



Adopted 2000 Budgets  
Operating and Capital

**George E. Pataki**  
Governor

**Richard M. Kessel**  
Chairman

**LONG ISLAND POWER AUTHORITY  
ADOPTED OPERATING AND CAPITAL BUDGETS  
YEAR ENDING DECEMBER 31, 2000**

**EXECUTIVE SUMMARY**

The revenue and operating and capital expenditure forecasts contained herein represent the Long Island Power Authority's (LIPA) adopted budgets for the year ending December 31, 2000. They are based on actual sales results for the current year (1999), normalized for the effects of weather, forecasts of electric load additions and the expected impact of the Long Island Choice and demand side management/energy conservation programs. Expenditure forecasts incorporate continuation of current operation and maintenance programs as well as initiatives planned for 2000 to address system growth and safety, and improve system reliability. Highlights of the sales and revenue forecasts and adopted expenditure plans include:

**Electric sales** are forecasted at 17,515,878 MWH, an increase of 308,300 MWH, or 1.8% over 1999's projected normalized level. Sales in the Commercial and Industrial market are expected to grow by 2.1%, while Residential sales will increase by 1.6%.

**Revenues** are budgeted at \$2.125 billion and are primarily based on sales of electricity to the Residential and Commercial and Industrial markets. Also included are sales to Public Authorities and revenues from electric sales for Street Lighting as well as revenues associated with: Sales for Resale (wholesale sales made outside of LIPA's retail service territory); reimbursement from KeySpan for the cost of providing postage-paid remittance envelopes to our customers and revenues from other sources, such as pole attachments and late payment charges. Excluded are \$8.4 million of lost revenues associated with discounted sales to qualified customers under the Power-for-Jobs program. LIPA receives a gross receipts tax credit from New York State for such losses, which is included in the budget as an offset to Revenue Tax expense.

**Fuel and Purchased Power** costs are budgeted at \$680.8 million and are based on forecasted natural gas, fuel oil and nuclear fuel prices and the cost of purchased power, adjusted in accordance with the provisions of LIPA's tariff, which requires that the effect of higher or lower fuel and purchased power prices forecasted for the budget year be deferred and recovered from or returned to customers in the following year.

**Operation and Maintenance** expenses are budgeted at \$657 million and are comprised primarily of costs associated with the transmission and distribution system management and power generation agreements with KeySpan Energy Corp. In addition to the costs associated with operating LIPA's T&D system and providing generated and purchased power, these agreements provide for management fees and various performance incentives related to system reliability, customer service and worker safety. Other major costs include those related to the Clean Energy Program and the operation and maintenance activities associated with the Nine Mile Point Two nuclear power plant.

**General and Administrative** expenses are budgeted at \$14.6 million and are comprised primarily of salaries and benefits for LIPA's employees and costs related to insurance to protect against severe losses from damage to the transmission and distribution system and costs incurred to restore electric service to customers in the event of a storm or other extreme weather event. Also included are expenses for office rent, communications and the cost of public liability damage claims.

**Depreciation and Amortization** is budgeted at \$213.5 million and is comprised of the amortization of the Acquisition Adjustment as well as the depreciation of the T&D system assets.

**Revenue Taxes** are budgeted at \$81.4 million and are based on gross revenues received from the sale of electricity and charges levied on other sources of revenues. The expense included in the budget is net of tax credits associated with sales made under the Power-for-Jobs program.

**Payments in-lieu-of Taxes**, or PILOTS, are budgeted at \$153.5 million and reflect forecasts of real property-based taxes presently incurred by LIPA from various jurisdictions, including New York State, Nassau and Suffolk Counties, towns, villages, school districts and special purpose districts.

**Interest Expense and Income** reflects a net interest expense of \$322.4 million. Interest expense, net of that portion capitalized as a cost associated with capital projects, is budgeted at \$384.2 million and is based on forecasted balances of outstanding debt and related fees as well as the amortization of deferred charges associated with the early redemption of prior indebtedness. Interest income is budgeted at \$61.8 million, representing interest earned on LIPA's operating funds and other short-term investments.

