



Annual Report on Fiscal Sustainability

Presented by: Donna Mongiardo, *Chief Financial Officer*

September 25, 2024



Discussion Topics

 Policy Priorities of the LIPA Board of Trustees

 Decrease LIPA Leverage and Cost of Capital

 Reporting

Policy Priorities of the LIPA Board

LIPA's vision for fiscal sustainability is to meet the Board's policy goals 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 our vision for fiscal sustainability, LIPA will:

Decrease LIPA's leverage and cost of capital:

- Achieving AA- category credit rating by reducing debt to asset ratio to 70% by 2030
- Maximize grants and low-cost funding sources
- Pre-fund long-term liabilities
- Maintain fixed obligation ratios of 1.40x on LIPA obligations
- Minimizing LIPA's need for coverage while maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories

Maintain cash and available credit sufficient to fund business operations in emergencies:

- \$100 million in the Operating Fund
- \$150 million in the Rate Stabilization Fund
- 150 days of operating expenses

Reporting:

- Develop budgets and financial plans that maximize customer value and aggressively manage costs.
- Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources
- Provide LIPA's customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA's financial performance and plans

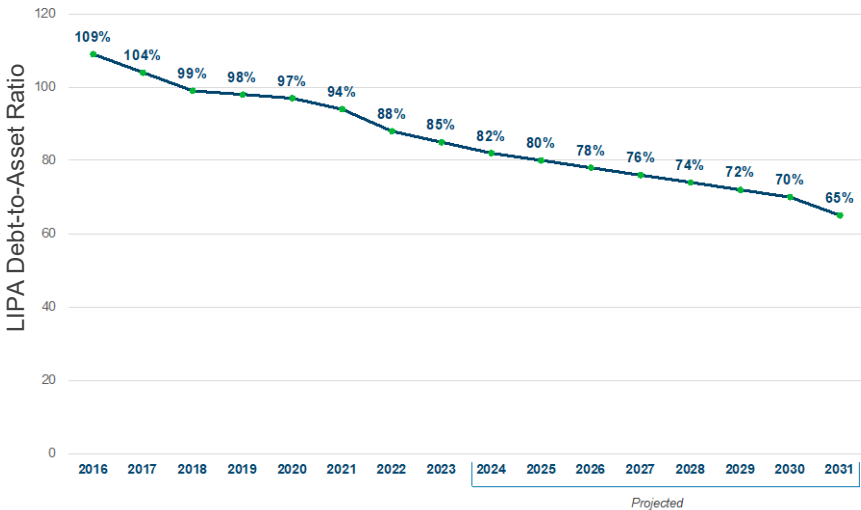
Fiscal Sustainability – Reducing LIPA’s Debt-to-Assets ratio

- On July 19, Fitch Ratings upgraded LIPA’s Electric System General Revenue Bonds to 'A+' rating with a stable outlook, a significant improvement from the previous 'A' rating with a positive outlook.
- This upgrade is a result of LIPA’s enhanced financial performance and continued and steady achievement of its strategic objectives set by the Board of Trustees.
- The upgrade is attributed to LIPA’s improved leverage ratio, which has decreased over the past five years and is expected to further decline in future years – an improvement that is supported by strategic budgeting and higher fixed-obligation coverage.

LIPA’s rating upgrades demonstrate LIPA’s improving leverage ratio and LIPA’s budgets ensure the gradual consistent trend continues

