

# Presentation to the Finance and Audit Committee of the Board of Trustees – June 2017 Financial Report



# LIPA Consolidated Results – June 2017

*(\$ in thousands)*

	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
<b>Revenues</b>	<b>\$349,113</b>	<b>\$354,547</b>	<b>(\$5,434)</b>	<b>-1.5%</b>	<b>\$1,566,323</b>	<b>\$1,626,804</b>	<b>(\$60,481)</b>	<b>-3.7%</b>	<b>\$3,586,948</b>
Power Supply Charge	175,018	182,168	7,150	3.9%	840,096	928,828	88,732	9.6%	1,992,875
<b>Revenue Net of Power Supply Costs</b>	<b>\$174,095</b>	<b>\$172,379</b>	<b>\$1,716</b>	<b>1.0%</b>	<b>\$726,227</b>	<b>\$697,976</b>	<b>\$28,251</b>	<b>4.0%</b>	<b>\$1,594,073</b>
<b>PSEG Long Island Operating and Managed Expenses</b>									
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
<b>LIPA Expenses</b>									
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
<b>Total Expenses</b>	<b>\$142,783</b>	<b>\$141,556</b>	<b>(\$1,227)</b>	<b>-0.9%</b>	<b>858,460</b>	<b>833,888</b>	<b>(24,572)</b>	<b>-2.9%</b>	<b>1,685,154</b>
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
<b>Change in Net Position</b>	<b>\$35,635</b>	<b>\$34,475</b>	<b>\$1,160</b>	<b>-3.4%</b>	<b>(\$110,572)</b>	<b>(\$96,172)</b>	<b>(\$14,400)</b>	<b>-15.0%</b>	<b>(\$12,141)</b>

Note: Variance - favorable/(unfavorable)



# LIPA Managed Costs – Variance Explanations – June 2017

(\$ in thousands)

	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
<b>LIPA Expenses</b>									
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
<b>Total Expenses</b>	<b>\$46,783</b>	<b>\$47,581</b>	<b>\$798</b>	<b>1.7%</b>	<b>\$285,587</b>	<b>\$285,996</b>	<b>\$409</b>	<b>0.1%</b>	<b>\$569,483</b>
Other Income and Deductions	\$1,462	\$566	\$896	158.3%	\$3,695	\$3,398	\$297	8.7%	\$6,797
Grant Income	601	898	(297)	-33.1%	3,724	22,698	(18,974)	-83.6%	45,388
<b>Total Income</b>	<b>\$2,063</b>	<b>\$1,464</b>	<b>\$599</b>	<b>40.9%</b>	<b>\$7,419</b>	<b>\$26,096</b>	<b>(\$18,677)</b>	<b>-71.6%</b>	<b>\$52,185</b>

Note: Variance – favorable/(unfavorable)

- Operating expenses, year to date, are under budget by \$1.6M primarily due to the delay in various consulting work combined with lower labor costs
- Interest expense, year to date, is over budget by \$1.2M primarily due to costs incurred related to fees on extending certain credit agreements
- Grant income, year to date, is under budget by \$19M due to the timing of the Efficiency and Renewables RGGI grant from NYSERDA which is expected to be received later in the year



# LIPA Managed Costs – Professional Services – June 2017

(\$ in thousands)

	Current Month			Year to Date			Annual Budget
	Actual	Budget	\$ Var.	Actual	Budget	\$ Var.	
<b>Professional Services</b>							
Legal	\$293	\$323	\$30	\$1,960	\$1,939	(\$21)	\$3,878
Accounting and Audit Services	112	58	(54)	884	859	(25)	1,791
Engineering/Strategic Planning/Contract Oversight	93	142	49	503	850	347	1,700
Financial Advisor/Cash Management	139	134	(5)	845	802	(43)	1,604
Information Technology	59	76	17	404	456	52	912
Risk Management-Fuel & Insurance	100	52	(48)	100	312	212	395
Grant Administration	31	19	(12)	201	113	(88)	225
Miscellaneous	(93)	75	168	-	150	150	300
<b>Total Professional Services</b>	<b>\$734</b>	<b>\$879</b>	<b>\$145</b>	<b>\$4,897</b>	<b>\$5,481</b>	<b>\$584</b>	<b>\$10,805</b>

