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1 FEBRUARY 2023

LAZARD REPORT TO THE LONG ISLAND ASSOCIATION

Long Island Association

LAZARD

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I Scope of Lazard Study

Lazard's Scope of Work and Evaluation Framework for This Report(1)

For purposes of this report, Lazard has focused on selected areas of evaluation including (1) selected LIPA metrics relative to peers and (2) how privatization through an integrated ownership and operating model could enhance LIPA's alignment with its "Guiding Principles for Reformed Management" and well position Long Island's T&D system for the energy transition and as an economic development engine in the region

Lazard's Scope of Work and Evaluation Framework(2)

1. **Analyze the business and performance metrics of LIPA, including in comparison to relevant regional peers**
2. **Synthesize relevant information relating to LIPA's business, assets and liabilities and the political, legislative and regulatory antecedents of potential organizational alternatives**
3. **Evaluate the key benefits, considerations and implementation issues for an integrated ownership and operating model**

Guiding Principles for Reformed Management

Customer Focus

Make customer satisfaction the "north star" and achieve a top 25% ranking for customer satisfaction

Financial Viability

Ensure any management reform measures do not adversely impact customer bills

Alignment of Interests

Align management interests with those of LIPA's customers

Transparency / Accountability

Transparently communicate performance and cost information and improve customer accessibility and responsiveness

Flexibility

Future management constructs should enhance accountability and flexibility

Source: *LIPA's Phase II Report, Options Analysis for the Management of LIPA Assets, April 28, 2021.*
(1) Lazard has not received, and will not receive, any compensation from Long Island Association in connection with the rendering of this report.
(2) The scope of Lazard's assessment did not include an independent review of LIPA's debt covenants and early retirement costs.

Key Assumptions and Data Sources

Overview	• **Lazard's analysis has been prepared using selected assumptions based upon a review of the publicly available information (highlighted herein) and informed by discussions with the Long Island Association** – Importantly, Lazard's analysis (including assumptions and/or conclusions) have *not* been reviewed or discussed with LIPA and/or PSEG – Lazard has focused on a potential integrated ownership and operating model and not assessed potential further enhancements to LIPA's current OSA with PSEG or other organizational alternatives
Key Documents Reviewed by Lazard	• **Key publicly available documents reviewed in the preparation of this report, include:** – LIPA Phase II Report, *Options Analysis for the Management of LIPA Assets* (April 28, 2021) – LIPA Annual and Quarterly Financial Statements – LIPA Rate Plans and Budgets – Second Amended and Restated Operations Services Agreement between LIPA and PSEG Long Island LLC (in effect as of April 1, 2022) – Comprehensive and Regular Management and Operations Audit of LIPA and PSEG Long Island, LLC, NorthStar Consulting Group (June 29, 2018)
Key Assumptions	• **Assumes privatization takes places on December 31, 2023** • **Projected 2023 ratebase of $10.4 billion[(1)] based on $9.9 billion 2022 ratebase from LIPA's Phase II Options Analysis grown by 2023E capital expenditures from LIPA's 2023 Budget and assuming a 30-year depreciable life** • **Projected 2022 debt of $9.9 billion based on LIPA's 2023 Budget** • **Projected $1,450 million in costs related to early retirement of tax-exempt bonds issued through both LIPA and the Utility Debt Securitization Authority, per LIPA's Phase II Options Analysis** – The scope of Lazard's assessment did *not* include an independent review of LIPA's debt covenants and early retirement costs (which, in the current higher interest rate environment, could be meaningfully lower) • **2024E revenue requirement forecast based on LIPA's 2023 budget** • **Assumes excess proceeds (after debt repayment) are used to fund an endowed pool of capital (the "Long Island Public Benefit Trust") which earns a 7% p.a. annual return** • **Illustrative privatization efficiencies encompassing both operating and managed expenses as well as power supply costs**

Source: LIPA Annual Report (2021), LIPA's Phase II Report, Options Analysis for the Management of LIPA Assets, April 28, 2021, LIPA's 2023 Budget.
(1) Includes $2.4 billion in lease obligations for capacity arrangements related to right-to-use assets, net of amortization.

II Summary of Findings

Summary of Findings—Benefits and Considerations of Potential Integrated Ownership/Operatorship Models

LIPA
Long Island Power Authority

	BENEFITS	CONSIDERATIONS
PRIVATIZATION	✓ Integrates management, planning and operations ✓ Access to a Long Island Public Benefit Trust which can mitigate rate impacts for a *significant* period of time[1] ✓ Improved accountability via NYPSC regulation ✓ Improved decision-making processes ✓ Improved ability to identify/offer system enhancements ✓ Operating risks transferred to private entity, ending transitional role of LIPA as originally envisioned ✓ Equity capital provides performance incentives ✓ Structure would be consistent with the rest of New York State utilities ✓ Efficiencies (O&M, fuel purchasing, capex, etc.) ✓ Incentivizes investment to drive the energy transition for Long Island	× Requires state-level and local political support × Incurrence of transitional costs, including early retirement of tax-exempt bonds × Equity capital more expensive than 100% debt-financed structure × Introduces cost of corporate income taxes × Potential loss of FEMA funding (albeit other mechanisms typically used by IOUs would be accessible)
MUNICIPALIZATION	✓ Improved accountability via NYPSC regulation ✓ Improved decision-making processes ✓ Improved ability to identify/offer system enhancements ✓ Historical cost advantage of capital structure comprised of 100% tax-exempt debt—cost advantage unclear in current markets, however ✓ Avoids corporate tax burden and costs ✓ Precedent models (e.g., TVA) exist for establishing system of professional management and to play an important economic development role	× Significant efficiencies needed to match rate mitigation benefits of a privatization-related Long Island Public Benefit Trust[2] × Need to stand up leadership organization with significant related costs × Requires state-level and local political support × Costs associated with early retirement of tax-exempt bonds × Absence of equity/ownership performance incentives × Structure would be counter to utility ownership model in New York × Operating and political risks borne by State × Decision-making potentially subject to political/other considerations

(1) A Long Island Public Benefit Trust can also be used to fund a lump-sum payment to LIPA customers, mitigate property tax increases, fund infrastructure and other public works projects or facilitate economic development more broadly.

(2) Based on preliminary Lazard estimates, under a municipalization construct, LIPA would need to achieve ~$7.5 – 10.0+ billion in cumulative efficiencies, in order to achieve break-even (from a total revenue requirement perspective) to the privatization alternative.

Objectives and Solutions for the T&D System

LIPA has an opportunity to fundamentally address legacy storm response and overall reliability and customer satisfaction challenges, while driving economic development and the energy transition in Long Island; an illustration of how these objectives could be achieved in a privatization context is presented on the following slide

LIPA
Long Island Power Authority

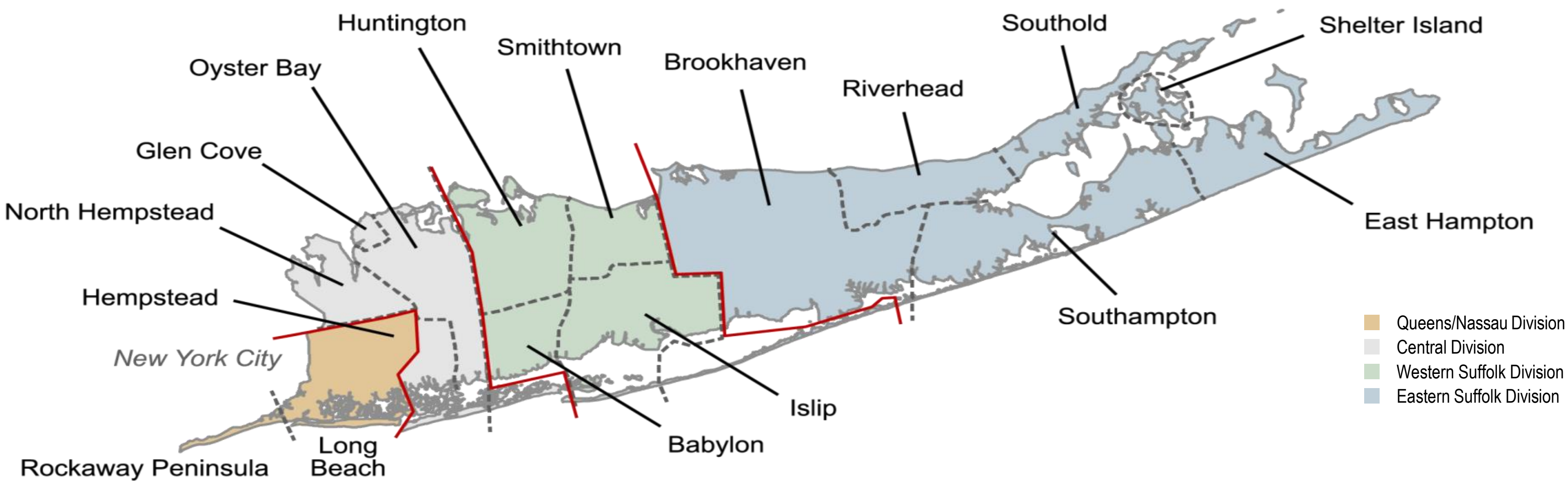
- **Establish a customer-oriented T&D system offering the highest levels of service quality while managing ratepayer costs**
- **Create a T&D system optimally prepared for future disasters, including best-in-class response capabilities**
- **Ensure appropriate oversight and accountability**
- **Position LIPA to serve as a catalyst / engine for economic development in Long Island**
- **Play a leadership role in Long Island's energy transition**

Illustrative Privatization Framework

Overview	• **LIPA to be privatized in a process to begin at an appropriate time and allowing for adequate preparation (e.g., late-2023 / early-2024)** – Transparent auction process soliciting proposals from qualified parties including IOUs, infrastructure service companies and other private investors (e.g., pension funds, infrastructure funds, sovereign wealth funds, insurance companies, or combinations thereof)
NewCo Organizational Terms	• **Normal and customary corporate organization under New York laws** • **Charter and other governance documents to provide for obligation on part of NewCo to support economic development, local stakeholders and energy transition in Long Island** • **NewCo to be subject to NYPSC regulation** • **NewCo could be a publicly traded company, owned by a publicly traded company or by financial investor(s)**
Transaction Terms	• **Sale for cash** • **LIPA in its current form would be dissolved with ownership of all assets transferred to NewCo** • **New management team and Board to be selected by NewCo owner** • **Existing LIPA debt to be retired**
Long Island Public Benefit Trust	• **To be initially funded with excess sale proceeds (i.e., after full pay down of existing LIPA debt)** • **Normal and customary oversight to be established, including with respect to use for funds. Potential uses could include:** – Customer rate cut and/or freeze – Lump-sum refund to LIPA ratepayers – Lowering property taxes or mitigating future increases – Funding infrastructure and other public works projects – Supporting the Long Island community more generally
Other	• **New owner to provide a specific and detailed IRP to drive energy transition in Long Island** • **New owner to provide specific commitments which, potentially in conjunction with the Long Island Public Benefit Trust, would mitigate any customer rate increases for a pre-determined period of time** • **New owner to provide and agree to specific procedures in respect of storm recovery and financing thereof** • **Other matters as deemed necessary**

III LIPA Situation Assessment

Long Island Power Authority—Overview



Service Territory	• Nassau and Suffolk Counties and on the Rockaway Peninsula in Queens on Long Island
Annual Energy Sales	• 18,798 MWh
Assets	• Utility PP&E Net: $10.4 billion(1)
Contracted Generation	• 22 Power Plants; 5,051 MW
Customer Count	• ~1.1 million
2021 Financial Highlights	• Revenue (Net of Uncollectible Expense): $3.9 billion • Operating Expense: $3.6 billion • Debt Outstanding: $9.1 billion

Source: LIPA Annual Report (2021), NYISO Gold Book (April 27, 2022), LIPA Debt Schedule (2021), LIPA's Phase II Report, Options Analysis for the Management of LIPA Assets, April 28, 2021, LIPA's 2023 Budget.