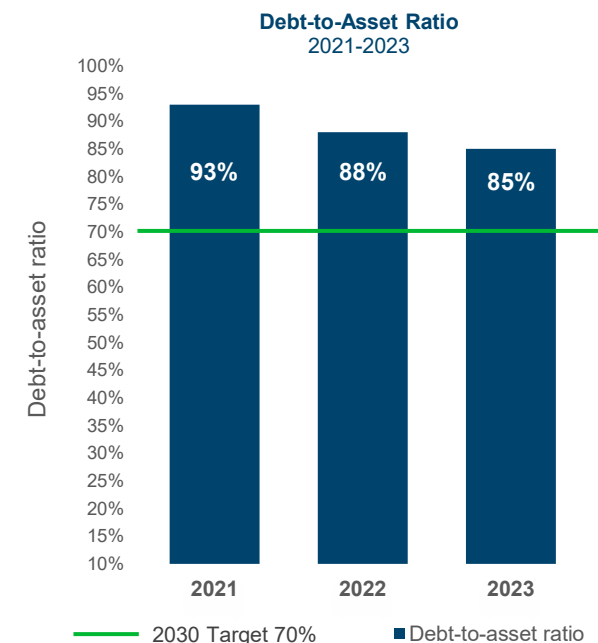
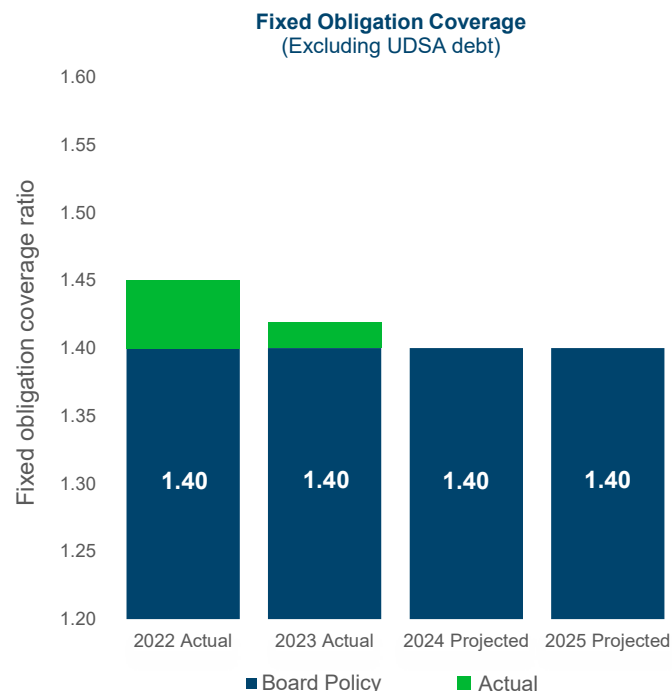
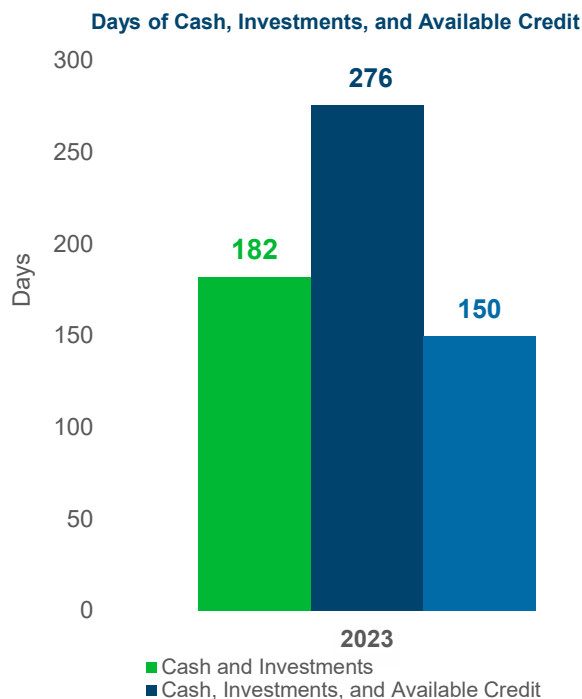
Rating Agency	2013 Ratings (Outlook)	2024 Ratings (Outlook)
Standard and Poor’s	A- (Negative)	A (Stable)
Fitch Ratings	A- (Negative)	A+ (Stable)
Moody’s Investor Service	Baa1 (Negative)	A2 (Stable)

LIPA’s Deleveraging Successful Path



2023 Performance | LIPA's Fiscal Sustainability Policy Metric Updates

- LIPA's available sources of liquidity for operating purposes exceeded its policy of 150 days of operating expenses by achieving 276 days of available cash and credit as of YE 2023.
- LIPA has continuously succeeded at achieving or exceeding this target. LIPA's 2024 budget was approved by LIPA's Board to achieve such targets.
- LIPA seeks to decrease its leverage by reducing its debt-to-asset ratio to 70% or less by 2030. LIPA's debt-to-asset ratio has decreased from over 110% in 2015 to 85% as of 2023.



