



# LIPA Annual Report

*LIPA Board of Trustees Meeting*

March 27, 2024







**Presented by:** Donna Mongiardo, Vice President — Controller

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# Discussion Topics

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-  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:

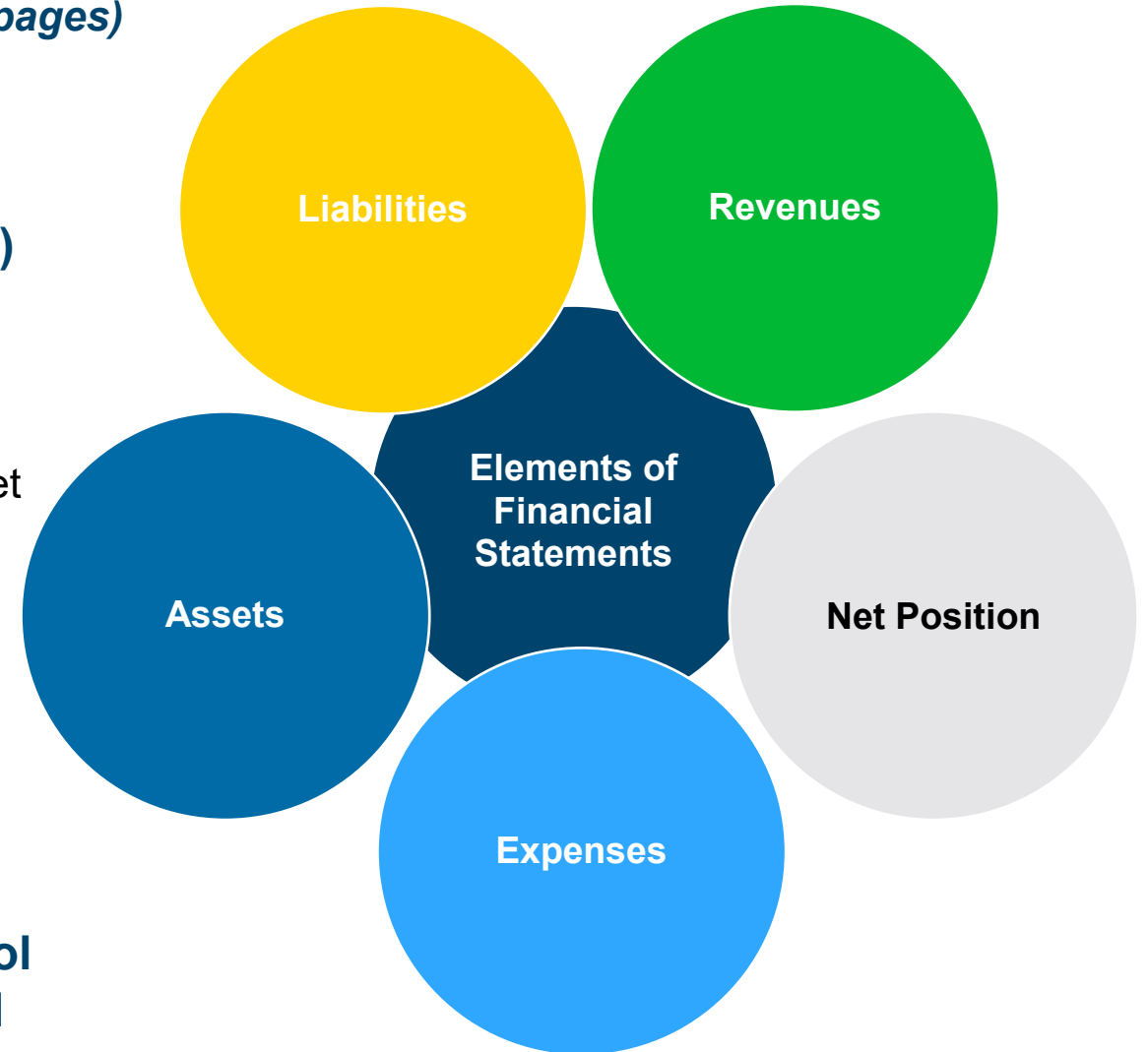
- Statement of Net Position
- Statement of Revenue, Expenses, and Net Position
- Schedule of Debt
- All included in detail in the audited consolidated financial statements

