

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, 2021

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”), 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.

During 2021, LIPA proposed changes to the UDSA legislation to permit the issuance of additional securitization bonds to refund outstanding indebtedness for debt service savings and fund investment in system resiliency.

Overview of the Financial Statements

The annual financial report for the UDSA includes management’s discussion and analysis and the Basic Financial Statements. The Basic Financial Statements consist of the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position, and the Statements of Cash Flows. These 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). UDSA publishes interim financial results on a quarterly basis with a fiscal year ending December 31. The interim consolidated financial statements and related Management’s Discussion and Analysis do not include all the information and notes required under GAAP for annual consolidated financial statements. Therefore, the Management’s Discussion and Analysis of UDSA’s three-month period ended March 31, 2021 compared to 2020 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.

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The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses, and Changes in Net Position report all of UDSA's revenues and expenses for the periods shown.

The Statements of Cash Flows report the cash provided and used by Operating activities, as well as other cash sources, such as investment income, and other cash uses such as payments for debt service.

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.

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Statements of Net Position

March 31, 2021 and December 31, 2020

(Amounts in thousands)

	2021	2020
	(unaudited)	(audited)
Assets		
Current assets:		
Restricted cash and cash equivalents	\$ 217,024	128,833
Accounts receivable (net of uncollectible accounts of \$157 and \$243, respectively)	51,932	52,725
Prepaid assets	190	261
Total current assets	269,146	181,819
Non-current assets:		
Restructuring property (net of accumulated amortization)	4,110,802	4,165,967
Regulatory asset - unamortized debt issuance costs	17,219	17,739
Total non-current assets	4,128,021	4,183,706
Total assets	\$ 4,397,167	4,365,525
Liabilities and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 179,419	179,419
Accrued interest	55,388	7,913
Accrued expenses	197	722
Total current liabilities	235,004	188,054
Non-current liabilities:		
Long-term debt	3,703,356	3,703,356
Unamortized premium of long-term debt	346,800	358,294
Total non-current liabilities	4,050,156	4,061,650
Net position - restricted	112,007	115,821
Total liabilities and net position	\$ 4,397,167	4,365,525

UTILITY DEBT SECURITIZATION AUTHORITY
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Statements of Revenues, Expenses, and Changes in Net Position
Three-month period ended March 31, 2021 and 2020
(unaudited)
(Amounts in thousands)

	2021	2020
Operating revenue, (net of uncollectible expense) \$157 and \$243, respectively	\$ 88,614	71,182
Amortization of restructuring property	55,165	41,460
Servicing, administrative and other fees	768	822
Total operating expenses	55,933	42,282
Operating income	32,681	28,900
Other income	7	550
	32,688	29,450
Interest charges and (credits):		
Interest on debt	47,476	48,493
Other interest	—	20
Other interest amortizations	(10,974)	(10,852)
Total interest charges and (credits), net	36,502	37,661
Change in net position	(3,814)	(8,211)
Net position, beginning of year	115,821	84,822
Net position, end of period	\$ 112,007	76,611

UTILITY DEBT SECURITIZATION AUTHORITY
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Statements of Cash Flows

Three-month period ended March 31, 2021 and 2020
(unaudited)

(Amounts in thousands)

	2021	2020
Cash flows from operating activities:		
Operating revenues received	\$ 88,184	72,160
Net cash provided by operating activities	88,184	72,160
Cash flows from investing activities:		
Earnings received	7	550
Net cash provided by investing activities	7	550
Net increase (decrease) in restricted cash and cash equivalents	88,191	72,710
Restricted cash and cash equivalents, beginning of year	128,833	109,049
Restricted cash and cash equivalents, end of period	\$ 217,024	181,759
Reconciliation of operating income to net restricted cash provided by operating activities:		
Operating income	\$ 32,681	28,900
Adjustments to reconcile operating income to net restricted cash provided by operating activities:		
Amortization of restructuring property	55,165	41,460
Changes in operating assets and liabilities:		
Prepaid assets and accrued expenses	(455)	590
Accounts receivable	793	1,210
Net restricted cash provided by operating activities	\$ 88,184	72,160

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Three-Month Period ended March 31, 2021 Compared to 2020

The UDSA results for the three months ended March 31, 2021 showed an increase of \$4 million in the change in net position compared to the first three months of 2020. The net position and changes in net position reflect the timing differences between the accrual-based accounting required under GAAP 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 \$17 million compared to 2020 due to an increase in the securitization charge to meet higher debt service payments in 2021.

Operating expenses

Operating expenses increased \$14 million compared to 2020 primarily due to increases 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 2020 due to lower debt outstanding.