FitchRatings

RATING ACTION COMMENTARY

Fitch Rates Long Island Power Authority Electric System Rev Bonds 'A+'; Outlook Stable

Tue 21 Jul, 2026 - 12:45 PM ET

Fitch Ratings - New York - 21 Jul 2026: Fitch Ratings has assigned an 'A+' rating to the following bonds issued by the Long Island Power Authority (LIPA), NY:

--$500 million electric system general revenue and refunding bonds, series 2026B;

--$176 million electric system general revenue bonds, series 2026C (fixed rate mandatory tender bonds).

Fitch has affirmed the authority's Issuer Default Rating (IDR) and the outstanding parity senior-lien electric system revenue and refunding bonds and bank bond ratings on variable rate bond series outstanding at 'A+'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR

Long Island Power Authority (NY)	LT IDR	A+ Rating Outlook Stable	Affirmed	A+ Rating Outlook Stable
Long Island Power Authority (NY) /Electric System Revenues/1 LT	LT	A+ Rating Outlook Stable	Affirmed	A+ Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The 'A+' rating reflects LIPA's very strong revenue defensibility, highlighted by very favorable service area and demand characteristics and very strong rate flexibility, coupled with a high operating cost burden and strong financial profile. Financial performance has been very stable, allowing LIPA to sustain a gradual deleveraging trend that began in 2015.

SECURITY

The bonds are senior-lien obligations of the authority secured by net revenue from the electric system, after payment of operations and maintenance (O&M) expenses.

KEY RATING DRIVERS

Revenue Defensibility - 'aa'

The authority's very strong revenue defensibility reflects the revenue stability from its exclusive role as the electric transmission and distribution utility provider serving Long Island, in addition to the exceptionally strong profile of its service area. The assessment also includes LIPA's legal ability to determine rates, its affordable cost of electric service, and its ability to recover roughly 80% of costs through various rate mechanisms including its revenue-decoupling mechanism (RDM). The RDM adjusts for any variance between actual and budgeted revenue and helps offset potential variability in demand.

Rate increases over 2.5% are subject to regulatory review by the New York State Department of Public Service. However, given the advisory nature of these rate reviews and LIPA's other adjustable rate mechanisms, rate flexibility is very strong. The authority has not proposed a rate increase of more than 2.5% since the initial rate plan in 2015.

Operating Risk - 'bbb'

Fitch assesses the operating risk profile as midrange, reflecting operating costs well above the national average. The relatively high operating cost burden reflects legacy acquisition costs, challenges related to serving an island geography and high payments in lieu of taxes (PILOTs). Costs were roughly 20 cents/kWh in 2025 and are likely to remain near this level going forward. LIPA owns the electric transmission and distribution system located throughout its service territory. However, external service providers handle the system's O&M and significant power supply responsibilities.

Power supply is well diversified and comprises purchased capacity from units located on Long Island and elsewhere that comfortably meet peak demand. Natural gas serves as the predominant fuel source for most of the contracted capacity, supplemented by smaller amounts of nuclear, solar, hydroelectric, oil-fired and refuse-derived capacity. Budgeted capital spending is high at roughly $5.2 billion through 2030 and will focus on system resilience and reliability. The authority extended its operating services agreement (OSA) with system operator PSEG Long Island (PSEGLI) through 2030.

Financial Profile - 'a'

The financial profile is strong. Declining leverage and stable coverage of full obligations (COFO) reflect a series of base rate increases and improvement in FADS, as well as strong and stable available cash. This improvement, along with a slight decline in net adjusted debt, resulted in a leverage ratio of 6.3x in 2025. Liquidity is neutral to the assessment with unrestricted cash of $1.7 billion in 2025, or 233 days on hand. A revolving credit agreement provides total liquidity of 355 days on hand.

Fitch's scenario analysis indicates LIPA's leverage ratio will increase slightly and approximate 7.0x over the next few years as additional debt is issued and operating performance remains stable. This range is consistent with the financial profile assessment and the 'A+' rating. While leverage ratios could push higher in a stress scenario, any weakness in metrics is expected to be temporary considering the flexibility provided by the RDM to recover lost revenue. Leverage metrics excluding securitized restructuring bonds issued through the Utility Debt Securitization Authority (UDSA) are slightly stronger and similarly support the current rating.

Given the recurrent nature of the securitization financings for ongoing capex, Fitch includes LIPA's approximately $3.2 billion in outstanding securitization bonds in its key financial ratios and analysis.

Asymmetric Additional Risk Considerations

There is no asymmetric additional risk consideration factored into the rating.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Sustained leverage approximating 8.0x in Fitch's rating case scenario;

--Significant shift away from stated policies related to financial sustainability, including fixed charge coverage targets;

--Failure to implement rate increases consistent with its financial budget

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- A sustained reduction in leverage below 7.0x in Fitch's rating case scenario;

-- Demonstrated operating stability and strong performance across the system's external service providers.

PROFILE

LIPA owns one of the largest municipal electric distribution systems in the U.S. It serves approximately three million people throughout New York's Nassau (AAA/Stable) and Suffolk (AA-/Positive) Counties and the Rockaway section in Queens.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Long Island Power Authority, NY.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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APPLICABLE CRITERIA

U.S. Public Power Rating Criteria (pub. 26 Feb 2026) (including rating assumption sensitivity)

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub. 01 May 2026) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.1.1 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Long Island Power Authority (NY)	EU Endorsed, UK Endorsed

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