

FOR CONSIDERATION

December 15, 2025

TO: Board of Trustees of the Utility Debt Securitization Authority

FROM: Donna Mongiardo

SUBJECT: Approval of the UDSA 2026 Budget

Requested Action

The Board of Trustees (the “Board”) of the Utility Debt Securitization Authority (“UDSA”) is being requested to adopt a resolution, attached hereto as **Exhibit “A”**, approving the UDSA 2026 budget.

The proposed 2026 budget, more particularly shown on **Exhibit “B”**, totals \$401 million. The proposed 2026 Budget funds general and administrative expenses and debt service related to the UDSA Restructuring Bonds currently outstanding.

Recommendation

Based upon the foregoing, it is recommended that the Board adopt a resolution in the form attached hereto as **Exhibit “A”**.

Exhibit “A” Resolution

Exhibit “B” 2026 Budget

Exhibit "A"

**APPROVAL OF THE UTILITY DEBT SECURITIZATION AUTHORITY'S 2026
BUDGET**

RESOLVED, that the proposed 2026 budget of the Utility Debt Securitization Authority ("Authority"), which is attached hereto as **Exhibit "A"**, is hereby approved.

Dated: December 15, 2025



Utility Debt Securitization Authority

(A Component Unit of Long Island Power Authority)

December 15, 2025

Presented by: Donna Mongiardo, CFO LIPA





❖ Discussion Topics

❖ 2026 Proposed Budget

Utility Debt Securitization Authority (A Component Unit of Long Island Power Authority)

2026 Proposed Operating Budget

- The UDSA was created by Part B of Chapter 173, Laws of New York, 2013 (the “Securitization Law”), allowing for the retirement of certain outstanding indebtedness of LIPA through the issuance of securitized restructuring bonds (Restructuring Bonds) by the UDSA. UDSA (rated triple-A) provides a lower cost of financing than issuing LIPA bonds. The Restructuring Bonds are to be repaid by an irrevocable, nonbypassable restructuring charge on all LIPA customer bills.
- The Securitization Law permitted issuance of UDSA Restructuring Bonds in an amount not to exceed \$4.5 billion. LIPA’s Board adopted Financing Order No. 1 through Financing Order No. 5 reaching the statutory capacity. Each financing order authorized Restructuring Bonds secured by a separate restructuring charge created pursuant to that financing.
- 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. With these legislative changes, the UDSA may issue an initial par amount of up to \$8.0 billion of securitized bonds (inclusive of the bonds already issued). As such, on May 18, 2022, LIPA’s Board adopted Financing Order No. 6 through Financing Order No. 9 effective through December 31, 2025, to enable use of the expanded statutory authority.
- A total of \$6.3 billion of UDSA Restructuring Bonds have been issued through December 2024. The remaining statutory capacity is approximately \$1.7 billion. Since 2013, UDSA Restructuring Bonds have generated **total net present value debt service savings of \$579 million** for LIPA’s customers.
- Any additional savings achieved through this UDSA bond transaction will be passed onto customers through lower-cost financing.
- UDSA is considered a blended component unit of LIPA as the results of operations are blended with LIPA for financial reporting purposes.

Utility Debt Securitization Authority (A Component Unit of Long Island Power Authority)

2026 Proposed Operating Budget

Description	2024	2025		2026		2027	
	Actual	Approved	Projected	Proposed	Change from Prior Year	Projected	Change from Prior Year
Revenues	\$ 390,722	\$ 383,941	\$ 384,943	\$ 401,261	\$ 17,320	\$ 377,398	\$ (23,863)
Operating Expenses							
Uncollectible Accounts	2,235	1,929	1,443	1,988	59	1,868	(120)
General and Administrative Expense							
Ongoing Servicer Fee	2,148	2,123	2,123	2,123	-	2,123	-
Administration Fees	600	600	600	600	-	600	-
Bond Administration Fees	420	475	6,578	418	(57)	428	10
Directors and Officers Insurance	326	343	318	343	-	353	10
Accounting, Legal & Misc. Fees	265	250	347	211	(38)	217	6
Total General and Administrative Expense	3,757	3,790	9,966	3,695	(96)	3,722	27
Amortization of Restructuring Property	251,361	262,034	262,034	263,819	1,785	252,914	(10,905)
Interest Expense	178,755	168,230	168,230	162,527	(5,703)	151,094	(11,433)
Amortization of Premium	(48,357)	(42,984)	(42,984)	(38,250)	4,734	(34,101)	4,148
Amortization of Deferred Debt Issuance Costs	1,849	1,732	1,732	1,598	(134)	1,448	(150)
Total Interest Expense	132,247	126,978	126,978	125,875	(1,103)	118,440	(7,435)
Reserve Fund Earnings	9,637	5,020	7,536	7,239	2,219	7,239	-
Change in Net Position	\$ 10,759	\$ (5,772)	\$ (7,943)	\$ 13,123	\$ 18,896	\$ 7,693	\$ (5,430)

Utility Debt Securitization Authority (A Component Unit of Long Island Power Authority)