(1) Presumed to include $2.4 billion in lease obligations for capacity arrangements related to right-to-use assets, net of amortization.

Long Island Power Authority—History

1911 / 1984 / 1985 / 1992 / 1998 / 2007 / 2010 / 2011 / 2012 / 2013 / 2014 / 2018 / 2019 / 2020 / 2021 / 2022

1911
Long Island Lighting Company ("LILCO") is created and begins to provide power to Long Island

1984
LILCO completes construction of Shoreham Nuclear Plant; Suffolk County determines, with support from Governor Mario Cuomo, that the county could not be safely evacuated in the event of a serious nuclear accident, thereby effectively preventing the plant from operating at full capacity

1985
With the Shoreham Nuclear Plant operating below full capacity and plagued by accusations of fraud and racketeering, the NY legislature passes the Long Island Power Act of 1985, establishing the Long Island Power Authority ("LIPA") to acquire and decommission the Shoreham Nuclear Plant

1992
Ownership of the Shoreham Plant transferred from LILCO to LIPA; LIPA spends the next two years decommissioning the plant

1998
Pressure continues to mount against LILCO for poor customer service and exorbitant rates; after multiple political battles and several failed takeover attempts, LIPA successfully acquires LILCO's electric assets; LILCO's natural gas infrastructure is merged with Brooklyn Union Gas to create KeySpan Energy; KeySpan assumes role as operator of LIPA's electric grid

2007
KeySpan Energy merges with National Grid, which assumes ownership of KeySpan's gas assets; National Grid takes over management of LIPA's electrical grid

2007
LIPA is criticized for inaccurate demand forecasts after it agrees to pay Caithness Energy $102 million to delay the plant's opening for one year

2010
With National Grid's management contract set to expire in 2013, LIPA launches a competitive RFP process for third party management of day-to-day operations

2010 and 2011
LIPA's actual O&M expense exceeds its initial forecast by approximately 35% for both 2010 and 2011

2011
LIPA announces that PSEG outbid National Grid and ConEd in the RFP process; PSEG assumes LIPA management beginning in 2014

2012
Superstorm Sandy hits Long Island; National Grid highly criticized for inadequate response

2013
NY Legislature implements Governor Cuomo's LIPA Reform Act of 2013, which reorganizes LIPA and substantially changes its operating responsibilities, including transferring responsibilities related to capital expenditures and emergency response from LIPA to the operator

2013
Governor Cuomo, in his State of the State Speech, launches the "*Moreland Commission on Utility Storm Preparation and Response*" to investigate National Grid's management of LIPA

2013
LIPA Trustees appoint John McMahon as COO

2014
PSEG takes control of LIPA under 12-year management contract; PSEG rebrands the LIPA system "PSEG Long Island" ("PSEG LI")

2018
As required by the LIPA Reform Act, the Department of Public Service releases its audit of LIPA; while the audit noted significant improvements in LIPA's management under PSEG, the report emphasizes that continued effort is required to improve customer service and reduce rates

2019
PSEG Long Island receives a "Certificate of Environmental Compatibility and Public Need" on Sept. 19, 2019 from the New York State Public Service Commission with respect to its proposal to build a 138-kV underground transmission line, the Western Nassau Transmission Project ("WNTP").

2020
In the aftermath of the August 2020 Tropical Storm Isaias, ~650,000 customers are left without power, some for more than a week. The storm highlights numerous failings in the management and communications systems at LIPA and PSEG Long Island

2020
On December 9, 2020, LIPA files a complaint with the state Supreme Court of Nassau County, asserting that PSEG Long Island failed to adequately oversee outage management and communications systems and lacked plans to provide backup when key systems broke down; LIPA seeks at least $70 million in damages from PSEG Long Island

2020
On December 16, 2020, LIPA announces that it will shelve the idea of becoming a privately owned entity as an alternative to maintaining its current structure, under which another utility manages the authority's T&D system. Instead, LIPA states that, in the coming months, it will examine ways to reform the existing model or forgo the partnership arrangement entirely and instead itself manage the system

2021
On April 28, 2021, LIPA releases the Phase II Report of its Options Analysis. This report details the pros and cons of four management options, including: (1) Sale of LIPA's assets to private investors; (2) Reset the PSEG Long Island relationship and reform the contract (3) Contract with a new service provider to improve operations and (4) Bring utility operations under LIPA management

2021
On June 27, 2021, LIPA and PSEG Long Island reaches a tentative contract settlement that would retain PSEG as service provider until at least 2025 while instituting new controls and accountability measures to address failures during Tropical Storm Isaias. The agreement would also settle LIPA's $70 million breach-of-contract lawsuit against PSEG

2022
On April 1, 2022, LIPA and PSEG Long Island begin operating under a new, reformed contract agreeing to 96 performance standards for 2022, reinforcing the criteria that PSEG Long Island's compensation is tied to delivering meaningful results for LIPA's electric customers

2022
On July 20, 2022, Speaker Carl Heastie announces appointees to a newly established Legislative Commission on the Future of LIPA. This legislative commission will investigate and report to the Legislature on the establishment of a public power model for the operation of LIPA. A final report of the commission's findings is due no later than April 1, 2023

Source: *Company website, SNL, public information.*

Long Island Power Authority—Key Highlights of Third Party Management

Beginning in 2007 with National Grid's assumption of LIPA's management and continuing with PSEG's subsequent oversight beginning in 2014, the Authority has been subject to emergency response, customer satisfaction and customer rate challenges and criticism

LIPA Operational Oversight—Key Highlights (National Grid)	• Beginning in 2007, LIPA's day-to-day operational oversight was assumed by National Grid after its merger with KeySpan – Concerns over LIPA's performance followed, and such concerns were further amplified by dissatisfaction with the company's response to Superstorm Sandy in 2012, thereby prompting Governor Cuomo to launch the *Moreland Commission on Utility Preparation and Response* – The Commission identified that LIPA's electrical service territory was "dysfunctional," highlighting that National Grid's management resulted in ineffective emergency planning, preparedness and storm response – The Commission suggested "*Immediate consideration of a single unified structure that both owns the transmission and distribution assets and is entirely responsible for serving LIPA's current service area,"* specifically flagging: • **Inherent defects in the current LIPA-National Grid structure should be avoided in the future through an alternative organizational structure under which the service provider for the existing LIPA service area and the owner of applicable utility assets are one entity** • New oversight and enforcement mechanisms should be considered to permit the NYPSC to make LIPA more accountable and responsive to regulators and customers • Redundant and/or overlapping energy programs that usurp resources from core mission energy agency objectives should be better streamlined – The Moreland Commission's recommendations were ultimately not implemented given that, among other things, the State had contractually committed to PSEG as LIPA's next management provider following LIPA's 2010 RFP process
LIPA Operational Oversight—Key Highlights (PSEG)	• In light of the Moreland Commission's recommendation and the State's contractual agreement with PSEG, the NY legislature sought to improve LIPA's oversight and passed the LIPA Reform Act of 2013, which modified the roles and responsibilities of LIPA's third party management provider – **Among other changes, responsibilities related to capital expenditures and emergency response were transferred from LIPA to the operator** • PSEG's new 4-year Operations Services Agreement ("OSA") provides: – Effective April 1, 2022, PSEG LI will oversee operations, maintenance and related services for LIPA • PSEG's primary responsibilities include: (i) day-to-day operations of LIPA's T&D system, (ii) becoming the name and face for Long Island customers, (iii) maintaining storm response and IT infrastructure and (iv) control of power supply planning – The OSA expires December 31, 2025 and includes a provision that under mutually acceptable terms, the parties can extend the term up to December 31, 2030 – **PSEG LI is paid a management fee and may earn incentive compensation related to specified performance metrics** • Studies released by J.D. Power and Associates document LIPA's struggle with customer satisfaction – **PSEG LI has consistently scored at or near the bottom of J.D. Power customer satisfaction rankings relative to peers** – **In the aftermath of Tropical Storm Isaias, PSEG LI's J.D. Power customer satisfaction score dropped from 717 to 690, ranking 131 out of 144 electric utilities nationwide and 14 out of 17 for large utilities in the eastern United States** • LIPA's rates have consistently outpaced those of other utilities in New York State, the Northeast and the United States – While PSEG has worked to bring customer rates in-line with peers, LIPA's residential/customer rates are still high in both relative and absolute terms

Source: Public information, Second Amended and Restated Operations Services Agreement between LIPA and PSEG Long Island LLC (2021).

Long Island Power Authority—Selected Commentary

"**LIPA is the only utility in the nation that is operated under a third-party management model. This model has repeatedly failed its customers. There has been a lack of transparency, oversight, and accountability.** This failure has been most dramatically evidenced in the unacceptable storm response by LIPA and its third-party contractors during Superstorm Sandy in 2012 and Tropical Storm Isaias in 2020." – *LEGISLATIVE COMMISSION ON THE FUTURE OF THE LONG ISLAND POWER AUTHORITY, 15 APRIL 2022*

"In Fall 2020, the utility's Board directed management to evaluate alternative arrangements for system operations because August's poor storm response once again raised questions about the efficacy of the outsourcing model….**We believe that outside contractors' recurring protracted service restoration following storms highlights significant operational exposures that have the potential to negatively affect operational and financial performance**." – *S&P, 11 JANUARY 2021*

"**Utility companies like PSEG LI get paid to manage the aftermath of a storm, and time after time they have failed to hold up their end. It's inexcusable, and we're going to make sure that it doesn't happen again."** – *GOVERNOR ANDREW CUOMO, 9 DECEMBER 2020*

"**LIPA is seeking relief from the courts because we have an obligation to protect customers. PSEG Long Island must immediately fix these failed information technology systems and abide by its contract as we proceed in reviewing our legal, contractual, and termination options. PSEG Long Island has collected nearly half a billion dollars from Long Island customers over the past seven years while failing to meet its basic obligations"** – *LIPA CEO TOM FALCONE, 9 DECEMBER 2020*

"PSEG LI has made significant investments in customer service, which are showing results. **...[but] capital project cost overruns were met by deferring another project to stay within budgets. ...LIPA faces extraordinary challenges in the areas of rates and customer service** [and while] many of these issues have been faced head-on by LIPA and PSEG LI with remarkable achievements...a number of themes emerged from our analysis that cross functional areas and represent overarching issues that will require considerable focused attention moving forward" – *NORTHSTAR CONSULTING "COMPREHENSIVE AND REGULAR MANAGEMENT AND OPERATIONS AUDIT OF LIPA", 29 JUNE 2018*

"**There is sufficient evidence that LIPA's outsourcing of most of the day-to-day management and operations of its system to National Grid simply does not work. In short, the bifurcated LIPA-National Grid structure lends itself to mismanagement, a lack of appropriate investment in infrastructure, a lack of accountability to customers and excessive rates**." – *MORELAND COMMISSION, 7 JANUARY 2013*

"Some 8,000 LIPA customers remain without power on Long Island and on the Rockaway Peninsula in the New York City borough of Queens. Officials say they can't hook up ~30,000 other customers because of a risk of returning electricity to flooded buildings with damaged infrastructure. **Fueling the frustration has been a lack of communication with customers. LIPA's network is operated by the U.S. arm of U.K.-based National Grid PLC, which was responsible for computer systems meant to keep customers informed with text messages and also help coordinate repairs. Instead, LIPA was using an archaic system of paper drawings and photos and post-it notes to coordinate its efforts.** National Grid is in the process of being replaced by another contractor, but the new contractor and system aren't due to start until 2014. Officials said they are now trying to accelerate the transition." – *THE WALL STREET JOURNAL, 13 NOVEMBER 2012*

Source: Public information.

