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

Quarterly Unaudited Financial Report

For the three-month period ended March 31, 2020
## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Basic Financial Statements (Unaudited):</td>
<td></td>
</tr>
<tr>
<td>Statements of Net Position</td>
<td>2</td>
</tr>
<tr>
<td>Statements of Revenues, Expenses, and Changes in Net Position</td>
<td>3</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>4</td>
</tr>
<tr>
<td>Management’s Discussion and Analysis (Unaudited)</td>
<td>5</td>
</tr>
</tbody>
</table>
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”), allowing for the retirement of certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of securitized restructuring bonds (Restructuring Bonds) by the UDSA. The Restructuring Bonds are to be repaid by an irrevocable, nonbypassable restructuring charge on all LIPA customer bills.

The Securitization Law permits LIPA’s Board of Trustees (Board) to adopt financing orders pursuant to which the UDSA may issue Restructuring Bonds in an amount not to exceed a $4.5 billion statutorily authorized amount (inclusive of any previously issued Restructuring Bonds).

LIPA’s Board adopted Financing Order No. 1 on October 3, 2013, Financing Orders No. 2, No. 3 and No. 4 on June 26, 2015 and Financing Order No. 5 on September 29, 2017, each authorizing the UDSA to issue Restructuring Bonds. All such financing orders are substantively the same. Each financing order authorized Restructuring Bonds secured by a separate restructuring charge created pursuant to that financing order. A total of $4.5 billion of UDSA Restructuring Bonds have been issued, with no statutory capacity remaining. The proceeds of the UDSA restructuring bonds refunded certain LIPA bonds and generated total net present value debt service savings of approximately $492 million for LIPA’s customers.

Overview of the Financial Statements

The UDSA’s financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Management’s Discussion and Analysis provides an overview of the UDSA for the three-month period ended March 31, 2020 compared to 2019. The unaudited quarterly financial statements should be read in conjunction with the annual audited financial statements, which may be found on the UDSA’s website at www.lipower.org/UDSA.

Contacting the Utility Debt Securitization Authority

This financial report is designed to provide the UDSA’s bondholders, and other interested parties, with a general overview of the UDSA’s finances and to demonstrate its accountability for the funds it receives. If you have any questions about this report or need additional information, contact the Utility Debt Securitization Authority, in care of the Long Island Power Authority, at 333 Earle Ovington Blvd., Suite 403, Uniondale, New York 11553, or visit the UDSA’s website at www.lipower.org/UDSA.
## Statements of Net Position

<table>
<thead>
<tr>
<th></th>
<th>2020 (unaudited)</th>
<th>2019 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>$181,759</td>
<td>109,049</td>
</tr>
<tr>
<td>Accounts receivable (net of uncollectible accounts of $130 and $130, respectively)</td>
<td>43,653</td>
<td>44,863</td>
</tr>
<tr>
<td>Prepaid assets</td>
<td>181</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>225,593</td>
<td>154,162</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring property (net of accumulated amortization)</td>
<td>4,290,487</td>
<td>4,331,947</td>
</tr>
<tr>
<td>Regulatory asset - unamortized debt issuance costs</td>
<td>19,361</td>
<td>19,913</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>4,309,848</td>
<td>4,351,860</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$4,535,441</td>
<td>4,506,022</td>
</tr>
</tbody>
</table>

| **Liabilities and Net Position** |                  |                |
| **Current liabilities:**        |                  |                |
| Current maturities of long-term debt | $126,057         | 126,057        |
| Accrued interest                | 56,575           | 8,082          |
| Accrued expenses                | 828              | 287            |
| **Total current liabilities**   | 183,460          | 134,426        |
| **Noncurrent liabilities:**     |                  |                |
| Long-term debt                  | 3,882,775        | 3,882,775      |
| Unamortized premium of long-term debt | 392,595 | 403,999 |
| **Net position - restricted**  | 76,611           | 84,822         |
| **Total liabilities and net position** | $4,535,441 | 4,506,022 |

