UTILITY DEBT SECURITIZATION AUTHORITY

(A Component Unit of the Long Island Power Authority)

Quarterly Unaudited Financial Report

For the six-month period ended June 30, 2026

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

Table of Contents

Introduction

Overview of the Financial Statements

The Utility Debt Securitization Authority (UDSA) publishes interim financial results on a quarterly basis with a fiscal year ending December 31. The interim Basic Financial Statements and related Management's Discussion and Analysis do not include all the information and notes required under Generally Accepted Accounting Principles (GAAP) for annual consolidated financial statements. Therefore, the Management's Discussion and Analysis of UDSA's six-month period ended June 30, 2026 compared to 2025 should be read in conjunction with the annual audited consolidated financial statements, which may be found on UDSA's website at www.lipower.org/UDSA.

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 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.

The UDSA's basic financial statements are prepared on an accrual basis in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). The UDSA is considered a blended component unit of the Long Island Power Authority (LIPA). The assets, liabilities, and results of operations are blended with the operations of LIPA for financial reporting purposes in LIPA's Basic Financial Statements.

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 LIPA through the issuance of securitized restructuring bonds (Restructuring Bonds) by UDSA. 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.

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 UDSA may issue an initial par amount of up to $8.0 billion of securitized bonds (inclusive of the bonds already issued). 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 it expired on December 31, 2025.

UDSA refinancings have saved LIPA customers $699 million of net present value debt savings since 2013.

As of June 30, 2026, a total of $7.359 billion of UDSA Restructuring Bonds have been issued, resulting in $641 million in remaining statutory capacity. UDSA's Financing Orders are summarized below:

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	185,925	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	126,030	45,387	January 1, 2018
No. 6	September 29, 2022		935,655	816,755	42,080	October 3, 2022
No. 7	December 15, 2023		833,215	794,420	44,646	December 15, 2023
No. 8	December 15, 2025		1,089,865	1,087,525	120,413	December 15, 2025
		$	7,358,729	3,103,525	698,998	

*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.

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 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 the 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
June 30, 2026 and December 31, 2025
(Amounts in thousands)

		2026 (unaudited)	2025 (audited)
Assets and Deferred Outflows of Resources			
Current assets:			
Restricted cash and cash equivalents	$	106,923	106,001
Accounts receivable, net of allowance for uncollectible accounts of $94 and $128, respectively		54,414	54,684
Prepaid expenses		132	—
Total current assets		161,469	160,685
Noncurrent assets:			
Restructuring property, net of accumulated amortization		3,355,770	3,491,898
Regulatory asset – unamortized debt issuance costs		5,998	6,558
Total noncurrent assets		3,361,768	3,498,456
Total assets		3,523,237	3,659,141
Deferred outflows of resources:			
Deferred defeasance costs on debt refunding		4,904	5,601
Total assets and deferred outflows of resources	$	3,528,141	3,664,742
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities:			
Current maturities of long-term debt	$	227,175	227,780
Accrued interest		6,454	6,688
Accrued expenses		186	172
Total current liabilities		233,815	234,640
Noncurrent liabilities:			
Long-term debt, net		2,876,350	2,988,215
Unamortized premium of long-term debt		250,129	271,223
Long-term liabilities and unrealized credits		133	133
Total noncurrent liabilities		3,126,612	3,259,571
Total liabilities		3,360,427	3,494,211
Deferred inflows of resources:			
Deferred defeasance costs on debt refunding		90,650	98,611
Net position – restricted		77,064	71,920
Total liabilities, deferred inflows of resources and net position	$	3,528,141	3,664,742

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

Statements of Revenues, Expenses, and Changes in Net Position
Six-month period ended June 30, 2026 and 2025
(unaudited)
(Amounts in thousands)

