

**UTILITY DEBT SECURITIZATION AUTHORITY**  
(A Component Unit of the Long Island Power Authority)

Quarterly Unaudited Financial Report

For the period ended March 31, 2016

**UTILITY DEBT SECURITIZATION AUTHORITY**  
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## **Introduction**

The Utility Debt Securitization Authority (UDSA) was created by Part B of Chapter 173, Laws of New York, 2013 (as amended by Chapter 58 of the Laws of New York, 2015, the “Securitization Law”). The Securitization Law allowed for the retirement of certain outstanding indebtedness of the Long Island Power Authority (Authority) through the issuance of securitized restructuring bonds (Restructuring Bonds) by the UDSA.

### *Overview of the Financial Statements*

The management’s discussion and analysis provides an overview of the UDSA for the quarter ended March 31, 2016 compared to 2015. The UDSA’s basic financial statements are presented following the accrual basis of accounting.

**UTILITY DEBT SECURITIZATION AUTHORITY**  
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Statements of Net Position

(Amounts in thousands)

	<b>March 31, 2016</b> <b>(unaudited)</b>	<b>December 31, 2015</b> <b>(audited)</b>
<b>Assets</b>		
Current assets:		
Restricted cash and cash equivalents	\$ 79,155	33,518
Accounts receivable	37,696	17,201
Prepaid assets	205	322
Total current assets	117,056	51,041
Noncurrent assets:		
Restructuring property	3,139,887	3,155,559
Regulatory asset - unamortized debt issuance costs	18,566	19,012
Total noncurrent assets	3,158,453	3,174,571
Total assets	\$ 3,275,509	3,225,612
<b>Liabilities and Net Position</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 60,000	60,000
Accrued interest	45,730	12,257
Accrued expenses	892	431
Total current liabilities	106,622	72,688
Noncurrent liabilities:		
Long-term debt, including unamortized premium	3,122,216	3,127,322
Net position - restricted	46,671	25,602
Total liabilities and net position	\$ 3,275,509	3,225,612

**UTILITY DEBT SECURITIZATION AUTHORITY**  
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Statements of Revenues, Expenses, and Changes in Net Position  
Quarters ended March 31, 2016 and 2015  
(unaudited)

(Amounts in thousands)

	<b>2016</b>	<b>2015</b>
Operating revenue	\$ 66,384	7,264
Operating expenses:		
Amortization of restructuring property	15,672	3,918
Uncollectible expense	270	178
Servicing, administrative and other fees	545	366
Total operating expenses	<u>16,487</u>	<u>4,462</u>
Operating income	49,897	2,802
Other income	15	17
	<u>49,912</u>	<u>2,819</u>
Interest charges:		
Interest Expense	33,473	21,572
Amortization of restructuring bond premium and issuance costs	(4,630)	(2,086)
Total interest charges	<u>28,843</u>	<u>19,486</u>
Change in net position	<u>21,069</u>	<u>(16,667)</u>
Net position, beginning of year	<u>25,602</u>	<u>55,260</u>
Net position, end of period	<u>\$ 46,671</u>	<u>38,593</u>

**UTILITY DEBT SECURITIZATION AUTHORITY**  
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Statements of Cash Flows

Quarters ended March 31, 2016 and 2015

(unaudited)

(Amounts in thousands)

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Operating revenues received	\$ 45,622	32,387
Net cash provided by operating activities	<u>45,622</u>	<u>32,387</u>
Cash flow from investing activities:		
Earnings received	15	17
Net cash provided by investing activities	<u>15</u>	<u>17</u>
Net increase in cash and cash equivalents	45,637	32,404
Restricted cash and cash equivalents, beginning of year	<u>33,518</u>	<u>22,483</u>
Restricted cash and cash equivalents, end of period	<u>\$ 79,155</u>	<u>54,887</u>
Reconciliation to net restricted cash provided by operating activities:		
Operating income	\$ 49,897	2,802
Adjustments to reconcile operating income to net restricted cash provided by operating activities:		
Amortization of restructuring property	15,672	3,918
Changes in operating assets and liabilities:		
Prepaid assets and accrued expenses	548	366
Accounts receivable	<u>(20,495)</u>	<u>25,301</u>
Net restricted cash provided by operating activities	<u>\$ 45,622</u>	<u>32,387</u>

## **Management's Discussion and Analysis (Unaudited)**

### **First Quarter 2016 Compared to 2015**

The UDSA results for the first quarter of 2016 showed an increase of \$38 million in the change in net position compared to the first quarter of 2015.

Operating revenue increased \$59 million compared to 2015. The primary driver was the increase in the restructuring charge from \$0.003914 to \$0.01458 due to the issuance of \$1 billion of Restructuring Property in October 2015, which resulted in higher debt service requirements in 2016 compared to 2015.

Operating expenses increased \$12 million compared to 2015 primarily due to the increase in the amortization of the Restructuring Property. The UDSA recognizes the amortization of the Restructuring Property on a proportionate basis annually based upon the total principal payments due on the restructuring bonds. Scheduled debt maturities in 2016 are higher by \$45 million compared to 2015.

Interest charges increased \$9 million compared to 2015 due to the higher debt balances outstanding in 2016 compared to 2015.