Note: Variance – favorable/(unfavorable)

- Engineering/Strategic Planning /Contract Oversight expenses, year to date, are under budget by \$0.3M primarily due to the timing of outstanding costs budgeted but not yet incurred
- Risk Management services expenses, year to date, are under budget by \$0.2M due to delayed timing of contract approvals



# LIPA Liquidity Position – June 2017

## Liquidity Position

(\$ in thousands)

	June 30, 2017	Days Cash	May 31, 2017	Days Cash
<b>Operating liquidity</b>				
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	
<b>Total operating liquidity</b>	<b>692,286</b>	<b>89 days</b>	<b>717,242</b>	<b>92 days</b>
<b>Available credit</b>				
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	
<b>Total available credit</b>	<b>456,875</b>		<b>506,875</b>	
<b>Total cash, cash equivalents, investments &amp; available credit</b>	<b>\$1,149,161</b>	<b>147 days</b>	<b>\$1,224,117</b>	<b>157 days</b>
<b>Restricted cash</b>				
FEMA - restricted	420,347		442,342	
UDSA	73,175		188,412	
<b>Total restricted cash</b>	<b>\$493,522</b>		<b>\$630,754</b>	



# LIPA Consolidated Statement of Net Position

## – June 2017

(\$ in thousands)

<b>ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>June 30, 2017</b>	<b>May 31, 2017</b>	<b>Variance</b>
Current assets	\$1,608,444	\$1,658,091	(\$49,647)
Capital assets	7,907,814	7,882,700	25,114
Regulatory assets (including current)	1,322,163	1,350,985	(28,822)
Other noncurrent assets	1,767,868	1,814,290	(46,422)
Deferred outflows of resources	267,273	264,976	2,297
<b>Total assets &amp; deferred outflows of resources</b>	<b>\$12,873,562</b>	<b>\$12,971,042</b>	<b>(\$97,480)</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	\$1,062,451	\$1,091,743	(\$29,292)
Regulatory liabilities	7,266	8,530	(1,264)
Long-term debt, (including current maturities)	7,222,003	7,286,756	(64,753)
Premiums on long-term debt	597,185	601,639	(4,454)
Capital leases	2,113,277	2,130,473	(17,196)
Other noncurrent liabilities	998,548	1,012,791	(14,243)
Deferred inflows of resources	528,337	530,250	(1,913)
<b>Total liabilities &amp; deferred inflows of resources</b>	<b>\$12,529,067</b>	<b>\$12,662,182</b>	<b>(\$133,115)</b>
<b>Total net position</b>	<b>\$344,495</b>	<b>\$308,860</b>	<b>\$35,635</b>
<b>Total liabilities, deferred inflows of resources &amp; net position</b>	<b>\$12,873,562</b>	<b>\$12,971,042</b>	<b>(\$97,480)</b>

- Current assets decreased \$50M primarily due to the semi-annual debt service payment on UDSA bonds
- Capital assets increased \$25M due to FEMA storm hardening of distribution circuits and other T&D system capital improvements
- Regulatory assets decreased \$29M primarily due to the scheduled fixed capacity component amortization of the Power Supply Charge
- Other noncurrent assets decreased \$46M due to the drawdown of long term restricted FEMA funds and a decrease in the mark-to-market of the financial derivatives
- Current liabilities decreased \$29M due to lower accrued interest as a result of scheduled debt service payments
- Long-term debt decreased \$65M due to scheduled debt service payments in June

# PSEG Long Island Operating Costs – June 2017

(\$ in thousands)