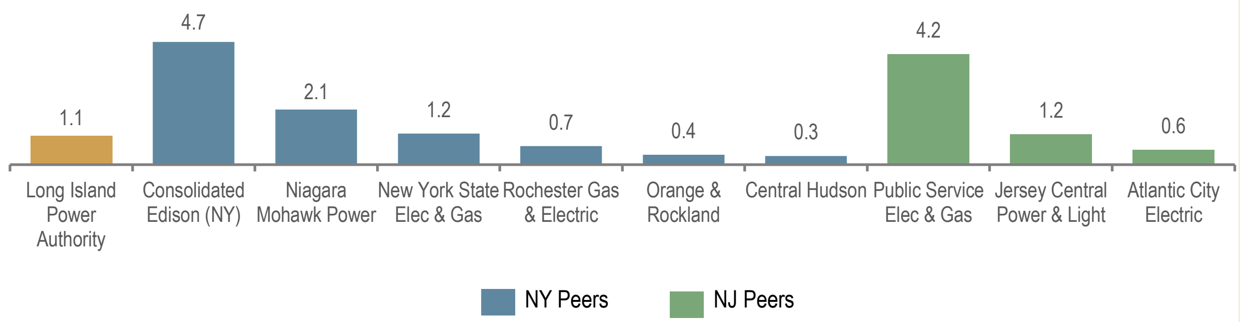
How Does LIPA Compare to IOUs?

	LIPA	OTHER IOUs
OWNERSHIP/ OPERATION	• Separation of ownership and operations • Management focused on contract administration	• Integrated ownership and operations • Professional management and expertise in operating large-scale utilities
RATE-SETTING MECHANISM	• Authorized to set its own rates • Effectively no body of jurisprudence • Any increase greater than 2.5% in a 12-month period is subject to review by the New York Department of Public Services ("DPS")	• Rates set by regulator based on cost of service and well-established ratemaking process • Extensive body of jurisprudence
POWER PROCUREMENT	• Power supply mix is a function of cost objectives and self-implemented, self-supervised policy objectives (e.g., reserve margins, renewables, energy efficiency) • Limited expertise in power procurement—procurement essentially outsourced • Limited incentive to plan for and invest in the energy transition	• Power supply mix is a function of least-cost objectives and State/regulator-defined policies • Expertise in power procurement—procurement managed by in-house professionals • Significant incentive to plan for and invest in the energy transition
CAPITAL STRUCTURE	• 100% tax-exempt debt financed • Absence of equity/ownership performance incentives	• Financed by taxable debt and shareholder equity • Equity capital provides performance incentives • Sustainable, investment-grade capital structure
RESOURCE/ CAPITAL ALLOCATION	• Resource/capital planning outsourced to service provider • Service provider is responsible for the preparation of capital planning procedures, recommended capital plans, monitoring of the approved annual capital budget, risk assessments and analyses in support of capital projects, long and short range system plans, proposed annual operating and maintenance plans and inputs into LIPA's long-term financial plan	• Resource planning functions are integrated with operational functions and capital allocation decisions • Resource/capital allocation decisions made and implemented by in-house professionals
CUSTOMER SERVICE	• Provided by third party; limited control/flexibility • Customer dissatisfaction peaking post Sandy and Isaias—ranked last in customer satisfaction among large Eastern U.S. utilities by J.D. Power in 2013 and 14 out of 17 in 2022	• Core function of integrated utilities—generally managed by in-house professionals; full control/flexibility
MANAGEMENT/ GOVERNANCE	• Politically-appointed Board of Trustees • Employee recruitment/retention challenges related to compensation limits and other factors • Complex decision-making/implementation processes, burdened by myriad oversight procedures	• Shareholder-elected Board of Directors with relevant utility and/or business expertise • Freedom to compensate employees and Board members at competitive levels • Decision-making ultimately subject to regulator oversight

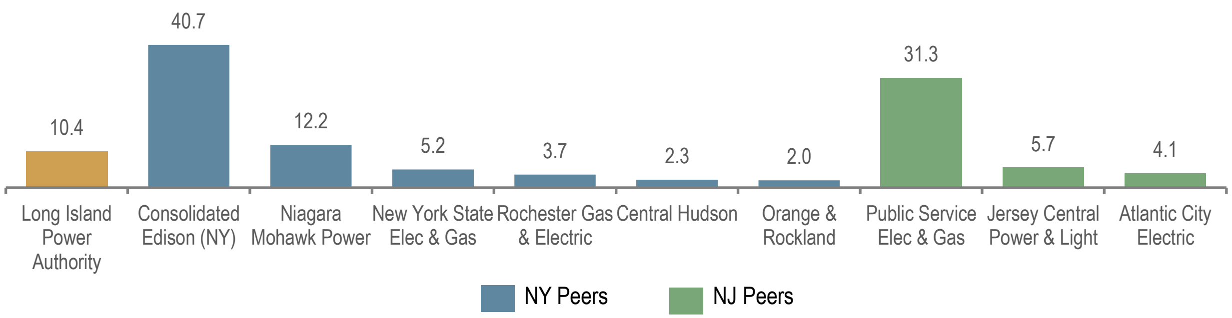
Source: Second Amended and Restated Operations Services Agreement between LIPA and PSEG Long Island LLC (2021), J.D. Power Electric Utility Residential Customer Satisfaction Studies.

Overview of LIPA vs. Selected Regional IOUs

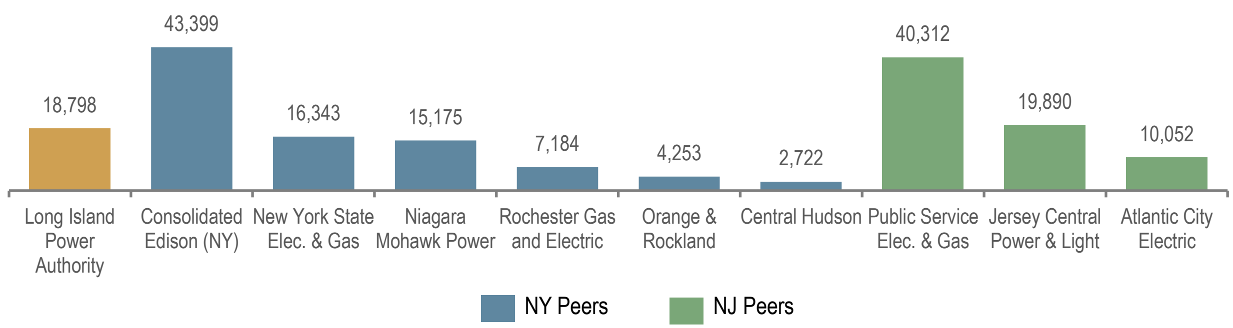
Total Retail Customers (millions)



Net PP&E ($ billions)



2021A Electric Retail Sales (GWh)



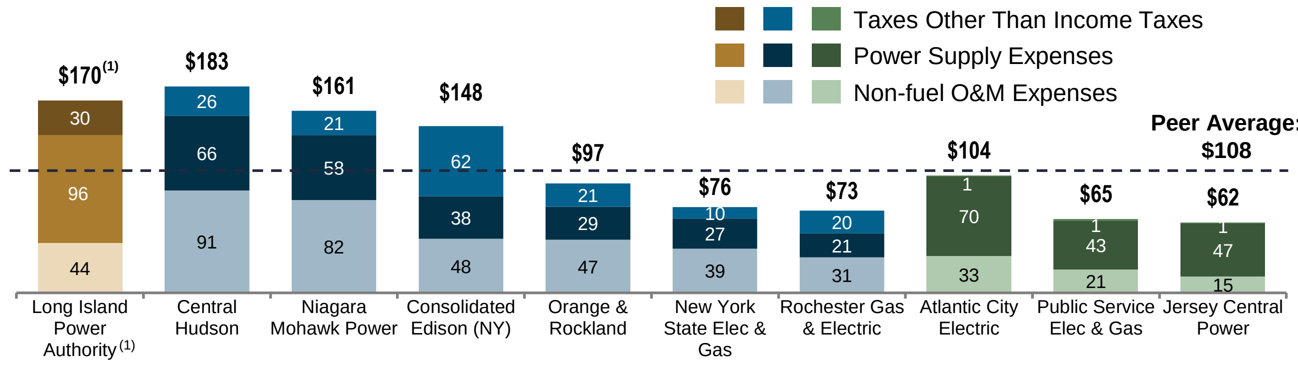
Selected Observations

- The scale of LIPA's operations compares favorably to regional IOU peers, in terms of total retail customers served, net PP&E under operation and the total retail electric sales

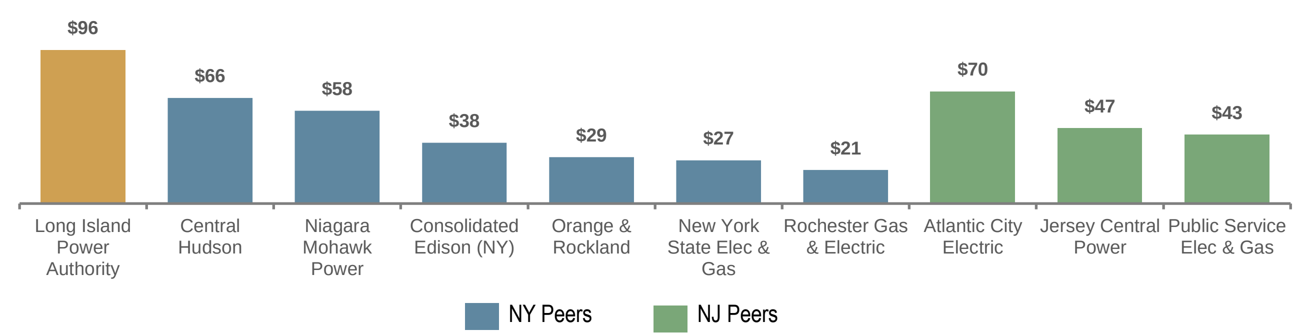
Source: Company filings and SNL.
Note: Figures are as of December 31, 2021, unless otherwise noted.

