

2024



YEAR-END REPORT

**Basic Financial Statements and
Required Supplementary Information**

(With Independent Auditors' Report Thereon)

December 31, 2024 and 2023

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

Long Island Power Authority
 (A Component Unit of the State of New York)
 December 31, 2024 and 2023

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Independent Auditors' Report

Board of Trustees
Long Island Power Authority:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements 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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise LIPA's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of LIPA as of December 31, 2024 and 2023 and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LIPA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LIPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LIPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LIPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the management's discussion and analysis and the schedule of proportionate share of the net pension liability and schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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.

KPMG LLP

Boston, Massachusetts
March 27, 2025

Long Island Power Authority

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

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 3.0 million.

LIPA has proposed to simplify LIPA's operations by consolidating LIPA and LILCO and has successfully sought a letter ruling from the Internal Revenue Service to confirm there would be no federal tax liability to LIPA or LILCO as a result of the merger of LILCO into LIPA. In June 2024, LIPA's Board approved the merger into LIPA of its wholly owned subsidiary LILCO. In 2020, LIPA's Board approved requested consolidation amendments to its Bond Resolution and the proposed amendments are subject to the consent or deemed consent of the holders of a majority in principal amount of all of LIPA's outstanding bonds. LIPA is awaiting required consents to make effective the amendment and restatement of the Bond Resolution.

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 to 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 of its outstanding indebtedness in 2023, bringing the total net present value debt service savings for LIPA's customers to \$579 million. There were no additional securitized bonds issued in 2024. UDSA is considered a blended component unit. The activities of UDSA operations are blended with the operations of LIPA for financial reporting purposes.

LIPA contracts for the majority of services necessary to deliver electric service. Since 2014, LIPA has contracted with PSEG Long Island LLC (PSEG Long Island) under the Amended and Restated Operations Services Agreement (A&R OSA) to provide management services. PSEG Long Island is a wholly owned subsidiary of Public Service Enterprise Group (PSEG), and LIPA provides service to customers under the PSEG Long Island brand name. ServCo, a subsidiary company of PSEG Long Island consists of approximately 2,700 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 A&R 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.



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In April 2022, LIPA and PSEG Long Island began operating under a new, reformed contract, the Second Amended and Restated Operations Services Agreement (Second A&R OSA), which was approved by LIPA's Board on December 15, 2021, approved by the New York State Attorney General on January 6, 2022, and approved by the State Comptroller on April 1, 2022. The Second A&R OSA includes an increase in PSEG Long Island's annual compensation at risk, strengthened termination rights, enhanced DPS oversight responsibilities, enhanced dedicated management team, and separation of LIPA information technology systems, including the Enterprise Resource Planning system (ERP), among other things. Furthermore, the Second A&R OSA eliminated PSEG Long Island's eight-year term extension option and instead will expire on December 31, 2025. Accordingly, LIPA issued an RFP to rebid the management contract currently held by PSEG Long Island.

LIPA also contracts 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 which expire on December 31, 2025. On May 30, 2024, LIPA issued an RFP seeking proposals to provide such services for a period of five years. On December 18, 2024, LIPA's Board approved a Power Supply Management and Fuel Supply Management Services Agreement (PSMFM Agreement) with The Energy Authority, Inc. (TEA) for a five-year term. The PSMFM Agreement has been approved by the New York State Attorney General and was approved by the New York State Comptroller in March 2025.

LIPA separately maintains power purchase agreements with various third-party power generators.

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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, 2024 and 2023, with certain comparative information as of and for the year ended December 31, 2022. 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.

In 2024, LIPA adopted GASB Statement No. 101, *Compensated Absences* on a prospective basis as impact on prior year was not material to the financial statements. In 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. Utility plant and property and equipment for the years ended December 31, 2024 and 2023 are approximately \$23 million and \$10 million, respectively, and SBITA obligations are approximately \$21 million and \$8 million, respectively.

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.

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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.

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Operating Highlights

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 November 2023, LIPA released its Integrated Resource Plan (IRP) which develops a path for compliance with the Climate Act and includes 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 2025 budget includes \$140 million for utility-scale renewable projects and beneficial electrification programs, including \$111 million for energy efficiency and distributed energy programs and an additional \$29 million to support offshore wind and electric vehicle adoption.

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, through in an Amended and Restated Power Supply Agreement (A&R PSA) that expires in 2028. Prior to the expiration of the A&R PSA, LIPA may exercise its right to ramp down 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.

Under the A&R PSA, are peaking power plants that are impacted by the New York State Department of Environmental Conservation (DEC) regulations, which became effective in May 2023. The regulations reduced 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 most of the units under contract to LIPA. LIPA has issued ramp-down notices to National Grid for the following three peaking units where retrofits are not cost-effective and the units are not needed for reliability purposes: one unit at Glenwood Landing (15 MW); one unit at West Babylon (52 MW); and one unit at Shoreham (19 MW). Official notice of the ramp-downs was provided to National Grid in April 2024, with a ramp-down effective date of May 1, 2025, subject to timely approval from the New York Independent System Operator (NYISO) and other considerations. In the meantime, the units will operate in compliance with the regulations that are applicable for 2025.

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, and (iii) Nassau County, North Shore Central School District and Island Park Union Free School District for the E. F. Barrett and Glenwood Landing power plants.

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

In 2024, LIPA's Board approved two new utility-scale battery storage projects, totaling 129 MW of energy storage. The two projects will help LIPA meet a portion of its load ratio share of New York State's energy storage deployment goal established in the Climate Act, which is currently projected to be about 750 MW by 2030. These projects were selected after LIPA solicited bids in an April 2021 Request for Proposals for the development of bulk energy storage projects to be located on Long Island under build-own-operate-optional-transfer contracts. The contract provides LIPA with the option to purchase the project after a seven-year period.

Certain Litigation Related to Payments in Lieu of Taxes

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 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 \$186 million through 2024, plus a potential addition of up to \$47 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. That lawsuit is currently stayed.

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. The five towns have appealed the decision. 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.

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 ended on May 1, 2024. Through a combination of New York State and LIPA funded arrears forgiveness programs and the improvement in economic conditions, LIPA's arrears balances and associated uncollectible expense have trended back to historically average levels.

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Federal Emergency Management Agency (FEMA) Grant Activity

LIPA received approval from FEMA for a hazard mitigation grant filed under Tropical Storm Isaias disaster totaling approximately \$425 million to continue its successful storm hardening program initiated after Superstorm Sandy. This funding will enable LIPA to harden circuits covering 426 miles of its distribution system.

In 2024, LIPA was awarded the second of two \$5 million hazard mitigation grants (the first \$5 million was awarded in 2023) to harden its infrastructure in underserved communities across Long Island under the FEMA Major Disaster declaration for COVID-19. Furthermore, LIPA received \$7 million in FEMA grant funds during 2024 for the reimbursement of incremental costs incurred due to COVID-19 personal protective equipment and safe opening preparation.

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Financial Condition Overview

LIPA's Condensed Statements of Net Position as of December 31, 2024, 2023, and 2022 are summarized below.

| | 2024 | 2023 | 2022 |
|--|-------------------|-------------------|-------------------|
| Assets and deferred outflows of resources: | | | |
| Capital assets, net | \$ 10,711,393 | 10,590,245 | 10,464,377 |
| Current assets | 3,153,777 | 3,006,392 | 2,825,504 |
| Regulatory assets | 542,129 | 682,765 | 726,741 |
| Noncurrent assets | 547,941 | 668,021 | 874,174 |
| Deferred outflows of resources | 89,613 | 165,323 | 155,298 |
| Total assets and deferred outflows of resources | 15,044,853 | 15,112,746 | 15,046,094 |
| Liabilities and deferred inflows of resources: | | | |
| Long-term debt, net of current maturities | 8,981,393 | 9,292,423 | 9,164,150 |
| Current liabilities | 1,858,487 | 1,643,720 | 1,474,470 |
| Regulatory liabilities | 292,582 | 118,990 | 351,456 |
| Noncurrent liabilities | 2,097,135 | 2,517,407 | 2,712,429 |
| Deferred inflows of resources | 782,431 | 712,785 | 646,257 |
| Total liabilities and deferred inflows of resources | 14,012,028 | 14,285,325 | 14,348,762 |
| Total net position | | | |
| Net investment in capital assets | 673,045 | 460,406 | 362,168 |
| Restricted | 125,284 | 316,159 | 166,828 |
| Unrestricted | 234,496 | 50,856 | 168,336 |
| Total liabilities, deferred inflows of resources, and net position | 15,044,853 | 15,112,746 | 15,046,094 |

Assets and Deferred Outflows of Resources

2024 Compared to 2023

Assets and deferred outflows of resources decreased \$68 million compared to 2023 due to decreases of \$141 million in regulatory assets, \$120 million in noncurrent assets, and \$76 million in deferred outflows of resources. These decreases were partially offset by increases of \$148 million in current assets, and \$121 million in capital assets.

Capital assets, net, increased \$121 million compared to 2023 primarily due to higher investment in reliability, load growth, and storm hardening projects. These capital additions were partially offset by asset retirements and annual depreciation expense.

Current assets increased \$148 million compared to 2023 primarily due to higher mark-to-market values in the Other Post-Employment Benefits (OPEB) dedicated investment account, and higher accounts receivable. These increases were partially offset by lower counterparty collateral posted by LIPA and lower cash balances.

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Regulatory assets decreased \$141 million primarily due to a decrease of \$66 million in unrealized mark-to-market changes on financial and commodity derivative instruments, a decrease of \$26 million in the Revenue Decoupling Mechanism (RDM) due to higher than budgeted revenues, a decrease of \$8 million in unfunded actuarially determined reserves due to an updated study related to asbestos litigation exposure, a decrease of \$7 million in the Delivery Service Adjustment (DSA), and scheduled annual recovery or amortizations of regulatory assets totaling \$65 million. These decreases were partially offset by a \$31 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 \$46 million decrease in other long-term receivables primarily due to the receipt of FEMA funds related to Superstorm Sandy and a \$1 million decrease in unrealized charges. These decreases were partially offset by a \$18 million market value increase in the Nuclear Decommissioning Trust Fund (NDTF) and a \$20 million increase in the long-term portion of the financial and commodity derivative valuations.

Deferred outflows of resources decreased \$76 million primarily due to a \$35 million decrease resulting from the scheduled amortization of previously deferred costs associated with refunding of higher cost of debt, a \$25 million decrease in the deferred unrealized loss on the mark-to-market valuations of commodity derivatives, \$15 million decrease in the measurement Asset Retirement Obligation (ARO) related to NMP2 due to an updated study; and a \$1 million decrease in deferred Pension and OPEB expenses.

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 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 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 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, and 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 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 ARO related to NMP2 due to an updated study; partially offset by an \$18 million decrease resulting from the scheduled amortization of previously deferred costs

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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.

Liabilities and Deferred Inflows of Resources

2024 Compared to 2023

Liabilities and deferred inflows of resources decreased \$273 million due to a decrease of \$420 million in noncurrent liabilities and a decrease of \$311 million in long-term debt. These decreases were partially offset by increases of \$215 million in current liabilities, \$173 million in regulatory liabilities and \$70 million in deferred inflows of resources.

Long-term debt, net of current maturities, decreased \$311 million as LIPA issued Electric System General Revenue Bonds, Series 2024 totaling \$1.006 billion, plus premium received of \$99 million, to fund capital improvements and refinance \$697 million of debt. Additionally, long-term debt was reduced by (i) \$287 million due to scheduled principal payments, (ii) \$313 million long-term debt reclassified as current liabilities, (iii) \$24 million related to the defeasance of debt and (iv) the scheduled net amortization of premiums and accretions totaling \$95 million.

Current liabilities increased \$215 million primarily due to a \$270 million increase in current maturities of long-term debt, and lease and SBITA liabilities, and a \$46 million increase in accounts payable and other accrued expenses. These increases were partially offset by a \$56 million decrease in the change in the mark-to-market value of commodity derivative instruments and a \$45 million decrease in short-term debt.

Regulatory liabilities increased \$173 million primarily due to a \$110 million increase in the impact of the updated actuarial study related to the OSA-Employee Retirement Benefits, a \$41 million increase in the DSA due to lower than budgeted storm and debt service costs, a \$12 million increase in the power supply charge refundable, a \$7 million increase of unrealized mark-to-market gains on commodity derivative instruments, a \$7 million increase in clean energy cost deferrals, and a \$1 million increase in the RDM due to higher than budgeted revenues. These increases were partially offset by a \$4 million decrease in the deferrals related to the Utility 2.0 program. For a full discussion of the regulatory assets and liabilities, see Note 5 of the Notes to the Financial Statements.

Noncurrent liabilities decreased \$420 million primarily due to the amortization of the lease and SBITA liabilities of \$300 million, a \$75 million decrease in the PSEG Long Island's workforce obligation retirement benefits resulting from updated assumptions in the actuarial valuation, a \$38 million decrease in the mark-to-market value of financial and commodity derivative instruments, a \$18 million decrease in the NMP2 ARO resulting from an updated study, a \$8 million decrease in long-term liabilities and unrealized credits primarily related to a decrease in customer deposits, and a \$4 million decrease due to the amortization of swap instrument premiums. These decreases were partially offset by a \$23 million increase in claims and damages related to the Suffolk County property tax litigation.

Deferred inflows of resources increased \$70 million primarily due to an increase in the deferred unrealized gain on the mark-to-market valuations of the OPEB and NDTF dedicated investment accounts.

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



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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.