Maximize Grants

LIPA's status as a public power utility makes it eligible for federal grants which will reduce costs to customers by over **\$2.4 billion**.

\$ in millions

FEMA Declared Events	LIPA Costs	Federal Grants Awarded or Pending
Tropical Storm Irene (2011)	\$170	\$170
Superstorm Sandy (2012)	\$656	\$775
Sandy Mitigation	--	\$730
Winter Storm Nemo	\$17	\$11
Winter Storm Stella (2017)	\$14	\$4
Tropical Storm Isaias (2020) and Isaias Mitigation	\$309 --	\$277 \$468
COVID-19 Pandemic and Mitigation (2020-2022)	\$26	\$16*
Tropical Storm Ida (2021)	\$9	\$7
Winter Storm Elliott (2022)	\$4	\$2*
Total	\$1,205	\$2,460

DOE GRIP Grant Pending Applications (50% cost share)	LIPA Potential Costs	Matching Federal Grants Pending
Substation Hardening and Automation Technology	\$59	\$59*
Residential Underground Distribution (Conduit Cable)	\$14	\$14*
Increasing Distributed Energy Resources (DER) Hosting Capacity	\$50	\$50*
Total	\$123	\$123

*Applied for – LIPA waiting for FEMA/DOE decision

Minimize costs through Utility Debt Securitization Authority (UDSA) bonds

- In 2023, the Utility Debt Securitization Authority, LIPA's component unit, issued \$698M in securitization bonds to refund LIPA and UDSA outstanding indebtedness generating net present value (NPV) savings of **\$45 million**.
- UDSA also issued \$136M in Green Bonds to support LIPA's resiliency investments.
- Since 2013, UDSA refinancings have saved LIPA customers **\$579 million** of NPV savings
- A total of \$6.3 billion of UDSA Restructuring Bonds have been issued with **\$1.7 billion** in remaining statutory capacity.

Pre-fund Long-Term Liabilities

December 31, 2023 Funding Status:

- \$18M was funded to the PSEG Long Island pension plan trust account; the trust had assets valued at \$433M compared to a benefit obligation of \$535 million.
- \$36M was funded to the LIPA OPEB Account to prefund the OPEB benefits of PSEG Long Island employees; the OPEB Account had assets valued at \$644M compared to a benefit obligation of \$514 million.
- \$1M was funded to the LIPA OPEB Trust for LIPA employees; the Trust had assets valued at \$29M compared to benefit obligations of \$28 million.
- \$0.3M was funded to the NMP2 Nuclear Decommissioning Trust Funds (NDTF); the NDTF had assets valued at \$178M compared to a liability of \$123 million.

The funding levels have been reviewed by an actuarial services firm within the last two years.

Cash-on-Hand & Available Credit

- Cash on hand at the end of each month exceeded the target of \$100M in the Operating Fund and \$150M in the Rate Stabilization Fund. As of December 31, 2023, the Operating and Rate Stabilization funds totaled **\$15M and \$165M**, respectively.
- During 2023, cash on hand and available credit exceeded the target of at least 150 days available for operating expenses. As of December 31, 2023, **276 days** of operating expenses were available in cash and credit.

<i>(\$ amounts in thousands)</i>	2023	Days Cash
Operating liquidity		
Unrestricted cash, cash equivalents, and investments	\$ 685,690	
OPEB Account cash, cash equivalents, and investments	643,733	
PSEG Long Island working capital requirements	320,709	
Total operating liquidity	1,650,132	182
Available credit		
General Revenue Notes – Revolving Credit Facility	200,000	
General Revenue Notes – Commercial Paper	655,000	
Total available credit	855,000	
Total cash, cash equivalents, investments, and available credit	<u>\$ 2,505,132</u>	<u>276</u>
Restricted cash and cash equivalents		
Clean Energy Compliance Fund	\$ 19,991	
Extraordinary working capital	250,000	
UDSA	114,951	
Total restricted cash and cash equivalents	<u>\$ 384,942</u>	

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



Develop Budgets & Financial Plans that Maximize Customer Value and Aggressively Manage Costs

- LIPA's 2024 Budget sets rates and charges 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. LIPA's 2024 Budget was approved in December 2023.
- The 2024 Budget reflects, nearly **\$1.25 billion** of ongoing cost savings that equals 30 percent of electric bills, or about \$55 per month for a typical residential customer.

