



Annual Report on Fiscal Sustainability

Presented by: Donna Mongiardo, *Chief Financial Officer*

January 28, 2026



Discussion Topics

 Policy Priorities of the LIPA Board of Trustees

 Decrease LIPA Leverage and Cost of Capital

 Reporting

Policy Priorities of the LIPA Board

LIPA's vision for fiscal sustainability is to meet the Board's policy goals to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA's assets and result in the lowest long-term cost to customers.

To achieve our vision for fiscal sustainability, LIPA will:

Decrease LIPA's leverage and cost of capital:

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

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

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

Reporting:

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

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

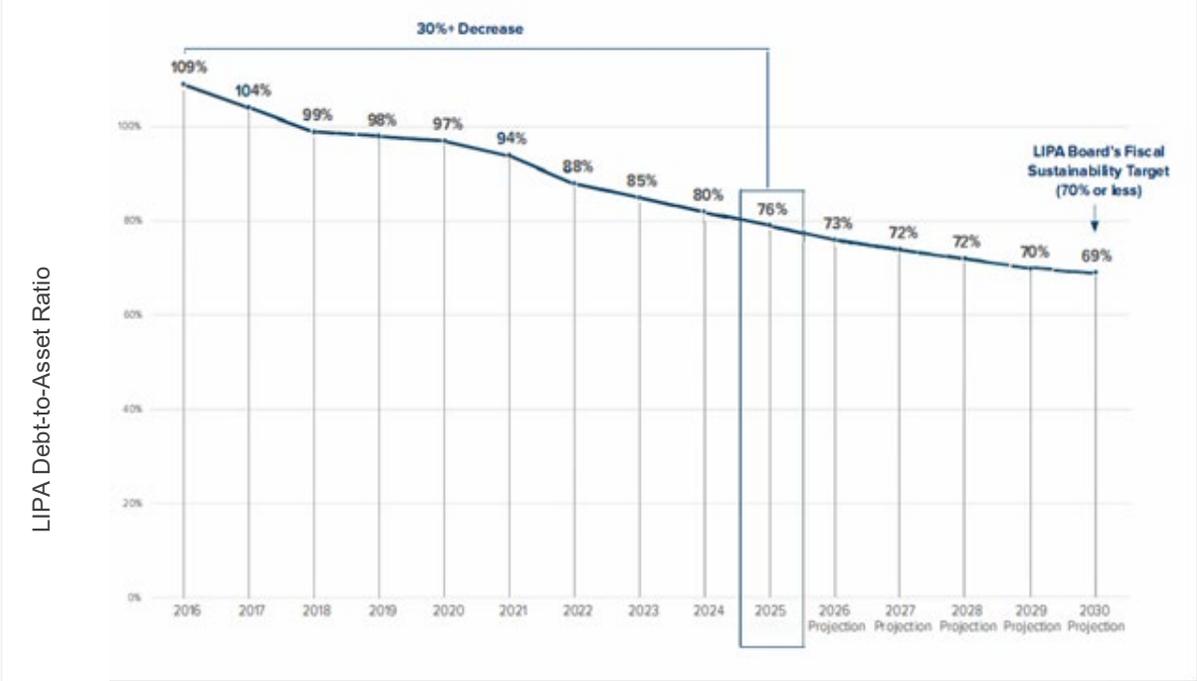
LIPA’s rating upgrades demonstrate LIPA’s improving leverage ratio and LIPA’s budgets ensure the gradual consistent trend continues

Rating Agency	2013 Ratings (Outlook)	2025 Ratings (Outlook)
Standard and Poor’s	A- (Negative)	A (Stable)
Fitch Ratings	A- (Negative)	A+ (Stable)
Moody’s Investor Service	Baa1 (Negative)	A2 (Stable)

- LIPA’s credit rating upgrades are the result of LIPA’s enhanced financial performance and steady achievement of its strategic objectives set by the Board of Trustees.

