



LIPA Annual Report







LIPA Board of Trustees Meeting

Presented by: Richard Tinelli - Controller

The Power is Yours™



Discussion Topics

-  Public Authority Information System (PARIS) Deliverables
-  Annual Financial Statements
-  Management's Discussion & Analysis (Unaudited)
-  Summary Statement of Net Position
-  Summary Statement of Revenue, Expenses, and Changes in Net Position
-  Significant Notes

Public Authority Reporting Information System (PARIS) Deliverables

File Summary Statements - Annual Report:

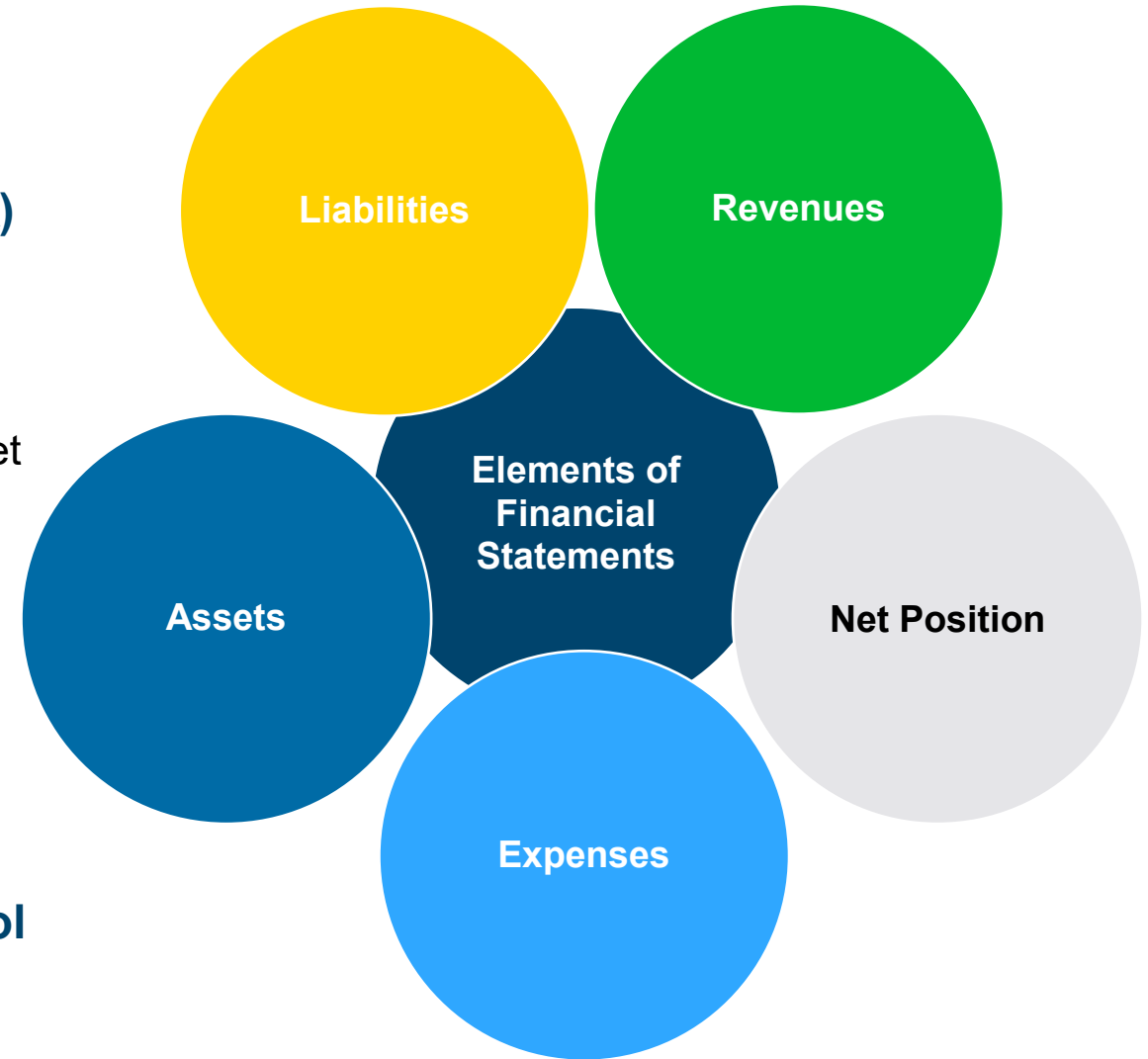
- Statement of Net Position
- Statement of Revenue, Expenses, and Net Position
- Schedule of Debt
- All included in detail in the audited consolidated financial statements

Annual Audit:

- Independent Auditors Report (KPMG Unmodified Opinion)
- Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Accounting Standards*
- UDSA Financial Statements (KPMG Unmodified Opinion) - UDSA Board Approved 3/16/26
- Report on Investment Compliance
- Report on Debt Compliance
- Report on the Rate Stabilization Fund agreed upon procedures

Annual Financial Statements

- **Independent Auditors' Report**
- **Management's Discussion and Analysis (MD&A)**
- **Financial Statements**
 - Statements of Net Position (Balance Sheet)
 - Statements of Revenues, Expenses and Changes in Net Position (Income Statement)
 - Statements of Cash Flows
- **Notes to Financial Statements**
- **Required Supplementary Information (RSI's for Pension)**
- **Independent Auditors' Report on internal control over financial reporting and on compliance and other matters (unmodified opinion)**



Management's Discussion & Analysis (unaudited)

Fiscal and Operational Achievements

- Achieved 1.50x coverage vs. 1.40x target
- Restructured UDSA Bonds resulting in additional \$120 million of savings for ratepayers
- 4% Reduction in Debt-to-Asset ratio from 80% to 76% (Reduced from 110% at 12/31/15)
- Utilized \$25M of excess coverage generated from operations to defease certain 2026 maturities
- Execution of LIPA/LILCO Merger Complete
- Five-Year Extension of Second A&R Operations Services Agreement
 - “First Amendment to the Second A&R OSA”

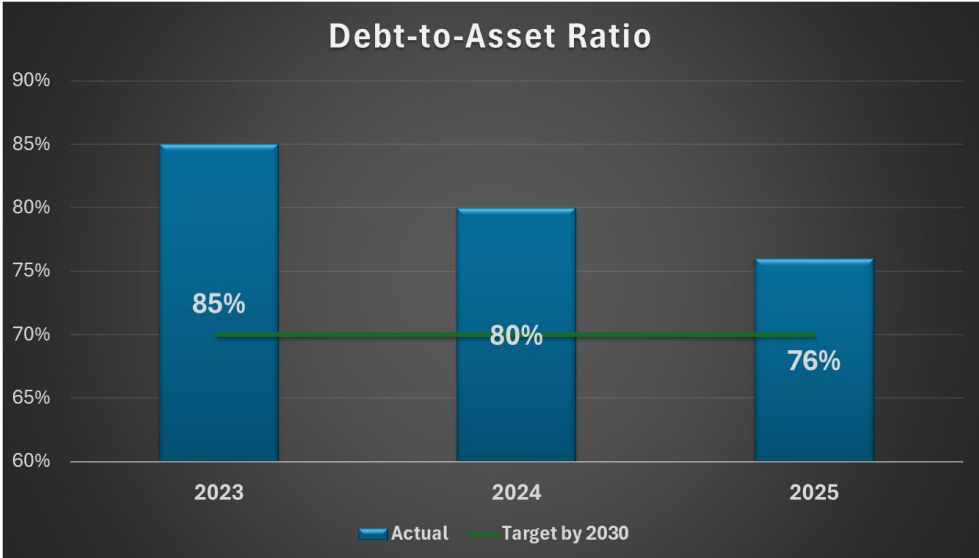
Discuss 2025 and 2024 comparison year-over-year analysis

- Variance explanation discussion on subsequent slides

Management's Discussion & Analysis (Unaudited)

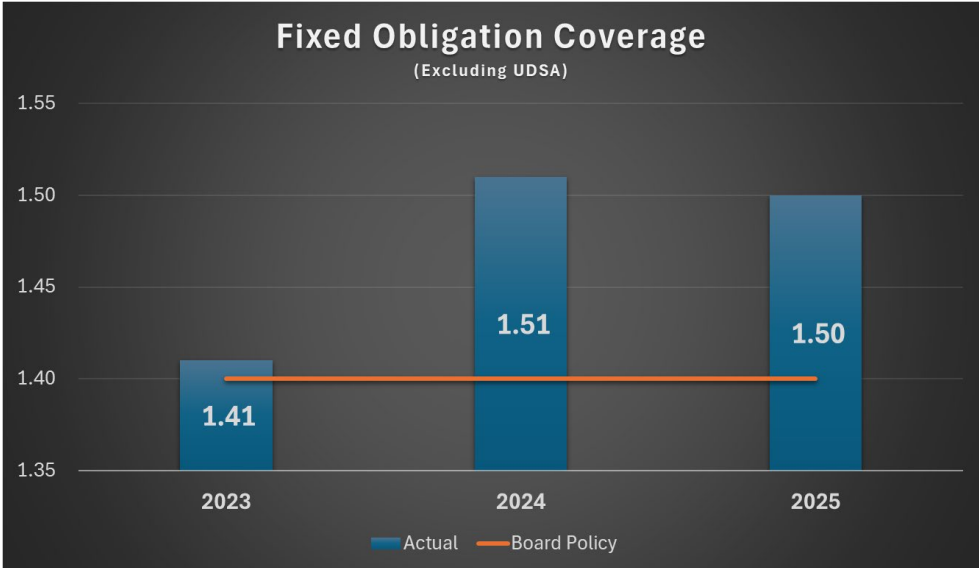
Capital Asset and Financing Activities

- Issued \$570M new money (includes premium)
 - LIPA Issuance - \$450M
 - UDSA Issuance - \$120M
- Issued \$1.412B LIPA/UDSA refunding for net present value savings of \$125M
 - UDSA - \$1.101B Refunded / \$120M PV Savings
 - LIPA - \$454M Refunded / \$5M PV Savings



Liquidity and Capital Resources

- Debt-to-Asset Ratio 76%
- 317 days of available cash, unissued commercial paper notes, and line of credit capacity. Available cash includes the OPEB Dedicated Account and PSEGLI working capital requirements.
- Achieved 1.50x fixed obligation coverage compared to Board Policy on Fiscal Sustainability of 1.40x



Summary Statement of Net Position

- **Regulatory assets decreased \$117M** due to scheduled amortizations and a decrease in the Property Tax Litigation regulatory asset. This was partially offset by higher power supply charges recoverable balance.
- **Current liabilities decreased \$123M** due to a \$248M decrease in current maturities of LT debt primarily related to the repayment of the 2021 MTN in 2025; offset by an increase in accounts payable and ST lease and SBITA liabilities.
- **Noncurrent liabilities decreased \$409M** primarily due to the amortization of the lease and SBITA liabilities of \$288M and a decrease in the PSEG Long Island's workforce obligation retirement benefits (Pension & Other Postemployment Benefits (OPEB)).
- **Deferred inflows increased \$234M** primarily due to deferred investment gains on the OPEB and Nuclear Decommissioning Trust Funds and the deferred gain related to UDSA Series 2025 issuance.

	2025	2024	Variance
Assets and deferred outflows of resources			
Capital assets, net	\$ 10,883,888	10,711,393	172,495
Current assets	3,181,231	3,153,777	27,454
Regulatory assets	424,798	542,129	(117,331)
Noncurrent assets	493,896	547,941	(54,045)
Deferred outflows of resources	102,826	89,613	13,213
Total assets and deferred outflows of resources	15,086,639	15,044,853	41,786
Liabilities and deferred inflows of resources			
Long-term debt, net of current maturities	9,008,677	8,981,393	27,284
Current liabilities	1,735,912	1,858,487	(122,575)
Regulatory liabilities	362,345	292,582	69,763
Noncurrent liabilities	1,688,003	2,097,135	(409,132)
Deferred inflows of resources	1,016,328	782,431	233,897
Total liabilities and deferred inflows of resources	13,811,266	14,012,028	(200,762)
Total net position	1,275,374	1,032,825	242,549
Total liabilities, deferred inflows of resources, and net position	\$ 15,086,639	15,044,853	41,786

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

- **Electric operating revenues, net of uncollectible accounts expense, increased \$439M** compared to 2024 primarily due to an increase in Power Supply Charge (PSC) revenue, an increase in base delivery revenues and an increase due to the recognition of revenue in excess of the storm reserve cap.
- **Operating and interest charges increased \$389M** compared to 2024. The increase was primarily due to higher power supply costs due to higher commodity costs and purchased power costs, increased depreciation expense, and increased operations and maintenance costs from higher transmission and distribution costs.
- **Grant income decreased \$6M** primarily related to grant funding received for personal protective equipment and safe opening costs related to COVID-19 in 2024.
- **Other income, net decreased \$7M** primarily related to the reduction in investment income related to the utilization of \$250M in SLGS to repay the 2021 MTN in September 2025.
- **Change in net position increased \$37M** primarily due to the recognition of excess revenue related to the Storm Event Reserve Fund exceeding the storm reserve cap.

	2025	2024	Variance
Electric revenue, net of uncollectible accounts expense \$	4,516,769	4,077,409	439,360
Operating expenses	(4,048,414)	(3,659,108)	(389,306)
Interest charges, net	(367,040)	(367,185)	145
Total operating and interest expenses	(4,415,454)	(4,026,293)	(389,161)
Revenue less operating expenses and interest charges, net	101,315	51,116	50,199
Grant income	41,626	47,687	(6,061)
Other income, net:	99,609	106,601	(6,992)
Total other income, net	141,234	154,288	(13,054)
Change in net position	242,549	205,404	37,145
Net position, beginning of year	1,032,825	827,421	205,404
Net position, end of period \$	1,275,374	1,032,825	242,549

Significant Notes

OSA - Employee Benefit Obligation – Note 13

- Strong asset returns contributed to OSA Pension in Fully Funded Asset position
- Both OSA Pension and OPEB Plans are fully funded

LIPA Pension Disclosures – Note 14

Commitments and Contingencies – Note 15

- Primarily related to our Purchase Power Agreements

Legal Disclosures – Note 16

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

Questions?

Richard Tinelli
Controller

lipower.org



FOR CONSIDERATION

March 25, 2026

TO: The Finance and Audit Committee

FROM: Carrie Meek Gallagher

SUBJECT: Recommendation to Approve the 2025 Financial Report of the Long Island Power Authority

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees (the “Board”) is requested to recommend approval of the 2025 Financial Report (the “Financial Report”) prepared in accordance with Section 2800(1) of the Public Authorities Law (“PAL”), in the form attached as **Exhibit “B.”**

Financial Report

Section 2800(1) of the PAL requires LIPA to submit an annual report to the Governor, the Chairman and ranking minority member of the Senate Finance Committee, the Chairman and ranking minority member of the Assembly Committee on Ways and Means, the State Comptroller, and the Authorities Budget Office, within ninety days after the end of LIPA’s fiscal year. Under Section 2800(1)(a)(2) of the PAL, the Financial Report shall include the following: audited financials; grant and subsidy programs; operating and financial risks; current bond ratings; and long-term liabilities. Section 2800(3) of the PAL requires the Financial Report to be approved by the Board.

