity at the facilities under contract. Fuel inventory represents the value of low sulfur residual oil and other liquid fuels that LIPA had on hand at each year-end. Fuel inventory is valued using the weighted average cost method. At the time of consumption, an expense is recorded at the weighted average cost.

(Amounts in thousands, unless otherwise stated)

(k) Borrowings

Borrowings represent the unamortized balance of cash premiums received at the time of entering into certain financial derivative instruments. LIPA is amortizing such premiums over the life of the instrument in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB Statement No. 53).

(l) Commodity and Financial Derivative Instruments

Commodity and financial derivative instruments represent the amount LIPA estimates it would receive or be required to pay in order to terminate its commodity and financial derivative instruments, which approximates fair value.

(m) Asset Retirement Obligations (ARO)

Constellation Energy Generation (Constellation), NMP2's majority shareholder, is a FASB reporting entity and as such LIPA estimated its ARO in accordance with FASB Accounting Standards Codification (ASC) 410, Asset Retirement and Environmental Obligations (FASB ASC 410). LIPA recorded its 18% share of accretion expense and change due to updates from Constellation's annual review and analysis of the NMP2 ARO. The 2023 analysis resulted in increasing LIPA's share of the NMP2 ARO liability by approximately $15 million. The change was attributable to the increase in escalation rates in assumptions of certain cost categories. Changes in ARO as a result of study updates are recognized in Deferred Inflows and Outflows of Resources. The NMP2 plant has a remaining license term to 2046. The ARO is continually reviewed for adequacy and any necessary changes are updated annually.

LIPA also has a legal obligation to remove certain of its contracted undersea cables in its transmission agreements. Removal of undersea cables pose many potential environmental issues and removal of such cables are rarely completed. Since the timing and extent of any potential asset retirement is unknown, the fair value of any obligations associated with such removal cannot be reasonably estimated.

A summary of LIPA's ARO activity for the years ended December 31, 2023 and 2022 is included below:

		2023	2022
Asset retirement obligation:			
Balance at January 1	$	106,439	90,746
Change due to updates		14,907	10,778
Accretion expense		5,682	4,915
Balance at December 31	$	127,028	106,439

(n) Long-Term Liabilities and Unrealized Credits

Long-term liabilities and unrealized credits consist primarily of the advance deposits related to construction.

(Amounts in thousands, unless otherwise stated)

(o) Claims and Damages

Losses arising from claims including workers' compensation claims, property damage, property tax litigation and general liability claims are partially self-insured. Reserves for these claims and damages are established if it is probable that a loss has been incurred and the amount can be reasonably estimated.

(p) Revenues

Operating revenues are comprised of cycle billings for electric service rendered to customers based on meter reads and the accrual of revenues for electric service rendered to customers not billed at year-end. LIPA accrues unbilled revenues by estimating unbilled consumption at the customer meter. Unbilled revenues totaled $166 million and $204 million as of December 31, 2023 and 2022, respectively.

LIPA recognizes an estimate for uncollectible accounts for its receivables related to electric service based upon its historical experience with collections. LIPA records bad debts for its estimated uncollectible accounts related to electric service as a reduction to related operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position. Bad debt expense totaled $49 million and $36 million as of December 31, 2023 and 2022, respectively.

(q) General and Administrative

General and administrative expenses are comprised of operating costs of LIPA. Costs associated with its Service Provider, PSEG Long Island, are a component of Operations and Maintenance Expenses.

(r) Depreciation and Amortization

The provisions for depreciation for utility plant result from the application of straight-line rates determined by age life studies of assets in service. The rates are applied to groups of depreciable properties. The average composite depreciation rates were 3.01% and 2.93% for 2023 and 2022, respectively. Property and equipment are being depreciated over its estimated useful life using the straight-line method.

Separately, leasehold improvements are being amortized over the lesser of the life of the assets or the term of the lease, using the straight-line method. Lease and SBITA assets are being amortized over the term of the lease using the effective interest rate method to be consistent with the amortization of the related obligation. The following estimated useful lives are used for utility property:

Category	Useful life
Generation – nuclear	46–54 years
Transmission and distribution	40–75 years
Common	5–55 years
Nuclear fuel in process and in reactor	6 years
Generation assets under lease	10–25 years

(s) Long-Lived Assets

Long-lived assets and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that there is a significant unexpected decline in the service utility of a capital asset. There were no impairment charges recognized in 2023 or 2022.

(t) Payments-in-Lieu-of-Taxes

LIPA makes payments-in-lieu-of-taxes (PILOTs), including for gross income, property, and to the Metropolitan Transportation Authority. In addition, LIPA has entered into various PILOT arrangements for property it owns, upon which generation plants have been built.

(u) Income Taxes

LIPA is a political subdivision of the State and, therefore, is exempt from Federal, state, and local income taxes.

(v) Fair Value Measurements

GASB Statement No. 72*, Fair Value Measurement and Application* (GASB Statement No. 72), establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity- specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, this information might not be available.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as described below:

Level 1 – measurements that use quoted or published prices (unadjusted) for identical assets or liabilities in active markets that LIPA has the ability to access at the measurement date.

Level 2 – measurements other than quoted or published prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – measurements that use unobservable inputs for an asset or liability. In some valuations, the inputs used may fall into different levels of hierarchy. In these cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For a further discussion on the fair value hierarchy levels of LIPA's derivatives and investments, see Notes 8 and 11.

(w) Recent Accounting Pronouncements Not Yet Adopted

GASB Statement No. 101, Compensated Absences, requires that liabilities for compensated absences be recognized for (i) leave not used and (ii) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are active for periods beginning after December 15, 2023.

LIPA is currently evaluating the impact of statements effective for future periods on the accompanying financial statements.

(3) Rate Matters

LIPA is empowered by the LIPA Act to set rates for electric service in its Service Area without being required to obtain the approval of the DPS or any other State regulatory body. The LIPA Act requires that any bond resolution of LIPA contain a covenant that it will at all times maintain rates, fees, or charges sufficient to pay the costs of: operation and maintenance of facilities owned or operated by LIPA; PILOTs; renewals, replacements, and capital additions; and the principal of, and interest on, any obligations issued pursuant to such resolution as the same become due and payable. In addition, LIPA must establish or maintain reserves or other funds or accounts required or established by or pursuant to the terms of such resolution.

In 2013, the Reform Act established a rate review process that required LIPA and PSEG Long Island submit for review to DPS a three-year rate proposal for rates and charges that took effect on January 1, 2016. Subsequent to the rate proposal period, LIPA and PSEG Long Island are required to submit a proposed rate increase for DPS review if it would increase the rates and charges by an amount that would increase LIPA's annual revenues by more than 2.5%. LIPA's Board retains final rate-setting power. LIPA's annual base rate increase has not exceeded the 2.5% threshold since the three-year rate plan expired at the end of 2018; therefore, no such rate proposal has been submitted to the DPS, although LIPA provides DPS with its budgets and rate adjustments.

LIPA has a cost reconciliation mechanism, referred to as the Delivery Service Adjustment (DSA), to reconcile certain specified budgeted costs to actual costs in each year. The DSA provides cost recovery or refunding of overcollections for certain items that vary due to external factors, including: debt service (variances in interest rates and capital expenditures), storm restoration expenditures (variances from the budget for storm restoration expenses), non-storm emergency costs, bad debt expense, and PSEG Long Island pension and OPEBs. For debt service, any differences between the actual payments and the amount included in the approved budget and approved delivery rates are charged or refunded to customers in the following year, including an allowance for fixed obligation coverage at the factor specified in the Board's financial policy. For storm restoration expenditures, if actual storm restoration costs to be recovered from customers are lower than the budgeted costs, such balances will be managed as a regulatory storm reserve to offset future storm expenditures. If actual storm restoration costs are higher than the budgeted costs, one-third of that balance will be recovered in the subsequent recovery period and the remaining two-thirds will be eligible for recovery during a future recovery period and remain as a regulatory asset.

Eligible non-storm emergency costs are incremental costs authorized by the Board (net of anticipated grant reimbursements) for emergencies other than storms. Eligible bad debt costs are limited to variances of accrued uncollectible expense from the amount in a Board-approved budget during periods affected by a government ordered or Board authorized moratorium on service disconnections and for up to two years following the end of such moratorium. The moratorium on disconnections for nonpayment ended on May 1, 2022 and as such DSA modification will end on May 1, 2024. Eligible PSEG Long Island pension and OPEB expenses are variances from the amount in a Board-approved budget, related to the service provider's operations, excluding variances in pension and OPEB expenses allocated to capital, storms, or Utility 2.0 (as such variances are already eligible for recovery in other riders).

The DSA is calculated through the end of September each year, which allows for the bill impact to be known in advance of the annual budget approval. Any adjustments are reviewed by DPS and implemented on January 1st for recovery (or refund) over the following 12 months.

LIPA also has a Revenue Decoupling Mechanism (RDM). All six of the investor-owned New York State electric utilities also have RDMs within their tariffs for delivery service. Mechanically, RDMs function by comparing actual delivery service revenues with authorized delivery service revenues and crediting (or collecting) any differences to (or from) customers in future periods. RDMs are intended to cover all sources of variances in delivery service revenues including, among other things, variances attributable to the implementation of energy efficiency or net metering above or below forecasted levels, variances caused by warmer or cooler than normal weather, and variances that result from unforeseen changes in economic conditions.

In addition to the items discussed above, LIPA's tariff also includes: (i) a Power Supply Charge to allow for adjustments to customers' bills to reflect changes in the cost of fuel, purchased power, and related costs; (ii) a PILOTs recovery rider to allow rate adjustments to accommodate changes in revenue-based PILOTs; (iii) a rider providing for the recovery of costs associated with the Shoreham Property Tax Settlement; (iv) a rider to recover the costs of LIPA's distributed energy resources and energy efficiency programs; (v) a rider providing for the collection of the New York State assessment imposed by the New York State Legislature; and (vi) undergrounding surcharges for customers located in participating municipalities.

(4) Component Unit – Utility Debt Securitization Authority

The Reform Act created the Securitization Law, which established UDSA to permit the issuance of restructuring bonds to allow LIPA to retire a portion of its outstanding indebtedness in order to provide debt service savings to LIPA's customers as measured on a net present value basis. The Securitization Law allowed for a total issuance of up to $4.5 billion of UDSA restructuring bonds. In 2017, all such authorization was exhausted. However, in 2020, LIPA sought a change to permit UDSA to issue additional securitized bonds for refinancing, storm hardening, and resiliency purposes. The legislation authorizing the change was signed into law on August 2, 2021, and allows UDSA to issue an initial par up to $8.0 billion of securitized bonds (inclusive of the bonds already issued).

During 2022, LIPA's Board adopted additional Financing Orders No. 6, No. 7, No. 8, and No. 9. On August 2, 2022, UDSA's Board of Trustees approved the issuance of Series 2022 bonds in an amount not to exceed $1.3 billion pursuant to Financing Order No. 6. On September 29, 2022, UDSA issued $54 million Series 2022 Taxable Restructuring Bonds, $787 million Series 2022 Tax-Exempt Restructuring Bonds, and $95 million Series 2022 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus $91 million of premium received, refunded $852 million of LIPA and UDSA debt and funded $100 million of LIPA resiliency investments. The 2022 UDSA Restructuring Bonds generated total net present value debt service savings of $42 million for LIPA's customers.

During 2023, 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. On December 15, 2023, UDSA issued $36 million Series 2023 Taxable Restructuring Bonds, $662 million Series 2023 Tax-Exempt Restructuring Bond, and $136 million Series 2023 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus $57 million of premium received, refunded $750 million of LIPA and UDSA debt and funded $141 million of LIPA resiliency investments. The 2023 UDSA Restructuring Bonds generated net present value debt service savings of $45 million for LIPA's customers. After this transaction, the remaining statutory capacity will be approximately $1.7 billion.

UDSA refinancings have saved LIPA customers $579 million of net present value debt savings since 2013.

(Amounts in thousands, unless otherwise stated)

Each issuance of restructuring bonds is separately secured by distinct collateral pursuant to a new financing order. Each financing order is substantively the same and authorizes restructuring bonds to be repaid pursuant to that financing order by an irrevocable contract right to impose, bill, and collect a non-bypassable consumption-based Restructuring Charge from all existing and future retail customers taking electric transmission or distribution service within the Service Area from LIPA or any of its successors or assignees.

Below is a summary of each financing order and initial par amounts issued:

Financing Order	Date Issued	Initial Amount Issued	Amount Outstanding	Net Present Value Savings	Restructuring Charge Rate Effective Date
Financing Order No. 1	December 18, 2013	$ 2,022,324	—	131,609	Not Applicable*
Financing Order No. 2	October 27, 2015	1,002,115	955,255	127,978	January 1, 2016
Financing Order No. 3	April 7, 2016	636,770	553,805	115,238	April 7, 2016
Financing Order No. 4	September 8, 2016	469,320	127,510	71,647	September 8, 2016
Financing Order No. 5	November 21, 2017	369,465	283,905	45,387	January 1, 2018
Financing Order No. 6	September 29, 2022	935,655	902,655	42,080	October 3, 2022
Financing Order No. 7	December 15, 2023	833,215	833,215	44,646	December 15, 2023
		$ 6,268,864	3,656,345	578,585	

*Restructuring Bonds, Series 2013 were fully refunded in 2023 and a restructuring charge for Financing Order No. 1 is no longer required.

To pass through the benefits of securitization to customers, LIPA modified its rate structure to create restructuring offset charges, which are in an amount equal to and opposite the Restructuring Charges; the net result is that the customer bill is less than it would have been absent the sale of restructuring bonds. The restructuring offset charges are adjusted coincident with changes to the Restructuring Charges to maintain that equality.

As discussed in Note 2 (a), UDSA is a component unit of LIPA and all the activities and balances of UDSA are blended into and reported as part of LIPA. See Note 17 for condensed financial information.

(Amounts in thousands, unless otherwise stated)

(5) Regulatory Accounting

LIPA's Board has approved various regulatory mechanisms that result in timing differences between the recognition of revenues and expenses for rate-making purposes and treatment under U.S. generally accepted accounting principles for non-regulated entities. These actions result in regulatory assets and liabilities, which are summarized in the table below:

		2023			2022		
		Current	Noncurrent	Total	Current	Noncurrent	Total
Regulatory assets:							
OSA – employee retirement benefits	$	11,554	—	11,554	19,481	—	19,481
Shoreham property tax settlement		51,386	230,376	281,762	50,300	257,135	307,435
Property tax litigation		—	154,067	154,067	—	120,083	120,083
Delivery service adjustment		12,091	—	12,091	—	40,995	40,995
Employee benefit plan settlement		15,634	15,634	31,268	15,634	31,268	46,902
Power supply charge recoverable		3,353	31,964	35,317	66,835	37,829	104,664
Debt issuance costs		2,573	16,918	19,491	2,804	22,283	25,087
Revenue decoupling mechanism		15,192	22,833	38,025	—	12,155	12,155
Unfunded actuarially determined reserves		—	8,132	8,132	—	8,132	8,132
Southampton visual benefit assessment		1,211	3,246	4,457	1,260	4,218	5,478
Unrealized financial derivative losses		—	33,553	33,553	—	36,329	36,329
Unrealized commodity derivative losses		38,036	15,012	53,048	—	—	—
Total regulatory assets	$	151,030	531,735	682,765	156,314	570,427	726,741
Regulatory liabilities:							
Unrealized commodity derivative gains		—	—	—	97,435	66,006	163,441
OSA – employee retirement benefits		—	33,841	33,841	—	79,887	79,887
Revenue decoupling mechanism		—	—	—	65,010	—	65,010
Utility 2.0		15,198	—	15,198	20,222	—	20,222
Power supply charge refundable		—	19,992	19,992	—	19,466	19,466
Distributed energy resources		779	—	779	1,881	—	1,881
Delivery service adjustment		—	47,412	47,412	1,538	—	1,538
New York State assessment		1,768	—	1,768	11	—	11
Total regulatory liabilities	$	17,745	101,245	118,990	186,097	165,359	351,456

(a) OSA – Employee Retirement Benefits

LIPA is responsible for reimbursing PSEG Long Island for retirement benefit costs associated with the PSEG Long Island workforce. The PSEG Long Island workforce includes both electric-serving employees hired under the expired Management Services Agreement (MSA) with National Grid (referred to as transitioned employees) and PSEG Long Island employees hired since the beginning of the OSA on January 1, 2014. The retirement benefit plans are owned, sponsored by, and the legal obligation of PSEG Long Island. However, in most cases, PSEG Long Island employee compensation costs are a contractual cost of LIPA under the OSA, including the cost for these retirement benefits (and any required pre-funding of such benefits).