**Capital** expenditures, comprised of construction and removal projects, are budgeted at \$206.6 million. Transmission and distribution system projects, which includes the construction of a twenty-two and a half mile transmission line to provide additional capacity to eastern Suffolk County, total \$190.2 million. These investments underscore LIPA's commitment to provide safe and reliable electric service, and to expand and upgrade the electric T&D system to serve new customers, particularly on the eastern end of Long Island, where additional investments are needed to meet the energy needs of that region's growing population. Capital expenditures, including the cost of capitalized nuclear fuel, related to LIPA's 18% share of the upstate Nine Mile Point Two nuclear power plant are forecasted to be \$12.1 million. The remainder of the capital budget includes provisions for LIPA furniture and equipment and for capitalized interest.

These operating and capital budgets support LIPA's commitment to the provision of safe, reliable and affordable electric service to the residents and businesses of Long Island, incorporating the 20 percent across-the-board rate reduction that we expect will continue for at least another four years. As we begin our second full year as Long Island's electric T&D company, we look forward to continuing our lead role in the many exciting changes now occurring in our industry and will continue to strive to provide our customers with service that is second to none.

**Long Island Power Authority  
Adopted Budgets  
Year Ending December 31, 2000**

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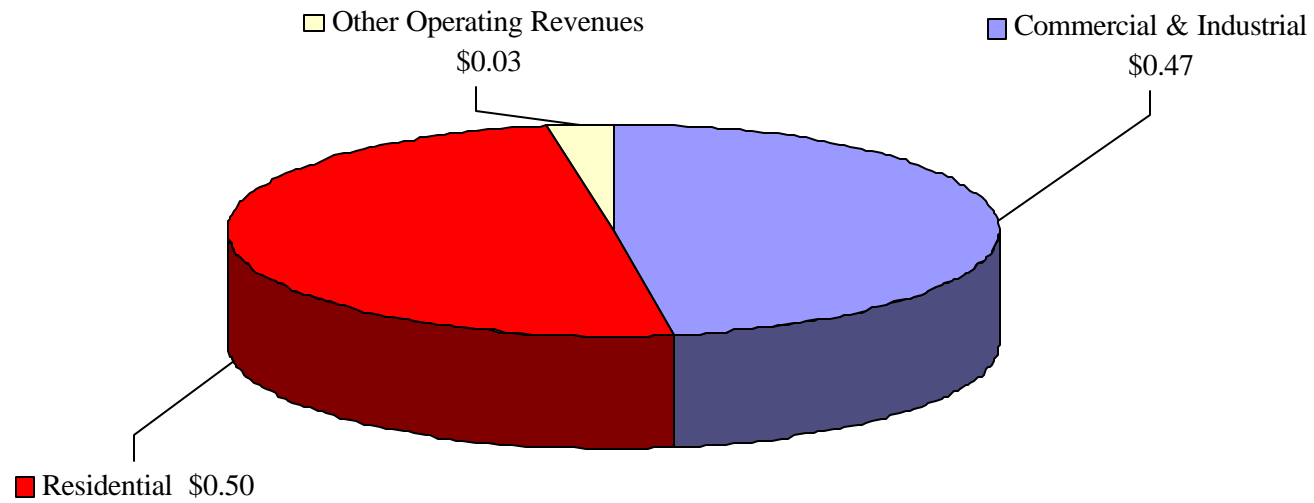


**Long Island Power Authority**  
**Adopted Statement of Revenues and Expenses**  
**Consolidated**  
**Year Ending December 31, 2000**  
(Thousands of Dollars)

