

**LONG ISLAND POWER AUTHORITY****ORDER NO. 5****RESTRUCTURING COST FINANCING ORDER**

This restructuring cost financing order is adopted pursuant to Part B of Chapter 173, laws of New York, 2013, as amended (the “LIPA Reform Act”) to authorize and approve (a) the issuance and sale of restructuring bonds in an aggregate principal amount not to exceed \$369,471,000 (the “Order Cap”) by the Utility Debt Securitization Authority (the “Securitization Authority”) created by the LIPA Reform Act (restructuring bonds issued pursuant to this order are hereinafter defined as the “Bonds”); (b) the creation of the restructuring property described in this order (the “Restructuring Property”), including the right to impose, bill and collect the transition charges described in this order (the “Charges”), as adjusted from time to time in accordance with this order; (c) the sale of the Restructuring Property by the Long Island Power Authority (the “Authority”) to the Securitization Authority for the consideration described in this order; (d) the imposition, billing and collection of the Charges on, to and from Consumers as provided in this order; (e) the use of the proceeds of the sale of the Bonds to pay Upfront Financing Costs (as defined in this order) and the purchase price of the Restructuring Property; and (f) the use of the proceeds of the sale of the Restructuring Property to pay the approved restructuring costs described in this order.

**DISCUSSION AND STATUTORY OVERVIEW**

On May 28, 1998, the Authority acquired all of the capital stock and associated assets, including transmission and distribution system assets, of Long Island Lighting Company (doing business as “LIPA”). The Authority has approximately \$3.81 billion dollars in outstanding debt, a substantial portion of which was issued to refinance costs allocable to the purchase of the Long Island Lighting Company.

The relatively high debt levels and associated debt service contribute to the Authority’s electric rates. High electric rates are detrimental to the economic well-being of the residents of Long Island, deter commerce and industry from locating in the Authority’s service area, and place pressure on existing commerce and industry to relocate outside of the Authority’s service area.

Securitized restructuring bonds issued by a bankruptcy-remote entity pursuant to appropriate legislation will receive higher credit ratings from the rating agencies than the credit ratings carried by the Authority’s debt, resulting in a lower cost of funds. To accomplish the public purpose of reducing the debt service on the Authority’s outstanding debt through the use of lower-cost securitized restructuring bonds, the LIPA Reform Act was introduced (a) to organize the Securitization Authority, a special purpose corporate municipal instrumentality of the State, for the limited purpose of issuing the restructuring bonds, which restructuring bonds will create no new financial obligations or liabilities for the Authority or the State, and to use a portion of the proceeds thereof to purchase the restructuring property from the Authority to enable the Authority to purchase, redeem, repay or defease a portion of the Authority’s outstanding debt, and (b) to enact provisions designed to cause the restructuring bonds (including the Bonds) to receive the highest credit ratings from the rating agencies, including a provision containing a statutory

agreement and pledge by the State of New York, which provides in pertinent part that the State will not in any way take or permit any action to revoke, modify, impair, postpone, terminate or amend the LIPA Reform Act in any manner that is materially adverse to the owners of the Bonds until the Bonds are no longer outstanding and all amounts due and owing under the related transaction documents have been paid in full.

On June 21, 2013, the New York State Assembly and Senate adopted the LIPA Reform Act. On July 29, 2013, the Governor signed the LIPA Reform Act into law. On August 28, 2013, the time for filing any challenges to the LIPA Reform Act expired and no such challenges were filed.

On December 18, 2013, pursuant to Restructuring Cost Financing Order No. 1 (“Order No. 1”) adopted by the Authority on October 3, 2013, the Securitization Authority issued \$2,022,324,000 of its Restructuring Bonds, Series 2013T (Federally Taxable) and Series 2013TE (Federally Tax-Exempt)(collectively, the “2013 Bonds”). The Securitization Authority used the proceeds of the 2013 Bonds to purchase the restructuring property created by Order No. 1, including transition charges. The restructuring property created by Order No. 1 was pledged by the Securitization Authority to the payment of the 2013 Bonds. The Authority used the net proceeds from the sale of such restructuring property to retire debt and other obligations of the Authority.

On March 30, 2015, the New York State Assembly and Senate adopted Chapter 58, the laws of New York, 2015 (“Chapter 58”) which amended the LIPA Reform Act to permit, among other things, the adoption by the Authority Trustees of additional restructuring resolutions and the issuance by the Securitization Authority of additional restructuring bonds in an aggregate principal amount not to exceed \$4.5 billion less any previously issued restructuring bonds. On April 13, 2015, the Governor signed such Chapter 58 into law. On May 13, 2015, the time for filing any challenges to the LIPA Reform Act, as amended by such Chapter 58, expired and no such challenges were filed.

