

FOR CONSIDERATION

March 16, 2026

TO: Board of Trustees of the Utility Debt Securitization Authority

FROM: Carrie Meek Gallagher

REQUEST: Approval of the 2025 Financial Report of the Utility Debt Securitization Authority

Requested Action

The Board of Trustees (“Board”) is being requested to approve the proposed financial report section of the 2025 annual report of the Utility Debt Securitization Authority (“UDSA”), prepared in accordance with Section 2800(1) of the Public Authorities Law (“PAL”), in the form attached hereto as **Exhibit “B”**.

Background

Section 2800(1) of the PAL requires that the UDSA submit an annual report to the Governor, the Chairman and ranking minority member of the Senate Finance committee, the Chairman and ranking minority member of the Assembly Ways and Means committee, the State Comptroller, and the Authorities Budget Office, within ninety days after the end of the Authority’s fiscal year. The annual report includes, among other things, the Authority’s financial report for the fiscal year just ended. Under Section 2800(1)(a)(2) of PAL, the financial report shall include the following: audited financials; grant and subsidy programs; operating and financial risks; current bond ratings; and long-term liabilities (the “Financial Report”). Section 2800(3) of PAL requires the Financial Report to be approved by the Trustees.

Recommendation

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

Attachments

Exhibit “A” Resolution

Exhibit “B” Financial Report of the Utility Debt Securitization Authority

RESOLUTION APPROVING THE 2025 FINANCIAL REPORT OF THE UTILITY DEBT SECURITIZATION AUTHORITY

WHEREAS, Section 2800(1) of the Public Authorities Law (“PAL”) requires public authorities such as the Utility Debt Securitization Authority (the “UDSA”) to prepare an annual report; and

WHEREAS, the UDSA’s annual report includes, among other things, a financial report, as defined under Section 2800(1)(a)(2) of PAL (the “Financial Report”); and

WHEREAS, the UDSA has prepared its Financial Report, which, pursuant to Section 2800(3) of PAL, is subject to the approval of the Trustees.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees hereby approves the 2025 Financial Report of the Utility Debt Securitization Authority, in the form presented at this meeting.

Dated: March 16, 2026

Exhibit "B"

UTILITY DEBT SECURITIZATION AUTHORITY

(A Component Unit of the Long Island Power Authority)

Basic Financial Statements

And Required Supplementary Information

December 31, 2025 and 2024

(With Independent Auditors' Reports Thereon)

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

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Independent Auditors' Report

Board of Trustees
Utility Debt Securitization Authority:

Opinion

We have audited the financial statements of the Utility Debt Securitization Authority (UDSA), a component unit of the Long Island Power Authority, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise UDSA's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of UDSA as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UDSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UDSA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UDSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UDSA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Boston, Massachusetts
March __, 2026

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Management's Discussion and Analysis
(Unaudited)

December 31, 2025 and 2024

Overview of the Financial Statements

The annual financial report for the Utility Debt Securitization Authority (UDSA) includes Management's Discussion and Analysis (MD&A) 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, the Statements of Cash Flows, and the notes to the financial statements.

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 UDSA's revenues and expenses for the periods shown.

The Statements of Cash Flows report the cash provided by operating activities, as well as other cash sources, such as investment income, and other cash uses, such as payments for debt service.

The notes to the financial statements (Notes) provide additional information regarding amounts reported in the financial statements and other information necessary for a fair presentation of the financial statements.

The MD&A of the financial performance of UDSA, which is required supplementary information, provides an overview for the years ended December 31, 2025, and 2024, with certain comparative information as of and for the year ended December 31, 2023. The MD&A should be read in conjunction with the Basic Financial Statements which follow this section. The Notes are an integral part of UDSA's Basic Financial Statements.

UDSA's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Management's Discussion and Analysis
(Unaudited)

December 31, 2025 and 2024

Nature of Operations

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, and then by Chapter 369 of the Laws of New York, 2021, 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 UDSA. Funding from UDSA bonds provides a lower cost to customers than issuing LIPA bonds for the same purpose. The Restructuring Bonds are to be repaid by an irrevocable, non-bypassable restructuring charge on all LIPA customer bills.

The Securitization Law permitted LIPA's Board of Trustees (Board) to adopt financing orders pursuant to which 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 UDSA to issue Restructuring Bonds. However, changes to the Securitization Law in 2021 authorized 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 UDSA may issue an initial par amount of up to \$8.0 billion of securitized bonds (inclusive of the bonds already issued) as such during 2022, LIPA's Board adopted Financing Orders No. 6, No. 7, No. 8, and No. 9 authorizing UDSA to issue additional Restructuring Bonds. Each financing order authorized Restructuring Bonds secured by a separate restructuring charge created pursuant to that financing.

