

30 SEP 2022

Fitch Affirms Five UDSA transactions upon issuance of Series 2022

Fitch Ratings - New York - 30 Sep 2022: Fitch Ratings has affirmed five Utility Debt Securitization Authority (UDSA) transactions. The affirmation follows the issuance of UDSA Restructuring Bonds Series 2022, which will include a new restructuring charge (RC) for existing and future customers in Long Island Power Authority's (LIPA) service territory, in addition to restructuring charges related to previous UDSA issuances.

In connection with the issuance of series 2022, LIPA/UDSA launched a tender offer for a portion of the series 2013TE and series 2015 bonds, which resulted in the redemption of about \$659 million of bonds for series 2013TE.

The affirmation reflects a review of cash flows provided by transaction parties for all outstanding Fitch-rated LIPA/UDSA transactions, demonstrating a full repayment of outstanding bonds by legal final maturity and timely payment of interest under Fitch's 'AAAsf' stresses for all transactions.

Additionally, in reviewing cash flow results, Fitch notes that the aggregate tariff charged to LIPA's customer base as a consequence of the different issuances (including series 2022) remains below 20% of a representative residential customer bill, which is consistent with 'AAAsf' ratings under Fitch's criteria. Upon issuance of series 2022, the initial tariff rate is expected to be around 12.87%, considering the initial payments due following the issuance of series 2022. The aggregate tariff rate peaks at 19.99% under Fitch's 'AAAsf' stresses.

Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Utility Debt Securitization Authority Restructuring Bonds, Series 2017			
• T-10 91802RDT3	LT AAAsf	●	Affirmed AAAsf ●

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• T-11 91802RD ^{LT} U0	AAAsf 	Affirmed		AAAsf 
• T-12 91802RD ^{LT} V8	AAAsf 	Affirmed		AAAsf 
• T-13 91802RD ^{LT} W6	AAAsf 	Affirmed		AAAsf 
• T-14 91802RD ^{LT} X4	AAAsf 	Affirmed		AAAsf 
• T-15 91802RD ^{LT} Y2	AAAsf 	Affirmed		AAAsf 
• T-16 91802RD ^{LT} Z9	AAAsf 	Affirmed		AAAsf 
• T-17 91802RE ^{LT} A3	AAAsf 	Affirmed		AAAsf 
• T-18 91802RE ^{LT} B1	AAAsf 	Affirmed		AAAsf 
• T-19 91802RE ^{LT} C9	AAAsf 	Affirmed		AAAsf 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• T-20 91802RED7 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-21 91802REE5 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-22 91802REF2 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-23 91802REG0 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-24 91802REH8 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-25 91802REJ4 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-26 91802REK1 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-27 91802REL9 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-28 91802REM7 ^{LT}	AAAsf 	Affirmed		AAAsf 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
<ul style="list-style-type: none"> T-6 91802RDP1^{LT} 	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> T-7 91802RDQ9^{LT} 	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> T-8 91802RDR7^{LT} 	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> T-9 91802RDS5^{LT} 	AAAsf 	Affirmed	AAAsf 
Utility Debt Securitization Authority Restructuring Bonds Series 2013T and Series 2013TE			
<ul style="list-style-type: none"> T-4 91802RAW9^{LT} 	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> TE-10 91802RAH2^{LT} 	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> TE-11 91802RAJ8^{LT} 	AAAsf 	Affirmed	AAAsf 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• TE-12 91802RAK5 ^{LT}	AAAsf 	Affirmed		AAAsf 
• TE-13 91802RAL3 ^{LT}	AAAsf 	Affirmed		AAAsf 
• TE-14 91802RAM1 ^{LT}	AAAsf 	Affirmed		AAAsf 
• TE-15 91802RAN9 ^{LT}	AAAsf 	Affirmed		AAAsf 
• TE-16 91802RAP4 ^{LT}	AAAsf 	Affirmed		AAAsf 
• TE-17 91802RAQ2 ^{LT}	AAAsf 	Affirmed		AAAsf 
• TE-5 91802RAS8 ^{LT}	AAAsf 	Affirmed		AAAsf 
• TE-6 91802RAD1 ^{LT}	AAAsf 	Affirmed		AAAsf 
• TE-7 91802RAE9 ^{LT}	AAAsf 	Affirmed		AAAsf 


ENTITY/DEBT	RATING		RECOVERY	PRIOR
• TE-8 91802RAF6 ^{LT}	AAAsf 	Affirmed		AAAsf 
• TE-9 91802RAG4 ^{LT}	AAAsf 	Affirmed		AAAsf 
Utility Debt Securitization Authority 2015				
• T-10 91802RBG3 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-11 91802RBH1 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-12 91802RBJ7 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-13 91802RBK4 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-14 91802RBL2 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-15 LT	AAAsf 	Affirmed		AAAsf 


