

**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

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(A Component Unit of the Long Island Power Authority)

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**UTILITY DEBT SECURITIZATION**  
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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”), 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](http://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](http://www.lipower.org/UDSA).

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Statements of Net Position

March 31, 2020 and December 31, 2019

(Amounts in thousands)

	<b>2020</b> <b>(unaudited)</b>	<b>2019</b> <b>(audited)</b>
<b>Assets</b>		
Current assets:		
Restricted cash and cash equivalents	\$ 181,759	109,049
Accounts receivable (net of uncollectible accounts of \$130 and \$130, respectively)	43,653	44,863
Prepaid assets	181	250
Total current assets	225,593	154,162
Noncurrent assets:		
Restructuring property (net of accumulated amortization)	4,290,487	4,331,947
Regulatory asset - unamortized debt issuance costs	19,361	19,913
Total noncurrent assets	4,309,848	4,351,860
Total assets	\$ 4,535,441	4,506,022
<b>Liabilities and Net Position</b>		
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
	4,275,370	4,286,774
Net position - restricted	76,611	84,822
Total liabilities and net position	\$ 4,535,441	4,506,022

**UTILITY DEBT SECURITIZATION AUTHORITY**  
(A Component Unit of the Long Island Power Authority)  
Statements of Revenues, Expenses, and Changes in Net Position  
Three-month period ended March 31, 2020 and 2019  
(unaudited)  
(Amounts in thousands)

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

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

Three-month period ended March 31, 2020 and 2019

(unaudited)

(Amounts in thousands)

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Operating revenues received	\$ 72,160	71,872
General and administrative expenditures	—	—
Net cash provided by operating activities	72,160	71,872
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:		
Operating income	\$ 28,900	25,512
Adjustments to reconcile operating income to net restricted cash provided by operating activities:		
Amortization of restructuring property	41,460	43,356
Changes in operating assets and liabilities:		
Prepaid assets and accrued expenses	590	339
Accounts receivable	1,210	2,665
Net restricted cash provided by operating activities	\$ 72,160	71,872

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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

The UDSA 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 UDSA. The UDSA's Restructuring Charge is set at an amount sufficient to recover the debt service payments and other cash operating expenses that the UDSA 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 UDSA 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.