Retirement benefit obligations are future cash outlays that will be incurred as the PSEG Long Island employees receive retirement benefits and therefore are estimates of such costs. Differences between amounts collected from customers and amounts owed to PSEG Long Island for these benefits may arise from changes in asset values, plan amendments, interest rates, and actuarial assumptions, among other factors, which will be reflected in the balance of the regulatory asset. The OSA – Employee Retirement Benefits regulatory asset and liabilities represents costs and liabilities which have been incurred, but not yet collected in electric rates. This amount will be different from LIPA's liability to PSEG Long Island due to differences between funding and recovery levels.

LIPA contributes to a PSEG Long Island-sponsored pension trust on an ongoing basis to pre-fund pension obligations. Additionally, LIPA sets aside funds in an OPEB Account based upon periodic actuarial studies to ensure that sufficient funds are available to meet future healthcare and other post-employment benefit obligations of the PSEG Long Island workforce.

(b) Shoreham Property Tax Settlement (Settlement)

In January 2000, LIPA reached an agreement with Suffolk County, the Town of Brookhaven, the Shoreham-Wading River Central School District, the Wading River Fire District and the Shoreham-Wading River Library District (which was succeeded by the North Shore Library District) (collectively, the Suffolk Taxing Jurisdictions) and Nassau County regarding the over assessment of the Shoreham Nuclear Power Station. Under the terms of the agreement, LIPA issued $457.5 million of rebates and credits to customers over a five-year period. To fund such rebates and credits, LIPA used proceeds from its Capital Appreciation Bonds: Series 1998A Electric System General Revenue Bonds totaling $146 million and Series 2000A Electric System General Revenue Bonds totaling $325 million.

As provided under the Settlement, beginning in June 2003, Suffolk County electric customers' bills include a surcharge (the Suffolk Surcharge) to be collected over the succeeding approximately 25-year period to repay the debt service and issuance costs on the bonds issued by LIPA to fund the Settlement as well as the cost of pre-funding certain rebates and credits.

As rates are established at a level sufficient to recover all such costs identified above, LIPA recorded a regulatory asset. The balance remaining represents rebates and credits issued to LIPA's customers, costs of administering the program, plus annual debt service costs on the bonds identified above, less surcharges collected since 2003, and is expected to continue through 2029.

(c) Employee Benefit Plan Settlement

The MSA between LIPA and National Grid provided, among other things, that upon termination of the MSA, when a third-party succeeded National Grid as the service provider, the successor would assume the rights and obligations of National Grid regarding certain employee benefit plan liabilities. The Second A&R OSA with PSEG Long Island, however, did not require PSEG Long Island to assume the employee benefit plan assets and liabilities related to the MSA, which were co-mingled with those of other National Grid employees.

LIPA and National Grid and its affiliates signed an Employee Benefit Plan Settlement in 2013 resolving the parties' respective employee benefit plan funding obligations for National Grid's electric-serving employees. LIPA's Board approved recovery of such costs from customers over the remaining term of the Second A&R OSA, as virtually all former employees of National Grid covered by these plans have been transitioned to PSEG Long Island and continue to serve our customers.

(d) Delivery Service Adjustment

The DSA reconciles certain specified budgeted costs to actual costs in each year. The DSA provides cost recovery or refunding of overcollection for certain items that vary due to external factors, including: debt service (variances in interest rates and capital expenditures), storm restoration expenditures (variances from the budget for storm restoration expenses), non-storm emergency costs, bad debt expense, and PSEG Long Island pension and OPEBs. For debt service, any differences between the actual payments and the amount included in the approved budget and approved delivery rates are charged or refunded to customers in the following year, including an allowance for fixed obligation coverage at the factor specified in the Board's financial policy. For storm restoration expenditures, if actual storm restoration costs to be recovered from customers are lower than the budgeted costs, such balances will be managed as a regulatory storm reserve up to $75 million to offset future storm expenditures. If actual storm restoration costs are higher than the budgeted costs, one-third of that balance will be recovered in the subsequent recovery period and the remaining two-thirds will be eligible for recovery during a future recovery period and remain as a regulatory asset.

(e) **U*nrealized Derivative Instrument Gains and Losses***

LIPA defers its unrealized mark-to-market values relating to commodity and financial derivative instruments which are deemed ineffective under GASB Statement No. 53 and records such amounts as regulatory assets or liabilities.

(e) Property Tax Litigation

By statute, LIPA makes PILOTs for real property it 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. Litigation with Suffolk County and its towns has resulted in a judgment against LIPA for alleged unpaid property taxes for the 2014/15 through 2020/21 tax years. That judgment is currently on appeal. LIPA has paid the PILOT amounts it is authorized to pay by law. 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 2021/2022 tax year.

LIPA estimated the potential exposure with penalties and interest to be approximately $154 million through 2023, plus a potential addition of up to $34 million per year in the event of an adverse result on appeal.

In January 2024, LIPA received a decision from the Suffolk County Supreme Court declaring that LIPA's properties located in five Suffolk towns are exempt from taxation. This decision is subject to 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. See Note 16(d).

(f) Revenue Decoupling Mechanism

The RDM ensures that only LIPA's budgeted and Board-approved revenues for delivery service are collected from customers. The RDM compares actual revenues with authorized revenues and credits (or collects) any differences to (or from) customers. It is intended to cover all sources of variances in delivery service revenues including, among other things, variances attributable to the implementation of energy efficiency or net metering above or below forecasted levels, variances caused by warmer or cooler than normal weather, and variances that result from unforeseen changes in economic conditions.

The RDM is applied to delivery rates on a percentage basis and is reset at the beginning of each year to include the prior year surplus or shortfall between actual and authorized revenues for delivery service. In years when a multi-year rate plan is in effect, the RDM also utilizes such realized prior year surplus or shortfall to update delivery rates for the current year so as to minimize future variances between actual and authorized revenues. In no event may LIPA recover an amount that exceeds authorized delivery revenues. Furthermore, to mitigate significant bill impacts resulting from revenue variances, the RDM rate is set to a maximum of 5% of delivery service revenues for any customer class, with the excess to be recovered from the same customer class in the subsequent period.

Due to the warmer-than-normal weather, LIPA's revenues from residential customers exceeded the budget during the rate-setting period of January through September 2023 and resulted in a refund of approximately $15 million to the residential customer class. Subsequent to the rate-setting period in 2023, revenues were less than budget, resulting in amounts due from the residential customer class totaling approximately $14 million. LIPA's revenues from commercial customers continued to be lower than budget in 2023 resulting in amounts due to LIPA totaling approximately $30 million from the commercial customer class, with an additional amount due to LIPA related to periods after the rate-setting period totaling approximately $8 million.

(g) Debt Issuance Costs

LIPA established a regulatory asset for debt issuance costs incurred before 2018. The regulatory asset will be amortized as a component of LIPA's revenue requirement on a systematic basis over the life of the debt to which they relate. LIPA's component unit, UDSA, established a regulatory asset, in accordance with GASB Codification Section RE10, *Regulated Operations,* for debt issuance costs incurred before 2023. The regulatory asset will be amortized as a component of interest expense on a systematic basis over the life of the debt they relate. Debt issuance costs incurred for 2023 and beyond will be expensed as incurred.

(h) Power Supply Costs Recoverable or Refundable

LIPA's tariff includes a Power Supply Charge with a monthly reconciliation of power supply costs. For the year ended December 31, 2023 and 2022, actual power supply costs, including estimated costs to operate an undersea cable, were higher than amounts recovered in the Power Supply Charge, resulting in the recognition of a regulatory asset totaling $67 million which was collected from customers in 2023.

Also recoverable through the Power Supply Charge are deferred transition costs associated with the transfer of the power supply management contract to PSEG ER&T. Collection of these costs totaling $19 million are being recovered over eleven years, as approved by LIPA's Board, that began January 1, 2015, and expires December 31, 2025. As of December 31, 2023 and 2022, the remaining balance of such costs totaled $3 million and $5 million, respectively.

Amounts incurred related to various energy projects, the amortization of which are charged to power supply costs over the period of benefit (i.e., the life of the power purchase agreement) are also recoverable as a component of the Power Supply Charge. As of December 31, 2023 and 2022, the balance was $21 million and $23 million, respectively.

Unfunded actuarially determined potential costs relating to generation are a deferred component of the Power Supply Charge and total approximately $13 million. Such amounts will not be reflected in the Power Supply Charge until settlement costs are paid.

Annually, amounts are being recovered to fund the Clean Energy Compliance Fund to be used in the future for clean energy technologies. As of December 31, 2023 and 2022, the regulatory liability balance was $20 million and $19 million, respectively.

(i) Southampton Visual Benefit Assessment

LIPA has recorded the incremental costs to bury a portion of a transmission cable routed through the Town of Southampton as a regulatory asset, which is being recovered from certain customers of the Town in a visual benefit district over 20 years that began in 2009.

(j) Distributed Energy Resources

The Distributed Energy Resources (DER) charge recovers costs of LIPA's energy efficiency and distributed energy resource programs net of State grants received for these programs. The costs of such programs are authorized by LIPA's Board annually in its approved budget and billed to customers through the DER charge based on energy usage.

(k) Unfunded Actuarially Determined Reserves

Unfunded actuarially determined reserves are amounts recorded for non-cash reserves that are deferred until litigation settlement costs are paid, at which time they are recovered in rates. Such estimates were calculated by an actuary based on experience and are updated every three years.

The next study is scheduled for 2026.

(l) Utility 2.0

LIPA's annual Utility 2.0 plan funds new technologies, pilot programs, beneficial electrification, electric vehicles and distributed energy projects. Utility 2.0 actual project costs are reconciled to funding levels set in rates on an annual basis.

(6) Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources (expenses or expenditures) and deferred inflows of resources (revenues) are as follows:

(a) Regulatory Credits – Grants

LIPA received a mitigation grant to fund storm-hardening assets. Under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, LIPA was permitted to record the funds as income; however, LIPA's Board authorized the deferral of grant income as a regulatory credit and report the revenue over the same time period as the depreciation expense on the grant funded storm hardened capital assets. As of December 31, 2023 and 2022 the deferred grant revenue totaled approximately $586 million and $609 million, respectively.

(b) Deferred Defeasance Costs on Debt Refunding

Deferred defeasance costs on refunded debt represent the difference between the reacquisition price and the carrying amount of refunded debt. These deferred costs are amortized as a component of interest expense over the shorter of the life of the old or new debt.

(c) Changes in Fair Value of Derivative Instruments

The accumulated changes in the mark-to-market valuation of a hedging derivative instrument deemed effective are reported as deferred inflows or deferred outflows of resources on the Statements of Net Position.

As LIPA follows GASB Section RE10*,* any changes in ineffective investment derivative instruments are reported as regulatory assets or liabilities. LIPA's Board has authorized the deferral of these unrealized gains or losses until realized, which corresponds to the period when they are recovered in rates.

(d) Changes in Fair Market Value of NMP2 Decommissioning Trust and OPEB Account

LIPA maintains a trust for the decommissioning of NMP2. Separately, LIPA maintains an OPEB Account to set aside funds to meet future PSEG Long Island retirement benefit costs. These funds are reported at their fair market value and any unrealized gains or losses are recognized as a component of deferred inflows or deferred outflows of resources in accordance with LIPA's ratemaking process.

(e) Pension and OPEB

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*, LIPA reports as deferred inflows or deferred outflows of resources the differences between expected and actual experience, projected and actual investment earnings on pension plan investments, contributions and the proportionate share of contributions, and changes in LIPA's contributions to the pension system subsequent to the measurement date. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, LIPA reports the changes in LIPA's net OPEB liability that have not been included in OPEB expense as deferred inflows or deferred outflows of resources. Amounts included would result from changes of assumptions, the net difference between projected and actual earnings on the OPEB Trust, and LIPA's contributions subsequent to the measurement date.

(f) Lease Revenue

LIPA receives contractually determined revenue related to leasing agreements with certain power purchase providers for land leases.

The total amount of revenue generated from these agreements in 2023 and 2022 was $0.13 million and $0.10 million, respectively. As of December 31, 2023 and 2022, the lease asset receivable and the corresponding deferred inflow of resources was approximately $3 million.

(g) NMP2 ARO Updates

LIPA recorded its 18% share of an update of the 2023 annual review and analysis of the NMP2 ARO which resulted in increasing LIPA's share of the NMP2 ARO liability. The change was attributable to the increase in escalation rates in assumptions of certain cost categories. Changes in ARO as a result of study updates are recognized in Deferred Inflows and Outflows of Resources.

(7) Federal Emergency Management Agency Grants

LIPA is eligible to receive Public Assistance (PA) and Mitigation grants through FEMA following major disaster declarations. Public Assistance grants provide reimbursement of costs associated with emergency protective measures and the repair and restoration of damaged facilities. Mitigation grants provide funding to harden the system against the future impact of severe weather events. Disaster assistance is subject to eligibility rules applicable to the applicant, facility, work, and cost.

(a) Superstorm Sandy

In 2012, Superstorm Sandy caused significant damage to LIPA's Service Area resulting in the declaration of a federal major disaster area and making LIPA eligible for FEMA grants. In 2013, LIPA and FEMA signed a Letter of Undertaking (LOU) that provides for a Public Assistance (PA) grant authorized under Section 428 of the Stafford Act (428 Grant Agreement) for $1.434 billion. As of December 31, 2023, LIPA has received FEMA funding reimbursing Superstorm Sandy costs of approximately $1.157 billion with a remaining balance due from FEMA of approximately $126 million.

(b) Tropical Storm Isaias

On August 4, 2020, LIPA's Service Area suffered significant damage as a result of Tropical Storm Isaias. The resulting damage to the electrical system caused significant customer outages. Tropical Storm Isaias was declared a federal major disaster on October 2, 2020. LIPA filed for recovery of response and storm restoration costs of approximately $309 million associated with Tropical Storm Isaias. During 2022, LIPA received FEMA funds totaling approximately $276 million. LIPA is seeking to obtain mitigation grants under the Tropical Storm Isaias declaration.

(c) COVID-19

In response to the COVID-19 pandemic, on March 20, 2020, FEMA announced that federal emergency funds will be made available for recovery efforts related to the COVID-19 pandemic. The funding is for incremental costs related to safety protocols implemented to protect employees, customers, and the public. LIPA has been approved for public assistance; however, as no grant application has been finalized or approved prior to December 31, 2023, no grant income was recognized.

(d) Tropical Depression Ida

In September 2021, portions of LIPA's service territory were impacted by Tropical Depression Ida, which resulted in severe flooding in parts of the Service Area leaving downed trees and power lines. LIPA incurred costs of approximately $9 million to restore power and repair system damage. This event was declared a federal disaster and as such LIPA filed for a public assistance grant totaling with a 90% match from FEMA. As of December 31, 2023, LIPA received approximately $8 million.

(e) Winter Storm Elliot

On March 15, 2023, FEMA declared a federal disaster for a December 2022 winter storm that impacted LIPA's Suffolk County service territory. LIPA incurred costs of approximately $4 million in that county restoring power and repairing the system damages. LIPA has been approved for public assistance grant with a 75% match from FEMA, however, as no grant application has been finalized or approved prior to December 31, 2023, no grant income was recognized.