Recommendation

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

Attachments

Exhibit “A” Resolution

Exhibit “B” Financial Report of the Long Island Power Authority

**RESOLUTION RECOMMENDING APPROVAL OF THE 2025 FINANCIAL REPORT
OF THE LONG ISLAND POWER AUTHORITY**

WHEREAS, Section 2800(1) of the Public Authorities Law (“PAL”) requires public authorities such as the Long Island Power Authority (“LIPA”) to prepare an annual report; and

WHEREAS, LIPA’s annual report includes, among other things, a financial report, as defined under Section 2800(1)(a)(2) of the PAL (the “Financial Report”); and

WHEREAS, LIPA has prepared its Financial Report, which, pursuant to Section 2800(3) of the PAL, is subject to the approval of the Board of Trustees.

NOW, THEREFORE, BE IT RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends approval of the 2025 Financial Report of the Long Island Power Authority, in the form presented at this meeting.

Dated: March 25, 2026

2025



YEAR-END REPORT

DRAFT

Basic Financial Statements
and Required Supplementary Information

December 31, 2025
and 2024

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, 2025 and 2024

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

Schedule of Contributions—New York State and Local Employees’
Retirement System



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Independent Auditors' Report

Board of Trustees
Long Island Power Authority:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities 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 consolidated financial statements, which collectively comprise LIPA's consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Long Island Power Authority and its blended component unit as of December 31, 2023 and 2022, and the respective changes in their net position and, where applicable, their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 3 through 22 and Required Supplementary Information on page 87 be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 consolidated financial statements, and other knowledge we obtained during our audits of the consolidated 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.

Melville, New York

March 25, 2026

DRAFT

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

December 31, 2025 and 2024

(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 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 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.

To simplify LIPA's operations, LIPA and LILCO's Board approved consolidating LIPA and LILCO. LIPA 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 addition, LIPA's Board approved consolidation amendments to its Bond Resolution. LIPA has obtained all required consents to make effective the amendment and restatement of the Bond Resolution. LIPA and LILCO's Boards approved the merger. The merger was completed in November 2025.

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. UDSA is considered a blended component unit. The activities of UDSA operations are blended with the operations of LIPA for financial reporting purposes.

During 2025, UDSA retired an additional \$1.10 billion of its outstanding indebtedness which generated a net present value debt service savings of \$120 million. A total of \$7.36 billion of UDSA Restructuring Bonds have been issued resulting in \$641 million in remaining statutory capacity. Since 2013, approximately \$699 million of net present value debt service savings has been generated for LIPA's customers as of result of the UDSA refunding transactions.

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

LIPA contracts for the majority of services necessary to deliver electric service. Commencing January 1, 2014, LIPA contracted with PSEG Long Island LLC (PSEG Long Island) to provide management services under the Amended and Restated Operations Services Agreement (2014 OSA). On December 15, 2021, the 2014 OSA was further amended and restated, effective April 1, 2022 (the OSA or Reformed OSA). The OSA had a base term of 12 years, which expired December 31, 2025 with an option to extend for up to five years upon mutual agreement of the parties.

On September 25, 2025, the LIPA Board approved an extension of the OSA for a five-year term to expire December 31, 2030. The extension has since been signed by the parties, approved by the New York State Office of the Attorney General and New York's Office of the State Comptroller.

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 2,800 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 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.

LIPA also contracts services related to fuel and power supply management and certain commodity activities. For the period of January 1, 2014 through December 31, 2025, LIPA was contracted with PSEG Energy Resources and Trade LLC (PSEG ER&T), a PSEG affiliate, to provide such services. After a competitive procurement process, on December 18, 2024, LIPA's Board approved a new 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 and transition work commenced at that time. TEA has begun providing services under the PSMFM Agreement effective January 1, 2026.

Certain other services related to power supply management and commodity activities are also provided by these management agreements.

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

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

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, 2025 and 2024, with certain comparative information as of and for the year ended December 31, 2023. 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 2025, LIPA adopted GASB Statement No. 102, *Certain Risk Disclosures* (GASB Statement No. 102). GASB Statement No. 102 requires disclosure of essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. LIPA has determined that there are no concentrations or constraints that meet the criteria for GASB Statement No. 102 disclosure.

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.

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.

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.

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

Financial Condition Overview

LIPA's Condensed Statements of Net Position as of December 31, 2025, 2024, and 2023 are summarized below.

	2025	2024	2023
Assets and deferred outflows of resources			
Capital assets, net	\$ 10,883,888	10,711,393	10,590,245
Current assets	3,181,231	3,153,777	3,006,392
Regulatory assets	424,799	542,129	682,765
Noncurrent assets	493,896	547,941	668,021
Deferred outflows of resources	102,826	89,613	165,323
Total assets and deferred outflows of resources	<u>15,086,640</u>	<u>15,044,853</u>	<u>15,112,746</u>
Liabilities and deferred inflows of resources			
Long-term debt, net of current maturities	9,008,676	8,981,393	9,292,423
Current liabilities	1,735,913	1,858,487	1,643,720
Regulatory liabilities	362,345	292,582	118,990
Noncurrent liabilities	1,688,004	2,097,135	2,517,407
Deferred inflows of resources	1,016,328	782,431	712,785
Total liabilities and deferred inflows of resources	<u>13,811,266</u>	<u>14,012,028</u>	<u>14,285,325</u>
Total net position			
Net investment in capital assets	603,245	673,045	460,406
Restricted	54,481	125,284	316,159
Unrestricted	617,648	234,496	50,856
Total liabilities, deferred inflows of resources, and net position	<u>\$ 15,086,640</u>	<u>15,044,853</u>	<u>15,112,746</u>

Assets and Deferred Outflows of Resources

2025 Compared to 2024

Assets and deferred outflows of resources increased \$42 million compared to 2024 due to increases of \$173 million in capital assets, net, \$27 million in current assets, and \$13 million in deferred outflows of resources. These increases were partially offset by decreases of \$117 million in regulatory assets, and \$54 million in noncurrent assets.

Capital assets, net, increased \$173 million compared to 2024 primarily due to higher investment in reliability, load growth, and information technology system projects primarily related to the completion of the Information Technology (IT) system separation project. These capital additions were partially offset by lease amortizations, asset retirements and annual depreciation expense.

Current assets increased \$27 million compared to 2024 primarily due to higher cash and investment balances primarily related to collateral postings, increased accounts receivables combined with increased values on LIPA's short-term portion of its commodity derivative investments. These increases were partially offset by fuel inventory levels.

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis (Unaudited)

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

Regulatory assets decreased \$117 million primarily due to a decrease of \$67 million in the deferred recovery of costs associated with the estimated potential impact of the Suffolk County property tax litigation due to an update in the reserve calculation methodology, a decrease of \$6 million in the Delivery Service Adjustment (DSA), a decrease of \$2 million in the Revenue Decoupling Mechanism (RDM), and scheduled annual recovery or amortizations of regulatory assets totaling \$77 million. These decreases were partially offset by a \$33 million increase in the power supply charge recoverable and a \$2 million increase in unrealized mark-to-market changes related to financial and commodity derivative instruments. For a full discussion of the regulatory assets and liabilities, see Note 5 to the Notes of the Financial Statements.

Noncurrent assets decreased \$54 million due to the \$111 million of scheduled amortization of the Acquisition Adjustment, a \$1 million decrease in the long-term portion of the financial and commodity derivative valuations and a \$1 million decrease in other long-term receivables. These decreases were partially offset by a \$33 million increase in market value of the Nuclear Decommissioning Trust Fund (NDTF) and a \$26 million increase related to the OSA employee retirement benefits pension plan which is in a fully funded asset position for the first time as a result of strong plan investment gains.

Deferred outflows of resources increased \$13 million primarily due to a reclassification of deferred gains on debt refunding to deferred inflows in 2025.

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 net 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) account, and higher accounts receivable. These increases were partially offset by lower counterparty collateral posted by LIPA and lower cash balances.

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 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 DSA, and scheduled annual recovery or amortizations of regulatory assets totaling \$65 million. These decreases were partially offset by a \$31 million scheduled annual 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 NDTF and a \$20 million increase in the long-term portion of the financial and commodity derivative valuations.

LONG ISLAND POWER AUTHORITY*(A Component Unit of the State of New York)*

Management's Discussion and Analysis (Unaudited)

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

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.

Liabilities and Deferred Inflows of Resources**2025 Compared to 2024**

Liabilities and deferred inflows of resources decreased \$201 million due to a decrease of \$409 million in noncurrent liabilities and a decrease of \$123 in current liabilities. These decreases were partially offset by increases of \$234 million in deferred inflows of resources, \$70 million in regulatory liabilities and \$27 million in long-term debt.

Long-term debt, net of current maturities increased \$27 million resulting from a \$271 million increase related to LIPA debt partially offset by a \$244 million decrease related to UDSA debt as detailed below.

LIPA issued Electric System General Revenue Bonds, Series 2025 totaling \$875 million, plus premium of \$33 million, to fund capital improvements and refinance \$454 million of debt. Additionally, long-term debt was reduced by (i) \$376 million due to scheduled principal payments, (ii) \$24 million related to the defeasance of debt and (iii) the scheduled net amortization of premiums and accretions totaling \$34 million. These decreases were partially offset by \$251 million due to current debt maturities classified as current liabilities.

UDSA issued restructuring bonds totaling \$1.09 billion, consisting of \$975 million of Series 2025 Tax-Exempt Restructuring Bonds, and \$115 million of Series 2025 Tax-Exempt Green Bonds. The proceeds from these restructuring bonds, plus \$134 million of premium received, refunded approximately \$1.10 billion of UDSA debt and \$98 million of associated premium was reclassified to deferred gain. Additionally, long-term debt was reduced by \$224 million due to scheduled principal payments, and \$41 million due to scheduled amortization of debt premium. These decreases were partially offset by a \$4 million due to current debt maturities classified as current liabilities.

Current liabilities decreased \$123 million primarily due to a \$213 million decrease in current maturities of long-term debt, lease and Subscription-Based Information Technology Arrangements (SBITA) liabilities and a \$12 million decrease in short-term debt. These decreases were partially offset by a \$74 million increase in accounts payable and other accrued expenses, and a \$28 million increase in counterparty collateral.

Regulatory liabilities increased \$70 million primarily due to a \$80 million increase in the impact of the updated actuarial study related to the OSA-Employee Retirement Benefits, a \$3 million increase of unrealized mark-to-market gains on commodity derivative instruments, a \$3 million increase in the RDM and a \$1 million increase in the deferrals related to the distributed energy resources. These increases were partially offset by a \$11 million decrease in the power supply charge refundable, a \$4 million decrease in the deferrals related to the Utility 2.0 program, a \$1 million decrease in the DSA, and a \$1 million decrease in clean energy cost deferrals. For a full discussion of the regulatory assets and liabilities, see Note 5 of the Notes to the Financial Statements.

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Noncurrent liabilities decreased \$409 million primarily due to the amortization of the lease and SBITA liabilities of \$288 million, a \$79 million decrease in estimates related to the Suffolk County property tax litigation, a \$39 million decrease in the PSEG Long Island's workforce obligation retirement benefits resulting from updated assumptions in the actuarial valuation combined with pension plan asset returns, a \$9 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 \$9 million increase in the NMP2 ARO and a \$1 million increase in the mark-to-market value of financial and commodity derivative instruments.

Deferred inflows of resources increased \$234 million primarily due to an increase in the deferred unrealized gain on the mark-to-market valuations of the OPEB account and the NDTF plus the recognition of a deferred gain of \$84 million resulting from the refunding of UDSA Restructuring Bonds with the issuance of Restructuring Bonds, Series 2025.

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 \$6 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 account and NDTF.

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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, 2025, 2024, and 2023 are summarized as follows:

	2025	2024	2023
Operating revenues – electric sales, net of uncollectible accounts expense	\$ 4,516,769	4,077,409	3,698,833
Operating expenses	(4,048,414)	(3,659,108)	(3,351,354)
Interest charges, net	(367,040)	(367,185)	(363,393)
Total operating and interest expenses	(4,415,454)	(4,026,293)	(3,714,747)
Revenue less operating expenses and interest charges, net	101,315	51,116	(15,914)
Grant income	41,626	47,687	42,210
Other income, net:	99,609	106,601	103,793
Total other income, net	141,234	154,288	146,003
Change in net position	242,549	205,404	130,089
Net position, beginning of year	1,032,825	827,421	697,332
Net position, end of year	\$ 1,275,374	1,032,825	827,421

2025 Compared to 2024

Electric operating revenues, net of uncollectible accounts expense, for 2025 totaled \$4.52 billion, an increase of \$439 million compared to 2024 due to increases in the (i) Power Supply Charge (PSC) revenue totaling \$315 million; (ii) a \$97 million increase to base delivery revenues; (iii) an increase of \$47 million due to the recognition of revenue in excess of the storm event reserve cap; and (iv) a \$3 million increase in other revenue. This was partially offset by a decrease in the DSA of \$23 million primarily related to lower debt service costs.

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) 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.

