Utility Debt Securitization Authority Restructuring Bonds Series 2013T and Series 2013TE

Utility Tariff/Stranded Cost Bonds Asset-Backed Securities

Presale Report

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Capital Structure

Utility Debt Securitization Authority Restructuring Bonds Series 2013T

Class	Expected Rating	Expected Outlook	Amount ($Mil.)	CE (%)[a]	Interest Rate (%)	Final Maturity
T-1	AAAsf	Stable	481.72	0.50	TBD	12/15/25
Total			**481.72**			

Utility Debt Securitization Authority Restructuring Bonds Series 2013TE

Class	Expected Rating	Expected Outlook	Amount ($Mil.)	CE (%)	Interest Rate (%)	Final Maturity
TE-1	AAAsf	Stable	90.00	0.50	TBD	12/15/16
TE-2	AAAsf	Stable	15.00	0.50	TBD	12/15/17
TE-3	AAAsf	Stable	30.00	0.50	TBD	6/15/18
TE-4	AAAsf	Stable	30.00	0.50	TBD	12/15/18
TE-5	AAAsf	Stable	1.80	0.50	TBD	12/15/25
TE-6	AAAsf	Stable	14.69	0.50	TBD	6/15/26
TE-7	AAAsf	Stable	15.06	0.50	TBD	12/15/26
TE-8	AAAsf	Stable	30.27	0.50	TBD	6/15/27
TE-9	AAAsf	Stable	31.02	0.50	TBD	12/15/27
TE-10	AAAsf	Stable	38.51	0.50	TBD	6/15/28
TE-11	AAAsf	Stable	39.47	0.50	TBD	12/15/28
TE-12	AAAsf	Stable	94.55	0.50	TBD	6/15/29
TE-13	AAAsf	Stable	96.91	0.50	TBD	12/15/29
TE-14	AAAsf	Stable	90.75	0.50	TBD	6/15/30
TE-15	AAAsf	Stable	93.02	0.50	TBD	12/15/30
TE-16	AAAsf	Stable	92.32	0.50	TBD	6/15/31
TE-17	AAAsf	Stable	94.63	0.50	TBD	12/15/31
TE-18	AAAsf	Stable	36.20	0.50	TBD	6/15/32
TE-19	AAAsf	Stable	37.10	0.50	TBD	12/15/32
TE-20	AAAsf	Stable	27.37	0.50	TBD	6/15/33
TE-21	AAAsf	Stable	28.06	0.50	TBD	12/15/33
TE-22	AAAsf	Stable	22.44	0.50	TBD	6/15/34
TE-23	AAAsf	Stable	23.00	0.50	TBD	12/15/34
TE-24	AAAsf	Stable	22.08	0.50	TBD	6/15/35
TE-25	AAAsf	Stable	22.63	0.50	TBD	12/15/35
TE-26	AAAsf	Stable	489.80	0.50	TBD	12/15/41
Total			**1,606.63**			
Total Issuance			**2,088.35**			

Expected ratings do not reflect final ratings and are based on information provided by the issuers as of Nov. 26, 2013. These expected ratings are contingent on final documents conforming to information already received. Ratings are not a recommendation to buy, sell or hold any security. The prospectus, prospectus supplement and other material should be reviewed prior to any purchase. Note: Tranche thickness metrics do not apply to utility tariff transactions. [a]Does not include true-up mechanism. TBD – To be determined.

Transaction Summary

Fitch Ratings expects to rate the series 2013T and series 2013TE restructuring bonds issued by the Utility Debt Securitization Authority (UDSA, or the issuer), as listed on the prior page. The issuer is a special-purpose corporate municipal instrumentality, body corporate and politic; political subdivision; and public benefit corporation of the State of New York. The issuer was created by Part B (the securitization law) of the LIPA Reform Act (the act), which was passed by the New York State Assembly and Senate on June 21, 2013 *(refer to the Legal Structure and Analysis section on page 9 for further detail related to the legislation).*

The act, among other things, allows for the retirement of certain outstanding indebtedness of the Long Island Power Authority (the authority) through the issuance of restructuring bonds. The authority is a corporate municipal instrumentality and political subdivision of the State of New York and conducts its business through a wholly owned subsidiary, Long Island Lighting Company (LIPA). The securitization law authorizes the authority to adopt a financing order approving the issuance of the restructuring bonds.

The collateral for the restructuring bonds consists primarily of the restructuring property, which represents the right to impose, charge and collect through the applicable nonbypassable restructuring charges (RCs) payable by retail electric customers within the service area of LIPA. The transaction will consist of taxable and tax-exempt bonds. Both series are secured by the collateral on a pari passu basis. Series 2013T bonds are not subject to redemption. Series 2013TE bonds maturing before June 15, 2024 are not subject to redemption. Conversely, series 2013TE bonds with maturities on or after June 15, 2024 are subject to redemption beginning on or after Dec. 15, 2023. Total issuance is expected to be approximately $2.1 billion.

Key Rating Drivers

Statutory and Regulatory Framework: The strength and stability of the underlying RCs are established by the financing order issued by the authority as part of the act. The financing order establishes the irrevocable and nonbypassable RCs and defines bondholders' property rights in the restructuring property. The financing order contains the key elements important in a utility tariff securitization, as discussed in detail on page 16.

Adequate Credit Enhancement via True-Ups: Mandatory, annual, true-up filings to adjust RCs to ensure collections are sufficient to provide all scheduled payments of principal and interest, pay fees and expenses and replenish the debt service reserve account (0.50%). Furthermore, semiannual and quarterly true ups may occur if necessary, but must meet certain defined parameters.

Supports 'AAAsf' Stresses: Demand shifts in consumption can be caused by various factors, such as the introduction of new technologies, demographic changes or shifting usage patterns, which present greater risk in this transaction relative to others in this asset class, given the longer tenor of the restructuring bonds. Fitch's 'AAAsf' scenario analysis stresses key model variables, such as consumption variance, chargeoff rates and delinquencies, to address this risk.

Sound Legal Structure: Fitch reviews all associated legal opinions furnished to analyze the integrity of the legal structure.