Under Financing Order No. 8, on December 15, 2025, UDSA issued \$975 million Series 2025 Tax-Exempt Restructuring Bonds, and \$115 million Series 2025 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus \$134 million of premium received, refunded \$1.1 billion of UDSA debt, and funded \$120 million of LIPA resiliency investments. The 2025 UDSA Restructuring Bonds generated total net present value debt service savings of \$120 million for LIPA's customers.

No bonds were issued under Financing Order No. 9 and expired on December 31, 2025.

UDSA refinancings have saved LIPA customers \$699 million of net present value debt savings since 2013. A total of \$7.359 billion of UDSA Restructuring Bonds have been issued resulting in \$641 million in remaining statutory capacity.

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Management's Discussion and Analysis
(Unaudited)

December 31, 2025 and 2024

Financial Condition Overview

UDSA's condensed Statements of Net Position as of December 31, 2025, 2024, and 2023 are summarized below:

(amounts in thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets and Deferred Outflows of Resources			
Current assets	\$ 160,685	179,147	168,414
Noncurrent assets	3,498,456	3,649,620	3,902,830
Deferred outflows of resources	5,601	7,049	8,554
Total assets and deferred outflows of resources	<u>3,664,742</u>	<u>3,835,816</u>	<u>4,079,798</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities	234,640	231,853	212,768
Noncurrent liabilities	3,259,571	3,503,707	3,773,546
Deferred inflows of resources	98,611	17,921	21,908
Total liabilities and deferred inflows of resources	<u>3,592,822</u>	<u>3,753,481</u>	<u>4,008,222</u>
Net position – restricted	71,920	82,335	71,576
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,664,742</u>	<u>3,835,816</u>	<u>4,079,798</u>

The following summarizes UDSA's statements of net position variances for the years 2025 and 2024:

2025 Compared to 2024

Current assets decreased by \$18 million compared to 2024 due to lower cash and cash equivalents of \$24 million primarily due to higher redemptions of bonds required in 2025. This decrease was partially offset by higher accounts receivable balances of \$6 million.

Noncurrent assets decreased by \$151 million compared to 2024 primarily due to the reduction of \$1.170 billion related to Financing Order No. 2, 3, 4 and 5 Restructuring Property as a result of the early retirement of Series 2015, 2016A, 2016B and 2017 Bonds and scheduled amortizations of the Restructuring Property of \$266 million. These decreases were offset by the issuance of Financing Order No. 8, which increased the Restructuring Property by \$1.291 billion. The remaining \$6 million decrease is primarily related to the proportionate reduction in the bond issuance cost regulatory asset of \$4 million as a result of the early retirement of Series 2015, 2016A, 2016B and 2017, as well as, scheduled amortization of bond issuance costs.

Deferred outflows of resources decreased by \$1 million compared to 2024 due to the scheduled amortization of the deferred defeasance costs.

Current liabilities increased by \$3 million compared to 2024 primarily due to higher scheduled current maturities of long-term debt.

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Management's Discussion and Analysis
(Unaudited)

December 31, 2025 and 2024

Noncurrent liabilities decreased by \$244 million compared to 2024, primarily due to the early retirement of Series 2015, 2016A, 2016B and 2017 Bonds of \$1.101 billion and \$98 million of associated premium, scheduled current maturities of long-term debt of \$228 million, and scheduled amortization of debt premium of \$41 million. This was offset by the issuance of the 2025 Restructuring Bonds of \$1.090 billion and \$134 million of associated premium.

Deferred inflows of resources increased by \$81 million compared to 2024, due to the recognition of a deferred gain from the refunding of Restructuring Bonds, Series 2015, 2016A, 2016B and 2017 with the issuance of Restructuring Bonds, Series 2025 of \$84 million offset by \$3 million of scheduled amortization of the deferred defeasance costs.

2024 Compared to 2023

Current assets increased by \$11 million compared to 2023 due to higher cash and cash equivalents of \$15 million primarily due to the additional restructuring charge related to the 2023 bonds combined with the impact of higher sales in 2024. This increase was partially offset by lower accounts receivable balances of \$4 million.

Noncurrent assets decreased by \$253 million compared to 2023 primarily due to the scheduled amortization of the Restructuring Property.

Deferred outflows of resources decreased by \$2 million compared to 2023 due to the scheduled amortization of the deferred defeasance costs.

Current liabilities increased by \$19 million compared to 2023 primarily due to higher scheduled current maturities of long-term debt.

Noncurrent liabilities decreased by \$270 million compared to 2023, due to the scheduled current maturities of long-term debt of \$224 million, and scheduled amortization of debt premium of \$46 million.