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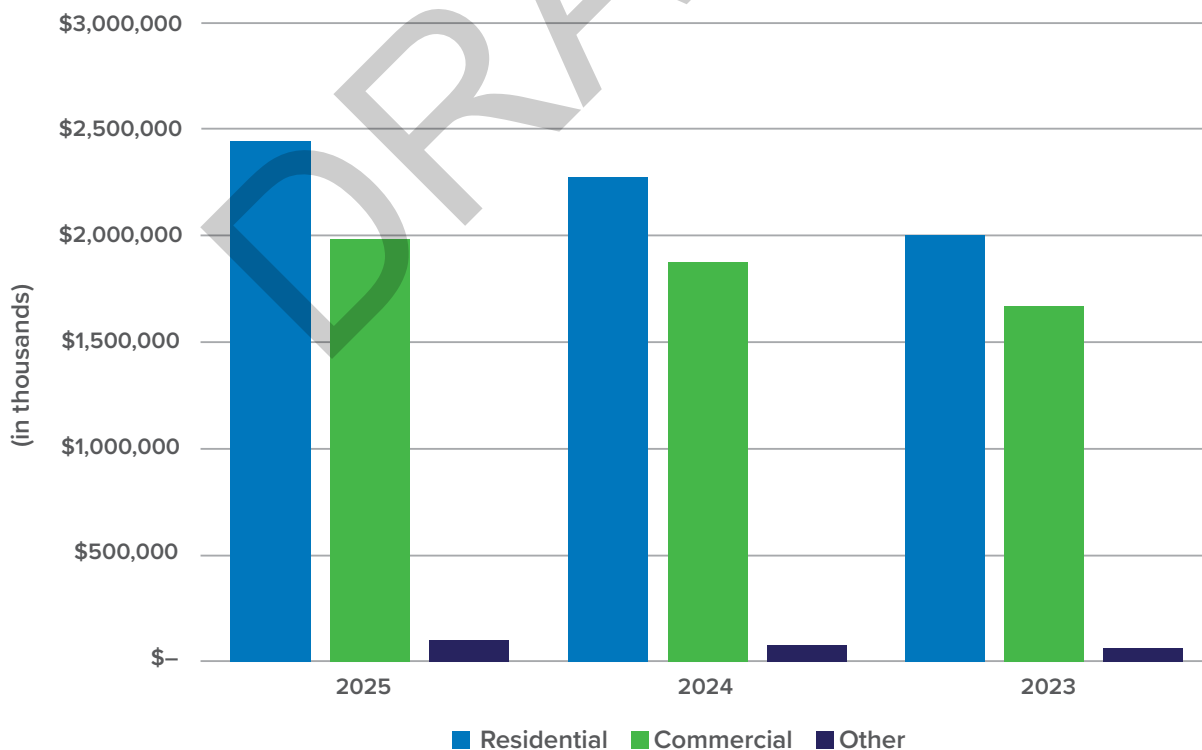
December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

The following table and chart represent revenue for the years ended December 31, 2025, 2024, and 2023 by customer class (residential, commercial, and other) and with (i) miscellaneous revenue and regulatory deferrals and (ii) uncollectible accounts expense:

Revenues from sales of electricity	2025	2024	2023
Residential	\$ 2,445,960	2,274,304	2,006,711
Commercial	1,984,374	1,848,610	1,686,982
Other	75,685	67,728	62,395
Total revenues from sales of electricity	4,506,019	4,190,642	3,756,088
Miscellaneous revenue and regulatory deferrals	28,851	(96,151)	(8,169)
Uncollectible accounts expense	(18,101)	(17,083)	(49,086)
Total revenue, net of uncollectible accounts expense	\$ 4,516,769	4,077,408	3,698,833

Revenues from Sales of Electricity by Customer Class



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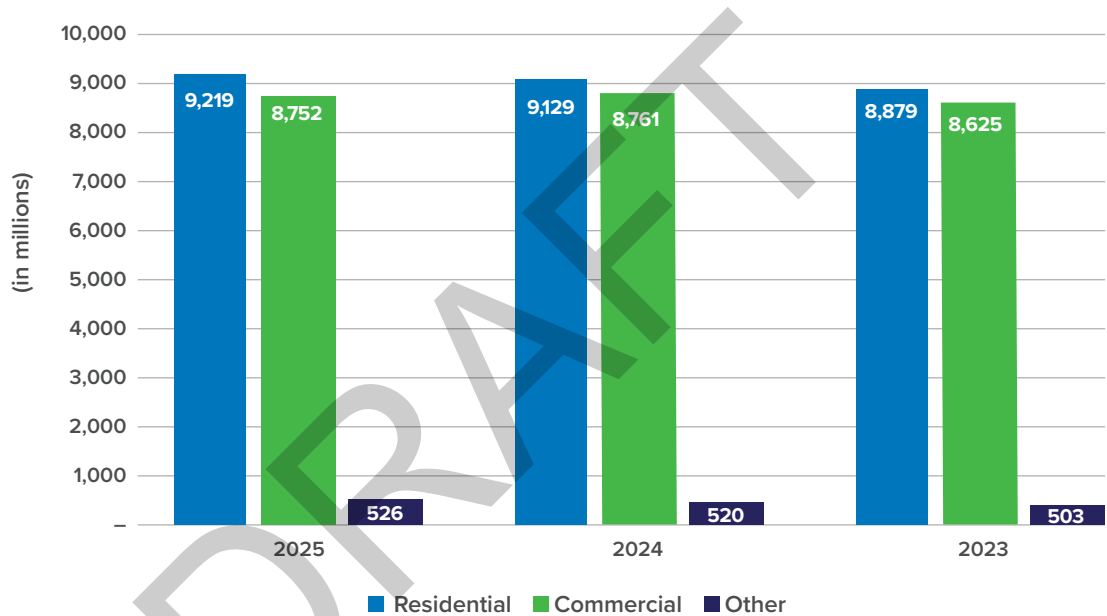
Management's Discussion and Analysis (Unaudited)

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The following chart shows megawatt hour (MWh) sales for the years ended December 31, 2025, 2024, and 2023 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 and 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



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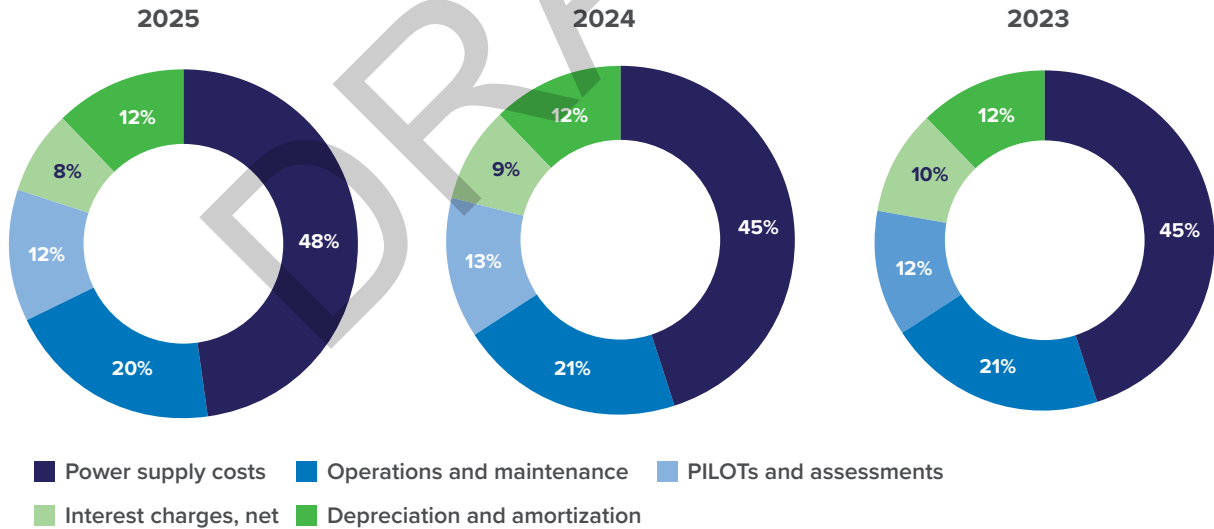
(Amounts in thousands, unless otherwise stated)

Operating and Interest Charges

For the years ended December 31, 2025, 2024, and 2023, LIPA's expenses were comprised of (i) power supply costs; (ii) operations and maintenance expenses; (iii) Payments in Lieu of Taxes (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:	2025	2024	2023
Power supply costs	\$ 2,120,894	1,799,326	1,651,509
Operations and maintenance	890,223	860,938	791,002
Payments in lieu of taxes, other taxes, and assessments*	523,082	520,105	460,789
Interest charges, net	367,040	367,186	363,393
Depreciation and amortization	514,215	478,738	448,054
Total	<u>\$ 4,415,454</u>	<u>4,026,293</u>	<u>3,714,747</u>

*Amounts for 2025, 2024 and 2023 excludes approximately \$147 million, \$135 million and \$126 million, respectively, for sales tax collected by LIPA on behalf of local government jurisdictions and remitted to such jurisdictions.



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2025 Compared to 2024

For the year ended December 31, 2025, operating and interest charges totaled \$4.42 billion, an increase of \$389 million compared to 2024. The increase was primarily due to higher (i) power supply costs of \$322 million due to higher commodity and purchased power costs, (ii) higher depreciation and amortization of \$35 million (iii) increased operations and maintenance costs of \$29 million from higher storm restoration costs and transmission and distribution costs and (iv) higher PILOTs, other taxes, and assessments of \$3 million.

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 Power Supply Agreement (PSA) power plant property tax settlements (iv) higher depreciation and amortization of \$31 million and (v) higher interest charges of \$4 million.

Power Supply Costs

The following table and chart represent power supply costs for the years ended December 31, 2025, 2024, and 2023 by category:

Power supply costs:	2025	2024	2023
Capacity and Cable Charges	\$ 632,718	630,897	623,576
Purchased Power	473,303	370,747	307,976
Commodity Costs - Net of Hedging	434,122	337,367	333,746
Renewables	176,709	141,517	83,107
Ancillary Services and Interconnections	120,599	100,271	81,615
Regional Greenhouse Gas Initiative (RGGI)	112,505	87,690	55,621
NMP2 Costs and Zero Emission Credits	95,920	79,627	87,420
Other	75,018	51,210	78,448
Total	\$ 2,120,894	1,799,326	1,651,509

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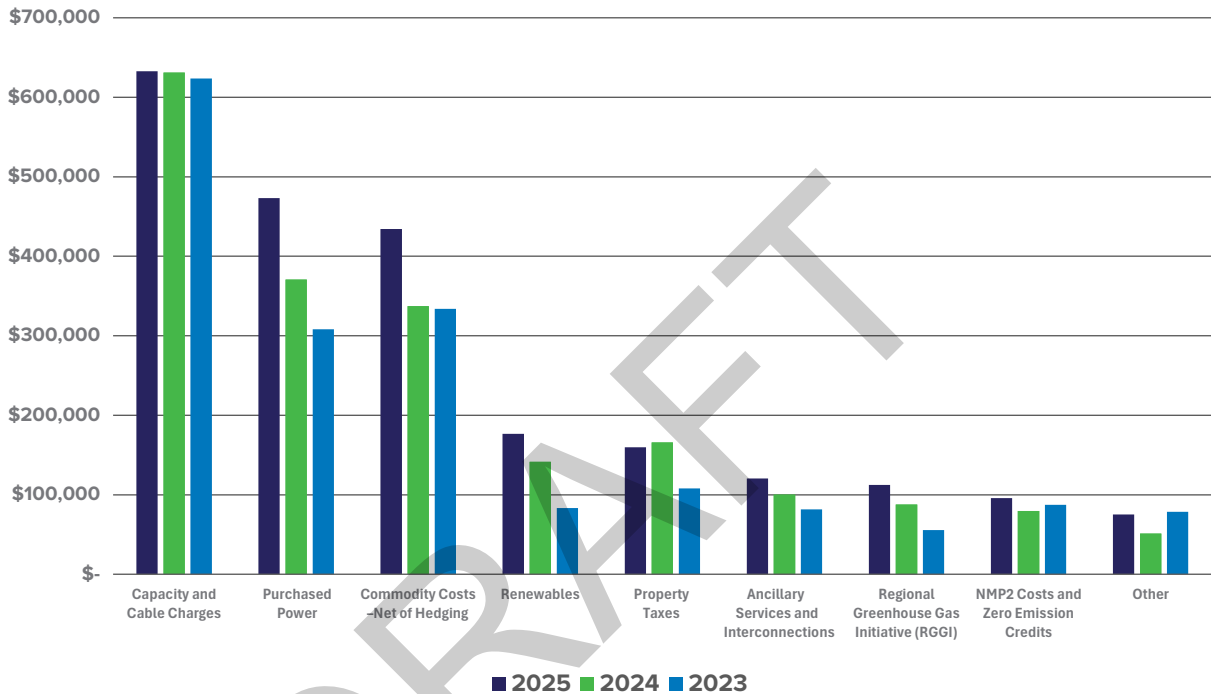
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Power Supply Costs by Category



2025 Compared to 2024

For the year ended December 31, 2025, power supply costs totaled \$2.12 billion, an increase of \$322 million compared to 2024. The increase was primarily due to higher (i) purchased power costs of \$103 million and higher commodity costs of \$97 million as a result of higher prices primarily driven by weather impacts (ii) renewable costs of \$35 million primarily driven by South Fork Wind being fully operational in 2025 (iv) and \$25 million related to RGGI costs.

2024 Compared to 2023

For the year ended December 31, 2024, power supply costs totaled \$1.80 billion, an increase of \$148 million compared to 2023. The increase was primarily due to higher purchased power costs of \$63 million as a result of higher prices and renewable costs of \$58 million related to South Fork Wind being fully operational in March 2024.

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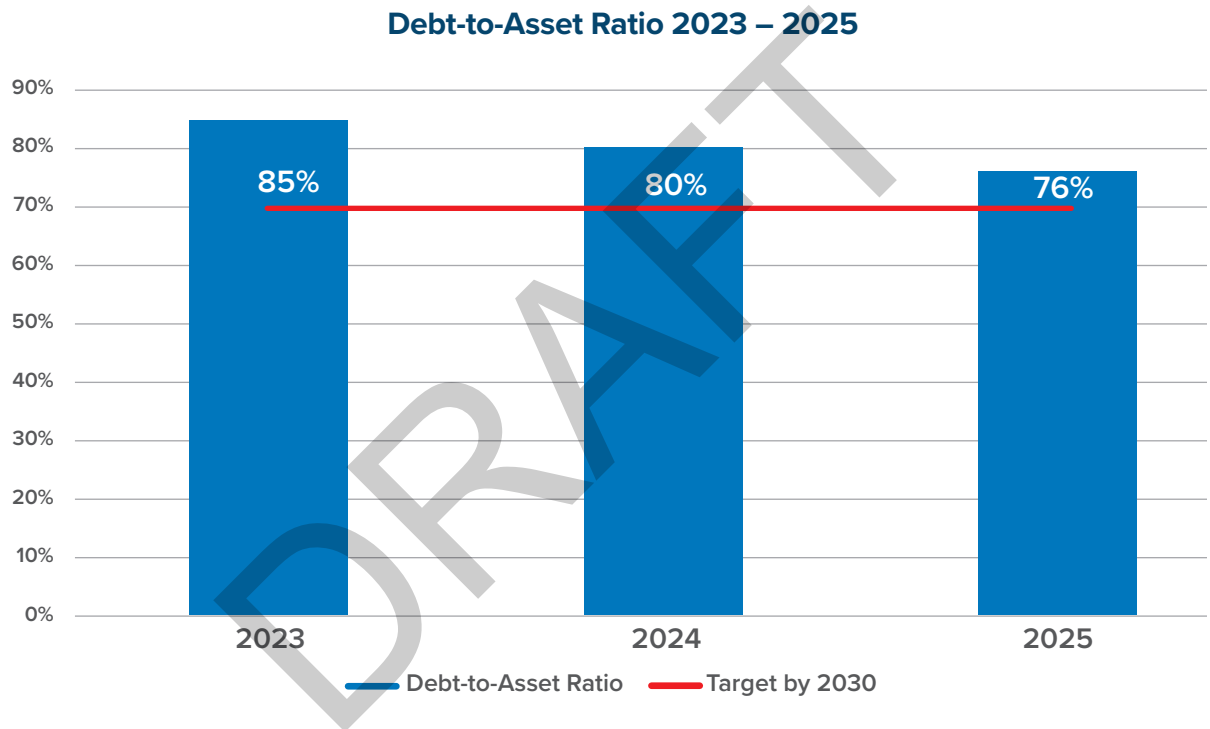
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Capital Asset and Financing Activities

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 76% in 2025.