Transaction Comparison

	Utility Debt Securitization Authority Restructuring Bonds Series 2013T and 2013TE	FirstEnergy Ohio PIRB Special Purpose Trust 2013	AEP Texas Central Transition Funding III, LLC
Closing Date	Dec. 16, 2013[a]	June 20, 2013	March 14, 2012
Note Balances ($ Mil.)			
Class T-1	481.72	(A-1) 111.97	(A-1) 307.90
Class TE-1 through TE-24	1,606.63	(A-2) 70.47	(A-2) 180.20
		(A-3) 262.48	(A-3) 311.90
Aggregate Balance	2,088.35	444.92	800.00
Interest Rate (%)[b]			
Class T-1	TBD	(A-1) 0.68	(A-1) 0.88
Class TE-1 through TE-24	TBD	(A-2) 1.73	(A-2) 1.98
		(A-3) 3.45	(A-3) 2.85
Expected Maturity (Years)	26	21	12
Legal Final Maturity (Years)	28	23	14
Initial Tariff Charge (Cents/kWh)	1.27[d]	—	0.3414
	—	The Cleveland Illuminating Company (0.3920)	—
	—	Ohio Edison Company (0.3308)	—
	—	The Toledo Edison Company (0.0253)	—
Initial Tariff Charge (% of Residential Bill)	6.82[e]	—	3.41
	—	The Cleveland Illuminating Company (3.07)	—
	—	Ohio Edison Company (2.54)	—
	—	The Toledo Edison Company (0.19)	—
Initial Customer Class Allocation Factors (%)			
Residential	—	(63.61)	(39.00)
Commercial	—	Commercial/Small Industrial (18.29)	Commercial/Small Industrial (52.00)
Street Lighting	—	Large Industrial (17.73)	Large Industrial (4.00)
Other	—	(0.38)	Standby (2.00)
	—	—	Municipal and Cotton Gin (3.00)
Capital Subaccount (%)	0.50	0.50/1.75	0.50
Fitch Ratings			
Class A-1	AAA (Rating Outlook Stable)[c]	AAA (Rating Outlook Stable)	AAA (Rating Outlook Stable)
Class A-2	AAA (Rating Outlook Stable)[c]	AAA (Rating Outlook Stable)	AAA (Rating Outlook Stable)
Class A-3	AAA (Rating Outlook Stable)[c]	AAA (Rating Outlook Stable)	AAA (Rating Outlook Stable)

[a]Subject to change. [b]Per annum. [c]Expected. [d]Estimated charge provided by LIPA. [e]Based on estimated annual average residential bills provided by LIPA. NA – Not applicable.

Transaction Parties

Role	Name	Fitch Rating
Issuing Entity	Utility Debt Securitization Authority Series 2013T and 2013TE	NR
Issuer	Utility Debt Securitization Authority	NR
Seller	Long Island Power Authority	A–, Rating Outlook Negative
Servicer	Long Island Lighting Company	A–, Rating Outlook Negative
T&D System Manager	PSEG-LI	BBB+, Rating Outlook Stable
Bond Trustee	Bank of New York Mellon	AA–, Rating Outlook Stable
Co-Lead Underwriter	Morgan Stanley N.A.	F1/A, Rating Outlook Stable
Co-Lead Underwriter	Goldman Sachs & Co.	F1/A, Rating Outlook Stable

NR – Not rated.

Credit Analysis

The cash flow supporting the restructuring bonds is generated by payments from retail electric customers in LIPA's service area. Fitch reviewed the customer composition of LIPA's service area to determine the size and usage level of the customer base, customer chargeoffs, regional economic sensitivities and weather-related seasonality. Base case assumptions are derived based on this review. Fitch then applies various stresses, consistent with its rating criteria, to the base case assumptions. These stressed scenarios are incorporated in cash flow modeling scenarios described in the Cash Flow Analysis section on page 5.

As the U.S. economy continues to experience a slow recovery, any material negative shifts in this process could reverse historical performance trends; the highest absolute variance and chargeoffs were utilized as base assumptions. Consistent with Fitch's 'AAAsf' stress scenario, the base case assumptions were stressed by a 5.0x multiple. Fitch believes the 'AAAsf' stresses account for potential asset deterioration from future weakness in the U.S. economy. See Fitch Research on "Global Economic Outlook (Shifting Growth Trends in Developed and Emerging Markets)," dated September 2013, and "Fitch Places Unites States' 'AAA' on Rating Watch Negative," dated October 2013 (both available on Fitch's website at www.fitchratings.com).

Criteria Application

Fitch's credit and legal analysis, modeling assumptions and cash flow results for the transaction's expected ratings are consistent with its existing utility tariff criteria (*for more information, see Fitch Research on "Rating Criteria for U.S. Utility Tariff Bonds," dated December 2012*).

Data Adequacy

Consumption forecast data provided by LIPA were used in Fitch's analysis. Forecasts are prepared using regression analysis for three major sectors — residential, commercial and other public authorities. The independent variables include electricity usage, weather patterns, demographics, economic performance and co-generation. LIPA provided Fitch with eight years of forecast data from 2005–2012 for residential, commercial, street lighting and other government customers. In addition, LIPA provided a single, aggregate chargeoff data set from 2005–2012.

The consumption forecast and chargeoff data Fitch received from LIPA were deemed adequate, and, thus, no adjustments were applied to Fitch's analysis. Data were provided by the originator and transaction sponsor and audited by an internationally recognized accounting firm. The consumption forecast and chargeoff data in the offering memorandum were also audited by an internationally recognized accounting firm. The audited data were utilized to determine base case variance forecasts and chargeoffs in Fitch's analysis.

Additionally, Fitch relied on detailed stratifications of the collateral pool to ascertain the characteristics of the pool that could impact transaction performance. The data were provided by the originator and transaction sponsor and audited by an internationally recognized accounting firm. The stratifications provided in the offering memorandum were also audited by an internationally recognized accounting firm. As such, no adjustments were made to Fitch's analysis.

Model

Fitch utilized a proprietary internal cash flow model, which is customized to reflect the payment structure of the transaction and tests the impact of stressing various assumptions, including

historical writeoff and consumption-variance patterns. The output of the cash flow model is reviewed to verify that the rated bonds are fully paid under each stress scenario.

Cash Flow Analysis

Fitch integrates the primary asset- and liability-side data presented in the underwriter model into its own, internal, utility tariff bond cash flow model. The assumptions embedded in the Fitch cash flow model are customized to reflect the terms outlined in the financing order and other transaction documents. Such an approach provides Fitch with a consistent basis for comparison across different utility tariff transactions and the flexibility to layer on additional stress parameters, if any, not already factored in underwriter models. While the cash flow model is taken into consideration in determining the final rating, ratings are ultimately assigned by a Fitch credit committee, which takes into consideration both quantitative and qualitative factors.

Fitch's methodology focuses on applying an absolute variance percentage to collections of the RC cash flows. For the purposes of this transaction, Fitch has applied variance percentages separately to forecast consumption of each customer class. However, the same RC is applied to each customer class, as the financing order does not specify different allocation percentages for the various customer classes. Risk factors include economic recession, demographic shifts, extreme weather changes, increased usage of self-generated energy sources and errors in forecasting. Fitch assumes that the risk of loss of cash flow due to technological changes or other fundamental shifts in consumption will increase materially over time.

The ability of the transaction to withstand significant stresses demonstrates the effectiveness of the true-up mechanism. However, another key consideration is an evaluation of the resulting RC in relation to the total customer bill and other utility tariff securitizations. Fitch believes that if the RC becomes a significant portion of the total bill, the incentive to find ways to bypass the system and avoid the charge increases. For this transaction, RCs charged to residential customers should remain stable over the life of the transaction.