	Current Month				Year to Date				Annual*
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	Budget
<b><u>PSEG Long Island Operating Expenses</u></b>									
Transmission & Distribution	\$20,958	\$16,151	(\$4,807)	-29.8%	\$106,743	\$93,641	(\$13,102)	-14.0%	\$189,850
Customer Services	10,341	9,870	(471)	-4.8%	61,507	58,878	(2,630)	-4.5%	117,997
Business Services	10,083	12,163	2,079	17.1%	62,799	70,468	7,669	10.9%	145,925
Power Markets	658	1,074	415	38.6%	4,475	6,218	1,743	28.0%	14,054
Energy Efficiency & Renewable Energy	6,714	7,467	753	10.1%	40,071	43,076	3,005	7.0%	88,917
<b>Total PSEG Long Island Operating Expenses</b>	<b>\$48,755</b>	<b>\$46,725</b>	<b>(\$2,030)</b>	<b>-4.3%</b>	<b>\$275,595</b>	<b>\$272,280</b>	<b>(\$3,315)</b>	<b>-1.2%</b>	<b>\$556,743</b>

Note: Variance - favorable/(unfavorable)

\*FIT Evaluation Costs (DER) – annual budget of \$2.6M has been distributed to appropriate lines of business.

- Transmission & Distribution, year to date, is over budget by \$13.1M primarily due to an increase in tree trimming and circuit improvement costs targeted to improve reliability
- Customer Services, year to date, is over budget by \$2.6M primarily driven by additional outside services spend
- Business Services, year to date, is under budget by \$7.6M due to lower legal counsel, facility improvements and outside services spend
- Power Markets, year to date, is under budget by \$1.7M due to timing of various projects (Peaking, Renewable and Market Transition Study)
- Energy Efficiency & Renewable Energy, year to date, is under budget by \$3.0M primarily due to lower rebates than planned for Home Performance with the Energy Star Program

# PSEG Long Island Managed Costs – June 2017

(\$ in thousands)

	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
<b>PSEG Long Island Managed Expenses</b>									
Uncollectible Accounts	\$2,565	\$2,109	(\$457)	-21.7%	\$9,031	\$11,391	\$2,360	20.7%	\$25,647
Storm Restoration	4,198	3,048	(1,150)	-37.7%	44,529	16,893	(27,636)	-163.6%	34,077
NYS Conservation Assessment & ORPS	774	785	11	1.4%	5,089	4,538	(550)	-12.1%	8,880
Miscellaneous	(280)	370	650	175.8%	(1,221)	2,218	3,439	155.1%	4,436
<b>Subtotal PSEG Long Island Managed Expenses</b>	<b>\$7,257</b>	<b>\$6,311</b>	<b>(\$946)</b>	<b>-15.0%</b>	<b>\$57,428</b>	<b>\$35,040</b>	<b>(22,388)</b>	<b>-63.9%</b>	<b>\$73,040</b>
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
<b>Total PSEG Long Island Managed Expenses</b>	<b>\$47,246</b>	<b>\$47,250</b>	<b>\$5</b>	<b>0.0%</b>	<b>\$297,279</b>	<b>\$275,612</b>	<b>(\$21,666)</b>	<b>-7.9%</b>	<b>\$558,928</b>
<b>Other Income and Deductions</b>	<b>\$2,261</b>	<b>\$2,188</b>	<b>\$73</b>	<b>3.3%</b>	<b>\$14,242</b>	<b>\$13,643</b>	<b>\$599</b>	<b>4.4%</b>	<b>\$26,756</b>

Note: Variance - favorable/(unfavorable)

- Uncollectible Accounts, year to date, is under budget by \$2.4M, due to a decrease in the required accounts receivable reserve
- Storm Restoration, year to date, is over budget by \$27.6M, due to more activity and higher average costs per storm; two of the seven storms incurred required mutual aid assistance
- Miscellaneous is under budget, year to date, by \$3.4M due to expenses related to fleet costs partially offset by ARO NMP2 accretion