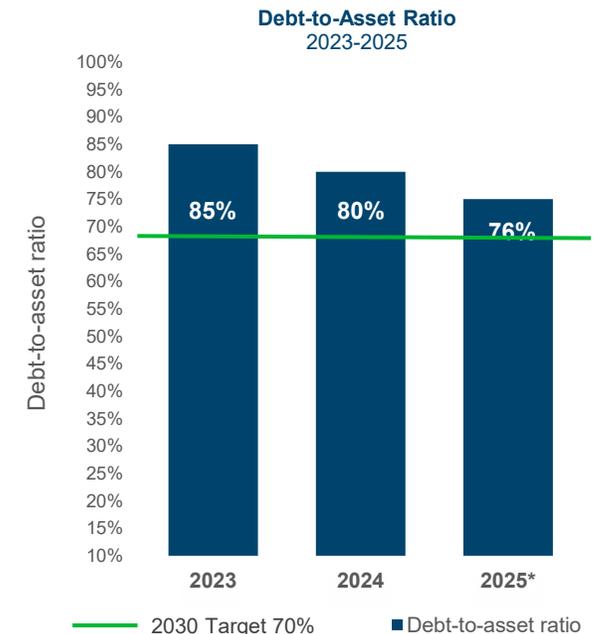
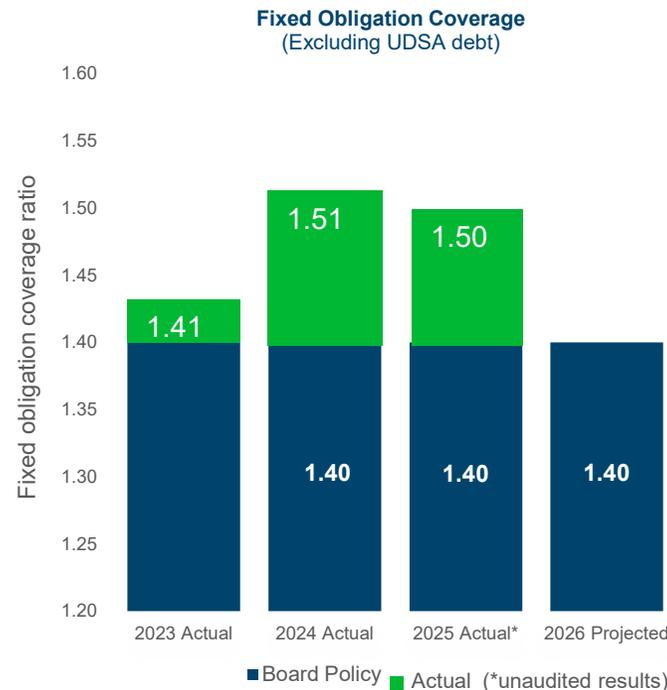
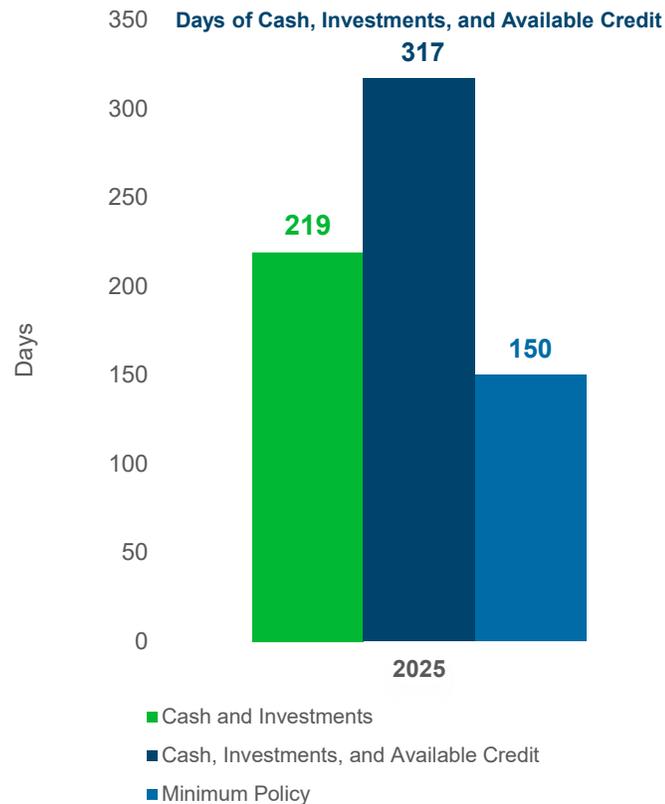
LIPA’s Deleveraging Successful Path

- LIPA’s leverage ratio has decreased over 30% since 2016 and is expected to further decline in future years – an improvement that is supported by strategic budgeting and higher fixed-obligation coverage.



2024-2025 Performance | LIPA's Fiscal Sustainability Policy Metric Updates

- LIPA's sources of liquidity for operating purposes exceeded its policy of 150 days of operating expenses by achieving 317 days of available cash and credit as of YE 2025.
- LIPA has continuously succeeded at achieving or exceeding this target. LIPA's 2026 budget was approved by LIPA's Board to achieve such targets.
- LIPA seeks to decrease its leverage by reducing its debt-to-asset ratio to 70% or less by 2030. LIPA's debt-to-asset ratio has decreased from over 100% in 2016 to 76% as of 2025.