LIPA—Benchmarking vs. Regional Peers

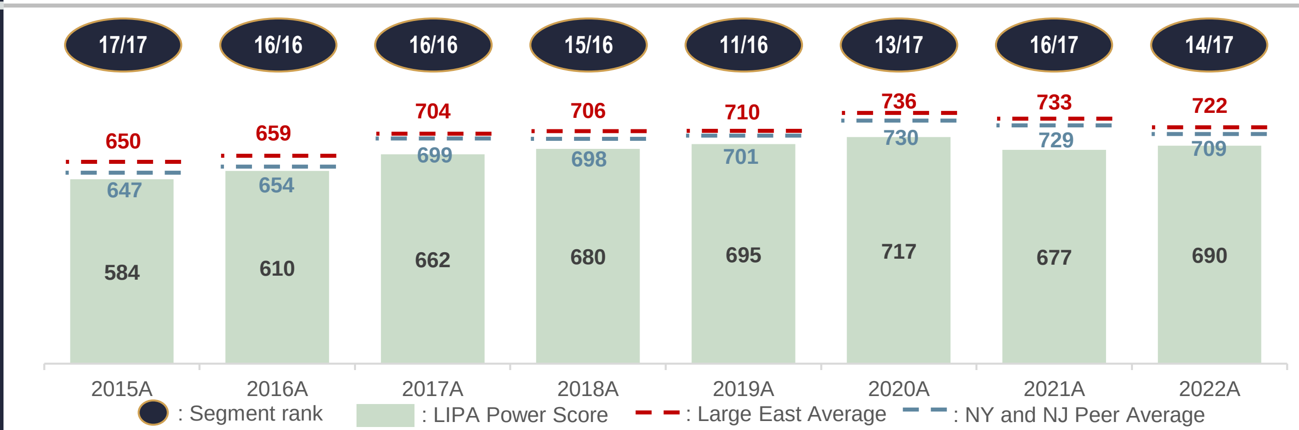
O&M, Power Supply Expenses and Taxes Other Than Income Taxes ($/MWh)—3-year Average (2019 – 2021)



Average $/MWh—Power Procurement



Customer Service Track Record (JD Power Scores)(2)



Selected Observations

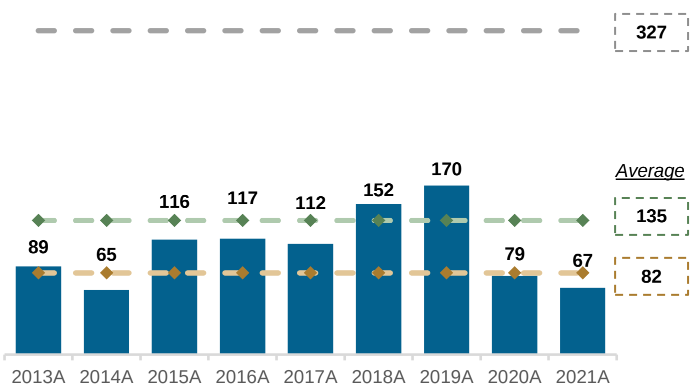
- LIPA's operating expenses (as measured on a $/MWh basis, including O&M, power supply and taxes other than income taxes) are higher than the regional peer average by ~60%
- LIPA's average power procurement cost is the highest across New York and New Jersey utilities
- LIPA has consistently ranked among the lowest in customer satisfaction across regional peers

Source: *SNL, company filings, J.D. Power Electric Utility Residential Customer Satisfaction Studies and LIPA Annual Report (2021).*
(1) Includes PILOT taxes and fees.
(2) Figures represent J.D. Power's assessment of overall satisfaction on a 1,000-point scale.

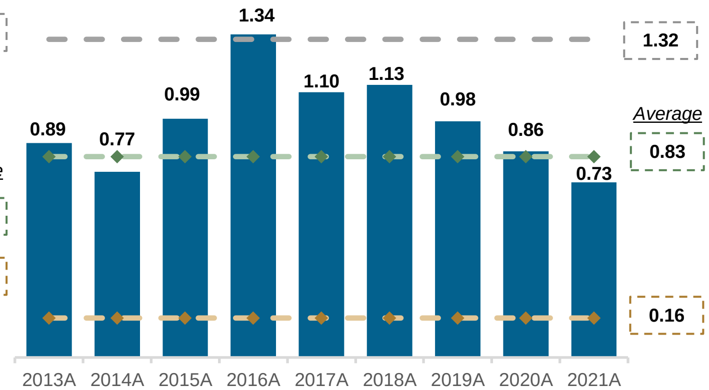
LIPA—Reliability Trends vs. Regional Peers

Reliability Metrics *(Including major events)*

System Average Interruption Duration Index ("SAIDI")[1]

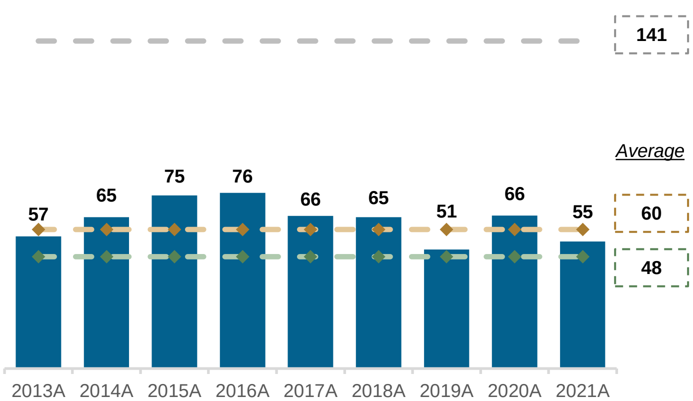


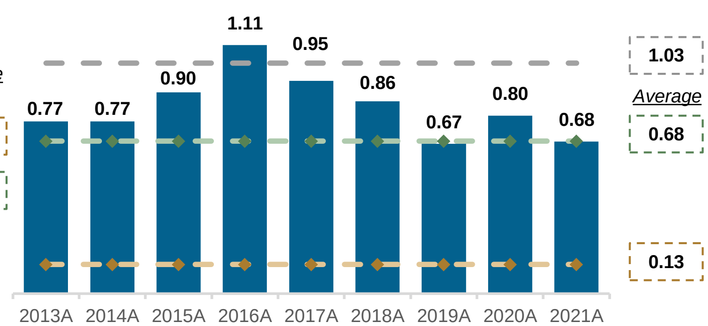
System Average Interruption Frequency Index ("SAIFI")



: LIPA — : Peer Median (2013 – 2021 Average) — : PSEG Average — : ConEd Average

Reliability Metrics *(Excluding major events)*





: LIPA — : Peer Median (2013 – 2021 Average) — : PSEG — : ConEd

Selected Observations

- LIPA's average outage time, defined by SAIDI as average minutes per interruption, has been at a level significantly below the regional peer median between 2013 – 2021, albeit generally higher than its closest regional peer, ConEd
- LIPA's SAIFI metrics, which reflect the frequency of interruptions, have also historically trended below the regional peer median, albeit materially higher than ConEd both with and without major events

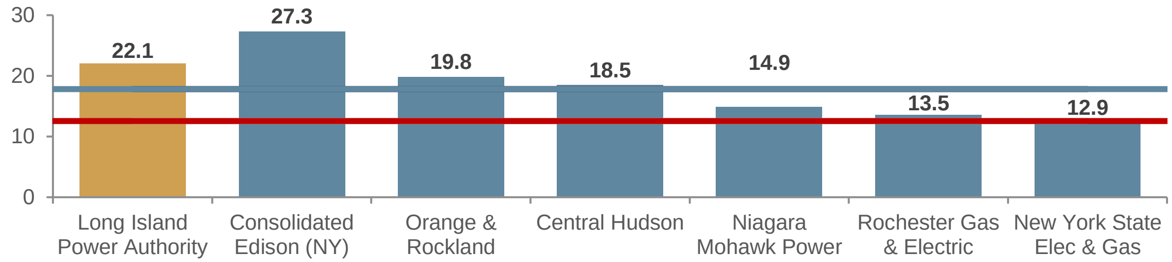
Source: EIA Electric Reliability Reports.
(1) SAIDI figures above are referenced in minutes per customer per year.

LIPA—Customer Rates vs. Regional Peers

(cents/KWh)

Residential(1)

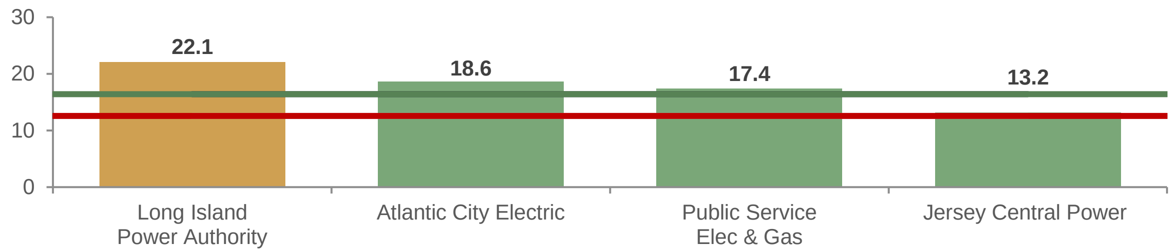
New York



NY Peer Average: 17.8

U.S. Average: 12.6

New Jersey

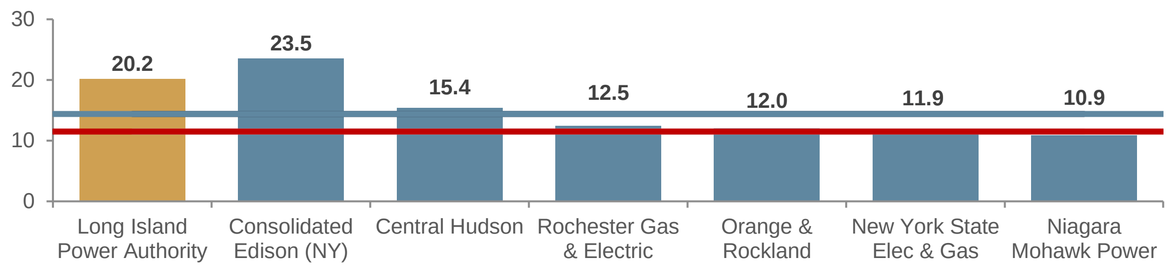


NJ Peer Average: 16.4

U.S. Average: 12.6

Commercial(1)

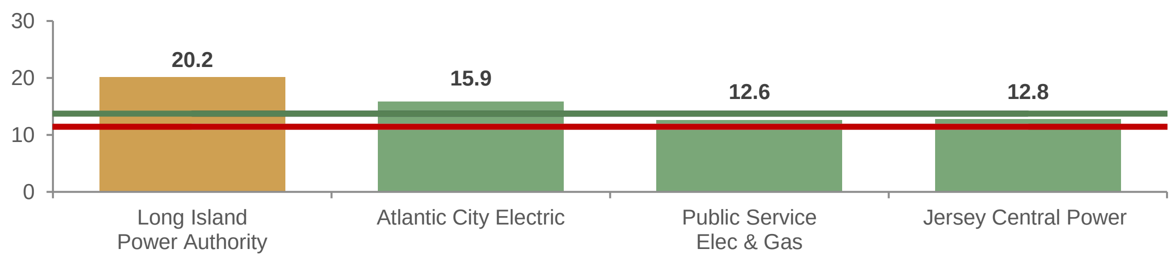
New York



NY Peer Average: 14.4

U.S. Average: 11.5

New Jersey



NJ Peer Average: 13.7

U.S. Average: 11.5

Selected Observations

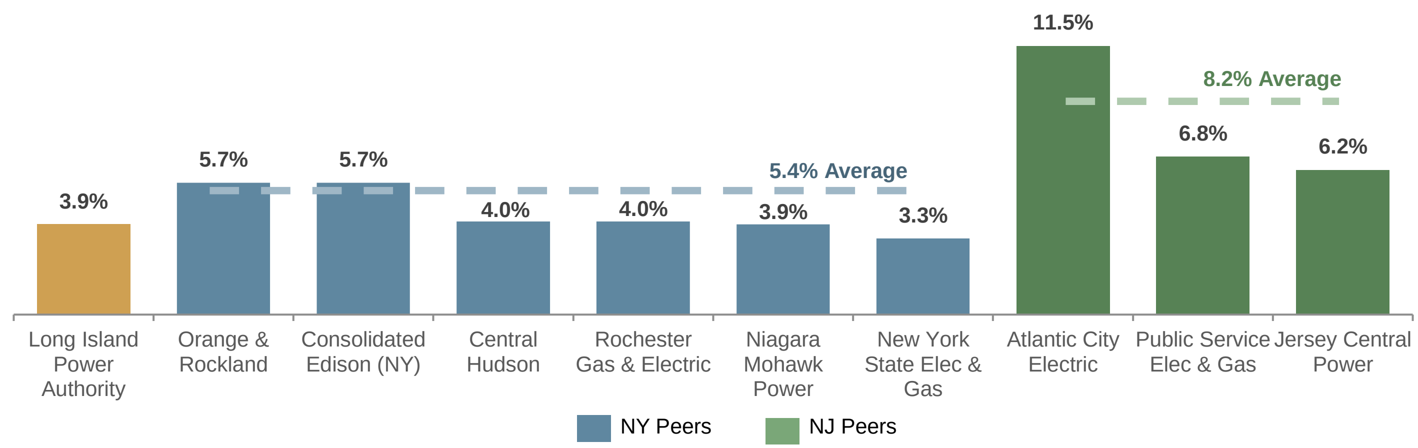
- LIPA's residential customer rates are significantly above both New York and New Jersey peers while also being substantially above the U.S. national average
- Similarly, LIPA's commercial customer rates are near the highest in the country and significantly above regional peer averages

Source: EIA Electric Sales Reports.
(1) Reflects data as of December 31, 2021 on a last twelve months basis.