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 2025, LIPA issued \$437 million to refinance certain of its outstanding bonds. During 2024, LIPA issued \$650 million to refinance certain of its outstanding bonds. In 2025 and 2024, LIPA and UDSA repaid scheduled debt maturities totaling \$600 million and \$287 million, respectively. In addition, LIPA also defeased \$24.6 million Electric System General Revenue Bonds, Series 2000A, and \$1.5 million Electric System General Revenue Bonds, Series 2014B (Taxable) 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, 2025 and 2024.

	<u>Bonds to fund capital projects</u>	<u>Refinancing/ refunding notes or bonds</u>
2025		
LIPA:		
General Revenue 2025A	\$ 137,025	287,480
General Revenue 2025B	300,000	—
General Revenue 2025C	—	150,000
	<u>437,025</u>	<u>437,480</u>
UDSA:		
Restructuring Bonds 2025TE-1 (Green Bonds)	115,135	—
Restructuring Bonds 2025TE-2	—	974,730
	<u>\$ 115,135</u>	<u>974,730</u>
2024		
LIPA:		
General Revenue 2024A	\$ 355,515	361,525
General Revenue 2024B	—	288,480
	<u>\$ 355,515</u>	<u>650,005</u>

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

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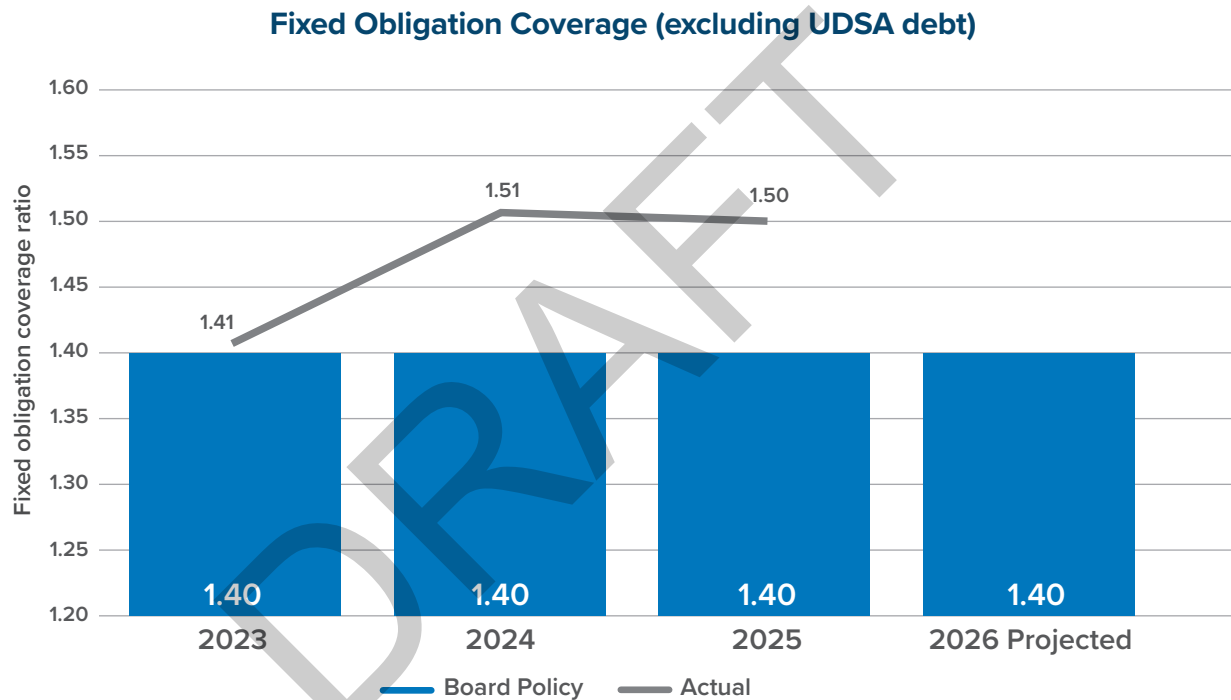
Management's Discussion and Analysis (Unaudited)

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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 2025, 2024 and 2023. For 2025, 2024, and 2023, LIPA exceeded its targets by achieving fixed obligation ratios of 1.50x, 1.51x, and 1.41x, respectively.



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

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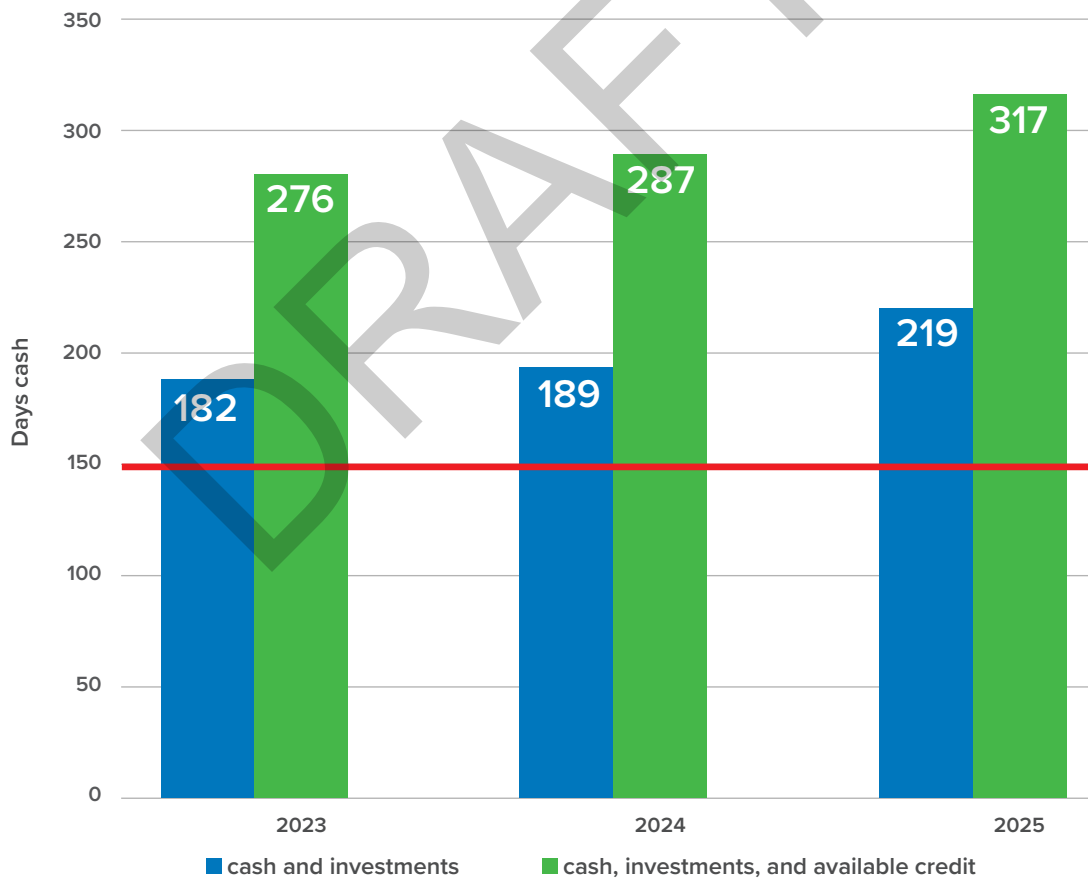
(Amounts in thousands, unless otherwise stated)

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, 2025, 2024, and 2023, LIPA's available sources of liquidity for operating purposes and capital program funding exceeded the policy target of 150 days of operating expenses with 317 days, 287 days, and 276 days of cash, investments, and available credit, respectively. This represents cash, cash equivalents, investments, and available credit totaling approximately \$2.9 billion, \$2.6 billion, and \$2.5 billion as of December 31, 2025, 2024 and 2023, respectively.

Days of Cash, Investments, and Available Credit



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

	2025	2024	2023
Operating liquidity			
Unrestricted cash, cash equivalents, and investments	\$ 871,467	694,845	685,690
OPEB Account cash, cash equivalents, and investments	874,170	736,023	643,733
PSEG Long Island working capital requirements	287,255	304,612	320,709
Total operating liquidity	<u>2,032,892</u>	<u>1,735,480</u>	<u>1,650,132</u>
Available credit			
General Revenue Notes – Revolving Credit Facility	200,000	200,000	200,000
General Revenue Notes – Commercial Paper	712,000	700,000	655,000
Total available credit	<u>912,000</u>	<u>900,000</u>	<u>855,000</u>
Total cash, cash equivalents, investments, and available credit	<u>\$ 2,944,892</u>	<u>2,635,480</u>	<u>2,505,132</u>
Restricted cash and cash equivalents			
Clean Energy Compliance Fund	\$ 21,084	20,572	19,991
Extraordinary working capital	-	250,000	250,000
UDSA	106,001	129,695	114,951
Total restricted cash and cash equivalents	<u>\$ 127,085</u>	<u>400,267</u>	<u>384,942</u>

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 \$287 million, \$305 million, and \$321 million, as of December 31, 2025, 2024, and 2023, respectively. This represents approximately 31 operating days of cash as of December 31, 2025. 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, 2025, 2024, and 2023, the unrestricted OPEB Account had approximately \$874 million, \$736 million, and \$644 million on deposit, respectively. This represents approximately 94 days of cash as of December 31, 2025.

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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, 2025, 2024 and 2023, the maximum outstanding total short-term borrowings may not exceed \$1.2 billion.

The outstanding balance of LIPA's short-term borrowings totaled \$288 million, \$300 million and \$345 million as of December 31, 2025, 2024, and 2023 respectively. The short-term borrowing programs are supported by bank agreements with various expiration dates from 2026 through 2030. 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, 2025, 2024, and 2023 were \$127 million, \$400 million, and \$385 million, respectively. Restricted cash and cash equivalents include amounts related to UDSA debt service payments and required debt service and operating reserves of \$106 million, \$130 million, and \$115 million, as of December 31, 2025, 2024, and 2023, 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 had 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 were required to be held in demand deposit Treasury State and Local Government Series securities (SLGS) and 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 were reported as restricted. In September 2025, these funds were utilized to repay the medium-term notes.

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	2025	2024	2023
Moody's	A2 (Stable)	A2 (Stable)	A2 (Stable)
S&P	A (Stable)	A (Stable)	A (Stable)
Fitch	A+ (Stable)	A+ (Stable)	A (Positive)

For the years ended December 31, 2025, 2024 and 2023, 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, 2025 and 2024
(Amounts in thousands)

Assets and Deferred Outflows of Resources	2025	2024
Current assets:		
Cash and cash equivalents	871,065	376,189
Restricted cash – working capital requirements	182,654	186,800
Restricted cash – LIPA	—	250,000
Restricted cash – UDSA	106,001	129,695
Investments	874,572	1,054,679
Restricted investments – working capital requirements	125,685	138,384
Counterparty collateral – posted by LIPA	—	6,794
Accounts receivable (less allowance for uncollectible accounts of \$26,174 and \$27,426 at December 31, 2025 and December 31, 2024, respectively)	577,536	554,965
Other receivables	99,851	100,132
Fuel inventory	114,918	162,797
Material and supplies inventory	136,058	134,269
Commodity derivative instruments	33,071	4,614
Regulatory assets to be recovered within one year	112,187	91,638
Prepayments and other current assets	59,820	54,459
Total current assets	<u>3,293,418</u>	<u>3,245,415</u>
Noncurrent assets:		
Utility plant and property and equipment, net	10,883,888	10,711,393
Nuclear decommissioning trust fund (NDTF)	229,488	196,288
Other long-term receivables	93,987	95,415
Unrealized charges	3,161	2,790
Financial derivative instruments	27,408	31,316
Commodity derivative instruments	15,236	12,368
Regulatory assets for future recovery	312,612	450,491
Operations services agreement - employee retirement benefits	26,227	—
Acquisition adjustment (net of accumulated amortization)	98,389	209,764
Total noncurrent assets	<u>11,690,396</u>	<u>11,709,825</u>
Total assets	<u>14,983,814</u>	<u>14,955,240</u>
Deferred outflows of resources:		
Deferred defeasance costs on debt refunding	98,733	85,020
OPEB activities	2,845	2,660
Pension activities	1,248	1,859
Accumulated decrease in fair value of investments	—	74
Total deferred outflows of resources	<u>102,826</u>	<u>89,613</u>
Total assets and deferred outflows of resources	<u>\$ 15,086,640</u>	<u>15,044,853</u>

See accompanying Notes to the Financial Statements.

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Statements of Net Position
December 31, 2025 and 2024
(Amounts in thousands)

Liabilities, Deferred Inflows of Resources and Net Position	2025	2024
Current liabilities:		
Short-term debt	\$ 288,000	300,000
Current maturities of long-term debt	124,240	375,760
Current maturities of UDSA debt	227,780	223,965
Current portion of lease and SBITA liabilities	394,013	359,495
Counterparty collateral – held by LIPA	28,299	—
Accounts payable and accrued expenses	537,518	480,504
Regulatory liabilities payable in one year	100,692	39,369
Accrued payments in lieu of taxes	16,907	8,630
Accrued interest	79,200	72,867
Customer deposits	39,956	37,266
Total current liabilities	<u>1,836,605</u>	<u>1,897,856</u>
Noncurrent liabilities:		
Long-term debt, net and unamortized premium	5,749,238	5,477,686
Long-term UDSA debt, net and unamortized premium	3,259,438	3,503,707
Lease and SBITA liabilities	840,992	1,128,862
Borrowings	17,278	21,735
Operations Services Agreement – employee retirement benefits	501,437	540,749
Financial derivative instruments	28,712	27,245
Regulatory liabilities for future payment	261,653	253,213
Asset retirement obligation	118,114	109,021
Long-term liabilities and unrealized credits	28,967	37,865
Claims and damages	152,504	231,658
Total noncurrent liabilities	<u>10,958,333</u>	<u>11,331,741</u>
Total liabilities	<u>12,794,938</u>	<u>13,229,597</u>
Deferred inflows of resources:		
Regulatory credits – grants	548,582	567,603
Lease revenue	2,732	2,884
OPEB activities	4,608	2,224
Pension activities	29	1,019
NMP2 asset retirement obligation	6,765	10,052
Deferred defeasance costs on debt refunding	126,037	17,921
Accumulated increase in fair value of financial derivatives	27,408	31,316
Accumulated increase in fair value of commodity derivatives	38,702	11,180
Accumulated increase in fair value of OPEB Account	218,380	120,935
Accumulated increase in fair value of NDTF	41,575	16,000
Accumulated increase in fair value of investments	1,510	1,297
Total deferred inflows of resources	<u>1,016,328</u>	<u>782,431</u>
Net position:		
Net investment in capital assets	603,245	673,045
Restricted	54,481	125,284
Unrestricted	617,648	234,496
Total net position	<u>1,275,374</u>	<u>1,032,825</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 15,086,640</u>	<u>15,044,853</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

Twelve-Month Period Ending December 31, 2025 and 2024

(Amounts in thousands)

	2025	2024
Operating revenues – electric sales, net of uncollectible accounts expense	\$ 4,516,769	4,077,409
Operating expenses:		
Operations – power supply charge	2,120,894	1,799,326
Operations – power supply charge – property taxes	159,699	165,797
Operations and maintenance	787,985	760,005
Storm restoration	52,626	46,003
General and administrative	49,612	54,931
Depreciation and amortization	514,215	478,738
Payments in lieu of taxes and assessments	363,383	354,308
Total operating expenses	<u>4,048,414</u>	<u>3,659,108</u>
Operating income	<u>468,355</u>	<u>418,301</u>
Nonoperating revenues and expenses:		
Other income, net:		
Investment income, net	77,156	81,621
Grant income	24,249	30,305
Other	3,727	3,055
Subtotal	<u>105,132</u>	<u>114,981</u>
Nuclear decommissioning trust fund income	7,324	8,319
Deferred grant income amortization	17,377	17,382
Carrying charges on regulatory assets	11,401	13,606
Subtotal	<u>36,102</u>	<u>39,307</u>
Total other income, net	<u>141,234</u>	<u>154,288</u>
Interest charges and (credits):		
Interest on debt	412,120	426,679
Other interest	32,727	18,043
Other interest amortizations	(77,807)	(77,537)
Total interest charges, net	<u>367,040</u>	<u>367,185</u>
Change in net position	242,549	205,404
Net position, beginning of year	1,032,825	827,421
Net position, end of year	<u>\$ 1,275,374</u>	<u>1,032,825</u>

See accompanying Notes to the Financial Statements.