# Revenue Variance Analysis – June 2017

(\$ in thousands)	Current Month				Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	Actual	Budget	\$ Var.	% Var.	
<b>Total Revenue</b>	\$349,113	\$354,547	(\$5,434)	-1.5%	\$1,566,323	\$1,626,804	(\$60,481)	-3.7%	\$3,586,948
<b>Power Supply Charge</b>	175,018	182,168	7,150	3.9%	840,096	928,828	88,732	9.6%	1,992,875
<b>Revenue Net of Power Supply Costs</b>	<b>\$174,095</b>	<b>\$172,379</b>	<b>\$1,716</b>	<b>1.0%</b>	<b>\$726,227</b>	<b>\$697,976</b>	<b>\$28,251</b>	<b>4.0%</b>	<b>\$1,594,073</b>
<b>Sales of Electricity (MWh)</b>									
Residential	858,544	855,427	3,117	0.4%	4,100,449	4,274,614	(174,165)	-4.1%	9,237,712
Commercial	802,191	850,924	(48,733)	-5.7%	4,475,376	4,662,601	(187,225)	-4.0%	9,728,068
Public Authorities/Street Lighting	42,458	43,745	(1,287)	-2.9%	278,627	281,822	(3,195)	-1.1%	555,815
<b>Total Sales of Electricity (MWh)</b>	<b>1,703,193</b>	<b>1,750,096</b>	<b>(46,903)</b>	<b>-2.7%</b>	<b>8,854,452</b>	<b>9,219,037</b>	<b>(364,585)</b>	<b>-4.0%</b>	<b>19,521,596</b>

Note: Variance - favorable/(unfavorable)

- Total Revenue, net of Power Supply Costs, year to date, is \$28.3M higher than budget due to the Regulatory Deferral Mechanism primarily related to the Delivery Service Adjustment (DSA) for Storms
- Sales of electricity were lower than budget, year to date, by 365 GWh or 4.0% due to lower than expected load growth. Year to date sales are lower than budget in the Residential Sector by 4.1%, Commercial Sector by 4.0% and in Public Authorities/Street Lighting by 1.1%
- Other factors contributing to lower sales are a) partially related to weather, b) larger penetration of LED lighting, energy efficient products, solar installations and c) economic factors



# PSEG Long Island Capital Expenditures – June 2017

(\$ in thousands)

	Year to Date				Annual Budget
	Actual	Budget	\$ Var.	% Var.	
<b>Transmission and Distribution</b>					
Regulatory Driven	\$514	\$5,203	\$4,689	90.1%	\$12,884
Load Growth	96,649	88,032	(8,616)	-9.8%	162,548
Reliability	98,220	98,124	(96)	-0.1%	192,183
Economic, Salvage, Tools, Equipment & Other	9,885	13,314	3,429	25.8%	31,156
<b>Total Transmission and Distribution Projects</b>	<b>\$205,268</b>	<b>\$204,673</b>	<b>(\$595)</b>	<b>-0.3%</b>	<b>\$398,771</b>
<b>Other PSEG Long Island Capital Expenditures</b>					
Information Technology Projects	6,368	19,061	12,693	66.6%	38,180
Customer Operations	7,509	5,527	(1,982)	-35.9%	11,197
Other General Plant Projects	855	1,405	550	39.1%	5,006
Fleet	1,634	9,300	7,666	82.4%	27,899
Management Fee	5,109	6,390	1,281	20.0%	12,779
<b>Total PSEG Long Island Capital Expenditures Excluding FEMA</b>	<b>\$226,742</b>	<b>\$246,355</b>	<b>\$19,613</b>	<b>8.0%</b>	<b>\$493,832</b>
FEMA	98,825	90,749	(8,076)	-8.9%	188,754
<b>Total PSEG Long Island Capital Expenditures</b>	<b>\$325,567</b>	<b>\$337,104</b>	<b>\$11,537</b>	<b>3.4%</b>	<b>\$682,586</b>

Note: Variance - favorable/(unfavorable)

- Transmission and Distribution is over budget, year to date, by \$0.6M due to an increase of \$8.6M over budget in load growth projects related to New Business, offset by \$4.6M under budget in Regulatory Driven projects related to the timing of RFP's and \$3.4M due to delay in equipment upgrade projects
- IT is under budget by \$12.6M due to the timing of various projects, Customer Operations is over budget by \$1.9M due to additional AMI work, and Fleet is under budget by \$7.6M due to the timing of purchasing new vehicles
- FEMA is over budget by \$8.0M, year to date, due to greater circuit mileage completed than planned