On June 26, 2015, the Authority Trustees adopted Restructuring Financing Cost Order No. 2 (“Order No. 2”), Restructuring Cost Financing Order No. 3 (“Order No. 3”) and Restructuring Cost Financing Order No. 4 (“Order No. 4” and, together with Order No. 2 and Order No. 3, the “2015 Financing Orders”), which allowed the Securitization Authority to issue additional restructuring bonds prior to December 31, 2016. The 2015 Financing Orders each created restructuring properties specific to each of the 2015 Financing Orders and separate from the restructuring properties created by Order No. 1 and each of the other 2015 Financing Orders. Each of the 2015 Financing Orders permitted the Securitization Authority to issue restructuring bonds, a portion of the proceeds of which were used to purchase the restructuring properties created by each of the particular 2015 Financing Orders. The 2015 Financing Orders limited the total principal amount of restructuring bonds authorized under each of the 2015 Financing Orders to an amount not to exceed the amount authorized by the LIPA Reform Act, as amended, minus the amount of restructuring bonds previously issued under Order No. 1 and the 2015 Financing Orders.

On October 27, 2015, pursuant to Order No. 2, the Securitization Authority issued \$1,002,115,000 of its Restructuring Bonds, Series 2015 (the “2015 Bonds”). The Securitization Authority used the proceeds of the 2015 Bonds to purchase the restructuring property created by

Order No. 2, including transition charges, and such restructuring property was pledged by the Securitization Authority to the payment of the 2015 Bonds. On April 7, 2016, pursuant to Order No. 3, the Securitization Authority issued its \$636,770,000 of its Restructuring Bonds, Series 2016A (the “2016A Bonds”). The Securitization Authority used the proceeds of the 2016A Bonds to purchase the restructuring property created by Order No. 3, including transition charges, and such restructuring property was pledged by the Securitization Authority to the payment of the 2016A Bonds. On September 8, 2016, pursuant to Order No.4, the Securitization Authority issued \$469,320,000 of is Restructuring Bonds, Series 2016B (the “2016B Bonds”). The Securitization Authority used the proceeds of the 2016B Bonds to purchase the restructuring property created by Order No. 4, including transition charges, and such restructuring property was pledged by the Securitization Authority to the payment of the 2016B Bonds. The Authority used the net proceeds from the sale of the restructuring properties created by the 2015 Financing Orders to retire debt and other obligations of the Authority.

As required by subdivision 2 of section 3 of the LIPA Reform Act, the Authority has scheduled (and held) the following expedited public statement hearings on this order at the H. Lee Dennison Office Building in Suffolk County and the Omni Building in Nassau County at 10:00AM and 2:00PM respectively on July 20, 2017. Notice of the public hearings was included on LIPA’s website, along with this draft Restructuring Cost Financing Order, and press releases were issued to the media.

As used in this order, the term “Consumer” shall mean any consumer as defined by the LIPA Reform Act; the term “Service Area” shall mean the service area as defined by the LIPA Reform Act, i.e. the geographical area within which LIPA provided electric transmission and distribution services as of July 29, 2013, implementation date of the LIPA Reform Act; the term “Servicer” shall mean LIPA as initial servicer and any successor servicer as defined by the LIPA Reform Act; the term “T&D System Assets” shall mean the T&D system assets as defined by the LIPA Reform Act, i.e. the physically integrated system of electric transmission and distribution facilities (and other general property and equipment used in connection therewith) owned by LIPA as of the effective date of the LIPA Reform Act or thereafter acquired for use by LIPA or its successors in providing retail electric utility service to Consumers in the Service Area. To facilitate compliance and consistency with applicable statutory provisions, this order adopts the definitions in the LIPA Reform Act for all terms used in this order that are defined in the LIPA Reform Act unless otherwise defined in this order.

If the Bonds are approved and issued, the Servicer shall impose, bill and collect, from Consumers of electric transmission and distribution services in the Service Area, the Charges, as adjusted from time to time in accordance with this order, until the principal of and interest on the Bonds and the related ongoing financing costs have been paid in full.

The imposition, billing and collection of the Charges shall be from all Consumers of transmission and distribution services in the Service Area.

This order includes a mechanism requiring that the Charges be reviewed and adjusted periodically, to correct for any over-collection or under-collection of Charges and to provide for timely payment of scheduled principal of and interest on the Bonds and the payment and recovery of other ongoing financing costs as described in this order.

This order shall become a final rate order by the Authority when the Board of Trustees of the Authority approves this order and the Public Authorities Control Board (“PACB”) approves or is deemed to have approved this order as provided in the LIPA Reform Act.

This order shall become an irrevocable rate order when the time for any actions, suits, proceedings and appeals challenging this order has lapsed or expired as provided in subdivision 3 of section 3 of the LIPA Reform Act. In accordance with subdivision 3 of section 3 of the LIPA Reform Act, the validity of this order may only be challenged by an aggrieved party pursuant to an action, suit or proceeding filed directly to the Supreme Court, Appellate Division, Second Judicial Department, within thirty days after this order becomes a final rate order by the Authority.

## **DESCRIPTION OF PROPOSED TRANSACTION**

### **FINDINGS OF FACT**

1. Target Debt: The Authority has caused a review of its outstanding debt to be made and finds that a portion of the debt issued by the Authority (the “Target Debt”) could be purchased, redeemed, repaid or defeased with the net proceeds from the sale of the Restructuring Property created by this order. The Target Debt is listed on Exhibit A hereto.

