MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aaa (sf) to Utility Debt Securitization Authority's Restructuring Bond

21 Nov 2017

Approximately $369 million of asset backed securities rated

New York, November 21, 2017 -- Moody's Investors Service has assigned definitive ratings of Aaa (sf) to the Series 2017 restructuring bonds issued by Utility Debt Securitization Authority (the issuer) and sponsored by the Long Island Power Authority (LIPA; A3 stable). This is LIPA's fifth utility cost recovery bond issuance.

The bond issuance is permitted under State of New York legislation that authorizes LIPA to recover certain restructuring costs via securitization and has been authorized under a financing order adopted by LIPA.

The bonds are backed primarily by restructuring property, which includes the issuer's irrevocable right to impose, charge and collect a non-by-passable usage-based restructuring charge from all existing and future retail electric customers in LIPA's service area.

In addition, Moody's announced today that the issuance of Series 2017 would not, in and of itself and as of this time, result in a reduction or withdrawal of the ratings currently assigned to any outstanding series of bonds issued by the issuer.

The complete rating actions are as follow:

Issuer: Utility Debt Securitization Authority Restructuring Bonds, Series 2017

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-1, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-2, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-3, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-4, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-5, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-6, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-7, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-8, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-9, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-10, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-11, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-12, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-13, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-14, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-15, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-16, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-17, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-18, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-19, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-20, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-21, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-22, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-23, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-24, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-25, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-26, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-27, Definitive Rating Assigned Aaa (sf)

Restructuring Bonds Series 2017 (Federally Tax-Exempt) Tranche-28, Definitive Rating Assigned Aaa (sf)

RATINGS RATIONALE

The definitive ratings Moody's has assigned to the bonds are based primarily on the following:

1) the strength of the State of New York's legislation (the LIPA Reform Act), including the state's non-impairment pledge.

2) the irrevocable financing order issued by LIPA authorizing the creation of securitizable restructuring property.

3) the remote likelihood of a successful legal, political or regulatory challenge to the restructuring property and other rights that LIPA has transferred to the issuer for the benefit of the trustee on behalf of bondholders.

4) the size, stability, and diversity of the ratepayer base in LIPA's service area, from whom the restructuring charges will be collected.

5) credit enhancement consisting of a statutory uncapped true-up adjustment mechanism that mandatorily adjusts the restructuring charges to ensure sufficient collections to pay the bonds on time, a non-declining operating reserve subaccount fully funded at closing with 0.50% of the initial principal balance of the bonds and a debt service reserve account fully funded at closing with 1.50% of the aggregate principal balance of the bonds.

6) Moody's assessment of the ability and experience of LIPA, as servicer of the restructuring property, and of PSEG Long Island LLC, a wholly owned subsidiary of the Public Service Enterprise Group Incorporated (Baa1, Stable) who will provide LIPA's key servicing functions.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was "Moody's Global Approach to Rating Securities Backed by Utility Cost Recovery Charges" published in June 2015. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Factors that would lead to a downgrade of the ratings:

Factors or circumstances that could drive the rating down are a significant decline in the ratepayer base in the service area or extreme weather fluctuations and natural disasters affecting the servicer's ability to accurately forecast electricity usage.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

In rating this transaction, Moody's used a cash flow model to model cash flow stress scenarios to determine the extent to which investors would receive timely payments of interest and principal in the stress scenarios, given the transaction structure and collateral composition.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows.

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Arti Mattu
Analyst
Structured Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Sanjay Wahi
VP - Senior Credit Officer
Structured Finance Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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