Base Case

Fitch's criteria assume that special tariffs (under all scenarios) in excess of 20% of the residential customer's bill over a long financing term would be inconsistent with a 'AAAsf' rating. The initial charge would represent approximately 6.82% of the total residential bills. Notably, given the volatility in commodity prices over the past few years, the level of tariff charge as a percentage of a customer's bill may be subject to fluctuation.

The base case cash flow projection utilizes the forecast of electricity consumption from LIPA and assumes that collections and losses are consistent with historical experience. Over the term of the restructuring bonds, the RC charged to customers is expected to remain mostly stable for LIPA customers.

'AAAsf' Stress Case

Fitch's 'AAAsf' stress case stresses several model variables, each of which is meant to incorporate multiple risk factors resulting in a reduction in cash flow below projections. The base forecast errors for residential, commercial, street lighting and other customers are 26.60%, 18.65%, 31.20% and 68.20%, respectively. The forecast errors represent 5.0x the historical, eight-year-peak, absolute-value forecast variance for each customer class between 2005 and 2012.

For the residential, commercial, street lighting and other classes, these base errors were applied to the first year and increased 1% annually thereafter for the first 10 years, then by 1.5% for the next five years and 2% thereafter. This resulted in forecast errors in year 20 of 53.10%, 45.15%, 57.70% and 94.70%, respectively. The stress levels are a proxy for uncertainty associated with event risks and entry of competition, including self-generation and new technology. In applying these variances, Fitch also assumes LIPA's forecast consumption is at base case consumption levels for each customer class for two years before correctly reforecasting for the stressed consumption levels.

To address collection risk and the possible risk of default by LIPA, Fitch also assumed that 100% of billings in the peak one month of consumption in each year are charged off, with no recovery. In addition, the successor servicing fee was modeled at the maximum 0.60% of the initial principal amount of the bonds.

Fitch also applied a multiple of 5.0x to the historical eight-year-peak chargeoffs. LIPA was unable to provide chargeoff data segmented by the four customer classes. Therefore, Fitch's 'AAAsf' chargeoff assumption was based on the peak chargeoff on LIPA's aggregate portfolio. The application of the peak aggregate chargeoff amount is deemed appropriate, as the RC applied to all customers is the same and not based on separately defined allocation factors. This resulted in chargeoffs of 3.50% (0.70% times 5.0x) for each customer class. To model delinquencies, the collection curve is lengthened such that 50% of collections for billed amounts are subject to a 30-day delay for two months with receipt of remaining collections occurring in month four after the billing date. True-ups were assumed to occur on a semiannual basis.

While the application of 'AAAsf' stress assumptions resulted in fluctuation of RCs throughout the life of the transaction, the overall collections were sufficient to repay the restructuring bonds in full prior to the legal final maturity date. This fluctuation in RCs was the result of the implementation of the true-up mechanism to make up collection shortfalls to ensure required payments were met at the next payment date. Increases in RCs to make up the collection shortfalls resulted in excess collections for some payment periods.

In Fitch's analysis, due to the aforementioned methodology and assumptions, the highest RC amount represented approximately 12.52% of the total rate charged to residential customers, which occurs in the second year of the transaction's life. This peak rate exists for 12 months, then declines and never exceeds the peak level.

Commercial Stress Case

LIPA does not have any industrial customers within its service area but does have a large concentration of commercial customers. The commercial customer class represents approximately 50% of total consumption and 44% of total revenue. Typically, Fitch would apply a "no industrial" stress to address concentration risk and risk related to co-generation from large industrial customers. While Fitch does not believe commercial customers pose as much concentration risk as industrial customers, a stressed scenario was incorporated to evaluate the impact on the RC for residential customers if 50% of the commercial customers were to leave the grid/service territory. This scenario assumed the base case conditions without collections from 50% of the commercial customers.

The elimination of consumption from 50% of the commercial class results in moderately higher RC applied to the residential customers to support the transaction for LIPA. In Fitch's analysis, the highest RC amount represented approximately 10.66% of the total rate charged to residential customers. As in the 'AAAsf' stress scenario, implementation of the true-up mechanism led to the restructuring bonds being repaid by the legal final maturity date.

For all scenarios described above, the RC as a percentage of the total rate charged to residential customers was calculated using the estimated annual average residential bills provided by LIPA.

Credit Enhancement

As established in the financing order, the primary source of credit enhancement (CE) is the true-up mechanism. The true-up mechanism requires that the charges are to be reviewed and adjusted annually (annual true-up) to correct for any overcollections or undercollections of charges during the preceding 12 months and to provide for the expected recovery of RCs sufficient to provide all payments of principal and interest and all ongoing financing costs, as well as to replenish the reserve subaccount in connection with the restructuring bonds.

The primary form of CE is the true-up mechanism.

In addition to the annual true-ups, the financing order allows for true-ups to occur semiannually (mid-year review) if the servicer determines that forecasts of RC collections will be insufficient to make all payments of principal and interest and ongoing financing costs during the current or next succeeding payment period.

- To replenish any draws on the reserve subaccount.
- The annual true-up, to correct any overcollections or undercollections of charges to assure timely payment of bonds. The semiannual true-up is used to correct for any undercollections, if necessary.
- To pay bonds in full on the scheduled final payment date.

If any bonds are outstanding following the last scheduled maturity date of the bonds or any series, the servicer is also required to make true-up adjustments quarterly to ensure timely payments. Lastly, the financing order permits the servicer to make true-up adjustments more frequently at any time, as necessary, to make all timely payments of interest, principal and ongoing financing costs.

The servicer is responsible for calculating and making the necessary true-up adjustments, in accordance with terms of the servicing agreement. For each adjustment, LIPA will file a notice of adjustment with the authority, which will include a description of the adjustment calculation and the mathematical formulas used for such calculations, and the amounts of each variable used in the formulas. Pursuant to the financing order, the authority will review and confirm the accuracy of the true-up calculations.

A reserve subaccount equal to 0.50% of the original principal amount of the bonds will be established at closing. An excess funds subaccount for the issuer will also be established, which will be funded with excess funds, to the extent available, throughout the term of the transaction. True-ups will be calculated to utilize and eliminate any deposits in the excess funds subaccount.

Both the reserve and excess funds subaccounts will be available to fund payment shortfalls. On any payment date, if funds in the general subaccount are insufficient to meet payments of fees, expenses, interest or principal, the trustee will draw first from the excess funds subaccount and then from the reserve subaccount.

Transaction and Legal Structure

Interest Allocation

Interest is payable on a semiannual basis on each payment date. Interest will be calculated on a 30/360 day basis.