2. Debt Retirement Costs: The Authority finds that purchasing, redeeming, repaying or defeasing the Target Debt will require the payment of certain costs (the "Debt Retirement Costs"), which may include costs incurred or paid pursuant to agreements by the Authority or the Securitization Authority with tender agents, escrow agents and others for related activities. Further, in connection with such purchases, redemptions, repayments or defeasances, interest rate swap contracts or other financial contracts relating to the Authority’s debt may be terminated, novated or amended pursuant to agreements between the parties or, in the case of novation, additional parties. The Authority finds that the Bonds should be rated by one or more nationally recognized bond rating agencies, pursuant to agreements with them heretofore or hereafter entered into by the Authority or the Securitization Authority. The Debt Retirement Costs are hereby described as the principal, redemption price, or purchase price of the Target Debt, the purchase price of any securities purchased to defease the Target Debt, any accrued interest or premium, any tender offer or purchase fees or expenses, the costs of terminating any swap contracts or other financial contracts related to the Authority’s debt, any rebate, yield reduction payments or other amounts payable to preserve or protect the federal tax-exempt status of the Target Debt, and any other costs of purchasing, redeeming, repaying or defeasing the Target Debt. These costs may vary significantly in response to market conditions and as a result of the terms of the Target Debt to be purchased, redeemed, repaid or defeased (e.g. whether the Authority has to tender for such debt or repurchase such debt on the open market or otherwise has the right to redeem, repay or defease such debt). Debt Retirement Costs and net present value savings may also be impacted by changes in market interest rates, including long-term borrowing rates and short-term investment rates, among others. The lower prevailing interest rates are at the time of retirement, the higher the cost to effect such retirement may be. All else being equal, the impact of any increase in Debt Retirement Costs should be somewhat offset by a lower cost of the Bonds. Therefore, the Authority finds that it should select, on or about the date of issuance of the Bonds, the amounts of

the specific debt securities or other instruments of the Target Debt to be purchased, redeemed, repaid or defeased with the proceeds of the sale of the Restructuring Property in any manner, consistent with market conditions, that is expected to result in savings to Consumers on a net present value basis.

3. Upfront Financing Costs: The Authority finds that the issuance of the Bonds will require the payment of the upfront financing costs described as follows (the “Upfront Financing Costs”):

- expenses associated with the efforts to prepare or obtain approval of this order or any other restructuring cost financing order adopted contemporaneously with this order;
- the funding of a Reserve Subaccount (as defined in the hereinafter referred to Indenture);
- fees and expenses associated with the structuring, marketing, and issuance of the Bonds;
  - counsel and advisor fees and expenses payable by the Authority, the Securitization Authority and the underwriters;
  - structural advisory fees payable by the Authority;
  - underwriting fees and expenses;
  - original issue discount;
  - rating agency fees;
  - Indenture Trustee fees (including counsel fees);
  - escrow agent fees
  - accounting and auditing fees;
  - printing and marketing expenses;
  - compliance fees;
  - filing fees;
  - listing fees;
  - bond issuance charges;
  - any taxes or payments in lieu of taxes payable by the Securitization Authority or the Authority with respect to the issuance of the Bonds or the sale of the Restructuring Property; and

- amounts advanced by the Authority for the payment of Upfront Financing Costs.

The Authority recognizes that the amounts and types of Upfront Financing Costs will be determined on or about the date of sale of the Bonds, as such costs are dependent upon the final sizing of the Bonds and marketing and rating agency considerations, such as the size of the Required Reserve Level (as defined in the Indenture). The Authority finds that it is appropriate for the Issuance Advice Letter (defined below) to include an estimate of Upfront Financing Costs based upon the final sizing of the Bonds, estimates from counsel, advisors, underwriters, rating agencies, the Indenture Trustee, accountants, printers, and other professionals and agents, and other factors in light of then-current information.

The amount of Debt Retirement Costs and Upfront Financing Costs (collectively, the “Restructuring Costs”) that the Authority proposes to pay through the sale of the Restructuring Property and the issuance of the Bonds shall not exceed \$450 million.

4. Structure of the Bonds: Based upon the estimated amounts of Restructuring Costs, the Authority finds that the initial principal amount of the Bonds to be issued shall not exceed the Order Cap.

The Bonds are expected to be issued on a date that is after the time for any challenges or appeals to this order has expired and before December 31, 2018.

The Bonds are expected to be structured as follows: One or more series and/or tranches of (a) federally taxable Bonds with different maturities and amortization schedules and/or (b) Bonds the interest on which will be excluded from gross income for federal income tax purposes with different maturities and with or without amortization or sinking funds. Such Bonds may be subject to redemption prior to their respective maturities. Pursuant to the terms of the LIPA Reform Act, the transfer and the income from all Bonds will be free from taxation by the State of New York or any municipality in the State, except for estate and gift taxes. Each series or tranche of the Bonds is expected to have a scheduled final maturity date (a date by which such series or tranche is expected to be paid in full, based on the expected receipt of Charges) and a legal final maturity date (a date by which the final principal payment on such series or tranche must be paid in order to avoid a default under the transaction documents and which is expected to be two years after the scheduled final maturity date); provided that the legal final maturity date for any series or tranche of the Bonds shall be no later than thirty years after the date of issuance of the Bonds and the final scheduled maturity of any series of Bonds shall be no later than the final scheduled maturity date of the Authority bonds to be purchased, redeemed, repaid or defeased with the proceeds of such series of Bonds.