(8) Derivative Instruments

LIPA uses derivative instruments in its normal course of business to limit some of the volatility associated with interest rate changes and market price fluctuations in the purchase of fuel oil, natural gas, and electricity. LIPA does not use derivative instruments for trading or speculative purposes. These contracts are evaluated pursuant to GASB Statement No. 53 to determine whether they meet the definition of derivative instruments and whether they effectively hedge the expected cash flows associated with interest rate and commodity price risk exposures. The fair values of LIPA's derivatives are reported on the Statements of Net Position as either Commodity Derivative Instruments or Financial Derivative Instruments.

LIPA applies hedge accounting for derivative instruments that are deemed effective under GASB Statement No. 53. Under hedge accounting, changes in the fair value of such hedging derivative instruments are a component of deferred inflows or deferred outflows of resources on the Statements of Net Position until the contract is settled, or hedge accounting is terminated. Derivative instruments that do not meet the definition of a hedging derivative instrument are economic hedges, intended to mitigate exposure to fluctuations in interest rates or commodity prices, and are referred to as investment derivative instruments. Changes in the fair value of investment derivative instruments are deferred until settled or terminated in accordance with LIPA's ratemaking process and recorded as regulatory assets or liabilities.

All settlement payments or receipts for derivative instruments are recorded as either power supply expense for commodity derivative instruments or interest expense for interest rate derivative instruments on the Statements of Revenues, Expenses, and Changes in Net Position in the period settled.

LIPA's interest rate and commodity derivative contracts are valued in accordance with GASB Statement No. 72, which establishes a fair value hierarchy: Level 1, Level 2, and Level 3 (as discussed in Note 2 (u)). Interest rate derivative contracts are based on the present value of cash flows using the income approach and the interest rate derivative contracts are classified as Level 2, as their valuation relies primarily on observable inputs.

LIPA's commodity derivative contracts are transacted both over-the-counter and through clearing exchanges and the valuations are based upon price quotes from exchanges. The impacts of credit and non-performance risk by either LIPA or its counterparty were not material to the financial statements.

The following table presents LIPA's derivative instruments measured and recorded at fair value on the Statements of Net Position on a recurring basis and their level within the fair value hierarchy.

(Amounts in thousands, unless otherwise stated)

Derivative instrument description		Fair value December 31, 2023	Net change in fair value	Fair value December 31, 2022	Type of hedge	Financial statement classification for changes in fair value
Hedging derivative instruments:						
Financial derivatives:						
Total return swap	$	—	(291)	291		
Forward-starting swap		23,685	(1,481)	25,166		
Commodity derivatives:						
Power – financial basis		(19,599)	(1,913)	(17,686)		
Purchased power swaps		(4,079)	(90,092)	86,013		
Natural gas swaps		(29,370)	(102,411)	73,041		
Natural gas basis swaps		—	(22,073)	22,073		
Total	$	(29,363)	(218,261)	188,898	Cash flow	Regulatory assets/liabilities
Investment derivative instruments:						
Financial derivatives:						
Synthetic fixed	$	(69,296)	8,734	(78,030)		
Total	$	(69,296)	8,734	(78,030)	N/A	Regulatory assets
Commodity derivatives:						
Natural gas basis swaps		(25,016)	(25,016)	—		
Total	$	(25,016)	(25,016)	—	N/A	Deferred outflows of resources

		2023			2022		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative assets (liabilities):							
Financial derivatives	$	—	23,685	—	—	25,457	—
Financial derivatives		—	(69,296)	—	—	(78,030)	—
Commodity derivatives		(33,449)	(44,615)	—	159,054	4,387	—
	$	(33,449)	(90,226)	—	159,054	(48,186)	—

The terms of LIPA's commodity derivative instruments as of December 31, 2023 are summarized in the table below:

Derivative Instrument	Notional Amount (in thousands)	Units	Beginning Period	Ending Period	Authority Pays Per Unit	Authority Receives
Natural Gas Swaps	77,255	Dthms	1/1/2024	12/1/2026	$ 2.50 to $ 6.16	Natural Gas at Henry Hub
Natural Gas Basis Swaps	68,113	Dthms	1/1/2024	3/1/2026	$ (0.95) to $ 7.90	Gas Basis between Henry Hub & Transco Z6, NY
Purchased Power Swaps	5,276	Mwhs	1/1/2024	12/1/2026	$ 27.55 to $ 83.50	Power at PJM West
Purchased Power Basis	7,703	Mwhs	1/1/2024	12/1/2026	$ (10.75) to $ 0.75	Power Basis between PJM West to JCPL

The terms of LIPA's commodity derivative instruments as of December 31, 2022 are summarized in the table below:

Derivative Instrument	Notional Amount (in thousands)	Units	Beginning Period	Ending Period	Authority Pays Per Unit	Authority Receives
Natural Gas Swaps	60,993	Dthms	1/1/2023	12/1/2025	$ 2.50 to $ 6.30	Natural Gas at Henry Hub
Natural Gas Basis Swaps(1)	64,015	Dthms	1/1/2023	3/1/2025	$ (1.09) to $ 12.25	Gas Basis between Henry Hub & Transco Z6, NY
Purchased Power Swaps	4,503	Mwhs	1/1/2023	12/1/2025	$ 26.75 to $ 173.00	Power at PJM West
Purchased Power Basis	8,385	Mwhs	1/1/2023	12/1/2025	$ (9.00) to $ 0.15	Power Basis between PJM West to JCPL

(1) There was one sale transaction for natural gas basis swaps. The volumes indicated in the above table are the net volumes. The trade price for the sale in $/Dthms was -0.5, which was within the purchase trade price range of -1.09 to 12.25.

(Amounts in thousands, unless otherwise stated)

The terms of LIPA's interest rate derivative instruments as of December 31, 2023 are summarized in the table below:

Financial derivative	Effective date	Termination date	LIPA pays	LIPA receives	Original notional	Upfront cash payment
Fixed-payer swap	6/1/2003	12/1/2029	5.120 %	69.47% SOFR + 0.0795%	$ 587,225	$ 106,400
Fixed-payer swap	9/1/2022	9/1/2042	1.8571%	70% SOFR + 0.0801%	251,510	—
						$ 106,400

The terms of LIPA's interest rate derivative instruments as of December 31, 2022 are summarized in the table below:

Financial derivative	Effective date	Termination date	LIPA pays	LIPA receives	Original notional	Upfront cash payment
Fixed-payer swap	6/1/2003	12/1/2029	5.120 %	69.47% of 1-month LIBOR	$ 587,225	$ 106,400
Total return swap	5/1/2020	6/29/2023	69.4% 1-month LIBOR+.36%	MMD +1.10% [a]	200,000	—
Fixed-payer swap	9/1/2022	9/1/2042	1.8571%	70.00% of 1-month LIBOR	251,510	—
						$ 106,400

[a] Based on lowest long-term rating of LIPA

LIPA has entered into interest rate derivative agreements in which variable payments, made or received were based on the London Interbank Offered Rate (LIBOR). LIBOR was used as a reference rate in several of LIPA financial hedging agreements through June 30, 2023. On March 5, 2021, ICE Benchmark Administration (IBA) and the Financial Conduct Authorities (FCA) announced that the LIBOR cessation date for most USD LIBOR tenors, including 1-month LIBOR, would be June 30, 2023. To address the LIBOR cessation, LIPA has adhered to the International Swap Deal Agreements (ISDA) 2020 LIBOR Fallback Protocol (Protocol). Under the Protocol, upon the LIBOR discontinuation, the LIBOR index was replaced by a fallback rate consisting of the Secured Overnight Financing Rate (SOFR) and a spread adjustment. The spread adjustment was fixed upon the announcement of LIBOR cessation dates.

Upon the USD LIBOR discontinuation, the LIBOR-based payments in the swaps converted to the respective fallback rates established under the ISDA Protocol as shown in table above. GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses the accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates and provides exceptions to the existing provisions for hedge accounting termination to ease the accounting requirements related to the transition away from IBORs. Following the Protocol-based conversion, LIPA swap agreements are accounted for in the same manner as before the replacement of the reference rate.

Immediately following direct placement of LIPA's Electric System General Revenue Bonds, Series 2015A Municipal Market Data (MMD) Floating Rate Notes (FRNs) totaling $200 million, LIPA entered into a five-year basis agreement (total return swap agreement) whereby the counterparty agreed to pay LIPA an amount equal to the floating MMD indexed FRN coupon, and LIPA agreed to pay the counterparty 69.4% of 1-month LIBOR plus 36 basis points. In 2020, this basis agreement was amended to extend the agreement to June 29, 2023. At the five-year expiration or the early termination of the agreements, the counterparty pays LIPA an amount equal to 0% of the first $0.25 of gain (per $100 notional principal amount of the FRN) and thereafter 90% of the gain in the market value of the MMD FRN and LIPA pays the counterparty 100% of any decrease in the market value of the MMD FRN. LIPA exercised its right to terminate the swap under this agreement, and neither party had a payment obligation.

In December 2019, LIPA entered into two forward-starting interest rate swap transactions which became effective on September 1, 2022, and were executed in anticipation of issuing bonds to refund certain of LIPA's Electric System General Revenue Bonds callable in 2022. During 2022, LIPA terminated one of its forward starting swaps and received an approximately $8 million termination payment.

Under the remaining swap, LIPA has agreed to pay to the counterparty the fixed interest rate of 1.8571% in exchange for receiving 70% of 1-month LIBOR. After the LIBOR cessation on June 30, 2023, LIPA receives 70% SOFR + 0.0801%. LIPA has the option to terminate the swap on September 1, 2027, and monthly thereafter.

LIPA is exposed to the following risks related to derivative instruments as defined by GASB Statement No 53:

(a) Termination Risk

Termination risk is the risk that a derivative could be terminated by a counterparty prior to its scheduled maturity due to a contractual event with LIPA owing a termination payment. As long as LIPA fulfills its obligations under the contracts, the counterparties do not have the right to terminate these agreements. LIPA believes that termination risk is low because the counterparties may terminate the agreements only upon the occurrence of specific events such as payment defaults, other defaults which remain uncured for 30 days after notice, bankruptcy or insolvency of LIPA (or similar events), or a downgrade of LIPA's and its insurers', if any, credit rating below investment grade. If, at the time of termination, the mark-to-market valuation of the derivative was a liability of LIPA, LIPA could be required to pay that amount to the counterparty. Termination risk associated with all of LIPA's derivatives is limited to the fair market value.

(b) Basis Risk

LIPA is exposed to basis risk on certain of its interest rate swaps because the variable-rate payments received by LIPA, and those paid either pursuant to the terms of the swap or on the associated variable rate debt, may differ. The terms of the interest rate swap transactions are summarized in the table above.

LIPA is exposed to basis risk on a portion of its commodity swaps when the commodity swap payment received is based upon a reference price in a market (e.g., natural gas priced at Henry Hub) that differs from the market in which the hedged item is expected to be bought (natural gas priced at New York City gate). If the correlation between these market prices should change substantially, LIPA may incur costs as a result of the hedging derivative instrument's inability to offset the price of the related commodity.

(c) Collateral Posting

Under certain conditions, LIPA may be required to post collateral related to its interest rate derivative instruments. Under the terms of its interest rate derivative agreements, collateral may be required if LIPA's credit ratings, and in the case of insured swaps, the credit ratings of any related interest rate derivative insurer, fall below minimum levels as provided in each agreement, and LIPA fails to provide alternative credit enhancements. Collateral for its financial derivatives, if required, would approximate fair value. LIPA has never been required to post collateral for its interest rate derivative instruments.

LIPA has collateral requirements with commodity derivative counterparties in the Credit Support Annexes (CSA) of ISDA. Collateral is required to be posted with the counterparty when the negative fair value of the commodity derivative instrument exceeds the unsecured line of credit established with each counterparty as listed in the counterparty table in (d) below. In the event of collateral being posted, the value will equal the difference between the fair value and the amount of the unsecured line of credit. For exchange broker cleared derivative transactions, there is an initial margin requirement on day one of a trade that is calibrated to cover the expected cost of closing out the position in the event of a default. Collateral postings between the exchange clearing broker and LIPA each day thereafter are based on the fair value of the derivative instrument.

(d) Credit Risk

Credit risk is the risk that the counterparty (or its guarantor) will default on its obligations under the agreement. LIPA has sought to limit counterparty risk by contracting only with highly rated counterparties or requiring guarantees of the counterparty's obligations. LIPA also makes use of exchange-cleared transactions for a portion of its commodity derivatives. The exchange uses a central clearing counterparty structure along with risk-based margin requirements that limits credit risk exposure.

Below is a table with the credit ratings issued by Moody's Investors Service (Moody's) and Standard and Poor's Global Ratings (S&P) and unsecured line of credit limits of LIPA's counterparties as of December 31, 2023:

(Amounts in thousands, unless otherwise stated)

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Counterparty	As of December 31, 2023 Moody's	S&P	Counterparty's unsecured line of credit ($M)
Interest Rate Derivative Instruments:			
Citibank, N.A. New York	Aa3	A+	$ —
UBS AG, Stamford Branch	Aa3	A+	—
Commodity Derivative Instruments:			
BP Energy Company *	A3	A-	$ 15.0
Citigroup Energy, Inc.*	A3	BBB+	10.0
RWE Clean Energy Wholesale Services, Inc. *	Baa2	N/A	5.0
Constellation Energy Generation, LLC	Baa2	BBB+	10.0
J. Aron & Company *	A2	BBB+	40.0
JPMorgan Chase Bank, N.A.	Aa2	A+	35.0
Macquarie Energy LLC *	A1	A+	10.0
Merrill Lynch Commodities, Inc. *	A1	A-	20.0
Mitsui Bussan Commodities Ltd. *	A3	A	12.5
Morgan Stanley Capital Group Inc. *	A1	A-	15.0
Next Era Power Marketing *	Baa1	BBB+	10.0
Pacific Summit Energy LLC *	Baa1	A-	10.0
Societe Generale	A1	A	25.0
The Bank of Nova Scotia	Aa2	A+	25.0

***** *Rating reflects the rating of the parent company guarantor*

(Amounts in thousands, unless otherwise stated)

(9) Utility Plant and Property and Equipment

Additions to and replacements of utility plant are capitalized at original cost, which includes material, labor, and indirect costs associated with an addition or replacement. The cost of renewals and betterments relating to units of property is added to utility plant. The cost of property replaced, retired, or otherwise disposed of is deducted from utility plant and, generally, together with dismantling costs less any salvage, are charged to accumulated depreciation. The cost of repairs and minor renewals are charged to operations and maintenance expense. Group properties, such as poles, meters, and wire, are accounted for on an average unit cost basis by year of installation.

The following schedule summarizes LIPA's utility plant and property and equipment as of December 31, 2023:

		Beginning balances	Additions	Transfers/ Disposals	Ending balances
Utility plant	$	10,448,931	706,368	(176,149)	10,979,150
Office equipment, furniture, and leasehold improvements		10,866	1,821	—	12,687
Accumulated depreciation		(2,605,230)	(322,735)	249,809	(2,678,156)
Total utility plant – net		7,854,567	385,454	73,660	8,313,681
Lease and SBITA right-to-use assets:					
Utility plant		3,317,209	67,725	(80,281)	3,304,653
Other		129,583	5,108	(22,699)	111,992
Accumulated depreciation		(1,316,954)	(361,422)	94,486	(1,583,890)
Total lease and SBITA right-to-use assets – net		2,129,838	(288,589)	(8,494)	1,832,755
Construction work in progress		446,638	679,702	(706,368)	419,972
Retirement work in progress		33,334	64,163	(73,660)	23,837
Total work in progress		479,972	743,865	(780,028)	443,809
Totals	$	10,464,377	840,730	(714,862)	10,590,245

(Amounts in thousands, unless otherwise stated)

The following schedule summarizes LIPA's utility plant and property and equipment as of December 31, 2022:

		Beginning balances	Additions	Transfers/ Disposals	Ending balances
Utility plant	$	9,882,520	665,100	(98,689)	10,448,931
Office equipment, furniture, and leasehold improvements		8,221	2,645	—	10,866
Accumulated depreciation		(2,472,548)	(296,584)	163,902	(2,605,230)
Total utility plant – net		7,418,193	371,161	65,213	7,854,567
Lease and SBITA right-to-use assets:					
Utility plant		3,317,209	—	—	3,317,209
Other		126,441	14,031	(10,889)	129,583
Accumulated depreciation		(972,792)	(348,799)	4,637	(1,316,954)
Total lease and SBITA right-to-use assets – net		2,470,858	(334,768)	(6,252)	2,129,838
Construction work in progress		495,841	615,897	(665,100)	446,638
Retirement work in progress		30,024	68,762	(65,452)	33,334
Total work in progress		525,865	684,659	(730,552)	479,972
Totals	$	10,414,916	721,052	(671,591)	10,464,377

(10) Nine Mile Point Nuclear Power Station, Unit 2

LIPA owns an undivided 18% interest in NMP2, which is located in Oswego County, New York. NMP2 has a rated net capacity of approximately 1,300 megawatts. LIPA is entitled to 18% of the unit's capacity and energy and is obligated to pay 18% of its operating and maintenance costs, nuclear fuel costs, and costs of capital additions. LIPA's net capital investment in NMP2, excluding nuclear fuel, was approximately $484 million and $500 million as of December 31, 2023, and 2022, respectively.

