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Research Update:

Long Island Power Authority, NY Series 2026B, 2026C Electric System General Revenue Bonds Rated 'A'; Outlook Stable

July 24, 2026

Overview

- S&P Global Ratings assigned its 'A' long-term rating to the **Long Island Power Authority** (LIPA or the authority), New York's proposed $771 million series 2026B electric system general revenue bonds and $176 million series 2026C electric system general revenue bonds (fixed rate mandatory tender bonds).
- The outlook is stable.

Rationale

Security

A net revenue pledge of LIPA's electric system secures the proposed bonds. The authority had $7.4 billion of debt, including unamortized premium, and lease obligations outstanding at the end of fiscal 2025.

We assigned our rating to the bonds by applying our "U.S. Municipal Retail Electric And Gas Utilities: Methodology And Assumptions" criteria, Sept. 27, 2018. In addition, we applied those provisions of our "U.S. Municipal Water, Sewer, And Solid Waste Utilities" criteria, April 14, 2022, which delineate our methodology for assessing the impact of securitized debt. As of Dec. 31, 2025, LIPA had $3.3 billion of securitized debt outstanding, issued by its component unit, the Utility Debt Securitization Authority (UDSA). An irrevocable, nonbypassable consumption-based charge, and not the trust estate that secures LIPA's electric revenue bonds, secures the UDSA debt. We exclude the securitized debt when calculating LIPA's fixed-cost coverage (FCC) and the debt-to-capitalization ratio, although we recognize that the authority's customers pay the debt service associated with the securitized debt via their electric bills.

The series 2026C bonds will be issued as fixed-rate obligations, refinancing the series 2021B mandatory tender bonds. The series 2026C refunding bonds are being issued as multimodal "soft put" bonds, bearing interest at a fixed rate for the initial term rate period, subject to mandatory tenders at the end of each term mode interest rate period, at the option of LIPA beginning a few months prior to the end of the initial term, and on any mode change date. We do not consider the soft put a contingent liability for LIPA. If LIPA is unable to fully remarket the tendered bonds, the

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bonds will remain with existing bondholders and no event of default will occur, although the bonds would then carry a higher interest rate until they can be remarketed or refunded, with exact terms negotiated at pricing.

Credit highlights

The rating on LIPA reflects the authority's consistent and supportive cost recovery and liquidity. In the past three years, LIPA's FCC averaged 1.3x, which we expect will remain at this level over the next several years based on LIPA's financial forecast. In addition, the authority's liquidity, with unrestricted cash and investments and undrawn capacity on a credit line, measured 198 days of operating expenses at the end of fiscal 2025. LIPA is a political subdivision of the State of New York, governed by a board of trustees appointed by the governor and legislative leadership.

The rating further reflects our view of LIPA's:

- Large, predominantly residential, and affluent customer base, contributing to revenue stability and predictability.
- Generally affordable rates with the weighted-average rate at 104% of the state average in 2024 based on U.S. Energy Information Administration data, particularly when considering the service area's elevated median household effective buying income. Nevertheless, because of the high unpredictability of federal policy--along with the economy's stressors and the associated financial pressures consumers are facing--we are monitoring the strength and stability of electric utilities' revenue streams for evidence of delinquent payments or other revenue erosion (see "Economic Outlook U.S. Q3 2026: Resilient to Layered Supply Shocks," June 24, 2026).
- Myriad passthrough and decoupling mechanisms that reduce the need for more sizable base rate increases. The mechanisms provide automatic recovery of power costs and decouple budget-to-actual revenue variances for any reason, including economic conditions such as writeoffs and insulate the utility from the 2.5% base rate increase threshold that would trigger review by the New York Department of Public Service.