Debt service on the Bonds will be based upon a number of variables, including, but not limited to, the portion of the Target Debt which may be economically refunded or defeased or which may be purchased pursuant to a tender process, which will be determined on or about the date of sale of the Bonds, based on the then-prevailing interest rate environment. Based upon reasonable assumptions relating to those variables, including current market conditions, scheduled principal and interest payments in any bond year on the Bonds are expected to be no greater than \$375 million.

If directed by the Authority, the Securitization Authority shall issue a Bond to the Authority payable from and secured by a lien on the Collateral (as defined in the Indenture) subject and subordinate to all other Bonds in an amount not to exceed the initial cash contribution, if any, by the Authority to the Reserve Subaccount (the “Subordinate Note”). For the purposes of this order the term “Bonds” shall include the Subordinate Note except with respect to references to ratings thereon, sales thereof to the underwriters and the calculation of amounts required to be deposited to the Reserve Subaccount and the initial annual servicing fee.

The final terms of the Bonds will be approved by an Authority Designee (defined below) as provided in this order.

5. Ongoing Financing Costs: The Authority does not expect any federal, state or local taxes, payments in lieu of taxes, franchise fees or license fees to be imposed on the Charge revenues. The Authority finds that the terms of the Bonds will require the payment of the following ongoing financing costs (the “Ongoing Financing Costs”):

- principal (including amortization, sinking fund or redemption payments), redemption premiums, if any, and interest on the Bonds;
- servicing fees and expenses;
- administrative fees and expenses;
- Indenture Trustee fees and expenses (including counsel fees);
- legal fees and expenses;
- accounting fees and expenses;
- rating agency fees;
- any taxes payable by the Securitization Authority;
- any Upfront Financing Costs that cannot be paid from the proceeds of the sale of the Bonds, including but not limited to, an amount sufficient to fund the Reserve Subaccount over the time period, and to the extent, specified in the Issuance Advice Letter (defined below);
- any amounts required to replenish the Reserve Subaccount;
- indemnities;
- fees and expenses associated with variable rate Bonds;
- expenses of the Securitization Authority; and
- rebate and yield reduction payments.

The Authority recognizes that most Ongoing Financing Costs will not be known until after this order is finalized, e.g. the expected principal and interest payable on the Bonds will not be known until the Bonds are priced, the fees may be estimated at the time the Bonds are issued but they may increase over the life of the Bonds, the expenses will vary from year to year depending upon what services or activities are required to be performed in each year, and some possible Ongoing Financing Costs (such as replenishment of the Reserve Subaccount or indemnities) depend upon contingencies that may never happen. The Authority finds that it is appropriate for the Issuance Advice Letter (defined below) to include an estimate of the annual Ongoing Financing Costs that are likely to be incurred based upon the final sizing of the Bonds, estimates from counsel, advisors, underwriters, rating agencies, the Indenture Trustee, accountants, printers, and other professionals and agents, and other factors in light of then-current information.

6. Savings: The Authority finds that the issuance of the Bonds is expected to result in savings to the Consumers of electric transmission and distribution services in the Service Area on a net present value basis. The Authority finds that such savings on a net present value basis (“Net Present Value Savings”) should be calculated as the difference between (i) the present value of the LIPA Debt Service and (ii) the present value of the Securitization Debt Service, each discounted at the “all-in” true interest cost (TIC) of the Bonds, using a 30/360 day year and semiannual compounding. For purposes of this order:

“Securitization Debt Service” shall mean the principal of and interest on the Bonds issued by the Securitization Authority, such principal and interest to be calculated assuming that the Bonds are paid on their expected maturity dates (or in the case of Bonds subject to sinking fund redemption, their expected sinking fund redemption dates) rather than the legal maturity dates, and expected other Ongoing Financing Costs (less the amounts in the reserve account and other collateral accounts, including earnings thereon, when such amounts are expected to be applied to the payment of principal of or interest on the Bonds or the payment of other Ongoing Financing Costs), to be calculated based upon estimates of the amounts that are expected to be paid semi-annually until the Bonds are paid in full.

“LIPA Debt Service” shall mean the sum of the Expected Debt Service by Category for the portion of each category of Target Debt that is to be purchased, redeemed, repaid or defeased with the proceeds of the sale of the Restructuring Property as described in the Issuance Advice Letter (defined below).

“Expected Debt Service by Category” shall mean:

- (a) in the case of the Authority's outstanding fixed rate bonds, the stated principal of and interest on such bonds, such principal and interest to be calculated assuming that the bonds are paid on their stated maturity dates or, in the case of bonds subject to mandatory sinking fund installments, their sinking fund payment dates;
- (b) in the case of the Authority's outstanding variable rate demand bonds that the Authority plans to refinance in a fixed rate mode absent securitization, the expected principal and interest payments on such bonds assuming that such bonds were to be refinanced in a fixed rate mode pursuant to the terms thereof, the prices and yield of such refinancing to



be estimated by the Authority at the time of the sale of the Bonds issued by the Securitization Authority.