CENG was a joint venture of Exelon Corporation and EDF, a large electric-power company headquartered in France through August 6, 2021. Exelon and EDF entered into a Settlement Agreement under which Exelon acquired EDF's interest in the joint venture. On December 16, 2021, the New York Public Service Commission approved a plan by Exelon to separate its regulated-utilities and competitive-energy businesses into two separate, publicly traded companies. Exelon completed the separation on February 1, 2022. The resulting competitive-energy company is known as Constellation Energy Generation (Constellation); it owns 82% of NMP2 and LIPA continues to own its 18% share.

(a) Nuclear Plant Decommissioning

The operating license for NMP2 expires on October 31, 2046.

As of December 31, 2023, and 2022, LIPA's share of the estimated costs for decommissioning of the unit and restoration of the site is approximately $123 million and $102 million, respectively, and is included in the Statements of Net Position as a component of the Asset Retirement Obligation. LIPA maintains a decommissioning trust fund for its share of the decommissioning costs. As of December 31, 2023, and 2022, the trust fund had approximately $178 million and $155 million, respectively. LIPA believes that deposits to the fund, which are based on actuarial estimates, and the assumed investment returns of these funds during the term of the operating license, will be sufficient to meet its obligations.

(b) Liability for Nuclear Accidents

The Federal Price-Anderson Act (Act) currently requires owners of nuclear power plants to obtain $450 million in private insurance coverage for off-site liability coverage for each reactor site (not each reactor). Constellation maintains this coverage for the Nine Mile Point site, and LIPA reimburses Constellation for its proportionate share of the cost. The Act further stipulates that in the event off-site damages exceed the amount of private insurance coverage, each reactor licensee is retroactively liable for a prorated share of the excess. This liability is limited to $131 million per reactor, payable at no more than approximately $20 million per reactor per incident per year. LIPA's maximum liability under this provision is approximately $25 million, payable at approximately $4 million per incident per year.

(11) Cash, Cash Equivalents, and Investments

The majority of LIPA's cash, cash equivalents, and investments are either managed by an external investment manager or invested in mutual funds. LIPA's investment of funds is administered in accordance with the applicable provisions of the New York State law, the Bond Resolution, certain banking agreements and LIPA's investment policy.

(a) Unrestricted cash, cash equivalents, and investments

As of December 31, 2023, and 2022, LIPA had unrestricted cash, cash equivalents, and investments totaling approximately $1.33 billion and $1.34 billion, respectively. The unrestricted funds primarily consist of the: Operating Fund, Construction Fund, Rate Stabilization Fund, and OPEB Account.

In the event that LIPA determines there are insufficient revenues to pay reasonable and necessary operating expenses or to make payments on bonds or parity obligations, if any, after notifying the Finance and Audit Committee of LIPA's Board, LIPA may release funds from the OPEB Account for such purposes. As such, the OPEB Account is unrestricted.

Deposits made to LIPA's unrestricted OPEB Account are to fund LIPA's contractual obligations to employees of PSEG Long Island for certain post-employment benefits. LIPA has invested such funds, pursuant to LIPA's investment policy, in domestic and international stock mutual funds (65%), as well as inflation protected and bond market institutional mutual funds (35%) with quarterly rebalancing when an asset class falls outside of a 5% range of its asset weighting. As of December 31, 2023, and 2022, the OPEB Account balance totaled approximately $644 million and $523 million, respectively.

(Amounts in thousands, unless otherwise stated)

The following tables summarize LIPA's unrestricted cash, cash equivalents and investments as of December 31, 2023 and 2022. The credit ratings listed are from Moody's, S&P, and Fitch Ratings, and the rating shown is the lowest rated obligation within each investment type.

Deposit/investment type	Credit Rating (if applicable)	Percent of portfolio	2023 Fair value	Cash and cash equivalents	Investments
Operating Fund, Construction Fund, Rate Stabilization Fund, and Other operating accounts:					
Cash and collateralized deposits		6 %	$ 39,829	39,829	—
Discount notes and bonds:					
Commercial paper	P-1/A-1/F1	2	13,155	—	13,155
Corporate	Baa-/BBB+/BBB+	12	80,911	—	80,911
Federal agencies	Aaa/AA+/AAA	2	14,121	—	14,121
Foreign government bonds	Aaa/AAA/AAA	1	4,542	—	4,542
Municipal bonds	Aa3/AAA/A	—	2,064	—	2,064
Treasury notes	Aaa/AA+/F1+	19	133,466	—	133,466
Money-market mutual funds		58	397,602	397,602	—
Subtotal		100 %	685,690	437,431	248,259
OPEB Account:					
Mutual funds - equities		65 %	419,619	—	419,619
Mutual funds - fixed income		35	224,114	—	224,114
Subtotal		100 %	643,733	—	643,733
Total			$ 1,329,423	437,431	891,992

Deposit/investment type	Credit Rating (if applicable)	Percent of portfolio	2022 Fair value	Cash and cash equivalents	Investments
Operating Fund, Construction Fund, Rate Stabilization Fund, and Other operating accounts:					
Cash and collateralized deposits		4 %	$ 33,535	33,535	—
Discount notes and bonds:					
Commercial paper	P-1/A-1/F1	—	985	—	985
Corporate	Baa-/BBB+/BBB+	11	90,134	—	90,134
Federal agencies	Aaa/AA+/AAA	4	32,913	—	32,913
Foreign government bonds	Aaa/AAA/AAA	1	11,228	—	11,228
Municipal bonds	Aa3/AAA/A	1	4,073	—	4,073
Treasury notes	Aaa/AA+/F1+	8	64,292	—	64,292
Money-market mutual funds		71	576,425	576,425	—
Subtotal		100 %	813,585	609,960	203,625
OPEB Account:					
Mutual funds - equities		66 %	344,221	—	344,221
Mutual funds - fixed income		34	178,427	—	178,427
Subtotal		100 %	522,648	—	522,648
Total			$ 1,336,233	609,960	726,273

(b) Restricted cash, cash equivalents and investments

LIPA's restricted cash, cash equivalents, and investments consist of: the Working Capital Requirements Account, the Clean Energy Compliance Fund, the Extraordinary Working Capital Account, and UDSA Collection and Reserve Accounts.

Restricted Cash for Working Capital Requirements

In accordance with the Second A&R OSA, LIPA is required to advance fund an account with three months of anticipated T&D operating and capital costs for PSEG Long Island to utilize as LIPA's agent in the management of LIPA's T&D system. Also, pre-funded by LIPA are amounts held by PSEG Long Island to pay taxes, storm restoration costs, and amounts required to fund the Clean Energy Compliance Fund. The accounts totaled $341 million and $248 million as of December 31, 2023 and 2022, respectively, and were invested in accordance with LIPA's investment policy. Due to the contractual obligation of LIPA to pre-fund such accounts, the funds are classified as restricted. Such accounts, except for the Clean Energy Compliance Fund which totaled $20 million for both years, are considered by LIPA to be a component of its working capital, as funds are used strictly for LIPA operating needs.

UDSA

Restructuring charge collections are held by the Bond Trustee (Trustee) in Collection Accounts to satisfy debt service on the Restructuring Bonds. The Collection Accounts consist of four subaccounts: General Subaccount, Excess Funds Subaccount, Reserve Subaccount, and Upfront Financing Costs Subaccount. The Collection Accounts (other than the Upfront Financing Costs Subaccount) secure the Restructuring Bonds.

Restricted cash held by the Trustee, as of December 31, 2023 and 2022 includes $55 million and $89 million, respectively, in the General Subaccounts, and $60 million and $64 million, respectively in the Reserve Subaccounts.

UDSA has separate investment guidelines that are specifically designed to address its legal and contractual requirements. These guidelines mandate that such investments be matched to meet bond principal and interest payments.

The following tables summarize LIPA's restricted cash, cash equivalents and investments as of December 31, 2023 and 2022. The credit ratings listed are from Moody's, S&P, and Fitch Ratings and the ratings shown are the lowest-rated obligation within each investment type.

Extraordinary Working Capital Restricted Funds

In 2021, LIPA borrowed medium-term notes to fund the restoration costs associated with Tropical Storm Isaias while it awaited reimbursement from FEMA. The medium-term notes have a maturity date of September 1, 2025, and LIPA was not required to repay the notes upon reimbursement from FEMA which occurred in 2022; however, as required by tax regulations such funds are required to be held in-demand deposit Treasury State and Local Government Series securities (SLGS) and may only be used for extraordinary working capital expenditures (similar

(Amounts in thousands, unless otherwise stated)

to the expenditures that were financed with the proceeds of the 2021 medium-term notes), and as such these funds are being held as restricted.

Deposit/investment type	Credit rating (if applicable)	Percent of portfolio			2023 Fair value	Cash and cash equivalents	Investments
Restricted Accounts for Working Capital Accounts, and Clean Energy Compliance Fund							
Cash and collateralized deposits		34	%	$	203,580	203,580	—
Discount notes and bonds:							
Commercial paper	P-1/A-1	1			3,383	—	3,383
Corporate	A1/A	9			56,128	—	56,128
Foreign government bonds	Aaa/AA+	2			9,115	—	9,115
Treasury bills and notes	Aaa/AA+	53			314,381	250,000	64,381
Money-market mutual funds		1			4,113	4,113	—
Total		100	%	$	590,700	457,693	133,007
UDSA:							
Money-market mutual funds		100	%	$	114,951	114,951	—

Deposit/investment type	Credit rating (if applicable)	Percent of portfolio			2022 Fair value	Cash and cash equivalents	Investments
Restricted Accounts for Working Capital Accounts, and Clean Energy Compliance Fund							
Cash and collateralized deposits		47	%	$	117,595	117,595	—
Discount notes and bonds:							
Commercial paper	P-1/A-1/F1	3			6,226	—	6,226
Corporate	Baa-/BBB+/A-	20			48,882	—	48,882
Foreign government bonds	Aaa/AAA/AAA	3			8,715	—	8,715
Municipal bonds	Aa3/AAA/A	1			1,970	—	1,970
Treasury bills and notes	Aaa/AA+/AAA	25			61,343	—	61,343
Money-market mutual funds		1			3,129	3,129	—
Total		100	%	$	247,860	120,724	127,136
UDSA:							
Money-market mutual funds		100	%	$	153,150	153,150	—

(c) Risk

LIPA's investment policy places a limit on investments by sector and issuer and addresses various risks, as described below. LIPA's Board may also specifically authorize, as it deems appropriate, other investments that are consistent with LIPA's investment objectives. LIPA regularly reviews and revises its investment policy.

Credit Risk: The risk that an issuer of a security will not fulfill its obligation to the investor. LIPA mitigates this risk by limiting investments to those carrying either the highest short-term rating or: (i) the two highest long-term ratings for supranationals and collateralized investment agreements; (ii) the three highest long-term ratings for corporates, municipals, and certificates of deposit; and (iii) the highest long-term rating for asset-backed securities. Money-market funds must have the highest fund rating by all nationally recognized statistical rating organizations that rate the fund. Counterparties of repurchase agreements must be rated in the highest short-term rating category, and floating-rate notes should reflect the appropriate sector rating requirements.

Concentration of Credit Risk: The risk of loss attributed to the magnitude of an entity's investment in a sector single issuer. LIPA's investment policy has established limits such that no more than 5%, across all sectors of the investment portfolio, may be invested in the securities of any one non-governmental issuer, and no more than 40% may be invested in the securities of any one Federal Agency. Additionally, issuer limitations exist across other sectors of the portfolio as follows: (i) 10% for supranationals; (ii) 20% for repurchase agreements; and (iii) 25% for money-market funds.

Custodial Credit Risk: For deposits and investments, the risk that in the event of failure of a financial institution or counterparty, LIPA will not be able to recover its deposits, investments, or collateral securities that are in possession of another party. LIPA minimizes this risk by: (i) collateralizing its demand deposits and time deposits; (ii) utilizing financial institutions that are low risk, and highly rated by rating agencies; and (iii) having investments held by designated custodians in the name of LIPA.

As of December 31, 2023, and 2022, approximately $55 million and $151 million, respectively, in deposits were uninsured. LIPA has, through a pledge, assignment, and custodial agreement with its bank, collateralized 102% of the collective funds on deposit. LIPA has highly rated money-market funds of approximately $516 million and $733 million which were uninsured at December 31, 2023 and 2022, respectively.

Interest Rate Risk: The risk of a decline in the value of an investment resulting from interest rate fluctuations. Interest rate risk is commonly associated with investments in fixed-income products. LIPA's investment portfolio is structured to ensure sufficient liquidity is available, and as such, LIPA's investment policy has established maximum maturities by sector. The portfolio may not exceed a 5.5 year average life with certain exceptions as follows: (i) Federal Agency securities have a maximum maturity of 10 years; (ii) certificates of deposit may not exceed 3 years; (iii) banker's acceptances and commercial paper may not exceed 180 and 270 days, respectively; and (iv) repurchase agreements have a maximum maturity of 90 days. Additionally, there are no maturity limitations for investments in money-market or mutual funds.

In order to meet the OPEB Account objectives of funding future retirement benefit obligations while balancing long-term risk and return and providing reasonable diversification, the OPEB Account allocates its assets in domestic and international equity mutual funds and fixed-income mutual funds. The equity funds replicate broad-based, low-cost market index strategies. The fixed-income mutual funds replicate the Barclays U.S. Treasury Inflation Protected Securities Index or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

LIPA's OPEB Account investment policy has established fund targets as follows: (i) domestic equity mutual funds at 40%; (ii) international equity mutual funds at 25%; (iii) fixed-income investment mutual funds at 20%; and (iv) fixed-income investments—inflation protected securities mutual funds at 15%, with quarterly rebalancing when an asset class falls outside of a 5% range of its asset weighting.

(d) Nuclear Decommissioning Trust Fund (NDTF)

LIPA maintains a separate investment policy applicable to the long-term investments in the NDTF, which are held to meet LIPA's obligation with respect to the eventual decommissioning of LIPA's 18% interest in the NMP2 nuclear facility. LIPA's policy is to periodically conduct an actuarial study to determine the appropriate level of funding for the NDTF and to maintain an appropriate investment policy so that the value in the trust in 2046 (the year in which decommissioning activities are scheduled to begin), will be sufficient to meet decommissioning obligations.

To meet LIPA's objectives of funding future nuclear decommissioning obligations, while balancing long-term risk and return and providing reasonable diversification, the NDTF is invested in domestic and international equity mutual funds and fixed-income mutual funds. The equity funds replicate broad-based, low-cost market index strategies. The fixed-income mutual funds replicate the Barclays U.S. Treasury Inflation Protected Securities Index or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

LIPA's NDTF investment policy has established fund targets as follows: (i) domestic equity mutual funds at 35%; (ii) international equity mutual funds at 20%; (iii) fixed-income investments mutual funds at 25%; and (iv) fixed-income investments — inflation protected securities mutual funds at 20%, with quarterly rebalancing when an asset class falls outside of a 5% range of its asset weighting.