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Results of Operations

LIPA's Condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2024, 2023, and 2022 are summarized as follows:

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|--------------------|
| Electric revenue, net of uncollectible accounts expense \$ | 4,077,409 | 3,698,833 | 4,279,158 |
| Operating expenses | (3,659,108) | (3,351,354) | (3,944,593) |
| Interest charges, net | (367,185) | (363,393) | (343,080) |
| Total operating and interest expenses | <u>(4,026,293)</u> | <u>(3,714,747)</u> | <u>(4,287,673)</u> |
| Revenue less operating expenses and interest charges, net | <u>51,116</u> | <u>(15,914)</u> | <u>(8,515)</u> |
| Grant income | 47,687 | 42,210 | 40,766 |
| Other income, net | 106,601 | 103,793 | 62,702 |
| Total other income, net | <u>154,288</u> | <u>146,003</u> | <u>103,468</u> |
| Change in net position | <u>205,404</u> | <u>130,089</u> | <u>94,953</u> |
| Net position, beginning of year | <u>827,421</u> | <u>697,332</u> | <u>602,379</u> |
| Net position, end of year \$ | <u>1,032,825</u> | <u>827,421</u> | <u>697,332</u> |

2024 Compared to 2023

Electric operating revenues, net of uncollectible accounts expense, for 2024 totaled \$4.08 billion, an increase of \$379 million compared to 2023 due to increases in the (i) Power Supply Charge (PSC) revenue totaling \$206 million; (ii) a \$95 million increase to base delivery revenues; (iii) an increase of \$34 million in the DSA primarily due to higher debt service and storm costs; (iv) lower uncollectible accounts of \$32 million; (v) a \$10 million increase to the Distributed Energy Resources (DER) revenue and (vi) a \$3 million increase in other revenue. These increases were partially offset by amortization of \$1 million of Utility 2.0 revenue collected in prior periods.

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) 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 DER revenue.

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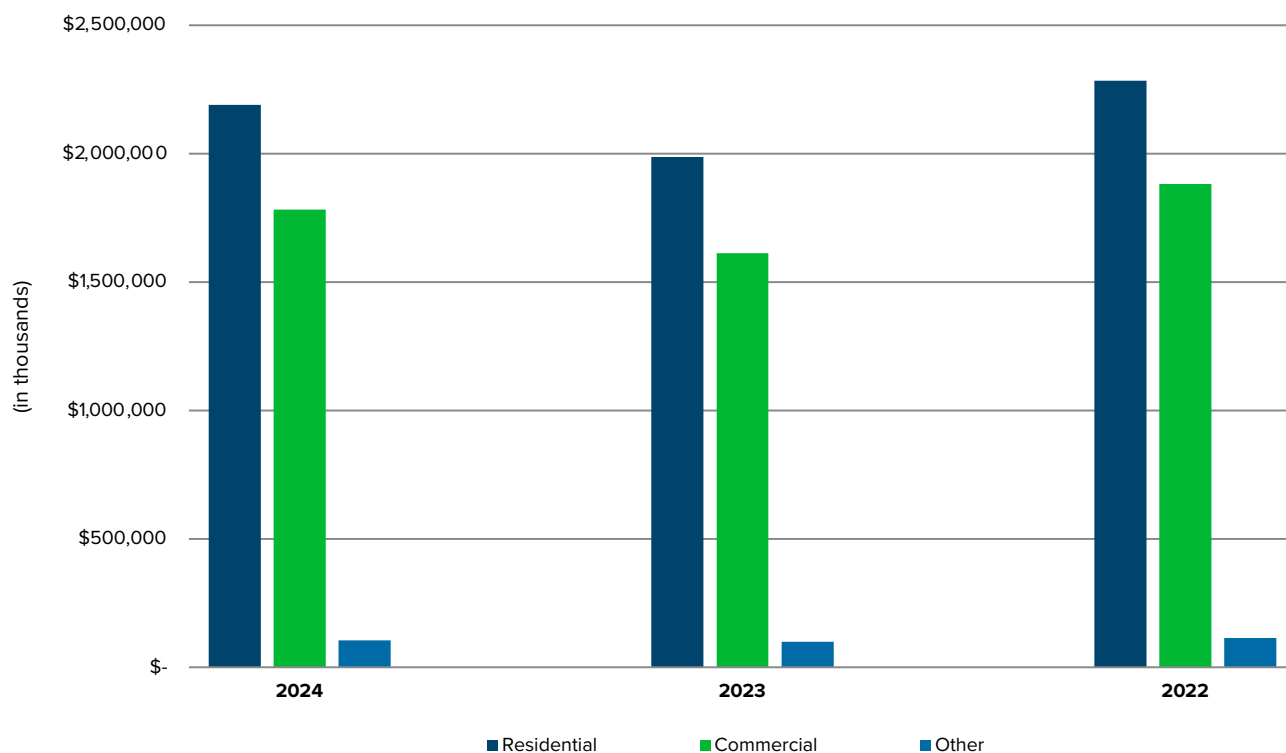
December 31, 2024 and 2023

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The following table and chart represent revenue for the years ended December 31, 2024, 2023, and 2022 by customer class (residential, commercial, and other):

| Revenues from sales of electricity: | 2024 | 2023 | 2022 |
|--|--------------|-------------|-------------|
| Residential | \$ 2,189,698 | 1,987,845 | 2,283,553 |
| Commercial | 1,782,330 | 1,612,543 | 1,881,656 |
| Other | 105,381 | 98,445 | 113,949 |
| Total revenue, net of uncollectible accounts expense | \$ 4,077,409 | 3,698,833 | 4,279,158 |

Revenue from Sales of Electricity by Customer Class



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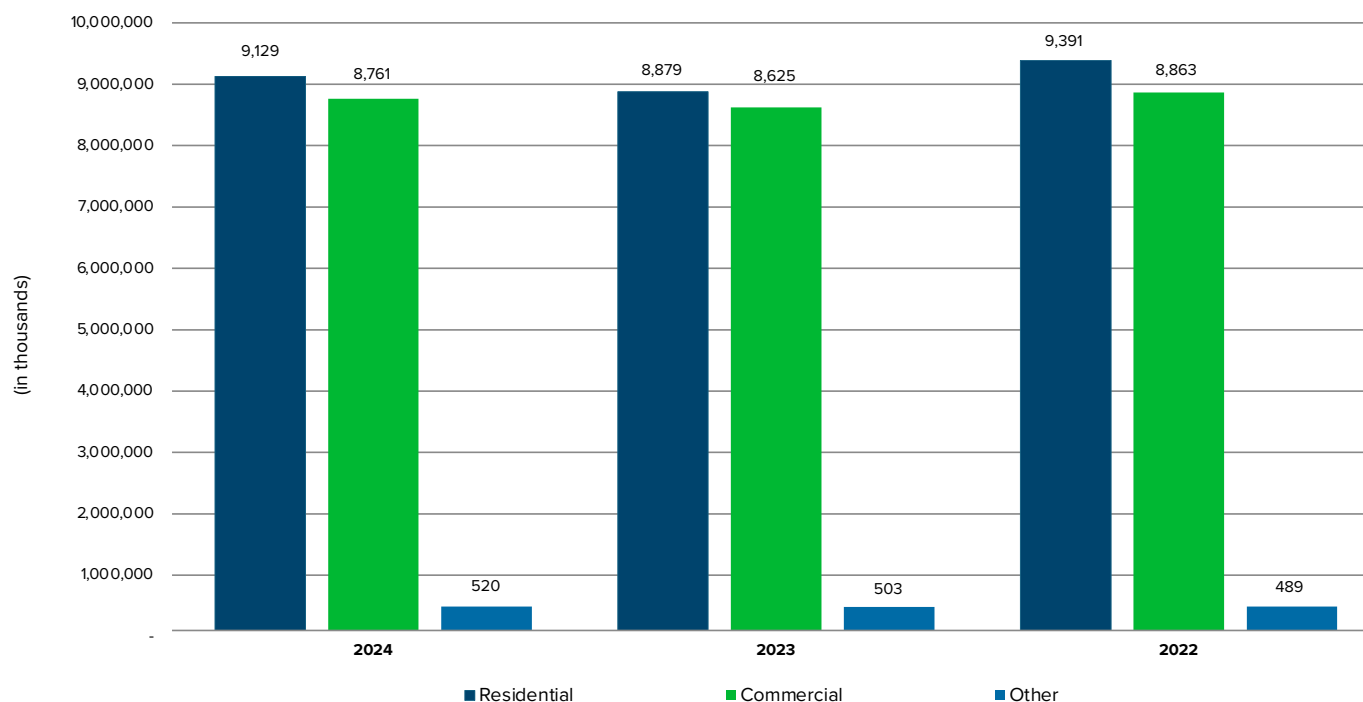
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The following chart shows megawatt hour (MWh) sales for the years ended December 31, 2024, 2023, and 2022 by customer class (residential, commercial and other). The largest customer in the Service Area (the Long Island Rail Road) accounted for less than 2% of total sales, 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.

Megawatt hours from Sales of Electricity by Customer Class



Operating and Interest Charges

For the years ended December 31, 2024, 2023, and 2022, 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: | 2024 | 2023 | 2022 |
|---|---------------------|------------------|------------------|
| Power supply costs | \$ 1,799,326 | 1,651,509 | 2,160,832 |
| Operations and maintenance | 860,939 | 791,002 | 792,204 |
| Payments in lieu of taxes, other taxes, and assessments* | 520,105 | 460,789 | 568,760 |
| Interest charges, net | 367,185 | 363,393 | 343,080 |
| Depreciation and amortization | 478,738 | 448,054 | 422,797 |
| Total | \$ 4,026,293 | 3,714,747 | 4,287,673 |

*Amounts for 2024, 2023 and 2022 excludes approximately \$135 million, \$126 million, and \$146 million, respectively, for sales tax revenue collected by LIPA on behalf of local government jurisdictions and remitted to such jurisdictions.



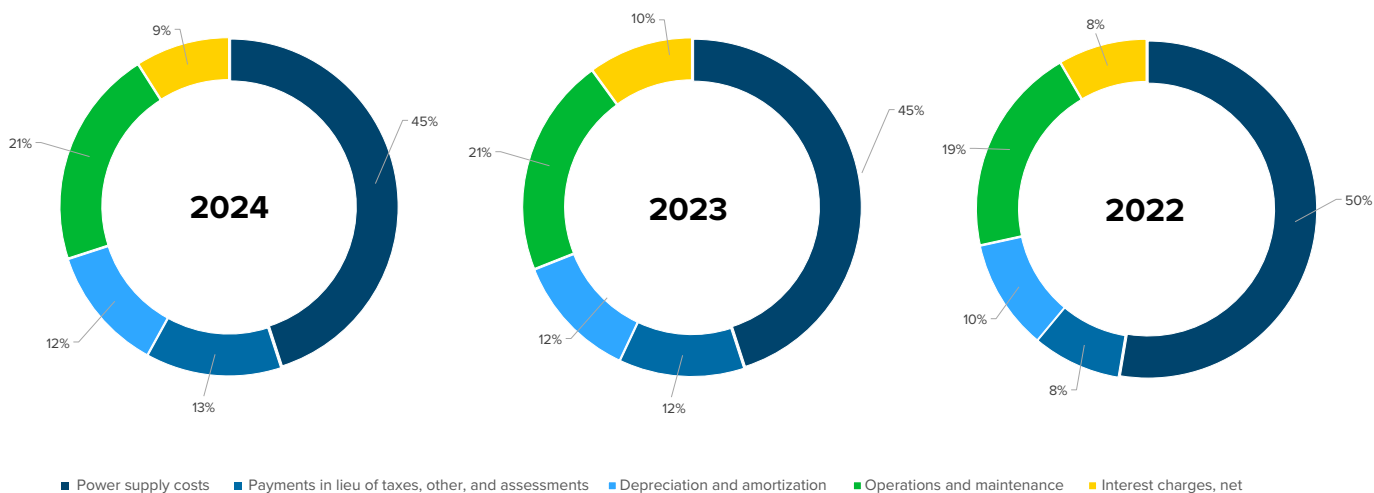
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2024 Compared to 2023

For the year ended December 31, 2024, operating and interest charges totaled \$4.03 billion, an increase of \$312 million compared to 2023. The increase was primarily due to higher (i) power supply costs of \$148 million due to higher sales and higher commodity costs, (ii) increased operations and maintenance costs of \$70 million from higher storm restoration costs and transmission and distribution costs, (iii) higher PILOTs, other taxes, and assessments of \$59 million related to the PSA power plant property tax settlements (iv) higher depreciation and amortization of \$31 million and (v) higher interest charges of \$4 million.

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.

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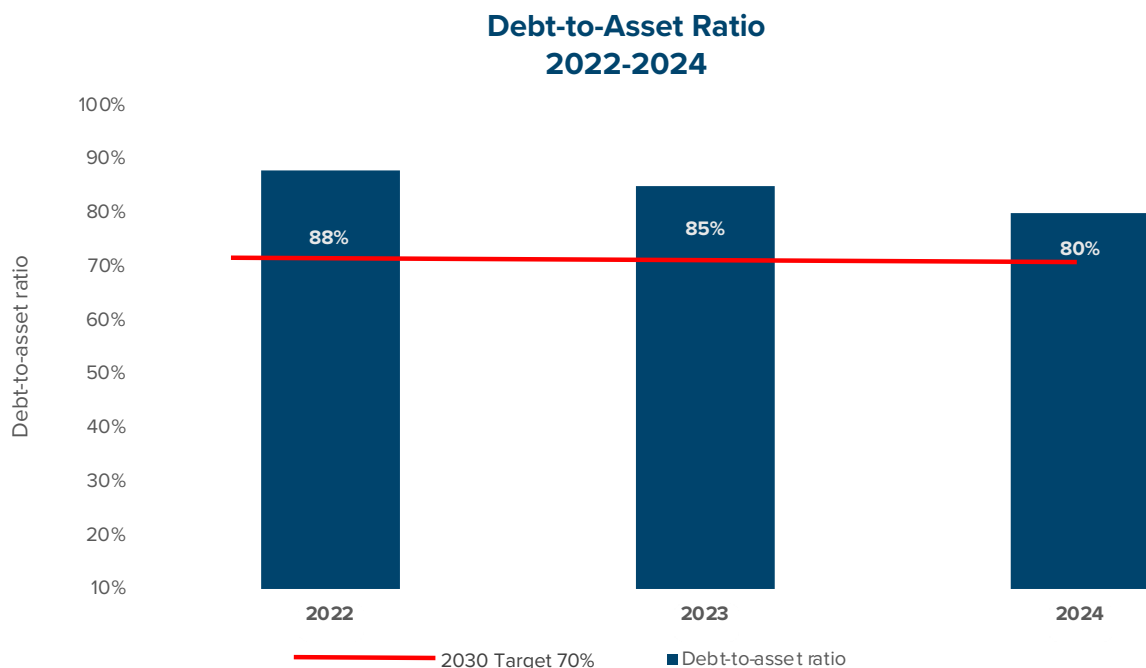
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Capital Asset and Financing Activities

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 80% in 2024.