- (c) in the case of any outstanding debt under the Authority's revolving line of credit that the Authority plans to refinance with fixed rate refunding bonds absent securitization, the expected principal and interest payments on a series of fixed rate refunding bonds, the prices and yield of such bond issuance to be estimated by the Authority at the time of the sale of the Bonds issued by the Securitization Authority assuming a final maturity equal to the scheduled final maturity of the Bonds and an amortization that would minimize the differences between the maximum and minimum aggregate debt service of the Authority over the term of such bonds absent securitization.
- (d) in the case of any of the Authority's commercial paper balances that the Authority plans to refinance with fixed rate refunding bonds absent securitization, the expected principal and interest payments on a series of fixed rate refunding bonds, the prices and yield of such bond issuance to be estimated by the Authority at the time of the sale of the Bonds issued by the Securitization Authority assuming a final maturity equal to the scheduled final maturity of the Bonds and an amortization that would minimize the differences between the maximum and minimum aggregate debt service of the Authority over the term of such bonds absent securitization.
- (e) Further, in the case of any such variable rate bonds, revolving line of credit or commercial paper balances for which an associated interest rate swap is to be terminated, in whole or in part, or amended, the size of such refinancing would be adjusted to reflect the costs of any termination or amendment of such interest rate swap and whether such swap termination payment may be financed with the proceeds of federally tax-exempt or taxable bonds.

The Authority finds that the debt service on the Bonds will include interest payable on the Bonds and scheduled principal, sinking fund or redemption payments on the Bonds. The estimated Securitization Debt Service is expected to be less, on a net present value basis, than the LIPA Debt Service that would be included in the Authority's rates absent the securitization contemplated by this order but including the planned refinancings described in the definition of Expected Debt Service by Category.

7. Benefits to Consumers: The Authority finds that the primary benefit to Consumers in the Service Area that is expected to result from the sale of the Restructuring Property and the Bonds as opposed to traditional financing mechanisms arises from the lower effective interest cost expected to be payable on the Bonds, after taking into account the issuance costs of the Bonds, as compared with the LIPA Debt Service.

8. Allocation Methodology: The Authority finds that the appropriate and reasonable methodology for allocating Charges on an equal percentage basis among customer service classifications, including those service classifications that pay demand (kW) charges or fixed monthly charges, is as follows: The Charges will be allocated among all customer service classifications by (a) determining the Charge per kWh using the adjustment mechanism and mathematical formula described in Exhibit B hereto and (b) billing each Consumer for a Charge

equal to the product of multiplying such Charge per kWh by the number of net kWhs of electric energy delivered to such Consumer during the period covered by such bill, so long as such Consumer is connected to the T&D System Assets and is taking electric delivery service located within the Service Area, whether or not such Consumer produces its own electricity or purchases electric generation services from a provider of electric generation services other than the owner of the T&D System Assets and whether or not the T&D System Assets continue to be owned by LIPA.

The Authority has analyzed the impact of this methodology on Consumers' bills and finds that the impact on Consumers' bills is expected to be as follows: The amounts billed to Consumers for transmission and distribution services (including debt service on the Authority's debt) and the Charges are expected to be less, on a net present value basis, than the amounts that would have been billed to such Consumers for transmission and distribution services (including LIPA Debt Service) absent the purchasing, redeeming, repaying or defeasing of all or a portion of the Target Debt through the issuance of the Bonds.

9. Charges Generally: The Authority finds that it is appropriate to identify the Charges included in each Consumer's bill by means of a separate line item, a footnote or other description of the amount of the Charge or Charge per kWh and a statement to the effect that the Charges belong to the Securitization Authority.

10. Adjustment Mechanism: The Authority finds that the adjustment mechanism and mathematical formula described in Exhibit B hereto is just and reasonable and will reduce the risks related to the Bonds, resulting in lower transition charges and greater benefits to Consumers. The Authority finds that it is desirable that each Charge adjustment take effect as described in such Exhibit and that it will not be reasonably practical to change a mathematically inaccurate Charge adjustment (after taking into account the estimated overcollections or undercollections resulting from such mathematical error) sooner than the billing cycle in the month that begins at least 5 days after the Authority notifies the Servicer of its determination that the calculation of such Charge adjustment is mathematically inaccurate.

11. Restructuring Property: The Restructuring Property shall include the right to impose, bill and collect the Charges described in this order and the right, title and interest (a) in and to the Charges, as adjusted from time to time in accordance with this order; (b) in and to all revenues, collections, claims, payments, money, or proceeds of or arising from the Charges or constituting 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; (c) in and to all rights to obtain adjustments to the Charges pursuant to the terms of this order; and (d) in and to all rights to receive the foregoing.

12. Basic Documents: Pursuant to due authorization the Authority shall approve the selection of underwriters, including the senior underwriters, for the issuance of the Bonds satisfactory to the Authority and shall advise the Securitization Authority of such selection in the written notice to be provided to the Securitization Authority pursuant to Ordering Paragraph 15 below.

The Authority contemplates that either the Securitization Authority or the Securitization Authority and the Authority will enter into one or more agreements (each a “Bond Purchase Agreement”) with the senior underwriter or underwriters, as representative of one or more underwriters, to purchase the Bonds.