The NDTF rebalancing was completed on January 2, 2024, in order to meet policy guideline.

(Amounts in thousands, unless otherwise stated)

The NDTF had the following investments as of December 31:

Mutual Fund Investment type	Percent of portfolio			2023 Fair value
Domestic equity	35	%	$	70,099
International equity	19			34,019
Fixed-income investments	25			40,518
Fixed-income investments-inflation protected securities	21			33,439
Total	100	%	$	178,075

Mutual Fund Investment type	Percent of portfolio			2022 Fair value
Domestic equity	36	%	$	55,372
International equity	19			29,450
Fixed-income investments	25			38,325
Fixed-income investments-inflation protected securities	20			32,221
Total	100	%	$	155,368

(Amounts in thousands, unless otherwise stated)

(e) *Fair Value of Investments*

The following table presents LIPA's unrestricted and restricted investments and its NDTF, measured and recorded at fair value on the Statements of Net Position and their level within the fair value hierarchy (as previously defined in Note 2 (u)):

Investment type		2023 Fair Value	Level 1	Level 2	Level 3
Unrestricted and restricted investments:					
Discount notes:					
Commercial paper	$	16,538	—	16,538	—
Corporate		137,039	—	137,039	—
Federal agencies		14,121	—	14,121	—
Foreign government bonds		13,657	—	13,657	—
Municipal bonds		2,064	—	2,064	—
Treasury bills and notes		197,847	197,847	—	—
Money-market mutual funds		643,733	643,733	—	—
Total	$	1,024,999	841,580	183,419	—
NDTF Mutual Funds		178,075	178,075	—	—
Total	$	178,075	178,075	—	—

Investment type		2022 Fair Value	Level 1	Level 2	Level 3
Unrestricted and restricted investments:					
Discount notes:					
Commercial paper	$	7,211	—	7,211	—
Corporate		139,016	—	139,016	—
Federal agencies		32,913	—	32,913	—
Foreign government bonds		19,943	—	19,943	—
Municipal bonds		6,043	—	6,043	—
Treasury bills and notes		125,635	125,635	—	—
Money-market mutual funds		522,648	522,648	—	—
Total	$	853,409	648,283	205,126	—
NDTF Mutual Funds		155,368	155,368	—	—
Total	$	155,368	155,368	—	—

(f) *OPEB Trust*

LIPA created a legally separate Section 115 Trust (OPEB Trust) to fund its eligible employee and retiree OPEB obligation. Based on the funding analysis of an actuarial study, LIPA, in 2017, transferred approximately $19 million from the OPEB Account to the OPEB Trust. Additionally, LIPA funded approximately $0.95 million and $0.82 million in 2023 and 2022, respectively, to the OPEB Trust. As of December 31, 2023 and 2022, the OPEB Trust totaled approximately $26 million and $25 million, respectively, which was approximately 103.9% for 2023 and 104.3% for 2022 of its net OPEB liability.

The OPEB Trust is restricted to funding LIPA's employee and retiree OPEB obligations.

(Amounts in thousands, unless otherwise stated)

(12) Long-Term and Short-Term Debt

(a) Electric System General Revenue Bonds and Subordinated Revenue Bonds

LIPA financed the cost of acquiring the T&D system from LILCO with Electric System General Revenue Bonds. Ongoing capital improvements are funded through the issuance of debt, except where grants or excess cash flow provide the ability to cash fund such expenditures. LIPA and LILCO, which is now a subsidiary of LIPA, entered into a Financing Agreement, whereby LILCO transferred to LIPA all of its right, title, and interest in and to the revenues generated from the operation of the T&D system, including the right to collect and receive the same.

All of LIPA's bonds are secured by a Trust Estate as pledged under LIPA's Bond Resolution (the Resolution). The Trust Estate consists principally of the revenues generated by the operation of the T&D system and has been pledged to LIPA.

Below is a summary of LIPA's bond transactions completed during the years ended December 31:

2023

Revenue Obligations:	2023A-1 General Revenue Bonds	Par Amount:	$	92,000
Purpose:	Direct Purchase Refunding of 2020C	Date Closed:		February 24, 2023
Revenue Obligations:	2023A-2 General Revenue Bonds	Par Amount:	$	45,000
Purpose:	Direct Purchase Refunding of 2021C	Date Closed:		February 24, 2023
Revenue Obligations:	2023B General Revenue Bonds	Par Amount:	$	149,700
Purpose:	Direct Purchase Refunding of 2021C	Date Closed:		February 24, 2023
Revenue Obligations:	2023C General Revenue Bonds	Par Amount:	$	63,000
Purpose:	Refund a portion of Series 2015C	Date Closed:		March 15, 2023
Revenue Obligations:	2023D General Revenue Bonds	Par Amount:	$	128,000
Purpose:	Refund debt and pay issuance costs	Date Closed:		August 18, 2023
		NPV savings	$	6,499
Revenue Obligations:	2023E General Revenue Bonds	Par Amount:	$	400,000
Purpose:	Fund system improvements and pay issuance costs	Date Closed:		August 10, 2023
Revenue Obligations:	2023F General Revenue Bonds	Par Amount:	$	179,310
Purpose:	Refund debt and pay issuance costs	Date Closed:		August 10, 2023

2022

Revenue Obligations:	2022A General Revenue Bonds	Par Amount:	$	130,360
Purpose:	Fund system improvements and pay issuance costs	Date Closed:		August 30, 2022
Revenue Obligations:	2022B General Revenue Bonds	Par Amount:	$	100,000
Purpose:	Fund system improvements and pay issuance costs	Date Closed:		August 30, 2022
Revenue Obligations:	2022C General Revenue Bonds	Par Amount:	$	150,000
Purpose:	Refund debt and pay issuance costs	Date Closed:		August 30, 2022
		NPV savings	$	17,141

(Amounts in thousands, unless otherwise stated)

(b) Component Unit Bonds – UDSA

LIPA's Board adopted Financing Orders authorizing the issuance of Restructuring Bonds by UDSA to allow LIPA and UDSA to retire a portion of its outstanding indebtedness and to fund transmission and distribution resiliency investments. The Restructuring Bonds are not obligations of LIPA.

Below is a summary of UDSA's bond transactions completed during the years ended December 31, 2023 and 2022.

2023

Restructuring Bonds:	2023 Taxable and Tax Exempt (TE) -1 Restructuring Bonds	Par Amount:	$	697,700
Purpose:	Refinance outstanding LIPA and UDSA indebtedness	Date Closed:		December 15, 2023
	and pay issuance costs	NPV savings	$	44,646
Restructuring Bonds:	2023 TE-2 Restructuring Bonds - Green Bonds	Par Amount:	$	135,515
Purpose:	Finance T&D system resiliency projects	Date Closed:		December 15, 2023

2022

Restructuring Bonds:	2022 Taxable and Tax Exempt (TE) -1 Restructuring Bonds	Par Amount:	$	840,875
Purpose:	Refinance outstanding LIPA and UDSA indebtedness	Date Closed:		September 29, 2022
	and pay issuance costs	NPV savings	$	42,081
Restructuring Bonds:	2022 TE-2 Restructuring Bonds - Green Bonds	Par Amount:	$	94,780
Purpose:	Finance T&D system resiliency projects	Date Closed:		September 29, 2022

(Amounts in thousands, unless otherwise stated)

(c) *Summary of Long-term Debt (LIPA and UDSA)*

LIPA and UDSA long-term debt as of December 31, 2023 consisted of the following:

	Beginning balance	Accretion/ additions	Maturities	Refundings/ Defeasance	Ending balance	Years of Maturity	Interest Rate (%)	
General revenue bonds/notes:								
Series 1998A	$ 52,989	2,526	—	12,970	42,545	2025-2028	5.30	(a)
Series 2000A	201,522	10,509	16,975	37,385	157,671	2025-2029	5.93-5.95	(a)
Series 2003C	36,645	—	—	—	36,645	2028-2029	5.25	
Series 2010B	162,605	—	—	—	162,605	2024-2041	5.45-5.85	(c)
Series 2014A	413,070	—	—	—	413,070	2034-2044	4.00-5.00	
Series 2014B	67,155	—	—	21,530	45,625	2025-2026	3.98-4.13	
Series 2014C FRN	41,240	—	—	41,240	—	—	—	
Series 2015B	105,220	—	—	1,860	103,360	2024-2045	3.00-5.00	
Series 2015C FRN	149,000	—	—	149,000	—	—	—	
Series 2016B	357,100	—	11,640	12,200	333,260	2024-2046	5.00	
Series 2017	329,820	—	—	7,780	322,040	2024-2047	5.00	
Series 2018	425,100	—	—	3,650	421,450	2024-2039	3.38-5.00	
Series 2019A	208,175	—	—	10,300	197,875	2024-2039	3.00-5.00	
Series 2019B	284,250	—	—	—	284,250	2032-2049	1.65	
Series 2020A	232,975	—	—	—	232,975	2024-2040	4.00-5.00	
Series 2020B	250,000	—	—	—	250,000	2040-2050	0.85	
Series 2020C	91,615	—	—	91,615	—	—	—	
Series 2021	250,000	—	—	—	250,000	2025	1.00	
Series 2021A	349,990	—	—	—	349,990	2024-2042	1.50-5.00	
Series 2021B	175,000	—	—	—	175,000	2042-2051	1.50	
Series 2021C	194,390	—	—	194,390	—	—	—	
Series 2022A	130,360	—	1,500	—	128,860	2024-2044	5.00	
Series 2022B	100,000	—	—	—	100,000	2044-2052	5.00	
Series 2022C	150,000	—	—	—	150,000	2030-2038	3.43-4.97	(b)(d)
Series 2023E	—	400,000	—	—	400,000	2024-2053	5.00	
Series 2023F	—	179,310	—	—	179,310	2027-2033	5.00	
Series 2023D	—	128,000	—	—	128,000	2030-2033	3.05-4.48	(d)
Direct placement notes:								
Series 2015A1 FRN	51,000	—	—	51,000	—	—	—	
Series 2015A2 FRN	149,000	—	—	149,000	—	—	—	
Series 2023A-1	—	92,000	210	—	91,790	2024-2042	3.49-5.03	(d)
Series 2023A-2	—	45,000	445	—	44,555	2024-2042	3.40-4.94	(d)
Series 2023B	—	149,700	1,465	—	148,235	2024-2042	3.41-4.95	(d)
Series 2023C	—	63,000	—	—	63,000	2030-2033	3.40-4.94	(d)
Subtotal	4,958,221	1,070,045	32,235	783,920	5,212,111			
UDSA restructuring bonds:								
Series 2013T	72,660	—	72,660	—	—	—	—	
Series 2013TE	715,100	—	680	714,420	—	—	—	
Series 2015	967,710	—	12,455	—	955,255	2024-2035	3.00-5.00	
Series 2016A	636,770	—	82,965	—	553,805	2024-2033	5.00	
Series 2016B	153,695	—	26,185	—	127,510	2025-2033	4.00-5.00	
Series 2017	320,620	—	36,715	—	283,905	2024-2039	5.00	
Series 2022T	53,585	—	20,945	—	32,640	2029-2037	4.65-4.95	
Series 2022TE-1	787,290	—	12,055	—	775,235	2024-2037	5.00	
Series 2022TE-2	94,780	—	—	—	94,780	2038-2050	5.00	
Series 2023T	—	36,200	—	—	36,200	2039	5.67	
Series 2023TE-1	—	661,500	—	—	661,500	2024-2039	5.00	
Series 2023TE-2	—	135,515	—	—	135,515	2034-2051	5.00	
Subtotal	3,802,210	833,215	264,660	714,420	3,656,345			
	8,760,431	1,903,260	296,895	1,498,340	8,868,456			
Plus: Net premium	698,494	119,606	79,697	27,561	710,842			
Less: Current maturities	(294,775)				(286,875)			
Total Long-term debt	$ 9,164,150				9,292,423			

(a) Capital Appreciation Bonds
(b) Certain bonds of this series are subject to interest rate exchange agreements
(c) Taxable Build America Bonds subject to federal subsidy, rate shown is pre-subsidy level
(d) Variable rate (rate presented as of the December 31, 2023)

(Amounts in thousands, unless otherwise stated)

LIPA and UDSA's long-term debt as of December 31, 2022 consisted of the following:

	Beginning balance	Accretion/ additions	Maturities	Repaid/ Refundings	Ending balance	Years of Maturity	Interest Rate (%)	
General revenue bonds/notes:								
Series 1998A	$ 74,388	3,770	12,970	12,199	52,989	2024-2028	5.30	(a)
Series 2000A	243,916	13,141	36,390	19,145	201,522	2023-2029	5.90-5.95	(a)
Series 2003C	36,645	—	—	—	36,645	2028-2029	5.25	
Series 2010B	162,605	—	—	—	162,605	2024-2041	5.45-5.85	(c)
Series 2012A	40,995	—	—	40,995	—	—	—	
Series 2012B	175,750	—	11,880	163,870	—	—	—	
Series 2014A	413,070	—	—	—	413,070	2034-2044	4.00-5.00	
Series 2014B	67,155	—	—	—	67,155	2024-2026	3.88-4.13	
Series 2014C FRN	150,000	—	—	108,760	41,240	2030-2033	3.63	(b)(d)
Series 2015B	107,855	—	—	2,635	105,220	2024-2045	3.00-5.00	
Series 2015C FRN	149,000	—	—	—	149,000	2030-2033	3.63	(b)(d)
Series 2016B	362,740	—	5,640	—	357,100	2023-2046	5.00	
Series 2017	336,880	—	—	7,060	329,820	2024-2047	5.00	
Series 2018	428,000	—	—	2,900	425,100	2024-2039	3.38-5.00	
Series 2019A	210,675	—	—	2,500	208,175	2024-2039	3.00-5.00	
Series 2019B	284,250	—	—	—	284,250	2032-2049	1.65	
Series 2020A	235,475	—	—	2,500	232,975	2024-2040	4.00-5.00	
Series 2020B	250,000	—	—	—	250,000	2040-2050	0.85	
Series 2020C	91,615	—	—	—	91,615	2023	0.76	(e)
Series 2021	250,000	—	—	—	250,000	2025	1.00	
Series 2021A	355,755	—	2,855	2,910	349,990	2024-2042	1.50-5.00	
Series 2021B	175,000	—	—	—	175,000	2042-2051	1.50	
Series 2021C	194,390	—	—	—	194,390	2023	0.36	(e)
Series 2022A	—	130,360	—	—	130,360	2023-2044	5.00	
Series 2022B	—	100,000	—	—	100,000	2044-2052	5.00	
Series 2022C	—	150,000	—	—	150,000	2030-2038	2.30-4.11	(b)
Direct placement notes:								
Series 2015A1 FRN	51,000	—	—	—	51,000	2033	2.23	(b)(d)
Series 2015A2 FRN	149,000	—	—	—	149,000	2029	2.02	(b)(d)
Subtotal	4,996,159	397,271	69,735	365,474	4,958,221			
UDSA bonds:								
Series 2013T	114,641	—	41,981	—	72,660	2023	3.44	
Series 2013TE	1,374,390	—	—	659,290	715,100	2023-2039	5.00	
Series 2015	989,095	—	21,385	—	967,710	2023-2035	3.00-5.00	
Series 2016A	636,770	—	—	—	636,770	2023-2033	5.00	
Series 2016B	244,675	—	90,980	—	153,695	2023-2033	4.00-5.00	
Series 2017	343,785	—	23,165	—	320,620	2023-2039	5.00	
Series 2022T	—	53,585	—	—	53,585	2023-2037	4.42-4.95	
Series 2022TE-1	—	787,290	—	—	787,290	2023-2037	5.00	
Series 2022TE-2	—	94,780	—	—	94,780	2038-2050	5.00	
Subtotal	3,703,356	935,655	177,511	659,290	3,802,210			
	8,699,515	1,332,926	247,246	1,024,764	8,760,431			
Plus: Net premium	688,546	122,356	75,518	36,890	698,494			
Less: Current maturities	(247,246)				(294,775)			
Total Long-term debt	$ 9,140,815				9,164,150			

(a) Capital Appreciation Bonds
(b) Certain bonds of this series are subject to interest rate exchange agreements
(c) Taxable Build America Bonds subject to federal subsidy, rate shown is pre-subsidy level
(d) Variable rate (rate presented as of the December 31, 2022)
(e) On February 24, 2023, Series 2020C and Series 2021C were refunded with General Revenue Bonds, 2023A and 2023B; and as such, amounts were excluded from current maturities.