## 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

		2023	2022	2023-2022 Variance
<b>Assets and deferred outflows of resources:</b>				
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
<b>Total assets and deferred outflows of resources</b>		<b>15,112,746</b>	<b>15,046,094</b>	<b>66,652</b>
<b>Liabilities and deferred inflows of resources:</b>				
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
<b>Total liabilities and deferred inflows of resources</b>		<b>14,285,325</b>	<b>14,348,762</b>	<b>(\$63,437)</b>
<b>Total net position</b>		<b>827,421</b>	<b>697,332</b>	<b>130,089</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	\$	<b>15,112,746</b>	<b>15,046,094</b>	<b>\$66,652</b>

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

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

	<u>2023</u>	<u>2022</u>
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	<u>(3,714,747)</u>	<u>(4,287,673)</u>
Revenue less operating expenses and interest charges, net	<u>(15,914)</u>	<u>(8,515)</u>
Grant income	42,210	40,766
Other income, net	103,793	62,702
Total other income, net	<u>146,003</u>	<u>103,468</u>
Change in net position	<u>130,089</u>	<u>94,953</u>
Net position, beginning of year	<u>697,332</u>	<u>602,379</u>
Net position, end of year	\$ <u><u>827,421</u></u>	<u><u>697,332</u></u>

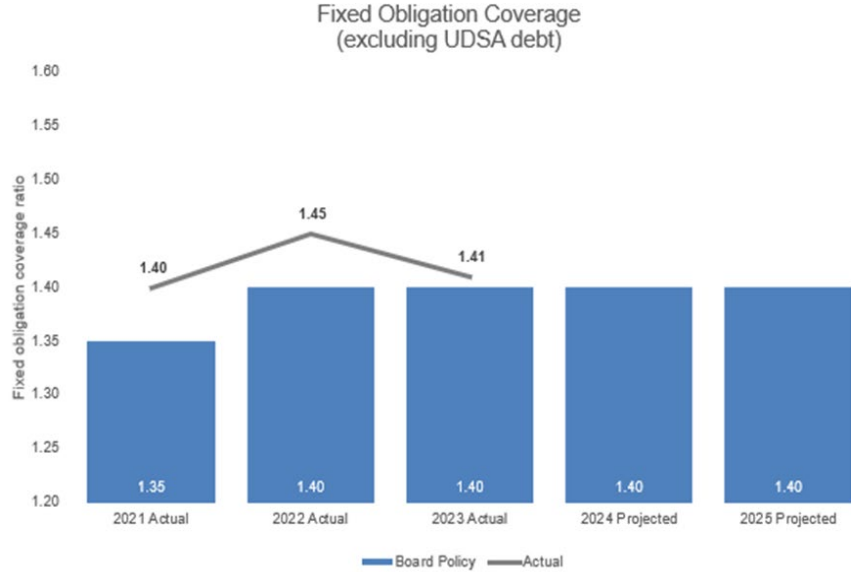
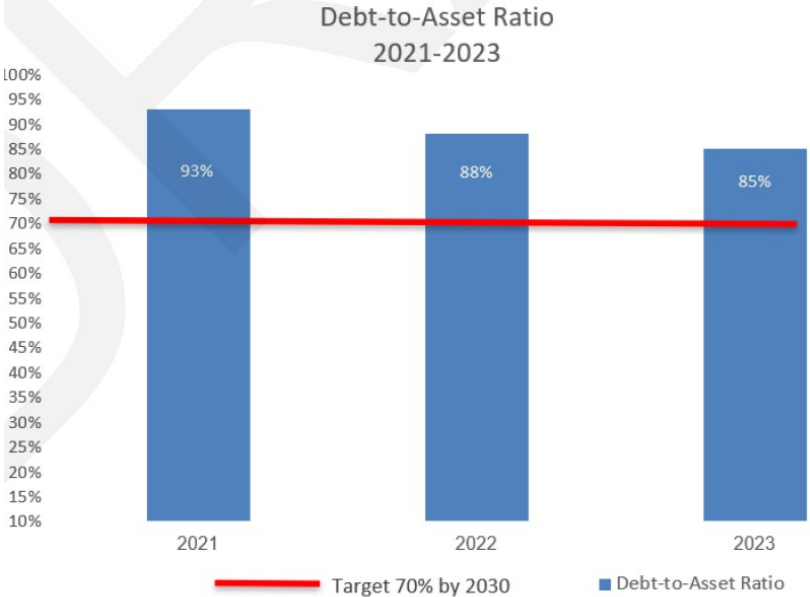
# Management's Discussion & Analysis (Unaudited)

