

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED
MARCH 31, 2015**

Revenues

For the three months ended March 31, 2015 as compared with the three months ended March 31, 2014 revenue from the restructuring charge decreased by \$13 million. This is primarily due to a decrease in the restructuring charge imposed on utility customer bills from \$.014 to \$.004 per KWh. The restructuring charge has a direct correlation with scheduled principal and interest payments on the restructuring bonds. Principal payments due in 2015 have decreased by \$75 million as compared with 2014.

Operating Expenses

For the three months ended March 31, 2015, amortization of the restructuring property decreased by \$7 million as compared with the three months ended March 31, 2014. UDSA recognizes the amortization of the restructuring property on a proportionate basis annually based upon the total principal payments due for the restructuring bonds. Principal payments due in 2015 have decreased by \$75 million as compared with 2014.

There was an increase in servicing, administration and other expenses of \$70 thousand for the three months ended March 31, 2015 as compared with the same period for 2014 due to Directors and Officers liability insurance incurred.

The uncollectible expense of \$178,000 is related to uncollectible accounts receivable totaling 0.547% of revenue, which was not a factor for the three months ended March 31, 2014.

Interest charges

For the three months ended March 31, 2015, interest expense, net of amortization of bond premium and bond issuance costs, decrease by \$254,000 due primarily to the decrease in outstanding debt as compared with the same time period in 2014.

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

Statements of Net Position

(Amounts in thousands)

	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Assets		
Current assets:		
Restricted cash	\$ 54,887	22,483
Accounts receivable	13,037	38,338
Prepaid assets	234	322
Total current assets	68,158	61,143
Noncurrent assets:		
Restructuring property	2,015,037	2,018,955
Regulatory asset - unamortized debt issuance costs	12,810	13,146
Total noncurrent assets	2,027,847	2,032,101
Total assets	\$ 2,096,005	2,093,244
Liabilities and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 15,000	15,000
Accrued interest	25,167	3,595
Accrued expenses	335	49
Total current liabilities	40,502	18,644
Noncurrent liabilities:		
Long-term debt, including unamortized premium	2,016,910	2,019,340
Net position - unrestricted	38,593	55,260
Total liabilities and net position	\$ 2,096,005	2,093,244

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

Statements of Revenues, Expenses, and Changes in Net Position

(Amounts in thousands)

	Three Months Ended March 31,	
	2015	2014
Operating Revenue	\$ 7,264	20,065
Operating expenses:		
Amortization of restructuring property	3,918	11,252
Uncollectible expense	178	-
Servicing, administrative and other fees	366	289
Total operating expenses	4,462	11,541
Operating income	2,802	8,524
Other income	17	-
	2,819	8,524
Interest charges:		
Interest Expense	21,572	20,373
Amortization of restructuring bond premium and issuance costs	(2,086)	(633)
Total interest charges	19,486	19,740
Change in net position	(16,667)	(11,216)
Net position, beginning of year	55,260	(2,771)
Net position, end of period	\$ 38,593	(13,987)

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

Statements of Cash Flows

(Amounts in thousands)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Operating revenues received	\$ 32,387	—
Net cash provided by operating activities	32,387	—
Cash flow from investing activities:		
Earnings received	17	—
Net cash provided by investing activities	17	—
Net increase in cash and cash equivalents	32,404	—
Restricted cash and cash equivalents, beginning of year	22,483	10,513
Restricted cash and cash equivalents, end of period	\$ 54,887	10,513
Reconciliation to net restricted cash provided by operating activities:		
Operating income	\$ 2,802	8,524
Adjustments to reconcile operating income to net restricted cash provided by operating activities:		
Amortization of restructuring property	3,918	11,252
Changes in operating assets and liabilities:		
Prepaid assets and accrued expenses	366	289
Accounts receivable	25,301	(20,065)
Net restricted cash provided by operating activities	\$ 32,387	—