(Amounts in thousands, unless otherwise stated)

The debt service requirements for LIPA's bonds (excluding short-term debt such as general revenue notes and revolving credit facility but including the UDSA Restructuring Bonds) as of December 31, 2023 are as follows:

Due		Principal*	Interest	Net swap payments (receipts)	Total
2024		286,875	385,828	2,373	675,076
2025		598,225	370,988	2,426	971,639
2026		405,715	353,744	2,431	761,890
2027		417,260	336,760	2,446	756,466
2028		435,310	318,544	38	753,892
2029–2033		2,423,090	1,272,224	(22,653)	3,672,661
2034–2038		1,898,365	753,482	(21,182)	2,630,665
2039–2043		1,351,965	331,138	(5,782)	1,677,321
2044–2048		746,735	130,092	—	876,827
2049–2053		351,180	31,109	—	382,289
Total	$	8,914,720	4,283,909	(39,903)	13,158,726

* Future interest on capital appreciation bonds are included in principal maturities.

Future debt service on the variable-rate bonds and the floating-rate portion of floating-to-fixed rate swaps is calculated using the relevant indices, including applicable spreads, as of December 31, 2023. Such rates, as shown in the long-term debt summary table, are assumed constant through maturity. For bonds subject to floating-to-fixed rate swap agreements, the "net swap payments" represent the fixed rate swap payment net of the assumed variable rate swap receipts for each agreement.

Terms by which interest rates change for variable rate debt are as follows: The 2022C FRN Bonds bear interest at SIFMA plus the per annum spread of 45 basis points. The rate is reset weekly. The Series 2023A-1 Bonds bear interest at SIFMA plus the per annum spread of 51 basis points. The Series 2023A-2 Bonds bear interest at SIFMA plus the per annum spread of 42 basis points. The Series 2023B Bonds bear interest at SIFMA plus the per annum spread of 43 basis points. The Series 2023C Bonds bear interest at SIFMA plus the per annum spread of 42 basis points. The SIFMA index rate resets weekly.

The Series 2023D Bonds bear interest at the rate of interest per annum determined by the remarketing agent in a weekly mode.

(d) Callable Bonds

LIPA has approximately $4.3 billion of Electric Revenue Bonds callable through 2033. UDSA has approximately $2.2 billion of Restructuring Bonds callable through 2034.

(e) Interest Rate Swap Agreements

LIPA has entered into several interest rate swap agreements with various counterparties to modify the interest rate on outstanding debt. For further discussion, see Note 8.

(Amounts in thousands, unless otherwise stated)

(f) Short-Term Debt

LIPA's short-term borrowing program provides resources to meet interim working capital needs, cash flow requirements due to the seasonality of sales, and cash flow requirements from unforeseen circumstances such as severe weather events. The Board has authorized a maximum authorization of $1.2 billion in short-term borrowings.

LIPA's short-term debt as of December 31, 2023 consisted of the following instruments:

		Maximum Authorized Par Amount	Beginning Balance	Additions	Payments	Ending Balance	Supporting Letter of Credit Expiration Date
General revenue notes:							
Series 2019A	Revolving Credit Agreement	$ 200,000	—	—	—	—	3/15/2027
Series 2015 CP 1AB	Commercial Paper	200,000	51,000	170,000	221,000	—	6/30/2025
Series 2015 CP 2AB	Commercial Paper	150,000	80,000	155,000	135,000	100,000	6/30/2025
Series 2015 CP 3AB	Commercial Paper	100,000	—	35,000	35,000	—	9/29/2026
Series 2015 CP 4AB	Commercial Paper	200,000	—	175,000	40,000	135,000	6/06/2024
Series 2015 CP 5AB	Commercial Paper	100,000	—	60,000	30,000	30,000	3/11/2025
Series 2015 CP 6AB	Commercial Paper	250,000	—	80,000	—	80,000	6/12/2024
	Total short-term debt	$ 1,200,000	131,000	675,000	461,000	345,000	

LIPA's short-term debt as of December 31, 2022 consisted of the following instruments:

		Maximum Authorized Par Amount	Beginning Balance	Additions	Payments	Ending Balance	Supporting Letter of Credit Expiration Date
General revenue notes:							
Series 2019A	Revolving Credit Agreement	$ 200,000	2,000	—	2,000	—	3/15/2027
Series 2015 CP 1AB	Commercial Paper	200,000	50,000	240,000	239,000	51,000	6/30/2025
Series 2015 CP 2AB	Commercial Paper	150,000	50,000	200,000	170,000	80,000	6/30/2025
Series 2015 CP 3AB	Commercial Paper	100,000	—	85,000	85,000	—	5/05/2023
Series 2015 CP 4AB	Commercial Paper	200,000	150,000	125,000	275,000	—	3/08/2024
Series 2015 CP 5AB	Commercial Paper	100,000	85,000	75,000	160,000	—	3/11/2025
Series 2015 CP 6AB	Commercial Paper	250,000	85,000	210,000	295,000	—	3/14/2024
	Total short-term debt	$ 1,200,000	422,000	935,000	1,226,000	131,000	

(g) Covenants

LIPA's General Resolution, bond agreements with purchasers of LIPA's direct placement notes, and bank agreements supporting its short-term borrowing program generally include certain covenants, events of default, and remedies including, in some cases, acceleration of the related obligations. In addition, the bond agreements and bank agreements generally include different and/or additional covenants from the General Resolution such as, among others: (i) a requirement that LIPA maintain an amount not less than $150 million in the Rate Stabilization Fund and (ii) a more rigorous rate covenant. Complete copies of LIPA's financing documents for its long-term and short-term borrowings, the bond agreements, bank agreements, and related offering documents have been filed with the Municipal Securities Rulemaking Board's EMMA website.

(h) Fixed Obligation Coverage Ratio

LIPA makes use of a fixed obligation coverage ratio to determine revenue requirements. LIPA's methodology for calculating the fixed obligation coverage ratio excludes certain specified non-cash items from expenses. Depreciation expense and amortization of the Acquisition Adjustment and other regulatory assets, including the PSEG Long Island accrual expense for future OPEB benefit cost obligations, are excluded from the coverage calculation. The revenue section of this calculation includes revenues received from certain customers used to satisfy regulatory assets that were established when LIPA issued debt to fund these projects. For calculating the coverage ratios, such cash receipts are available to meet LIPA's fixed obligation requirements, as they are a component of cash flow, but are excluded from revenues for accrual accounting purposes.

Certain interest-related costs, such as interest rate derivative costs, letters of credit and remarketing fees, bond administration costs, and interest related to customer deposits, are treated as ordinary operating expenses without coverage. LIPA and UDSA principal and interest payments, including interest payments on LIPA's short-term borrowing program and payments on leases and SBITAs, are included for coverage.

(Amounts in thousands, unless otherwise stated)

Effective for 2023 and 2022, the LIPA Board's policy on fiscal sustainability established a fixed obligation coverage ratio of 1.40x for both years, of debt and lease payments. LIPA's calculation of its fixed obligation coverage ratio for the years ended December 31, 2023 and 2022 is shown below for informational purposes.

		2023	2022	
Operating revenues, net of uncollectible accounts expense	$	3,698,833	4,279,158	(1)
Other income		107,597	60,609	(1)
Shoreham Settlement & VBA regulatory asset receipts		42,392	52,275	(2)
Total revenues and income		3,848,822	4,392,042	
Operating expenses		(3,351,354)	(3,944,593)	(1)
Add non cash expenses/(deduct cash funding):				
Depreciation and amortizations		448,054	422,797	(1)
Lease & SBITA amortization		415,001	411,529	(3)
OPEB accrual expense		19,506	42,906	(2) (4)
Other interest expense		(13,110)	(27,144)	(2)
Total expenses		(2,481,903)	(3,094,505)	
Funds available for debt service	$	**1,366,919**	**1,297,537**	
Principal and interest – LIPA		234,857	242,190	(2)
Principal and interest – UDSA		449,199	350,905	(2)
Lease liabilities		415,001	411,529	(3)
Total fixed obligation debt service	$	**1,099,057**	**1,004,624**	
Fixed Obligation Coverage Ratio:				
Excluding UDSA		**1.41**	**1.45**	(5)
Including UDSA		**1.24**	**1.29**	
Board approved budget coverage target:				
Excluding UDSA		**1.40**	**1.40**	
Including UDSA		**1.20**	**1.20**	

Notes:

(1) See Statements of Revenues, Expenses and Changes in Net Position

(2) See Statements of Cash Flow

(3) See Note 12 (h) (below)

(4) The financial policy adopted by LIPA's Board adds back the PSEG Long Island OPEB accrual operating expense as available to pay debt service. There are no mandatory pre-funding requirements for these OPEB expenses. LIPA voluntarily sets aside funds for OPEB obligations in an OPEB Account after payment of all operating expenses and debt service each year.
See note 11 for more detail.

(5) 2023 - Excluding UDSA equal to ($1,366,919 less ($449,199))/($1,099,057 less ($449,199))
2022 - Excluding UDSA equal to ($1,297,537 less ($350,905))/(1,004,624 less ($350,905))

LIPA modified the 2022 fixed obligation coverage ratio as a result of the impact of the adoption of GASB Statement No 96. This new standard required certain SBITAs with a term greater than one year to be a financing arrangement, with a corresponding asset and liability on the Statement of Net Position.

(Amounts in thousands, unless otherwise stated)

(i) Debt-to-Asset Ratio

LIPA's Board policy seeks to reduce the Debt-to-Asset ratio to approximately 70% by 2030. LIPA's Debt-to-Asset ratio is calculated as Gross debt (including short-term debt) less debt service reserve funds divided by Net Utility Plant and property and equipment, (inclusive of grant-funded mitigation assets as discussed in Note 6(a)), plus net working capital. Net working capital is defined as current assets less current liabilities. See the calculation below.

		2023	2022	
Long-term LIPA and UDSA debt	$	8,868,456	8,760,431	(1)
Short-term debt		345,000	131,000	(1)
Lease and SBITA liabilities		1,830,817	2,128,226	(2)
LIPA Pension obligations (asset)		2,660	(830)	(3)
Unfunded OSA pension obligations		102,019	81,889	(4)
Less:				
UDSA restricted cash		(114,951)	(153,150)	(2)
Adjusted Debt		**11,034,001**	**10,947,566**	
Current assets		3,159,934	2,981,818	(2)
Less amounts included in adjusted debt:				
UDSA restricted cash		(114,951)	(153,150)	(3)
Current assets, net of amounts included in adjusted debt		3,044,983	2,828,668	
Current liabilities		1,663,977	1,660,567	(2)
Less amounts included in adjusted debt:				
Current maturities of long-term LIPA and UDSA debt		(286,875)	(294,775)	(3)
Current maturities of lease and SBITA liabilities		(402,086)	(358,361)	(3)
Short-term debt		(345,000)	(131,000)	(3)
Current liabilities, net of amounts included in adjusted debt		630,016	876,431	
Net working capital (net current assets minus liabilities)		**2,414,967**	**1,952,237**	
Utility plant and property and equipment, net		**10,590,245**	**10,464,377**	(2)
Plant assets plus net working capital	$	**13,005,212**	**12,416,614**	
Adjusted Debt	$	**11,034,001**	**10,947,566**	
Debt-to-Asset Ratio		**85%**	**88%**	(5)

(1) See Note 12(c) and (f)
(2) See Statement of Net Position
(3) See Note 14(a)
(4) See Note 13
(5) 2023 $11,034,001 / $13,005,212
2022 $10,947,566 / $12,416,614

(Amounts in thousands, unless otherwise stated)

(j) Changes in noncurrent liabilities

LIPA's other long-term liabilities as of December 31, 2023 were comprised of the following:

		Beginning Balance	Increases	Decreases	Ending Balance
Long-term liabilities and unrealized credits	$	35,503	27,743	(17,291)	45,955
Borrowings		30,464	—	(4,334)	26,130
Claims and damages		186,014	74,763	(51,989)	208,788
Lease and SBITA liabilities		1,769,865	73,867	(415,001)	1,428,731
Total other long-term liabilities	$	2,021,846	176,373	(488,615)	1,709,604

LIPA's other long-term liabilities as of December 31, 2022 were comprised of the following:

		Beginning Balance	Increases	Decreases	Ending Balance
Long-term liabilities and unrealized credits	$	41,125	26,611	(32,233)	35,503
Borrowings		34,739	—	(4,275)	30,464
Claims and damages		155,459	38,019	(7,464)	186,014
Lease and SBITA liabilities		2,122,206	59,188	(411,529)	1,769,865
Total other long-term liabilities	$	2,353,529	123,818	(455,501)	2,021,846

(Amounts in thousands, unless otherwise stated)

(13) OSA – Employee Retirement Benefits Obligations

PSEG Long Island

PSEG Long Island employee pension and OPEB obligations are legal obligations of PSEG Long Island, and the employees covered by these plans are PSEG Long Island employees. However, the cost to employ PSEG Long Island's workforce, including employee pension and other post-employment benefits, are a "pass-through expenditure" and contractual liability of LIPA.

When transitioning National Grid employees to PSEG Long Island, to ensure the National Grid workforce serving LIPA was protected against benefit losses from the transition, the PSEG Long Island benefit plans credited National Grid transitioned employees for service prior to the OSA for purposes such as eligibility, participation, vesting, company match levels, subsidies (including any type of early retirement subsidy), and attainment of retirement dates. In addition, those employees who immediately prior to the OSA effective date could have become eligible to participate in the National Grid post-employment health and life insurance benefit plans are entitled to receive substantially equivalent post-employment health and life insurance benefits from PSEG Long Island. This arrangement created a prior service cost obligation totaling $126 million for pensions and $316 million for OPEBs as of January 1, 2014.

The following table provides a roll-forward of the changes to the benefit obligations and the fair value of the plan assets during each of the years ended December 31, 2023 and 2022.

	Pension benefits		Post-employment benefits	
	2023	2022	2023	2022
Benefit obligation at beginning of year	$ 452,117	$ 595,986	$ 454,689	$ 639,829
Service cost	23,929	38,040	12,299	21,207
Interest cost	23,045	16,552	23,392	18,443
Actuarial gain (loss)	31,353	(188,898)	35,288	(215,044)
Plan amendment	16,107	—	—	—
Benefits paid	(11,243)	(9,563)	(11,797)	(9,746)
Benefit obligation at end of year	535,308	452,117	513,871	454,689
Fair value of assets at beginning of year	370,228	422,453	—	—
Actual return/(deficit) on plan assets	55,904	(72,662)	—	—
LIPA/Employer contribution	18,400	30,000	11,797	9,746
Benefits paid	(11,243)	(9,563)	(11,797)	(9,746)
Fair value of assets at end of year	433,289	370,228	—	—
LIPA unfunded obligation	$ (102,019)	(81,889)	(513,871)	(454,689)

(Amounts in thousands, unless otherwise stated)

The table also provides the funded status of the PSEG Long Island plans and the amounts recognized as the long-term contractual liability on the Statements of Net Position at the end of both years.

The table does not reflect the balance of LIPA's OPEB Account, which was established to pre-fund the contractual liability for post-employment benefits. LIPA's Board authorized the creation of an OPEB Account to allow LIPA to segregate funds to meet future OPEB obligations for PSEG Long Island employees. As of December 31, 2023 and 2022, LIPA had on deposit in the OPEB Account approximately $644 million and $523 million, respectively. For a further discussion, see Note 11.

