



# LIPA Annual Report

*LIPA Board of Trustees Meeting*







**Presented by:** Richard Tinelli - 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 Notes

# Public Authority Reporting Information System (PARIS) Deliverables

## File Summary Statements - Annual Report:

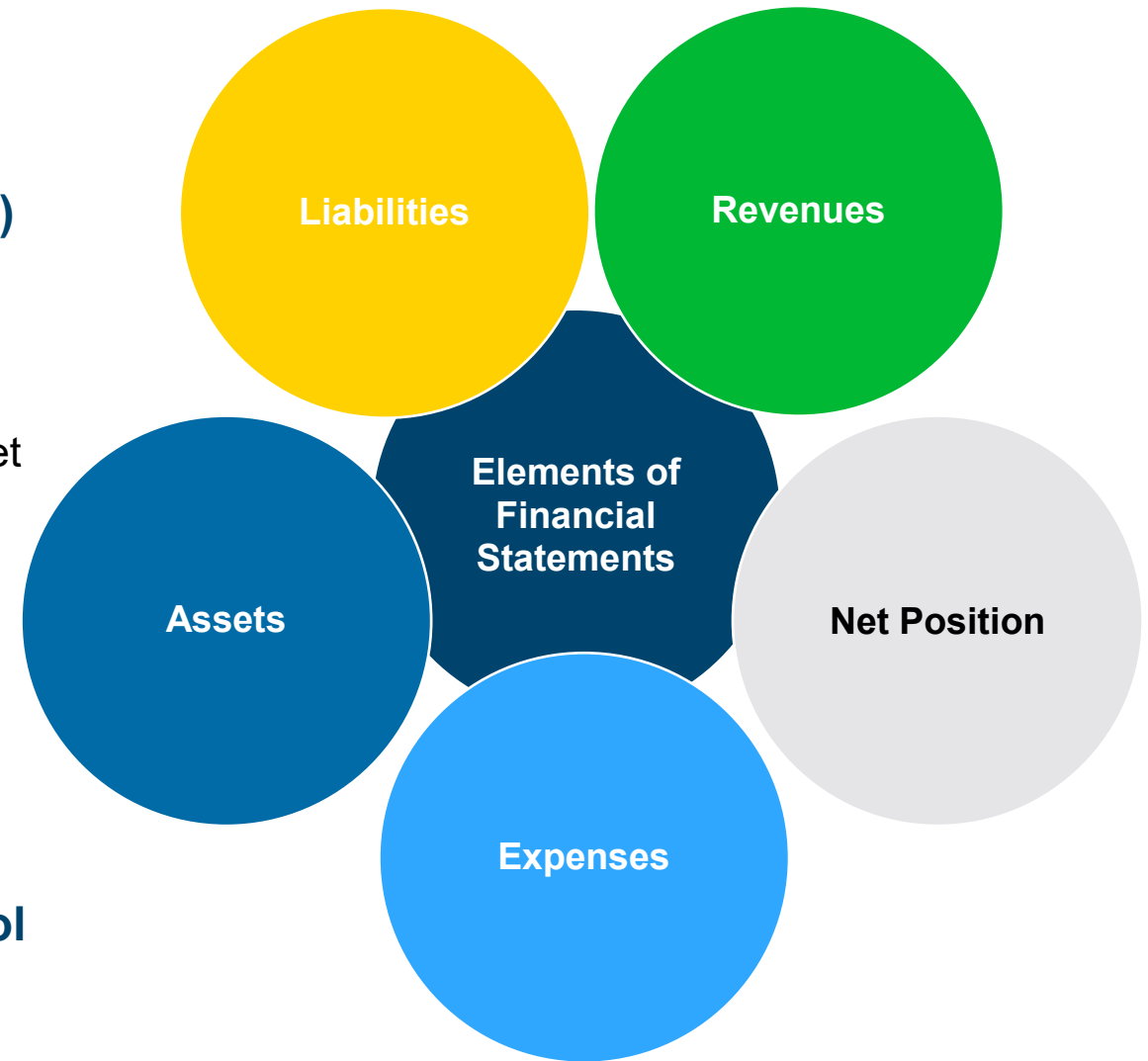
- Statement of Net Position
- Statement of Revenue, Expenses, and Net Position
- Schedule of Debt
- All included in detail in the audited consolidated financial statements

## 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

- **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 (unmodified opinion)**



# Management's Discussion & Analysis (unaudited)

## Operational Highlights

- Climate Act and LIPA budget planning to address needs and power plants under Contract
- Certain Litigation Related to Payments in Lieu of taxes
- FEMA Grant Activity

## Fiscal Achievements

- Achieved 1.51x coverage vs. 1.40x target
- Utilized \$25M of excess coverage generated from operations to defease certain 2026 maturities of Series 1998A and 2000A capital appreciation bonds
- 5% Reduction in Debt-to-Asset ratio from 85% to 80% (Reduced from 110% at 12/31/15)
- Fitch Upgrade of LIPA's credit rating from A (Positive) to A+ (Stable)