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Statements of Cash Flows
December 31, 2025 and 2024
(Amounts in thousands)

	2025	2024
Cash flows from operating activities:		
Operating revenues received	\$ 4,740,338	4,376,529
Payments to suppliers and employees:		
Operations and maintenance	(895,386)	(774,221)
Operations - power supply charge	(1,655,084)	(1,521,433)
Operations - power supply charge - property tax related	(159,699)	(165,797)
Payments-in-lieu-of-taxes	(532,821)	(538,620)
Collateral on commodity derivative transaction, net	35,093	101,245
PSEG Long Island pension funding	(23,400)	(25,200)
Net cash provided by operating activities	<u>1,509,041</u>	<u>1,452,503</u>
Cash flows from investing activities:		
Earnings received on investment income	47,185	58,558
Sales and maturities of investment securities	318,254	—
Purchase of investment securities	—	(69,936)
Sales and maturities of restricted investment securities - working capital investments	12,699	—
Purchase of restricted investment securities - working capital investments	—	(5,377)
Purchase of investment securities - OPEB Account and NDTF	(11,761)	(18,300)
Net cash provided by (used in) investing activities	<u>366,377</u>	<u>(35,055)</u>
Cash flows from noncapital financing related activities:		
Grant Proceeds	22,295	73,501
Proceeds from credit facility draws and commercial paper program	200,000	485,000
Redemption of credit facility draws and commercial paper program	(212,000)	(530,000)
Redemption of Medium-Term Notes	(250,000)	—
Other interest costs	(7,679)	(5,604)
Interest paid – LIPA	(16,059)	(27,561)
Net cash used in noncapital financing related activities	<u>(263,443)</u>	<u>(4,664)</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(776,314)	(786,610)
Lease and SBITA payments	(409,137)	(396,156)
Proceeds from the issuance of long-term debt	2,131,792	1,101,138
Payments for debt issuance costs	(10,956)	(5,693)
Other interest costs	(10,337)	(5,132)
Interest paid – LIPA	(212,099)	(200,525)
Redemption of long-term debt – LIPA	(125,760)	(82,085)
Refunding of long-term debt - LIPA	(453,710)	(696,160)
Refunding of long-term debt - UDSA	(1,110,762)	—
Early defeasance of long-term debt – LIPA	(24,994)	(24,981)
Interest paid – UDSA	(168,697)	(179,181)
Redemption of long-term debt – UDSA	(223,965)	(204,790)
Net cash used in capital and related financing activities	<u>(1,394,939)</u>	<u>(1,480,175)</u>
Net increase (decrease) in cash and cash equivalents	217,036	(67,391)
Cash and cash equivalents at beginning of year	<u>942,684</u>	<u>1,010,075</u>
Cash and cash equivalents at end of year	<u>\$ 1,159,720</u>	<u>942,684</u>

See accompanying Notes to the Financial Statements.

LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Statements of Cash Flows
December 31, 2025 and 2024
(Amounts in thousands)

	2025	2024
Reconciliation to net cash provided by operating activities:		
Operating income	\$ 468,355	418,301
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	514,215	478,738
Nuclear fuel burned	9,672	9,368
Shoreham and VBA surcharges	57,068	53,716
Accretion of asset retirement obligation	5,807	280
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for uncollectible accounts	(20,862)	(67,317)
Regulatory assets and liabilities	138,982	235,498
Fuel and material and supplies inventory	46,090	(6,904)
Accounts payable, accrued expenses, and other	289,714	330,823
Net cash provided by operating activities	\$ 1,509,041	1,452,503

See accompanying Notes to the Financial Statements.

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LONG ISLAND POWER AUTHORITY

(A Component Unit of the State of New York)

Notes to the Financial Statements

December 31, 2025 and 2024

(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:

First Amendment to the Second Amended and Restated Operations Services Agreement (Second A&R OSA): Commencing January 1, 2014, LIPA contracted with PSEG Long Island LLC (PSEG Long Island) to provide management services under the Amended and Restated Operations Services Agreement (2014 OSA). On December 15, 2021, the 2014 OSA was further amended and restated, effective April 1, 2022 (the OSA or Reformed OSA). The OSA had a base term of 12 years, which expired December 31, 2025 with an option to extend for up to five years upon mutual agreement of the parties.

On September 25, 2025, the LIPA Board approved an extension of the OSA for a five-year term to expire December 31, 2030. The extension has since been signed by the parties, approved by the New York State Office of the Attorney General and New York's Office of the State Comptroller.

During the years ended December 31, 2025 and 2024, PSEG Long Island was paid approximately \$65 million and \$62 million, respectively, for the fixed component of its management fee. For 2024, PSEG Long Island was paid approximately \$15 million for its variable compensation fee. For 2025, PSEG Long Island may earn variable compensation of up to approximately \$24 million, which will be determined by June 2026.

LONG ISLAND POWER AUTHORITY

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Notes to the Financial Statements

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

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 2025 and 2024 was approximately \$407 million and \$405 million, respectively. 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 2025 or 2024.

In addition to the PSA, LIPA is party to several power agreements with other third-party generators for approximately 2,200 megawatts.

Fuel Management Agreement and Power Supply Management Agreement: PSEG Energy Resources and Trade LLC (PSEG ER&T) contract to provide fuel management services for the National Grid generating facilities under contract by LIPA and the other units in LIPA's energy supply portfolio expired on December 31, 2025. During the years ended December 31, 2025 and 2024, PSEG ER&T was paid a management fee totaling approximately \$21 million for both years. To ensure that these services continued beyond the term of the expiring contracts, on May 30, 2024, LIPA issued a Request For Proposal (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 new 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. During 2025, LIPA incurred approximately \$11 million of transition costs. Effective January 1, 2026, TEA has begun providing services under the PSMFM Agreement.

Certain other services related to power supply management and commodity activities are also provided by these management agreements.

(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.

On May 28, 1998, LIPA became the retail supplier of electric service in the Counties of Nassau and Suffolk (with certain exceptions) and a portion of Queens County known as the Rockaways (Service Area) by acquiring the T&D system of LILCO as a wholly owned subsidiary of LIPA. To simplify LIPA's operations, LIPA and LILCO's Board approved consolidating LIPA and LILCO. The merger was completed in November 2025.

LONG ISLAND POWER AUTHORITY

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Notes to the Financial Statements

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(Amounts in thousands, unless otherwise stated)

As a result of the merger, LIPA's reporting entity is comprised of itself and UDSA, as a blended component unit. All significant transactions between LIPA 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).

(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, 2025, LIPA held approximately \$28 million of counterparty collateral which is recorded as a current liability. As of December 31, 2024, LIPA posted \$7 million of counterparty collateral which was 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, 2025 and 2024, the value of the NMP2 inventory totaled approximately \$18 million and \$20 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, a New York State sales tax receivable, and LIPA's share of the NMP2 nuclear production tax credit.

LONG ISLAND POWER AUTHORITY

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Notes to the Financial Statements

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

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.

(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 October 2026 with \$98 million remaining to be amortized.

(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 net SBITA assets in Utility plant and property and equipment for the years ended December 31, 2025 and 2024 of approximately \$76 million and \$23 million, respectively, and SBITA obligations of \$71 million and \$21 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.

(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).

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(A Component Unit of the State of New York)

Notes to the Financial Statements

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

(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.

(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 2025 analysis resulted in increasing LIPA's share of the NMP2 ARO liability by approximately \$3 million. The change was attributable to the increase in cost escalation rates. Changes in ARO are recognized in Deferred Inflows and Outflows of Resources. The NMP2 plant has a remaining license term to 2046. 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 poses 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 NMP2 for the years ended December 31, 2025 and 2024 is included below:

	<u>2025</u>		<u>2024</u>
Asset retirement obligation:			
Beginning balance	109,021	\$	127,028
Change due to updates	2,859		(24,468)
Accretion Expense	6,234		6,461
Balance at December 31	\$ 118,114	\$	109,021

(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.

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Notes to the Financial Statements

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

(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 \$218 million and \$198 million as of December 31, 2025 and 2024, 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 \$18 million and \$17 million as of December 31, 2025 and 2024, respectively.

(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 3.34% and 3.18% for 2025 and 2024, 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 2025 or 2024.

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Notes to the Financial Statements

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

(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.

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. 103, *Financial Reporting Model Improvements*, was issued to improve key components of the financial reporting model in order to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for periods beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note. The requirements of this statement are effective for periods beginning after June 15, 2025.

LIPA is currently evaluating the impact of statements effective for future periods on the accompanying financial statements.

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Notes to the Financial Statements

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(Amounts in thousands, unless otherwise stated)

(w) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

(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 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 capped at \$75 million. 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).

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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 cost of fuel, purchased power, and related costs;
- (ii) a PILOTs 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).

On December 15, 2025, UDSA issued \$975 million Series 2025 Tax-Exempt Restructuring Bonds, and \$115 million Series 2025 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus \$134 million of premium, refunded \$1.1 billion of UDSA debt, and funded \$120 million of LIPA resiliency investments. The 2025 UDSA Restructuring Bonds generated total net present value debt service savings of \$120 million for LIPA's customers.

UDSA refinancings have saved LIPA customers \$699 million of net present value debt savings since 2013, the inception of UDSA. A total of \$7.36 billion of UDSA Restructuring Bonds have been issued resulting in \$641 million in remaining statutory capacity.

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.

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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		
No. 1	December 18, 2013	\$ 2,022,324	—	131,609	Not Applicable*
No. 2	October 27, 2015	1,002,115	—	127,978	Not Applicable**
No. 3	April 7, 2016	636,770	227,525	115,238	April 7, 2016
No. 4	September 8, 2016	469,320	92,870	71,647	September 8, 2016
No. 5	November 21, 2017	369,465	126,235	45,387	January 1, 2018
No. 6	September 29, 2022	935,655	866,085	42,080	October 3, 2022
No. 7	December 15, 2023	833,215	813,415	44,646	December 15, 2023
No. 8	December 15, 2025	1,089,865	1,089,865	120,413	December 15, 2025
		\$ 7,358,729	3,215,995	698,998	

*Restructuring Bonds, Series 2013 were fully refunded in 2023 and a restructuring charge for Financing Order No. 1 is no longer required.

**Restructuring Bonds, Series 2015 were fully refunded in 2025 and a restructuring charge for Financing Order No. 2 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:

	December 31, 2025			December 31, 2024		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Regulatory assets:						
OSA – employee retirement benefits	\$ 300	—	300	9,381	—	9,381
Shoreham property tax settlement	53,628	143,330	196,958	52,495	190,238	242,733
Property tax litigation	—	117,875	117,875	—	185,517	185,517
Delivery service adjustment	—	—	—	3,913	1,780	5,693
Employee benefit plan settlement	—	—	—	15,634	—	15,634
Power supply charge recoverable	45,122	19,898	65,020	5,866	25,830	31,696
Debt issuance costs	1,343	8,095	9,438	2,038	13,625	15,663
Revenue decoupling mechanism	10,006	—	10,006	—	12,074	12,074
Visual Benefit and Undergrounding Charge	1,226	1,065	2,291	1,223	2,170	3,393
Unrealized financial derivative losses	—	22,349	22,349	—	19,257	19,257
Unrealized commodity derivative losses	—	—	—	1,088	—	1,088
New York State assessment	562	—	562	—	—	—
Total regulatory assets	\$ 112,187	312,612	424,799	91,638	450,491	542,129
Regulatory liabilities:						
Unrealized commodity derivative gains	1,228	8,377	9,605	—	6,890	6,890
OSA – employee retirement benefits	7,600	216,005	223,605	900	142,580	143,480
Revenue decoupling mechanism	—	4,214	4,214	878	—	878
Utility 2.0	5,195	2,335	7,530	6,327	5,195	11,522
Power supply charge refundable	—	21,084	21,084	11,505	20,572	32,077
Distributed energy resources	2,796	—	2,796	1,794	—	1,794
Delivery service adjustment	78,238	9,638	87,876	10,564	77,976	88,540
Clean energy initiatives	5,635	—	5,635	6,746	—	6,746
New York State assessment	—	—	—	655	—	655
Total regulatory liabilities	\$ 100,692	261,653	362,345	39,369	253,213	292,582

(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 reflected 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 (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.

(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. As of December 31, 2025, the regulatory asset has been fully amortized.

(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

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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 2024 and 2025, 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 \$47 million and \$2 million, respectively, in excess storm recovery which contributed to the 2025 and 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 payments to no more than 2% higher for each parcel 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 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 2021/22 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. In 2025, LIPA modified its methodology for calculating the potential exposure based on updated information and assumptions. The new methodology resulted in an approximately \$113 million reduction to the reserve. LIPA estimates the potential exposure with penalties and interest to be approximately \$118 million through 2025.

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 2024 through September 2025. This resulted in a refund of approximately \$2 million to the residential customer class, with an additional amount due from LIPA related to periods after the rate-setting period totaling approximately \$13 million. LIPA's revenues from commercial customers continued to be lower than budget in 2025 resulting in amounts due to LIPA totaling approximately \$12 million, with an additional amount due to LIPA related to periods after the rate-setting period totaling approximately \$9 million. On a consolidated customer basis, this results in a current regulatory asset of \$10 million and a noncurrent regulatory liability of \$4 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. As of December 31, 2025, actual power supply costs, were higher than amounts recovered in the Power Supply Charge, resulting in the recognition of a regulatory asset totaling \$41 million which will be collected from customers in the subsequent year. Conversely, as of December 31, 2024, actual power supply costs were lower than amounts recovered in the Power Supply Charge which resulted in a \$12 million regulatory liability.