Maximize Grants

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

\$ in millions

FEMA Declared Events since 2011	LIPA Restoration Costs ~ \$1.2B	Federal Grants received \$1.0B
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Mitigation Awards	Scope of Work	Federal Grants Awarded
Superstorm Sandy	Storm hardened 338 overhead circuits	\$772*
Tropical Storm Isaias	Storm Harden 166 overhead circuits over three years beginning 2026	\$408
COVID-19 Pandemic	Replace 770 defective poles in low-moderate income	\$10
Total Mitigation Work Awarded		\$418

* While \$772M was awarded, LIPA has received approximately \$690M amount to date.



Minimize costs through Utility Debt Securitization Authority (UDSA) bonds

- In 2025, the Utility Debt Securitization Authority, LIPA's component unit, issued \$975 million in refunding bonds providing more than **\$120 million in new net present value (NPV) savings**.
- UDSA also issued \$115 million of Series 2025TE-1 Green Bonds for eligible system resiliency investments to support LIPA's resiliency investments.
- UDSA Restructuring Bonds have approximately \$600 million remaining in statutory capacity.
- Since 2013, UDSA refinancings have saved LIPA customers **\$699 million** of NPV savings

Pre-fund Long-Term Liabilities

December 31, 2025 Funding Status:

- \$23M was funded to the PSEG Long Island pension plan trust account; the pension plan assets exceed the obligation resulting in a 105% funded ratio.
- \$11M was funded to the LIPA OPEB Dedicated Account to prefund the OPEB benefits of PSEG Long Island employees; the OPEB Dedicated Account currently has assets in excess of the benefit obligation.
- \$1M was funded to the LIPA OPEB Trust for LIPA employees; the Trust had assets valued at \$39M and is 111% funded ratio.
- \$0.3M was funded to the NMP2 Nuclear Decommissioning Trust Funds (NDTF); the NDTF had assets valued at \$229M compared to a liability of \$113 million.

The funding levels are reviewed by an actuarial services firm on a periodic basis.

Cash-on-Hand & Available Credit

- Cash on hand at the end of each month exceeded the target of \$100M in the Operating Fund and \$150M in the Rate Stabilization Fund. As of December 31, 2025, the Operating and Rate Stabilization funds totaled **\$604M and \$154M**, respectively.
- During 2025, cash on hand and available credit exceeded the target of at least 150 days available for operating expenses. As of December 31, 2025, **317 days** of operating expenses were available in cash and credit.

<i>(\$ in thousands)</i>	December 31, 2025	Days Cash	December 31, 2024	Days Cash
Operating liquidity				
Unrestricted cash and cash equivalents	871,514		694,859	
OPEB account cash, cash equivalents & investments	874,170		736,023	
PSEG Long Island Working Capital requirements	287,255		304,612	
	<hr/>		<hr/>	
Total operating liquidity	\$2,032,939	219	\$1,735,494	189
Available credit				
General Revenue Notes - Revolving Credit Facility	200,000		200,000	
General Revenue Notes - Commercial Paper	712,000		700,000	
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Total available credit	\$912,000		\$900,000	
Total cash, cash equivalents, investments & available credit	\$2,944,939	317	\$2,635,494	287
Restricted cash				
Clean Energy Compliance Fund	21,084		20,572	
UDSA	106,001		129,695	
Repayment of Series 2021 Notes			250,000	
Total restricted cash	\$127,085		\$400,267	

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



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

- LIPA's 2026 Budget sets rates and charges to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA's assets and result in the lowest long-term cost to customers. LIPA's 2026 Budget was approved in December 2025.
- The 2026 Budget reflects nearly a flat operating budget and ongoing cost savings.
- The 2026 Budget seeks to achieve 1.40x LIPA fixed obligation coverage.