Partially offsetting these strengths, in our view, are LIPA's:

- Transitioning power supply, as the utility seeks to reduce its carbon dioxide emissions. New York State's ambitious decarbonization mandate, the Climate Leadership and Community Protection Act (CLCPA), directed the state's utilities to source 70% of their electricity from renewable resources by 2030 and 100% from carbon-free resources by 2040, but the implementation dates of some of these requirements were deferred in 2026. Nevertheless, we still believe that achieving the state's decarbonization goals will be challenging. We believe these risks are largely the same for LIPA as for other utilities in New York.
- Requirement to submit any proposed base rate increase that would raise revenue by more than 2.5% for review by New York State, although LIPA's board retains final rate-setting power. Since being imposed, this threshold has not been breached, and we believe that several passthrough and decoupling mechanisms diminish the potential need to exceed the threshold.
- Highly leveraged transmission and distribution system. Excluding the separately secured UDSA debt, the authority's debt-to-capitalization ratio was 85% at the end of fiscal 2025. Capital needs are sizable (about $1 billion annually over the next five years, with more than half expected to be debt financed). We expect that LIPA will remain highly leveraged.

Outlook

The stable outlook reflects our view of credit-supportive passthrough mechanisms that have promoted cost recovery across economic cycles, helping LIPA maintain FCC and liquidity. The outlook further reflects our view of high-income levels, which suggest modest rate-raising flexibility.

Downside scenario

Over the next two years, we could lower the rating on the authority if our forward-looking view of FCC, liquidity, or debt suggests deterioration, or if rate-raising flexibility is compromised. In addition, we could lower the rating if LIPA’s management team struggles to execute long-term strategic plans.

Upside scenario

Given the sizable capital program and leverage that we consider high for a utility that has outsourced most of its energy supply function and that has used securitizations to mitigate leverage, it is unlikely that we would raise the rating during our two-year outlook horizon. However, we could raise the rating if LIPA's financial metrics materially strengthen while the authority executes its long-term strategic plans to improve rate competitiveness and operational stability.

Credit Opinion

A deep and diverse service area underpins LIPA’s creditworthiness

One of the largest public power utilities in the U.S., the authority serves about 1.2 million retail customers in Nassau and Suffolk counties and a portion of Queens County known as the Rockaways. In 2024 (the most recent available), income levels in Nassau and Suffolk counties were 159% and 146% of national household effective buying income, respectively. In our view, well-above-average incomes support rate-raising flexibility, although ratepayer perception of service-delivery shortcomings in the aftermath of storm events as well as service reliability have challenged this. We note that service-reliability statistics have materially improved in the past decade. The utility derives more than half of its revenue from residential customers and the balance from commercial and governmental customers. We view the sizable revenue contributions from residential customers and the absence of substantial industrial loads as contributing to revenue stability.

A unique business model, with day-to-day operations outsourced under a contract that expires in 2030

LIPA outsources the management of its operations to a for-profit, investor-owned utility, PSEG Long Island (PSEGLI), a subsidiary of the Public Service Enterprise Group. We believe this arrangement periodically creates recontracting risk and note that LIPA did not renew its contract with PSEGLI--that expired at the end of 2025--until the final months after LIPA canceled a competitive bidding process for the contract. PSEGLI manages day-to-day operations under an operations-and-service agreement that began in 2014 and expires Dec. 31, 2030. PSEGLI receives from LIPA a management fee and passes through the operating costs of its ServCo subsidiary, which handles the day-to-day operations of the utility. LIPA's responsibilities include policymaking, planning and oversight, rate setting, and financing responsibilities for the transmission and distribution system.

Following Superstorm Sandy (2012) and Tropical Storm Isaias (2020), the respective private contractors operating the transmission-and-distribution systems for LIPA were unable to restore service within a time frame acceptable to the authority, its customers, and elected officials. As part of its response to Isaias' protracted outages, LIPA amended and restated its contract with system operator PSEGLI to impose higher performance standards, including more substantial financial penalties for substandard performance. PSEGLI met 78% of the performance metrics in fiscal 2025, resulting in LIPA's withholding a portion of PSEGLI's compensation.