Operating Lean	\$ Millions
LIPA Reform Act 2% Tax Cap	\$416
Discontinued investments in combined cycle plants	\$355
Refinancing existing debt & debt service savings	\$142
LIPA Reductions to PSEG Long Island O&M Budget Request	\$75
Power plant property tax savings	\$66
Renegotiating expiring power purchase agreements	\$64
Reduction to wholesale market and off-island transmission costs	\$57
Smart Meter savings	\$23
Investing in cost-effective energy efficiency	\$23
Operating savings, cost avoidance, and productivity	\$17
Power supply pension and retirement savings	\$8
Commodity hedging (based on current prices)	\$5
Total	\$1,251 Million

Minimizing LIPA's Need for Coverage

Maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict costs to minimize LIPA's need for coverage.

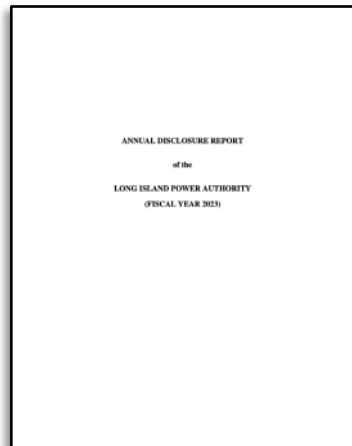
Cost Recovery Mechanisms Greatly Reduce Financial Volatility

- LIPA rate mechanisms address exposure to revenue and expense variation:
 - **Revenue Decoupling Mechanism:** Collects or refunds to customers any revenue variances – resets annually - LIPA's residential and commercial customers 2024 rates included approximately \$0.50M and \$27M, respectively, for 2023 differences.
 - **Power Supply Cost Recovery Mechanism:** Charge resets monthly to reflect actual costs
 - **Delivery Service Adjustment:** Collects or refunds any difference between amounts set in the Budget (revenue requirement) and actual costs incurred – resets annually - LIPA's 2024 rates included approximately \$12 million for the 2023 under recovery.
 - **Storm** – LIPA has approximately \$38M in reserve for use against future storms.

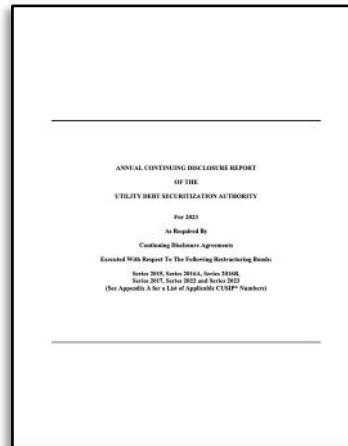
LIPA's Annual Budget, Annual Disclosure, and Financial Reporting

All Available on LIPA's Website:

- The 2023 Annual Disclosure Reports and Audited Financial Statements, for LIPA and the Utility Debt Securitization Authority (UDSA) were issued in 2024.
- The 2024 Budget was approved on December 13, 2023.
- LIPA's 5-year Strategic Roadmap was approved in March 2023.
- Annual Work Plans and Annual Performance Metrics.
- Fact sheets and videos on topics of significant interest.



