

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2014**

Revenues

For the nine months ended September 30, 2014 revenue from the restructuring charge was \$156 million. The restructuring charge was imposed on utility customer bills effective March 1, 2014. The collection of the restructuring charge will be used to make scheduled principal and interest payments on the restructuring bonds.

Operating Expenses

The amortization of the restructuring property of \$79 million is based on the timing of the principal and interest due on the restructuring bonds. In addition, the UDSA recorded administrative expenses of \$917,000. The administrative expenses are primarily due to the servicing charge due to the Long Island Power Authority in accordance with the Servicing Agreement. The uncollectible expense of \$670,000 is related to uncollectible accounts receivable which totals 0.547% of revenue.

Interest expense

For the nine months ended September 30, 2014, interest expense totaled \$59 million which included the amortization of debt issuance expenses and premium on the restructuring bonds.

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

Statements of Net Position
(Amounts in thousands)

	September 30, 2014 (unaudited)	December 31, 2013 (audited)
Assets		
Current assets:		
Restricted cash	\$ 132,372	10,513
Accounts receivable	33,988	—
Total current assets	166,360	10,513
Noncurrent assets:		
Restructuring property	2,034,227	2,112,990
Regulatory asset - unamortized debt issuance costs	13,599	15,095
Total noncurrent assets	2,047,826	2,128,085
Total assets	\$ 2,214,186	2,138,598
Liabilities and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 90,000	90,000
Accrued interest	71,262	3,173
Accrued expenses	977	—
Total current liabilities	162,239	93,173
Noncurrent liabilities:		
Long-term debt, including unamortized premium	2,037,742	2,048,196
Net position - unrestricted	14,205	(2,771)
Total liabilities and net position	\$ 2,214,186	2,138,598

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Statement of Revenues, Expenses, and Changes in Net Position

(Amounts in thousands)

	For the Nine Months Ended September 30, 2014
Operating Revenue	\$ 156,494
Operating expenses:	
Amortization of restructuring property	78,763
Uncollectible expense	670
Servicing and administrative fees	917
Total operating expenses	80,350
Operating income	76,144
Other income	4
	76,148
Interest charges:	
Interest Expense	65,767
Amortization of restructuring bond premium and issuance costs	(6,595)
Total interest charges	59,172
Change in net position	\$16,976
Net position, beginning of year	(2,771)
Net position, end of period	\$ 14,205

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Statement of Cash Flows

(Amounts in thousands)

	For the Nine Months Ended September 30, 2014
Cash flows from operating activities:	
Operating revenues received	\$ 121,835
Paid to suppliers:	
Servicing and Administrative Fees	—
Net cash provided by operating activities	121,835
Cash flow from investing activities:	
Earnings received	4
Net cash provided by investing activities	4
Cash flows from financing activities:	
Refund of bond issuance costs	20
Net cash provided by financing activities	20
Net increase in cash and cash equivalents	121,859
Restricted cash and cash equivalents at beginning of year	10,513
Restricted cash and cash equivalents at end of the period	\$ 132,372
Reconciliation to net restricted cash provided by operating activities:	
Operating income	\$ 76,144
Adjustments to reconcile operating income to net restricted cash provided by operating activities:	
Amortization of restructuring property	78,763
Changes in operating assets and liabilities:	
Accounts receivable	(33,988)
Accounts payable and other	916
Net restricted cash provided by operating activities	\$ 121,835