

Chief Financial Officer's Report to the Board of Trustees

July 26, 2017



LIPA Consolidated Results – June 2017

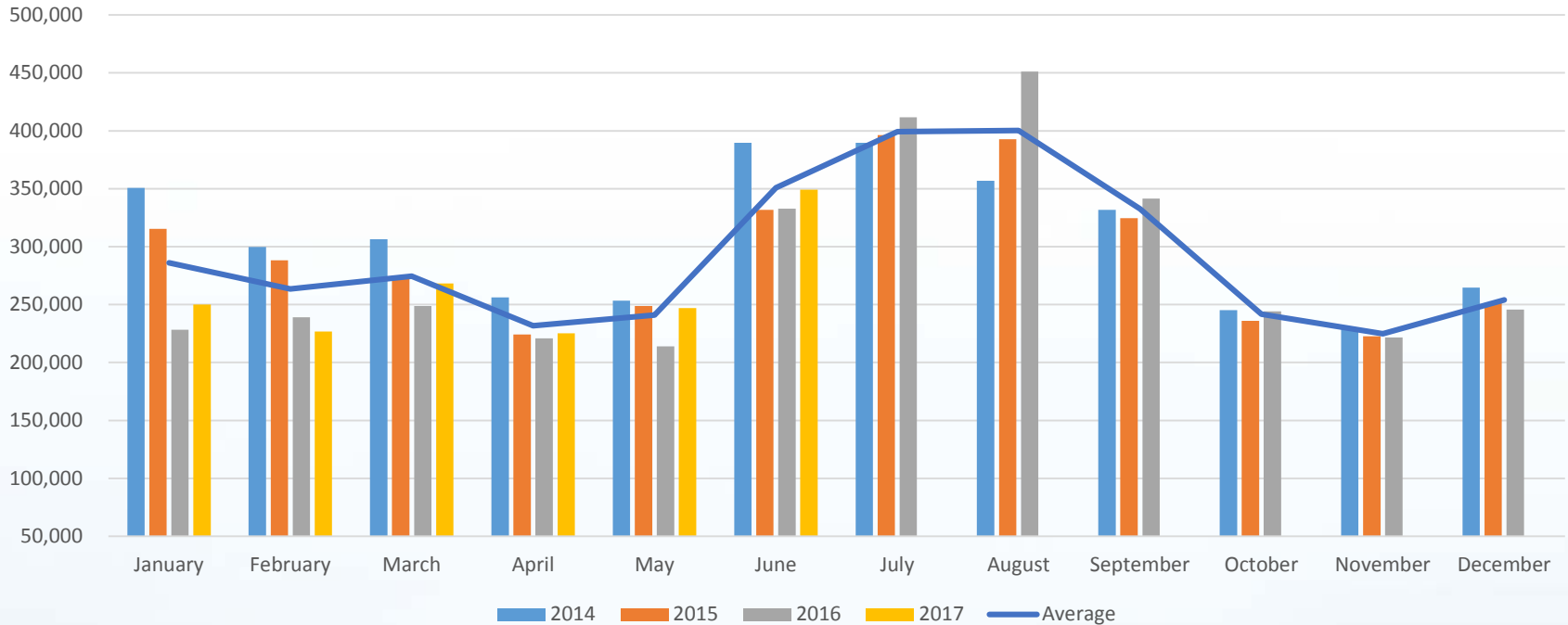
(\$ in thousands)	Current Month				Year to Date				Annual
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	Budget
Revenues	\$349,113	\$354,547	(\$5,434)	-1.5%	\$1,566,323	\$1,626,804	(\$60,481)	-3.7%	\$3,586,948
Power Supply Charge	175,018	182,168	7,150	3.9%	840,096	928,828	88,732	9.6%	1,992,875
Revenue Net of Power Supply Costs	\$174,095	\$172,379	\$1,716	1.0%	\$726,227	\$697,976	\$28,251	4.0%	\$1,594,073
PSEG Long Island Operating and Managed Expenses									
PSEG Long Island Operating Expenses	48,755	46,725	(2,030)	-4.3%	275,595	272,280	(3,315)	-1.2%	556,743
PSEG Long Island Managed Expenses	7,257	6,311	(946)	-15.0%	57,428	35,040	(22,388)	-63.9%	73,040
Utility Depreciation	13,748	14,031	283	2.0%	83,352	83,447	95	0.1%	167,634
PILOTs - Revenue-Based Taxes	2,483	3,151	668	21.2%	13,972	14,585	613	4.2%	32,482
PILOTs - Property-Based Taxes	23,757	23,757	-	0.0%	142,526	142,540	14	0.0%	285,772
LIPA Expenses									
LIPA Operating Expenses	7,973	8,416	443	5.4%	46,114	47,733	1,619	3.4%	95,655
LIPA Depreciation and Amortization	9,320	9,315	(5)	-0.1%	55,937	55,891	(46)	-0.1%	111,781
LIPA Deferred Amortized Expenses	2,585	2,585	-	0.0%	15,507	15,507	-	0.0%	31,015
Interest Expense, other Interest Costs and Interest Amortizations	26,905	27,265	360	1.3%	168,029	166,865	(1,164)	-0.7%	331,032
Total Expenses	\$142,783	\$141,556	(\$1,227)	-0.9%	858,460	833,888	(24,572)	-2.9%	1,685,154
Other Income and Deductions	3,722	2,754	968	35.1%	17,937	17,042	895	5.3%	33,552
Grant Income	601	898	(297)	-33.1%	3,724	22,698	(18,974)	-83.6%	45,388
Change in Net Position	\$35,635	\$34,475	\$1,160	-3.4%	(\$110,572)	(\$96,172)	(\$14,400)	-15.0%	(\$12,141)