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

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 2024 LIPA issued \$650 million to refinance certain of its outstanding bonds. In 2024 and 2023, LIPA and UDSA repaid scheduled debt maturities totaling \$287 million and \$295 million, respectively. In addition, LIPA also called for early redemption of its Electric System General Revenue Bonds, Capital Appreciation Bonds, Series 1998 totaling approximately \$12 million and its Electric System General Revenue Bonds, Capital Appreciation Bonds, Series 2000A, totaling approximately \$13 million with cash from operations.

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Below is a summary of the financing activity for LIPA and UDSA for the years ended December 31, 2024 and 2023.

| | Bonds to fund capital projects | Refinancing/ refunding notes or bonds |
|--|--------------------------------------|---|
| 2024 | | |
| LIPA: | | |
| General Revenue 2024A | \$ 355,515 | 361,525 |
| General Revenue 2024B | — | 288,480 |
| | 355,515 | 650,005 |
| 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 |

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

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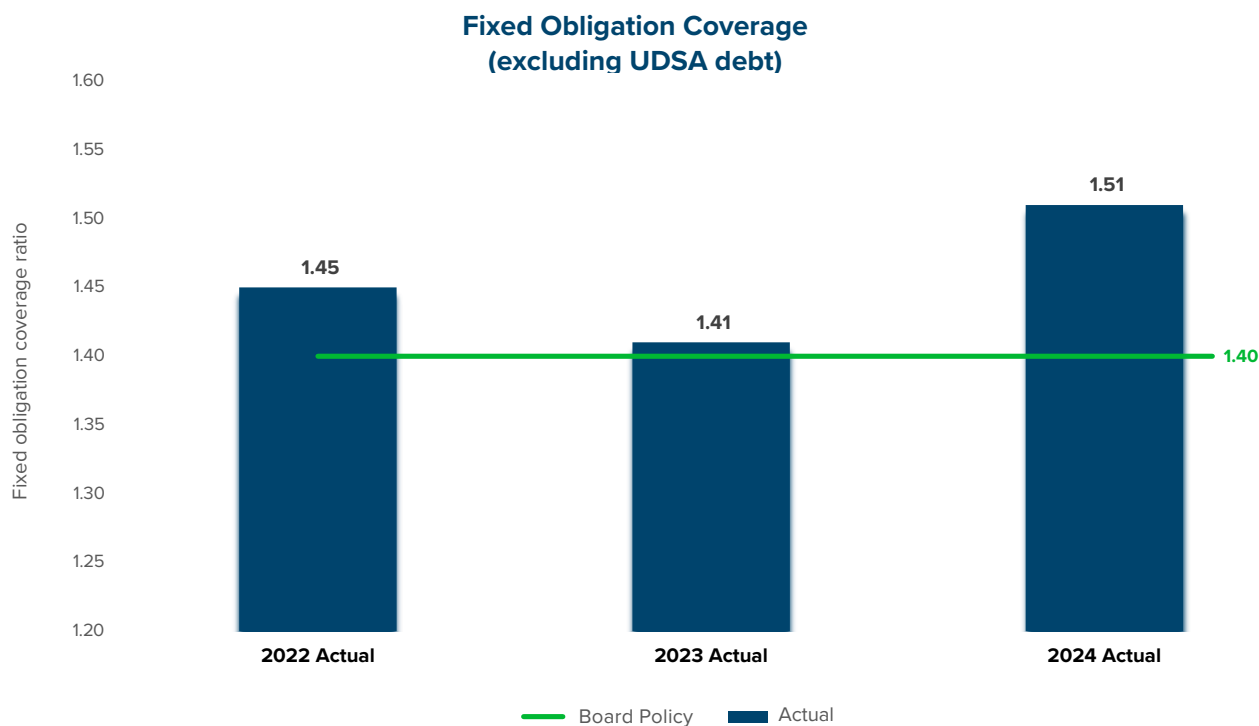
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Fixed Obligation Coverage Ratios

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 2024, 2023 and 2022. For 2024, 2023, and 2022, LIPA exceeded its targets by achieving fixed obligation ratios of 1.51x for 2024, 1.41x for 2023, and 1.45x for 2022.



For a full discussion of the fixed obligation coverage ratio calculation, see Note 12(h) 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.

As of December 31, 2024, 2023, and 2022, LIPA's available sources of liquidity for operating purposes and capital program funding exceeded the policy target with 287 days, 276 days, and 309 days of cash, investments, and available credit, respectively. This represents cash, cash equivalents, investments, and available credit totaling approximately \$2.6 billion, \$2.5 billion, and \$2.6 billion as of December 31, 2024, 2023 and 2022, respectively.

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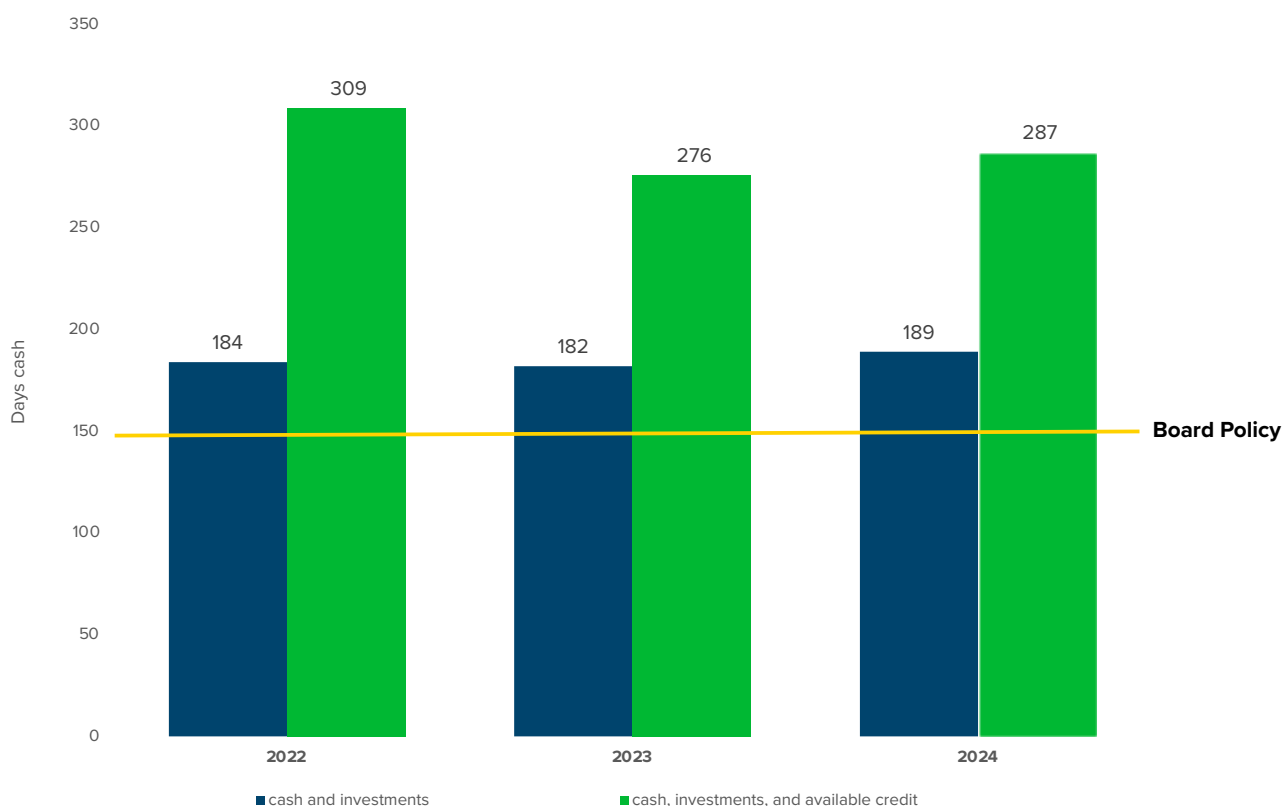
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Days of Cash, Investments, and Available Credit



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

| | 2024 | 2023 | 2022 |
|--|---------------------|------------------|------------------|
| Operating liquidity | | | |
| Unrestricted cash, cash equivalents, and investments | \$ 694,845 | 685,690 | 813,585 |
| OPEB Account cash, cash equivalents, and investments | 736,023 | 643,733 | 522,648 |
| PSEG Long Island working capital requirements | 304,612 | 320,709 | 228,312 |
| Total operating liquidity | <u>1,735,480</u> | <u>1,650,132</u> | <u>1,564,545</u> |
| Available credit | | | |
| General Revenue Notes – Revolving Credit Facility | 200,000 | 200,000 | 200,000 |
| General Revenue Notes – Commercial Paper | 700,000 | 655,000 | 869,000 |
| Total available credit | <u>900,000</u> | <u>855,000</u> | <u>1,069,000</u> |
| Total cash, cash equivalents, investments, and available credit | <u>\$ 2,635,480</u> | <u>2,505,132</u> | <u>2,633,545</u> |
| Restricted cash and cash equivalents | | | |
| Clean Energy Compliance Fund | \$ 20,572 | 19,991 | 19,548 |
| Extraordinary working capital | 250,000 | 250,000 | - |
| UDSA | <u>129,695</u> | <u>114,951</u> | <u>153,150</u> |
| Total restricted cash and cash equivalents | <u>\$ 400,267</u> | <u>384,942</u> | <u>172,698</u> |



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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 \$305 million, \$321 million, and \$228 million, as of December 31, 2024, 2023, and 2022, respectively. This represents approximately 33 operating days of cash as of December 31, 2024. 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, 2024, 2023, and 2022, the unrestricted OPEB Account had approximately \$736 million, \$644 million, and \$523 million on deposit, respectively. This represents approximately 80 days of cash as of December 31, 2024.

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, 2024, 2023 and 2022, the maximum outstanding total short-term borrowings may not exceed \$1.2 billion.

The outstanding balance of LIPA's short-term borrowings totaled \$300 million, \$345 million and \$131 million as of December 31, 2024, 2023, and 2022 respectively. The short-term borrowing programs are supported by bank agreements with various expiration dates from 2025 through 2029. 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, 2024, 2023, and 2022, was \$400 million, \$385 million, and \$173 million, respectively. Restricted cash and cash equivalents include amounts related to UDSA debt service payments and required debt service and operating reserves of \$130 million, \$115 million, and \$153 million, as of December 31, 2024, 2023, and 2022, 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 totaling \$250 million 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.



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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+ (Stable) by Fitch Ratings (Fitch). The Board's policy on fiscal sustainability has resulted in five upgrades to LIPA's credit ratings since 2013, the latest from Fitch Ratings in July 2024. Fitch upgraded LIPA to an A+ rating with a stable outlook, noting LIPA's improved leverage ratio, which has decreased over the past five years.

| 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) |

For the years ended December 31, 2024, 2023 and 2022, 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.

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Statements of Net Position
December 31, 2024 and 2023
(Amounts in thousands)

| Assets and Deferred Outflows of Resources | 2024 | 2023 |
|---|---------------|-------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 376,189 | 437,431 |
| Restricted cash – working capital requirements | 186,800 | 207,693 |
| Restricted cash – LIPA | 250,000 | 250,000 |
| Restricted cash – UDSA | 129,695 | 114,951 |
| Investments | 1,054,679 | 891,992 |
| Restricted investments – working capital requirements | 138,384 | 133,007 |
| Counterparty collateral – posted by LIPA | 6,794 | 108,039 |
| Accounts receivable (less allowance for uncollectible accounts of \$27,426 and \$30,746 at December 31, 2024 and December 31, 2023, respectively) | 554,965 | 458,699 |
| Other receivables | 100,132 | 68,728 |
| Fuel inventory | 162,797 | 174,682 |
| Material and supplies inventory | 134,269 | 115,480 |
| Commodity derivative instruments | 4,614 | — |
| Regulatory assets to be recovered within one year | 91,638 | 151,030 |
| Prepayments and other current assets | 54,459 | 45,690 |
| Total current assets | 3,245,415 | 3,157,422 |
| Noncurrent assets: | | |
| Utility plant and property and equipment, net | 10,711,393 | 10,590,245 |
| Nuclear decommissioning trust fund (NDTF) | 196,288 | 178,075 |
| Other long-term receivables | 95,415 | 140,976 |
| Unrealized charges | 2,790 | 4,147 |
| Financial derivative instruments | 31,316 | 23,685 |
| Commodity derivative instruments | 12,368 | — |
| Regulatory assets for future recovery | 450,491 | 531,735 |
| Acquisition adjustment (net of accumulated amortization) | 209,764 | 321,138 |
| Total noncurrent assets | 11,709,825 | 11,790,001 |
| Total assets | 14,955,240 | 14,947,423 |
| Deferred outflows of resources: | | |
| Deferred defeasance costs on debt refunding | 85,020 | 120,214 |
| NMP2 asset retirement obligation | — | 14,791 |
| OPEB activities | 2,660 | 3,201 |
| Pension activities | 1,859 | 2,101 |
| Accumulated decrease in fair value of commodity derivatives | — | 25,016 |
| Accumulated decrease in fair value of investments | 74 | — |
| Total deferred outflows of resources | 89,613 | 165,323 |
| Total assets and deferred outflows of resources | \$ 15,044,853 | 15,112,746 |