Deferred inflows of resources decreased by \$4 million compared to 2023 due to the scheduled amortization of the deferred defeasance costs.

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Management's Discussion and Analysis
(Unaudited)

December 31, 2025 and 2024

Results of Operations

UDSA's condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2025, 2024 and 2023 are summarized as follows:

	(amounts in thousands)		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenue, net of uncollectible accounts expense	\$ 378,879	388,487	390,914
Operating expenses	<u>(263,049)</u>	<u>(254,699)</u>	<u>(301,570)</u>
Operating income	<u>115,830</u>	<u>133,788</u>	<u>89,344</u>
Interest income	8,230	9,637	10,745
Interest charges and credits, net	<u>(134,475)</u>	<u>(132,666)</u>	<u>(147,133)</u>
Change in net position	<u>(10,415)</u>	<u>10,759</u>	<u>(47,044)</u>
Net position, beginning of year	<u>82,335</u>	<u>71,576</u>	<u>118,620</u>
Net position, end of year	<u>\$ 71,920</u>	<u>82,335</u>	<u>71,576</u>

The following summarizes UDSA's financial performance for the years 2025 and 2024:

2025 Compared to 2024

Operating revenue, net of uncollectible accounts expense, decreased by \$10 million compared to 2024 due to a decrease in restructuring charge rates.

Operating expenses increased by \$8 million compared to 2024 due to higher amortization of the Restructuring Property, which is amortized annually based on total principal payments due, plus premium amortization on the Restructuring Bonds.

Interest income decreased by \$1 million compared to 2024 due to lower interest rates earned on UDSA cash balances.

Interest charges and credits increased by \$2 million compared to 2024 due the recognition of \$8 million in debt issuance costs incurred from the issuance of Series 2025 Restructuring Bonds and an increase in other interest amortizations by \$5 million. These increases were partially offset by lower interest costs totaling \$11 million related to lower debt outstanding.

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Management's Discussion and Analysis
(Unaudited)

December 31, 2025 and 2024

2024 Compared to 2023

Operating revenue, net of uncollectible accounts expense, decreased by \$2 million compared to 2023 due to a decrease in restructuring charge rates. Any excess recoveries resulting from the 2024 charges are applied to the rate resets for 2025.

Operating expenses decreased by \$47 million compared to 2023 due to lower amortization of the Restructuring Property, which is amortized annually based on total principal payments due, plus premium amortization on the Restructuring Bonds.

Interest income decreased by \$1 million compared to 2023 due to lower average UDSA cash balances throughout 2024.

Interest charges and credits decreased by \$14 million compared to 2023 due lower debt outstanding and the recognition of debt issuance costs in 2023.

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UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Management's Discussion and Analysis
(Unaudited)

December 31, 2025 and 2024

Cash and Liquidity

Included in current assets are UDSA's restricted cash accounts totaling approximately \$106 million, \$130 million, and \$115 million as of December 31, 2025, 2024, and 2023, respectively.

The lower balance in 2025 compared to 2024 is due to higher redemptions of bonds required in 2025. The higher balance in 2024 compared to 2023 is due to an increase in the collection accounts to meet the increase in debt service requirements in 2025. The lower balance in 2023 compared to 2022 is due to higher redemptions of bonds required in 2023.

Bond Ratings

UDSA's credit ratings by Moody's Investors Service (Moody's), Standard and Poor's Global Ratings (S&P), and Fitch Ratings (Fitch) are listed below.

Bond Series	Moody's	S&P	Fitch
Series 2015	Aaa (sf)	AAA (sf)	AAAsf
Series 2016A	Aaa (sf)	AAA (sf)	AAAsf
Series 2016B	Aaa (sf)	AAA (sf)	AAAsf
Series 2017	Aaa (sf)	AAA (sf)	AAAsf
Series 2022	Aaa (sf)	AAA (sf)	Not applied for
Series 2023	Aaa (sf)	AAA (sf)	Not applied for
Series 2025	Aaa (sf)	AAA (sf)	AAAsf

Contacting the Utility Debt Securitization Authority

This financial report is designed to provide UDSA's bondholders, and other interested parties, with a general overview of UDSA's finances and to demonstrate its accountability for the funds it receives. For more 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 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

December 31, 2025 and 2024

(Amounts in thousands)