## 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



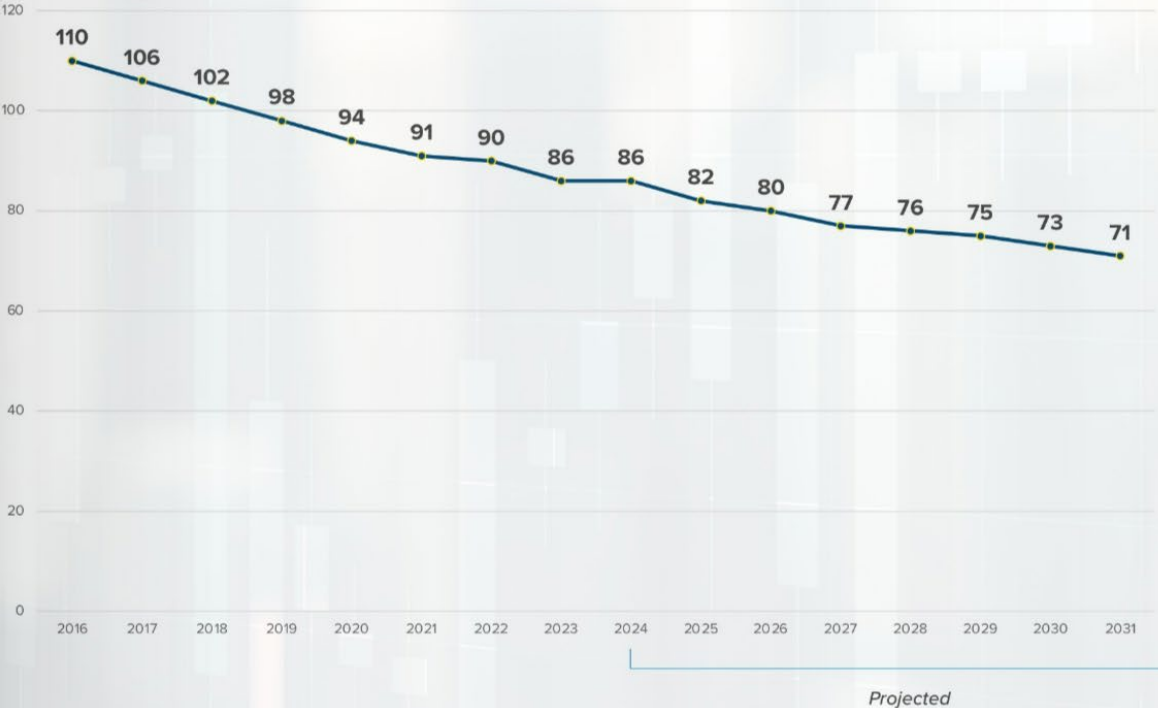


# Budget Presented Debt-to-Asset Ratio and Comparison to Public Power Peers

*(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%
<b>Average of Peer Group Members</b>		<b>55%</b>



# 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
<b>Plant assets plus net working capital</b>	\$ 13,005,212	12,416,614	12,510,957
<b>Adjusted Debt</b>	\$ 11,034,001	10,947,566	11,653,923
<b>Debt-to-Asset Ratio</b>	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 USDA 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:			
USDA restricted cash	(114,951)	(153,150)	(2)
<b>Adjusted Debt</b>	<b>11,034,001</b>	<b>10,947,566</b>	
Current assets	3,159,934	2,981,818	(2)
Less amounts included in adjusted debt:			
USDA 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 USDA 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	
<b>Net working capital (net current assets minus liabilities)</b>	<b>2,414,967</b>	<b>1,952,237</b>	
Utility plant and property and equipment, net	10,590,245	10,464,377	(2)
<b>Plant assets plus net working capital</b>	<b>\$ 13,005,212</b>	<b>12,416,614</b>	
<b>Adjusted Debt</b>	<b>\$ 11,034,001</b>	<b>10,947,566</b>	
<b>Debt-to-Asset Ratio</b>	<b>85%</b>	<b>88%</b>	(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

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