		<u>Reference</u>
<b>Revenues</b>	<b>2,124,940</b>	(1) A-3
<b>Expenses</b>		
Fuel and Purchased Power Costs	680,846	(2) A-5
Operations and Maintenance Expenses	656,996	(3) A-6
General and Administrative Expenses	14,644	(4) A-7
Depreciation and Amortization	213,540	(5) A-8
Revenue Taxes	81,440	(6) A-9
Payments in Lieu of Taxes (PILOTS)	153,524	(7) A-9
<b>Total Operating Expenses</b>	<b>1,800,990</b>	
<b>Operating Income</b>	<b>323,950</b>	
Interest Expense and Income	322,437	(8) A-12
<b>Excess of Revenues Over Expenses</b>	<b>1,513</b>	

- Notes: (1) Based on a forecast of 17.516 million megawatt hours, which reflects an assumed growth rate of 1.8% and includes the continuation of an average 20% overall rate reduction.
- (2) Based on forecast fuel prices, adjusted according to the provisions of the tariff.
- (3) Reflects terms and conditions of contracts with KeySpan.
- (4) Employee salaries and benefits, insurance and other internal expenses of LIPA.
- (5) Includes depreciation of T&D plant and equipment and the reserve provision for LIPA's share of the forecast decommissioning cost of the Nine Mile Point 2 nuclear plant. Also included is the amortization of the Acquisition Adjustment.
- (6) State and local taxes assessed on revenues associated with the retail sale of electricity and other operating revenues. Included is a surcharge assessed on sales made to the localities serviced by the Metropolitan Transportation Authority.
- (7) Payments made to New York State, the counties, towns and villages and other taxing districts in-lieu-of property taxes.
- (8) Interest expense associated with outstanding debt securities, net of interest income earned on LIPA's operating funds and other short-term investments.

**LONG ISLAND POWER AUTHORITY  
SOURCE OF 2000 REVENUE DOLLAR**



## Sales and Revenues

### Sales of Electricity (MWh)\*

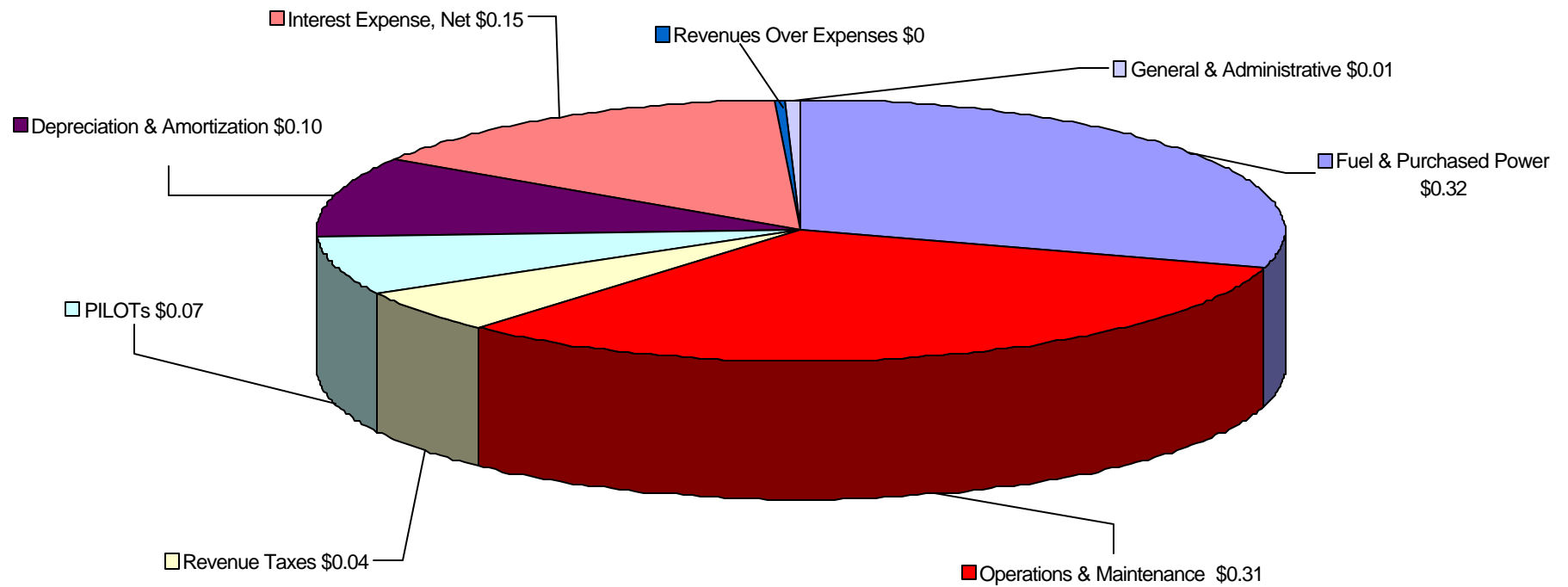
Residential Sales	7,992,162
Commercial & Industrial Sales	9,099,683
Other Sales to Public Authorities/Street Lighting	424,033
<b>Total Sales of Electricity</b>	<b>17,515,878</b>