If directed by the Authority, the Securitization Authority shall, simultaneously with the delivery of Bonds to the senior underwriters and with the delivery of a cash contribution to the Reserve Subaccount, issue the Subordinate Note to the Authority.

The Authority contemplates that the Securitization Authority will enter into an indenture (the “Indenture”) with a bank or trust company acceptable to the Authority to act as initial indenture trustee (the “Indenture Trustee”) pursuant to which the Bonds (including the Subordinate Note, if any) are to be issued.

The Authority contemplates that the Securitization Authority will enter into an agreement (the “Servicing Agreement”) with LIPA to act as initial Servicer to perform all duties of the Securitization Authority relating to the Restructuring Property and the Bonds. The Authority contemplates that LIPA will contract with the operator of the T&D System Assets to perform some of LIPA’s duties under the Servicing Agreement. The Authority finds that a servicing fee of up to 0.05% of the aggregate initial principal amount of the Bonds, together with the reimbursement of expenses incurred by the Servicer in the performance of its duties as Servicer, approximates the estimated incremental cost of imposing, billing and collecting the Charges, preparing servicing reports and performing other customary servicing services required in connection with the Bonds in the case of a Servicer that otherwise bills and collects T&D rates from Consumers in the Service Area and is reasonable.

The Authority contemplates that the initial Servicer will file with the Authority and the Securitization Authority, no later than the third business day after the pricing of the Bonds, an Issuance Advice Letter in substantially the form attached hereto as Exhibit C (the “Issuance Advice Letter”).

The Authority contemplates that the Securitization Authority will enter into an agreement (the “Administration Agreement”) with LIPA to act as initial administrator of the Securitization Authority to perform all duties of the Securitization Authority under the Public Authorities Law and other applicable law or otherwise not covered by the Servicing Agreement.

The Authority contemplates that LIPA may enter into one or more agreements with the operator of the T&D System Assets to perform some of LIPA’s duties under the Servicing Agreement as sub-servicer or otherwise.

The Authority contemplates that the Authority and the Securitization Authority will enter into an agreement (the “Sale Agreement”) for the sale of the Restructuring Property by the Authority to the Securitization Authority.

13. Collateral Accounts: The Authority finds that it is appropriate and desirable that the Securitization Authority create a collection account, the Reserve Subaccount and such other accounts and subaccounts described in the Indenture with the Indenture Trustee, and that the Reserve Subaccount in an amount of 0.5% of the initial aggregate principal amount of the Bonds,

or as otherwise provided in the Issuance Advice Letter, be funded by means of a cash contribution of the Authority, a portion of the proceeds of the Bonds and/or as an Upfront Financing Cost to be recovered after the issuance of the Bonds (all as to be determined in the Issuance Advice Letter), or such other amount as may be required in order to satisfy rating agency or regulatory requirements and to successfully market the Bonds.

14. Authority Designee. As the pricing and terms of the Bonds, the precise amount of the Restructuring Costs, Upfront Financing Costs and Ongoing Financing Costs and the terms of the Basic Documents will not be known as of the date of this order, and market conditions may require expedited approval or other action by the Authority in order to accomplish the purposes of this order, the Authority deems it reasonable to appoint one or more officers of the Authority (each an “Authority Designee”) to be designated by a resolution of the Trustees of the Authority to review and approve, as and on behalf of the Authority, the Issuance Advice Letter, the pricing and terms of the Bonds, the amounts of the Restructuring Costs, expected Upfront Financing Costs and expected Ongoing Financing Costs, the Net Present Value Savings, the terms of the Basic Documents and take such other actions as are authorized in this order.

15. General Bond Resolution: The Authority finds that the sale of the Restructuring Property by the Authority to the Securitization Authority (i) is desirable in the conduct of the business of the System (as defined in the General Bond Resolution) and (ii) does not materially impair the ability of the Authority to comply with Section 701 of the General Bond Resolution.

16. Submission to PACB: After the conclusion of the public statement hearings and the Authority’s review of any comments received, the Authority will finalize this order and submit it to the PACB for approval or disapproval. If the PACB fails to approve or disapprove the finalized order within thirty days after receipt as provided in subdivision 2 of section 3 of the LIPA Reform Act, the PACB shall be deemed to have approved the finalized order.

## CONCLUSIONS OF LAW

1. Jurisdiction and Authority: The Authority has jurisdiction and authority to adopt this order.

2. Compliance with LIPA Reform Act: The structure of the Bonds is consistent with the LIPA Reform Act, and the Bonds are restructuring bonds under the LIPA Reform Act.

The Restructuring Costs are approved restructuring costs under the LIPA Reform Act.

The Restructuring Property is restructuring property under the LIPA Reform Act.

The Charges are transition charges under the LIPA Reform Act.

This order meets the requirements of a restructuring cost financing order under the LIPA Reform Act.

3. Irrevocability of Order: As provided in subdivision 4(a) of section 5 of the LIPA Reform Act, this order shall be an irrevocable final rate order when the time for any actions, suits,

proceedings and appeals challenging this order has lapsed or expired as provided in subdivision 3 of section 3 of the LIPA Reform Act. As provided in subdivision 5(a) of section 5 of the LIPA Reform Act, this order shall remain in effect and unabated until the Bonds issued pursuant to this order have been paid in full and all Ongoing Financing Costs are paid or performed in full.