Minimizing LIPA's Need for Coverage

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

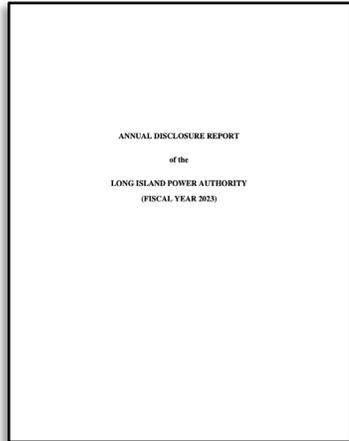
Cost Recovery Mechanisms Greatly Reduce Financial Volatility

- LIPA rate mechanisms address exposure to revenue and expense variation:
 - **Revenue Decoupling Mechanism:** Collects or refunds to customers any revenue variances – resets annually - LIPA's 2025 residential and commercial customers rates included an approximate \$12 million refund and \$18 million surcharge, respectively, for 2024 differences. LIPA's 2026 residential and commercial customers rates include an approximate \$2 million refund and \$15 million surcharge, respectively, for 2025 differences.
 - **Power Supply Cost Recovery Mechanism:** Charge resets monthly to reflect actual costs
 - **Delivery Service Adjustment:** Collects or refunds any difference between amounts set in the Budget (revenue requirement) and actual costs incurred – resets annually - LIPA's 2026 and 2025 rates included a refund of approximately \$19 million and \$10 million, respectively related to applicable variances.
 - **Storm** – LIPA has approximately \$60M in reserve for use against future storms.

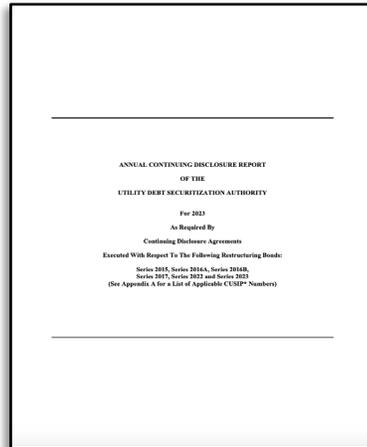
LIPA's Annual Budget, Annual Disclosure, and Financial Reporting

All Available on LIPA's Website:

- The 2024 Annual Disclosure Reports and Audited Financial Statements, for LIPA and the Utility Debt Securitization Authority (UDSA) were approved and issued in 2025.
- The 2026 Budget was approved on December 17, 2025.
- Annual Work Plans and Annual Performance Metrics.
- Fact sheets and videos on topics of significant interest.



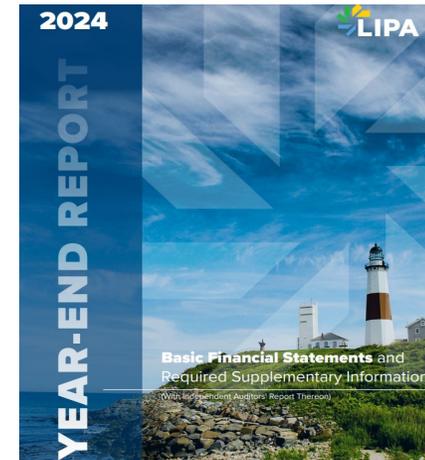
[LIPA Annual Disclosure Report](#)



[UDSA Annual Disclosure Report](#)



[LIPA's 2026 Annual Budget](#)



[LIPA's 2024 Audited Financial Statements](#)

Fiscal Sustainability Policy Annual Compliance

- ✓ LIPA's Board has a fiscal sustainability policy that targets reducing its debt-to-asset ratio to **70% by 2030 and maintaining at least 1.40x fixed obligation coverage**

- ✓ Maximize grants and low-cost funding sources (FEMA opportunities)

- ✓ Minimize costs through UDSA bonds

- ✓ Pre-funding long-term liabilities – OPEB Account, Pension, and Nuclear Decommissioning Trust

- ✓ Sound budgeting practices and use of reconciliation mechanisms

- ✓ Maintain cash-on-hand and available credit at 150 days of operating expenses (\$100M in Operating Fund; \$150M in Rate Stabilization Fund)

Enterprise Risk Management

There is one medium-rated risk on LIPAs enterprise risk profile. *Insufficient liquidity to cover obligations results in the inability to make debt service payments and cover operating expenses.* The risk is being mitigated by:

- LIPA's ability to access capital markets, borrow from rate stabilization funds, a revolving line of credit, and/or in the commercial paper market
- Maintaining a strong credit rating with Fitch, S&P, and Moody's
- Sustaining liquidity well above the minimum 150 days, as required by the Policy

Based on credit ratings, strong liquidity, and the ability to access capital markets, we believe this risk is being sufficiently managed.

Questions?