	<u>2025</u>	<u>2024</u>
Assets and Deferred Outflows of Resources		
Current assets:		
Restricted cash and cash equivalents	\$ 106,001	129,695
Accounts receivable, net of allowance for uncollectible accounts of \$128 and \$208, respectively	54,684	49,161
Prepaid expenses	—	291
Total current assets	<u>160,685</u>	<u>179,147</u>
Noncurrent assets:		
Restructuring property, net of accumulated amortization	3,491,898	3,637,311
Regulatory asset – unamortized debt issuance costs	6,558	12,309
Total noncurrent assets	<u>3,498,456</u>	<u>3,649,620</u>
Total assets	<u>3,659,141</u>	<u>3,828,767</u>
Deferred outflows of resources:		
Deferred defeasance costs on debt refunding	5,601	7,049
Total assets and deferred outflows of resources	\$ <u>3,664,742</u>	\$ <u>3,835,816</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 227,780	223,965
Accrued interest	6,688	7,144
Accrued expenses	172	744
Total current liabilities	<u>234,640</u>	<u>231,853</u>
Noncurrent liabilities:		
Long-term debt, net	2,988,215	3,227,590
Unamortized premium of long-term debt	271,223	276,117
Long-term liabilities and unrealized credits	133	—
Total noncurrent liabilities	<u>3,259,571</u>	<u>3,503,707</u>
Total liabilities	<u>3,494,211</u>	<u>3,735,560</u>
Deferred inflows of resources:		
Deferred defeasance costs on debt refunding	98,611	17,921
Net position – restricted	<u>71,920</u>	<u>82,335</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>3,664,742</u>	\$ <u>3,835,816</u>

See accompanying notes to financial statements.

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2025 and 2024
(Amounts in thousands)

	2025	2024
Operating revenue, net of uncollectible accounts expense	\$ 378,879	388,487
Operating expenses:		
Amortization of restructuring property	259,626	251,361
Servicing, administrative and other fees	3,423	3,338
Total operating expenses	263,049	254,699
Operating income	115,830	133,788
Nonoperating revenue and expenses:		
Interest income	8,230	9,637
Income before interest charges and (credits)	124,060	143,425
Interest charges and (credits):		
Interest on debt	168,240	178,755
Other interest	8,077	420
Other interest amortizations	(41,842)	(46,509)
Total non-operating expenses, net	134,475	132,666
Change in net position	(10,415)	10,759
Net position, beginning of year	82,335	71,576
Net position, end of year	\$ 71,920	82,335

See accompanying notes to financial statements.

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Statements of Cash Flows

Years ended December 31, 2025 and 2024

(Amounts in thousands)

	2025	2024
Cash flows from operating activities:		
Operating revenue received	\$ 373,357	392,755
Servicing, administrative and other fees	<u>(3,206)</u>	<u>(3,251)</u>
Net cash provided by operating activities	<u>370,151</u>	<u>389,504</u>
Cash flows from investing activities:		
Interest Income	<u>8,230</u>	<u>9,637</u>
Net cash provided by investing activities	<u>8,230</u>	<u>9,637</u>
Cash flows from financing activities:		
Interest paid	(168,695)	(179,181)
Proceeds from the issuance of long-term debt	1,229,456	—
Refunding of long-term debt	(1,110,762)	—
Redemption of long-term debt	(223,965)	(204,790)
Payments to LIPA System Resiliency Fund	(120,000)	—
Other interest costs	(535)	(418)
Payments for debt issuance costs	<u>(7,573)</u>	<u>(8)</u>
Net cash used in financing activities	<u>(402,074)</u>	<u>(384,397)</u>
Net (decrease) increase in cash and cash equivalents	(23,694)	14,744
Cash and cash equivalents at beginning of year	<u>129,695</u>	<u>114,951</u>
Cash and cash equivalents at end of year	<u>\$ 106,001</u>	<u>129,695</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 115,830	133,788
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of restructuring property	259,626	251,361
Changes in operating assets and liabilities:		
Prepaid expenses and accrued expenses	218	53
Accounts receivable	<u>(5,523)</u>	<u>4,302</u>
Net cash provided by operating activities	<u>\$ 370,151</u>	<u>389,504</u>

See accompanying notes to the financial statements

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Notes to Financial Statements

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

(1) Summary of Significant Accounting Policies

(a) General

The Utility Debt Securitization Authority (UDSA) is a special purpose corporate municipal instrumentality, a body corporate and politic, and a political subdivision and public benefit corporation of the State of New York (State), created by Part B of Chapter 173, Laws of New York, 2013 (as amended by Chapter 58 of the Laws of New York, 2015, and then by Chapter 369 of the Laws of New York, 2021, the "Securitization Law").

The Securitization Law provided the statutory authority for the issuance of restructuring bonds (Restructuring Bonds) by UDSA. The issuance of Restructuring Bonds allows the Long Island Power Authority (LIPA) to retire a portion of its outstanding indebtedness and provides savings to LIPA's utility customers on a net present value basis. LIPA is the owner of the electric transmission and distribution system located in the Counties of Nassau and Suffolk (with certain limited exceptions) and a portion of Queens County known as the Rockaways (Service Area).