### Revenues (\$ thousands)

Residential Sales	1,065,362
Commercial & Industrial Sales	1,003,811
Other Sales to Public Authorities/Street Lighting	38,750
Sales for Resale	1,437
Postage-Paid Remittance Envelope Reimbursement	1,800
Miscellaneous Revenues	13,780
<b>Total Revenues</b>	<b>2,124,940</b>

\* Megawatt hours, or 1,000 kilowatt hours (KWh). A kilowatt hour is the unit of measure for retail sales of electricity. The average monthly bill for a residential customer will range from 560 KWh to 730 KWh, depending upon season.

**LONG ISLAND POWER AUTHORITY  
USE OF 2000 REVENUE DOLLAR**



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## Fuel and Purchased Power Costs

(Thousands of Dollars)

Total Fuel and Purchased Power (excl. Nine Mile)	613,537
Nine Mile Nuclear Fuel (incl. Disposal and Decomm. Costs)	7,892
Wheeling Charges	7,687
Y-49 and Y-50 Cable Operating Costs	25,628
Petroleum Business Tax	20,977
Energy Management Agreement	7,625
Deferred Fuel Costs	(2,500)
<b>Total Fuel and Purchased Power Costs</b>	<b>680,846</b>

## Operations and Maintenance Expenses

(Thousands of Dollars)

		<u>Reference</u>
KeySpan Management Services Agreement	261,534	A-6.1
KeySpan Power Supply Agreement	292,495	A-6.1
Legal and Consulting	12,051	A-6.2
Assessments	2,432	A-6.3
Nine Mile Point 2 O&M	27,048	A-6.4
Research & Development	5,979	A-6.5
Clean Energy Program	29,876	A-6.6
Storm Damage Reserve	9,000	(1)
Uncollectible Accounts	13,334	(1)
Long Island Choice Program	355	(1)
Customer Service	305	(1)
Economic Development	287	(1)
Postage-Paid Remittance Envelopes	1,800	(1)
Miscellaneous	500	(1)
<b>Total Operations and Maintenance Expenses</b>	<b>656,996</b>	

(1) Not detailed on separate schedule

## O&M and Generation Expenses Incurred Under Management and Power Agreements with KeySpan

(Thousands of Dollars)

<b>Management Services Agreement</b>	
T&D System Operating Costs	267,753
Management Fee	10,000
Synergy Savings	(21,719)
Non-Cost Performance Incentives	<u>5,500</u>
<b>Total Management Services Agreement</b>	<b><u>261,534</u></b>
<b>Power Supply Agreement</b>	
Operation and Maintenance Expenses	293,359
Synergy Savings	(4,864)
Non-Cost Performance Incentives	<u>4,000</u>
<b>Total Power Supply Agreement</b>	<b><u>292,495</u></b>
<b>Energy Management Agreement*</b>	
Operating Expenses	2,250
Management Fees	1,500
Synergy Savings	(3,125)
Non-Cost Performance Incentives	<u>7,000</u>
<b>Total Energy Management Agreement</b>	<b><u>7,625</u></b>
<b>Total Contracts with KeySpan</b>	<b>561,654</b>

\* Expenses incurred under the Energy Management Agreement are included as Fuel and Purchased Power Expenses. See page A-5.