Donna Mongiardo
Chief Financial Officer

lipower.org



FOR CONSIDERATION

January 26, 2026

TO: The Board of Trustees

FROM: Carrie Meek Gallagher

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

Requested Action

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

Background

In September 2016, the Board adopted the Policy, previously known as the Board Policy on Debt and Access to the Credit Markets, with the purpose of serving the long-term interests of LIPA’s customers by adopting sound financial plans each year. Sound financial plans ensure ready access to borrowing on reasonable terms necessary to fund the infrastructure investments that maintain the reliability and resiliency of the Long Island electric system. Such financial plans contemplate prudent levels of borrowing that will accommodate efficient access to the capital markets and thereby minimize the long-term cost of providing electric service to LIPA’s customer-owners. The last annual report to the Board was presented in September 2024. All 2025 financial information is based on unaudited results and subject to change.

Compliance with the Policy

LIPA Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the Policy for the period since the last annual review. The Policy provides that “LIPA’s vision for fiscal sustainability is to meet the Board’s policy goals to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA’s assets and result in the lowest long-term cost to customers. To achieve our vision for fiscal sustainability, LIPA will:

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

- “Achieving AA-category credit ratings via reducing LIPA’s debt-to-assets ratio from 92 percent to 70 percent or less by 2030.”
 - In 2025, Fitch Ratings (Fitch) , Moody’s and S&P Global reaffirmed their ratings at A+ (stable), A2 (stable) and A (stable), respectively.
 - LIPA’s debt-to-asset ratio has decreased from over 110% as of the end of 2015 to approximately 75% as of 2025.

- “maximizing grants and low-cost funding sources; minimizing costs through securitization of debt and tax-exempt financing.”
 - LIPA continues to manage its FEMA Section 406 Mitigation grant totaling \$408 million under the Tropical Storm Isaias disaster to storm harden primary sections of the T&D system. Engineering is under way and material and contractor procurements. LIPA requests quarterly reimbursements beginning with March 31, 2026, which is expected to be approximately \$10 million.
 - LIPA was also awarded a grant to fund \$3.5 million to harden three transmission crossings. Construction is scheduled to conclude in mid-2026.
 - Under FEMA Section 404 Mitigation grant opportunities resulting from COVID-19, LIPA was awarded two \$5 million grants to replace defective poles in low-to-moderate income communities within LIPA’s service territory.
 - FEMA permitted utilization of the estimated underrun of \$53 million from the Superstorm Sandy Grant to install branch-line reclosers. LIPA expects 8,500 devices to be installed through December 2027.
 - In 2025, Utility Debt Securitization Authority (UDSA) issued \$975 million in refunding bonds, providing more than \$120 million in net present value savings and bringing total refinancing savings to approximately \$699 million. Also issued were \$115 million of Green Bonds for eligible system resiliency investments. UDSA Restructuring Bonds have approximately \$600 million in statutory capacity remaining.

- “pre-funding long-term liabilities on an actuarially sound basis including (1) pension costs, (2) Other Post-Employment Benefits (“OPEBs”); and (3) the Nuclear Decommissioning Trust Fund.”
 - LIPA funded \$25 million and \$23 million to the PSEG Long Island pension plan trust in 2024 and 2025, respectively. The pension plan assets exceed the obligation resulting in a 105% funded ratio.
 - LIPA funded \$36 million and \$11 million to the LIPA Dedicated OPEB Account in 2024 and 2025, respectively, funding the OPEB benefits of PSEG Long Island employees. The account assets currently exceed the benefit obligation .
 - LIPA’s employee OPEB Trust is valued at \$39 million exceeding the obligation resulting in a 111% funded ratio.
 - The NMP2 Nuclear Decommissioning Trust is valued at \$229 million compared to a liability of \$113 million. LIPA funds \$0.3 million annually.

- “maintaining fixed-obligation coverage ratios of no less than 1.40x on LIPA-issued debt and lease payments, and 1.20x on the combination of LIPA-issued debt, UDSA-issued debt, and lease payments.”
 - For the period ended December 31, 2024, LIPA achieved coverage ratios of 1.51x for LIPA-issued debt and lease payments and 1.33x for LIPA and UDSA-issued debt and lease payments. Results for the year ended December 31, 2025 are unaudited but are estimated to be 1.50x and 1.33x.
 - The 2026 Budget is set to meet a 1.40x fixed-obligation coverage ratio.

- “minimizing LIPA’s need for coverage while maintaining fiscal sustainability by

budgeting reasonable amounts and using reconciliation mechanisms for hard-to-predict cost categories (e.g. storms).”