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 statutory changes, 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 Financing Orders No. 6, No. 7, No. 8, and No. 9 authorizing UDSA to issue additional Restructuring Bonds. Financing Order No. 6 and No. 7 were allowed for the issuance of Restructuring Bonds Series 2022 and 2023, respectively.

Under Financing Order No. 8, on December 15, 2025, UDSA issued \$975 million Series 2025 Tax-Exempt Restructuring Bonds, and \$115 million Series 2025 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus \$134 million of premium received, refunded \$1.1 billion of UDSA debt, and funded \$120 million of LIPA resiliency investments. The 2025 UDSA Restructuring Bonds generated total net present value debt service savings of \$120 million for LIPA's customers.

No bonds were issued under Financing Order No. 9 and expired on December 31, 2025.

A total of \$7.359 billion of UDSA Restructuring Bonds have been issued resulting in \$641 million in remaining statutory capacity.

Each financing order authorized Restructuring Bonds secured by a separate restructuring charge created pursuant to that financing.

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)

Notes to Financial Statements

December 31, 2025 and 2024

(Amounts in thousands, unless otherwise stated)

(b) Financial Reporting Entity

The Securitization Law prohibits UDSA from engaging in any activity except as specifically authorized by a financing order and provides that UDSA is not authorized to be a debtor under Chapter 9 or any other provision of the Bankruptcy Code.

The financial statements of UDSA have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The operations of UDSA are presented as a proprietary fund following the accrual basis of accounting in order to recognize the flow of economic resources. Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

UDSA is considered a blended component unit of LIPA. The basic financial statements of UDSA are consolidated with LIPA for financial reporting purposes in LIPA's Basic Financial Statements.

(c) Use of Estimates

The accompanying financial statements were prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Accounting for the Effects of Rate Regulation

UDSA is subject to the provisions of GASB Codification Section RE10, *Regulated Operations*, which addresses accounting rules for regulated operations. This statement recognizes the economic ability of regulators, through the ratemaking process, to create future economic benefits and obligations affecting rate-regulated companies. Accordingly, UDSA records these future economic benefits and obligations as regulatory assets or regulatory liabilities, respectively.

UDSA established a regulatory asset, in accordance with GASB Codification Section RE10 for debt issuance costs incurred prior to 2023. The regulatory asset will be amortized as a component of interest expense on a systematic basis over the life of the debt they relate. Debt issuance costs incurred for 2023 and beyond will be expensed as incurred.

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(e) Accounts Receivable

Accounts receivables are classified as current assets and are reported net of an allowance for uncollectible accounts. UDSA records bad debts for its estimated uncollectible accounts as a reduction to the related operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position. Bad debt expense for UDSA totaled \$1 million and \$2 million as of December 31, 2025 and 2024, respectively.

UDSA's accounts receivable includes amounts due from the customers served by LIPA and the accrual of unbilled revenue to be received in the subsequent year. LIPA accrues unbilled revenue by estimating unbilled consumption at the utility customer meter. Unbilled revenue for UDSA totaled \$22 million and \$19 million as of December 31, 2025 and 2024, respectively.

(f) Restructuring Property

The Financing Orders, as adopted by LIPA's Board, authorized the creation of Restructuring Property and the issuance of Restructuring Bonds by UDSA to provide funds for the purchase of Restructuring Property from LIPA. LIPA was authorized to use the proceeds from the sale of Restructuring Property to purchase, redeem, repay, or defease certain of its outstanding debt or fund transmission and distribution resiliency investments. Restructuring Property is defined as the right, title, and interest: (a) in and to rates and charges to recover from utility customers the debt service requirements on the Restructuring Bonds (referred to as Restructuring Charges); (b) in and to all revenues, collections, claims, payments, money, or proceeds of, or arising from, the Restructuring Charges, regardless of whether such revenues, collections, claims, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with, or commingled with, other revenues, collections, claims, payments, money, or proceeds; and (c) in and to all rights to obtain adjustments to the Restructuring Charges. These non-bypassable consumption-based Restructuring Charges are billed to all existing and future retail electric customers taking electric transmission or distribution service within the Service Area from LIPA or any of its successors or assignees. Restructuring Charges are established on behalf of UDSA and are not subject to oversight by the New York State Public Service Commission, the Department of Public Service, or any other regulatory body, including LIPA's Board.

LIPA has lowered its electric rates to reflect the savings from the securitization and modified its rate structure to create restructuring offset charges, which are amounts equal to and opposite the Restructuring Charges, so that utility customer bills are less than they would have been absent the sale of Restructuring Bonds. The securitization offset charges will be adjusted along with changes to the Restructuring Charges, subject to true-up adjustments as discussed in note 4.