See accompanying Notes to the Financial Statements



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Statements of Net Position
December 31, 2024 and 2023
(Amounts in thousands)

| Liabilities, Deferred Inflows of Resources and Net Position | 2024 | 2023 |
|--|----------------------|-------------------|
| Current liabilities: | | |
| Short-term debt | \$ 300,000 | 345,000 |
| Current maturities of long-term debt | 375,760 | 82,085 |
| Current maturities of UDSA debt | 223,965 | 204,790 |
| Current portion of lease and SBITA liabilities | 359,495 | 402,086 |
| Accounts payable and accrued expenses | 480,504 | 439,512 |
| Regulatory liabilities payable in one year | 39,369 | 17,745 |
| Commodity derivative instruments | — | 56,345 |
| Accrued payments in lieu of taxes | 8,630 | 11,343 |
| Accrued interest | 72,867 | 67,630 |
| Customer deposits | 37,266 | 34,929 |
| Total current liabilities | <u>1,897,856</u> | <u>1,661,465</u> |
| Noncurrent liabilities: | | |
| Long-term debt, net and unamortized premium | 5,477,686 | 5,518,877 |
| Long-term UDSA debt, net and unamortized premium | 3,503,707 | 3,773,546 |
| Lease and SBITA liabilities | 1,128,862 | 1,428,731 |
| Borrowings | 21,735 | 26,130 |
| Operations Services Agreement – employee retirement benefits | 540,749 | 615,890 |
| Financial derivative instruments | 27,245 | 43,166 |
| Commodity derivative instruments | — | 21,719 |
| Regulatory liabilities for future payment | 253,213 | 101,245 |
| Asset retirement obligation | 109,021 | 127,028 |
| Long-term liabilities and unrealized credits | 37,865 | 45,955 |
| Claims and damages | 231,658 | 208,788 |
| Total noncurrent liabilities | <u>11,331,741</u> | <u>11,911,075</u> |
| Total liabilities | <u>13,229,597</u> | <u>13,572,540</u> |
| Deferred inflows of resources: | | |
| Regulatory credits – grants | 567,603 | 585,775 |
| Lease revenue | 2,884 | 3,031 |
| OPEB activities | 2,224 | 1,663 |
| Pension activities | 1,019 | 125 |
| NMP2 asset retirement obligation | 10,052 | — |
| Deferred defeasance costs on debt refunding | 17,921 | 21,908 |
| Accumulated increase in fair value of financial derivatives | 31,316 | 23,685 |
| Accumulated increase in fair value of commodity derivatives | 11,180 | — |
| Accumulated increase in fair value of OPEB dedicated account | 120,935 | 70,192 |
| Accumulated increase in fair value of NDTF | 16,000 | 6,406 |
| Accumulated increase in fair value of investments | 1,297 | — |
| Total deferred inflows of resources | <u>782,431</u> | <u>712,785</u> |
| Net position: | | |
| Net investment in capital assets | 673,045 | 460,406 |
| Restricted | 125,284 | 316,159 |
| Unrestricted | 234,496 | 50,856 |
| Total net position | <u>1,032,825</u> | <u>827,421</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 15,044,853</u> | <u>15,112,746</u> |

See accompanying Notes to the Financial Statements



Long Island Power Authority

(A Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 31, 2024 and 2023

(Amounts in thousands)

| | 2024 | 2023 |
|--|--------------|-----------|
| Operating revenues – electric sales, net of uncollectible accounts expense | \$ 4,077,409 | 3,698,833 |
| Operating expenses: | | |
| Operations – power supply charge | 1,799,326 | 1,651,509 |
| Operations – power supply charge – property taxes | 165,797 | 107,961 |
| Operations and maintenance | 760,005 | 717,230 |
| Storm restoration | 46,003 | 23,033 |
| General and administrative | 54,931 | 50,739 |
| Depreciation and amortization | 478,738 | 448,054 |
| Payments in lieu of taxes and assessments | 354,308 | 352,828 |
| Total operating expenses | 3,659,108 | 3,351,354 |
| Operating income | 418,301 | 347,479 |
| Nonoperating revenues and expenses: | | |
| Other income, net: | | |
| Investment income, net | 81,621 | 74,630 |
| Grant income | 30,305 | 24,575 |
| Other | 3,055 | 8,392 |
| Subtotal | 114,981 | 107,597 |
| Nuclear decommissioning trust fund income | 8,319 | 5,114 |
| Deferred grant income amortization | 17,382 | 17,635 |
| Carrying charges on regulatory assets | 13,606 | 15,657 |
| Subtotal | 39,307 | 38,406 |
| Total other income, net | 154,288 | 146,003 |
| Interest charges and (credits): | | |
| Interest on debt | 426,679 | 409,612 |
| Other interest | 18,043 | 22,206 |
| Other interest amortizations | (77,537) | (68,425) |
| Total interest charges, net | 367,185 | 363,393 |
| Change in net position | 205,404 | 130,089 |
| Net position, beginning of year | 827,421 | 697,332 |
| Net position, end of year | \$ 1,032,825 | 827,421 |

See accompanying Notes to the Financial Statements



Long Island Power Authority
(A Component Unit of the State of New York)
Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(Amounts in thousands)

| | 2024 | 2023 |
|--|--------------|-------------|
| Cash flows from operating activities: | | |
| Operating revenues received | \$ 4,376,529 | 4,203,993 |
| Payments to suppliers and employees: | | |
| Operations and maintenance | (774,221) | (729,313) |
| Operations – power supply charge | (1,521,433) | (1,399,550) |
| Operations – power supply charge – property tax related | (165,797) | (107,961) |
| Payments-in-lieu-of-taxes | (538,620) | (536,436) |
| Collateral on commodity derivative transactions, net | 101,245 | (242,382) |
| PSEG Long Island pension funding | (25,200) | (18,400) |
| Net cash provided by operating activities | 1,452,503 | 1,169,951 |
| Cash flows from investing activities: | | |
| Earnings received on investment income | 58,558 | 54,156 |
| Purchase of investment securities | (69,936) | (44,634) |
| Purchase of restricted investment securities – working capital investments | (5,377) | (5,871) |
| Purchase of investment securities – OPEB Account and NDTF | (18,300) | (36,300) |
| Net cash used in investing activities | (35,055) | (32,649) |
| Cash flows from noncapital financing related activities: | | |
| Grant proceeds | 73,501 | 71,691 |
| Proceeds from credit facility draws and commercial paper program | 485,000 | 675,000 |
| Redemption of credit facility draws and commercial paper program | (530,000) | (461,000) |
| Other interest costs | (5,604) | — |
| Interest paid - LIPA | (27,561) | (2,500) |
| Net cash (used in) provided by noncapital financing related activities | (4,664) | 283,191 |
| Cash flows from capital and related financing activities: | | |
| Capital expenditures | (786,610) | (738,570) |
| Lease and SBITA payments | (396,156) | (366,949) |
| Proceeds from the issuance of long-term debt | 1,101,138 | 2,014,488 |
| Payments for debt issuance costs | (5,693) | (9,421) |
| Other interest costs | (5,132) | (13,110) |
| Interest paid – LIPA | (200,525) | (200,122) |
| Redemption of long-term debt – LIPA | (82,085) | (32,235) |
| Payments to bond escrow agent to refinance bonds | (411,910) | (716,688) |
| Payment to refinance bonds | (284,250) | — |
| Early defeasance of long-term debt – LIPA | (24,981) | (68,933) |
| Early defeasance of long-term debt – UDSA | — | (713,513) |
| Interest paid – UDSA | (179,181) | (184,539) |
| Redemption of long-term debt – UDSA | (204,790) | (264,660) |
| Net cash used in capital and related financing activities | (1,480,175) | (1,294,252) |
| Net (decrease) increase in cash and cash equivalents | (67,391) | 126,241 |
| Cash and cash equivalents at beginning of year | 1,010,075 | 883,834 |
| Cash and cash equivalents at end of year | \$ 942,684 | 1,010,075 |

See accompanying Notes to the Financial Statements



Long Island Power Authority
(A Component Unit of the State of New York)
Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(Amounts in thousands)

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|------------------|
| Reconciliation to net cash provided by operating activities: | | |
| Operating income | \$ 418,301 | 347,479 |
| Adjustments to reconcile operating income to net cash provided by operating | | |
| Depreciation and amortization | 478,738 | 448,054 |
| ⁽¹⁾ Other post-employment benefits, non-cash expense | — | 19,506 |
| Nuclear fuel burned | 9,368 | 11,071 |
| Shoreham and VBA surcharges | 53,716 | 42,392 |
| Accretion of asset retirement obligation | 280 | 263 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net of allowance for uncollectible accounts | (67,317) | 214,343 |
| Regulatory assets and liabilities | 235,498 | (255,898) |
| Fuel and material and supplies inventory | (6,904) | (66,970) |
| Accounts payable, accrued expenses, and other | 330,823 | 409,711 |
| Net cash provided by operating activities | <u>\$ 1,452,503</u> | <u>1,169,951</u> |

⁽¹⁾ Beginning in 2024, LIPA amended its revenue requirement calculation to include recovery of Other Post Employment Benefits (OPEBs). Due to this change, the adjustment for Other post-employment benefits, non-cash expense is no longer required

See accompanying Notes to the Financial Statements



Long Island Power Authority

(A Component Unit of the State of New York)

Notes to the Financial Statements
December 31, 2024 and 2023
(Amounts in thousands, unless otherwise stated)

(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. 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. The Second A&R OSA includes an increase in PSEG Long Island's annual compensation at risk, strengthened termination rights, enhanced DPS oversight responsibilities, enhanced dedicated management team, and separation of LIPA information technology systems, including the Enterprise Resource Planning system (ERP), among other things. Furthermore, the Second A&R OSA eliminated PSEG Long Island's eight-year term extension option and instead it will expire on December 31, 2025. Accordingly, LIPA issued an RFP to rebid the management contract.

During the years ended December 31, 2024 and 2023, PSEG Long Island was paid approximately \$62 million and \$60 million, respectively, for the fixed component of its management fee. For 2023, PSEG Long Island was paid approximately \$15 million for its variable compensation fee. For 2024 PSEG Long Island may earn variable compensation of up to approximately \$22 million, which will be determined by June 2025.

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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 2024 and 2023 was approximately \$405 million and \$316 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 2024 or 2023.

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, 2024 and 2023, PSEG ER&T was paid a management fee totaling approximately \$21 million and \$20 million respectively. Both contracts are set to expire December 31, 2025. To ensure that these services continue beyond the term of the expiring contracts, on May 30, 2024, LIPA issued an RFP seeking proposals from experienced firms to provide such services for a period of five years. On December 18, 2024, LIPA's Board approved a Power Supply Management and Fuel Supply Management Services Agreement (PSMFM Agreement) with The Energy Authority, Inc. (TEA) for a five-year term. The PSMFM Agreement has been approved by the New York State Attorney General and was approved by the New York State Comptroller in March 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.

LIPA also has 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 its Other Post-Employment Benefit Plan (OPEB) which provides health care benefits to LIPA's qualified retired employees. For further discussion, see Note 11 (f).

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Notes to the Financial Statements
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(Amounts in thousands, unless otherwise stated)

(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, 2024 and 2023, LIPA posted approximately \$7 million and \$108 million, respectively, of counterparty collateral, which is recorded as a current asset.

(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, 2024 and 2023, the value of the NMP2 inventory totaled approximately \$20 million and \$17 million, respectively.

(f) Other Receivables and Other Long-Term Receivables

The current portion of other receivables is comprised primarily of non-electric billings, reimbursable project costs, and LIPA's share of the NMP2 nuclear production tax credit.

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 being paid to LIPA over a 20-year period that commenced in 2007; and (iii) a receivable resulting from a long-term land lease.

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(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

In 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. LIPA recognized an increase in Utility plant and property and equipment for the years ended December 31, 2024 and 2023 of approximately \$23 million and \$10 million, respectively, and an increase in SBITA obligations of \$21 million and \$8 million, respectively.

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) 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.

(j) 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).

(k) 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.

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(l) 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 2024 analysis resulted in decreasing LIPA's share of the NMP2 ARO liability by approximately \$24 million. The change was primarily attributable to an increase in the probability assumption of extending the plant license which ends in 2046. Changes in ARO as a result of study updates are recognized in Deferred Inflows and Outflows of Resources. 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, 2024 and 2023 is included below:

| | 2024 | 2023 |
|------------------------------|-------------|-------------|
| Asset retirement obligation: | | |
| Balance at January 1 | \$ 127,028 | 106,439 |
| Change due to updates | (24,468) | 14,907 |
| Accretion expense | 6,461 | 5,682 |
| Balance at December 31 | \$ 109,021 | 127,028 |

(m) Long-Term Liabilities and Unrealized Credits

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

(n) Claims and Damages

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

(o) 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 \$198 million and \$166 million as of December 31, 2024 and 2023, 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 \$17 million and \$49 million as of December 31, 2024 and 2023, respectively.

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(p) 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.

(q) 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 3.18% and 3.01% for 2024 and 2023, 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 | 60-75 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 |

(r) 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 2024 or 2023.

(s) 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.

(t) Income Taxes

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

(u) 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.

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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.

(v) Recent Accounting Pronouncements Not Yet Adopted

GASB Statement No. 102, *Certain Risk Disclosures*, requires government financial statements disclose essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for periods beginning after June 15, 2024.

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 of under collections 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 through May 1, 2024, 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

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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 also ended 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 PILOT's 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,



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\$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.

There were no additional securitized bonds issued in 2024. UDSA has a remaining statutory capacity of approximately \$1.7 billion.

