

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, 2022

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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 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’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.

On August 2, 2021, changes to the UDSA legislation were authorized and signed into law to permit the issuance of additional securitized bonds for refinancing, and to fund LIPA transmission and distribution system resiliency investments. Funding from UDSA bonds provides a lower cost to customers than issuing LIPA bonds for the same purpose. With these legislative changes the UDSA may issue up to \$8.0 billion of securitized bonds (inclusive of the bonds already issued). There were no additional securitized bonds issued as of March 31, 2022 as a result of the changes to the UDSA legislation.

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.

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The management's discussion and analysis of the financial performance of UDSA provides an overview of the three-month period ended March 31, 2022 compared to 2021. 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

March 31, 2022 and December 31, 2021

(Amounts in thousands)

	2022	2021
	<u>(unaudited)</u>	<u>(audited)</u>
Assets		
Current assets:		
Restricted cash and cash equivalents	\$ 197,023	111,694
Accounts receivable (net of uncollectible accounts of \$125 and \$243, respectively)	51,743	53,946
Prepaid assets	201	277
Total current assets	<u>248,967</u>	<u>165,917</u>
Noncurrent assets:		
Restructuring property (net of accumulated amortization)	3,875,391	3,931,161
Regulatory asset – unamortized debt issuance costs	15,223	15,704
Total noncurrent assets	<u>3,890,613</u>	<u>3,946,865</u>
Total assets	<u>\$ 4,139,580</u>	<u>4,112,782</u>
Liabilities and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 177,511	177,511
Accrued interest	53,103	7,586
Accrued expenses	1,856	1,028
Total current liabilities	<u>232,470</u>	<u>186,125</u>
Noncurrent liabilities:		
Long-term debt	3,525,845	3,525,845
Unamortized premium of long-term debt	302,424	313,174
Total noncurrent liabilities	<u>3,828,269</u>	<u>3,839,019</u>
Total Liabilities	<u>4,060,739</u>	<u>4,025,144</u>
Net position – restricted	<u>78,841</u>	<u>87,638</u>
Total liabilities and net position	<u>\$ 4,139,580</u>	<u>4,112,782</u>

UTILITY DEBT SECURITIZATION AUTHORITY
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Statements of Revenues, Expenses, and Changes in Net Position
Three-month period ended March 31, 2022 and 2021
(unaudited)
(Amounts in thousands)

	<u>2022</u>	<u>2021</u>
Operating revenue (net of uncollectible expense)	\$ 83,049	88,614
Amortization of restructuring property	55,771	55,165
Servicing, administrative and other fees	835	768
Total operating expenses	<u>56,606</u>	<u>55,933</u>
Operating income	<u>26,444</u>	<u>32,681</u>
Other income	<u>8</u>	<u>7</u>
	26,451	32,688
Interest charges and (credits):		
Interest on debt	45,517	47,476
Other interest	-	-
Other interest amortizations	<u>(10,268)</u>	<u>(10,974)</u>
Total interest charges and (credits), net	<u>35,249</u>	<u>36,502</u>
Change in net position	<u>(8,797)</u>	<u>(3,814)</u>
Net position, beginning of year	<u>87,638</u>	<u>115,821</u>
Net position, end of period	<u>\$ 78,841</u>	<u>112,007</u>

UTILITY DEBT SECURITIZATION AUTHORITY
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Statements of Cash Flows

Three-month period ended March 31, 2022 and 2021
(unaudited)

(Amounts in thousands)

	2022	2021
Cash flows from operating activities:		
Operating revenues received	\$ 85,321	88,184
Net cash provided by operating activities	85,321	88,184
Cash flows from investing activities:		
Earnings received	8	7
Net cash provided by investing activities	8	7
Net increase in restricted cash and cash equivalents	85,329	88,191
Restricted cash and cash equivalents, beginning of year	111,694	128,833
Restricted cash and cash equivalents, end of period	\$ 197,023	217,024

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

Operating income	\$ 26,444	32,681
Adjustments to reconcile operating income to net restricted cash provided by operating activities:		
Amortization of restructuring property	55,771	55,165
Changes in operating assets and liabilities:		
Prepaid assets and accrued expenses	904	(455)
Accounts receivable	2,203	793
Net restricted cash provided by operating activities	\$ 85,321	88,184

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(Amounts in thousands, unless otherwise stated)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Three-Month Period ended March 31, 2022 Compared to 2021

The UDSA results for the three months ended March 31, 2022 showed a decrease of \$5 million in the change in net position compared to the first three months of 2021. 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 decreased \$6 million compared to 2021 due to a decrease in the securitization charge combined with lower sales in 2022.

Operating expenses

Operating expenses increased \$1 million compared to 2021 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 2021 due to lower debt outstanding.