LIPA—Net Utility Plant Growth Rate vs. Regional Peers

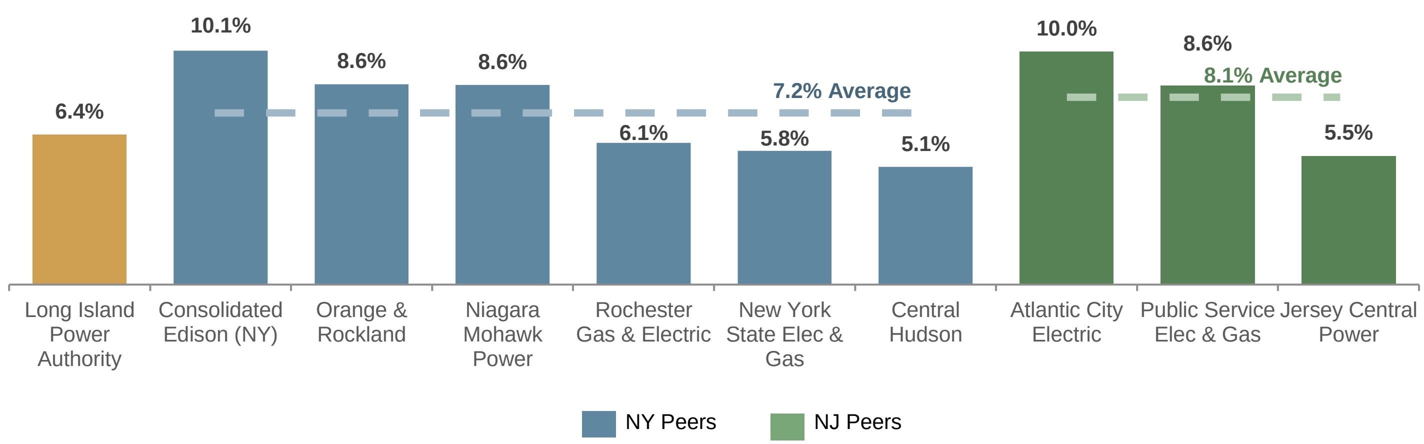
Selected Observations

2007 – 2013 (i.e., National Grid Operatorship) CAGR



- Growth in LIPA's net utility plant significantly lagged regional peer average levels over 2007 – 2013

2014 – 2021 (i.e., PSEG Operatorship) CAGR



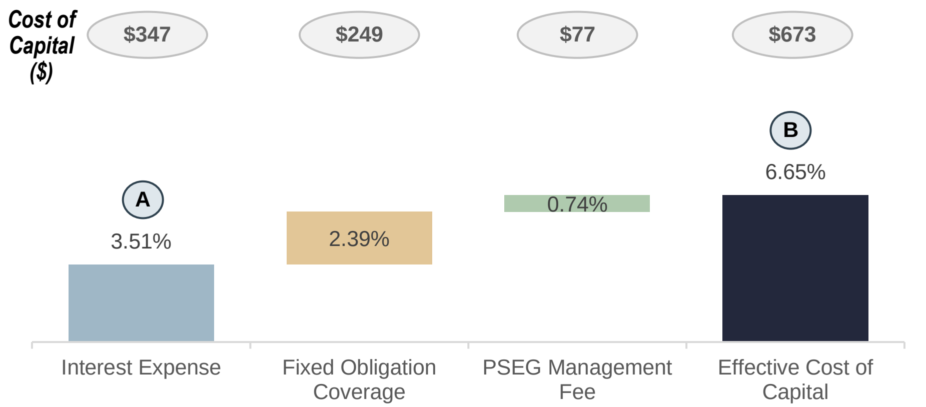
- While LIPA's net utility plant growth has meaningfully improved, it still remains below regional peer average levels

Source: Company filings, SNL.

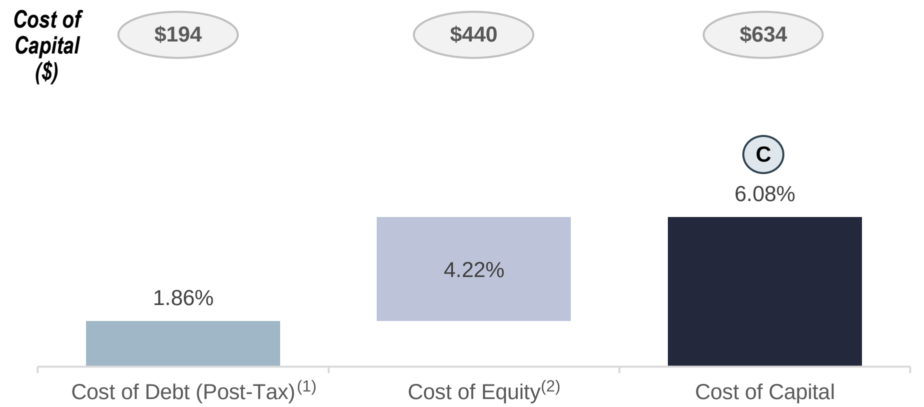
Cost of Capital—LIPA Versus Investor-Owned Utility

($ in millions)

2023 Cost of Capital—LIPA



2023 Cost of Capital—Illustrative Sale of LIPA



A — LIPA's Estimate of its Cost of Capital:

- LIPA's interest cost is expected to be 3.51% in 2023
- In its Phase II Report, LIPA estimates its cost of capital as the same as its debt cost; however, this approach excludes certain incremental costs that must be included in order to allow for a true comparison to an IOU cost of capital

B — LIPA's Adjusted Cost of Capital:

- In addition to interest expense, LIPA has other obligations that increase its effective cost of capital
- LIPA pays PSEG for the management of its T&D system
- LIPA also recovers "fixed obligation coverage" (i.e., the portion of LIPA's capital program funded by cash flow in each year rather than via new borrowings)
  - LIPA targets borrowing less than 64% of capital spending, with the balance funded by cash flow
  - Taking these into account, LIPA's effective cost of capital is in line with, or even higher than, an IOU cost of capital

C — IOU Cost of Capital:

- IOUs are capitalized with a combination of debt and equity as determined by regulators
- IOUs do not directly charge customers for capital expenditures—these costs are financed with debt and equity and returns on and of such capital is collected over the life of the underlying utility assets
- Based on New York regulatory parameters, an IOU structure could lower LIPA's *effective* cost of capital by ~55 bps

Source: Public information, LIPA's Phase II Report, Options Analysis for the Management of LIPA Assets, April 28, 2021, LIPA's 2023 Budget.

(1) Calculated using a debt capitalization ratio of 52% multiplied by post-tax cost of debt of 3.6% (assuming a 4.8% pre-tax cost of debt and 26.1% tax rate), then applied to LIPA's 2023 ratebase of ~$10.4 billion.

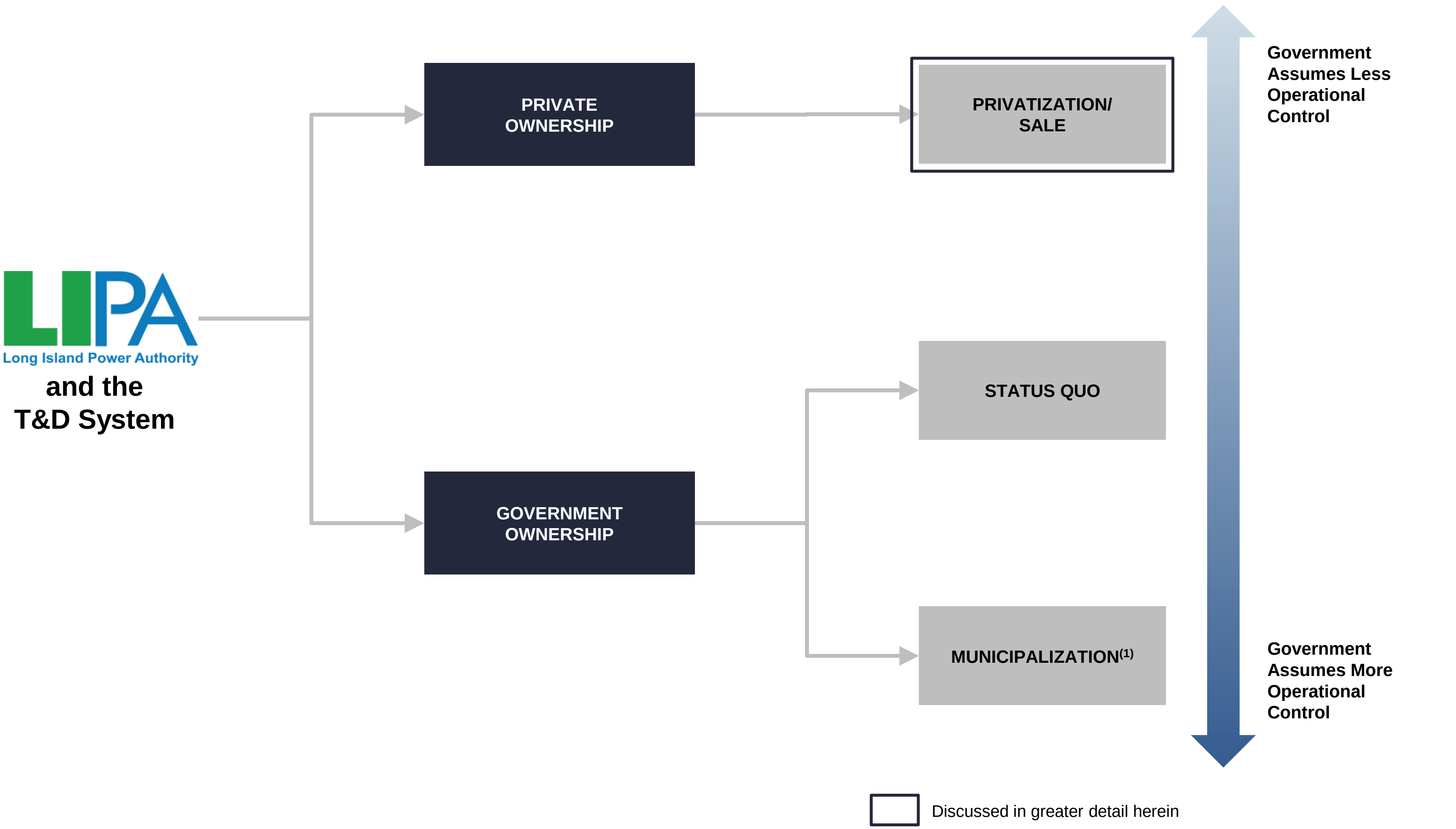
(2) Calculated using an equity capitalization ratio of 48% multiplied by the cost of equity of 8.8%, then applied to LIPA's 2023 ratebase of ~$10.4 billion.