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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 were recovered over eleven years, as approved by LIPA's Board, that began January 1, 2015, and expired December 31, 2025. As of December 31, 2025, all deferred transition costs have been collected. The transition costs incurred in 2025 of \$11 million associated with the transfer of the power supply management agreement contract from PSEG ER&T to TEA were expensed as incurred and therefore not included in the regulatory asset.

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, 2025 and 2024, the balance was \$13 million and \$17 million, respectively.

Unfunded actuarially determined potential costs relating to generation are a deferred component of the Power Supply Charge and total approximately \$11 million. Such amounts will not be reflected in the Power Supply Charge until settlement costs are paid.

Amounts collected to fund the Clean Energy Compliance Fund are to be used in the future for clean energy technologies. As of December 31, 2025 and 2024, the regulatory liability balance was \$21 million.

(j) Visual Benefit Assessment and Undergrounding Charge

LIPA has recorded the incremental costs to bury a portion of a transmission cable routed through the Town of Southampton and the Town of Westhampton as a regulatory asset, which is being recovered from certain customers of the Towns 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) Utility 2.0

LIPA's annual Utility 2.0 plan funds new technologies, pilot programs, beneficial electrification, electric vehicles and distributed energy projects are in alignment with New York State Clean Energy goals. Utility 2.0 actual project costs are reconciled to funding levels set in rates on an annual basis.

(m) Clean Energy Initiatives

LIPA's annual budgets include funding to support certain NYSERDA administered clean energy programs. Actual costs incurred 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, 2025 and 2024 the deferred grant revenue totaled approximately \$549 million and \$568 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 consist 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 – LIPA

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

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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.

(f) Lease Revenue

LIPA receives contractually determined revenue related to leasing agreements with certain power purchase providers for land leases. As of December 31, 2025 and 2024, 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 2025 annual review and analysis of the NMP2 ARO which resulted in increasing LIPA's share of the NMP2 ARO liability. The change was attributable to the increase in escalation rates in assumptions of certain cost categories. 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 (PA) grant authorized under Section 428 of the Stafford Act (428 Grant Agreement) for \$1.434 billion. As of December 31, 2025 and December 31, 2024, LIPA has a remaining balance due from FEMA of approximately \$83 million.

(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 \$405 million to continue its successful storm-hardening program as well as \$3 million to harden two transmission crossings. As of December 31, 2025 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 will be 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. In 2025, LIPA received nominal funding for the remainder of LIPA's COVID claim with all other claims denied. LIPA accepted the decision. No additional appeals were made. This closed out all COVID claims.

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, 2025 no funding has been received or recognized for this grant.

(d) 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. In 2025, LIPA received \$2.5 million from FEMA for Winter Storm Elliott however prior to December 31, 2024 no grant income was recognized.

(8) 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.

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.

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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, 2025	Net change in fair value	Fair value December 31, 2024	Type of hedge	Financial statement classification for changes in fair value	
Hedging derivative instruments:						
Financial derivatives:						
Fixed-payer	\$ 27,408	(3,908)	31,316	Cash flow	Deferred inflows of resources	
Commodity derivatives:						
Purchased power swaps	8,202	3,944	4,258	N/A	Deferred inflows of resources	
Natural gas basis swaps	30,500	23,578	6,922	N/A	Deferred inflows of resources	
Total	\$ 66,110	23,614	42,496			
Other derivative instruments:						
Financial derivatives:						
Synthetic fixed	\$ (45,989)	2,991	(48,980)	N/A	Regulatory Asset	
Commodity derivatives:						
Power – financial basis	(12,394)	(12,278)	(116)	N/A	Regulatory Asset	
Purchased power swaps	29,158	25,361	3,797	N/A	Regulatory Liability	
Natural gas swaps	(7,159)	(9,280)	2,121	N/A	Regulatory Asset	
Total	\$ (36,384)	6,794	(43,178)			
Derivative assets (liabilities):						
	2025			2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial derivatives	\$ -	27,408	-	-	31,316	-
Financial derivatives	-	(45,989)	-	-	(48,980)	-
Commodity derivatives	60,701	(12,394)	-	17,098	(116)	-
	\$ 60,701	(30,975)	-	17,098	(17,780)	-

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The terms of LIPA's commodity derivative instruments as of December 31, 2025 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	51,580	Dthms	1/1/2026	12/1/2028	\$ 3.54 to \$ 5.00	Natural Gas at Henry Hub
Natural Gas Basis Swaps	57,610	Dthms	1/1/2026	12/1/2028	\$ (0.89) to \$ 3.93	Gas Basis between Henry Hub & Transco Z6, NY
Purchased PJM Power Swaps	5,025	Mwhs	1/1/2026	12/1/2028	\$ 35.40 to \$ 60.65	Power at PJM West
Purchased PJM Power Basis	8,061	Mwhs	1/1/2026	12/1/2028	\$ (11.85) to \$ (3.90)	Power Basis between PJM West to JCPL
Purchased NY Power Swaps	632	Mwhs	1/1/2026	12/1/2026	\$ 36.04 to \$ 75.00	Power at NY Zone-A

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
Natural Gas Basis Swaps ⁽¹⁾	56,475	Dthms	1/1/2025	3/1/2027	\$ (0.89) to \$ 3.15	Gas Basis between Henry Hub & Transco Z6, NY
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 interest rate derivative instruments as of December 31, 2025 and December 31, 2024 is 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 ⁽¹⁾	9/1/2022	9/1/2042	1.8571%	70% SOFR + 0.0801%	251,510	—
						\$ 106,400

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

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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 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.

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(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, 2025:

Counterparty	As of December 31, 2025		Counterparty's unsecured line of credit (\$M)
	Moody's	S&P	
Interest Rate Derivative Instruments:			
Citibank, N.A. New York	Aa3	A+	\$ —
UBS AG, Stamford Branch	Aa3	A+	—
Counterparty Commodity Derivative Instruments:	As of December 31, 2025		Counterparty's unsecured line of credit (\$M)
	Moody's	S&P	
BP Energy Company *	A2	A-	\$ 15.0
Citigroup Energy, Inc.*	A3	BBB+	10.0
RWE Clean Energy Wholesale Services, Inc. *	Baa2	N/R	—
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

Note: Values prepared using available PSEG data prior to TEA operational transition on January

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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, 2025:

	Beginning balances	Additions	Transfers/ Disposals	Ending balances
Utility plant	\$ 11,369,769	894,276	(133,849)	12,130,196
Office equipment, furniture, and leasehold improvements	14,103	855	—	14,958
Accumulated depreciation	(2,706,065)	(387,499)	198,099	(2,895,465)
Total utility plant – net	<u>8,677,807</u>	<u>507,632</u>	<u>64,250</u>	<u>9,249,689</u>
Lease and SBITA right-to-use assets:				
Utility plant	3,304,653	51,068	(113,305)	3,242,416
Other	134,262	82,461	(15,237)	201,486
Accumulated depreciation	(1,948,934)	(382,797)	128,542	(2,203,189)
Total lease and SBITA right-to-use assets – net	<u>1,489,981</u>	<u>(249,268)</u>	<u>—</u>	<u>1,240,713</u>
Construction work in progress	521,921	748,457	(894,276)	376,102
Retirement work in progress	21,684	60,320	(64,620)	17,384
Total work in progress	<u>543,605</u>	<u>808,777</u>	<u>(958,896)</u>	<u>393,486</u>
	<u>\$ 10,711,393</u>	<u>1,067,141</u>	<u>(894,646)</u>	<u>10,883,888</u>

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The following schedule summarizes LIPA's utility plant and property and equipment as of December 31, 2024:

	Beginning balances	Additions	Transfers/ Disposals	Ending balances
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>

(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 \$452 million and \$470 million as of December 31, 2025, and 2024, 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, 2025, and 2024, LIPA's share of the estimated costs for decommissioning of the unit and restoration of the site is approximately \$113 million and \$105 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, 2025, and 2024, the trust fund had approximately \$229 million and \$196 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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*(Amounts in thousands, unless otherwise stated)***(b) Liability for Nuclear Accidents**

The Federal Price-Anderson Act (Act) currently requires owners of nuclear power plants to obtain \$500 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 \$5 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. The receivable is \$11 million as of December 31, 2025.

(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 Amended & Restated Bond Resolution, certain banking agreements and LIPA's investment policy.

(a) Unrestricted cash, cash equivalents, and investments

As of December 31, 2025, and 2024, LIPA had unrestricted cash, cash equivalents, and investments totaling approximately \$1.75 billion and \$1.43 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, 2025, and 2024, the OPEB Account balance totaled approximately \$874 million and \$736 million, respectively.

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The following tables summarize LIPA's unrestricted cash, cash equivalents and investments as of December 31, 2025 and 2024. 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.

Deposit/investment type	Credit Rating (if applicable)	Percent of portfolio	2025 Fair value	Cash and cash equivalents	Investments
Cash and collateralized deposits		3 %	\$ 28,469	28,469	—
Discount notes and bonds:					
Commercial paper	P-1/A-1/F1	—	—	—	—
Corporate	P-1/A-1	—	—	—	—
Federal agencies	Aaa/AA+/AAA	—	—	—	—
Asset Backed Securities	Aaa/AAA/AAA	—	402	—	402
Municipal bonds	Aa3/AAA/A	—	—	—	—
Treasury notes and STRIPS	Aaa/AA+/F1+	—	—	—	—
Money market mutual funds		97	842,596	842,596	—
Subtotal		100 %	\$ 871,467	871,065	402
OPEB Account Investment Type					
Mutual funds - equities		69	599,261	—	599,261
Mutual funds - fixed income		31	274,909	—	274,909
Subtotal		100 %	874,170	—	874,170
Total			\$ 1,745,637	871,065	874,572

Deposit/investment type	Credit Rating (if applicable)	Percent of portfolio	2024 Fair value	Cash and cash equivalents	Investments
Cash and collateralized deposits		9 %	\$ 61,256	61,256	—
Discount notes and bonds:					
Certificates of deposit		—	—	—	—
Commercial paper	P-1/A-1/F1	2	11,777	—	11,777
Corporate	P-1/A-1	24	162,684	—	162,684
Federal agencies	Aaa/AA+/AAA	—	1,478	—	1,478
Asset Backed Securities	Aaa/AAA/AAA	2	14,461	—	14,461
Municipal bonds	Aa3/AAA/A	—	3,109	—	3,109
Treasury notes and STRIPS	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 Investment Type					
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

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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 \$308 million and \$325 million as of December 31, 2025 and 2024, 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 for both December 31, 2025 and 2024, 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, 2025 and 2024 includes \$54 million and \$73 million, respectively, in the General Subaccounts, and \$52 million and \$56 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 matured on September 1, 2025. LIPA was not required to repay the notes upon reimbursement from FEMA which occurred in 2022; however, as required by tax regulations such funds were required to be held in-demand deposit Treasury State and Local Government Series securities (SLGS) and may have only been used for extraordinary working capital expenditures (similar to the expenditures that were financed with the proceeds of the 2021 medium-term notes). In September 2025, these funds were utilized to repay the medium-term notes.

The following tables summarize LIPA's restricted cash, cash equivalents and investments as of December 31, 2025 and 2024. 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.

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<u>Deposit/investment type</u>	<u>Credit Rating (if applicable)</u>	<u>Percent of portfolio</u>	<u>2025 Fair value</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>
Restricted Working Capital Accounts, and Clean Energy Compliance Fund					
Cash and collateralized deposits		20 %	\$ 62,592	62,592	—
Discount notes and bonds:					
Commercial paper	P-1/A-1/F1	2	5,156	—	5,156
Corporate	P-1/A-1	19	59,656	—	59,656
Federal agencies	Aaa/AA+	1	2,735	—	2,735
Asset Backed Securities	Aaa/AAA/AAA	3	9,024	—	9,024
Municipal bonds	Aa3/AAA/A	—	555	—	555
Treasury notes and STRIPS	Aaa/AA+/F1+	16	48,560	—	48,560
Extraordin: Treasury Demand Deposits	Aaa/AA+	—	—	—	—
Money market mutual funds		39	120,062	120,062	—
Total		100 %	\$ 308,339	182,654	125,685

UDSA:

Money market mutual funds		100%	\$ 106,001	106,001	—
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<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 Working Capital Accounts, and Clean Energy Compliance Fund					
Cash and collateralized deposits		31 %	\$ 180,836	180,836	—
Discount notes and bonds:					
Commercial paper	P-1/A-1/F1	3	14,489	—	14,489
Corporate	P-1/A-1	10	56,141	—	56,141
Federal agencies	Aaa/AA+	1	3,008	—	3,008
Asset Backed Securities	Aaa/AAA/AAA	2	10,220	—	10,220
Municipal bonds	Aa3/AAA/A	—	1,588	—	1,588
Treasury notes and STRIPS	Aaa/AA+/F1+	9	52,938	—	52,938
Extraordin: Treasury Demand Deposits	Aaa/AA+	43	250,000	250,000	—
Money market mutual funds		1	5,964	5,964	—
Total		100 %	\$ 575,184	436,800	138,384

UDSA:

Money market mutual funds		100%	\$ 129,695	129,695	—
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(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.

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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.

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, 2025, and 2024, approximately \$91 million and \$242 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 \$1.07 billion and \$451 million which were uninsured at December 31, 2025 and 2024, 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 Barclay's U.S. Treasury Inflation Protected Securities Index or the Barclay's Capital U.S. Float Adjusted Aggregate Bond Market Index.

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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 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 Barclay's 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 Investments	2025 Fair value	Percent of portfolio
Domestic Equity	\$ 88,081	39%
International Equity	60,190	26%
Fixed-income investments	43,964	19%
Fixed-income Investments-inflation protected securities	37,252	16%
Total	\$ 229,488	100.00%

Mutual fund Investments	2024 Fair value	Percent of portfolio
Domestic Equity	\$ 75,180	38%
International Equity	45,518	23%
Fixed-income investments	41,024	21%
Fixed-income Investments-inflation protected securities	34,566	18%
Total	\$ 196,288	100%

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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	2025			
	Fair Value	Level 1	Level 2	Level 3
Unrestricted and restricted investments:				
Discount notes:				
Commercial paper	\$ 5,156	—	5,156	—
Corporate	59,656	—	59,656	—
Federal agencies	2,735	—	2,735	—
Asset backed securities	9,426	—	9,426	—
Municipal bonds	554	—	554	—
Treasury bills and notes	48,560	48,560	—	—
Money-market mutual funds	874,170	874,170	—	—
Total	\$ 1,000,257	922,730	77,527	—
NDTF Mutual Funds				
Total	\$ 229,488	229,488	—	—
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	125,145	125,145	—	—
Money-market mutual funds	736,024	736,024	—	—
Total	\$ 1,140,125	861,170	278,955	—
NDTF Mutual Funds				
Total	\$ 196,288	196,288	—	—

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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. Funding other the OPEB Trust is based on an analysis of an actuarial study. LIPA funded approximately \$1 million in 2025 and 2024, respectively, to the OPEB Trust. As of December 31, 2025 and 2024, the OPEB Trust totaled approximately \$39 million and \$33 million, respectively, which was approximately 111.8% for 2025 and 107.0% for 2024 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 LILCO and its T&D system 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. In November 2025, LILCO was merged into LIPA in order to simplify operations. LIPA now directly holds the 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 Amended & Restated Bond Resolution (the A&R Resolution). The Trust Estate consists principally of the revenues generated by the operation of the T&D system and has been pledged to LIPA.