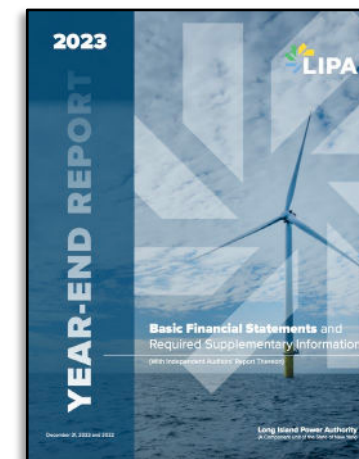
[LIPA Annual Disclosure Report](#)



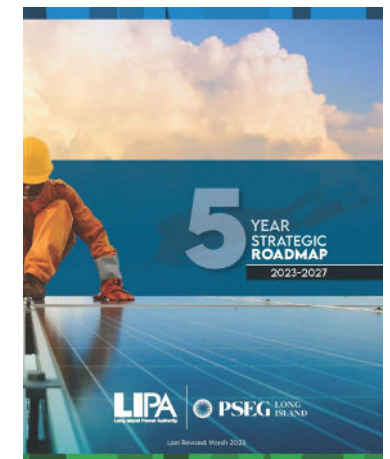
[UDSA Annual Disclosure Report](#)



[LIPA's 2024 Annual Budget](#)



[LIPA's 2023 Audited Financial Statements](#)



[5-Year Strategic Roadmap](#)

Fiscal Sustainability Policy Annual Compliance

- ✓ LIPA's Board has a fiscal sustainability policy that targets reducing its debt-to-asset ratio to **70% by 2030 and maintaining at least 1.40x fixed obligation coverage**
- ✓ Maximize grants and low-cost funding sources (FEMA and DOE opportunities)
- ✓ Minimize costs through UDSA bonds
- ✓ Pre-funding long-term liabilities – OPEB Account, Pension, and Nuclear Decommissioning Trust
- ✓ Sound budgeting practices and use of reconciliation mechanisms
- ✓ Maintain cash-on-hand and available credit at 150 days of operating expenses (\$100M in Operating Fund; \$150M in Rate Stabilization Fund)

Policy Amendment

- LIPA recommends a minor amendment to adjust for the inclusion in the fixed obligation coverage ratio to include payments related to Subscription-based Information Technology Arrangements (SBITA).
- During 2023, LIPA implemented Governmental Accounting Standards Board (GASB) Statement No. 96, and similar to GASB Statement No. 87, Leases, SBITA payments are considered a **form of debt** and therefore, will be **included** in the budget as fixed obligation costs.

Questions?

Donna Mongiardo
Chief Financial Officer

lipower.org



FOR CONSIDERATION

September 25, 2024

TO: The Board of Trustees

FROM: John Rhodes

SUBJECT: Approval of the Annual Report and Amendments on the Board Policy on Fiscal Sustainability

Requested Action

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to adopt a resolution finding that LIPA has complied with the Board Policy on Fiscal Sustainability (the “Policy”), approving the annual report for the Policy, and approving certain amendments to the Policy, which resolution is attached as **Exhibit “A.”**

Background

In September 2016, the Board adopted the Policy, previously known as the Board Policy on Debt and Access to the Credit Markets, with the purpose of serving the long-term interests of LIPA’s customers by adopting sound financial plans each year. Sound financial plans ensure ready access to borrowing on reasonable terms necessary to fund the infrastructure investments that maintain the reliability and resiliency of the Long Island electric system. Such financial plans contemplate prudent levels of borrowing that will accommodate efficient access to the capital markets and thereby minimize the long-term cost of providing electric service to LIPA’s customer-owners. The last annual report to the Board was presented in May 2023.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy for the period since the last annual review. The Policy provides that “LIPA’s vision for fiscal sustainability is to meet the Board’s policy goals 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 our vision for fiscal sustainability, LIPA will:

“Decrease LIPA’s leverage and cost of capital by:”

- “Achieving AA-category credit ratings via reducing LIPA’s debt-to-assets ratio from 92 percent to 70 percent or less by 2030.”
 - In 2024, LIPA was upgraded by Fitch Ratings (Fitch) to A+. Moody’s and S&P Global reaffirmed their ratings at A2 and A, respectively.
 - LIPA’s debt-to-asset ratio has decreased from over 110% as of the end of 2015 to 85% as of the end of 2023. LIPA included its methodology of calculation in the audited financial statements to ensure consistency and accuracy. By limiting new borrowing while paying down existing debt and fixed obligations (i.e., leases),

LIPA remains on path to achieve the Board’s stated objective of a debt-to-asset ratio of 70 percent or less by 2030.