The unfunded contractual liability related to pension and post-employment benefits decreased during 2023 due to the impact of an update of certain assumptions regarding the census data, claims costs, excise taxes, and the discount rate. These changes resulted in a net actuarial loss of approximately $31 million for pension benefits and approximately $35 million for post-employment benefits as follows:

	Pension benefits	Post-employment benefits
Updated census data	$ 2.4	$ (2.6)
Updated assumptions	13.8	21.6
Impact of adopting granular method	1.0	1.0
Discount rate changes (see table below)	14.2	15.3
Total loss	$ 31.4	$ 35.3

The actuarial valuations related to pension and post-employment benefits involve estimates and assumptions regarding the probability of events in the future. Below are the weighted average assumptions used to calculate actuarial present values of benefit obligations as of December 31, 2023 and 2022:

	Pension benefits		Post-employment benefits	
	2023	2022	2023	2022
Discount rate	5.13%	5.30%	5.16%	5.34%
Rate of compensation increase	5.54%	3.95%	5.54%	3.95%

(Amounts in thousands, unless otherwise stated)

Pension Plan Assets

During 2023 and 2022, LIPA provided $18 million and $30 million, respectively, to PSEG Long Island for deposit in its pension plan trust fund. The trust is sponsored, overseen, and managed by the PSEG Thrift & Pension Investment Committee. The benefit plan assets are maintained separately and are not commingled with other PSEG plans. The benefit plan assets are not LIPA assets and, therefore, are not reflected on the Statements of Net Position. These assets, however, reduce LIPA's contractual obligation to PSEG Long Island for the benefit obligations of the PSEG Long Island employees. The following table outlines the PSEG Long Island pension assets as of December 31, 2023 and 2022:

		2023		2022	
Investment type		**Amount**	**Allocation**	**Amount**	**Allocation**
Equity	$	326,279	75.3%	275,260	74.4%
Fixed-income		104,911	24.2	93,365	25.2
Other		2,099	0.5	1,603	0.4
	$	433,289	100.0%	370,228	100.0%

National Grid A&R PSA

The capacity charge of the A&R PSA is adjusted each year for the actuarially required contributions for the pension and OPEB (P&OPEB) benefits of the employees that work at these National Grid power plants. The actuarially required contributions are reflected in annual filings by National Grid with FERC. As of the most recent estimate provided by National Grid's actuary dated March 2023, the P&OPEB obligations are estimated to be overfunded by approximately $19 million compared with $28 million in 2022. This funding status is a component in the development of the actuarially required contributions in each year. LIPA does not expect to have a material liability for P&OPEB obligations under the A&R PSA upon termination of the contract.

(14) LIPA Employee Benefits

All full-time LIPA employees must participate in one of two employee retirement plans offered by LIPA, either: (i) the New York State and Local Retirement System (the Retirement System); or (ii) the New York State Voluntary Defined Contribution Plan (VDC). Employees in part-time positions have the option of enrolling in the Retirement System.

(a) Pension Plans

(i) Plan Description

The Retirement System is a cost-sharing multiple-employer defined benefit retirement system. The net position of the Retirement System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the Retirement System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the Retirement System. Retirement System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the Retirement System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a New York State statute. The Retirement System is included in New York State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

(ii) Benefits

The Retirement System provides retirement benefits as well as death and disability benefits and uses a tier concept to distinguish membership classes (i.e. Tiers 1 through 6) with Tier membership based on the date an employee joins the Retirement System. The Retirement System is noncontributory for Tier 1 and 2 employees who joined on or prior to July 26, 1976. Tiers 3 and 4 employees, who joined between July 27, 1976 and December 31, 2009, are required to contribute 3% of their gross earnings toward their retirement benefits until the employee either accrues ten years of service credit or has been a member of the Retirement System for ten years after their date of membership. Employees who joined the Retirement System after January 1, 2010 are Tier 5 employees and contribute 3% of their salary during their entire length of service. Employees who joined the Retirement System on or after April 1, 2012 are Tier 6 employees and must contribute for their entire length of service.

Tier 6 contribution rates vary based on annual compensation. During the first three years of membership, the Tier 6 employee contribution rate is based on the employee's annual wage. After this three-year period, the employee's contribution rate will be based on actual earnings in the two years prior. The contribution rate varies between 3% and 6% depending on an employee's actual salary.

All members become vested in the pension plan after five years of credited service. All members are generally eligible to receive benefits at age 55. The benefit is generally 1.66% of final average salary (FAS), multiplied by the number of years of service, for members who retire with less than 20 years of service. The benefit calculation for Tiers 1 and 2 members with greater than 20 years of service credit, or Tiers 3 through 5 members between 20 and 30 years of service credit is calculated using 2% of FAS for each year of service. Tier 3 through 5 members are eligible for an additional 1.5% of FAS applied to each year of service over 30 years. The benefit for Tier 6 members with more than 20 years of service is 1.75% of FAS for 20 years of service plus 2% of FAS for each year of service credit in excess of 20 years. The Retirement System provides an annual automatic cost of living adjustment to members or surviving spouses based on certain eligibility criteria.

(iii) Post-Employment Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) Retirement System recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria.

(iv) Employers Contributions

Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Retirement Systems' fiscal year ending March 31. LIPA's contributions for the year ended December 31, 2023, 2022, and 2021, were equal to 100% of the contributions required, and were $0.63 million, $0.58 million, $0.72 million, respectively.

(Amounts in thousands, unless otherwise stated)

(v) *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred In- flows of Resources Related to Pensions*

As of December 31, 2023, LIPA reported a liability of $2.66 million and as of December 31, 2022, LIPA reported an asset of $0.83 million for its proportionate share of the Retirement System net pension liability. The total pension liability, as reported by the Retirement System, as of March 31, 2023 was determined using an actuarial valuation as of April 1, 2022, with update procedures used to roll-forward the total pension liability to March 31, 2023. LIPA's proportionate share of the net pension liability was based on a projection of LIPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

As of December 31, 2023 and 2022, LIPA's proportionate share was 0.01% of the Retirement System net pension liability.

For the years ended December 31, 2023 and 2022, LIPA recognized pension expense of $0.93 million and $0.20 million, respectively. As of December 31, 2023 and 2022, LIPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual expense	$ 283	75	63	82
Net difference between projected and actual earnings on investments	1,293	16	1,392	2,732
Changes in assumptions	525	14	474	23
Net difference between LIPA's contributions and proportionate share of contributions	—	21	—	31
LIPA's contributions subsequent to the measurement date	—	—	580	—
	$ **2,101**	**125**	**2,509**	**2,868**

(Amounts in thousands, unless otherwise stated)

The net amount of LIPA's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan years ended December 31:	
2024	528
2025	6
2026	660
2027	782
2028	—
	1,976

(vi) Actuarial Assumptions

For December 31, 2023, the total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll-forward the total pension liability to the measurement date. The actuarial valuation used the following assumptions:

Measurement date:	March 31, 2023
Actuarial valuation date:	April 1, 2022
Actuarial cost method:	Aggregate Cost Method
Inflation:	2.90 %
Salary scale:	4.40 %
Investment rate of return, including inflation (compounded annually, net of expenses):	5.90 %
Cost of living adjustments, annually:	1.50 %
Decrement tables:	April 1, 2015 – March 31, 2020 Retirement System's Experience
Mortality improvement:	Society of Actuaries Scale MP-2021

(Amounts in thousands, unless otherwise stated)

For December 31, 2022, the total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll-forward the total pension liability to the measurement date. The actuarial valuation used the following assumptions:

Measurement date:	March 31, 2022
Actuarial valuation date:	April 1, 2021
Actuarial cost method:	Aggregate Cost Method
Inflation:	2.70 %
Salary scale:	4.40 %
Investment rate of return, including inflation (compounded annually, net of expenses):	5.90 %
Cost of living adjustments, annually:	1.40 %
Decrement tables:	April 1, 2015 – March 31, 2020 Retirement System's Experience
Mortality improvement:	Society of Actuaries Scale MP-2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset class	Long-term expected real rate of return (%)
Domestic equity	4.30
International equity	6.85
Private equity	7.50
Real estate	4.60
Opportunistic/Absolute return strategies	5.38
Credit	5.43
Real assets	5.84
Fixed income	1.50
Cash	—

(Amounts in thousands, unless otherwise stated)

(vii) Discount Rate

The discount rate used to calculate the total pension liability was 5.90% as of December 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumes that contributions from pension plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(viii) Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following represents the current-period net pension liability of LIPA's proportionate share of the net pension liability, as of December 31, 2023, calculated using the current-period discount rate assumption of 5.90%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90%) or 1-percentage-point higher (6.90%) than the current assumption:

	1% Decrease (4.9%)	Assumption (5.9%)	1% Increase (6.9%)
LIPA's proportionate share of the net pension liability (asset)	$ 6.4 million	2.7 million	(0.5) million

The following represents the current-period net pension liability of LIPA's proportionate share of the net pension liability, as of December 31, 2022, calculated using the current-period discount rate assumption of 5.90%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90%) or 1-percentage-point higher (6.90%) than the current assumption:

	1% Decrease (4.9%)	Assumption (5.9%)	1% Increase (6.9%)
LIPA's proportionate share of the net pension liability (asset)	$ 2.1 million	(0.8) million	(3.3) million

(b) New York State Voluntary Defined Contribution Plan

LIPA offers certain full-time employees participation in a VDC Plan, which is an alternative to the State's Retirement System. The VDC option is available to all unrepresented State, New York City, and local public employees who are hired on or after July 1, 2013 and are paid at a rate of $75 thousand or more on an annual basis. For those employees choosing this option, LIPA is required to contribute 8% of their gross salary and the employee contributes between 3% and 6% depending on salary. All contributions are fully vested after one year.

(c) Deferred Compensation Savings Plan

LIPA also offers all employees an option to participate in a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457(b). This plan permits participants to defer a portion of their salaries until future years. Amounts deferred under the plan are not available to employees or beneficiaries until termination, retirement, death, or an unforeseeable emergency. An independent trustee is also responsible for the administration of this plan.

(d) Other Post-Employment Benefits

OPEBs are a form of employee compensation that are recognized in the same period in which the compensated service is provided by the employees. OPEBs includes post-employment healthcare benefits (including medical, dental, vision, hearing, and other health-related benefits) and other forms of post-employment benefits (including life insurance, disability, and long-term care).

LIPA is a participating employer in the New York State Health Insurance Program (NYSHIP), which is an agent multiple-employer plan administered by the New York State Department of Civil Service. Through NYSHIP, LIPA provides certain medical benefits for eligible retired employees and their dependents. Participation in the NYSHIP program provides for employees and/or their dependents to continue eligibility for these benefits in retirement. Employees with membership in the NYSLRS are eligible for retiree medical insurance if the employee is e enrolled in NYSHIP as an enrollee or a dependent at the time of your retirement (enrollment in NYSHIP may be through The Empire Plan, a NYSHIP HMO or the Opt-out Program), has at least one year of full-time service with LIPA and satisfied the requirements for retiring as a member of the Retirement System. Employees enrolled in the VDC are eligible for retiree medical insurance if the employee is enrolled in NYSHIP as an enrollee or a dependent at the time of your retirement (enrollment in NYSHIP may be through The Empire Plan, a NYSHIP HMO or the Opt-out Program.is enrolled in the NYSHIP program), has five years of full-time service with LIPA and meets the age requirement of the Retirement System tier in effect at the time the employee last entered service.

NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State.

LIPA's OPEB liability totaled approximately $28 million and $24 million as of December 31, 2023 and 2022, respectively. LIPA's OPEB Trust, a legally separate Section 115 trust approved by LIPA's Board to accumulate resources for its OPEB obligation, totaled approximately $29 million and $25 million as of December 31, 2023 and 2022, respectively, for a total respective funding of 103.9% and 104.3%. Contributions to the OPEB Trust are based on an actuarial valuation.

(15) Commitments and Contingencies

(a) Leases

In 2020, LIPA adopted the provisions of GASB Statement No. 87. As such LIPA recognized a lease liability and a leased asset for agreements whereby LIPA obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. Below is a description of these lease arrangements:

(i) Capacity Arrangements

In providing electricity to its customers, LIPA has entered into a variety of power purchase agreements that ensure LIPA can meet the electricity needs of its customers. These arrangements range from contracts where LIPA acquires a product such as power without controlling the underlying facility, to arrangements where LIPA obtains the right to control the underlying facility by controlling a plant's output or a transmission line's throughput. LIPA has recorded a lease asset and a corresponding lease liability in each power and transmission contract where it has obtained control. A common feature of arrangements where LIPA has recorded a lease asset and a corresponding lease liability involves the plant owner transferring to LIPA the right to bid capacity and associated energy prices into the New York State capacity markets during the term of the contract.

The lease assets associated with capacity arrangements include tolling arrangements, capacity-only arrangements, and firm transmission contracts. The lessors to these capacity agreements typically bill LIPA based upon a fixed monthly capacity charge applied to the megawatts under contract for the term of the contract. During the term of the arrangement, the megawatts under contract are subject to a capacity test to determine each year's contractual megawatts, whereas the fixed monthly capacity charge may be subject to adjustment based upon fixed rate scheduled changes, price indexes and other computations. These arrangements do not contain any residual value guarantees by LIPA and LIPA has not paid any termination penalties associated with these agreements in 2023 or 2022. Contractual elements such as service arrangements included within these capacity arrangements have been excluded from the determination of the lease asset and corresponding lease liability. As of December 31, 2023 and 2022, the lease asset, net of amortization, and the corresponding lease liability for capacity arrangements, amounted to approximately $1.8 billion and $2.0 billion, respectively.

(ii) Property Leases

LIPA leases 16 facilities throughout Long Island to serve its customers. These sites include its corporate offices, customer service centers, operation centers and staging sites. While terms vary by lease, each lease provides for a monthly lease payment subject to a fixed escalation on the anniversary date of each agreement. None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources in either 2023 or 2022. As of December 31, 2023 and 2022, the lease asset, net of amortization and the corresponding lease liability for property leases amounted to approximately $53 million and $65 million, respectively.

(Amounts in thousands, unless otherwise stated)

(iii) Vehicles

In 2002 and through December 2023, LIPA leased a fleet of vehicles ranging from passenger cars to heavy-duty trucks. Lease terms range up to 120 months. The monthly lease payment is based upon a straight-line depreciation of the vehicle cost over its term, a monthly variable interest rate based upon LIBOR plus 1.95%, and a management fee. The management fee is excluded from the computation of the lease asset and corresponding obligation. Effective in 2023, fleet vehicles are no longer leased which effectively ended LIPA's lease liability.

There are no other payments such as residual value guarantees or termination penalties not previously included in the measurement of the lease liability reflected as outflows of resources. As of December 31, 2023 and 2022, the leased asset, net of amortization, and the corresponding lease liability for the fleet amounted to approximately $4 million in 2022, with no lease liability as of December 2023.

Presented below is a summary of the principal and interest requirements to maturity for the capacity and property lease liability for each of the five subsequent fiscal years and in five-year increments thereafter:

Year		Principal	Interest	Total
2024	$	356,971	41,475	398,446
2025		353,599	32,478	386,077
2026		350,069	23,650	373,719
2027		308,687	15,002	323,689
2028		190,359	8,738	199,097
2029-2033		237,798	10,596	248,394
2034-2038		24,631	1,564	26,195
2039-2039		243	—	243
Total	$	1,822,357	133,503	1,955,860

(Amounts in thousands, unless otherwise stated)

(b) Subscription-Based Information Technology Arrangements (SBITA)

In 2023, LIPA adopted the provisions of GASB Statement No. 96. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, defines a subscription-based technology arrangement as a contract that conveys control of the right to use a vendor's software, alone or in combination with tangible capital assets, requiring governments to recognize a right-to-use subscription asset and a corresponding subscription liability. LIPA has entered into SBITA agreements with terms that extend beyond one year, with varying terms expiring through 2032.