Principal Allocation

Principal payments on each class of bonds will be made in accordance with an expected amortization schedule to reduce the principal balance to the amount specified in the amortization schedule for that payment date, but not below that amount. The bonds will pay principal according to the amortization schedule; however, a portion will pay principal in lump sum bullet payments. The taxable bonds amortization cannot be paid faster than the expected amortization schedule (except under an early amortization event). Instead, receipts of any excess of the amounts necessary to amortize the bonds, according to the amortization schedule, will be used to fund deficiencies in the reserve subaccount and allocated to the excess funds account. Amounts in the excess funds account will be taken into consideration in calculating the next true-up adjustment.

Priority of Payments

RCs are applied semiannually, in the following order of priority:

1) To the trustee for fees, expenses and indemnity amount not in excess of $800,000 in each calendar year.
2) To the servicer, the servicing fee (0.05% or not in excess of 0.60% of the aggregate initial principal balance each year).
3) Current and unpaid administration fees to the administrator.
4) Payment of all other ongoing financing costs.
5) Interest on the restructuring bonds and past-due interest.
6) Any principal then required to be paid on the bonds as a result of acceleration upon an event of default or at final maturity.
7) Any principal then scheduled to be paid on the bonds, in accordance with the expected amortization schedule.
8) To the trustee for fees, expenses and indemnity in excess of $800,000 in each calendar year.
9) Unpaid servicing fees to the servicer.
10) To replenish any amount drawn from the reserve subaccount.
11) The allocation of the remainder, if any, to the excess funds subaccount.

Events of Default

To protect bondholders from issuer insolvency or deterioration in credit quality, the structure includes several events of default, as listed below:

- Failure to pay interest or redemption price when due and continues for five business days.
- Failure to pay principal of any tranche of a bond on the final maturity date of such tranche.
- Failure to perform a covenant.
- A breach of representations or warranties.
- Certain events of bankruptcy, insolvency, receivership or liquidation of the issuer.
- An action in violation of the financing order or the state pledge.

If a bond event of default should occur and is continuing, the trustee or holders may declare all the bonds to be immediately due and payable. All the principal payments on the bonds, together with accrued and unpaid interest thereon, shall become immediately due and payable.

Legal Structure and Analysis

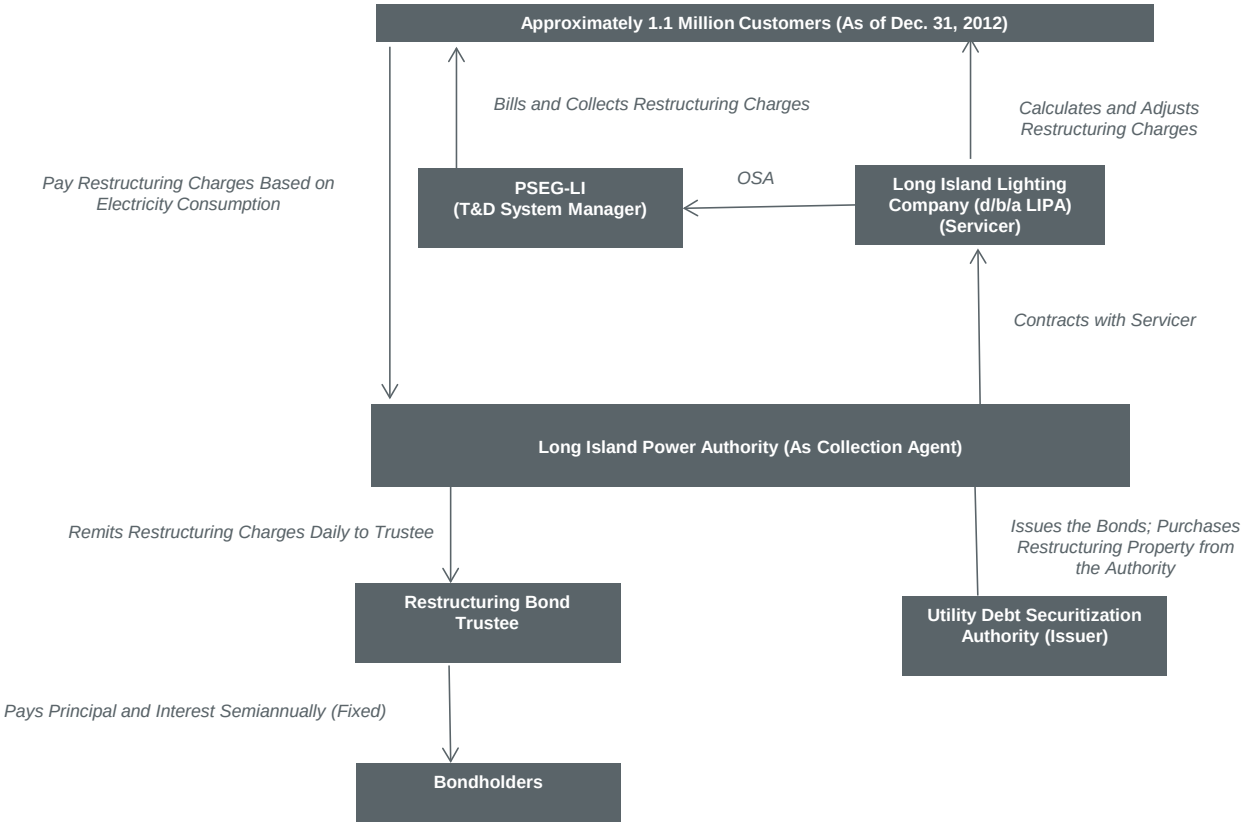
The issuer (UDSA) is a special-purpose corporate municipal instrumentality, body corporate and politic; political subdivision; and public benefit corporation of the State of New York. The issuer was created by Part B (the securitization law) of the act (codified as Chapter 173, Laws of New York), which was passed by the New York State Assembly and Senate on June 21, 2013. The issuer has no commercial operations. The issuer was formed solely to purchase and own the restructuring property and to issue the bonds, which are to be secured by the restructuring property. The issuer is not permitted to engage in any activities, except as specifically authorized under the securitization law. Furthermore, the issuer is not permitted to be a debtor under Chapter 9 or any other provision of the bankruptcy code.

The act, among other things, allows for the retirement of certain outstanding indebtedness of the authority through the issuance of restructuring bonds. The authority is a corporate municipal instrumentality and political subdivision of the State of New York and has a wholly owned subsidiary, LIPA. The securitization law authorizes the authority to adopt a financing order approving the issuance of the restructuring bonds.

The securitization law was signed by the governor of New York on July 29, 2013 and became non-appealable on Aug. 28, 2013. The issuer will purchase the restructuring property from the authority. The proceeds from the sale of the restructuring bonds are being issued to purchase, redeem, repay or defease the refunded debt of the authority. The retirement of certain of the authority's outstanding indebtedness is expected to result in savings to customers in LIPA's service area. Collateral for the bonds consists primarily of the restructuring property, which represents the right to impose, charge and collect through the applicable nonbypassable RCs payable by retail electric customers within LIPA's service area.