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 | | Net Present Value Savings | Restructuring Charge Rate Effective Date |
|-----------------------|--------------------|-----------------------|--------------------|---------------------------|--|
| | | Excluding Premiums | Amount Outstanding | | |
| Financing Order No. 1 | December 18, 2013 | \$ 2,022,324 | — | 131,609 | Not applicable* |
| Financing Order No. 2 | October 27, 2015 | 1,002,115 | 911,225 | 127,978 | January 1, 2016 |
| Financing Order No. 3 | April 7, 2016 | 636,770 | 420,490 | 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 | 283,520 | 45,387 | January 1, 2018 |
| Financing Order No. 6 | September 29, 2022 | 935,655 | 890,395 | 42,080 | October 3, 2022 |
| Financing Order No. 7 | December 15, 2023 | 833,215 | 818,415 | 44,646 | December 15, 2023 |
| | | <u>\$ 6,268,864</u> | <u>3,451,555</u> | <u>578,585</u> | |

* 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.

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(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:

| | 2024 | | | 2023 | | |
|--|-----------|------------|---------|---------|------------|---------|
| | Current | Noncurrent | Total | Current | Noncurrent | Total |
| Regulatory assets: | | | | | | |
| OSA – employee retirement benefits | \$ 9,381 | — | 9,381 | 11,554 | — | 11,554 |
| Shoreham property tax settlement | 52,495 | 190,238 | 242,733 | 51,386 | 230,376 | 281,762 |
| Property tax litigation | — | 185,517 | 185,517 | — | 154,067 | 154,067 |
| Delivery service adjustment | 3,913 | 1,780 | 5,693 | 12,091 | — | 12,091 |
| Employee benefit plan settlement | 15,634 | — | 15,634 | 15,634 | 15,634 | 31,268 |
| Power supply charge recoverable | 5,866 | 25,830 | 31,696 | 3,353 | 31,964 | 35,317 |
| Debt issuance costs | 2,038 | 13,625 | 15,663 | 2,573 | 16,918 | 19,491 |
| Revenue decoupling mechanism | — | 12,074 | 12,074 | 15,192 | 22,833 | 38,025 |
| Unfunded actuarially determined reserves | — | — | — | — | 8,132 | 8,132 |
| Southampton visual benefit assessment | 1,223 | 2,170 | 3,393 | 1,211 | 3,246 | 4,457 |
| Unrealized financial derivative losses | — | 19,257 | 19,257 | — | 33,553 | 33,553 |
| Unrealized commodity derivative losses | 1,088 | — | 1,088 | 38,036 | 15,012 | 53,048 |
| Total regulatory assets | \$ 91,638 | 450,491 | 542,129 | 151,030 | 531,735 | 682,765 |
| Regulatory liabilities: | | | | | | |
| Unrealized commodity derivative gains | — | 6,890 | 6,890 | — | — | — |
| OSA – employee retirement benefits | 900 | 142,580 | 143,480 | — | 33,841 | 33,841 |
| Revenue decoupling mechanism | 878 | — | 878 | — | — | — |
| Utility 2.0 | 6,327 | 5,195 | 11,522 | 15,198 | — | 15,198 |
| Power supply charge refundable | 11,505 | 20,572 | 32,077 | — | 19,992 | 19,992 |
| Distributed energy resources | 1,794 | — | 1,794 | 779 | — | 779 |
| Delivery service adjustment | 10,564 | 77,976 | 88,540 | — | 47,412 | 47,412 |
| Clean energy initiatives | 6,746 | — | 6,746 | — | — | — |
| New York State assessment | 655 | — | 655 | 1,768 | — | 1,768 |
| Total regulatory liabilities | \$ 39,369 | 253,213 | 292,582 | 17,745 | 101,245 | 118,990 |

(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 or liability. 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.



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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

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 \$458 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.

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(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.

In December 2024, the regulatory storm reserve threshold of \$75 million was met. In accordance with LIPA's tariff, in the event that the balance in the Storm Event Reserve Fund exceeds the storm reserve cap, the funds in excess of the storm reserve will be used to offset future capital spending. LIPA recognized approximately \$2 million in excess storm recovery which contributed to the 2024 coverage target.

(e) Unrealized 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.

(f) 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 2021/22 tax year. That lawsuit is currently stayed.

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 as of the 2021/22 tax year. This decision is currently on appeal.

LIPA estimated the potential exposure with penalties and interest to be approximately \$186 million through 2024, plus a potential addition of up to \$47 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. See Note 16(d).

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(g) 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 October 2023 through September 2024. This resulted in a refund of approximately \$12 million to the residential customer class, with an additional amount due from LIPA related to periods after the rate-setting period totaling approximately \$4 million. LIPA's revenues from commercial customers continued to be lower than budget in 2024 resulting in amounts due to LIPA totaling approximately \$11 million, with an additional amount due to LIPA related to periods after the rate-setting period totaling approximately \$16 million.

(h) 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 are expensed as incurred.

(i) Power Supply Costs Recoverable or Refundable

LIPA's tariff includes a Power Supply Charge with a monthly reconciliation of power supply costs. For the years ended December 31, 2024 and 2023, actual power supply costs, including estimated costs to operate an undersea cable, were lower than amounts recovered in the Power Supply Charge, resulting in the recognition of a regulatory liability totaling \$12 million and \$3 million respectively.

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, 2024 and 2023, the remaining balance of such costs totaled \$2 million and \$3 million, respectively.

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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, 2024 and 2023, the balance was \$17 million and \$21 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, 2024 and 2023, the regulatory liability balance was \$21 million and \$20 million, respectively.

(j) 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.

(k) 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.

(l) 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. Based on the results of this year's study, LIPA has adequately recovered the estimated litigation exposure and therefore the regulatory asset has been fully amortized. The next study is scheduled for 2026.

(m) 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.

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(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, 2024 and 2023 the deferred grant revenue totaled approximately \$568 million and \$586 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 other 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 OPEB Account and other Investments

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. Beginning in 2024, to ensure consistent treatment of all LIPA investments, the LIPA Board approved deferral of unrealized gains or losses for all of LIPA's other investments. These other investments primarily consist of the Operating Fund, Construction Fund, and Rate Stabilization Fund. 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.

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(f) Lease Revenue

LIPA receives contractually determined revenue related to leasing agreements with certain power purchase providers for land leases. As of December 31, 2024 and 2023, the lease asset receivable and the corresponding deferred inflow of resources was approximately \$3 million.

(g) NMP2 Asset Retirement Obligation Updates

LIPA recorded its 18% share of an update of the 2024 annual review and analysis of the NMP2 ARO which resulted in decreasing LIPA's share of the NMP2 ARO liability. The change was primarily attributable to an increase in the expected operating term of the plant. 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 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 grant authorized under Section 428 of the Stafford Act (428 Grant Agreement) for \$1.434 billion. As of December 31, 2024 and December 31, 2023, LIPA has a remaining balance due from FEMA of approximately \$83 million and \$126 million, respectively.

(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. Major disaster declarations occurring or having an incident period beginning between January 1, 2020 and December 31, 2021 were eligible for a minimum 90% federal cost share. During 2022, LIPA received reimbursement of its restoration costs totaling approximately \$276 million.

After Tropical Storm Isaias, LIPA filed for a Hazard Mitigation grant. In 2024, LIPA was awarded approximately \$425 million to continue its successful storm-hardening program as well as \$3 million to harden two transmission crossings. As of December 31, 2024 no funding has been received or recognized for this grant.

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(c) COVID-19

In response to the COVID-19 pandemic, on March 20, 2020, FEMA announced that federal emergency funds were 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. In November 2024, LIPA received FEMA grant funding of \$7 million for the reimbursement of incremental costs incurred due to COVID-19 related to personal protective equipment and safe opening preparation.

LIPA filed for Mitigation grants under COVID-19 and received approval for funds totaling \$10 million, \$5 million in Nassau/Queens counties awarded in 2024, and \$5 million in Suffolk County awarded in 2023 to replace utility poles in disadvantaged communities. As of December 31, 2024 no funding has been received or recognized for this grant.

(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 with a 90% match from FEMA. As of December 31, 2024 and 2023, LIPA received approximately \$8 million.

(e) Winter Storm Elliott

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, 2024 and 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 other derivative instruments. Changes in the fair value of other 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.

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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.

| Derivative instrument description | Fair value December 31, 2024 | Net change in fair value | Fair value December 31, 2023 | Type of hedge | Financial statement classification for changes in fair value | |
|--|------------------------------------|-----------------------------|------------------------------------|------------------|--|----------|
| Hedging derivative instruments: | | | | | | |
| Financial derivatives: | | | | | | |
| Fixed-payer | \$ 31,316 | 7,631 | 23,685 | Cash flow | Deferred inflows of resources | |
| Commodity derivatives: | | | | | | |
| Purchased power swaps | 4,258 | 4,258 | — | N/A | Deferred inflows of resources | |
| Natural gas basis swaps | 6,922 | 31,938 | (25,016) | N/A | Deferred inflows/outflows of resources | |
| Total | <u>\$ 42,496</u> | <u>43,827</u> | <u>(1,331)</u> | | | |
| Other investment derivative instruments: | | | | | | |
| Financial derivatives: | | | | | | |
| Synthetic fixed | \$ (48,980) | 20,316 | (69,296) | N/A | Regulatory Asset | |
| Commodity derivatives: | | | | | | |
| Power – financial basis | (116) | 19,483 | (19,599) | N/A | Regulatory Asset | |
| Purchased power swaps | 3,797 | 7,876 | (4,079) | N/A | Regulatory Liability | |
| Natural gas swaps | 2,121 | 31,491 | (29,370) | N/A | Regulatory Liability | |
| Total | <u>\$ (43,178)</u> | <u>79,166</u> | <u>(122,344)</u> | | | |
| | <u>2024</u> | | <u>2023</u> | | | |
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Derivative assets (liabilities): | | | | | | |
| Financial derivatives | \$ — | 31,316 | — | — | 23,685 | — |
| Financial derivatives | — | (48,980) | — | — | (69,296) | — |
| Commodity derivatives | 17,098 | (116) | — | (33,449) | (44,615) | — |
| | <u>\$ 17,098</u> | <u>(17,780)</u> | <u>—</u> | <u>(33,449)</u> | <u>(90,226)</u> | <u>—</u> |

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The terms of LIPA's commodity derivative instruments as of December 31, 2024 are summarized in the table below:

| Derivative Instrument | Amount (in thousands) | Units | Beginning Period | Ending Period | Authority Pays Per Unit | Authority Receives |
|--|--------------------------|-------|---------------------|------------------|----------------------------|---|
| Natural Gas Swaps | 61,478 | Dthms | 1/1/2025 | 12/1/2027 | \$ 2.77 to \$ 4.53 | Natural Gas at Henry Hub Gas Basis between Henry Hub & Transco Z6, NY |
| Natural Gas Basis Swaps ⁽¹⁾ | 56,475 | Dthms | 1/1/2025 | 3/1/2027 | \$ (0.89) to \$ 3.15 | |
| Purchased PJM Power Swaps | 4,766 | Mwhs | 1/1/2025 | 12/1/2027 | \$ 33.75 to \$ 68.25 | Power at PJM West |
| Purchased PJM Power Basis | 8,136 | Mwhs | 1/1/2025 | 12/1/2027 | \$ (10.75) to \$ (3.90) | Power Basis between PJM West to JCPL |
| Purchased NY Power Swaps | 1,026 | Mwhs | 1/1/2025 | 12/1/2026 | \$ 37.50 to \$ 49.75 | Power at NY Zone-A |

(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 -0.68, which was within the purchase trade price range of -0.89 to 3.15.

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

| Derivative Instrument | 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 Gas Basis between Henry Hub & Transco Z6, NY |
| Natural Gas Basis Swaps ⁽¹⁾ | 68,113 | Dthms | 1/1/2024 | 3/1/2026 | \$ (0.95) to \$ 7.90 | |
| Purchased PJM Power Swaps | 5,276 | Mwhs | 1/1/2024 | 12/1/2026 | \$ 27.55 to \$ 83.50 | Power at PJM West |
| Purchased PJM 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 interest rate derivative instruments as of December 31, 2024 and 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 | — (a) |
| | | | | | | \$ <u>106,400</u> |

(a) LIPA has the option to terminate the swap on September 1, 2027, and monthly thereafter

LIPA 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.



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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 the 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.

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

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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, 2024:

| <u>Counterparty</u> | <u>Moody's</u> | <u>S&P</u> | <u>Counterparty's unsecured line of credit (\$M)</u> |
|--|----------------|----------------|--|
| Interest Rate Derivative Instruments: | | | |
| Citibank, N.A. New York | Aa3 | A+ | \$ — |
| UBS AG, Stamford Branch | Aa2 | A+ | — |
| Commodity Derivative Instruments: | | | |
| BP Energy Company * | A2 | A- | \$ 15.0 |
| Citigroup Energy, Inc.* | A3 | BBB+ | 10.0 |
| RWE Clean Energy Wholesale Services, Inc. * | Baa2 | N/R | 5.0 |
| Constellation Energy Generation, LLC | Baa1 | BBB+ | 10.0 |
| J. Aron & Company * | A2 | BBB+ | 40.0 |
| JPMorgan Chase Bank, N.A. | Aa2 | AA- | 35.0 |
| Macquarie Energy LLC * | Aa2 | 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+ | 1.0 |
| 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

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(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, 2024:

| | <u>Beginning balances</u> | <u>Additions</u> | <u>Transfers/ Disposals</u> | <u>Ending balances</u> |
|--|-------------------------------|------------------|---------------------------------|----------------------------|
| Utility plant | \$ 10,979,150 | 649,254 | (258,635) | 11,369,769 |
| Office equipment, furniture, and leasehold improvements | 12,687 | 1,416 | — | 14,103 |
| Accumulated depreciation | (2,678,156) | (351,717) | 323,808 | (2,706,065) |
| Total utility plant – net | <u>8,313,681</u> | <u>298,953</u> | <u>65,173</u> | <u>8,677,807</u> |
| Lease and SBITA right-to-use assets: | | | | |
| Utility plant | 3,304,653 | — | — | 3,304,653 |
| Other | 111,992 | 76,181 | (53,911) | 134,262 |
| Accumulated depreciation | (1,583,890) | (379,594) | 14,550 | (1,948,934) |
| Total lease and SBITA right-to-use assets – net | <u>1,832,755</u> | <u>(303,413)</u> | <u>(39,361)</u> | <u>1,489,981</u> |
| Construction work in progress | 419,972 | 729,850 | (627,901) | 521,921 |
| Retirement work in progress | 23,837 | 64,613 | (66,766) | 21,684 |
| Total work in progress | <u>443,809</u> | <u>794,463</u> | <u>(694,667)</u> | <u>543,605</u> |
| | <u>\$ 10,590,245</u> | <u>790,003</u> | <u>(668,855)</u> | <u>10,711,393</u> |

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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 | <u>7,854,567</u> | <u>385,454</u> | <u>73,660</u> | <u>8,313,681</u> |
| 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 | <u>2,129,838</u> | <u>(288,589)</u> | <u>(8,494)</u> | <u>1,832,755</u> |
| 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 | <u>479,972</u> | <u>743,865</u> | <u>(780,028)</u> | <u>443,809</u> |
| | <u>\$ 10,464,377</u> | <u>840,730</u> | <u>(714,862)</u> | <u>10,590,245</u> |

(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 \$470 million and \$484 million as of December 31, 2024, and 2023, respectively. The majority 82% of NMP2 is held by Constellation Energy Generation (Constellation). The operating license for NMP2 expires on October 31, 2046.