- “maximizing grants and low-cost funding sources; minimizing costs through securitization of debt and tax-exempt financing.”
 - LIPA’s 2021 application to FEMA, totaling \$426 million, seeking a Section 406 Mitigation grant under the Tropical Storm Isaias disaster to continue storm hardening primary sections of the T&D system was approved by FEMA in July 2024.
 - Also, under FEMA Section 404 Mitigation grant opportunities resulting from Tropical Storm Isaias, LIPA was awarded a grant to fund a \$3.5 million project to harden three transmission crossings. Subsequently, LIPA amended the request seeking an additional \$35 million to harden 14 additional crossings. This application is waiting FEMA final review.
 - FEMA has also obligated approximately \$6.6 million related to COVID-19 reimbursements. LIPA awaits the final timing of such funding.
 - Under FEMA Section 404 Mitigation grant opportunities resulting from COVID-19, LIPA was awarded two \$5 million grants to replace defective poles in low-to-moderate income communities within LIPA’s service territory.
 - LIPA submitted to the Department of Energy (“DOE”) three grant proposals totaling \$122.5 million to support T&D investments to enhance interconnection capacity for Distributed Energy Resources, enhance LIPA’s underground cable program and modernize certain substations located in disadvantaged communities. LIPA submitted grant applications in April 2024 and awaits final decision in late 2024.
 - In 2023, the Utility Debt Securitization Authority (“UDSA”), LIPA’s component unit, issued \$698 million in securitization bonds to refund LIPA and UDSA outstanding indebtedness generating net present value savings of \$45 million. UDSA also issued \$136 million in Green Bonds to support LIPA’s resiliency investments. Since 2013, UDSA refinancings have saved LIPA customers \$579 million of net present value debt savings. A total of \$6.3 billion of UDSA Restructuring Bonds have been issued with \$1.7 billion in remaining statutory capacity.
- “pre-funding long-term liabilities on an actuarially sound basis including (1) pension costs, (2) Other Post-Employment Benefits (“OPEBs”); and (3) the Nuclear Decommissioning Trust Fund.”
 - During 2023, based on an actuarial services estimate, LIPA funded \$18 million to the PSEG Long Island pension plan trust account. As of December 31, 2023, the PSEG Long Island pension plan trust account had assets valued at \$433 million compared to a benefit obligation of \$535 million.
 - LIPA funded \$36 million to the LIPA OPEB account in 2023. LIPA’s OPEB account, to prefund the OPEB benefits of PSEG Long Island employees, had assets valued at \$644 million compared to a benefit obligation of \$514 million. The funding levels have been reviewed by an actuarial services firm within the last two years.

- The LIPA OPEB Trust for LIPA employees had assets valued at \$29 million compared to benefit obligations of \$28 million.
 - The NMP2 Nuclear Decommissioning Trust Funds (“NDTF”) had assets valued at \$178 million compared to a liability of \$123 million. LIPA funded \$0.3 million to the NDTF in 2023. The NDTF funding levels have been reviewed by an actuarial services firm within the last two years.
- “maintaining fixed-obligation coverage ratios of no less than 1.40x on LIPA-issued debt and lease payments, and 1.20x on the combination of LIPA-issued debt, UDSA-issued debt, and lease payments.”
 - For the period ended December 31, 2023, LIPA achieved coverage ratios of 1.41x for LIPA-issued debt and lease payments and 1.24x for LIPA and UDSA-issued debt and lease payments.
 - The 2024 Budget is set to meet a 1.40x fixed-obligation coverage ratio.
- “minimizing LIPA’s need for coverage while maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories (e.g. storms).”
 - LIPA’s Revenue Decoupling Mechanism (“RDM”) ensures that only LIPA’s Board-approved budgeted revenues for delivery service are collected from customers in each customer class by comparing actual revenues with authorized revenues. The RDM credits (or collects) any differences to (or from) customers in the following year. LIPA’s residential and commercial customers 2024 rates included approximately \$0.50 million and \$27 million, respectively, for 2023 differences.
 - LIPA’s Delivery Service Adjustment (“DSA”) provides cost recovery or refunding of overcollection for certain items that vary due to external factors, including debt service, storm restoration expenditures, non-storm emergency costs, bad debt expense, and PSEG Long Island pension and OPEBs. LIPA’s 2024 rates included approximately \$12 million for the 2023 under recovery.
- “Maintain cash on hand and available credit sufficient to fund business operations in emergencies, as measured by month-end balances of at least: (i) \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund, and (ii) 150 days of operating expenses.”
 - Cash on hand at the end of each month exceeded the target of \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund. As of December 31, 2023, the Operating and Rate Stabilization funds totaled \$156 million and \$165 million, respectively.
 - During 2023, cash on hand and available credit exceeded the target of at least 150 days available for operating expenses. As of December 31, 2023, 276 days of operating expenses were available in cash and credit.
- “Develop budgets and financial plans that maximize customer value and aggressively manage costs.”