IV Organizational Alternatives Available to LIPA

What Are the Challenges Posed by the Current LIPA Situation?

STATUS QUO	POTENTIAL FUTURE CONSTRUCT
Separation of Ownership Versus Management, Planning & Operations	Fully Integrated Management, Planning & Operations
Independent Ratemaking Authority	Rates Regulated by NYPSC
Limited Alignment of Interests with Customers	Enhanced Alignment of Interests with Customers
Limited Rate Predictability	Rate Stability/Predictability
Management Focused on Contract Administration	Professional Management and Expertise in Operating Large-Scale Integrated Utilities
Limited Accountability	Accountability via PSC and Other Customary Processes
	Access to a Long Island Public Benefit Trust
Challenged Customer Relationships	Improved Customer Relationships
Substantial Debt Burden	Sustainable Capital Structure
Limited Economic Development Role	Active Economic Development Role
Limited Incentive to Plan for and Invest in the Energy Transition	Incentivized to Drive the Energy Transition and Assume Environmental Stewardship Role in Long Island

Selected Organizational Alternatives for LIPA and the T&D System



(1) Based on preliminary and illustrative Lazard estimates, under a municipalization construct, LIPA would need to achieve ~$7.5 – 10.0+ billion in cumulative efficiencies, in order to achieve break-even (from a total revenue requirement perspective) to the privatization alternative.

V Privatization/Sale

Private Ownership—Sale

Description	• Privatization of the T&D System via sale to a third-party – Potentially significant sale proceeds could be used for repayment of existing debt and to fund a Long Island Public Benefit Trust[1]
Who Owns the System Assets?	• Potential new owners could include IOUs, infrastructure service companies and other private investors (e.g., pension funds, infrastructure funds, sovereign wealth funds, insurance companies, or combinations thereof)
Who Manages and Regulates the System?	• Managed by IOU or management team recruited by new owner • Regulated by the NYPSC
How Is the System Financed?	• T&D system financed via traditional IOU capital structure (illustratively, 52% debt/capitalization)
What Happens to the Existing Debt?	• Full debt refinancing

Benefits

- ✓ Integrates management, planning and operations
- ✓ Access to a Long Island Public Benefit Trust which can mitigate rate impacts for a *significant* period of time[1]
- ✓ Improved accountability via NYPSC regulation
- ✓ Improved decision-making processes
- ✓ Improved ability to identify/offer system enhancements
- ✓ Operating risks transferred to private entity, ending transitional role of LIPA as originally envisioned
- ✓ Equity capital provides performance incentives
- ✓ Structure would be consistent with the rest of New York State utilities
- ✓ Efficiencies (O&M, fuel purchasing, capex, etc.)
- ✓ Incentivizes investment to drive the energy transition for Long Island

Considerations

- × Requires state-level and local political support
- × Incurrence of transitional costs, including early retirement of tax-exempt bonds
- × Equity capital more expensive than 100% debt-financed structure
- × Introduces cost of corporate income taxes
- × Potential loss of FEMA funding (albeit other mechanisms typically used by IOUs would be accessible)

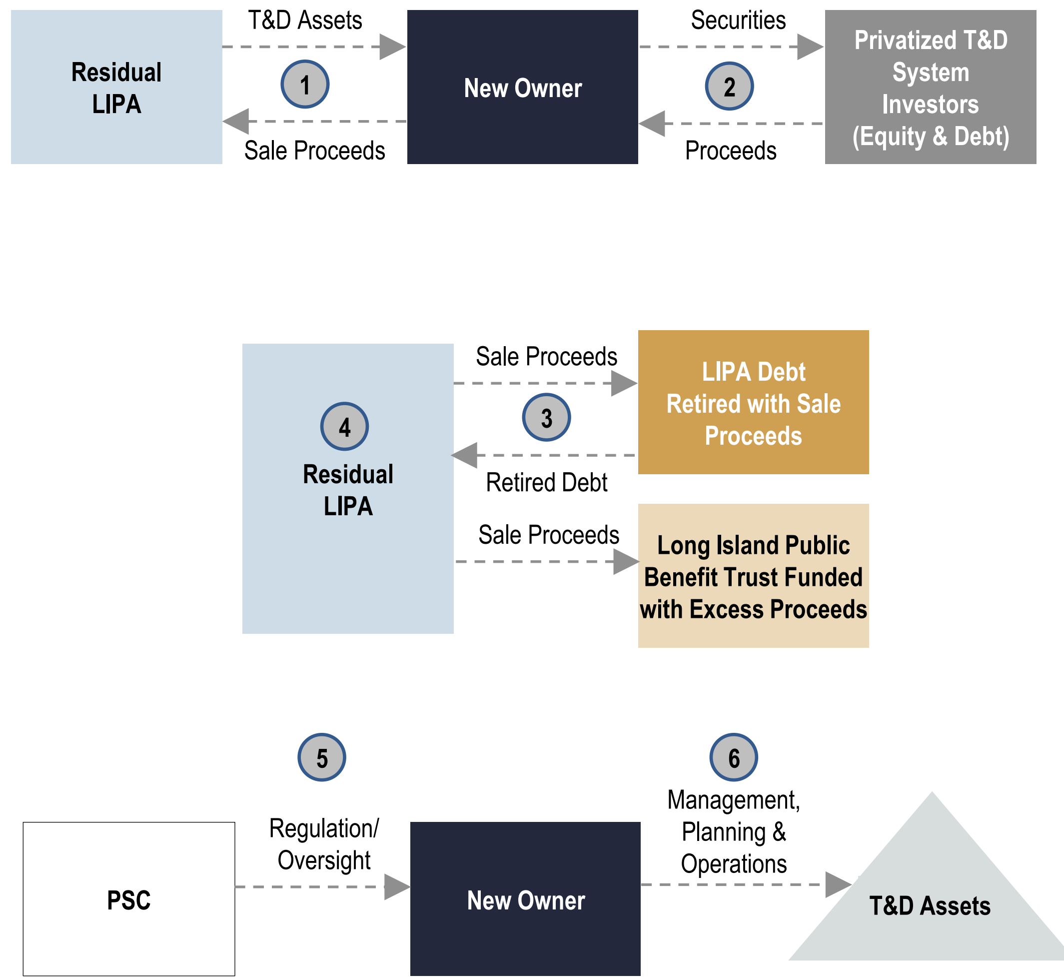
(1) A Long Island Public Benefit Trust can also be used to fund a lump-sum payment to LIPA customers, mitigate property tax increases, fund infrastructure and other public works projects or facilitate economic development more broadly.

LIPA Privatization—Overview

Implementation Steps

1. Third-party acquires T&D system
2. T&D system financed via traditional IOU capital structure (e.g., 52%/48% debt-to-equity ratio)
3. Sale proceeds are used to retire existing LIPA debt with excess proceeds funding a Long Island Public Benefit Trust
4. Residual LIPA effectively dissolved
5. NYPSC assumes regulatory and ratemaking authority over T&D system
6. New owner responsible for management, planning and operations of the T&D system

Organizational Structure



LIPA Privatization—Illustrative Impacts

($ in millions)

A sale of LIPA has the potential to generate proceeds of a magnitude that could enable full retirement of existing LIPA debt as well funding of a Long Island Public Benefit Trust to reduce/freeze rates and/or advance local initiatives for decades to come

Illustrative Sale of LIPA

Illustrative Purchase Price	
2023 LIPA Ratebase Projection	$10,418[(1)]
Illustrative Equity Capitalization	48.0%[(2)]
Illustrative Return on Equity	8.8%[(2)]
1 **Illustrative Net Income**	**$440**
Illustrative Transaction Multiple	25.0x[(3)]
2 **Illustrative Equity Purchase Price**	**$11,002**
Illustrative Debt Assumed	5,418
2 **Illustrative EV Purchase Price**	**$16,420**
Memo: Implied EV/Ratebase	*1.58x*

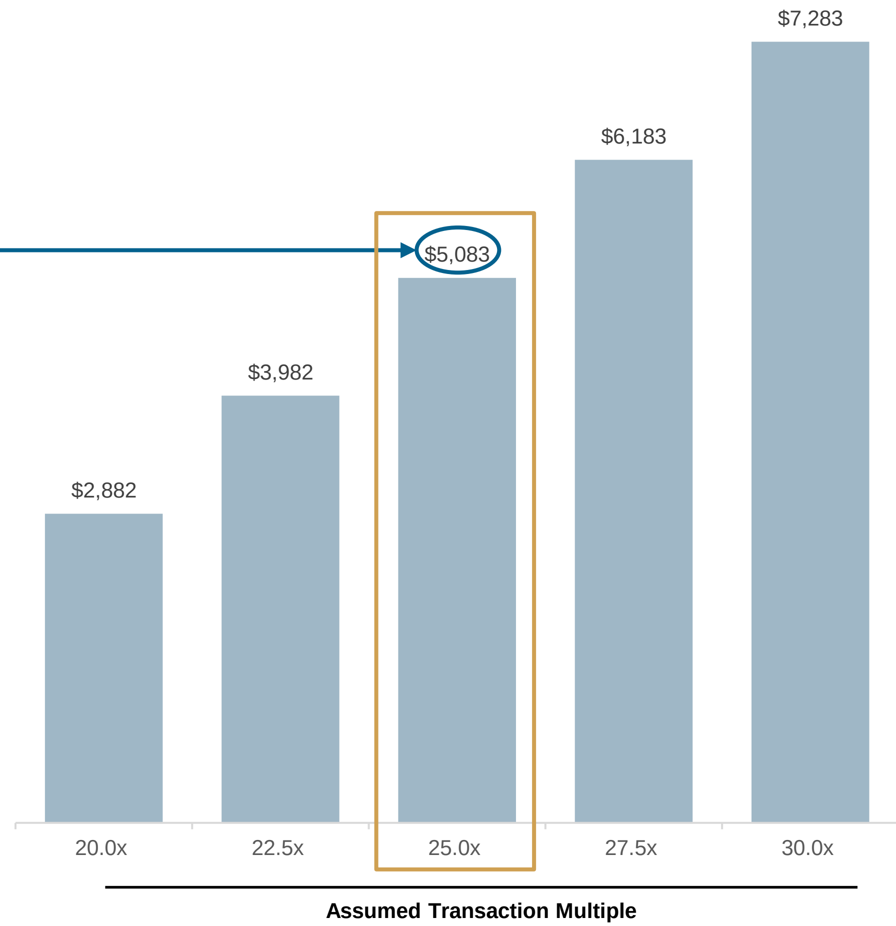
Uses	
Debt Repayment	$9,886[(4)]
Debt Pre-payment Penalty	1,450[(5)]
3 Cash to Public Benefit Trust	5,083
Total Uses	**$16,420**

1 *Assumes post transaction ROE and equity capitalization consistent with peer New York utilities*

2 *Assumes a sale at valuation levels observed in recent precedent electric utility transactions*

3 *Proceeds assumed to be used to retire LIPA debt. Excess proceeds contributed to ratepayer trust*

Cash to Public Benefit Trust Sensitivity to Transaction Multiple



Source: *LIPA's 2023 Annual Budget, Phase II Report, Options Analysis for the Management of LIPA Assets, For the Long Island Power Authority Board of Trustees, April 28, 2021.*

(1) Includes $2.4 billion in lease obligations for capacity arrangements related to right-to-use assets, net of amortization.
(2) Based on ConEdison's latest approved rate case.
(3) Illustrative transaction multiple informed by selected precedent electric utility M&A transactions.
(4) Based projected debt balance on December 31, 2023 per LIPA 2023 Annual Budget.
(5) Based on LIPA's Phase II Options Analysis. The scope of Lazard's assessment did not include an independent review of LIPA's debt covenants and early retirement costs (which, in the current higher interest rate environment, could be meaningfully lower).