## Legal and Consulting Expenses

(Thousands of Dollars)

<b>Legal-</b>	
State Regulatory Matters	60
Financial and Tax Matters	135
Corporate and Securities Matters	75
Litigation Matters	1,005
Federal Regulatory Matters	300
Power Supply and Transmission Matters	775
Environmental Matters	215
Contractual Matters	250
Real Estate Matters	150
General Legal Matters	530
<b>Total Legal Expenses</b>	<b>3,495</b>
<b>Consulting-</b>	
Financial and Audit Services	1,275
Information Technology	280
Engineering	5,136
Risk Management	104
Financial Advisor/Investments	1,170
Human Resources	120
Strategic Planning	120
Miscellaneous	351
<b>Total Consulting Expenses</b>	<b>8,556</b>
<b>Total Legal and Consulting</b>	<b>12,051</b>

Note: Excludes legal and consulting expenses included under the MSA budget. Legal and consulting expenses related to the Clean Energy Program have been budgeted under the program.

## Assessments

(Thousands of Dollars)

NYS Administrative Cost Assessment	2,040
Transmitters Providers Committee	200
New York Power Pool	75
ESEERCO	31
New England Power Pool	10
New York State Reliability Council	71
Northeast Power Coordinating Council	5
<b>Total Assessments</b>	<b>2,432</b>

## Nine Mile Point 2 O&M Expenses

(Thousands of Dollars)

Refueling Outage Expense	2,131
Non-Refueling Outage Expense	21,816
Materials and Supplies Carrying Costs	988
Insurance	327
Management, Analytical and Technical Services	702
Other Expenses	1,084
<b>Total Nine Mile Point 2 O&amp;M Expenses</b>	<b>27,048</b>

## Research & Development Expenses

(Thousands of Dollars)

Transmission and Distribution System Projects	2,751
Clean Energy/Energy Efficiency Projects	4,595
Customer Service/Appliance Utilization	2,120
Base KeySpan Labor Included in MSA Budget	1,108
<b>Total Research and Development Budget</b>	<b>10,574</b>
Less: R&D Projects Included in Clean Energy Program	(4,595) <sup>(1)</sup>
<b>Total Research &amp; Development Expenses</b>	<b>5,979</b>

Notes: (1) Included under Clean Energy Program

## Clean Energy Program Expenses

(Thousands of Dollars)

Conservation	16,865
Low Income Conservation	3,020
Research & Development	4,595
Design, Promotion and Administration	2,908
Base KeySpan Labor Included in MSA Budget	2,488
<b>Total Clean Energy Program Expenses</b>	<b>29,876</b>

## General and Administrative Expenses

(Thousands of Dollars)

Employee Salaries and Benefits	6,543
Other Employee Expenses	450
Office Rent	731
Telephone	192
Office Supplies, Printing and Postage	338
Meetings, Conferences and Seminars	344
Equipment Leases	59
Dues/Memberships/Subscriptions	197
Repairs & Maintenance	42
Insurance	540
Injuries and Damages Reserve	720
T&D Insurance	2,238
NUSCO Cable Insurance	477
Communications	821
Board and Other Public Meetings	108
Community Relations	290
Miscellaneous	554
<b>Total General and Administrative Expenses</b>	<b>14,644</b>

## Depreciation and Amortization

(Thousands of Dollars)