## Discuss 2024 and 2023 comparison year-over-year analysis

- Variance explanation discussion on subsequent slides

# Summary Statement of Net Position

- **Current assets increased \$148M** compared to 2023 due to mark-to-market values in the Other Post-Employment Benefits (OPEB) investment account, and higher accounts receivable; offset by lower counterparty collateral posted.
- **Regulatory assets decreased \$141M** due to a decrease of \$66M in unrealized mark-to-market changes on financial and commodity derivative instruments, \$62M scheduled amortizations, and a decrease of \$26M in Revenue Decoupling Mechanism (RDM) due to higher revenues than budgeted.
- **Noncurrent assets decreased \$120M** due to the Acquisition Adjustment amortization and a decrease in long-term receivables due to FEMA mitigation funds received related to Superstorm Sandy.
- **Long-term debt decreased \$311M** as LIPA refinanced \$697M debt and \$23M of associated premium, \$287M scheduled principal payments, \$313M LT debt reclassified to current, \$25M debt defeasance with excess cash from operations and the scheduled amortizations of totaling \$71M; offset by Series 2024 issuance.
- **Current liabilities increased \$215M** due to a \$313M increase in current maturities of LT debt and accrued expenses; offset by a decrease in mark-to-market values of commodity derivative instruments and lower short-term debt.
- **Noncurrent liabilities decreased \$420M** primarily due to the amortization of the lease and SBITA liabilities of \$300M, a decrease in the PSEG Long Island's workforce obligation retirement benefits (updated actuarial assumptions), and a decrease in the mark-to-market value of financial and commodity derivative instruments.

	2024	2023	Variance
Assets and deferred outflows of resources:			
Capital assets, net	\$ 10,711,393	10,590,245	121,148
Current assets	3,153,777	3,006,392	147,385
Regulatory assets	542,129	682,765	(140,636)
Noncurrent assets	547,941	668,021	(120,080)
Deferred outflows of resources	89,613	165,323	(75,710)
Total assets and deferred outflows of resources	<u>15,044,853</u>	<u>15,112,746</u>	<u>(67,893)</u>
Liabilities and deferred inflows of resources:			
Long-term debt, net of current maturities	8,981,393	9,292,423	(311,030)
Current liabilities	1,858,487	1,643,720	214,767
Regulatory liabilities	292,582	118,990	173,592
Noncurrent liabilities	2,097,135	2,517,407	(420,272)
Deferred inflows of resources	782,431	712,785	69,646
Total liabilities and deferred inflows of resources	<u>14,012,028</u>	<u>14,285,325</u>	<u>(\$273,297)</u>
Total net position	<u>1,032,825</u>	<u>827,421</u>	<u>205,404</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 15,044,853</u>	<u>15,112,746</u>	<u>(\$67,893)</u>

# Summary Statements of Revenue, Expenses, and Changes in Net Position

- **Electric operating revenues, net of uncollectible accounts expense, increased \$379M** compared to 2023 primarily due to an increase in Power Supply Charge (PSC) revenue, an increase in base delivery revenues and an increase in the DSA primarily due to higher debt service and storm-related costs as compared to budget.
- **Operating and interest charges increased \$312M** compared to 2023. The increase was primarily due to higher power supply costs of \$20M due to higher sales, higher commodity costs and associated property taxes, increased operations and maintenance costs of \$70M from higher storm restoration costs and transmission and distribution costs.
- **Grant Income increased \$5M** primarily related to grant funding received for personal protective equipment and safe opening costs related to COVID-19.
- **Change in net position increased \$75M** primarily due to favorable budget variances in Utility Depreciation expense and Operating charges

	2024	2023	Variance
Electric revenue, net of uncollectible accounts expense	\$ 4,077,409	3,698,833	378,576
Operating expenses	(3,659,108)	(3,351,354)	(307,754)
Interest charges, net	(367,185)	(363,393)	(3,792)
Total operating and interest expenses	<u>(4,026,293)</u>	<u>(3,714,747)</u>	<u>(311,546)</u>
Revenue less operating expenses and interest charges, net	<u>51,116</u>	<u>(15,914)</u>	<u>67,030</u>
Grant income	47,687	42,210	5,477
Other income, net	<u>106,601</u>	<u>103,793</u>	<u>2,808</u>
Total other income, net	<u>154,288</u>	<u>146,003</u>	<u>8,285</u>
Change in net position	<u>205,404</u>	<u>130,089</u>	<u>75,315</u>
Net position, beginning of year	<u>827,421</u>	<u>697,332</u>	<u>130,089</u>
Net position, end of year	<u>\$ 1,032,825</u>	<u>827,421</u>	<u>205,404</u>

