

**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, 2022

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**Table of Contents**

	<b>Page</b>
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**  
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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 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.

On August 2, 2021, changes to the Securitization Law were authorized to permit the issuance of additional securitized bonds for refinancing LIPA and UDSA bonds 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).

On May 18, 2022, LIPA’s Board adopted additional Financing Orders No. 6, No. 7, No. 8 and No. 9. On August 2, 2022, the UDSA’s Board of Trustees approved the issuance of Series 2022 bonds in an amount not to exceed \$1.3 billion pursuant to Financing Order No. 6 for the purpose of refinancing certain debt of LIPA and UDSA and financing resiliency investments.

On September 29, 2022, UDSA issued \$53.6 million Series 2022 Taxable Restructuring Bonds, \$787.3 million Series 2022 Tax-Exempt Restructuring Bonds, and \$95 million Series 2022 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus \$91 million of premium received, refunded \$852 million of LIPA and UDSA debt and funded \$100 million of LIPA resiliency investments. The 2022 UDSA Restructuring Bonds generated total net present value debt service savings of \$42.1 million for LIPA’s customers.

UDSA refinancings have saved LILPA customers \$534 million of net present value debt savings since 2013. A total of \$5.3 billion of UDSA Restructuring Bonds have been issued resulting in \$2.7 billion in remaining statutory capacity.

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**Overview of the Financial Statements**

The annual financial report for 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.

Management's discussion and analysis of the financial performance of UDSA provides an overview of the nine-month period ended September 30, 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](http://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](http://www.lipower.org/UDSA).

**UTILITY DEBT SECURITIZATION AUTHORITY**  
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Statements of Net Position

September 30, 2022 and December 31, 2021

(Amounts in thousands)

	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Assets</b>		
Current assets:		
Restricted cash and cash equivalents	\$ 215,342	111,694
Accounts receivable (net of uncollectible accounts of \$126 and \$75, respectively)	74,605	53,946
Prepaid assets	50	277
Total current assets	<u>289,997</u>	<u>165,917</u>
Noncurrent assets:		
Restructuring property (net of accumulated amortization)	4,061,705	3,931,161
Regulatory asset – unamortized debt issuance costs	19,403	15,704
Total noncurrent assets	<u>4,081,108</u>	<u>3,946,865</u>
Deferred outflow of resources:		
Deferred defeasance costs on debt refunding	10,435	—
Total assets and deferred outflow of resources	<u>\$ 4,381,540</u>	<u>4,112,782</u>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 220,600	177,511
Accrued interest	42,433	7,586
Accrued expenses	2,305	1,028
Total current liabilities	<u>265,338</u>	<u>186,125</u>
Noncurrent liabilities:		
Long-term debt	3,671,380	3,525,845
Unamortized premium of long-term debt	347,330	313,174
Total noncurrent liabilities	<u>4,018,710</u>	<u>3,839,019</u>
Total liabilities	<u>4,284,048</u>	<u>4,025,144</u>
Net position – restricted	97,492	87,638
Total liabilities and net position	<u>\$ 4,381,540</u>	<u>4,112,782</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, 2022 and 2021  
(unaudited)  
(Amounts in thousands)

	<u>2022</u>	<u>2021</u>
Operating revenue (net of uncollectible expense)	\$ 284,269	276,011
Amortization of restructuring property	167,312	179,834
Servicing, administrative and other fees	2,411	2,376
Total operating expenses	<u>169,723</u>	<u>182,210</u>
Operating income	<u>114,546</u>	<u>93,801</u>
Other income	657	28
	<u>115,203</u>	<u>93,829</u>
Interest charges and (credits):		
Interest on debt	135,404	141,299
Other interest	288	65
Other interest amortizations	(30,343)	(32,516)
Total interest charges and (credits), net	<u>105,349</u>	<u>108,848</u>
Change in net position	<u>9,854</u>	<u>(15,019)</u>
Net position, beginning of year	<u>87,638</u>	<u>115,821</u>
Net position, end of period	<u>\$ 97,492</u>	<u>100,802</u>

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

Nine-month period ended September 30, 2022 and 2021  
(unaudited)

(Amounts in thousands)

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Operating revenues received	\$ 264,048	263,020
General and administrative expenditures	(1,295)	(1,473)
Net cash provided by operating activities	262,753	261,547
Cash flows from investing activities:		
Earnings received on investments	657	28
Net cash provided by investing activities	657	28
Cash flows from financing activities:		
Interest paid	(91,034)	(94,951)
Maturities of long-term debt	(87,741)	(88,743)
Proceeds from the issuance of long-term debt	1,046,780	—
Tender payment of early retirement on bonds - UDSA	(702,279)	—
Payment to escrow agent to refinance bonds - LIPA	(217,804)	—
System resiliency project funding	(100,000)	—
Debt issuance costs	(7,396)	—
Other Interest costs	(288)	(65)
Net cash used in financing activities	(159,762)	(183,759)
Net increase in restricted cash and cash equivalents	103,648	77,816
Restricted cash and cash equivalents, beginning of year	111,694	128,833
Restricted cash and cash equivalents, end of period	\$ 215,342	206,649
Reconciliation of operating income to net restricted cash provided by operating activities:		
Operating income	\$ 114,546	93,801
Adjustments to reconcile operating income to net restricted cash provided by operating activities:		
Amortization of restructuring property	167,312	179,834
Changes in operating assets and liabilities:		
Prepaid assets and accrued expenses	1,554	682
Accounts receivable	(20,659)	(12,770)
Net restricted cash provided by operating activities	\$ 262,753	261,547

**UTILITY DEBT SECURITIZATION AUTHORITY**  
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(Amounts in thousands, unless otherwise stated)

**Management's Discussion and Analysis**  
(Unaudited)

**Nine-Month Period ended September 30, 2022 Compared to 2021**

The UDSA results for the nine months ended September 30, 2022 showed an increase of \$25 million in the change in net position compared to the first nine months of 2021. 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 accrued revenues and expenses.

**Operating revenues**

Operating revenues increased \$8 million compared to 2021 due primarily to higher sales in 2022.

**Operating expenses**

Operating expenses decreased \$12 million compared to 2021 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 \$3 million compared to 2021 due to lower debt outstanding.