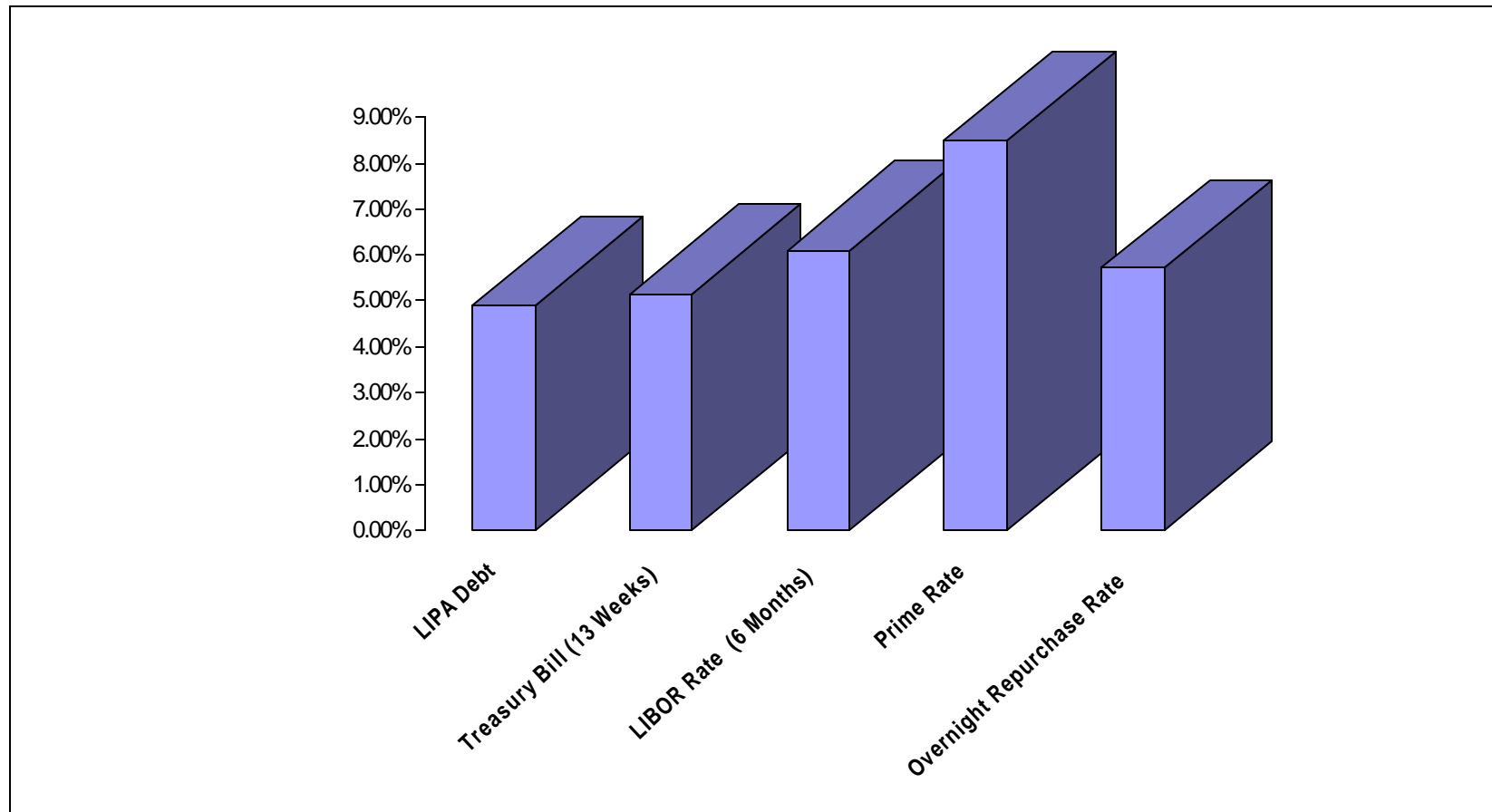
Amortization of Acquisition Adjustment	117,300
Depreciation Expense-Plant-in-Service	92,000
Depreciation Expense-Decommissioning Fund-Nine Mile Point 2	4,240
<b>Total Depreciation and Amortization</b>	<b>213,540</b>