LIPA Privatization—Illustrative Impacts (cont'd)

($ in millions)

A sale of LIPA, assuming even modest cost efficiencies, has the potential to deliver meaningful upfront ratepayer benefits

Ratepayer Impacts (2024)

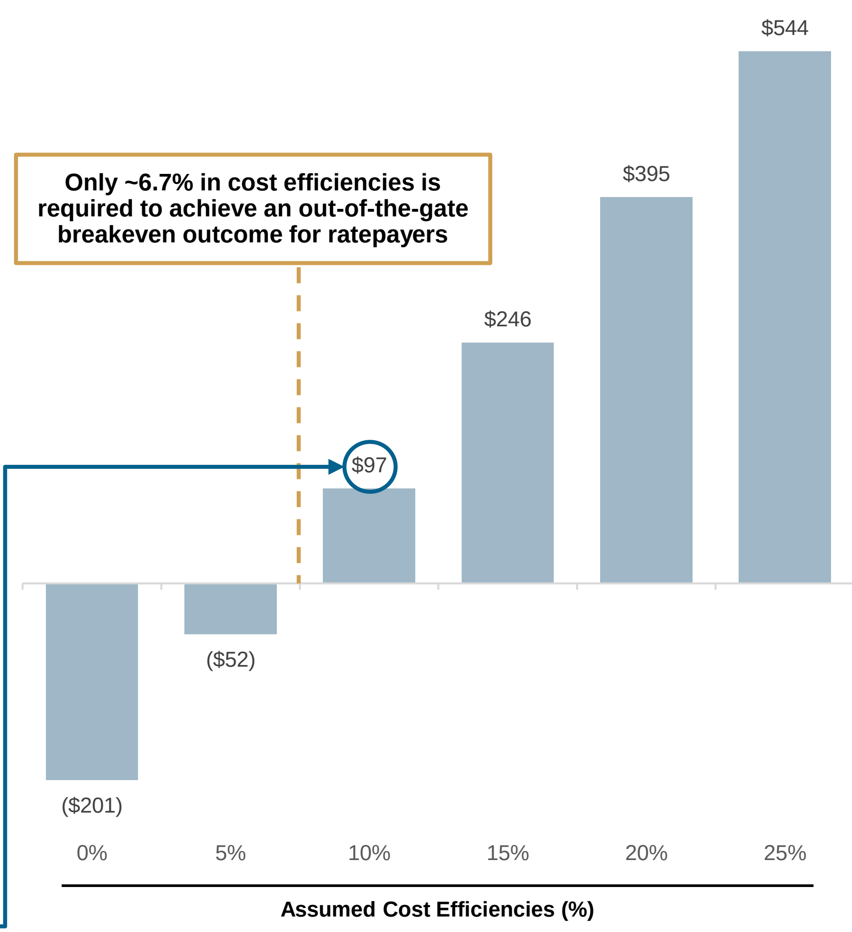
Ratepayer Impacts	2024
Cost Savings:	
Eliminate LIPA and UDSA Debt Service	$949
Eliminate PSEG Management Fee (Expensed Portion)	$50
Eliminate LIPA Operating Expenses	$57
Pool of Expenses Available for Efficiencies	$2,983[1]
Illustrative Cost Reduction	10%
Illustrative Upfront Efficiencies	**$298**
1 **Total Cost Savings**	**$1,354**
IOU Costs:	
Return on Equity	($611)
Depreciation Recovery	($358)
Interest on Debt	($269)
Eliminate Grant Income	($18)
2 **Total Incremental Costs**	**($1,257)**
3 **Annual Ratepayer Impact**	**$97**

1 *Ratepayer savings attributable to substantial debt reduction, post-sale efficiencies, elimination of PSEG management fee, LIPA operating expenses and anticipated benefits of integrated ownership and operations*

2 *Cost savings offset by Return on Equity to new owners, return of capital (depreciation), interest on new debt and elimination of FEMA grants*

3 *Annual ratepayer savings represents 1.6% of LIPA's 2024E revenue requirement*

2024 Ratepayer Impact Sensitivity to Assumed Efficiencies



LAZARD

Source: LIPA's 2023 Annual Budget, public information.
(1) Includes power supply costs and operating expenses.

LIPA Privatization—Ratepayer Bill Comparison

($ in millions)

A privatization-related Public Benefit Trust has the potential to fully mitigate rate impacts resulting from grid resiliency and energy transition investments for an extended period of time, as highlighted herein

Customer Rate Forecast

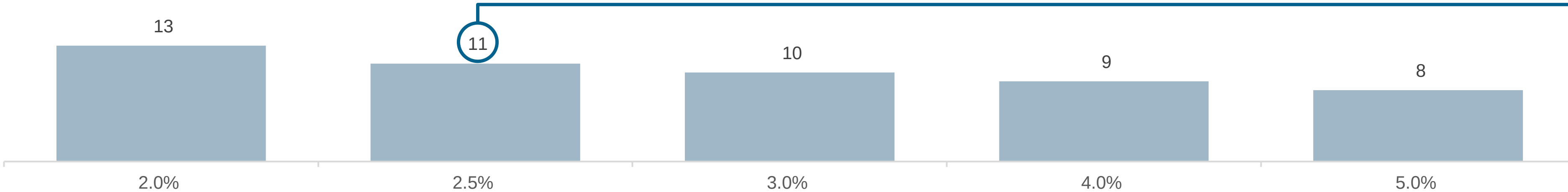
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Illustrative Status Quo											
Total Revenue Requirement	$4,322[1]	$4,430	$4,541	$4,654	$4,771	$4,890	$5,012	$5,137	$5,266	$5,397	$5,532
% Change from Prior Year	--	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
Illustrative Privatization / Sale											
Total Revenue Requirement	$4,225	$4,225	$4,225	$4,225	$4,225	$4,225	$4,225	$4,225	$4,225	$4,225	$4,225
% Change from Prior Year	--	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Difference vs. Status Quo	*(97)*	*(205)*	*(316)*	*(429)*	*(546)*	*(665)*	*(787)*	*(913)*	*(1,041)*	*(1,173)*	*(1,308)*
Illustrative Trust Account Beginning Balance	$5,083	$5,452	$5,635	$5,716	$5,686	$5,533	$5,245	$4,810	$4,213	$3,440	$2,475
(+) Return on Trust Assets[2]	369	388	397	399	393	377	352	316	268	207	132
(-) Customer Credit	--	(205)	(316)	(429)	(546)	(665)	(787)	(913)	(1,041)	(1,173)	(1,308)
Ending Balance	$5,452	$5,635	$5,716	$5,686	$5,533	$5,245	$4,810	$4,213	$3,440	$2,475	$1,299

1 *Illustration of revenue requirement assuming a 2.5% p.a. increase post-2024*

2 *Illustrates a post-privatization rate freeze at 2024 levels*

3 *As highlighted, the Public Benefit Trust has the potential to fully mitigate any revenue requirement increase for ~11 years*

Number of Full Years of Rate Freeze Funded by Public Benefit Trust (Sensitivity to Revenue Requirement Growth Rate)



LAZARD

Source: LIPA's 2023 Budget, Phase II Report, Options Analysis for the Management of LIPA Assets, For the Long Island Power Authority Board of Trustees, April 28, 2021.

(1) 2024 revenue requirement based on LIPA's 2023 Budget.

(2) Assumes a 7% return on trust assets.

Potential Factors Impacting an Evaluation of Privatization

Upside Factors

- Ability of a buyer to achieve higher O&M, fuel and purchased power and/or capital investment synergies (i.e., efficiencies above and beyond current expectations) subsequent to a privatization[1]
- Future reductions to the T&D system's above-peer average property tax burden
- Operational benefits (including improved customer service) from managing the T&D system consistent with Industry structure
- Reduced debt costs, including as a result of lower debt refinancing/breakage costs or narrowing of the spread between tax-exempt and taxable borrowing rates
- NYPSC authorization of lower authorized return on equity ("ROE") in post-privatization rate cases
- Incurrence of lower-than-expected transitional costs
- Higher purchase price, including as a result of potential buyers having more bullish views on synergies due to geographic overlap, optimism about the business environment, regulatory strategies (e.g., immediate recoveries, trackers, etc.) or other factors

Downside Factors

- Inability of a buyer to achieve targeted synergies subsequent to a privatization
- Future increases to the T&D system's above-peer property tax burden
- Deterioration of operational performance
- Higher debt costs, including as a result of higher debt refinancing/breakage costs or widening of the spread between tax-exempt and taxable borrowing rates
- NYPSC authorization of higher authorized ROE in post-transaction rate cases
- Incurrence of higher-than-expected transitional costs
- Lower purchase price, including as a result of buyers having a more conservative view on synergies, transitional costs, shareholder risks or other factors

(1) Assumes that higher synergies would flow through to reduce revenue requirements/rates.

VI Storm Recovery Mechanisms Available to Investor-Owned Utilities

Storm Recovery Mechanisms Available to Utilities

Utilities generally adopt a multifaceted approach to ensure timely and effective recovery of costs related to storms and other "non-normal" events; LIPA similarly has access to multiple recovery mechanisms, regardless of its organizational form

Illustrative Recovery Mechanisms

Mechanism	
Federal Disaster Recovery Grants	• FEMA grants to pay for restoration after a natural disaster and to mitigate recurring damage to infrastructure, are available only to states, their political subdivisions such as LIPA, and other tribal, governmental, or not-for-profit entities (see page 28 for detail)
Commercial Insurance / Self Insurance	• Utilities maintain insurance coverage including with respect to general liability and for damage to assets, subject to coverage limitations
Utility Commission Recovery Mechanisms	• Public utility commissions across the U.S. deploy a range of mechanisms to assist utilities in storm restoration while reducing the rate impacts to customers (see page 29 for detail)
Disaster Fund	• A funded reserve can be used as a form of self-insurance for major storm events • A disaster fund can be implemented at the individual company level or can be scaled across the industry, state and/or federal levels
Securitization	• Securitization bonds are useful for large scale events in order to fund near-term recovery with low-cost financing collected from customers over many years (see page 30 for detail)

Not Available to IOUs: Federal Disaster Recovery Grants
Available to IOUs: Commercial Insurance / Self Insurance; Utility Commission Recovery Mechanisms; Disaster Fund; Securitization

LIPA's Access to Federal Disaster Recovery Grants

($ in millions)