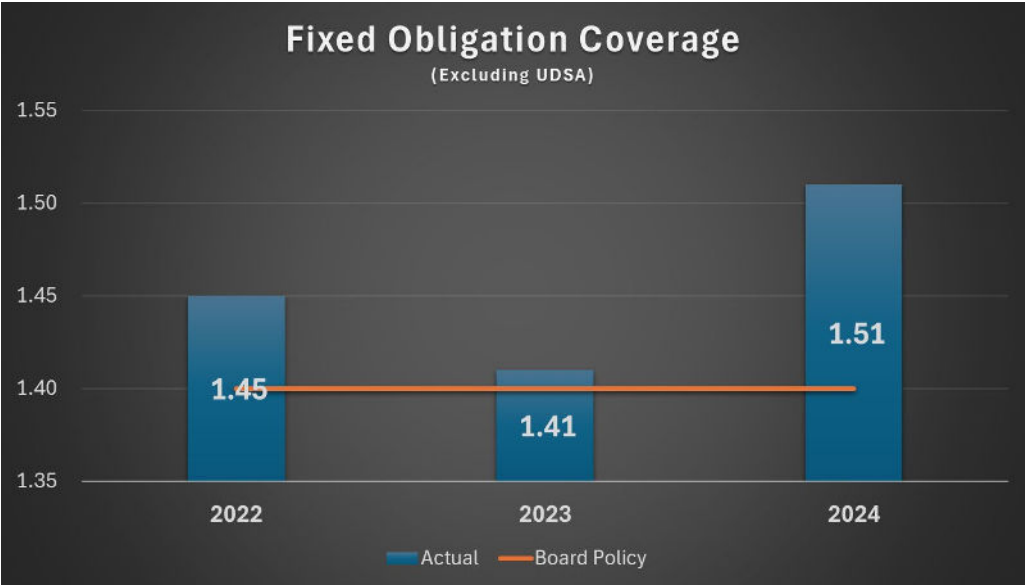
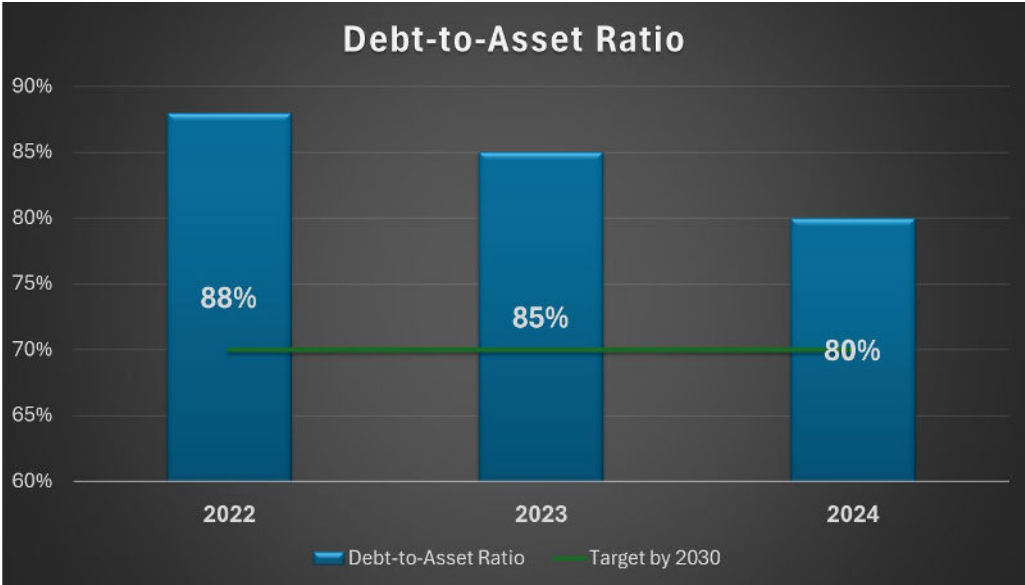
# Management’s Discussion & Analysis (Unaudited)

## Capital Asset and Financing Activities

- Issued \$400M new money
- Issued \$650M LIPA refunding for net present value savings of \$62M
- Utilized \$25M of excess coverage generated from operations to defease certain 2026 maturities of Series 1998A and 2000A capital appreciation bonds

## Liquidity and Capital Resources

- Debt-to-Asset Ratio 80%
- 287 days available cash and credit
- Achieved 1.51x fixed obligation coverage compared to Board Policy on Fiscal Sustainability of 1.40x





# Management’s Discussion & Analysis (Unaudited)

## Bond Ratings

- Board’s Policy on Fiscal Sustainability has resulted in five upgrades to LIPA’s credit ratings since 2013
- In July 2024, Fitch upgraded LIPA’s credit rating from A (Positive) to A+ (Stable)

Rating Agency	2024	2023	2022
Moody’s	A2 (Stable)	A2 (Stable)	A2 (Stable)
S&P	A (Stable)	A (Stable)	A (Stable)
Fitch	A+ (Stable)	A (Positive)	A (Positive)



# Significant Notes

## OSA - Employee Benefit Obligation – Note 13

- Discount rate increases due to market trends led to a drop in liabilities
- OSA Pension and OPEB liability totaled \$540M compared to the OPEB – Dedicated Account held by LIPA of \$736M
- 136% Funded (Pension and OPEB)

## LIPA Pension Disclosures – Note 14

## Commitments and Contingencies – Note 15

- Primarily related to our Purchase Power Agreements

## Legal Disclosures – Note 16

## Condensed Statements with UDSA (LIPA Component Unit) – Note 17

# Questions?

**Richard Tinelli**  
Controller

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[lipower.org](http://lipower.org)