4. Irrevocability of Charges: As provided in subdivision 7 of section 3 of the LIPA Reform Act, upon the issuance of the Bonds, the Charges, including any adjustments thereof as provided in this order, shall be deemed established by the Authority as irrevocable, final and effective without further action by the Authority or any other entity.

5. Adjustment Mechanism: The adjustment mechanism, and all other obligations of the State and the Authority set forth in this order, will be irrevocable, final and effective without further action by the Authority, or any other entity, upon issuance of the Bonds as provided in this order and will be legally enforceable against the State and the Authority.

6. Non-bypassability: As provided in subdivision 5(c) of section 5 of the LIPA Reform Act, for so long as the Bonds are outstanding, the Charges authorized in this order shall be non-bypassable and shall apply to all Consumers connected to the T&D System Assets and taking electric delivery service located within the Service Area, whether or not the Consumers produce their own electricity or purchase electric generation services from a provider of electric generation services other than the owner of the T&D System Assets and whether or not the T&D System Assets continue to be owned by LIPA.

7. Indemnities: Any indemnity payments required to be paid by the Securitization Authority to the Authority, the Indenture Trustee, the underwriters or other persons pursuant to agreements entered into in connection with the sale of the Bonds will be Ongoing Financing Costs recoverable pursuant to this order and the LIPA Reform Act.

8. No Other Liens: The Charges are Transition Charges as defined in the General Bond Resolution of the Authority and are not subject to the lien of the General Bond Resolution.

9. Partial Payments: As provided in subdivision 1(e) of section 7 of the LIPA Reform Act, to the extent that any Consumer makes a partial payment of a bill containing both transition charges, including the Charges, and any other charges, such payment shall be allocated pro rata between transition charges and the other charges unless the Consumer specifies that a greater proportion of such payment is to be allocated to transition charges, except that the other charges shall be reduced by the amount of any claims of setoff, counterclaim, surcharge or defense for purposes of such calculation.

10. True Sale: As provided in subdivision 3(a) of section 7 of the LIPA Reform Act, the sale of the Restructuring Property to the Securitization Authority as contemplated by this order shall be treated as an absolute transfer of all of the transferor's right, title and interest (as in a true sale) and not as a pledge or other financing, of the Restructuring Property, other than for federal, state and local income and franchise tax purposes. As provided in subdivision 3(b) of section 7 of the LIPA Reform Act, the transfer of the Restructuring Property shall be perfected, vested, valid and binding from the time when the transfer is made, and such transfer shall be perfected, vested, valid and binding as against the transferor, all parties having claims of any kind in tort, contract or

otherwise against the transferor, and all other transferees of the transferor, irrespective of whether such parties have notice thereof and shall be superior to any judicial liens or other liens obtained by such claimants or transferees. As provided in subdivision 3(c) of section 7 of the LIPA Reform Act, the characterization of the sale, assignment or transfer as an absolute transfer and true sale and the corresponding characterization of the property interest of the purchaser, shall not adversely be affected or impaired by, among other things, the occurrence of any of the following factors: (i) commingling of revenues or other proceeds from Charges with other amounts; (ii) the retention by the seller of: (A) a partial or residual interest, including an equity interest, in the Restructuring Property, whether direct or indirect, or whether subordinate or otherwise; or (B) the right to recover costs associated with taxes, payments in lieu of taxes, franchise fees or license fees imposed on the collection of the Charges; (iii) any recourse that the purchaser may have against the seller; (iv) any indemnification rights, obligations or repurchase rights made or provided by the seller; (v) the obligation of the seller to collect Charges on behalf of an assignee, including but not limited to, any retention by the seller to bare legal title for the purpose of collecting Charges; (vi) the treatment of the sale, assignment or transfer for tax, financial reporting or other purposes; (vii) any subsequent order of the Authority amending this order pursuant to subdivision 4(b) of section five of the LIPA Reform Act to the extent permitted by this order; or (viii) any application of the adjustment mechanism described in this order as provided in subdivision 3 of section five of the LIPA Reform Act. As provided in subdivision 1(c) of section 7 of the LIPA Reform Act, the Restructuring Property may be transferred, sold, conveyed or assigned to the Securitization Authority.

11. Pledge of Restructuring Property: As provided in subdivision 1(c) of section 7 of the LIPA Reform Act, all or any portion of the Restructuring Property may be pledged to secure the payment of the Bonds, amounts payable to financing parties, amounts payable to holders of the Bonds, amounts payable under any ancillary agreement and other Ongoing Financing Costs. As provided in subdivision 2 of section 7 of the LIPA Reform Act, any pledge of the Restructuring Property or proceeds thereof made by the Securitization Authority shall be perfected, valid and binding from the time when the pledge is made. The proceeds, moneys, revenues or proceeds so pledged and thereafter received by the Securitization Authority of restructuring property shall immediately be subject to the lien of such pledge, and such lien shall be perfected, without any physical delivery thereof or further act. The lien of any such pledge shall be perfected, valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Securitization Authority irrespective of whether such parties have notice thereof and shall be superior to any judicial liens or other liens obtained by such claimants or transferees.

