

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

Quarterly Unaudited Financial Report

For the nine-month period ended September 30, 2021

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

Table of Contents

	Page
Introduction	1-2
Basic Financial Statements (Unaudited):	
Statements of Net Position	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5
Management's Discussion and Analysis (Unaudited)	6

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

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 2013 Securitization Law permitted LIPA’s Board of Trustees (Board) to adopt financing orders pursuant to which the UDSA issued Restructuring Bonds in an amount not to exceed \$4.5 billion. LIPA successfully sought a change to permit the UDSA to issue up to \$8.0 billion of securitized bonds (inclusive of the bonds already issued) for refinancing, storm hardening and resiliency purposes. The legislation authorizing the change was signed into law on August 2, 2021.

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. 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 annual financial report for the Utility Debt Securitization Authority (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.

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.

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

The management's discussion and analysis of the financial performance of UDSA provides an overview of the nine-month period ended September 30, 2021 compared to 2020. 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.

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).

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.

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

Statements of Net Position

September 30, 2021 and December 31, 2020

(Amounts in thousands)

	2021	2020
	<u>(unaudited)</u>	<u>(audited)</u>
Assets		
Current assets:		
Restricted cash and cash equivalents	\$ 206,649	128,833
Accounts receivable (net of uncollectible accounts of \$125 and \$243, respectively)	65,495	52,725
Prepaid assets	47	261
Total current assets	<u>272,191</u>	<u>181,819</u>
Non-current assets:		
Restructuring property (net of accumulated amortization)	3,986,133	4,165,967
Regulatory asset - unamortized debt issuance costs	16,202	17,739
Total non-current assets	<u>4,002,335</u>	<u>4,183,706</u>
Total assets	<u>\$ 4,274,526</u>	<u>4,365,525</u>
Liabilities and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 178,417	179,419
Accrued interest	54,261	7,913
Accrued expenses	1,191	722
Total current liabilities	<u>233,869</u>	<u>188,054</u>
Non-current liabilities:		
Long-term debt	3,615,615	3,703,356
Unamortized premium of long-term debt	324,240	358,294
Total non-current liabilities	<u>3,939,855</u>	<u>4,061,650</u>
Net position - restricted	<u>100,802</u>	<u>115,821</u>
Total liabilities and net position	<u>\$ 4,274,526</u>	<u>4,365,525</u>

UTILITY DEBT SECURITIZATION AUTHORITY

(A Component Unit of the Long Island Power Authority)

Statements of Revenues, Expenses, and Changes in Net Position

Nine-month period ended September 30, 2021 and 2020

(unaudited)

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
Operating revenue, (net of uncollectible expense)	\$ 276,011	263,100
Amortization of restructuring property	179,834	127,653
Servicing, administrative and other fees	<u>2,376</u>	<u>2,345</u>
Total operating expenses	182,210	129,998
Operating income	<u>93,801</u>	<u>133,102</u>
Other income	<u>28</u>	<u>763</u>
	93,829	133,865
Interest charges and (credits):		
Interest on debt	141,299	144,896
Other interest	65	280
Other interest amortizations	<u>(32,516)</u>	<u>(32,616)</u>
Total interest charges and (credits), net	108,848	112,560
Change in net position	<u>(15,019)</u>	<u>21,305</u>
Net position, beginning of year	<u>115,821</u>	<u>84,822</u>
Net position, end of period	<u>\$ 100,802</u>	<u>106,127</u>

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

Statements of Cash Flows

Nine-month period ended September 30, 2021 and 2020
(unaudited)

(Amounts in thousands)

	2021	2020
Cash flows from operating activities:		
Operating revenues received	\$ 263,020	241,057
General and administrative expenditures	(1,473)	(1,305)
Net cash provided by operating activities	261,547	239,752
Cash flows from investing activities:		
Earnings received	28	763
Net cash provided by investing activities	28	763
Cash flows from financing activities:		
Interest paid	(94,951)	(96,987)
Redemption of long-term debt	(88,743)	(62,531)
Bond administrative costs	(65)	(197)
Net cash used in financing activities	(183,759)	(159,715)
Net increase in restricted cash and cash equivalents	77,816	80,800
Restricted cash and cash equivalents, beginning of year	128,833	109,049
Restricted cash and cash equivalents, end of period	\$ 206,649	189,849
Reconciliation of operating income to net restricted cash provided by operating activities:		
Operating income	\$ 93,801	133,102
Adjustments to reconcile operating income to net restricted cash provided by operating activities:		
Amortization of restructuring property	179,834	127,653
Changes in operating assets and liabilities:		
Prepaid assets and accrued expenses	682	1,042
Accounts receivable	(12,770)	(22,045)
Net restricted cash provided by operating activities	\$ 261,547	239,752

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

(Amounts in thousands, unless otherwise stated)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Nine-Month Period ended September 30, 2021 Compared to 2020

The UDSA results for the nine months ended September 30, 2021 showed a decrease of \$36 million in the change in net position compared to the first nine months of 2020. 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 \$13 million compared to 2020 due to an increase in the securitization charges resulting from higher debt service in 2021. The 2021 securitization charges include offsets related to accumulated cash balances which have been applied against current obligations.

Operating expenses

Operating expenses increased \$52 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 \$4 million compared to 2020 due to lower debt outstanding.