## Taxes and Payments in-lieu-of Taxes

(Thousands of Dollars)

<b>Revenue Taxes</b>	<b><u>81,440</u></b>
<b>Payments in-lieu-of Taxes (PILOTS)</b>	
Long Island and New York City	129,500
Nine Mile PILOTS	6,303
Shoreham PILOTS	17,721
<b>Total PILOTS</b>	<b><u>153,524</u></b>

**LONG ISLAND POWER AUTHORITY  
COMPARATIVE INTEREST RATES  
(AS OF 11/29/99)**



**Long Island Power Authority**  
**Estimated Average Cost of Debt**  
**Year ending December 31, 2000**  
**(Thousands OF Dollars)**

<u>Series</u>	<u>Type</u>	<u>Maturity</u>	<u>Average Principal Outstanding</u>	<u>Effective Interest Rate</u>	<u>2000 Interest Expense</u>
<b>Senior Debt</b>					
1998 A	Serial Bonds	2000-2016	1,230,090	5.112%	63,374
1998 A	Term Bonds	2018-2029	1,848,770	5.312%	98,677
1998 A	Capital Appreciation Bonds	2003-2028	159,624 *	7.331%	7,945
1998 B	Serial Bonds	2000-2016	1,196,644	4.698%	56,477
1998 B	Term Bonds	2018	57,145	4.750%	2,714
2000 A			118,750	6.000%	7,125
2000 B			<u>20,833</u>	<u>6.000%</u>	<u>1,250</u>
Total Senior Debt			<u>4,631,856</u>	<u>5.129%</u>	<u>237,562</u>
<b>Subordinate Debt</b>					
Series 1-6	Variable Rate	2033	1,500,000	4.200% **	63,000
Series 7	Variable Rate	2025	250,000	4.208% **/**	10,520
Series 8	Mandatory Purchase	2001-2008	218,300	4.500%	9,823
Total Subordinated Debt			<u>1,968,300</u>	<u>4.234%</u>	<u>83,343</u>
<b>Debentures</b>		2000-2022	<u>54,469</u>	<u>7.755%</u>	<u>4,224</u>
Total Average Debt			<u>6,654,625</u>	<u>4.886%</u>	<u>325,129</u>

\* Represents accreted value of original proceeds of \$145.793 million. Effective interest rate based on accreted value.

\*\* Estimated rate.

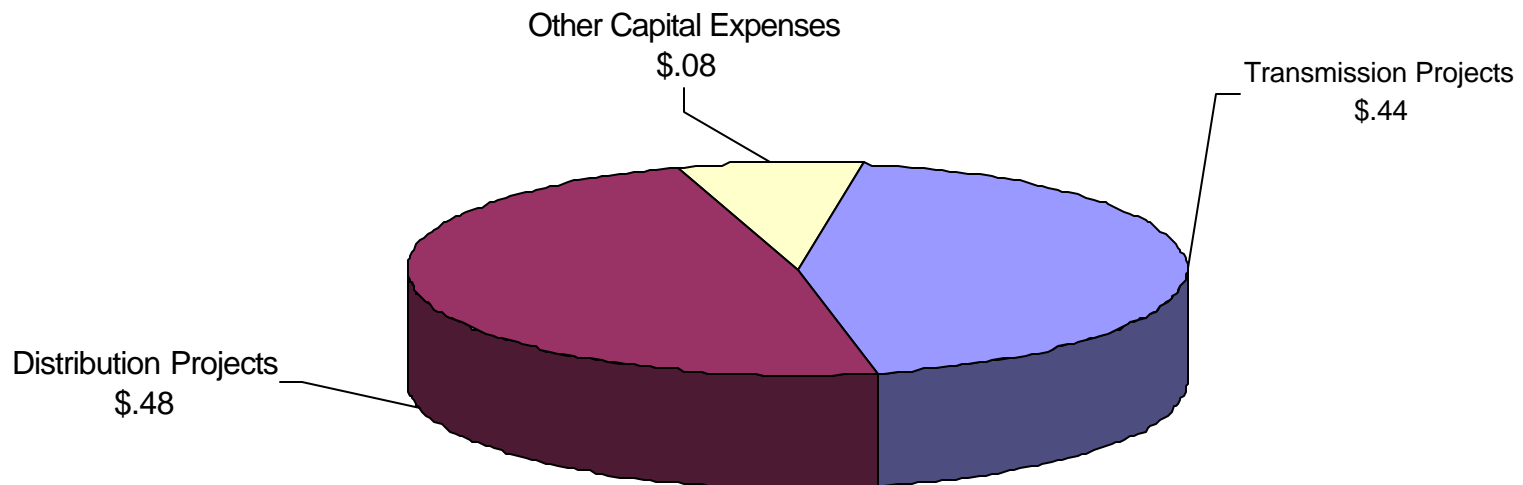
\*\* The Authority has entered into interest rate swap agreements in connection with the Series 7 Bonds pursuant to which the Authority makes a fixed rate payment based on a