Below is a summary of LIPA's bond transactions completed during the years ended December 31, 2025 and 2024:

2025			
Revenue Obligations:	2025A General Revenue Bonds	Par Amount:	\$ 424,505
Purpose:	Fund \$137 million system improvements, refund \$49 million of Series 2015B, refinance \$239 million Series 2020B and pay issuance costs	Date Closed:	August 28, 2025
		NPV Savings	\$ 5,396
Revenue Obligations:	2025B General Revenue Bonds	Par Amount:	\$ 300,000
Purpose:	Fund \$300 million system improvements and pay issuance costs	Date Closed:	August 28, 2025
Revenue Obligations:	2025C General Revenue Bonds	Par Amount:	\$ 150,635
Purpose:	Refund \$150 million Series 2022C-FRN and pay issuance costs	Date Closed:	August 28, 2025
2024			
Revenue Obligations:	2024A General Revenue Bonds	Par Amount:	\$ 717,040
Purpose:	Fund \$355 million system improvements, refund \$362 million 2014A and pay issuance costs	Date Closed:	August 21, 2024
		NPV Savings	\$ 62,376
Revenue Obligations:	2024B General Revenue Bonds	Par Amount:	\$ 288,480
Purpose:	Refund \$284 million 2019B and pay issuance costs	Date Closed:	August 21, 2024

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*(Amounts in thousands, unless otherwise stated)***(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.

Below is a summary of UDSA's bond transactions completed during the years ended December 31, 2025.

2025			
2025 Tax Exempt (TE) -1 Restructuring Bonds (Green Bonds)	Par Amount:	\$	115,135
Finance T&D system resiliency projects, and pay issuance costs	Date Closed:		December 15, 2025
<hr/>			
2025 TE-2 Restructuring Bonds	Par Amount:	\$	974,730
Refund \$702 million UDSA 2015TE , tender \$272 million of UDSA 2016A,2016B and 2017, and pay issuance costs	Date Closed:		December 15, 2025
	NPV savings	\$	120,412

UDSA did not execute any issuances in 2024.

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

LIPA and UDSA long-term debt as of December 31, 2025 consisted of the following:

	Beginning balance	Accretion/ Additions	Maturities	Refundings/ Defeasance	Ending balance	Years of Maturity	Interest Rate (%)	
General revenue bonds/notes:								
Series 1998A	\$ 34,056	1,772	12,970	—	22,858	2027-2028	5.30	(a)
Series 2000A	156,492	7,095	37,890	22,965	102,732	2027-2029	5.95	(a)
Series 2003C	36,645	—	—	—	36,645	2028-2029	5.25	
Series 2010B	145,700	—	17,520	—	128,180	2026-2041	5.70-5.85	(c)
Series 2014B	45,625	—	22,365	1,500	21,760	2026	4.13	
Series 2015B	100,590	—	1,050	53,710	45,830	2039-2045	4.00-5.00	
Series 2016B	320,425	—	—	—	320,425	2026-2046	5.00	
Series 2017	314,630	—	—	—	314,630	2026-2047	5.00	
Series 2018	418,000	—	—	—	418,000	2026-2039	3.38-5.00	
Series 2019A	186,380	—	1,770	—	184,610	2026-2039	3.00-5.00	
Series 2020A	220,815	—	12,770	—	208,045	2026-2040	4.00-5.00	
Series 2020B	250,000	—	—	250,000	—	—	—	
Series 2021	250,000	—	250,000	—	—	—	—	
Series 2021A	341,915	—	8,480	—	333,435	2026-2042	1.50-5.00	
Series 2021B	175,000	—	—	—	175,000	2042-2051	1.50	
Series 2022A	127,360	—	3,895	—	123,465	2026-2044	5.00	
Series 2022B	100,000	—	—	—	100,000	2044-2052	5.00	
Series 2022C	150,000	—	—	150,000	—	—	—	
Series 2023E	398,500	—	1,500	—	397,000	2026-2053	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	—	1,500	—	715,540	2026-2054	4.00-5.25	
Series 2024B	288,480	—	—	—	288,480	2032-2049	3.00	
Series 2025A	—	424,505	—	—	424,505	2026-2050	5.00-5.25	
Series 2025B	—	300,000	—	—	300,000	2040-2055	3.00	
Series 2025C	—	150,635	—	—	150,635	2030-2038	—	(b)(d)
Direct placement notes:								
Series 2023A-1	90,870	—	1,055	—	89,815	2026-2042	2.43-3.83	(b)(d)
Series 2023A-2	43,845	—	695	—	43,150	2026-2042	2.34-3.74	(b)(d)
Series 2023B	145,880	—	2,300	—	143,580	2026-2042	2.35-3.75	(b)(d)
Series 2023C	63,000	—	—	—	63,000	2030-2033	2.34-3.74	(b)(d)
Subtotal	<u>5,428,558</u>	<u>884,007</u>	<u>375,760</u>	<u>478,175</u>	<u>5,458,630</u>			
Plus: Net premium	424,888	32,645	39,200	3,485	414,848			
Less: Current maturities	<u>(375,760)</u>				<u>(124,240)</u>			
Total LIPA Long-term debt	<u>5,477,686</u>				<u>5,749,238</u>			
UDSA bonds:								
Series 2015	911,225	—	104,820	806,405	—	—	—	
Series 2016A	420,490	—	83,490	109,475	227,525	2026-2033	5.00	
Series 2016B	127,510	—	5,950	28,690	92,870	2028-2033	4.00-5.00	
Series 2017	283,520	—	395	156,890	126,235	2026-2039	5.00	
Series 2022T	32,640	—	—	—	32,640	2029-2037	4.65-4.95	
Series 2022TE-1	762,975	—	24,310	—	738,665	2026-2037	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	646,700	—	5,000	—	641,700	2026-2039	5.00	
Series 2023TE-2	135,515	—	—	—	135,515	2034-2051	5.00	
Series 2025TE-1	—	115,135	—	—	115,135	2040-2045	3.75-5.00	
Series 2025TE-2	—	974,730	—	—	974,730	2026-2039	5.00	
Subtotal	<u>3,451,555</u>	<u>1,089,865</u>	<u>223,965</u>	<u>1,101,460</u>	<u>3,215,995</u>			
Plus: Net premium	276,117	134,141	41,271	97,764	271,223			
Less: Current maturities	<u>(223,965)</u>				<u>(227,780)</u>			
Total UDSA Long-term debt	<u>\$ 3,503,707</u>				<u>3,259,438</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 2025)



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LIPA and UDSA's 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	5,212,111	1,020,271	82,085	721,740	5,428,557			
Plus: Net premium	388,851	95,618	36,992	22,588	424,889			
Less: Current maturities	(82,085)				(375,760)			
Total LIPA Long-term debt	5,518,877				5,478,686			
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	3,656,345	—	204,790	—	3,451,555			
Plus: Net premium	321,991		45,874		276,117			
Less: Current maturities	(204,790)				(223,965)			
Total UDSA Long-term debt	\$ 3,773,546				3,503,707			

- (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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The debt service requirements for LIPA's bonds (excluding short-term debt such as general revenue notes and revolving credit facility but including the USDA Restructuring Bonds) as of December 31, 2025 are as follows:

Due	Principal*	Interest	Net swap payments (receipts)	Total
2026	\$ 352,020	389,749	8,863	750,632
2027	428,650	372,579	8,871	810,099
2028	453,275	353,853	5,292	812,420
2029	470,020	333,726	1,570	805,316
2030	468,100	312,001	(2,389)	777,712
2031–2035	2,212,540	1,236,835	(11,839)	3,437,536
2036–2040	1,972,515	745,027	(7,119)	2,710,423
2041–2045	1,229,995	371,271	(875)	1,600,391
2046–2050	785,335	158,524	—	943,859
2051–2054	320,835	31,110	—	351,945
Total	\$ 8,693,285	4,304,674	2,374	13,000,333

* 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, 2025. 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 Series 2023A-1 Bonds bear interest at Securities Industry and Financial Municipal Association (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 and Series 2025C 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 2035. USDA has approximately \$1.4 billion of Restructuring Bonds callable through 2035.

(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, 2025 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	115,000	25,000	67,000	73,000	6/28/2030
Series 2015 CP 2AB	Commercial Paper	150,000	15,000	50,000	—	65,000	6/28/2030
Series 2015 CP 3AB **	Commercial Paper	100,000	30,000	—	—	30,000	9/29/2026
Series 2015 CP 4AB	Commercial Paper	200,000	30,000	50,000	30,000	50,000	6/26/2029
Series 2015 CP 5AB	Commercial Paper	100,000	70,000	—	40,000	30,000	3/10/2028
Series 2015 CP 6AB	Commercial Paper	250,000	40,000	75,000	75,000	40,000	6/08/2029
Total short-term debt		\$ 1,200,000	300,000	200,000	212,000	288,000	

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

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		\$ 1,200,000	345,000	485,000	530,000	300,000	

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

(g) Covenants

LIPA's Amended and Restated General Bond 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.

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*(Amounts in thousands, unless otherwise stated)***(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 2025 and 2024 on debt, lease and SBITA payments. LIPA's calculation of its fixed obligation coverage ratio for the years ended December 31, 2025 and 2024 is shown below for informational purposes.

	2025	2024
Operating revenues, net of uncollectible accounts expense	\$ 4,516,769	4,077,409 ⁽¹⁾
Other income	105,132	114,981 ⁽¹⁾
Shoreham Settlement & VBA regulatory asset receipts	57,068	53,716 ⁽²⁾
Total revenues and income	<u>4,678,969</u>	<u>4,246,106</u>
Operating expenses	(4,048,414)	(3,659,108) ⁽¹⁾
Add non cash expenses/(deduct cash funding):		
Depreciation and amortizations	514,215	478,738 ⁽¹⁾
Lease allowance	409,137	399,151 ⁽²⁾
Other interest expense	(18,015)	(10,736) ⁽²⁾
Total expenses	<u>(3,143,077)</u>	<u>(2,791,955)</u>
Funds available for debt service	\$ 1,535,892	1,454,151
Principal and interest – LIPA	353,919	310,171 ⁽²⁾
Principal and interest – UDSA	392,662	383,971 ⁽²⁾
Lease liabilities	409,137	399,151 ⁽²⁾
Total fixed obligation debt service	\$ 1,155,718	1,093,293
Fixed Obligation Coverage Ratio:		
Excluding UDSA	1.50	1.51 ⁽³⁾
Including UDSA	1.33	1.33
Board approved budget coverage target:	1.40	1.40
Excluding UDSA	1.20	1.20
Including UDSA		

Notes:

- (1) See Statements of Revenues, Expenses and Changes in Net Position
- (2) See Statements of Cash Flows
- (3) 2025 - Excluding UDSA equal to $(\$1,535,892 \text{ less } (\$392,662))/(\$1,155,718 \text{ less } (\$392,662))$
2024 - Excluding UDSA equal to $(\$1,454,151 \text{ less } (\$383,971))/(\$1,093,293 \text{ less } (\$383,971))$

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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.

	2025	2024	
Long-term LIPA and UDSA debt	\$ 8,674,625	8,880,112	(1)
Short-term debt	288,000	300,000	(1)
Lease and SBITA liabilities	1,235,005	1,488,357	(2)
LIPA Pension obligations (asset)	2,461	1,957	(3)
(Funded) Unfunded OSA pension obligations	(26,227)	31,038	(4)
Less:			
UDSA restricted cash	(106,001)	(129,695)	(2)
Adjusted Debt	10,067,863	10,571,768	
Current assets	3,293,418	3,245,415	(2)
Less amounts included in adjusted debt:			
UDSA restricted cash	(106,001)	(129,695)	(2)
Current assets, net of amounts included in adjusted debt	3,187,417	3,115,720	
Current liabilities	1,836,605	1,897,856	(2)
Less amounts included in adjusted debt:			
Current maturities of long-term LIPA and UDSA debt	(352,020)	(599,725)	(2)
Current maturities of lease and SBITA liabilities	(394,013)	(359,495)	(2)
Short-term debt	(288,000)	(300,000)	(2)
Current liabilities, net of amounts included in adjusted debt	802,572	638,636	
Net working capital (net current assets minus liabilities)	2,384,845	2,477,084	
Utility plant and property and equipment, net	10,883,888	10,711,393	(2)
Plant assets plus net working capital	\$ 13,268,733	13,188,477	
Adjusted Debt	\$ 10,067,863	10,571,768	
Debt-to-Asset Ratio	76%	80%	(5)

(1) See Note 12(c) and (f)

(2) See Statement of Net Position

(3) See Note 14(a)

(4) See Note 13

(5) 2025 \$10,067,863 / \$13,268,733

2024 \$10,571,768 / \$13,188,477

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(j) Changes in noncurrent liabilities

LIPA's other long-term liabilities as of December 31, 2025 were comprised of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Long-term liabilities and unrealized credits	\$ 37,865	18,568	(27,466)	28,967
Borrowings	21,735	—	(4,457)	17,278
Claims and damages	231,658	53,227	(132,381)	152,504
Lease and SBITA liabilities	1,128,862	125,703	(413,574)	840,992
Total other long-term liabilities	\$ 1,420,120	197,498	(577,878)	1,039,741

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	\$ 49,955	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	\$ 1,709,604	201,186	(490,670)	1,420,120

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 has been 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, 2025 and 2024.

	Pension benefits		Post-employment benefits	
	2025	2024	2025	2024
Benefit obligation at beginning of year	\$ 520,951	535,308	\$ 509,710	\$ 513,871
Service cost	24,145	27,524	12,590	13,832
Interest cost	28,531	26,311	28,275	25,461
Actuarial (gain) loss	(1,456)	(54,403)	(33,824)	(29,330)
Benefits paid	(15,518)	(13,789)	(15,314)	(14,124)
Benefit obligation at end of year	556,653	520,951	501,437	509,710
Fair value of assets at beginning of year	489,912	433,289	—	—
Actual return on plan assets	85,086	45,212	—	—
LIPA contribution	23,400	25,200	15,314	14,124
Benefits paid	(15,518)	(13,789)	(15,314)	(14,124)
Fair value of assets at end of year	582,880	489,912	—	—
LIPA funded (unfunded) obligation	\$ 26,227	(31,039)	(501,437)	(509,710)

The table above also provides the funded status of the PSEG Long Island plans and the amounts recognized as a long-term contractual asset for the pension plan and a liability for the OPEB plan as of December 31, 2025 and 2024. 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, 2025 and 2024, LIPA had on deposit in the OPEB Account approximately \$874 million and \$736 million, respectively. For a further discussion, see Note 11.