The Restructuring Property is amortized annually based on principal payments due on the Restructuring Bonds. Included in the annual amortization is an amount equal to the bond premium amortization, which is recorded using the effective-interest-rate method.

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Below is a summary of the Financing Orders and the original issuance amounts:

Financing Order	Date Issued	Initial Amount Issued Excluding Premiums	Amount Outstanding	Net Present Value Savings	Restructuring Charge Rate Effective Date
No. 1	December 18, 2013	\$ 2,022,324	—	131,609	Not Applicable*
No. 2	October 27, 2015	1,002,115	—	127,978	Not Applicable**
No. 3	April 7, 2016	636,770	227,525	115,238	April 7, 2016
No. 4	September 8, 2016	469,320	92,870	71,647	September 8, 2016
No. 5	November 21, 2017	369,465	126,235	45,387	January 1, 2018
No. 6	September 29, 2022	935,655	866,085	42,080	October 3, 2022
No. 7	December 15, 2023	833,215	813,415	44,646	December 15, 2023
No. 8	December 15, 2025	1,089,865	1,089,865	120,413	December 15, 2025
		<u>\$ 7,358,729</u>	<u>3,215,995</u>	<u>698,998</u>	

*Restructuring Bonds, Series 2013 were fully refunded in 2023 and a restructuring charge for Financing Order No. 1 is no longer required.

**Restructuring Bonds, Series 2015 were fully refunded in 2025 and a restructuring charge for Financing Order No. 2 is no longer required.

(g) Deferred Outflows/Inflows of Resources

Deferred defeasance costs on refunded debt represents the difference between the reacquisition price and the carrying amount of refunded debt. These deferred costs are amortized as a component of interest expense over the shorter of the life of the old or new debt.

(h) Revenues

UDSA records revenue for Restructuring Charges under the accrual method of accounting in an amount equal to the imposed charges.

(i) Income Taxes

UDSA is a political subdivision of the State of New York and, therefore, is exempt from federal, state, and local income taxes.

(2) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of funds held in UDSA's restricted bank accounts to pay the principal, interest, and other expenses associated with the Restructuring Bonds. UDSA has specific investment guidelines to address the legal and contractual requirement such that investment maturities are managed to meet the restructuring bonds' debt service obligations.

The Bond Trustee (Trustee), under the indenture for each series of Restructuring Bonds, must maintain a segregated trust account for each series of Restructuring Bonds known as the Collection Account. The Collection Account for the bonds consists of four subaccounts: a General Subaccount, an Excess Funds Subaccount, Reserve Subaccounts (described below), and an Upfront Financing Costs Subaccount. For administrative purposes, the subaccounts have been established by the Trustee as separate accounts, which will be recognized collectively as the Collection Account.

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The Trustee shall have sole dominion and exclusive control over all money in each Collection Account and shall apply such money as provided in the Indenture. Each account shall remain at all times with a securities intermediary. Only the Trustee shall have access to each Collection Account for the purpose of making deposits to and withdrawals from such account. Funds in each Collection Account shall not be commingled with any other monies.

Reserve Subaccounts

With the issuance of the 2025 Restructuring Bonds, the remaining balances of the 2015 Restructuring Bonds outstanding were refunded. As such, the 2015 Reserve Subaccount funds were used to pay the debt service on the 2015 Restructuring Bonds refunded.

The Reserve Subaccounts related to the Series 2015, 2016A, 2016B, 2017, 2022, 2023 and 2025 Restructuring Bonds were each established with two subaccounts — the Operating Reserve Subaccount and the Debt Service Reserve Subaccount. Each Operating Reserve Subaccount requires a reserve level of 0.5% of the initial principal amount of the respective Restructuring Bonds.

The Debt Service Reserve Subaccounts related to the Series 2015, 2016A, 2016B and 2017 Restructuring Bonds were each established at a reserve level of 1.50% of the aggregate principal amount of the respective Restructuring Bonds issued. Series 2022 and 2023 were established at a reserve level of 0.50% of the aggregate principal amount. Series 2025 reserve level is calculated as \$5 million plus 0.50% of the aggregate principal amount from issuance date through December 15, 2026. Debt Service Reserve Subaccounts are measured at 1.50% or 0.50% of aggregate principal amounts of Bonds minus the minimum principal amount of Bonds due on the next scheduled debt service payment date¹. Any release from the Debt Service Reserve Subaccounts is transferred to the Collection Account to fund debt service.