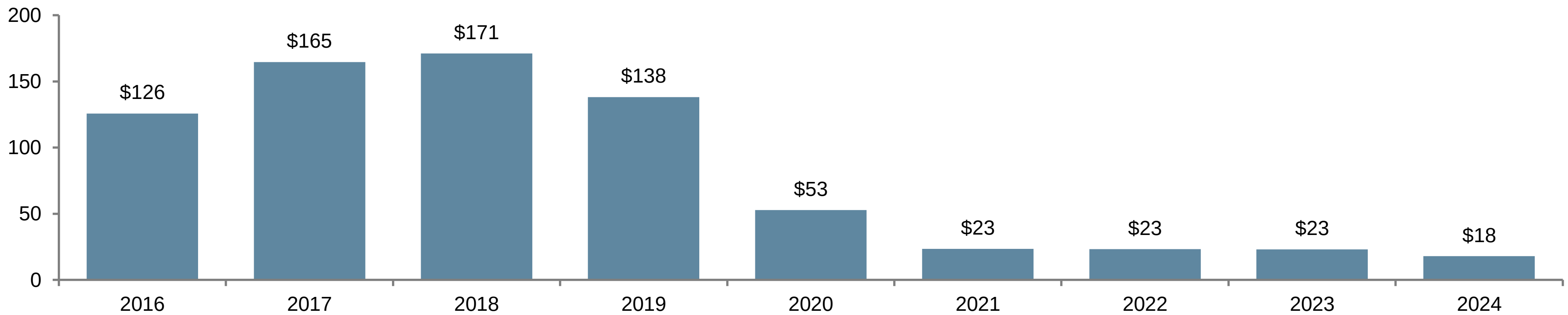
Summary

- Over the past 12 years, LIPA has received ~$1.9 billion in disaster recovery grants from the Federal Emergency Management Agency (FEMA) and other sources for disaster recovery and storm hardening[(1)]
  - 70+% of such grants are attributable to Superstorm Sandy in 2012
  - In recent years, federal grants have declined significantly
- Federal grants are intended to be an option of last resort—maintaining a safe, resilient and storm hardened T&D system should reduce/eliminate the need for federal assistance
- IOUs are incentivized to proactively invest in grid resiliency and storm hardening accessing well-established recovery mechanisms

LIPA Federal Disaster Recovery and Storm Hardening Grant Proceeds[(2)]

Year	Significant Storm(s)	Grant Proceeds	Percentage of Total
2010	March Nor'easter	$51	2.7%
2010	Winter Storm	46	2.5%
2011	Hurricane Irene	154	8.3%
2012	Superstorm Sandy	1,316	70.8%
2013	Winter Storm Nemo	11	0.6%
2017	March Blizzard Stella	4	0.2%
2020	Tropical Storm Isaias	276	14.9%
Total		**$1,858**	**100.0%**

LIPA Budgeted Grant Proceeds by Year



Source: LIPA's 2023 Budget. LIPA's Annual Budgets, LIPA Phase II Report, Options Analysis for the Management of LIPA Assets (April 28, 2022).

(1) FEMA grants to pay for restoration after a natural disaster and to mitigate recurring damage to infrastructure, are available only to states, their political subdivisions such as LIPA, and other tribal, governmental or not-for-profit entities. See Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended. 42 U.S.C. §§ 5121 et seq.

(2) Applications for Tropical Storm Isais Hardening of $400+ million, COVID-19 Pandemic of $27 million and Tropical Storm Ida of $7 million are still pending and have not been awarded.

Utility Commission Storm Recovery Mechanisms

Public utility commissions across the U.S. have deployed a range of mechanisms to assist utilities in storm restoration while reducing the rate impacts to customers

Storm Reserve	• **A storm reserve allows utilities to smooth the earnings impact of major storms** • **When a utility establishes a storm reserve, it credits a fixed amount each month to the reserve through monthly accruals—these accruals are deducted from earnings in anticipation of future storm costs** • **When a major storm strikes, the storm costs are charged against the balance in the storm reserve account** • **A storm reserve is not necessarily funded with cash**
Rider Recovery	• **Rider recovery allows utilities to collect revenues from customers for storms that have not yet occurred** – The charge may be determined based on average historical storm costs • **Rider recovery can be used to fund a storm reserve with cash in order to provide immediate liquidity for storm restoration**
Special Deferrals	• **When a deferral is established, all or a portion of storm-related O&M costs are amortized over an extended time period—the rationale for establishing the deferral is to smooth the earnings impact of the storm** • **Storm costs that are deferred may or may not be recoverable from rate payers through a special surcharge assessed on customer bills**
Securitization	• **Securitization bonds are useful for large scale events in order to fund near-term recovery with low cost financing collected from customers over many years**

Discussed further on following slide

Securitization

Securitization bonds are useful for large scale events in order to fund near-term recovery with low-cost financing collected from customers over many years

Key Securitization Traits

- Secured and highly rated (typically AAA) debt that is unlikely to default with structural protections
- Irrevocable charge is legislatively approved to be placed on customer's bills through a separate charge and expected to be recovered over a set time period
  - The securitization charge is typically a small portion of the utility bill
- Contains credit enhancements / structural protections which include:
  - True-up Mechanism: Intended to ensure sufficient amounts are available to pay securitization bond principal and interest (adjusted on a periodic basis)
  - Reserve Account: A small capital contribution to provide short-term liquidity

How Does Utility Securitization Work?

Step 1: Legislation

- The state legislature passes legislation providing a framework for the utility to collect irrevocable securitization charges and issue securitization bonds backed by this charge

Step 2: Regulatory Approval

- Utility (or a third-party government entity[(1)]) files for a financing order that establishes an irrevocable securitization charge and authorizes the issuance of securitization bonds

Step 3: Bond Issuance

- After obtaining regulatory approval, the utility (or the third-party government entity[(1)]) will sell the right to collect the irrevocable securitization charge to a special purpose vehicle ("SPV") which issues the securitization bonds

Selected Utility Securitization Precedents

Pricing Date	Sponsor	Utility Parent	State	Amount ($MM)
9/9/2005	Public Service Electric & Gas	PSEG	New Jersey	$102
9/22/2005	West Penn Power	FirstEnergy	Pennsylvania	$115
11/3/2005	Pacific Gas & Electric	Pacific Gas & Electric	California	$844
12/16/2005	CenterPoint Energy	CenterPoint	Texas	$1,851
8/4/2006	Jersey Central Power and Light	FirstEnergy	New Jersey	$182
10/6/2006	AEP Texas Central	AEP	Texas	$1,739
4/11/2007	MP Environmental Funding	FirstEnergy	West Virginia	$344
4/11/2007	PE Environmental Funding	FirstEnergy	West Virginia	$114
5/17/2007	Florida Power and Light	NextEra Energy	Florida	$652
6/29/2007	Baltimore Gas and Electric	Baltimore Gas and Electric	Maryland	$623
6/22/2007	Entergy Gulf States	Entergy	Texas	$329
1/29/2008	CenterPoint Energy	CenterPoint	Texas	$488
2/28/2008	CLECO 2008 - Hurricane Recovery	Cleco	Louisiana	$180
7/22/2008	Entergy Louisiana	Entergy	Louisiana	$687
8/20/2008	Entergy Gulf States Louisiana	Entergy	Louisiana	$278
10/23/2009	Entergy Texas Restoration Funding	Entergy	Texas	$545
11/18/2009	CenterPoint Energy	CenterPoint	Texas	$664
12/30/2009	Monongahela Company	FirstEnergy	West Virginia	$64
12/30/2009	Potomac Edison Company	FirstEnergy	West Virginia	$21
7/15/2010	Entergy Gulf States Louisiana	Entergy	Louisiana	$244
7/15/2010	Entergy Louisiana	Entergy	Louisiana	$468
8/11/2010	Entergy Arkansas	Entergy	Arkansas	$124
9/15/2011	Entergy Louisiana	Entergy	Louisiana	$207
1/11/2012	CenterPoint Energy Houston	CenterPoint	Texas	$1,695
3/7/2012	AEP Texas Central	American Electric Power	Texas	$800
6/12/2013	FirstEnergy Ohio	FirstEnergy	Ohio	$444
7/23/2013	Ohio Power Company	American Electric Power	Ohio	$267
11/6/2013	Appalachian Power Company	American Electric Power	West Virginia	$380
12/11/2013	Long Island Power Authority	LIPA	New York	$2,485
7/14/2014	Consumers Energy	Consumers Energy	Michigan	$378
7/29/2014	Entergy Gulf States Louisiana	Entergy	Louisiana	$71
7/29/2014	Entergy Louisiana	Entergy	Louisiana	$243
11/4/2014	Hawaiian Electric	Hawaiian Electric	Hawaii	$150
7/14/2015	Entergy New Orleans	Entergy	Louisiana	$98
10/15/2015	Long Island Power Authority	LIPA	New York	$1,002
1/15/2016	Long Island Power Authority	LIPA	New York	$636
6/15/2016	Duke Energy Florida	Duke Energy	Florida	$1,294
1/1/2017	Long Island Power Authority	LIPA	New York	$369
1/30/2018	Eversource Energy	Eversource Energy	New Hampshire	$635
4/25/2021	Pacific Gas & Electric	Pacific Gas & Electric	California	$7,500
3/2/2022	Entergy New Orleans	Entergy	Louisiana	$150
3/21/2022	Entergy Texas Restoration Funding II	Entergy	Texas	$290
3/24/2022	Atmos Energy	Atmos Energy	Kansas	$93
7/20/2022	Oklahoma Gas and Electric	Oklahoma Gas and Electric	Oklahoma	$762
7/22/2022	Cleco Power	Cleco Power	Louisiana	$425
8/25/2022	Oklahoma Natural Gas	ONE Gas	Oklahoma	$1,350

LIPA completed ~$4.5 billion in securitization issuances from 2013 to 2017 through both taxable and tax exempt bonds

Source: SNL, company filings.
(1) Potentially required for tax exempt securitization.

VII Appendix

Government Ownership—Municipalization of LIPA

Description	• LIPA (or newly-formed State-Owned Utility) assumes direct responsibility, management, planning and operation of the T&D system
Who Owns the System Assets?	• LIPA (or newly-formed State-Owned Utility)
Who Manages and Regulates the System?	• LIPA (or newly-formed State-Owned Utility) • Regulated by the NYPSC
How Is the System Financed?	• Tax-exempt debt issued by LIPA (or newly-formed State-Owned Utility) • LIPA debt in excess of sustainable T&D system debt burden (illustratively, 52% debt/capitalization) is refinanced and serviced via non-bypassable charge
What Happens to the Existing Debt?	• Full debt refinancing(1)

Benefits

- ✓ Improved accountability via NYPSC regulation
- ✓ Improved decision-making processes
- ✓ Improved ability to identify/offer system enhancements
- ✓ Historical cost advantage of capital structure comprised of 100% tax-exempt debt—cost advantage unclear in current markets, however
- ✓ Avoids corporate tax burden and costs
- ✓ Precedent models (e.g., TVA) exist for establishing system of professional management and to play an important economic development role

Considerations

- × Significant efficiencies needed to match rate mitigation benefits of a privatization-related Long Island Public Benefit Trust(2)
- × Need to stand up leadership organization with significant related costs
- × Requires state-level and local political support
- × Costs associated with early retirement of tax-exempt bonds
- × Absence of equity/ownership performance incentives
- × Structure would be counter to utility ownership model in New York
- × Operating and political risks borne by State
- × Decision-making potentially subject to political/other considerations

(1) Instituting NYPSC regulation (i.e., removing LIPA's independent ratemaking authority) could fundamentally change the security of LIPA's existing bonds, potentially requiring a refinancing of LIPA's existing debt with incremental costs to ratepayers.
(2) Based on preliminary Lazard estimates, under a municipalization construct, LIPA would need to achieve ~$7.5 – 10.0+ billion in cumulative efficiencies, in order to achieve break-even (from a total revenue requirement perspective) to the privatization alternative.

Illustrative Organizational Structure—Municipalization

Implementation Steps

1. LIPA (or newly-formed State-Owned Utility) assumes direct responsibility, management, planning and operation of the T&D system and continues to own (or acquires) the T&D assets

2. NYPSC assumes regulatory and ratemaking authority over LIPA (or newly-formed State-Owned Utility)

3. All existing LIPA debt is refinanced, with LIPA debt in excess of sustainable T&D system debt burden (illustratively, 52% debt/capitalization) refinanced via tariff bonds

4. T&D system continues to be financed via tax-exempt debt issued by LIPA (or newly-formed State-Owned Utility)

5. Non-bypassable charge services tariff bonds

Organizational Structure