# PSEG Long Island Major Capital Expenditures Over \$25M (Total Project Cost) – June 2017



Description	Original Total Project Cost (\$M)	Total Project Actuals Through 6/30/17 (\$M)	Current Working Estimate (\$M)	Current Estimated Completion Date
Berry St.: New substation	\$25.4	\$21.2	\$26.9	Jun-18
Kings Highway: New substation	\$35.5	\$5.6	\$35.8	Dec-18
Southampton to Canal: Transmission	\$56.2	\$0.0	\$52.2	Jun-19
Bridgehampton to Buell: Transmission	\$49.6	\$0.0	\$46.1	Jun-19
Sagtikos: New substation	\$64.5	\$0.0	\$60.2	Jun-25
Nassau Hub: New substation	\$57.0	\$0.4	\$51.0	Jun-19
Two Way Radio System Replacement	\$50.0	\$1.0	\$45.6	Dec-19
East Garden City to Valley Stream: Transmission	\$190.6	\$0.3	\$175.9	Dec-20
Syosset to Shore Rd.: Transmission	\$254.9	\$0.0	\$254.9	Jun-24
Riverhead to Canal: Transmission	\$191.5	\$0.0	\$191.5	Jun-22
Substation Security Expansion Project	\$57.6	\$8.6	\$52.3	Dec-24
Wainscott to Canal: Transmission	\$413.7	\$0.0	\$413.7	Jun-25
Ruland Rd to Plainview: Transmission	\$26.8	\$1.8	\$22.7	Dec-18
Shelter Island Replace Underground Failed Cable	\$29.5	\$2.7	\$24.7	May-18
Hempstead: New substation	\$49.8	\$3.6	\$44.7	Jun-19
<b>Total</b>	<b>\$1,552.6</b>	<b>\$45.5</b>	<b>\$1,498.2</b>	

# Hedge Program Summary Report June 2017

# Hedge Program Summary Report – June 2017



Ref.	<u>Hedge Position</u>	2017	2018	2019	2020
1	Hedge Ratio %: Swaps, Options + FP Physical Contracts	63%	56%	48%	40%
2	Change from last Month, %	0%	5%	1%	0%

<u>Mark-to-Market (\$ millions)</u>			<u>Collateral, Received / (Posted)</u> All Forward Periods		
Realized		Unrealized			
Jun-17	YTD	All Forward Periods, Unrealized*	As of 6/30/2017	As of 5/31/2018	
3	(\$0.59)	(\$30.5)	(\$26.1)	(\$20.7)	(\$15.6)