- LIPA’s 2024 Budget sets rates and charges 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. LIPA’s 2024 Budget was approved in December 2023.
- The 2024 Budget reflects nearly \$1.25 billion of ongoing cost savings that equals 30 percent of electric bills, or about \$55 per month for a typical residential customer. These savings include:

	(in \$millions)
LIPA Reform Act 2% Tax Cap	\$416
Discontinued Investments in Combined Cycle Plants	\$355
Refinancing Existing Debt and Debt Service Savings	\$142
LIPA Reductions to PSEG Long Island 2024 O&M Budget Request	\$75
Power Plant Property Tax Savings	\$66
Renegotiating Expiring Power Purchase Agreements	\$64
Reduction to Wholesale Market and Off-Island Transmission Costs	\$57
Smart Meter Savings	\$23
Investing in Cost-Effective Energy Efficiency	\$23
Operating Savings, Cost Avoidance, and Productivity	\$17
Power Supply Pension and Retirement Savings	\$8
Commodity Hedging (Based on Current Prices)	\$5
Total (in \$ millions)	\$1,251.0

- “Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources.”
 - LIPA’s financial reporting managers provide analysis of budgeted costs versus actual spending to LIPA’s operating departments to aid in their analysis of PSEG Long Island’s resource management. Significant variations are identified and investigated timely.
 - Pursuant to the Strategic Roadmap ([link](#)) approved by the Board in March 2023, LIPA will continue to enhance budgeting and reporting by seeking to strengthen Capital Project Estimating processes and approval; enhancing both LIPA and PSEG Long Island’s financial analysis and fiscal management capabilities; and establishing integrated operational and financial performance reporting framework, among other items.
- “Provide LIPA’s customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA’s financial performance and plans.”
 - LIPA’s 2024 Budget ([link](#)) was approved by LIPA’s Board on December 13, 2023,

- and made available on LIPA’s website.
- LIPA’s annual audited Financial Statements ([link](#)) were approved by LIPA’s Board on March 27, 2024, and made available on LIPA’s website and the Electronic Municipal Market Access (“EMMA”) platform for bondholders.
- LIPA undertakes substantial reporting obligations to make available its plans and evaluate its performance relative to plan, including the Strategic Plan ([link](#)), Work Plans ([link](#)), and Performance Metrics ([link](#)), among other items.
- LIPA maintains Fact Sheets and videos on topics of significant interest to the public (e.g. Time of Day Rates ([link](#)), the clean energy transition ([link](#))) to explain the topics in plain English.
- LIPA’s Transparency Plan ([link](#)) summarizes other initiatives to make its operations and decisions transparent to customers, investors, and stakeholders.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise risks are brought to the Board’s attention throughout the year. One such enterprise risk is related to liquidity. Specifically, the risk identified is, “Insufficient rates/untimely rate relief leads to inadequate system investments which compromises LIPA’s ability to achieve strategic priorities.”