As detailed in the financing order, the issuer and LIPA have entered into a servicing agreement that requires the servicer to perform the billing and collections related to the RCs. LIPA has entered into an operations servicing agreement with Public Service Electric and Gas Co. of Long Island (PSEG-LI), the purpose of which is to provide operating personnel and a significant portion of the power supply resources necessary to provide electric service to the service area. National Grid is the current transmissions and distribution (T&D) systems manager for LIPA's service area. On Jan. 1, 2014, PSEG-LI, a wholly owned subsidiary of PSEG, will be responsible for all services related to the T&D of LIPA. LIPA is responsible for calculating and making the necessary true-up adjustments, in accordance with terms of the servicing agreement.

Summary of Transaction



Disclaimer

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Asset Analysis

Customer Service Territory

LIPA's service area consists of Nassau and Suffolk counties and the Rockaway Peninsula in Queens, with a population of roughly 3.0 million people; electric service is provided to about 1.1 million customers.

The utility's customer base consists of four customer classes — residential, commercial, street lighting and other public authorities. The largest customer classes by usage (GWh) are the

residential and commercial classes, which accounted for approximately 49% and 48% of sales through year-end 2012, respectively. In aggregate, street lighting and other public authorities only represent 2.8% of total sales. Consistent with the methodology detailed in the financing order, the same RC will be charged to all customer classes.

Customer Service Territory

(Dec. 31, 2012)

Customer Breakdown	Consumption (GWh)	% of Total Consumption	% of Total Revenue
Residential	9,735	48.9	54.2
Commercial	9,666	48.4	43.7
Public Street and Highway Lighting	169	0.8	0.7
Other Public Authorities	383	1.9	1.4
Total	**19,953**	**100.00**	**100.00**

GWh – Gigawatt hour. Note: Numbers may not add due to rounding.

Collections Experience

Due to the essential nature of electric service, historical writeoff and delinquency rates are generally low. During the past five years, the number of days on average that customers take to pay invoices as calculated by the average days sales outstanding (DSO) was 34.84 days. The peak DSO experienced was 39.1 days in 2012. Similarly, historical net chargeoffs have also been low dating back to 2005, with an historical high of 0.70% reached in 2011. Net chargeoffs have been relatively stable, despite the outages and decrease in consumption experienced in 2012 due to Hurricane Sandy. In 2012, chargeoffs actually declined to 0.58% from 0.70% in 2011.

Historical Days Sales Outstanding

	12/31/12	12/31/11	12/31/10	12/31/09	12/31/08
Average Days Sales Outstanding	39.1	38.6	34.9	32.5	29.1

Net Chargeoff Experience

($000)

	Net Chargeoffs as a % of Total Billed Revenues				
	12/31/12	12/31/11	12/31/10	12/31/09	12/31/08
Billed Electric Revenues	3,426,785	3,502,557	3,716,877	3,410,044	3,552,865
Gross Chargeoffs	24,449	31,252	28,227	24,763	21,380
Recoveries	(4,699)	(6,791)	(3,958)	(2,927)	(3,503)
Net Chargeoffs	19,750	24,461	24,269	21,836	17,877
% of Billed Revenue	0.58	0.70	0.65	0.64	0.50

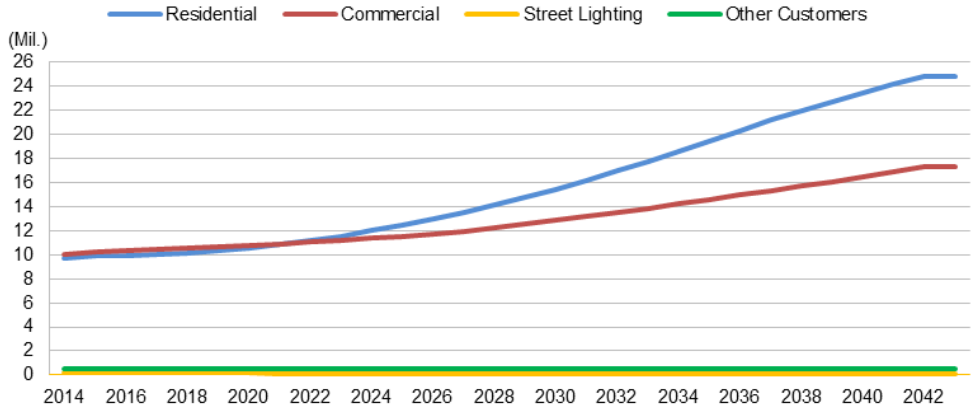
Consumption Forecasting

For the next 30 years (tenure of the bonds), LIPA expects average population to remain relatively stable at current levels; the measure is forecast to grow approximately 6.7%. Over the same 30-year period, unemployment is forecast to average approximately 4.7%, and

personal income is expected to increase on average 4.2% per year. Single-family housing starts are expected to normalize by 2019.

LIPA monitors the performance of its sales (consumption) forecast and makes mid-year corrections as needed. LIPA typically reviews its forecasts in the first quarter of the year and revisits them in the summer as it prepares its forecast for the following year. Similar modifications would be made for the semiannual review and potential true-up of the RC. Forecasts are prepared for three major sectors: residential; commercial; and other public authorities. A separate forecast is prepared for electric vehicle energy consumption, which is then allocated to residential and commercial sales. Beginning on Jan. 1, 2014, PSEG-LI will be responsible for all T&D operations of LIPA, including consumption forecasting. As part of the transition to PSEG-LI, the bulk of National Grid's current staff will be retained. As such, the forecasting methodology will remain relatively unchanged.

Consumption Forecast (kwh)



Securitization History

This issuance of bonds by UDSA is the first issuance of a utility tariff/stranded cost securitization by UDSA and LIPA.

Counterparty Risk

Commingling

From the closing date, LIPA (as the named servicer) and PSEG-LI (as the T&D system manager) will be responsible for collecting RCs and transferring these funds to the allocation account. Subsequently, the allocation agent is required to transfer these amounts to the trustee for deposit into the collection account. As of September 2013, LIPA's electric system revenue bonds were rated 'A–' with a Negative Rating Outlook by Fitch. PSEG-LI is a wholly owned subsidiary of PSEG (rated BBB+/Stable). The transaction documents require that the servicer deposit all collections received from the allocation account into the collection account no later than two business days after receipt of such amounts, which is consistent with Fitch's commingling criteria, given Fitch's ratings on the servicer. The authority will not segregate RCs from other funds it collects from customers or from the general revenue account.

The transaction also includes liquidity in the form of a 0.50% reserve subaccount established by LIPA that provides short-term liquidity. Furthermore, receipt of RCs will generally be processed and remitted electronically to the trust account daily, mitigating concerns related to commingling of trust cash flow with other LIPA cash flows. Additionally, the transaction's waterfall structure provides for interest to be paid while principal amortization shortfalls are covered via the true-up mechanism. The true-up mechanism provides adequate supplementary CE, consistent with Fitch's counterparty criteria.