Below is a summary of the Reserve Subaccounts as of December 31:

<u>Reserve Subaccounts</u>	<u>2025</u>	<u>2024</u>
Restructuring Bonds, Series 2015	\$ —	18,679
Restructuring Bonds, Series 2016A	8,239	9,491
Restructuring Bonds, Series 2016B	4,170	4,259
Restructuring Bonds, Series 2017	6,094	6,100
Restructuring Bonds, Series 2022	9,009	9,130
Restructuring Bonds, Series 2023	8,233	8,290
Restructuring Bonds, Series 2025	15,899	—
	<u>\$ 51,644</u>	<u>55,949</u>

¹ As of any date occurring after December 15, 2026, for Series 2025 the reserve level is measured at 0.50% of aggregate principal amounts of Bonds minus the minimum principal amount of Bonds due on the next scheduled debt service payment date.

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Risks

Credit Risk: UDSA's permissible investments include: (i) demand deposits and certificates of deposit; (ii) direct obligations of, or obligations guaranteed by, the United States of America; (iii) commercial paper having a rating of not less than A-1, P-1, F1 at the time of the commitment; (iv) money market funds which have the highest rating available; (v) repurchase obligations that are a direct obligation of, or obligation guaranteed by, the United States of America; and (vi) repurchase obligations meeting the minimum ratings criteria set forth in the investment guidelines.

Concentration of Credit Risk: UDSA's investment policies have established limits such that no more than 5% of the investment portfolio may be invested in the securities of any one issuer except as follows: (i) U.S. Treasury Obligations; (ii) demand deposits, time deposits, or certificates of deposit and bankers' acceptance of eligible institutions (as defined in investment guidelines); (iii) repurchase obligations with respect to any security that is a direct obligation of, or obligations guaranteed by, the United States of America; (iv) repurchase obligations with an eligible institution; and (v) money market funds which have the highest rating available. To the extent that more than 35% of UDSA's total invested funds are invested with any single eligible institution, other than the Trustee, the UDSA Board shall be notified. UDSA deposits invested in money-market mutual funds are primarily invested in U.S. government obligations.

Custodial Credit Risk: UDSA believes that custodial credit risk is minimal, as it is UDSA's policy and practice, as stipulated in its investment guidelines, that its investments be held by only eligible institutions with investment grade credit ratings.

Interest Rate Risk: UDSA's investment guidelines state that investments must mature on or before the business day preceding the debt service payment dates of the restructuring bonds and all investments, therefore, are generally maturities of a short nature. As such, UDSA presently holds its funds in money-market mutual funds as cash equivalents.

Below is a summary of UDSA's restricted cash and cash equivalents as of December 31, 2025 and 2024:

Deposit/investment type	2025 Fair value	Percent of portfolio	2024 Fair value	Percent of portfolio
Money-market mutual fund	\$ 106,001	100%	129,695	100%
Total	\$ 106,001	100%	129,695	100%

For 2025 and 2024, the money-market mutual funds were rated by S&P and Moody's as AAAM and Aaa-mf, respectively.

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(3) Long-Term Debt

The Financing Orders adopted by LIPA's Board authorized the issuance of Restructuring Bonds by UDSA to provide funds for the purchase of Restructuring Property from LIPA.

The Restructuring Bonds are included on LIPA's basic financial statements; however, they are not direct obligations of LIPA. The Restructuring Bonds are also not a debt, and do not constitute a pledge of the faith and credit or taxing power of the State or of any county, municipality, or any other political subdivision, agency, or instrumentality of the State other than UDSA.

Each Restructuring Property secures only their respective Restructuring Bonds. In each restructuring transaction, LIPA used the net proceeds from the sale of the Restructuring Property to refund debt and other obligations of LIPA or to fund resiliency investments, producing net present value savings to LIPA's utility customers.

Interest payments on all the Restructuring Bonds are paid semi-annually every June 15th and December 15th. Restructuring Charges are set to collect amounts sufficient to pay principal of, and interest on, the bonds on a timely basis and any ongoing financing costs.

UDSA's restructuring bonds contain a provision that in an event of a default, including defaults of debt service payments, the timing of repayment of outstanding amounts may become immediately due.

UDSA's long-term debt as of December 31, 2025 consisted of the following:

	Beginning				Ending	Years of	Interest
	balance	Additions	Maturities	Refundings	balance	Maturity	Rate (%)
Restructuring bonds:							
Series 2015	\$ 911,225	—	104,820	806,405	—	2026-2035	3.00-5.00
Series 2016A	420,490	—	83,490	109,475	227,525	2026-2033	5.00
Series 2016B	127,510	—	5,950	28,690	92,870	2026-2033	4.00-5.00
Series 2017	283,520	—	395	156,890	126,235	2026-2039	5.00
Series 2022T	32,640	—	—	—	32,640	2029-2037	4.65-4.95
Series 2022TE-1	762,975	—	24,310	—	738,665	2026-2037	5.00
Series 2022TE-2	94,780	—	—	—	94,780	2038-2050	5.00
Series 2023T	36,200	—	—	—	36,200	2039	5.67
Series 2023TE-1	646,700	—	5,000	—	641,700	2026-2039	5.00
Series 2023TE-2	135,515	—	—	—	135,515	2034-2051	5.00
Series 2025TE-1	—	115,135	—	—	115,135	2040-2045	3.75-5.00
Series 2025TE-2	—	974,730	—	—	974,730	2026-2039	5.00
Subtotal	3,451,555	1,089,865	223,965	1,101,460	3,215,995		
Less: current maturities	(223,965)				(227,780)		
Total long-term debt	\$ 3,227,590				2,988,215		

