MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns (P)Aaa (sf) to Utility Debt Securitization Authority's Restructuring Bonds

Global Credit Research - 02 Dec 2013

Approximately $2.1 billion of asset backed securities rated

New York, December 02, 2013 -- Moody's Investors Service has assigned provisional ratings of (P)Aaa (sf) to the Series 2013T and Series 2013TE restructuring bonds to be issued by Utility Debt Securitization Authority (the Issuer) and sponsored by the Long Island Power Authority (LIPA; Baa1 negative). This will be LIPA's first utility cost recovery bond issuance.

The bond issuance is permitted under State of New York legislation that authorizes LIPA to recover certain restructuring costs via securitization and has been authorized under a financing order issued by LIPA.

The bonds will be backed primarily by restructuring property, which includes the Issuer's irrevocable right to impose, charge and collect a non-by-passable usage-based restructuring charge from all existing and future retail electric customers in LIPA's service area.

The complete rating actions are as follows:

Issuer: Utility Debt Securitization Authority

Restructuring Bonds Series 2013T (Federally Taxable), Assigned (P)Aaa (sf)

Restructuring Bonds Series 2013TE (Federally Tax-Exempt), Assigned (P)Aaa (sf)

RATINGS RATIONALE

The provisional ratings Moody's has assigned to the bonds are based primarily on the following:

1) the strength of the State of New York's legislation (the LIPA Reform Act), including the state's non-impairment pledge

2) the irrevocable financing order issued by LIPA authorizing the creation of securitizable restructuring property

3) the remote likelihood of a successful legal, political or regulatory challenge to the restructuring property and other rights that LIPA will transfer to the Issuer for the benefit of the trustee on behalf of bondholders

4) the size, stability, and diversity of the ratepayer base in LIPA's service area, from whom the restructuring charges will be collected

5) credit enhancement consisting of a statutory uncapped true-up adjustment mechanism that mandatorily adjusts the restructuring charges to ensure sufficient collections to timely pay the bonds, and a reserve subaccount fully funded at closing with 0.50% of the initial principal balance of the bonds

6) Moody's assessment of the ability and experience of LIPA, as servicer of the restructuring property, and of PSEG Long Island LLC, a wholly owned subsidiary of the Public Service Electric and Gas Company (Baa1 stable) who will provide LIPA's key servicing functions

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was "Moody's Approach to Rating Securities Backed by Utility Cost Recovery Charges" published in March 2011. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the rating

Factors or circumstances that could drive the rating down are a significant decline in the ratepayer base in the service area or extreme weather fluctuations and natural disasters affecting the servicer's ability to accurately forecast electricity usage.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments in this transaction.

Moody's did not use any models, or loss or cash flow analysis, in its analysis.

Moody's did not use any stress scenario simulations in its analysis.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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