2026 Proposed Debt Schedule

Projected Debt Outstanding				
Description	2024 Actual	2025	2026	2027
Long Term Debt Outstanding at beginning of the year	\$ 3,656,345	\$ 3,451,555	3,236,520	\$ 3,014,400
Long Term Debt Issuance	-	815,335	-	-
Maturities (a)	(204,790)	(223,965)	(222,120)	(222,595)
Refunding (b)	-	(806,405)	-	-
Total Projected UDSA Debt	\$ 3,451,555	\$ 3,236,520	\$ 3,014,400	\$ 2,791,805

(a) Maturities are based on Series 2015 outstanding due to the timing of the Series 2025 issuance; however, debt service requirements are not expected to result in a material difference. Tender offer is also excluded as results are unknown.

(b) Any potential refundings in 2026 and 2027 will be dependent on market conditions.

Projected Debt Service				
Description	2024 Actual	2025	2026	2027
Maturities	204,790	223,965	222,120	222,595
Interest	179,181	168,697	163,009	151,557
Total Projected UDSA Debt Service	\$ 383,971	\$ 392,662	\$ 385,129	\$ 374,152

Utility Debt Securitization Authority (A Component Unit of Long Island Power Authority) 2026 Proposed Operating Budget

2026 vs. 2025 Budget Changes:

- Revenue is set annually at an amount sufficient to recover debt service and other cash operating expenses. Revenue is budgeted to be \$401 million for 2026 which is a \$17 million increase compared to 2025 budgeted revenue. This increase is due to a higher excess revenue carryover amount which lowered 2025 rates.
- The amortization of restructuring property is relatively flat year over year.

2025 Projected vs. 2025 Budget Variances:

- The 2025 change in net position is projected to be approximately (\$8) million, which is compared to the budget of (\$6) million. The additional loss of \$2 million is due primarily to the required expense recognition of the bond issuance costs related to the 2025 bond transaction, partially offset by higher revenue and higher interest earnings in 2025.

Utility Debt Securitization Authority (A Component Unit of Long Island Power Authority)

2026 Proposed Operating Budget Assumptions

- In December 2025, UDSA intends to issue additional bonds to refinance its callable Series 2015 Bonds, results are subject to market conditions. The 2026 budgeted revenue reflects a continuation of the Series 2015 Bonds consistent with the restructuring charge rate set on November 15, 2025. UDSA has also extended an invitation to investors to tender certain Series 2016A, 2016B and 2017 bonds. Due to the uncertainty regarding the tender results, no tender assumptions have been included in the 2026 budget.
- In addition, in December 2025, UDSA will issue approximately \$112 million in restructuring bonds to fund LIPA's system resiliency costs associated with the transmission and distribution system. The 2026 budget assumes such bonds bear interest at 5%.
- UDSA has approximately \$417 million and \$282 million of optional callable bonds in 2026 and 2027, respectively. As the option to call the bonds are dependent on market conditions no refundings were assumed for 2026 and 2027.
- UDSA has three Officers (Chief Executive Officer, Chief Financial Officer and General Counsel) which are paid by LIPA. LIPA is paid a fee of 0.05% per total issuance as the UDSA's servicer.

Utility Debt Securitization Authority (A Component Unit of Long Island Power Authority)

Budgetary Risks:

- Budgeting processes inherently carry risks related to the ability to accurately forecast revenues and expenditures. These risks are intrinsic to the nature of budgeting, which relies on subjective estimates and uncertain future conditions.
- Sales assumptions are prepared by LIPA and are based on historical trends, projecting inflationary trends, and anticipating shifts in consumer behaviors and industry trends. The cash flow supporting restructuring bonds is generated by payments of the restructuring charge from all current and future retail electric customers in the utility's service territory. Shifts in the number of customers can be caused by various factors, including the introduction of new technologies, the overall economy, or changing usage patterns. Such shifts present risk in cash flow; however, risk is mitigated by the true-up mechanism outlined below:
 - True-Up Mechanism
 1. Allows for the charges to be adjusted at least annually to correct for any over- or under-collections to target the timely payment of interest and principal
 2. Mid-year true-up if the servicer projects that charges will be insufficient to pay timely principal and interest on the bonds
 3. Optional true-up permitted at any time as necessary
- UDSA maintains robust internal budget controls to ensure adherence to its annual financial plan by continuously monitoring cash flow, comparing financial results against targets, and taking corrective action if deemed necessary.

Utility Debt Securitization Authority (A Component Unit of Long Island Power Authority)

Budget Development Schedule:

- September through October:
 - UDSA rates, effective December 15th, are calculated by finance for review and approval by the CFO.
- October:
 - Final budget is prepared by finance for review and approval by CFO.
- November:
 - The LIPA Board of Trustees is briefed on the Consolidated Budget during its November board meeting.
- December:
 - The UDSA Board of Trustees votes on the adoption of the UDSA Budget.
 - The LIPA Board of Trustees votes on the adoption of the LIPA Consolidated Budget

Questions?

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CFO

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