ENTITY/DEBT	RATING	RECOVERY	PRIOR
91802RBM0			
• T-16 91802RBW8 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-17 91802RBN8 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-18 91802RBP3 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-19 91802RBQ1 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-20 91802RBT5 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-21 91802RBV0 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-22 91802RBU2 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-3 91802RBB4 ^{LT}	AAAsf 	Affirmed	AAAsf 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• T-4 91802RBC2 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-5 91802RBD0 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-6 91802RBE8 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-7 91802RBR9 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-8 91802RBF5 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-9 91802RBS7 ^{LT}	AAAsf 	Affirmed		AAAsf 
Utility Debt Securitization Authority 2016A				
• T-1 91802RBX6 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-10 LT	AAAsf 	Affirmed		AAAsf 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
91802RCC1			
• T-11 91802RCD9 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-12 91802RCE7 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-13 91802RCF4 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-14 91802RCG2 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-15 91802RCH0 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-2 91802RBY4 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-3 91802RBZ1 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-4 91802RCA5 ^{LT}	AAAsf 	Affirmed	AAAsf 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• T-5 91802RCJ6 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-6 91802RCK3 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-7 91802RCL1 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-8 91802RCM9 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-9 91802RCB3 ^{LT}	AAAsf 	Affirmed		AAAsf 
Utility Debt Securitization Authority 2016-B				
• T-10 91802RDE6 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-11 91802RCT4 ^{LT}	AAAsf 	Affirmed		AAAsf 
• T-12 LT	AAAsf 	Affirmed		AAAsf 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
91802RDF3			
• T-13 91802RCU1 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-14 91802RDG1 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-15 91802RCV9 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-16 91802RCW7 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-17 91802RCX5 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-18 91802RCY3 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-19 91802RDH9 ^{LT}	AAAsf 	Affirmed	AAAsf 
• T-20 91802RCZ0 ^{LT}	AAAsf 	Affirmed	AAAsf 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• T-9 91802RC56 LT	AAAsf 	Affirmed	AAAsf 

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

KEY RATING DRIVERS

Legal Risk and Regulatory Framework: The strength and stability of the underlying RCs are established by the relevant financing orders issued by the authority. The financing orders establish the irrevocable and non-bypassable RCs and defines bondholders' property rights in the restructuring property of each series. The financing orders of each series contain the key elements important in a utility tariff securitization.

Adequate Credit Enhancement via True-Ups: Mandatory annual true-up filings adjust RCs to ensure collections are sufficient to provide all scheduled payments of principal and interest, pay fees and expenses, and replenish the debt service and operating reserve subaccounts for each series. Furthermore, semiannual and quarterly true-ups may occur if necessary but must meet certain defined parameters.

Credit Analysis (Revenue Stability): The consumption-driven cash flow supporting utility tariff bonds is generated by RC payments from all customers in the utility's service territory. Demand shifts in consumption can be caused by various factors, such as the introduction of new technologies, the overall economy, effects of natural disasters, demographic changes or shifting usage patterns. Such demand shifts present risk in this asset class given the longer tenor of the bonds.

Principal Amortization in line with Schedule: All series are performing within expectations, with principal amortization in-line with their targeted amortization schedules. There are no shortfalls to any of the reserve sub-accounts.

Cash Flow Analysis: For this review, Fitch reviewed updated cash flows provided by transaction parties. Fitch's 'AAAsf' scenario analysis stresses key model variables, such as consumption variance, chargeoff rates and delinquencies. Under Fitch's 'AAAsf' stress assumptions, the peak aggregated restructuring charge, including all issuances together with series 2022, is 4.4 cents/kWh, or 19.99% of a representative residential customer bill, which is within the 20% tariff level Fitch considers to be

consistent with 'AAAsf' ratings.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Fitch believes that bondholders are protected from the various aforementioned risks based on the 'AAAsf' cash flow stress case. At transaction close, the break-the-bond case was conducted to provide an alternative means by which to measure the potential effects of rapid, significant declines in power consumption while capping the residential RC at 20% of the total residential customers' bill.

In this scenario, the structure (inclusive of all outstanding series) was able to withstand a maximum consumption decline of over 90% in year one. This is the level of forecast energy consumption decline that would cause a default in required payments on bonds or cause the RC to exceed 20% of the total residential customers' bill. Despite this severe decline in consumption, due to the true-up mechanism RCs are able to pay all debt service by the legal final maturity date.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Given all notes are rated at 'AAAsf', an upgrade to the rating not applicable.

Best/Worst Case Rating Scenario

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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Applicable Criteria

[Global Structured Finance Rating Criteria \(pub.26 Oct 2021\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub.29 Jul 2022\)](#)

[U.S. Utility Tariff/Stranded Cost Bonds Rating Criteria \(pub.25 May 2022\) \(including rating assumption sensitivity\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Third-party Model, v [\(25 May 2022\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Utility Debt Securitization Authority Restructuring Bonds, Series 2017	EU Endorsed, UK Endorsed
Utility Debt Securitization Authority 2015	EU Endorsed, UK Endorsed
Utility Debt Securitization Authority 2016-B	EU Endorsed, UK Endorsed
Utility Debt Securitization Authority 2016A	EU Endorsed, UK Endorsed
Utility Debt Securitization Authority Restructuring Bonds Series 2013T and Series 2013TE	EU Endorsed, UK Endorsed

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