This risk is rated as a medium-level risk and is mitigated by LIPA’s ability to access capital markets, borrow from rate stabilization funds, a revolving line of credit, and/or in the commercial paper market. In July 2024, Fitch upgraded LIPA’s credit rating to an A+ and LIPA has also maintained a strong rating with both S&P and Moody’s helping LIPA to further mitigate this risk by providing confidence in LIPA’s ability to access capital markets.

Based on the credit ratings and ability to access capital markets, we believe this risk is being adequately managed. LIPA’s liquidity remains strong, well above the 150-day minimum required by the Policy as noted above.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and recommends a minor amendment to adjust for the inclusion in the fixed obligation coverage ratio to include payments related to Subscription-based Information Technology Arrangements (“SBITA”). During 2023, LIPA implemented Governmental Accounting Standards Board (“GASB”) Statement No. 96, and similar to GASB Statement No. 87, Leases, SBITA payments are considered a form of debt and therefore, will be included in the budget as fixed obligation costs.

Recommendation

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

Attachments

Exhibit “A” Resolution

Exhibit “B” Policy (redline)

RESOLUTION APPROVING THE ANNUAL REPORT AND AMENDMENTS ON THE BOARD OF TRUSTEES ON THE BOARD POLICY ON FISCAL SUSTAINABILITY

WHEREAS, the Board Policy on Fiscal Sustainability (the “Policy”), previously known as the Debt and Access to the Credit Markets, was originally approved by the Board of Trustees by Resolution No. 1319, dated September 21, 2016; and

WHEREAS, the last annual report to the Board was presented in May 2023; and

WHEREAS, the Finance and Audit Committee of the Board has recommended approval of the annual report and amendments to the policy; and

WHEREAS, Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and finds that the amendments proposed are due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that LIPA has complied with Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the Board hereby adopts the amendments to the Policy as reflected in **Exhibit “B.”**

Dated: September 25, 2024

Board Policy: **Fiscal Sustainability**

Policy Type: **Strategic Direction**

Monitored by: **Finance and Audit Committee**

Board Resolution: **#1319, approved September 21, 2016**
#1354, amended March 29, 2017
#1473, amended March 20, 2019
#1498, amended December 18, 2019
#1579, amended December 16, 2020
#1745, amended September 28, 2022
#XXXX, amended September 25, 2024



LIPA's vision for **fiscal sustainability** is to meet the Board's policy goals 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 our vision for fiscal sustainability, LIPA will:

- Decrease LIPA's leverage and cost of capital by:
 - Achieving AA-category credit ratings via reducing LIPA's debt-to-assets ratio from 92 percent to 70 percent or less by 2030.
 - Maximizing grants and low-cost funding sources.
 - Minimizing costs through securitization of debt and tax-exempt financing.
 - Pre-funding long-term liabilities on an actuarially sound basis including (1) pension costs, (2) Other Post-Employment Benefits ("OPEBs")¹; and (3) the Nuclear Decommissioning Trust Fund.
 - Maintaining fixed-obligation coverage ratios of no less than 1.40x on LIPA-issued debt and lease payments; and 1.20x on the combination of LIPA-issued debt, UDSA-issued debt, and lease [and subscription-based information technology arrangement \(SBITA\)](#) payments.
 - Minimizing LIPA's need for coverage while maintaining fiscal sustainability by budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories (e.g. storms).
- Maintain cash-on-hand and available credit sufficient to fund business operations in emergencies, as measured by month-end balances of at least:
 - \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund.
 - 150 days of operating expenses.

¹ Service Provider OPEBs will be funded to a dedicated OPEB Account. After notifying the Finance and Audit Committee, LIPA's Chief Executive Officer or Chief Financial Officer are authorized to withdraw funds from the OPEB Account if there are insufficient revenues to pay reasonable and necessary Operating Expenses or to make payments on bonds or parity obligations. The OPEB Account is therefore deemed available to make such payments, acting as a reserve fund. Any withdrawals for such purposes will be repaid within twelve months.

- Develop budgets and financial plans that maximize customer value and aggressively manage costs.
- Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources.
- Provide LIPA's customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA's financial performance and plans.

The Chief Executive Officer shall report annually to the Board on compliance with the key provisions of this Policy.