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UDSA's long-term debt as of December 31, 2024 consisted of the following:

	Beginning balance	Additions	Maturities	Refundings	Ending balance	Years of Maturity	Interest Rate (%)
Restructuring bonds:							
Series 2015	\$ 955,255	—	44,030	—	911,225	2025-2035	3.00-5.00
Series 2016A	553,805	—	133,315	—	420,490	2025-2033	5.00
Series 2016B	127,510	—	—	—	127,510	2025-2033	4.00-5.00
Series 2017	283,905	—	385	—	283,520	2025-2039	5.00
Series 2022T	32,640	—	—	—	32,640	2029-2037	4.65-4.95
Series 2022TE-1	775,235	—	12,260	—	762,975	2025-2037	5.00
Series 2022TE-2	94,780	—	—	—	94,780	2038-2050	5.00
Series 2023T	36,200	—	—	—	36,200	2039	5.67
Series 2023TE-1	661,500	—	14,800	—	646,700	2025-2039	5.00
Series 2023TE-2	135,515	—	—	—	135,515	2034-2051	5.00
Subtotal	<u>3,656,345</u>	<u>—</u>	<u>204,790</u>	<u>—</u>	<u>3,451,555</u>		
Less: current maturities	(204,790)				(223,965)		
Total long-term debt	<u>\$ 3,451,555</u>				<u>3,227,590</u>		

The debt service requirements for UDSA's bonds as of December 31, 2025 are as follows:

Due		Principal	Interest	Annual Debt Service Requirements
2026	\$	227,780	157,699	385,479
2027		226,270	146,325	372,595
2028		226,215	135,013	361,228
2029		238,985	123,512	362,497
2030		243,200	111,585	354,785
2031-2035		992,705	384,379	1,377,084
2036-2040		777,640	167,938	945,578
2041-2045		176,400	51,497	227,897
2046-2050		100,335	15,923	116,258
2051		6,465	162	6,627
Total	\$	<u>3,215,995</u>	<u>1,294,032</u>	<u>4,510,027</u>

UDSA has approximately \$1.4 billion of Restructuring Bonds that become callable from 2026 through 2035.

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(4) Significant Agreements and Related-Party Transactions

LIPA acts as the initial Servicer of the applicable Restructuring Property pursuant to the terms of a Servicing Agreement with UDSA executed in connection with each issuance of Restructuring Bonds. Under the Servicing Agreement, LIPA, as Servicer, is required to manage and administer the UDSA bondable Restructuring Property and to collect the Restructuring Charges on UDSA's behalf. However, pursuant to LIPA's Second Amended and Restated Operation Services Agreement, PSEG Long Island, among other things, performs the billing and collections, meter reading, and forecasting required of the Servicer under the Servicing Agreement. In December 2025, the first amendment to the Second Amended and Restated Operation Services Agreement was approved to extend the contract term an additional five years to December 31, 2030. PSEG Long Island will continue to perform these functions throughout the extended contract term. LIPA is responsible for taking all necessary action in connection with true-up adjustments (described below) and certain reporting requirements.

The Restructuring Charges will be adjusted at least annually (true-up adjustment) and, if determined by the Servicer during the mid-year review process to be necessary, semi-annually or more frequently, to ensure that the expected collections of the Restructuring Charges are adequate to timely pay all scheduled payments of principal and interest on the Restructuring Bonds and all other ongoing financing costs when due.

During 2025 and 2024, UDSA reset its Restructuring Charge on all its Restructuring Bonds semi-annually, as provided by the Servicing Agreements. Under the Financing Orders, LIPA withholds from the Restructuring Charge collections an annual servicing fee equal to 0.05% of the initial principal amount of the Restructuring Bonds originally issued.

Service fees for 2025 and 2024 were \$2.1 million for both years. Administrative fees for 2025 and 2024 were \$0.7 million and \$0.6 million, respectively.

(5) Subsequent Events

Subsequent events for UDSA have been evaluated through March 25, 2026, which is the date that the financial statements were available to be issued, and no material events were noted requiring disclosure.