		2026	2025
Operating revenue, net of uncollectible accounts expense	$	192,027	172,636
Operating expenses:			
Amortization of restructuring property		136,130	131,017
Servicing, administrative and other fees		1,683	1,713
Total operating expenses		137,813	132,730
Operating income		54,214	39,906
Nonoperating revenue and expenses:			
Interest income		3,356	4,325
Income before interest charges and (credits)		57,570	44,231
Interest charges and (credits):			
Interest on debt		80,021	85,501
Other interest		205	191
Other interest amortizations		(27,800)	(21,195)
Total non-operating expenses, net		52,426	64,497
Change in net position		5,144	(20,266)
Net position, beginning of year		71,920	82,335
Net position, end of period	$	77,064	62,069

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

Statements of Cash Flows
Six-month period ended June 30, 2026 and 2025
(unaudited)
(Amounts in thousands)

		2026	**2025**
Cash flows from operating activities:			
Operating revenue received	$	192,296	165,400
Servicing, administrative and other fees		(1,782)	(1,822)
Net cash provided by operating activities		190,514	163,578
Cash flows from investing activities:			
Interest Income		3,357	4,325
Net cash provided by investing activities		3,357	4,325
Cash flows from financing activities:			
Interest paid		(80,255)	(85,731)
Redemption of long-term debt		(112,470)	(110,640)
Other interest costs		(205)	(191)
Payments for debt issuance costs		(19)	—
Net cash used in financing activities		(192,949)	(196,562)
Net increase (decrease) in cash and cash equivalents		922	(28,659)
Cash and cash equivalents at beginning of year		106,001	129,695
Cash and cash equivalents at end of period	$	106,923	101,036
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	54,214	39,906
Adjustments to reconcile operating income to net cash provided by operating activities:			
Amortization of restructuring property		136,130	131,017
Changes in operating assets and liabilities:			
Prepaid expenses and accrued expenses		(100)	(109)
Accounts receivable		270	(7,236)
Net cash provided by operating activities	$	190,514	163,578

Management's Discussion and Analysis (Unaudited)

Six-Month Period ended June 30, 2026 Compared to 2025

The UDSA results for the six months ended June 30, 2026, showed an increase of $25 million in the change in net position compared to the first six months of 2025. 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 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 $19 million compared to 2025 primarily due to higher sales and higher restructuring charge rates.

Operating expenses

Operating expenses increased $5 million compared to 2025, primarily due to increases 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 $5 million compared to 2025 reflecting lower debt outstanding in 2026 compared to 2025.

Other interest amortization increased $6 million primarily due to 2026 scheduled amortization of the deferred defeasance costs on the December 2025 refunding transaction under Financing Order No. 8.

Long-Term Debt

The Financing Orders adopted by LIPA's Board authorized the issuance of Restructuring Bonds by the UDSA to provide funds for the purchase of Restructuring Property from LIPA. Each Restructuring Property is secured only by 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 the principal of, and interest on, the bonds on a timely basis and any ongoing financing costs.

The UDSA’s long-term debt as of June 30, 2026, consisted of the following:

		Beginning balance	Additions	Maturities	Refundings	Ending balance
Restructuring bonds:						
Series 2016A	1079	227,525	—	41,600	—	185,925
Series 2016B	1080	92,870	—	—	—	92,870
Series 2017	1081	126,235	—	205	—	126,030
Series 2022T	4000	32,640	—	—	—	32,640
Series 2022TE-1	4001	738,665	—	49,330	—	689,335
Series 2022TE-2	4002	94,780	—	—	—	94,780
Series 2023T	4003	36,200	—	—	—	36,200
Series 2023TE-1	4004	641,700	—	18,995	—	622,705
Series 2023TE-2	4005	135,515	—	—	—	135,515
Series 2025TE-1	4006	115,135	—	—	—	115,135
Series 2025TE-2	4007	974,730	—	2,340	—	972,390
Subtotal		3,215,995	—	112,470	—	3,103,525
Less: current maturities		(227,780)				(227,175)
Total long-term debt		2,988,215				2,876,350

The annual debt service requirements for the UDSA’s bonds 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	$	3,215,995	1,294,032	4,510,027

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