Performance Analytics

After a rating is assigned by Fitch, the ongoing monitoring of such rating is transitioned to Fitch's performance analytics (PA) team. Fitch's PA team is responsible for collecting and analyzing relevant transaction data and presenting collected information to a rating committee, as described below. Although monitored at each distribution period, each transaction is thoroughly reviewed at least once annually.

Fitch expects to receive periodic servicer reports for its review process. Servicer reports and the performance of the transaction are generally tracked on a semiannual basis but can vary, depending on bond payment frequency. Based on performance data, if bonds are not amortizing as expected or if capital or overcollateralization subaccounts are not at levels required by the transaction's documentation, an analyst from Fitch's PA team will make inquiries with the issuer, possibly triggering an in-depth review. Transaction-specific performance is published on Fitch's surveillance website. Metrics such as bond amortization, true-up amounts, collections and CE levels are tracked and available to investors.

Utilizing the data gathered from the servicer reports and aggregated on Fitch's internal database, the PA analyst evaluates the various performance metrics listed above, as well as microeconomic and macroeconomic issues affecting the issuer. These metrics are compared with initial expectations and industry/sector trends. Fitch will contact the servicer/issuer if additional detail is needed regarding performance changes within the transaction. Additional information requests may include further tariff detail, billing collections and color on consumption variance. Furthermore, Fitch expects to receive data demonstrating the size of the RC relative to the total customer bill to verify that the charge is not approaching threshold levels. In general, Fitch does not employ the use of its cash flow model as part of the review process, as other performance measures (as described above) are sufficient for Fitch's analysis.

The analysis and recommendations are then presented to a rating committee. A rating committee review will result in a rating action — an upgrade, downgrade or affirmation — and a Rating Outlook or Rating Watch being assigned/reviewed. Fitch keeps investors informed about reviews and rating actions through its website at www.fitchratings.com. More information on Fitch's surveillance products is available on Fitch's website.

Rating Actions

All rating actions are determined by committee consensus. The committees are chaired by a Fitch managing director or senior director. Current performance data and Fitch criteria are used to evaluate the transactions and ratings.

Fitch expects its ratings to withstand some level of fluctuation in collateral performance without creating additional rating volatility. If Fitch's review shows that the transaction is not performing as expected, ratings will be placed on Rating Watch to notify investors that there is a reasonable probability of a rating change and to indicate the likely direction of such change. Under Rating

Watch, ratings are designated as Positive, indicating a potential upgrade; Negative, for a potential downgrade; or Evolving, if ratings may be raised, lowered or maintained. Rating Watch is typically resolved over a relatively short period.

Rating Outlooks

As part of assigning ratings to a tariff bond transaction, Fitch also assigns Rating Outlooks for each tranche of bonds in the transaction. Rating Outlooks are intended to be forward looking and indicate the likely direction of any rating change over a 12–18 month period. Rating Outlooks may be Positive, Negative, Stable or, occasionally, Evolving. Rating Outlooks will be reviewed concurrently with the rating review for the transaction and published in conjunction with the long-term rating (short-term ratings are excluded from Rating Outlooks). Notes rated 'AAAsf' are assigned either a Stable or Negative Rating Outlook, since they cannot be assigned a higher rating.

Rating Sensitivity

Break-the-Bond Case

While Fitch believes that bondholders are protected from the various aforementioned risks based on the 'AAAsf' cash flow stress case, the break-the-bond case provides an alternative means by which to measure the potential effects of rapid, significant declines in power consumption while capping the residential RC at 20% of the total residential customers' bill.

In this scenario, the structure is able to withstand a maximum consumption decline of approximately 6% in year one. This is the level of forecast energy consumption decline that would cause a default in required payments on bonds or cause RC to exceed 20% of the total residential customers' bill. Despite this severe decline in consumption, due to the true-up mechanism, RCs are able to pay all debt service by the legal final maturity date.

Origination and Servicing

As detailed in the financing order, the issuer and LIPA have entered into a servicing agreement that requires the servicer to perform the billing and collections related to the RCs. On Dec. 15, 2011, LIPA executed a 10-year existing operations servicing agreement (existing OSA) with PSEG-LI, which will be responsible for providing the management services related to LIPA's T&D system. PSEG-LI will assume full operating responsibilities on Jan. 1, 2014. In conjunction with the existing OSA, LIPA and PSEG-LI also signed a two-year transition services agreement (TS) that requires PSEG-LI to perform a variety of specified activities related to the transition from National Grid to PSEG-LI as the primary management service provider for LIPA's T&D system.

The existing OSA contains customary events of defaults, including bankruptcy, payment failures and failure to perform material obligations under the agreement, as well as cure rights. Upon termination or expiration of the existing OSA, PSEG-LI is only obligated to perform certain back-end transition services and to otherwise assist in the transition to another successor service provider.

Additionally, the act imposes a number of new obligations on PSEG-LI via an amended OSA. The amended OSA requires PSEG-LI to prepare and maintain an emergency response plan to assure the reasonably prompt restoration of service in the case of an emergency event and establish separate responsibilities of the authority and the service provider. Furthermore, PSEG-LI is required to submit for review to the Department of Public Services (DPS) a report detailing PSEG-LI's

planned capital expenditures and consider, consistent with maintaining system reliability, renewable generation and energy efficiency program results and options in establishing capital plans.

Additionally, PSEG-LI is required to submit to the DPS for review data, information and reports on PSEG-LI's actual performance related to the metrics defined in the amended OSA, including the authority's evaluation thereof, prior to the authority's determination of PSEG-LI's annual incentive compensation. The amended OSA also includes a long-term objective of providing for rate stability during the first two years (2014–2015) following its effective date.

The amended OSA will not become effective until a favorable private letter ruling is provided by the Internal Revenue Service (IRS) that states the amended OSA would not jeopardize the tax-exempt status of the authority's tax exempt indebtedness. If the private letter ruling is not received by Jan. 1, 2014, the existing OSA, not the amended OSA, will take effect and control until all conditions precedent are satisfied.

Thus, on Jan. 1, 2014, PSEG-LI will be the service provider under the terms of either the existing or amended OSA and will, among other things, perform the billing and collections services required of the servicer under the servicing agreement. If a favorable private letter is not provided by June 30, 2014, the amended OSA would not take effect, and PSEG-LI will continue to operate and maintain the T&D system under the existing OSA. The amended OSA, if in effect, will extend the term of the existing OSA from 10 to 12 years, expiring on Dec. 31, 2025 (assuming the amended OSA is in effect as of Jan. 1, 2014), and can be further extended by eight years if PSEG-LI achieves certain performance metrics.