- LIPA’s Revenue Decoupling Mechanism (“RDM”) ensures that only LIPA’s Board-approved budgeted revenues for delivery service are collected from customers in each customer class by comparing actual revenues with authorized revenues. The RDM credits (or collects) any differences to (or from) customers in the following year. LIPA’s 2025 residential and commercial customers rates included an approximate \$12 million refund and \$18 million surcharge, respectively, for 2024 differences. LIPA’s 2026 residential and commercial customers rates include an approximate \$2 million refund and \$15 million surcharge, respectively, for 2025 differences.
 - LIPA’s Delivery Service Adjustment (“DSA”) provides cost recovery or refunding of overcollection for certain items that vary due to external factors, including debt service, storm restoration, Board approved non-storm emergency costs, and PSEG Long Island pension and OPEBs. LIPA’s 2026 and 2025 rates included a refund of approximately \$19 million and \$10 million, respectively related to applicable variances.
 - As of September 30, 2025, the Storm Reserve Threshold was met at \$75 million, allowing LIPA to forecast approximately \$50 million in lower borrowing in 2026.
- “Maintain cash on hand and available credit sufficient to fund business operations in emergencies, as measured by month-end balances of at least: (i) \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund, and (ii) 150 days of operating expenses.”
 - During 2025 and 2024, cash on hand at the end of each month exceeded the target of \$100 million in the Operating Fund and \$150 million in the Rate Stabilization Fund. As of December 31, 2025, the Operating and Rate Stabilization funds totaled \$604 million and \$154 million, respectively. As of December 31, 2024, the Operating and Rate Stabilization funds totaled \$207 million and \$173 million, respectively.
 - During 2025 and 2024, cash on hand and available credit exceeded the target of at least 150 days available for operating expenses. As of December 31, 2025 and 2024, 317 and 287 days of operating expenses were available in cash and credit, respectively.
 - “Develop budgets and financial plans that maximize customer value and aggressively manage costs.”
 - LIPA’s 2026 Budget, which was approved in December 2025, sets rates and charges to provide clean, reliable, and affordable energy through strategies that prudently manage and safeguard LIPA’s assets and result in the lowest long-term cost to customers.

- “Provide operating managers with financial reporting that drives sound business decisions and the best use of limited resources.”
 - LIPA’s financial reporting managers provide analysis of budgeted costs versus actual spending to LIPA’s operating departments to aid in their analysis of PSEG Long Island’s resource management. Significant variations are identified and investigated timely.
- “Provide LIPA’s customers and investors with timely, transparent, accurate, and useful information to evaluate LIPA’s financial performance and plans.”
 - Below are LIPA’s reports made available on its website:
 - 2026 Budget was approved by LIPA’s Board on December 17, 2025.
 - Annual audited Financial Statements were approved by LIPA’s Board on March 27, 2025, and made available on the Electronic Municipal Market Access (“EMMA”) platform for bondholders.
 - Annual Disclosure report and also made available on EMMA.
 - LIPA undertakes substantial reporting obligations to make available its plans and evaluate its performance relative to plan, including the Strategic Plan , Work Plans, and Performance Metrics , among other items.
 - LIPA and its servicer provide Fact Sheets and videos on topics of significant interest (e.g. Budget, Time of Day Rates , the clean energy initiatives).
 - LIPA’s Transparency Plan summarizes other initiatives to make its operations and decisions transparent to customers, investors, and stakeholders.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise risks are brought to the Board’s attention throughout the year. One such enterprise risk is related to liquidity. Specifically, the risk identified is, “Insufficient liquidity to cover obligations results in the inability to make debt service payments and cover operating expenses.”

This risk is rated as a medium-level risk and is mitigated by LIPA’s ability to access capital markets, borrow from rate stabilization funds, a revolving line of credit, and/or in the commercial paper market. As of 2025, LIPA maintains a strong credit rating with Fitch, S&P and Moody’s helping LIPA to further mitigate this risk by providing confidence in LIPA’s ability to access capital markets. As noted above, LIPA’s liquidity remains strong, well above the 150-day minimum required by the Policy.

Based on credit ratings, strong liquidity, and ability to access capital markets, we believe this risk is being sufficiently managed.

Annual Review of the Policy

LIPA Staff has reviewed the Policy and recommends no amendments

Recommendation

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

Attachments

Exhibit "A" Resolution

RESOLUTION APPROVING THE ANNUAL REPORT ON THE BOARD POLICY ON FISCAL SUSTAINABILITY

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

WHEREAS, the last annual report to the Board was presented in September 2024; and

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

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

Dated: January 28, 2026