Note: Variance - favorable/(unfavorable)

- Delayed receipt of grant funds is responsible for year-to-date budget variance

LIPA Monthly Revenues January 2014 through June 2017

2014 - 2017 Monthly Revenues



- LIPA monthly revenues are seasonal and vary with weather conditions
- Revenues peak in July and August with summer air conditioning

LIPA Liquidity Position – June 2017

Liquidity Position

(\$ in thousands)

	June 30, 2017	Days Cash	May 31, 2017	Days Cash
Operating liquidity				
Unrestricted cash and cash equivalents	\$324,078		\$328,157	
OPEB account cash, cash equivalents & investments	135,240		135,034	
PSEG LI Working Capital requirements	232,968		254,051	
Total operating liquidity	692,286	89 days	717,242	92 days
Available credit				
General Revenue Notes - Revolving Credit Facility	220,000		270,000	
General Revenue Commercial Paper	186,875		186,875	
Subordinated Revenue Commercial Paper	50,000		50,000	
Total available credit	456,875		506,875	
Total cash, cash equivalents, investments & available credit	\$1,149,161	147 days	\$1,224,117	157 days
Restricted cash				
FEMA - restricted	420,347		442,342	
UDSA	73,175		188,412	
Total restricted cash	\$493,522		\$630,754	

- Liquidity remains compliant with the Board's policy

LIPA 2017 Plan of Finance

LIPA’s financings in Fall 2017 to include:

Financing Capital Budget for Infrastructure Projects:

- Issuance of \$350 million par amount to fund long-life system improvements
- Approved by Board with Capital Budget expenditures in December 2016
- Consistent with Three-Year Rate Plan and Board’s Policy on Borrowing

Renew General Revenue (GR) Note Program:

- Eliminate minimum maturity requirement of 271 days to reduce cost
- Replace Subordinate Lien Commercial Paper with GR Notes to lower cost
- Renewal of \$500 million of Bank Letters of Credit expiring in 2017 and 2018 with new facilities expiring in 2020 and 2021
- Anticipate savings of over \$2.1 million per year from lower LOC fees

Series	Capacity (Mils)	Expiration	Status
GR-2	100	2021	New LOC
GR-4	200	2021	New LOC
GR-5	100	2020	New LOC
GR-6	100	2021	New Dealer & LOC
Total	\$500		

LIPA's Projected Debt

\$ Billion	Year-End 2016	Projected Year-End 2017
LIPA	\$3.76	\$3.65
UDSA	\$3.97	\$4.25
Total	\$7.73	\$7.90