As part of the existing OSA, in December 2011, PSEG-LI began the transition process to assume all T&D responsibilities from National Grid following the expiration of the management services agreement (MSA) with National Grid. The primary focus of the transition has been on due diligence and analysis with an emphasis on knowledge transfer, transition change implementation and testing. The transition phase included, among other things, the reviews of various aspects, such as evaluation of service facilities, staffing, processes and procedures and software applications. To ensure stability, the majority of high-level associates will be incumbents, and nearly three-quarters of current supervisors are expected to transition from National Grid to PSEG-LI. The PSEG-LI management company is expected to consist of about 20 employees. The PSEG-LI servicing company staff is expected to consist of roughly 2,250 employees, which will include a substantial majority of the current National Grid workforce.

There will be no major relocation of operations on Long Island. Major vendors are transitioning "as is", and all customer offices will remain open. Systems and software applications are being transitioned to PSEG-LI through lease or ownership. With respect to improvement, the objective is to implement PSEG's strong culture at PSEG-LI while utilizing the best practices of both companies to improve customer satisfaction and operational excellence.

LIPA as named servicer will be paid a servicing fee of 0.05% of the aggregate initial principal amount of the bonds. The servicing fee will be increased to 0.60% per year of the aggregate initial principal balance of the bonds if a successor servicer is not affiliated with the owner of the T&D system assets or not performing similar services for the owner of the T&D system assets. Any servicing fee in excess of 0.60% per year must be approved by the authority and the trustee. As servicer, LIPA will also be responsible for monitoring the collateral, calculating the RCs and making the necessary true-up adjustments, in accordance with terms of the servicing agreement. As the T&D systems manager, PSEG-LI will bill and make collections of the RCs. PSEG-LI will be paid an annual management fee detailed in the existing OSA for assuming operating responsibilities of LIPA's T&D system.

The provision of electric service to customers by the authority is governed by the Home Energy Fair Practices Act (HEFPA; Article 2 of the New York Public Service Law). Pursuant to § 11.12 of HEFPA, deposits can be required from residential customers in a number of circumstances, such as for seasonal or short-term service or for customers who have filed for bankruptcy. The deposit can be as much as twice the average monthly bill for a calendar year. The customer may pay the deposit in installments, and the customer earns interest on the deposit for as long as the authority holds that amount. The deposit is automatically returned to the customer if the customer is not delinquent in the payment of bills during the one-year period from the payment of the deposit. For commercial customers, a deposit may be required if the customer's credit quality is deemed high risk for default, as determined by an algorithm developed by National Grid and Dunn & Bradstreet.

LIPA, via PSEG-LI post Jan. 1, 2014, will generate bills in a three-step process: meter reading; bill calculation; and bill printing and mailing. Meters are read on a bi-monthly cycle for approximately 980,000 residential and small commercial customers (about 87% of customers). Meters are read on a monthly cycle for roughly 83,000 larger commercial demand-metered customers (roughly 7% of customers) and about 62,000 residential customers with special situations (such as electric space heating [6% of customers]). The majority of the meters are read manually by meter readers, except for roughly 33,000 accounts (2.8% of customers) that are read using hand-held remote sensing (18,000), 6,000 using drive-by remote sensing and 8,000 by remote telecommunications or experimental Smart Meter technologies.

Once the meter readings are received, bills are calculated and generated and transmitted to a vendor for printing and mailing. The billing cycle differs from the meter reading cycle in that many residential customers who have their meters read bi-monthly receive bills on a monthly basis. Approximately 836,000 residential customers receive monthly bills, which, combined with the roughly 83,000 commercial accounts billed monthly, result in 919,000 customers (82% of customers) who receive bills monthly, rather than bi-monthly.

Collection practices, including the ability to terminate (disconnect) service, are governed by HEFPA. Bills are due immediately and payable in 20 days to avoid late payment charges and other collection activities. Bill notices and outbound telephone calls may begin as early as 30 days after a bill is issued, if payment is not received. The standard deferred payment agreement requires payment of up to 15% of the bill immediately, and monthly payments of the balance over 10 months, plus the payment of all current charges going forward. Customers that do not make payment of their outstanding arrears or enter into a deferred payment agreement are subject to termination of service (disconnection) for nonpayment. To execute the termination, a field visit is performed to offer a final opportunity to make the payment, evaluate the situation from a safety perspective and, if called for, immediately disconnect the customer

Long Island Power Company

LIPA is a New York corporation and a wholly owned subsidiary of the authority. The authority conducts and manages LIPA's business and affairs. The authority and LIPA are parties to a financing agreement providing for their respective duties and obligations relating to the financing and operation of the retail electric business in LIPA's service area.

LIPA is one of the largest municipal electric distribution systems in the U.S., serving an area with a population of about three million people and approximately 1.1 million customers. LIPA operates a virtual monopoly for transmission and distribution services within two of the wealthiest counties in the country, Nassau and Suffolk. On July 29, 2013, The LIPA Reform Act was signed into law,

further consolidating the operating functions under a single operator (PSEG-LI) and simplifying operations. PSEG-LI will be the T&D systems manager for all LIPA T&D daily operations.

On Nov. 12, 2013, Fitch affirmed the ratings on LIPA's outstanding electric revenue bonds at 'A–' and revised the Rating Outlook to Negative from Stable, reflecting the agency's view that the effects of Hurricane Sandy will challenge LIPA's already tight financial flexibility and frustrate the authority's efforts to achieve improved financial performance and metrics, as forecast. The electric system general revenue bonds are senior lien obligations of LIPA secured by the net revenues of the electric system, prior to the subordinate lien debt. The key rating drivers include storm challenging distribution utility, uncertainty related to the cost of restoration, sufficient liquidity to meet obligations, sufficient FEMA reimbursement for a large portion of restoration costs, potential political pressure that could limit rate increases, debt service coverage improved forecasts may not materialize, and strong utility fundamentals remain.

PSEG-LI is a wholly owned subsidiary of PSEG (long-term issuer default rating of BBB+/Stable by Fitch). The key rating drivers are low consolidated leverage and conservative capitalization at PSE&G and PSEG Power; growing earnings and cash flow contribution from PSE&G; a constructive regulatory environment in New Jersey; fuel diversification; good operating performance and a multiyear hedging program at Power; an extended period of weak power prices that pressure PSEG Power's earnings; and cash flows through the three-year forecast period.

Appendix A: Other Aspects

Restructuring Property

Restructuring property means all the property, rights and interests, including the irrevocable right to impose, bill and collect RCs, of the authority, established pursuant to the financing order, that are transferred to the issuer pursuant to the sale agreement.

Nonbypassability

RCs are nonbypassable, meaning that customers must pay them, regardless of their electric-generation supplier and whether or not the distribution system is being operated by LIPA or a successor.

Utility Successor

Any successor to LIPA, subject to the financing order, shall perform and satisfy all obligations of LIPA under the financing order.

Irrevocability

The financing order will be irrevocable when final, and the authority may not reduce, impair, postpone or terminate the RC or restructuring property.