The contractual liability related to post-employment benefits decreased during 2025 due to the impact of an update of certain assumptions regarding the census data, claims costs, excise taxes, and the discount rate. These changes resulted in a net actuarial gain of approximately \$2 million for pension benefits and approximately \$34 million for post-employment benefits as follows:

	Pension benefits	Post-employment benefits
Updated census data	\$ (3.7)	\$ 2.2
Updated assumptions	0.3	(36.1)
Impact of adopting granular method	2.1	2.7
Discount rate changes (see table below)	(0.2)	(2.6)
Total gain	\$ (1.5)	\$ (33.8)

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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, 2025 and 2024:

	Pension benefits		Post-employment benefits	
	2025	2024	2025	2024
Discount rate	5.84 %	5.84 %	5.90 %	5.87 %
Rate of compensation increase	5.53 %	5.50 %	5.53 %	5.50 %

Pension Plan Assets

During 2025 and 2024, LIPA provided \$23 million and \$25 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, 2025 and 2024:

Investment type	2025		2024	
	Amount	Allocation	Amount	Allocation
Equity	\$ 440,800	76%	\$ 369,032	75%
Fixed-income	139,763	24%	118,838	25%
Other	2,317	—	2,042	—
Total	\$ 582,880	100%	\$ 489,912	100%

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 2025, the P&OPEB obligations are estimated to be overfunded by approximately \$35 million compared with approximately \$15 million in 2024. 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.

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(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.

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.

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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, 2025 and 2024, were equal to 100% of the contributions required, and were \$1 million.

(v) *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred In-flows of Resources Related to Pensions*

As of December 31, 2025 and 2024, LIPA reported a liability of \$2 million for both years 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, 2025 was determined using an actuarial valuation as of April 1, 2024, with update procedures used to roll-forward the total pension liability to March 31, 2025. 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, 2025 and 2024, LIPA's proportionate share was 0.01% of the Retirement System net pension liability.

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For the years ended December 31, 2025 and 2024, LIPA recognized pension expense of \$1 million. As of December 31, 2025 and 2024, LIPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual expense	\$ 611	29	630	53
Net difference between projected and actual earnings on investments	193	—	—	956
Changes in assumptions	103	—	740	—
Net difference between LIPA's contributions and proportionate share of contributions	525	—	489	10
	<u>\$ 1,432</u>	<u>29</u>	<u>1,859</u>	<u>1,019</u>

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:

2026	\$ 638
2027	789
2028	(106)
2029	82
2030	—
	<u>\$ 1,403</u>

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(vi) Actuarial Assumptions

For December 31, 2025, the total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2024, 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, 2025
Actuarial valuation date:	April 1, 2024
Actuarial cost method:	Aggregate Cost Method
Inflation:	2.90 %
Salary scale:	4.30 %
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, 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

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:

Asset class	Long-term expected real rate of return (%)
Domestic equity	3.54
International equity	6.57
Private equity	7.25
Real estate	4.95
Opportunistic/Absolute return strategies	5.25
Credit	5.40
Real assets	5.55
Fixed income	2.00
Cash	0.25

(vii) *Discount Rate*

The discount rate used to calculate the total pension liability was 5.90% as of December 31, 2025 and 2024. 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 the plan measurement date of March 31, 2025, 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)	\$ 7.1 million	2.5 million	(1.4) 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 the plan measurement date of March 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:

	<u>1% Decrease (4.9%)</u>	<u>Assumption (5.9%)</u>	<u>1% Increase (6.9%)</u>
LIPA's proportionate share of the net pension liability (asset)	\$ 6.2 million	2.0 million	(1.5) 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 thousand 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 \$35 million and \$31 million as of December 31, 2025 and 2024, 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 \$39 million and \$33 million as of December 31, 2025, and 2024, respectively, for a total funding ratio of 111.8% and 107.0% respectively. 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 2025 or 2024. 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, 2025 and 2024, the lease asset, net of amortization, and the corresponding lease liability for capacity arrangements, amounted to approximately \$1.1 billion and \$1.4 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 2025 or 2024. As of December 31, 2025 and 2024, the lease asset, net of amortization and the corresponding lease liability for property leases amounted to approximately \$49 million and \$43 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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 372,989	24,923	397,912
2027	321,777	15,707	337,484
2028	194,089	9,233	203,322
2029	125,100	5,320	130,420
2030	62,027	2,933	64,960
2031-2035	72,935	5,128	78,063
2036-2039	15,503	555	16,058
Total	\$ <u>1,164,420</u>	<u>63,799</u>	<u>1,228,219</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 2035. LIPA recognized net SBITA assets in Utility plant and property and equipment for the years ended December 31, 2025 and 2024 of approximately \$76 million and \$23 million, respectively, and SBITA obligations of \$71 million and \$21 million, respectively.

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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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 21,024	1,644	22,668
2027	17,278	1,156	18,434
2028	15,820	698	16,518
2029	11,908	268	12,176
2030	2,670	98	2,768
2031-2035	1,885	35	1,920
Total	\$ <u>70,585</u>	<u>3,899</u>	<u>74,484</u>

(c) Other Energy Agreements and Transmission Agreement

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 natural gas to its contracted natural gas-fueled power generating facilities. Certain of these agreements have minimum obligations. As of December 31, 2025, the approximate minimum obligation associated with such agreements are approximately \$4 million for years 2026 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, 2025 and 2024, LIPA recognized approximately \$202 million and \$159 million for energy related to these contracts, respectively.

LIPA also has a 20-year power purchase agreement for an 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. For the years ended December 31, 2025 and 2024, LIPA recognized approximately \$88 million and \$53 million for energy related to this contract, respectively.

As provided by LIPA's tariff, the cost of all the facilities noted above are includable and recoverable through the Power Supply Charge.

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*(Amounts in thousands, unless otherwise stated)***(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.

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.

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(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

Legal actions were 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, seeking to recover for property damage resulting from fire. As of December 2025, these matters have been resolved, and they have not had 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, 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.

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(d) *Litigation Related to Payments in Lieu of Taxes*

As a state public authority, LIPA is exempt from property taxes. By statute, LIPA makes PILOTs for real property it acquired from LILCO. 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 for each parcel from the previous calendar year.

Litigation with Suffolk County and its ten towns resulted in a Decision and Order from the Supreme Court Suffolk County dated April 1, 2021, 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.

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. In 2025, LIPA modified its methodology for calculating the potential exposure based on updated information and assumptions. The new methodology resulted in an approximately \$113 million reduction to the reserve. LIPA estimates the potential exposure with penalties and interest to be approximately \$118 million through 2025. 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.

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*(Amounts in thousands, unless otherwise stated)***(f) Quanta Services Proceedings**

On May 29, 2024, LIPA launched a request for proposals (RFP) to identify the future service provider to LIPA after the OSA expires on December 31, 2025 (the 2024 OSA RFP). On September 18, 2025, Quanta Services, Inc. (Quanta), one of the 2024 OSA RFP bidders, filed an action in Supreme Court Nassau County under Civil Practice Law and Rules (CPLR) Article 78 against LIPA and six of its trustees. The petition sought to: (i) challenge and declare void and unlawful under applicable New York law the Board of Trustees' decision to cancel its 2024 OSA RFP; (ii) enjoin LIPA from moving forward with any OSA contract extension pending the Court's determination of the Article 78 proceeding; (iii) compel LIPA to rescind its cancellation decision and reconsider proposals in accordance with the RFP; and (iv) order expedited discovery (the Article 78 Action). On September 22, 2025, Quanta filed by order to show cause (OTSC) a request for a temporary restraining order (TRO) to restrain LIPA from entering into an extension of the OSA until the court has ruled on Petitioner's request for a preliminary injunction. On September 24, 2025, the court signed the OTSC but struck the TRO for relief. On October 3, 2025, the court denied Quanta's application for injunctive relief. On October 10, 2025, LIPA filed a motion to dismiss the Article 78 Action. The motion was fully briefed by the parties, and it was submitted to the court on November 3, 2025. Oral argument was held on November 26, 2025. By decision and order dated December 24, 2025 and entered December 30, 2025, the court granted LIPA's motion and the Article 78 Action was dismissed. On January 23, 2026, Quanta filed a notice of appeal. Quanta will have approximately six (6) months from that date to serve and file its appellate papers.

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(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, 2025 and 2024 are below:

Condensed Statement of Net Position

December 31, 2025

	LIPA	UDSA	Eliminations	Total
Assets and deferred outflows of resources:				
Capital assets, net	\$ 10,883,888	—	—	10,883,888
Current assets	3,020,546	160,685	—	3,181,231
Regulatory assets	418,241	6,558	—	424,799
Noncurrent assets	493,898	3,491,898	(3,491,900)	493,896
Deferred outflows of resources	97,225	5,601	—	102,826
Total assets and deferred outflows of resources	<u>14,913,798</u>	<u>3,664,742</u>	<u>(3,491,900)</u>	<u>15,086,640</u>
Liabilities, deferred inflows of resources, and net position:				
Long-term debt, net of current maturities	5,749,238	3,259,438	—	9,008,676
Current liabilities	1,501,273	234,640	—	1,735,913
Regulatory liabilities	362,345	—	—	362,345
Noncurrent liabilities	5,179,771	133	(3,491,900)	1,688,004
Deferred inflows of resources	917,717	98,611	—	1,016,328
Net position	1,203,454	71,920	—	1,275,374
Total liabilities, deferred inflows of resources, and net position	<u>\$ 14,913,798</u>	<u>3,664,742</u>	<u>(3,491,900)</u>	<u>15,086,640</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2025

	LIPA	UDSA	Eliminations	Total
Operating revenues	\$ 4,140,663	378,879	(2,773)	4,516,769
Operating expenses	3,788,138	263,049	(2,773)	4,048,414
Operating income	<u>352,525</u>	<u>115,830</u>	<u>—</u>	<u>468,355</u>
Other income, net	133,004	8,230	—	141,234
Interest charges, net	232,565	134,475	—	367,040
Change in net position	252,964	(10,415)	—	242,549
Net position, beginning of year	950,490	82,335	—	1,032,825
Net position, end of year	<u>\$ 1,203,454</u>	<u>71,920</u>	<u>—</u>	<u>1,275,374</u>

Condensed Statement of Cash Flows

For the year ended December 31, 2025

	LIPA	UDSA	Eliminations	Total
Net cash provided by operating activities	\$ 1,138,890	370,151	—	1,509,041
Net cash (used in) provided by investing activities	358,147	8,230	—	366,377
Net cash (used in) noncapital related activities	(263,443)	—	—	(263,443)
Net cash (used in) capital and related financing activities	(992,865)	(402,074)	—	(1,394,939)
Net (decrease) increase in cash and cash equivalents	240,730	(23,694)	—	217,036
Cash and cash equivalents at beginning of year	812,989	129,695	—	942,684
Cash and cash equivalents at end of year	<u>\$ 1,053,719</u>	<u>106,001</u>	<u>—</u>	<u>1,159,720</u>

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Condensed Statement of Net Position

December 31, 2024

	LIPA	UDSA	Eliminations	Total
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
Total liabilities, deferred inflows of resources, and net position	\$ <u>14,846,348</u>	<u>3,835,816</u>	<u>(3,637,311)</u>	<u>15,044,853</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2024

	LIPA	UDSA	Eliminations	Total
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	\$ <u>950,490</u>	<u>82,335</u>	<u>—</u>	<u>1,032,825</u>

Condensed Statement of Cash Flows

For the year ended December 31, 2024

	LIPA	UDSA	Eliminations	Total
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	\$ <u>812,989</u>	<u>129,695</u>	<u>—</u>	<u>942,684</u>

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(18) Subsequent Events

Subsequent events have been evaluated through March 25, 2026, which is the date that the financial statements were available to be issued.

On March 12th LIPA issued Electric System General Revenue Bonds, Series 2026A totaling around \$251 million and used the proceeds to repay the Electric System General Revenue Bonds, Series 2023C and retire the Authority's commercial paper that refinanced the Authority's then-outstanding Electric System General Revenue Bonds, Series 2023A-2 and Series 2023B on January 30, 2026.

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Required Supplementary Information (Unaudited)

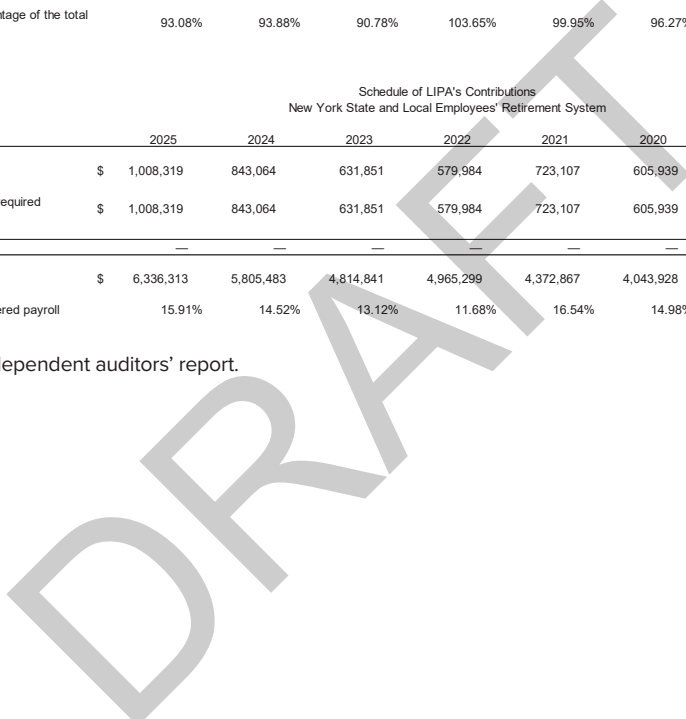
Schedule of LIPA's Proportionate Share of Net Pension Liability New York State and Local Employees' Retirement System

As of measurement date March 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportionate percentage of net pension liability	0.0143551%	0.0132889%	0.0124099%	0.0102049%	0.0098574%	0.0103052%	0.0103343%	0.0096075%	0.0099883%	0.0106679%
Proportionate share of the net pension liability (asset) \$	2,461,287	1,956,671	2,661,188	(834,210)	9,815	2,728,884	732,219	310,076	938,526	1,712,234
LIPA's covered-employee payroll \$	6,336,313	5,805,483	4,814,841	4,965,299	4,372,867	4,043,928	3,883,794	4,088,041	3,782,636	3,511,480
LIPA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.84%	33.70%	55.27%	-16.80%	0.22%	67.48%	18.85%	7.58%	24.81%	48.76%
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	96.27%	98.24%	94.70%	90.70%	97.95%

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

As of December 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution \$	1,008,319	843,064	631,851	579,984	723,107	605,939	568,817	608,517	558,890	198,948
Contributions in relation to statutorily required contributions \$	1,008,319	843,064	631,851	579,984	723,107	605,939	568,817	608,517	558,890	198,948
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—	—
LIPA's covered-employee payroll \$	6,336,313	5,805,483	4,814,841	4,965,299	4,372,867	4,043,928	3,883,794	4,088,041	3,782,636	3,511,480
Contributions as a percentage of covered payroll	15.91%	14.52%	13.12%	11.68%	16.54%	14.98%	14.65%	14.89%	14.78%	5.67%

See accompanying independent auditors' report.





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