RECOMMENDATION FOR APPROVAL OF REGULATORY ASSET RELATED TO DEBT ISSUANCE COSTS

WHEREAS, the Utility Debt Securitization Authority’s (the “Authority’s”) financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board (“GASB”); and

WHEREAS, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, on April 2, 2012 (“GASB No. 65”), which became applicable to the Authority for the fiscal year beginning January 1, 2013; and

WHEREAS, GASB No. 65 would otherwise require the Authority’s debt issuance costs be expensed in the current financial period; and

WHEREAS, the Authority is also subject to existing GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, that was issued by GASB on December 30, 2010 (“GASB No. 62”), which outlines regulatory accounting for entities or operations that are rate regulated, and allows the Authority to record costs related to debt issuances as a regulatory asset and amortize these costs over the life of the related debt; and

WHEREAS, based on the applicability of GASB No. 65, Staff recommends that the Authority record such debt issuance costs as a regulatory asset and amortize them over the life of the related debt, as allowed by GASB No. 62; and

WHEREAS, as of December 31, 2013, the Authority’s unamortized debt issuance costs totaled approximately $15 million; and

WHEREAS, Staff recommends that the Board of Trustees approve the creation of a regulatory asset for the Authority’s outstanding debt issuance costs as of December 31, 2013, which totals approximately $15 million, as well as any additional debt issuance costs incurred on and after December 31, 2013, to be recovered over the life of the related debt; and

WHEREAS, the Finance and Audit Committee of the Board has reviewed Staff’s recommendation and has deemed the recommendation to be in all respects appropriate:

NOW, THEREFORE BE IT RESOLVED, that the Finance and Audit Committee of the Board hereby recommends that the Trustees approve a resolution presented at this meeting creating a regulatory asset for the Authority’s outstanding debt issuance costs as of December 31, 2013, which totals approximately $15 million, as well as any additional debt issuance costs incurred on and after December 31, 2013, to be recovered over the life of the related debt.