State Pledge

The State of New York pledges to, and agrees with, bondholders, any assignee and any financing parties under the financing order that the state will not take or permit any action that impairs the value of the restructuring property.

True-Up Adjustment

LIPA, subject to a final financing order, shall file with the authority, at least annually, or if determined necessary by the servicer semiannually or more frequently, to ensure that expected collections of RCs are adequate to pay all scheduled payments of principal and interest on the bonds and all ongoing financing costs when due. The RC is based on estimates of consumption for each customer class and other mathematical factors detailed in the financing order. LIPA must file with the authority and issuer approximately 30 days prior to the effective date of the adjustment.

Security Interest

A valid and binding security interest in the restructuring property and other collateral will be created, perfected and enforced to secure the repayment of the principal and interest on the restructuring bonds.

True Sale/Bankruptcy Remote

Any sale, assignment or transfer of the restructuring property shall be an absolute transfer and true sale of the seller's right, title and interest in, to and under the restructuring property.

Appendix B: Transaction Overview

Utility Debt Securitization Authority Restructuring Bonds Series 2013T and Series 2013TE

U.S./ABS Capital Structure

Series 2013T

Class	Expected Ratings	Expected Rating Outlook	Size (%)	Size ($ Mil.)	CE (%)[a]	Expected Interest Rate (%)	PMT Freq.	Legal Final Maturity	ISIN/CUSIP
T-1	AAAsf	Stable	23.07	481.72	0.50	TBD	Semiannually	12/15/25	TBD
Total			**23.07**	**481.72**					

Series 2013TE

Class	Expected Ratings	Expected Rating Outlook	Size (%)	Size ($ Mil.)	CE (%)[a]	Expected Interest Rate (%)	PMT Freq.	Legal Final Maturity	ISIN/CUSIP
TE-1	AAAsf	Stable	4.31	90.00	0.50	TBD	Semiannually	12/15/16	TBD
TE-2	AAAsf	Stable	0.72	15.00	0.50	TBD	Semiannually	12/15/17	TBD
TE-3	AAAsf	Stable	1.44	30.00	0.50	TBD	Semiannually	6/15/18	TBD
TE-4	AAAsf	Stable	1.44	30.00	0.50	TBD	Semiannually	12/15/18	TBD
TE-5	AAAsf	Stable	0.09	1.80	0.50	TBD	Semiannually	12/15/25	TBD
TE-6	AAAsf	Stable	0.70	14.69	0.50	TBD	Semiannually	6/15/26	TBD
TE-7	AAAsf	Stable	0.72	15.06	0.50	TBD	Semiannually	12/15/26	TBD
TE-8	AAAsf	Stable	1.45	30.27	0.50	TBD	Semiannually	6/15/27	TBD
TE-9	AAAsf	Stable	1.49	31.02	0.50	TBD	Semiannually	12/15/27	TBD
TE-10	AAAsf	Stable	1.84	38.51	0.50	TBD	Semiannually	6/15/28	TBD
TE-11	AAAsf	Stable	1.89	39.47	0.50	TBD	Semiannually	12/15/28	TBD
TE-12	AAAsf	Stable	4.53	94.55	0.50	TBD	Semiannually	6/15/29	TBD
TE-13	AAAsf	Stable	4.64	96.91	0.50	TBD	Semiannually	12/15/29	TBD
TE-14	AAAsf	Stable	4.35	90.75	0.50	TBD	Semiannually	6/15/30	TBD
TE-15	AAAsf	Stable	4.45	93.02	0.50	TBD	Semiannually	12/15/30	TBD
TE-16	AAAsf	Stable	4.42	92.32	0.50	TBD	Semiannually	6/15/31	TBD
TE-17	AAAsf	Stable	4.53	94.63	0.50	TBD	Semiannually	12/15/31	TBD
TE-18	AAAsf	Stable	1.73	36.20	0.50	TBD	Semiannually	6/15/32	TBD
TE-19	AAAsf	Stable	1.78	37.10	0.50	TBD	Semiannually	12/15/32	TBD
TE-20	AAAsf	Stable	1.31	27.37	0.50	TBD	Semiannually	6/15/33	TBD
TE-21	AAAsf	Stable	1.34	28.06	0.50	TBD	Semiannually	12/15/33	TBD
TE-22	AAAsf	Stable	1.07	22.44	0.50	TBD	Semiannually	6/15/34	TBD
TE-23	AAAsf	Stable	1.10	23.00	0.50	TBD	Semiannually	12/15/34	TBD
TE-24	AAAsf	Stable	1.06	22.08	0.50	TBD	Semiannually	6/15/35	TBD
TE-25	AAAsf	Stable	1.08	22.63	0.50	TBD	Semiannually	12/15/35	TBD
TE-26	AAAsf	Stable	23.45	489.80	0.50	TBD	Semiannually	12/15/41	TBD
Total			**76.71**	**1,606.63**					
Total Issuance			**100.00**	**2,088.35**					

[a]Also provided via true-up mechanism. CE – Credit enhancement. PMT – Payment. TBD – To be determined.

Credit Enhancement
Reserve Subaccount: 0.50%
True-Up: Unlimited
Excess Funds Subaccount: Not Funded at Close

Key Information

Details:

Closing Date Dec. 16, 2013 (Subject to Change)
Country of Assets and Type U.S./ABS
Country of SPV U.S.
Analyst Du Trieu
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Parties:

Issuer Utility Debt Securitization Authority
Seller/Servicer Long Island Power Authority
T&D System Manager PSEG-LI
Bond Trustee Bank of New York Mellon
Underwriters Goldman Sachs & Co., Citigroup and Morgan Stanley. NA

Appendix B: Transaction Overview (continued)

Key Rating Drivers

Statutory and Regulatory Framework: The strength and stability of the underlying RCs are established by the financing order issued by the authority as part of the act. The financing order establishes the irrevocable and nonbypassable RCs and defines bondholders' property rights in the restructuring property. The financing order contains the key elements important in a utility tariff securitization, as discussed in detail on page 16.
Adequate Credit Enhancement via True-Ups: Mandatory, annual, true-up filings to adjust RCs to ensure collections are sufficient to provide all scheduled payments of principal and interest, pay fees and expenses and replenish the debt service reserve account (0.50%). Furthermore, semiannual and quarterly true ups may occur if necessary, but must meet certain defined parameters.
Supports 'AAAsf' Stresses: Demand shifts in consumption can be caused by various factors, such as the introduction of new technologies, demographic changes or shifting usage patterns, which present greater risk in this transaction relative to others in this asset class, given the longer tenor of the restructuring bonds. Fitch's 'AAAsf' scenario analysis stresses key model variables, such as consumption variance, chargeoff rates and delinquencies, to address this risk.
Sound Legal Structure: Fitch reviews all associated legal opinions furnished to analyze the integrity of the legal structure.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.