\*Includes the Net Present Value ("NPV") of all forward MtM and Premium values

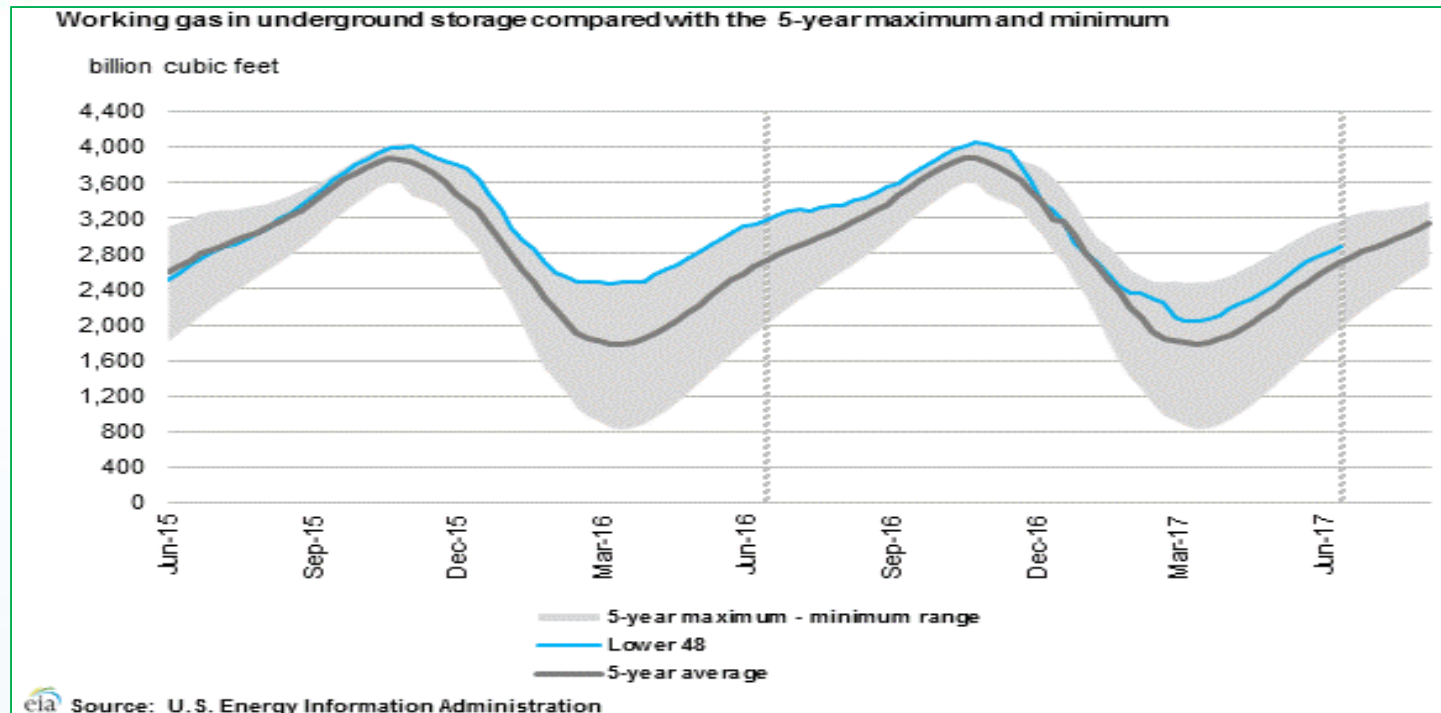
- PSEG ER&T executed several value and time-trigger hedges in June 2017 for natural gas, natural gas basis, power and power basis for various time periods throughout 2018 and 2019 which are reflected in the Hedge Ratios in Line Ref. #1
- **June 2017 realized hedge losses totaled \$593K**, due to lower prices for natural gas and purchased power in the 2017 and 2018 part of the forward curve. The June 2017 NYMEX Natural Gas Contract (commodity) settled on May 26<sup>th</sup>, 2017 at \$3.236/dthm
- Lack luster weather in the U.S. in the second half of June 2017 caused power demand to be below expectations pushing natural gas and power prices lower at the end of June 2017. The market move caused the **Unrealized MtM value of the LIPA portfolio to decrease at the end of June 2017 by \$11.2M to (\$26.1M)** versus the value observed at the end of May; while **LIPA collateral posting increased \$5.1M to \$20.7M** as noted on Line Ref. #3

# Hedge Program Summary Report – June 2017



- The balance of calendar year 2017 NYMEX natural gas prices were down 2% since last month and natural gas prices for 2018 declined 1.1%, in contrast to a 0.6% increase for natural gas in 2019 through 2020 versus prices observed at the end of last month
- A slow start to the summer cooling season has led to a 6-week downtrend in natural gas spot market prices during which time prices fell by 17% from a mid-May high. Weaker than expected temperatures during the last week of June across the Northeast caused spot gas prices at the Transco NY city gate to decline to \$2.23/dthm and the NYMEX Natural Gas Futures contract for July 2017 was trading down near the \$3.00/dthm level, approximately 7% below the June 2017 NYMEX futures contract settlement

# Hedge Program Summary Report – June 2017



- According to the EIA, as of June 30, 2017 natural gas storage is at 2,888 Bcf, 9% below last year's level and 6.9% above the 5-year average for this time of year. Even with lower weather related demand, weekly storage injections during 7 out of the last 9 weeks have come in below the 5-year average, and surplus of gas currently in storage relative to the 5-year average moved from 15% in late March to 6.9% this week. If this trend continues natural gas prices could move higher
- So far this year, **total natural gas demand has averaged 75.2 Bcf/day down 2.6 Bcf/day or 3.3% from a year ago. The largest contributor to this year's decline comes from power generators.** Power burn has averaged 22.5 Bcf/day and is down 3Bcf/day compared to the same time frame last year
- The Baker-Hughes June 30, 2017 Rig Count report shows **184 natural gas rigs in service (up approximately 109% since a year ago)**