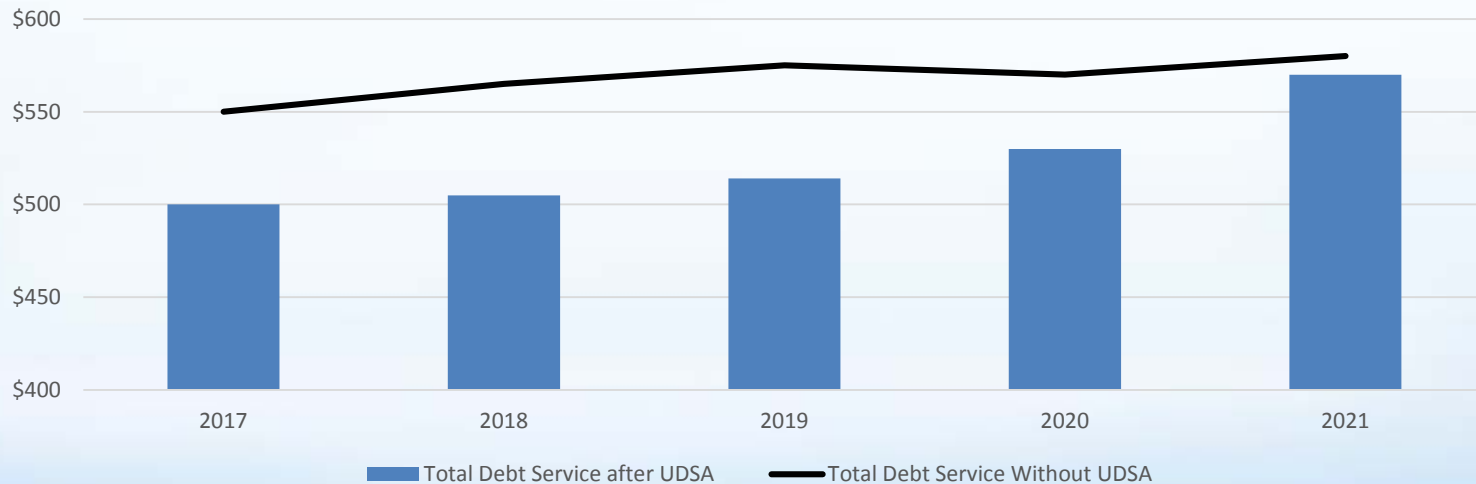
- LIPA will invest \$682.6 million in long-term capital infrastructure during 2017 while total debt is projected to remain relatively flat

- LIPA Board approval required for Financing Order #5 to authorize issuance of \$369 million of UDSA bonds to retire LIPA bonds for savings
- This UDSA financing would be the final issuance in the \$4.5 billion UDSA statutory bond authorization
- LIPA currently has two series of bonds that are candidates for refinancing:
 - \$181,550,000 of Series 2009A Bonds
 - \$195,590,000 of Series 2011A Bonds
 - Refinancing provides approximately \$37 million of present value savings under current market conditions

Summary of UDSA Financing Plan

	Series 2013	Series 2015	Series 2016A	Series 2016B	Series 2017*	Total
Bond Par Amount	\$2,022,324,000	\$1,002,115,000	\$636,770,000	\$469,320,000	\$356,255,000	\$4,486,784,000
All-in TIC	4.21%	3.4%	2.7%	2.0%	3.57%	
Average Life	14 Years	16 Years	12 Years	7 Years	17 Years	
Average Coupon of Refunded Bonds	4.6%	5.5%	5.2%	4.6%	5.0%	
Net PV Savings	\$131,608,713	\$127,977,538	\$115,238,294	\$71,647,250	\$37,972,199	\$484,443,995
Percentage Savings of Refunded Bonds	6.7%	12.2%	15.8%	11.8%	10.1%	10.4%