## Interest Expense and Income

(Thousands of Dollars)

<b>LIPA Interest Expense from Page A-11</b>	<b><u>325,129</u></b>
<b><u>Other Interest Expense</u></b>	
NYSERDA	20,661
Debentures	22,140
Amortization of Issue Costs Expense/(Premium)	(927)
Amortization of Deferred Losses on Redemptions	9,105
Letters of Credit Fees	9,000
Interest on Customer Security Deposits	630
Bond Administration Costs and Bank Fees	1,200
Remarketing Fee	1,260
<b>Total Other Interest Expense</b>	<b><u>63,069</u></b>
<b><u>Interest Income</u></b>	
Promissory Note due from KeySpan	42,801
Short-Term Investments	18,960
<b>Total Interest Income</b>	<b><u>61,761</u></b>
<b>Capitalized Interest</b>	<b><u>4,000</u></b>
<b>Total Interest Expense and Income</b>	<b>322,437</b>

**LONG ISLAND POWER AUTHORITY  
USE OF CAPITAL DOLLAR  
YEAR ENDING DECEMBER 31, 2000**





**Long Island Power Authority  
Adopted Capital Budget  
Year Ending December 31, 2000**  
(Thousands of Dollars)

<b>Transmission Projects</b>	
Western Suffolk Substations and Lines (Major Capital)	3,584
Eastern Suffolk Northfork Substation and Lines (Major Capital)	726
Riverhead-Southampton line (Major Capital)	64,543
Other Transmission (Routine Capital)	17,230
Other Transmission (Major Capital)	<u>4,357</u>
<b>Total Transmission Projects</b>	<b><u>90,440</u></b>
<b>Distribution Projects</b>	
Substations (Major Capital)	14,084
Substations (Routine Capital)	812
Electric Lines-New Customer Load (Routine Capital)	22,210
Electric Lines-Other (Routine Capital)	40,936
Purchase and Install Meters (Routine Capital)	17,021
Public Works	2,463
Other Distribution (Routine Capital)	<u>1,266</u>
<b>Total Distribution Projects</b>	<b><u>98,792</u></b>
<b>Additional Public Works Projects (beyond MSA)</b>	<b>1,000</b>
<b>Total Transmission and Distribution Projects</b>	<b><u>190,232</u></b>
<b>Capitalized Interest</b>	<b><u>4,000</u></b>
<b>Nine Mile Point Two Plant Additions/Replacements/Capitalized Nuclear Fuel</b>	<b><u>12,146</u></b>
<b>LIPA Furniture and Equipment</b>	<b>200</b>
<b>Total Capital Expenditures</b>	<b>206,578</b>