(a) Nuclear Plant Decommissioning

As of December 31, 2024, and 2023, LIPA's share of the estimated costs for decommissioning of the unit and restoration of the site is approximately \$105 million and \$123 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, 2024, and 2023, the trust fund had approximately \$196 million and \$178 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.

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(b) Liability for Nuclear Accidents

The Federal Price-Anderson Act (Act) currently requires owners of nuclear power plants to obtain \$550 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 \$158 million per reactor, payable at no more than approximately \$25 million per reactor per incident per year. LIPA's maximum liability under this provision is approximately \$28 million, payable at approximately \$4 million per incident per year.

(c) Federal Zero-Emission Nuclear Power Production Credit

Section 13105 of the Inflation Reduction Act of 2022 created section 45U, the zero-emission nuclear power production credit, for electricity produced at a qualified nuclear power facility and sold by the taxpayer to an unrelated person in tax years beginning after December 31, 2023, and before January 1, 2033. Tax-exempt and governmental entities such as LIPA, can benefit from this credit through an option called Elective Pay, which treats the full value of the credit as a tax payment. In 2024, LIPA recorded in current assets a receivable of \$20 million related to the Internal Revenue Code, Section 45U for the Zero-emission nuclear production credit which represents the credit earned from its 18% interest NMP2 generating facility.

(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, 2024, and 2023, LIPA had unrestricted cash, cash equivalents, and investments totaling approximately \$1.43 billion and \$1.33 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, 2024, and 2023, the OPEB Account balance totaled approximately \$736 million and \$644 million, respectively.

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The following tables summarize LIPA's unrestricted cash, cash equivalents and investments as of December 31, 2024 and 2023. 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.

| <u>Deposit/investment type</u> | <u>Credit Rating (if applicable)</u> | <u>Percent of portfolio</u> | <u>2024 Fair value</u> | <u>Cash and cash equivalents</u> | <u>Investments</u> |
|---|--|---------------------------------|----------------------------|--------------------------------------|--------------------|
| Operating Fund, Construction Fund, Rate Stabilization Fund, and Other operating accounts: | | | | | |
| Cash and collateralized deposits | | 9 % | \$ 61,256 | 61,256 | — |
| Discount notes and bonds: | | | | | |
| Commercial paper | A-1/P-1 | 2 | 11,777 | — | 11,777 |
| Corporate | A-/A3 | 23 | 162,684 | — | 162,684 |
| Federal agencies | Aaa/AA+ | — | 1,478 | — | 1,478 |
| Asset backed securities | AAA/Aaa | 2 | 14,461 | — | 14,461 |
| Municipal bonds | A-/A3 | 1 | 3,109 | — | 3,109 |
| Treasury notes | Aaa/AA+/F1+ | 18 | 125,146 | — | 125,146 |
| Money-market mutual funds | | 45 | 314,933 | 314,933 | — |
| Subtotal | | 100 % | 694,844 | 376,189 | 318,655 |
| OPEB Account: | | | | | |
| Mutual funds - equities | | 67 % | 490,229 | — | 490,229 |
| Mutual funds - fixed income | | 33 | 245,795 | — | 245,795 |
| Subtotal | | 100 % | 736,024 | — | 736,024 |
| Total | | | \$ 1,430,868 | 376,189 | 1,054,679 |

| <u>Deposit/investment type</u> | <u>Credit Rating (if applicable)</u> | <u>Percent of portfolio</u> | <u>2023 Fair value</u> | <u>Cash and cash equivalents</u> | <u>Investments</u> |
|---|--|---------------------------------|----------------------------|--------------------------------------|--------------------|
| 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 | A-1/P-1 | 2 | 13,155 | — | 13,155 |
| Corporate | A-/A3 | 10 | 67,050 | — | 67,050 |
| Federal agencies | Aaa/AA+ | 2 | 14,121 | — | 14,121 |
| Asset-backed securities | AAA/Aaa | 2 | 13,861 | — | 13,861 |
| Foreign government bonds | AA-/Aa3 | 1 | 4,542 | — | 4,542 |
| Municipal bonds | A-/A3 | — | 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 |

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(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 \$325 million and \$341 million as of December 31, 2024 and 2023, 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 \$21 million and \$20 million as of December 31, 2024 and 2023, respectively, is 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, 2024 and 2023 includes \$73 million and \$55 million, respectively, in the General Subaccounts, and \$56 million and \$60 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.

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 to the expenditures that were financed with the proceeds of the 2021 medium-term notes), and as such these funds totaling \$250 million are being held as restricted.

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The following tables summarize LIPA's restricted cash, cash equivalents and investments as of December 31, 2024 and 2023. 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.

| <u>Deposit/investment type</u> | <u>Credit rating (if applicable)</u> | <u>Percent of portfolio</u> | <u>2024 Fair value</u> | <u>Cash and cash equivalents</u> | <u>Investments</u> |
|---|--|---------------------------------|----------------------------|--------------------------------------|--------------------|
| Restricted Accounts for Working Capital Accounts, and Clean Energy Compliance Fund | | | | | |
| Cash and collateralized deposits | | 31 % | \$ 180,836 | 180,836 | — |
| Discount notes and bonds: | | | | | |
| Commercial paper | A-1/P-1 | 3 | 14,489 | — | 14,489 |
| Corporate | A-/A3 | 10 | 56,141 | — | 56,141 |
| Federal agencies | Aaa/AA+ | 1 | 3,008 | — | 3,008 |
| Asset backed securities | AAA/Aaa | 2 | 10,220 | — | 10,220 |
| Municipal bonds | A-/A3 | — | 1,588 | — | 1,588 |
| Treasury notes | Aaa/AA+/F1+ | 9 | 52,938 | 52,938 | — |
| Treasury demand deposits | Aaa/AA+ | 43 | 250,000 | 250,000 | — |
| Money-market mutual funds | | 1 | 5,964 | 5,964 | — |
| Total | | 100 % | \$ 575,184 | 489,738 | 85,446 |
| UDSA: | | | | | |
| Money-market mutual funds | | 100 % | \$ 129,695 | 129,695 | — |

| <u>Deposit/investment type</u> | <u>Credit rating (if applicable)</u> | <u>Percent of portfolio</u> | <u>2023 Fair value</u> | <u>Cash and cash equivalents</u> | <u>Investments</u> |
|---|--|---------------------------------|----------------------------|--------------------------------------|--------------------|
| 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 | A-1/P-1 | 1 | 3,383 | — | 3,383 |
| Corporate | A-/A3 | 8 | 48,448 | — | 48,448 |
| Federal agencies | Aaa/AA+ | 2 | 9,115 | — | 9,115 |
| Asset-backed securities | AAA/Aaa | 1 | 7,680 | — | 7,680 |
| 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 | — |

(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.



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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, 2024, and 2023, approximately \$242 million and \$243 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 \$451 million and \$516 million which were uninsured at December 31, 2024 and 2023, 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 2052 (the year in which decommissioning activities are scheduled to begin based on the 2024 study), 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

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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 25%; (iii) fixed-income investments mutual funds at 20%; 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 had the following investments as of December 31:

| Mutual Fund Investment type | Percent of portfolio | 2024 Fair value |
|---|---------------------------------|----------------------------|
| Domestic equity | 38 % | \$ 75,180 |
| International equity | 23 | 45,518 |
| Fixed-income investments | 21 | 41,024 |
| Fixed-income investments-inflation protected securities | 18 | 34,566 |
| Total | <u>100 %</u> | <u>\$ 196,288</u> |

| 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 (a) | 21 | 33,439 |
| Total | <u>100 %</u> | <u>\$ 178,075</u> |

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

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(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 | 2024 | | | |
|--|--------------|---------|---------|---------|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Unrestricted and restricted investments: | | | | |
| Discount notes: | | | | |
| Commercial paper | \$ 26,266 | — | 26,266 | — |
| Corporate | 218,825 | — | 218,825 | — |
| Federal agencies | 4,486 | — | 4,486 | — |
| Asset-backed securities | 24,681 | — | 24,681 | — |
| Municipal bonds | 4,697 | — | 4,697 | — |
| Treasury bills and notes | 178,084 | 178,084 | — | — |
| Money-market mutual funds | 736,024 | 736,024 | — | — |
| Total | \$ 1,193,063 | 914,108 | 278,955 | — |
| | | | | |
| NDTF Mutual Funds | 196,288 | 196,288 | — | — |
| Total | \$ 196,288 | 196,288 | — | — |
| | | | | |
| 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 | — | — |

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(f) OPEB Trust

LIPA created a legally separate Section 115 Trust (OPEB Trust) to fund its eligible employee and retiree OPEB obligation related to LIPA employees. 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 \$1 million and \$1 million in 2024 and 2023, respectively, to the OPEB Trust. As of December 31, 2024 and 2023, the OPEB Trust totaled approximately \$33 million and \$29 million, respectively, which was approximately 107.0% for 2024 and 103.9% for 2023 of its net OPEB liability.

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

(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, cash flow from operations provided by coverage and when available, grants. 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.

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Below is a summary of LIPA's bond transactions completed during the years ended December 31, 2024 and 2023:

| 2024 | | | |
|----------------------|---|--------------|-------------------|
| Revenue Obligations: | 2024A General Revenue Bonds | Par Amount: | \$ 717,040 |
| Purpose: | Fund \$355 million system improvements, refund \$362 million 2014 A and pay issuance costs | Date Closed: | August 21, 2024 |
| Revenue Obligations: | 2024B General Revenue Bonds | Par Amount: | \$ 288,480 |
| Purpose: | Refund \$284 million 2019B and pay issuance costs | Date Closed: | August 21, 2024 |
| 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 |

(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.

UDSA did not execute any issuances in 2024. Below is a summary of UDSA's bond transactions completed during the years ended December 31, 2023.

| 2023 | | | |
|----------------------|--|--------------|-------------------|
| Restructuring Bonds: | 2023 Taxable and Tax Exempt (TE) -1 Restructuring Bonds | Par Amount: | \$ 697,700 |
| Purpose: | Refinance outstanding LIPA and UDSA indebtedness and pay issuance costs | Date Closed: | December 15, 2023 |
| | | 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 |

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

LIPA and UDSA long-term debt as of December 31, 2024 consisted of the following:

| | Beginning balance | Accretion/ additions/Adj. | Maturities | Refundings/ Defeasance | Ending balance | Years of Maturity | Interest Rate (%) | |
|------------------------------|----------------------|------------------------------|----------------|---------------------------|-------------------|----------------------|----------------------|--------|
| General revenue bonds/notes: | | | | | | | | |
| Series 1998A | \$ 42,545 | 3,236 | — | 11,726 | 34,055 | 2025-2028 | 5.30 | (a) |
| Series 2000A | 157,671 | 11,515 | — | 12,694 | 156,492 | 2025-2029 | 5.93-5.95 | (a) |
| Series 2003C | 36,645 | — | — | — | 36,645 | 2028-2029 | 5.25 | |
| Series 2010B | 162,605 | — | 16,905 | — | 145,700 | 2025-2041 | 5.60-5.85 | (c) |
| Series 2014A | 413,070 | — | — | 413,070 | — | — | — | |
| Series 2014B | 45,625 | — | — | — | 45,625 | 2025-2026 | 3.98-4.13 | |
| Series 2015B | 103,360 | — | 2,770 | — | 100,590 | 2025-2045 | 3.00-5.00 | |
| Series 2016B | 333,260 | — | 12,835 | — | 320,425 | 2026-2046 | 5.00 | |
| Series 2017 | 322,040 | — | 7,410 | — | 314,630 | 2026-2047 | 5.00 | |
| Series 2018 | 421,450 | — | 3,450 | — | 418,000 | 2026-2039 | 3.38-5.00 | |
| Series 2019A | 197,875 | — | 11,495 | — | 186,380 | 2025-2039 | 3.00-5.00 | |
| Series 2019B | 284,250 | — | — | 284,250 | — | — | — | |
| Series 2020A | 232,975 | — | 12,160 | — | 220,815 | 2025-2040 | 4.00-5.00 | |
| Series 2020B | 250,000 | — | — | — | 250,000 | 2040-2050 | 0.85 | |
| Series 2021 | 250,000 | — | — | — | 250,000 | 2025 | 1.00 | |
| Series 2021A | 349,990 | — | 8,075 | — | 341,915 | 2025-2042 | 1.50-5.00 | |
| Series 2021B | 175,000 | — | — | — | 175,000 | 2042-2051 | 1.50 | |
| Series 2022A | 128,860 | — | 1,500 | — | 127,360 | 2025-2044 | 5.00 | |
| Series 2022B | 100,000 | — | — | — | 100,000 | 2044-2052 | 5.00 | |
| Series 2022C | 150,000 | — | — | — | 150,000 | 2030-2038 | 2.60-4.07 | (b)(d) |
| Series 2023E | 400,000 | — | 1,500 | — | 398,500 | 2025-2053 | 5.00 | |
| Series 2023F | 179,310 | — | — | — | 179,310 | 2027-2033 | 5.00 | |
| Series 2023D | 128,000 | — | — | — | 128,000 | 2030-2033 | 2.15-3.65 | (b)(d) |
| Series 2024A | — | 717,040 | — | — | 717,040 | 2025-2054 | 4.00-5.25 | |
| Series 2024B | — | 288,480 | — | — | 288,480 | 2032-2049 | 3.00 | |
| Direct placement notes: | | | | | | | | |
| Series 2023A-1 | 91,790 | — | 920 | — | 90,870 | 2025-2042 | 2.66-4.13 | (b)(d) |
| Series 2023A-2 | 44,555 | — | 710 | — | 43,845 | 2025-2042 | 2.57-4.04 | (b)(d) |
| Series 2023B | 148,235 | — | 2,355 | — | 145,880 | 2025-2042 | 2.58-4.05 | (b)(d) |
| Series 2023C | 63,000 | — | — | — | 63,000 | 2030-2033 | 2.57-4.04 | (b)(d) |
| Subtotal | <u>5,212,111</u> | <u>1,020,271</u> | <u>82,085</u> | <u>721,740</u> | <u>5,428,557</u> | | | |
| UDSA bonds: | | | | | | | | |
| Series 2015 | 955,255 | — | 44,030 | — | 911,225 | 2025-2035 | 3.00-5.00 | |
| Series 2016A | 553,805 | — | 133,315 | — | 420,490 | 2025-2033 | 5.00 | |
| Series 2016B | 127,510 | — | — | — | 127,510 | 2025-2033 | 4.00-5.00 | |
| Series 2017 | 283,905 | — | 385 | — | 283,520 | 2025-2039 | 5.00 | |
| Series 2022T | 32,640 | — | — | — | 32,640 | 2029-2037 | 4.65-4.95 | |
| Series 2022TE-1 | 775,235 | — | 12,260 | — | 762,975 | 2025-2037 | 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 | — | 14,800 | — | 646,700 | 2025-2039 | 5.00 | |
| Series 2023TE-2 | 135,515 | — | — | — | 135,515 | 2034-2051 | 5.00 | |
| Subtotal | <u>3,656,345</u> | <u>—</u> | <u>204,790</u> | <u>—</u> | <u>3,451,555</u> | | | |
| | <u>8,868,456</u> | <u>1,020,271</u> | <u>286,875</u> | <u>721,740</u> | <u>8,880,112</u> | | | |
| Plus: Net premium | 710,842 | 95,618 | 82,866 | 22,588 | 701,006 | | | |
| Less: Current maturities | <u>(286,875)</u> | | | | <u>(599,725)</u> | | | |
| Total Long-term debt | <u>\$ 9,292,423</u> | | | | <u>8,981,393</u> | | | |

- (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 December 2024)

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LIPA and UDSA's 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 | <u>4,958,221</u> | <u>1,070,045</u> | <u>32,235</u> | <u>783,920</u> | <u>5,212,111</u> | | | |
| UDSA 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 | <u>3,802,210</u> | <u>833,215</u> | <u>264,660</u> | <u>714,420</u> | <u>3,656,345</u> | | | |
| | <u>8,760,431</u> | <u>1,903,260</u> | <u>296,895</u> | <u>1,498,340</u> | <u>8,868,456</u> | | | |
| Plus: Net premium | 698,494 | 119,606 | 79,697 | 27,561 | 710,842 | | | |
| Less: Current maturities | (294,775) | — | — | — | (286,875) | | | |
| Total Long-term debt | <u>\$ 9,164,150</u> | | | | <u>9,292,423</u> | | | |

- (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)



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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, 2024 are as follows:

| Due | Principal* | Interest | Net swap payments (receipts) | Total |
|-----------|---------------------|------------------|------------------------------------|-------------------|
| 2025 | \$ 599,725 | 389,948 | 7,759 | 997,432 |
| 2026 | 380,445 | 371,412 | 7,761 | 759,618 |
| 2027 | 423,290 | 354,363 | 7,771 | 785,424 |
| 2028 | 441,645 | 335,854 | 4,193 | 781,692 |
| 2029 | 460,930 | 316,314 | 478 | 777,722 |
| 2030–2034 | 2,350,110 | 1,240,707 | (17,290) | 3,573,527 |
| 2035–2039 | 2,015,845 | 734,990 | (12,541) | 2,738,294 |
| 2040–2044 | 1,144,985 | 339,793 | (2,507) | 1,482,271 |
| 2045–2049 | 761,460 | 148,502 | — | 909,962 |
| 2050–2054 | 330,840 | 35,023 | — | 365,863 |
| Total | \$ <u>8,909,275</u> | <u>4,266,906</u> | <u>(4,376)</u> | <u>13,171,805</u> |

* 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, 2024. 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 \$4.5 billion of Electric Revenue Bonds callable through 2034. UDSA has approximately \$2.2 billion of Restructuring Bonds callable through 2034.

(e) Interest Rate Swap Agreements

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

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(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, 2024 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 | — | 220,000 | 105,000 | 115,000 | 6/30/2025 |
| Series 2015 CP 2AB ** | Commercial Paper | 150,000 | 100,000 | 25,000 | 110,000 | 15,000 | 6/30/2025 |
| Series 2015 CP 3AB | Commercial Paper | 100,000 | — | 100,000 | 70,000 | 30,000 | 9/29/2026 |
| Series 2015 CP 4AB | Commercial Paper | 200,000 | 135,000 | 30,000 | 135,000 | 30,000 | 6/26/2029 |
| Series 2015 CP 5AB | Commercial Paper | 100,000 | 30,000 | 40,000 | — | 70,000 | 3/10/2028 |
| Series 2015 CP 6AB | Commercial Paper | 250,000 | 80,000 | 70,000 | 110,000 | 40,000 | 6/08/2029 |
| | Total short-term debt | <u>\$ 1,200,000</u> | <u>345,000</u> | <u>485,000</u> | <u>530,000</u> | <u>300,000</u> | |

** Management renews or replaces the bank agreements as needed prior to their expiration.

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 |
|--------------------|----------------------------|-------------------------------------|----------------------|----------------|----------------|-------------------|---|
| 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 | <u>\$ 1,200,000</u> | <u>131,000</u> | <u>675,000</u> | <u>461,000</u> | <u>345,000</u> | |

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(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 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.

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LIPA's Board policy on fiscal sustainability established a fixed obligation coverage ratio of 1.40x for 2024 and 2023 on debt, lease and SBITA payments. LIPA's calculation of its fixed obligation coverage ratio for the years ended December 31, 2024 and 2023 is shown below for informational purposes.

| | 2024 | 2023 | |
|---|---------------------|--------------------|---------|
| Operating revenues, net of uncollectible accounts expense | \$ 4,077,409 | 3,698,833 | (1) |
| Other income | 114,981 | 107,597 | (1) |
| Shoreham Settlement & VBA regulatory asset receipts | 53,716 | 42,392 | (2) |
| Total revenues and income | <u>4,246,106</u> | <u>3,848,822</u> | |
| Operating expenses | (3,659,108) | (3,351,354) | (1) |
| Add non cash expenses/(deduct cash funding): | | | |
| Depreciation and amortizations | 478,738 | 448,054 | (1) |
| Lease & SBITA amortization | 399,151 | 415,001 | (3) |
| OPEB accrual expense | — | 19,506 | (2) (4) |
| Other interest expense | (10,736) | (13,110) | (2) |
| Total expenses | <u>(2,791,955)</u> | <u>(2,481,903)</u> | |
| Funds available for debt service | \$ 1,454,151 | 1,366,919 | |
| Principal and interest – LIPA | 310,171 | 234,857 | (2) |
| Principal and interest – UDSA | 383,971 | 449,199 | (2) |
| Lease & SBITA liabilities | 399,151 | 415,001 | (3) |
| Total fixed obligation debt service | \$ 1,093,293 | 1,099,057 | |
| Fixed Obligation Coverage Ratio: | | | |
| Excluding UDSA | 1.51 | 1.41 | (5) |
| Including UDSA | 1.33 | 1.24 | |
| 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 (j) (below)
- (4) Beginning on 2024, LIPA amended its revenue requirement calculation to include recovery of Other Post Employment Benefits (OPEBs). Due to this change, the adjustment for OPEBs accrual expense is no longer required.
- (5) 2024 - Excluding UDSA equal to $(\$1,454,151 \text{ less } (\$383,971)) / (\$1,093,293 \text{ less } (\$383,971))$
2023 - Excluding UDSA equal to $(\$1,366,919 \text{ less } (\$449,199)) / (\$1,099,057 \text{ less } (\$449,199))$

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(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.

| | 2024 | 2023 |
|---|----------------------|---------------------------|
| Long-term LIPA and USDA debt | \$ 8,880,112 | 8,868,456 ⁽¹⁾ |
| Short-term debt | 300,000 | 345,000 ⁽¹⁾ |
| Lease and SBITA liabilities | 1,488,357 | 1,830,817 ⁽²⁾ |
| LIPA Pension obligations (asset) | 1,957 | 2,660 ⁽³⁾ |
| Unfunded OSA pension obligations | 31,038 | 102,019 ⁽⁴⁾ |
| Less: | | |
| UDSA restricted cash | (129,695) | (114,951) ⁽²⁾ |
| Adjusted Debt | 10,571,768 | 11,034,001 |
| Current assets | 3,245,415 | 3,157,422 ⁽²⁾ |
| Less amounts included in adjusted debt: | | |
| UDSA restricted cash | (129,695) | (114,951) ⁽²⁾ |
| Current assets, net of amounts included in adjusted debt | 3,115,720 | 3,042,471 |
| Current liabilities | 1,897,856 | 1,661,465 ⁽²⁾ |
| Less amounts included in adjusted debt: | | |
| Current maturities of long-term LIPA and USDA debt | (599,725) | (286,875) ⁽²⁾ |
| Current maturities of lease and SBITA liabilities | (359,495) | (402,086) ⁽²⁾ |
| Short-term debt | (300,000) | (345,000) ⁽²⁾ |
| Current liabilities, net of amounts included in adjusted debt | 638,636 | 627,504 |
| Net working capital (net current assets minus liabilities) | 2,477,084 | 2,414,967 |
| Utility plant and property and equipment, net | 10,711,393 | 10,590,245 ⁽²⁾ |
| Plant assets plus net working capital | \$ 13,188,477 | 13,005,212 |
| Adjusted Debt | \$ 10,571,768 | 11,034,001 |
| Debt-to-Asset Ratio | 80% | 85% ⁽⁵⁾ |

⁽¹⁾ See Note 12(c) and (f)

⁽²⁾ See Statement of Net Position

⁽³⁾ See Note 14(a)

⁽⁴⁾ See Note 13

⁽⁵⁾ 2024 \$10,571,768 / \$13,188,477

2023 \$11,034,001 / \$13,005,212

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(j) Changes in Nonconcurrent Liabilities

LIPA's other long-term liabilities as of December 31, 2024 were comprised of the following:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------|------------------|-------------------|
| Long-term liabilities and unrealized credits | \$ 45,955 | 57,272 | (65,362) | 37,865 |
| Borrowings | 26,130 | — | (4,395) | 21,735 |
| Claims and damages | 208,788 | 44,631 | (21,761) | 231,658 |
| Lease and SBITA liabilities | 1,428,731 | 99,283 | (399,152) | 1,128,862 |
| Total other long-term liabilities | <u>\$ 1,709,604</u> | <u>201,186</u> | <u>(490,670)</u> | <u>1,420,120</u> |

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 | <u>\$ 2,021,846</u> | <u>176,373</u> | <u>(488,615)</u> | <u>1,709,604</u> |

For other non-current liabilities not included above, see the following corresponding notes: asset retirement obligations (Note 2(l)), regulatory liabilities (Note 5), financial and commodity derivative instrument liabilities (Note 8), long-term debt for LIPA and UDSA (Note 12 (c)) and OSA employee retirement benefits (Note 13).

(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 which will be fully amortized in alignment with the expiration of the OSA on December 31, 2025.

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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, 2024 and 2023.

| | Pension benefits | | Post-employment benefits | |
|---|---------------------|------------|-----------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Benefit obligation at beginning of year | \$ 535,308 | \$ 452,117 | \$ 513,871 | \$ 454,689 |
| Service cost | 27,524 | 23,929 | 13,832 | 12,299 |
| Interest cost | 26,311 | 23,045 | 25,461 | 23,392 |
| Actuarial (gain) loss | (54,403) | 31,353 | (29,330) | 35,288 |
| Plan amendment | — | 16,107 | — | — |
| Benefits paid | (13,789) | (11,243) | (14,124) | (11,797) |
| Benefit obligation at end of year | 520,951 | 535,308 | 509,710 | 513,871 |
| Fair value of assets at beginning of year | 433,289 | 370,228 | — | — |
| Actual return on plan assets | 45,212 | 55,904 | — | — |
| LIPA contribution | 25,200 | 18,400 | 14,124 | 11,797 |
| Benefits paid | (13,789) | (11,243) | (14,124) | (11,797) |
| Fair value of assets at end of year | 489,912 | 433,289 | — | — |
| LIPA unfunded obligation | \$ (31,039) | (102,019) | (509,710) | (513,871) |

The table above 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 above 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, 2024 and 2023, LIPA had on deposit in the OPEB Account approximately \$736 million and \$644 million, respectively. For a further discussion, see Note 11.