Presented below is a summary of the principal and interest requirements to maturity for the SBITA liability for each of the five subsequent fiscal years and in five-year increments thereafter:

Year		Principal	Interest	Total
2024	$	3,640	138	3,778
2025		2,065	78	2,143
2026		715	59	774
2027		688	42	730
2028		542	28	570
2029-2032		810	35	845
Total	$	8,460	380	8,840

(c) Other Energy Agreements and Transmission Agreements

LIPA has entered into other power purchase agreements with terms that extend beyond one year, with varying terms expiring through 2034. While these agreements do not qualify as leases, certain agreements have minimum payment terms. The approximate minimum obligation associated with such agreements is $2 million per year for remaining term of agreement.

LIPA has natural gas transportation agreements for the delivery of gas to its contracted gas-fueled power generating facilities. Certain of these agreements have minimum obligations. As of December 31, 2023, the approximate minimum obligation associated with such agreements are approximately $4 million for years 2024 through 2028 and approximately $2 million for 2029.

LIPA also has natural gas physical supply contracts that have no fixed costs associated with them.

LIPA has several contracts to purchase renewable energy and energy from waste facilities. These contracts do not have minimum obligations and LIPA only pays if the energy is delivered. For the years ended December 31, 2023 and 2022, LIPA recognized approximately $82 million and $91 million for energy related to these contracts, respectively.

LIPA also has a 20-year power purchase agreement for a 130-megawatt offshore wind farm installed off the coast of Long Island that went commercially operational January 1, 2024. LIPA will only pay for energy when delivered.

As provided by LIPA's tariff, the cost of all the facilities noted above are includable and recoverable through the Power Supply Charge.

(d) Insurance Programs

LIPA's insurance program is comprised of a combination of policies from major insurance companies, self-insurance, and contractual transfer of liability, including naming LIPA as an additional named insured and indemnification.

LIPA has purchased Workers' Compensation insurance from the New York State Insurance Fund to provide coverage for claims arising from employee accidents or injuries. In addition, LIPA carries Employment Practices Liability Insurance from a major insurance company and LIPA's office property and liability coverage is administered by the New York State Office of General Services Bureau of Risk & Insurance Management through a master policy the State procures for various State entities, including LIPA. Liability related to construction projects and similar risks is transferred through contractual indemnification and compliance with insurance requirements. LIPA also has insurance coverage on its interest in NMP2 as disclosed in Note 10.

LIPA has commercially available excess general liability, property, and cyber insurance for claims above its self-insurance provisions. For general liability, including automobile liability, LIPA is self- insured up to $3.0 million per occurrence. For property damage and extra expense combined, LIPA is self-insured up to $1.5 million per occurrence. For property damage or loss due to a named windstorm and flood, 2% of the value at risk is self-insured per occurrence with a minimum of $1.5 million and up to a maximum self-insured level of $7.5 million. For cyber-related events, including an event relating to LIPA's information technology system, LIPA is self-insured for up to $15 thousand per event. Similarly, LIPA's service provider, PSEG Long Island, also maintains cyber insurance covering events related to information technology and operating systems where LIPA is an additional named insured.

LIPA has no general property insurance for damage to its poles and wires and is self-insured.

(16) Legal Proceedings

(a) PSEG Long Island

PSEG Long Island's liability for third-party claims in performing its obligations to operate and maintain LIPA's T&D system is generally limited to the aggregate loss and expense between $2.5 million and $5.0 million in any contract year other than for loss and expense attributable to PSEG Long Island's gross negligence or willful misconduct, for which there is no limitation on PSEG Long Island's liability. PSEG Long Island is not financially responsible for any liabilities that occurred prior to January 1, 2014.

(b) Superstorm Sandy

Four purported class action lawsuits were filed against LIPA and National Grid related to Superstorm Sandy that contain common allegations of wrongdoing and/or gross negligence relating to LIPA's and National Grid's preparedness and response to the storm. These actions seek monetary damages, fees, and other relief. The four suits were consolidated into a single class action.

In June 2018, the trial court granted plaintiffs' motion to certify a class consisting of residential customers who lost power for more than three days and did not require an electrical inspection due to flooding before service could be restored. LIPA appealed that ruling. On December 29, 2021, the appellate court issued a decision and order reversing the lower court's class certification order. The plaintiffs filed a motion to renew and reargue the December 29, 2021 ruling and in the alternative for leave to appeal to New York's highest court. On Wednesday, January 18, 2023, the appellate division denied plaintiffs' motion. In April 2023, the remaining individual plaintiffs voluntarily discontinued the case. This matter is now closed.

Twelve more individual actions have been filed on behalf of the owners of approximately 100 properties in the Breezy Point, Belle Harbor, and Rockaway Park neighborhoods of the Rockaway Peninsula, in the Queens portion of the Service Area. These suits allege generally that the failure to de-energize the electrical system in the Rockaways in advance of the tidal surges experienced during the storm resulted in fires that caused various types of property damage, ranging from all or partial loss of plaintiffs' customers' homes. In February 2018, the Court of Appeals, New York State's highest court, affirmed lower court rulings that LIPA is not entitled at this point to the dismissal of the fire cases.

These are being defended, and although the amounts sought in damages are significant, the outcome of these matters cannot be predicted with certainty at this time. LIPA does not believe that they will have a material impact on the operating results or financial condition of LIPA.

(c) Environmental

National Grid and LIPA are parties to Liabilities Undertaking and Indemnification Agreements which, when taken together, provide, generally, that environmental liabilities will be divided between National Grid and LIPA on the basis of whether they relate to assets transferred to National Grid or retained by LIPA as part of the 1998 LIPA/LILCO Merger (Merger). In addition, to clarify and supplement these agreements, National Grid and LIPA also entered into an agreement to allocate between them certain liabilities, including environmental liabilities, arising from events occurring prior to the Merger and relating to the business and operations to be conducted by LIPA after the Merger (the Retained Business) and to the business and operations to be conducted by National Grid after the Merger (the Transferred Business). National Grid is responsible for all liabilities arising from all manufactured gas plant operations on Long Island (MGP Sites), including those currently or formerly operated by National Grid or any of its predecessors, whether or not such MGP Sites were related to the Transferred Business or the Retained Business. In addition, National Grid is responsible for all environmental liabilities traceable to the Transferred Business and certain scheduled environmental liabilities. Environmental liabilities that arise from the non-nuclear generating business (a Transferred Business) may be recoverable by National Grid as part of the capacity charge under the A&R PSA. LIPA is responsible for all environmental liabilities traceable to the Retained Business and certain scheduled environmental liabilities.

Environmental liabilities, other than those related to MGP sites that existed as of the date of the Merger that are untraceable, including untraceable liabilities that arise out of common and/or shared services, have been allocated to LIPA and National Grid, as provided for in the Merger.

The A&R PSA addresses the terms by which LIPA will continue to purchase electricity from certain National Grid facilities. Generally, National Grid's liabilities under this contract are limited to losses due to gross negligence or willful misconduct or violations of environmental laws not consistent with prudent utility practices.

(d) Litigation Related to Payments in Lieu of Taxes

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. Furthermore, LIPA believes Suffolk County lacks legal authority to enforce a tax lien on LIPA's property. LIPA filed a legal action to negate any attempt by Suffolk County to enforce the alleged tax liens. LIPA also filed suit against the ten Suffolk County towns to ensure that they comply with the annual 2% limit on growth in such property tax PILOTs.

On April 1, 2021, the Supreme Court, Suffolk County issued a Decision and Order that found: (1) LIPA's T&D properties are not exempt from real-property taxation for tax years 2014/15 through 2019/20 by reason of LIPA's failure to timely challenge its assessment as non-exempt, taxable properties by the Town Assessors during those tax years; and (2) compelling LIPA to pay to Suffolk County alleged unpaid real property taxes levied against the T&D properties for tax years 2014/15 through 2019/20. A judgment was entered on October 8, 2021. By stipulation, the judgment includes the 2020/21 tax year. LIPA filed a notice of appeal from the judgment on October 14, 2021, and the appeal was briefed and fully submitted. Enforcement of the judgment is stayed pending the determination of LIPA's appeal. In 2021, LIPA filed actions against to declare LIPA's properties tax exempt as of the 2021/22 tax year. In January 2024, Supreme Court, Suffolk County issued a decision and order declaring LIPA's properties in certain Suffolk towns tax exempt. LIPA estimates the potential exposure with penalties and interest to be approximately $154 million through 2023, 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.

(e) Asbestos Proceedings

Litigation is pending in New York State Court against LIPA, LILCO, National Grid and various other defendants involving thousands of plaintiffs seeking damages for personal injuries or wrongful death allegedly caused by exposure to asbestos. The cases for which LIPA may have financial responsibility involve employees of various contractors and subcontractors engaged in the construction or renovation of certain power plants formerly owned by LILCO. These cases include extraordinarily large damage claims, which have historically proven to be excessive. The actual aggregate amount paid to plaintiffs alleging exposure to asbestos at these power plants over the years has not been material to LIPA. Due to the nature of how these cases are litigated, it is difficult to determine how many of the remaining cases that have been filed (or of those that will be filed in the future) involve plaintiffs who were exposed to asbestos at any of these power plants. Based upon experience, it does not appear that currently pending or future claims involving plaintiffs who allege exposure to asbestos at any of these power plants will have a material impact on the operating results or financial condition of LIPA.

(Amounts in thousands, unless otherwise stated)

(17) Component Unit Condensed Statements

UDSA is a component unit of LIPA and all the activities and balances of UDSA are blended into and reported as part of LIPA. The condensed information for December 31, 2023 and 2022 are below:

Condensed Statement of Net Position
December 31, 2023

		LIPA	UDSA	Eliminations	Consolidated
Assets and deferred outflows of resources					
Capital assets, net	$	10,590,245	–	–	10,590,245
Current assets		2,837,978	168,414	–	3,006,392
Regulatory assets		671,118	14,159	–	685,277
Noncurrent assets		668,021	3,888,672	(3,888,672)	668,021
Deferred outflows of resources		156,770	8,553	–	165,323
Total assets and deferred outflows of resources		14,924,132	4,079,798	(3,888,672)	15,115,258
Liabilities, deferred inflows of resources, and net position					
Long-term debt, net of current maturities		5,518,877	3,773,546	–	9,292,423
Current liabilities		1,430,952	212,768	–	1,643,720
Regulatory liabilities		121,502	–	–	121,502
Noncurrent liabilities		6,406,079	–	(3,888,672)	2,517,407
Deferred inflows of resources		690,877	21,908	–	712,785
Net position		755,845	71,576	–	827,421
Total liabilities, deferred inflows of resources, and net position	$	14,924,132	4,079,798	(3,888,672)	15,115,258

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2023

		LIPA	UDSA	Eliminations	Consolidated
Operating revenues	$	3,311,212	390,914	(3,293)	3,698,833
Operating expenses		3,053,077	301,570	(3,293)	3,351,354
Operating income		258,135	89,344	–	347,479
Other income, net		135,258	10,745	–	146,003
Interest charges, net		216,260	147,133	–	363,393
Change in net position		177,133	(47,044)	–	130,089
Net position, beginning of year		578,712	118,620	–	697,332
Net position, end of year	$	755,845	71,576	–	827,421

Condensed Statement of Cash Flows
For the year ended December 31, 2023

		LIPA	UDSA	Eliminations	Total
Net cash provided by operating activities	$	762,188	402,283	–	1,164,471
Net cash (used in) provided by investing activities		(43,394)	10,745	–	(32,649)
Net cash provided by noncapital related activities		283,191	–	–	283,191
Net cash used in capital and related financing activities		(837,545)	(451,227)	–	(1,288,772)
Net increase in cash and cash equivalents		164,440	(38,199)	–	126,241
Cash and cash equivalents at beginning of year		730,684	153,150	–	883,834
Cash and cash equivalents at end of year	$	895,124	114,951	–	1,010,075

(Amounts in thousands, unless otherwise stated)

Condensed Statement of Net Position
December 31, 2022

		LIPA	UDSA	Eliminations	Consolidated
Assets and deferred outflows of resources:					
Capital assets, net	$	10,464,377	—	—	10,464,377
Current assets		2,602,293	223,211	—	2,825,504
Regulatory assets		707,934	18,807	—	726,741
Noncurrent assets		874,174	4,013,451	(4,013,451)	874,174
Deferred outflows of resources		145,239	10,059	—	155,298
Total assets and deferred outflows of resources		14,794,017	4,265,528	(4,013,451)	15,046,094
Liabilities, deferred inflows of resources, and net position:					
Long-term debt, net of current maturities		5,291,235	3,872,915	—	9,164,150
Current liabilities		1,200,477	273,993	—	1,474,470
Regulatory liabilities		351,456	—	—	351,456
Noncurrent liabilities		6,725,880	—	(4,013,451)	2,712,429
Deferred inflows of resources		646,257	—	—	646,257
Net position		578,712	118,620	—	697,332
Total liabilities, deferred inflows of resources, and net position	$	14,794,017	4,265,528	(4,013,451)	15,046,094

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2022

		LIPA	UDSA	Eliminations	Consolidated
Operating revenues	$	3,892,220	389,830	(2,892)	4,279,158
Operating expenses		3,728,482	219,003	(2,892)	3,944,593
Operating income		163,738	170,827	—	334,565
Other income, net		101,162	2,306	—	103,468
Interest charges, net		200,929	142,151	—	343,080
Change in net position		63,971	30,982	—	94,953
Net position, beginning of year		514,741	87,638	—	602,379
Net position, end of year	$	578,712	118,620	—	697,332

Condensed Statement of Cash Flows
For the year ended December 31, 2022

		LIPA	UDSA	Eliminations	Total
Net cash provided by operating activities	$	974,578	371,098	—	1,345,676
Net cash provided by investing activities		294,293	2,306	—	296,599
Net cash provided by noncapital related activities		9,738	—	—	9,738
Net cash used in capital and related financing activities		(964,731)	(331,948)	—	(1,296,679)
Net increase in cash and cash equivalents		313,878	41,456	—	355,334
Cash and cash equivalents at beginning of year		416,806	111,694	—	528,500
Cash and cash equivalents at end of year	$	730,684	153,150	—	883,834

(Amounts in thousands, unless otherwise stated)

(18) Subsequent Events

Subsequent events have been evaluated through March 27, 2024, which is the date that the financial statements were available to be issued.

Schedule of the LIPA's Proportionate Share of the Net Pension Liability
New York State and Local Employees' Retirement System

As of measurement date March 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportionate percentage of net pension liability	0.0124099%	0.0102049%	0.0098574%	0.0103052%	0.0103343%	0.0096075%	0.0099883%	0.0106679%	0.0280362%	0.0280362%
Proportionate share of the net pension liability	$ 2,661,188	(834,210)	9,815	$ 2,728,884	$ 732,219	$ 310,076	$ 938,526	$ 1,712,234	$ 947,131	$ 1,266,916
LIPA's covered-employee payroll	$ 5,625,250	4,727,500	4,720,000	$ 4,279,104	$ 3,883,794	$ 4,088,041	$ 3,782,636	$ 3,511,480	$ 8,246,620	$ 11,057,226
LIPA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	47.31%	-17.65%	0.21%	63.77%	18.85%	7.58%	24.81%	48.76%	11.49%	11.46%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	96.27%	98.24%	94.70%	90.70%	97.95%	97.20%	97.20%

Schedule of the LIPA's Contributions
New York State and Local Employees' Retirement System

As of December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 631,851	579,984	723,107	605,939	$ 568,817	$ 608,517	$ 558,890	$ 198,948	$ 850,124	$ 2,023,685
Contributions in relation to statutorily required contributions	$ 631,851	579,984	723,107	605,939	$ 568,817	$ 608,517	$ 558,890	$ 198,948	$ 850,124	$ 2,023,685
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
LIPA's covered-employee payroll	$ 5,625,250	4,727,500	4,720,000	4,279,104	3,883,794	4,088,041	3,782,636	3,511,480	8,246,620	11,057,226
Contributions as a percentage of covered payroll	11.23%	12.27%	15.32%	14.16%	14.65%	14.89%	14.78%	5.67%	10.31%	18.30%

This schedule is presented to illustrate the requirement to show information for 10 years.