A primarily outsourced, flexible power supply

In our view, LIPA obtains power from a large number of generating units, including an 18% ownership stake (229 megawatts, or MW) in Nine Mile Point Nuclear Unit 2 (NMP2); a power supply agreement with Genco, a subsidiary of investor-owned National Grid (approximately 3,500 MW); and purchased power contracts (approximately 3,200 MW, including transmission intertie capacity) with on- and off-island generators.

NMP2, whose operating license expires in 2046, provides about 10% of LIPA's retail energy requirements. Contractual agreements with National Grid and other energy providers, as well as economy market purchases, serve all needs beyond NMP2. The National Grid contract allows LIPA to purchase energy from sources other than National Grid if those sources have lower costs, which is common. Although the cost of reserving National Grid capacity does not abate when LIPA purchases power from others, LIPA can direct National Grid to remove generation and related capacity charges from the power supply agreement. National Grid provided 28% of LIPA's 2025 power supply. The power supply agreement with National Grid expires in April 2028.

Underwater transmission cables provide access to the PJM and New England independent system operator markets, helping reduce LIPA's exposure to National Grid's high production costs.

Decarbonization goals could pressure rates, but cost-recovery mechanisms should mitigate financial risk

In 2026, New York State deferred some of the CLCPA legislation’s implementation dates in recognition of the cost burdens consumers would face and technological feasibility of meeting the targets. Nevertheless, we still view the state's decarbonization plan as aggressive in scale. We believe that retiring older fossil-fueled power plants could introduce operational risks and costs. Furthermore, increasing renewables will require substantial investment in transmission, and transmission and offshore wind projects have historically faced significant opposition, resulting in project delays and/or cancellation. However, we note that LIPA's costs of complying with the regulations will be recovered through the authority's power supply charge and will not be subject to 2.5% revenue increase limitation, although complying with decarbonization goals would likely impose rate pressure.

Climate and other evolving factors

We believe that climate transition risks exert a negative influence on the rating. The utility sourced less than 10% of its electricity from renewable sources in fiscal 2025, which might have to increase materially over the coming decades to meet state regulations. In addition, the service territory's extensive coastal exposure heightens susceptibility to storm damage and rising tides attributable to climate change. LIPA has incurred more than $700 million in storm costs since 2015.

Long Island Power Authority, New York--key credit metrics

	--Fiscal year ended Dec. 31--		
	2025	2024	2023
Operational metrics			
Electric customer accounts	1,166,276	1,161,795	1,155,243
% of electric retail revenues from residential customers	54	56	54
Top 10 electric customers' revenues as % of total electric operating revenue	6	6	6
Service area median household effective buying income as % of U.S.	N.A.	146	147
Weighted average retail electric rate as % of state	N.A.	104	103
Financial metrics			
Gross revenues ($000s)	4,229,239	3,808,419	3,357,231
Total operating expenses less depreciation and amortization ($000s)	3,534,199	3,180,370	2,903,300
Debt service ($000s)	348,196	287,742	245,467
Debt service coverage (x)	2.0	2.2	1.8
Fixed-charge coverage (x)	1.3	1.4	1.2
Total available liquidity ($000s)*	1,917,338	1,630,868	1,529,423
Days' liquidity	198	187	192
Total on-balance-sheet debt ($000s)	7,396,483	7,641,803	7,776,779
Debt-to-capitalization (%)	85	88	90

*Total available liquidity includes available committed credit line balances, where applicable. Debt service coverage--Revenues minus expenses divided by debt service. Fixed-charge coverage--Sum of revenues minus expenses minus total net transfers out plus capacity payments (or their proxy), divided by the sum of debt service plus capacity payments (or their proxy). N.A.--Not available.

Ratings List	
New Issue Ratings	
US$175.875 mil elec sys gen rev bnds (Fixed Rate Mandatory Tender Bonds) ser 2026C due 9/1/2051	
Long Term Rating	A/Stable
US$771.385 mil elec sys gen rev bnds ser 2026B due 9/1/2056	
Long Term Rating	A/Stable

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.