The unfunded contractual liability related to pension and post-employment benefits decreased during 2024 due to the impact of an update of certain assumptions regarding the census data, claims costs, excise taxes, and the discount rate.

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These changes resulted in a net actuarial gain of approximately \$54 million for pension benefits and approximately \$29 million for post-employment benefits as follows:

| | <u>Pension benefits</u> | <u>Post-employment benefits</u> |
|---|-------------------------|---------------------------------|
| Updated census data | \$ 0.6 | \$ 4.5 |
| Updated assumptions | 3.3 | 30.0 |
| Impact of adopting granular method | 1.2 | 1.3 |
| Discount rate changes (see table below) | (59.5) | (65.1) |
| Total loss | <u>\$ (54.4)</u> | <u>\$ (29.3)</u> |

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, 2024 and 2023:

| | <u>Pension benefits</u> | | <u>Post-employment benefits</u> | |
|-------------------------------|-------------------------|-------------|---------------------------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Discount rate | 5.84 % | 5.13 % | 5.87 % | 5.16 % |
| Rate of compensation increase | 5.50 % | 5.54 % | 5.50 % | 5.54 % |

Pension Plan Assets

During 2024 and 2023, LIPA provided \$25 million and \$18 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, 2024 and 2023:

| <u>Investment type</u> | <u>2024</u> | | <u>2023</u> | |
|------------------------|-------------------|-------------------|----------------|-------------------|
| | <u>Amount</u> | <u>Allocation</u> | <u>Amount</u> | <u>Allocation</u> |
| Equity | \$ 369,032 | 75.3% | 326,279 | 75.3% |
| Fixed-income | 118,838 | 24.3% | 104,911 | 24.2% |
| Other | 2,042 | 0.4% | 2,099 | 0.5% |
| | <u>\$ 489,912</u> | <u>100.0%</u> | <u>433,289</u> | <u>100.0%</u> |

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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 2024, the P&OPEB obligations are estimated to be overfunded by approximately \$15 million compared with \$19 million in 2023. 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 or the VDC if they earn an annualized salary of \$75,000 or more.

(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 the 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.

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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, 2024 and 2023, were equal to 100% of the contributions required, and were \$1 million.

(v) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2024 and 2023, LIPA reported a liability of \$2 million and \$3 million, respectively, 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, 2024 was determined using an actuarial valuation as of April 1, 2023, with update procedures used to roll-forward the total pension liability to March 31, 2024. 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, 2024 and 2023, LIPA's proportionate share was 0.01% of the Retirement System net pension liability.

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For the years ended December 31, 2024 and 2023, LIPA recognized pension expense of \$1 million, respectively. As of December 31, 2024 and 2023, LIPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2024 | | 2023 | |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual expense | \$ 630 | 53 | 283 | 75 |
| Net difference between projected and actual earnings on investments | — | 956 | — | 16 |
| Changes in assumptions | 740 | — | 1,293 | 14 |
| Net difference between LIPA's contributions and proportionate share of contributions | 489 | 10 | 525 | 21 |
| | \$ 1,859 | 1,019 | 2,101 | 125 |

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:

| | |
|------|----------|
| 2025 | \$ (176) |
| 2026 | 526 |
| 2027 | 661 |
| 2028 | (172) |
| 2029 | — |
| | \$ 840 |

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(vi) Actuarial Assumptions

For December 31, 2024, the total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2023, 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, 2024 |
| Actuarial valuation date: | April 1, 2023 |
| 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 |

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 |

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.

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

| <u>Asset class</u> | <u>Long-term expected real rate of return (%)</u> |
|--|---|
| Domestic equity | 4.00 |
| International equity | 6.65 |
| Private equity | 7.25 |
| Real estate | 4.60 |
| Opportunistic/Absolute return strategies | 5.25 |
| Credit | 5.40 |
| Real assets | 5.79 |
| Fixed income | 1.50 |
| Cash | 0.25 |

(vii) Discount Rate

The discount rate used to calculate the total pension liability was 5.90% as of December 31, 2024 and 2023. 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, 2024, 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) | \$ 6.2 million | 2.0 million | (1.5) million |

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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 |

(b) New York State Voluntary Defined Contribution Plan

LIPA offers certain full-time and part-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 \$75,000 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 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.

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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 \$31 million and \$28 million as of December 31, 2024 and 2023, 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 \$33 million and \$29 million as of December 31, 2024 and 2023, respectively, for a total respective funding of 107.0% and 103.9%. 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 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 2024 or 2023. 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, 2024 and 2023, the lease asset, net of amortization, and the corresponding lease liability for capacity arrangements, amounted to approximately \$1.4 billion and \$1.8 billion, respectively.

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(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 2024 or 2023. As of December 31, 2024 and 2023, the lease asset, net of amortization and the corresponding lease liability for property leases amounted to approximately \$43 million and \$53 million, respectively.

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 |
|-----------|----|------------------|---------------|------------------|
| 2025 | \$ | 354,263 | 32,512 | 386,775 |
| 2026 | | 350,906 | 23,661 | 374,567 |
| 2027 | | 308,687 | 15,002 | 323,689 |
| 2028 | | 190,359 | 8,738 | 199,097 |
| 2029 | | 123,669 | 4,885 | 128,554 |
| 2030-2034 | | 118,916 | 6,277 | 125,193 |
| 2035-2039 | | 20,087 | 998 | 21,085 |
| Total | \$ | <u>1,466,887</u> | <u>92,073</u> | <u>1,558,960</u> |

(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 2033.

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 |
|------------|----|---------------|--------------|---------------|
| 2025 | \$ | 5,232 | 520 | 5,752 |
| 2026 | | 3,834 | 409 | 4,243 |
| 2027 | | 3,406 | 307 | 3,714 |
| 2028 | | 3,403 | 212 | 3,615 |
| 2029 | | 3,090 | 117 | 3,207 |
| 2030 -2033 | | 2,506 | 71 | 2,577 |
| Total | \$ | <u>21,471</u> | <u>1,636</u> | <u>23,107</u> |

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(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, 2024, the approximate minimum obligation associated with such agreements are approximately \$4 million for years 2025 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, 2024 and 2023, LIPA recognized approximately \$159 million and \$82 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 \$2.5 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 \$2.5 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.

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LIPA has no general property insurance for damage to its poles and wires and is self-insured, as insurance for this type of risk is unavailable.

(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,

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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

As of January 1, 2015, the Reform Act limits the amounts of PILOTs LIPA can pay on certain properties to no more than 2% higher per parcel from the previous calendar year. 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 appealed from the judgment. The appeal has been fully briefed and submitted. Enforcement of the judgment is stayed, pending the determination of LIPA's appeal.

In 2021, LIPA filed actions against the ten Suffolk County towns to declare LIPA's properties tax exempt as of the 2021/22 tax year. In response to those actions, five Suffolk County towns declared LIPA's parcels exempt from property taxes.

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. That lawsuit is currently stayed.

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In January 2024, Supreme Court, Suffolk County issued a decision and order declaring LIPA's properties in five Suffolk towns tax exempt as of the 2021/22 tax year. The five towns have appealed the decision. LIPA estimates the potential exposure with penalties and interest to be approximately \$186 million through 2024, plus a potential addition of up to \$47 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.

(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.

(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, 2024 and 2023 are detailed on the following pages:

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Condensed Statement of Net Position
December 31, 2024

| | <u>LIPA</u> | <u>UDSA</u> | <u>Eliminations</u> | <u>Total</u> |
|---|-------------------|------------------|---------------------|-------------------|
| Assets and deferred outflows of resources: | | | | |
| Capital assets, net | \$ 10,711,393 | — | — | 10,711,393 |
| Current assets | 2,974,630 | 179,147 | — | 3,153,777 |
| Regulatory assets | 529,820 | 12,309 | — | 542,129 |
| Noncurrent assets | 547,941 | 3,637,311 | (3,637,311) | 547,941 |
| Deferred outflows of resources | 82,564 | 7,049 | — | 89,613 |
| | <u>14,846,348</u> | <u>3,835,816</u> | <u>(3,637,311)</u> | <u>15,044,853</u> |
| Total assets and deferred outflows of resources | | | | |
| Liabilities, deferred inflows of resources, and net position: | | | | |
| Long-term debt, net of current maturities | 5,477,686 | 3,503,707 | — | 8,981,393 |
| Current liabilities | 1,626,634 | 231,853 | — | 1,858,487 |
| Regulatory liabilities | 292,582 | — | — | 292,582 |
| Noncurrent liabilities | 5,734,446 | — | (3,637,311) | 2,097,135 |
| Deferred inflows of resources | 764,510 | 17,921 | — | 782,431 |
| Net position | 950,490 | 82,335 | — | 1,032,825 |
| | <u>14,846,348</u> | <u>3,835,816</u> | <u>(3,637,311)</u> | <u>15,044,853</u> |
| Total liabilities, deferred inflows of resources, and net position | | | | |

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the year ended December 31, 2024

| | <u>LIPA</u> | <u>UDSA</u> | <u>Eliminations</u> | <u>Total</u> |
|---------------------------------|--------------|-------------|---------------------|--------------|
| Operating revenues | \$ 3,691,670 | 388,487 | (2,748) | 4,077,409 |
| Operating expenses | 3,407,157 | 254,699 | (2,748) | 3,659,108 |
| Operating income | 284,513 | 133,788 | — | 418,301 |
| Other income, net | 144,651 | 9,637 | — | 154,288 |
| Interest charges, net | 234,519 | 132,666 | — | 367,185 |
| Change in net position | 194,645 | 10,759 | — | 205,404 |
| Net position, beginning of year | 755,845 | 71,576 | — | 827,421 |
| Net position, end of year | \$ 950,490 | 82,335 | — | 1,032,825 |

Condensed Statement of Cash Flows
For the year ended December 31, 2024

| | <u>LIPA</u> | <u>UDSA</u> | <u>Eliminations</u> | <u>Total</u> |
|---|--------------|-------------|---------------------|--------------|
| Net cash provided by operating activities | \$ 1,062,999 | 389,504 | — | 1,452,503 |
| Net cash (used in) provided by investing activities | (44,692) | 9,637 | — | (35,055) |
| Net cash (used in) noncapital related activities | (4,664) | — | — | (4,664) |
| Net cash (used in) capital and related financing activities | (1,095,778) | (384,397) | — | (1,480,175) |
| Net (decrease) increase in cash and cash equivalents | (82,135) | 14,744 | — | (67,391) |
| Cash and cash equivalents at beginning of year | 895,124 | 114,951 | — | 1,010,075 |
| Cash and cash equivalents at end of year | \$ 812,989 | 129,695 | — | 942,684 |



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Condensed Statement of Net Position
December 31, 2023

| | LIPA | UDSA | Eliminations | Total |
|---|----------------------|------------------|--------------------|-------------------|
| 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 | 668,606 | 14,159 | — | 682,765 |
| Noncurrent assets | 668,021 | 3,888,672 | (3,888,672) | 668,021 |
| Deferred outflows of resources | 156,770 | 8,553 | — | 165,323 |
| | <u>14,921,620</u> | <u>4,079,798</u> | <u>(3,888,672)</u> | <u>15,112,746</u> |
| 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 | 118,990 | — | — | 118,990 |
| 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 | <u>\$ 14,921,620</u> | <u>4,079,798</u> | <u>(3,888,672)</u> | <u>15,112,746</u> |

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

| | LIPA | UDSA | Eliminations | Total |
|---------------------------------|-------------------|---------------|--------------|----------------|
| 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 | <u>\$ 755,845</u> | <u>71,576</u> | <u>—</u> | <u>827,421</u> |

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

| | LIPA | UDSA | Eliminations | Total |
|---|-------------------|----------------|--------------|------------------|
| Net cash provided by operating activities | \$ 767,668 | 402,283 | — | 1,169,951 |
| 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 | (843,025) | (451,227) | — | (1,294,252) |
| Net increase (decrease) 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 | <u>\$ 895,124</u> | <u>114,951</u> | <u>—</u> | <u>1,010,075</u> |



Long Island Power Authority

(A Component Unit of the State of New York)

Notes to the Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

(18) Subsequent Events

Subsequent events have been evaluated through March 27, 2025, which is the date that the financial statements were available to be issued.

Long Island Power Authority

(A Component Unit of the State of New York)

Required Supplementary Information (Unaudited)

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

| As of measurement date March 31, | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Proportionate percentage of net pension liability | 0.0132889% | 0.0124099% | 0.0102049% | 0.0098574% | 0.0103052% | 0.0103343% | 0.0096075% | 0.0099883% | 0.0106679% | 0.0280362% |
| Proportionate share of the net pension liability | \$ 1,956,671 | 2,661,188 | (834,210) | 9,815 | 2,728,884 | 732,219 | 310,076 | 938,526 | 1,712,234 | 947,131 |
| LIPA's covered-employee payroll | \$ 10,414,143 | 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 |
| LIPA's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 18.79% | 47.31% | -17.65% | 0.21% | 63.77% | 18.85% | 7.58% | 24.81% | 48.76% | 11.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 93.88% | 90.78% | 103.65% | 99.95% | 96.27% | 98.24% | 94.70% | 90.70% | 97.95% | 97.20% |

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

| As of December 31, | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Statutorily required contribution | \$ 843,064 | 631,851 | 579,984 | 723,107 | 605,939 | 568,817 | 608,517 | 558,890 | 198,948 | 850,124 |
| Contributions in relation to statutorily required contributions | \$ 843,064 | 631,851 | 579,984 | 723,107 | 605,939 | 568,817 | 608,517 | 558,890 | 198,948 | 850,124 |
| Contribution deficiency (excess) | — | — | — | — | — | — | — | — | — | — |
| LIPA's covered-employee payroll | \$ 10,414,143 | 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 |
| Contributions as a percentage of covered payroll | 8.10% | 11.23% | 12.27% | 15.32% | 14.16% | 14.65% | 14.89% | 14.78% | 5.67% | 10.31% |

See accompanying independent auditors' report



lipower.org/investors