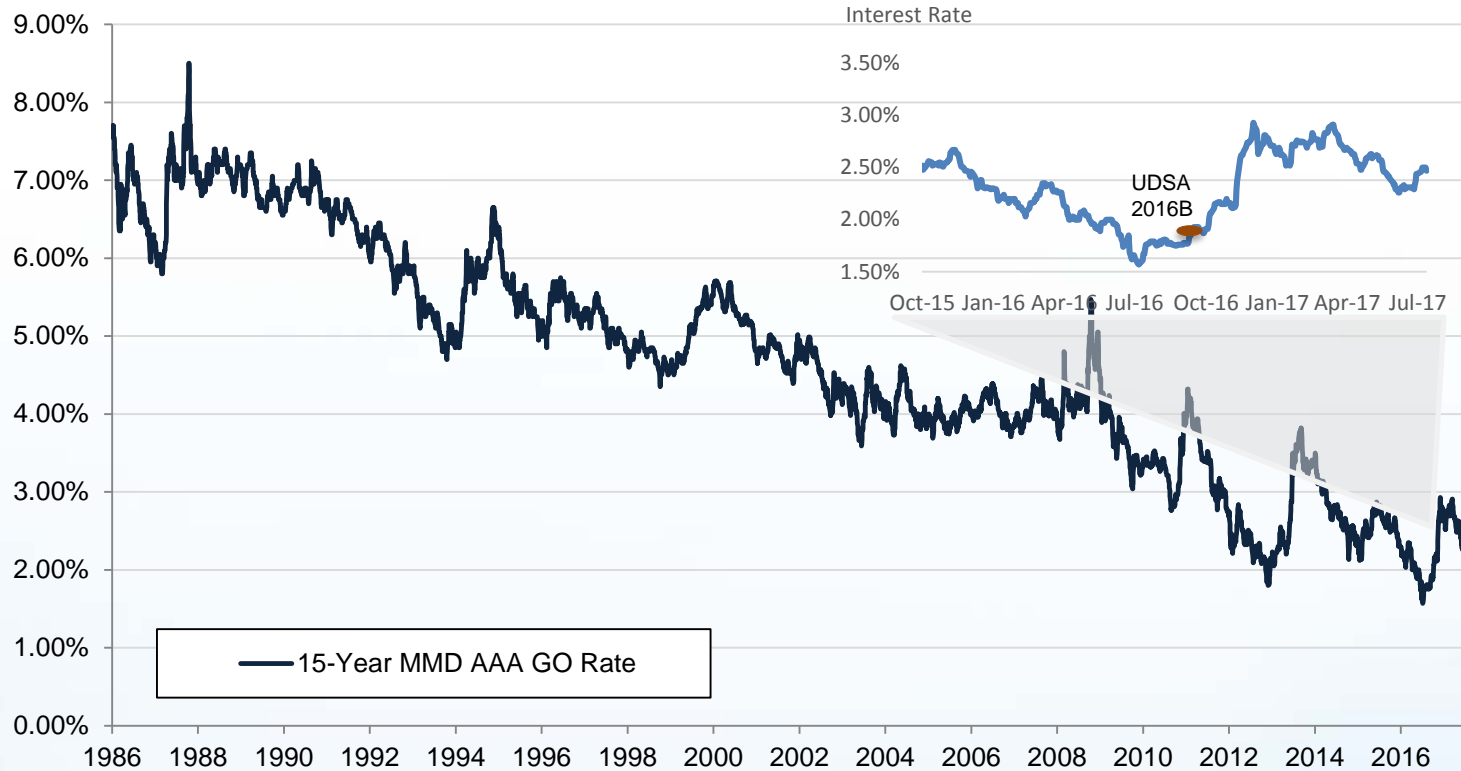
Debt Service After 2015-2017 UDSA Transactions



* Preliminary

Interest Rates Are Volatile and Could Impact Refinancing Savings

15 Year MMD AAA GO: 1986 - Present



Current Rate	2.47%
Minimum Rate	1.57%
Maximum Rate	8.50%
Average Rate 2015-Present	2.38%
Average Rate 2010-Present	2.75%

Financing Schedule

- July 20, 2017 – UDSA Public Hearing
- July 26, 2017 – LIPA Board of Trustees Meeting
- August 2017 – PACB & UDSA Board Meetings
- September 2017 – UDSA \$369 million Bond Refinancing
- October 2017 – LIPA \$350 million Bond Sale
- November 2017 – General Revenue Note Program Renewed