(Amounts in thousands)
# Statements of Revenues, Expenses, and Changes in Net Position

**Utility Debt Securitization Authority**  
(A Component Unit of the Long Island Power Authority)  
Three-month period ended March 31, 2020 and 2019  
(unaudited)  
(Amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues (net of uncollectible expense)</td>
<td>$71,182</td>
<td>69,693</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of restructuring property</td>
<td>41,460</td>
<td>43,356</td>
</tr>
<tr>
<td>Servicing, administrative and other fees</td>
<td>822</td>
<td>825</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>42,282</td>
<td>44,181</td>
</tr>
<tr>
<td>Operating income</td>
<td>28,900</td>
<td>25,512</td>
</tr>
<tr>
<td>Other income</td>
<td>550</td>
<td>911</td>
</tr>
<tr>
<td>Other income</td>
<td>29,450</td>
<td>26,423</td>
</tr>
<tr>
<td>Interest charges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>48,493</td>
<td>49,276</td>
</tr>
<tr>
<td>Other interest expense</td>
<td>20</td>
<td>52</td>
</tr>
<tr>
<td>Amortization of restructuring bond premium and issuance costs</td>
<td>(10,852)</td>
<td>(10,522)</td>
</tr>
<tr>
<td>Total interest charges</td>
<td>37,661</td>
<td>38,806</td>
</tr>
<tr>
<td>Change in net position</td>
<td>(8,211)</td>
<td>(12,383)</td>
</tr>
<tr>
<td>Net position, beginning of year</td>
<td>84,822</td>
<td>100,196</td>
</tr>
<tr>
<td>Net position, end of period</td>
<td>$76,611</td>
<td>87,813</td>
</tr>
</tbody>
</table>
## Statements of Cash Flows

Three-month period ended March 31, 2020 and 2019  
(unaudited)  
(Amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues received</td>
<td>72,160</td>
<td>71,872</td>
</tr>
<tr>
<td>General and administrative expenditures</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>72,160</td>
<td>71,872</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** |          |          |
| Earnings received                  | 550      | 911      |
| Net cash provided by investing activities | 550      | 911      |

| **Net increase in restricted cash and cash equivalents** | 72,710 | 72,783 |
| **Restricted cash and cash equivalents, beginning of year** | 109,049 | 124,597 |
| **Restricted cash and cash equivalents, end of period** | $181,759 | 197,380 |

### Reconciliation of operating income to net restricted cash provided by operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$28,900</td>
<td>25,512</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net restricted cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of restructuring property</td>
<td>41,460</td>
<td>43,356</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid assets and accrued expenses</td>
<td>590</td>
<td>339</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,210</td>
<td>2,665</td>
</tr>
<tr>
<td><strong>Net restricted cash provided by operating activities</strong></td>
<td>$72,160</td>
<td>71,872</td>
</tr>
</tbody>
</table>
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Unaudited)

Three-Month Period ended March 31, 2020 Compared to 2019

The USDA results for the three months ended March 31, 2020 showed a decrease of $4 million in the change in net position compared to the first three months of 2019. The net position and changes in net position reflect the timing differences between the accrual-based accounting required under generally accepted accounting principles and the ratemaking treatment followed by the USDA. The USDA’s Restructuring Charge is set at an amount sufficient to recover the debt service payments and other cash operating expenses that the USDA incurs in any given year, which differs from the accrued revenue and expenses recognized.

Operating revenues

Operating revenue increased $1 million compared to 2019 due to an increase in the securitization charge.

Operating expenses

Operating expenses decreased $2 million compared to 2019 primarily due to decreases in the amortization of the restructuring property which the USDA recognizes on a proportionate basis annually based upon the total principal payments due and premiums outstanding on its restructuring bonds.

Nonoperating revenues and expenses

Interest expense decreased $1 million compared to 2019 due primarily to principal pay downs in June and December of 2019.