12. Existence of Restructuring Property: As provided in subdivision 1(a) of section 7 of the LIPA Reform Act, the Restructuring Property created pursuant to this order shall constitute an existing, present property right. As provided in subdivision 1(b) of section 7 of the LIPA Reform Act, all Restructuring Property created pursuant to this order shall continue to exist until the Bonds issued pursuant to this order are paid in full and all Ongoing Financing Costs have been paid in full.

13. Successor Owners: As provided in subdivision 1(f) of section 7 of the LIPA Reform Act, any successor owner of the T&D System Assets and any successor Servicer shall be bound by the requirements of the LIPA Reform Act and shall perform and satisfy all obligations of a Servicer in the same manner and to the same extent under this order as did LIPA as the initial

Servicer, including, without limitation, the obligation to impose, bill and collect the Charges and to pay such collections to the person entitled to receive the Charge revenues, i.e. the Indenture Trustee for the benefit of the owners of the Bonds. As provided in subdivision 1 of Section 8 of the LIPA Reform Act, the Authority has a statutory right to examine the books and records of LIPA or any successor owner of the T&D System Assets for the purpose of investigating compliance with the provisions of the LIPA Reform Act and this order.

14. Bankruptcy: As provided in subdivision 1(d) of section 7 and subdivision 5(b) of section 5 of the LIPA Reform Act, this order shall remain in full force and effect and unabated notwithstanding any bankruptcy, reorganization, or other insolvency proceedings with respect to a Servicer, the Authority, LIPA or any successor owner of the T&D System Assets or any affiliate thereof or of any other person or entity or the commencement of any judicial or nonjudicial proceeding therefor. As provided in subdivision 3 of section 4 of the LIPA Reform Act, the Securitization Authority shall not be authorized to be a debtor under any provision of the United States Bankruptcy Code. Also in subdivision 3 of section 4 of the LIPA Reform Act, the State of New York has pledged, contracted and agreed with the owners of the Bonds that, until at least one year and one day after all Bonds have ceased to be outstanding and all Ongoing Financing Costs have been paid, the State will not limit or alter the denial of authority to the Securitization Authority to be a debtor under any provision of the United States Bankruptcy Code.

15. Setoff, Counterclaim or Defense: As provided in subdivision 1(e) of section 7 of the LIPA Reform Act, the Restructuring Property, the Charges, the Charge revenues, and the interests of the Indenture Trustee, the holders of any Bonds, and any other person in the Restructuring Property or in the Charge revenues, are not subject to setoff, counterclaim, surcharge or defense by a Servicer, Consumer, the Authority, LIPA or any successor owner of the T&D System Assets or any other person or in connection with any default, bankruptcy, reorganization or other insolvency proceeding of the Authority, LIPA or any successor owner of the T&D system assets, any affiliate thereof or any other entity or otherwise.

16. Sequestration: As provided in subdivision 1(d) of section 7 of the LIPA Reform Act, if the owner of the T&D system asset, Servicer, third-party biller, or any other person or entity authorized to collect the Charges, defaults on any required remittance of Charge revenues, any court in the State of New York, upon application by an interested party and without limiting any other remedies available to the applying party, shall order the sequestration and payment of the Charge revenues for the benefit of the owners or pledgees of the Restructuring Property, i.e. the Securitization Authority or the Indenture Trustee for the benefit of the owners of the Bonds.

17. Third-party Billers: As provided in section 16 of the LIPA Reform Act, if and to the extent that third parties are allowed to bill and/or collect any Charges, the Authority, any successor regulator, and any owner of the T&D System Assets will take steps to ensure non-bypassability and minimize the likelihood of default by third-party billers, which shall include (i) operational standards and minimum credit requirements for any such third-party biller, or require a cash deposit, letter of credit or other credit mitigant in lieu thereof, to minimize the likelihood that defaults by a third-party biller would result in an increase in Charges thereafter billed to Consumers, (ii) a finding that, regardless of who is responsible for billing, Consumers shall continue to be responsible for the Charges, (iii) if a third party meters and bills for the Charges, that the owner of the T&D System Assets and any Servicer must have access to

information on billing and usage by Consumers to provide for proper reporting to the Securitization Authority and to perform its obligations as Servicer, (iv) in the case of a default by a third-party biller, billing responsibilities must be promptly transferred to another party to minimize potential losses, and (v) the failure of Consumers to pay Charges shall allow service termination by the owner of the T&D System Assets on behalf of the Securitization Authority of the Consumers failing to pay Charges in accordance with service termination rules and orders applicable to T&D rates. Any costs associated with such third-party billing and/or collection shall be included as part of the recoverable Ongoing Financing costs or other rates or charges, as appropriate. Further, the Authority and any successor regulator shall not permit implementation of any third-party billing or collection that would result in a reduction or withdrawal of the then current ratings on any tranche or series of the Bonds by any nationally recognized statistical rating organization designated by the Securitization Authority.

18. Securitization Authority: As provided in subdivision 1 of section 4 of the LIPA Reform Act, the Securitization Authority has been duly created.

19. State Pledge: As provided in section 9 of the LIPA Reform Act, the State of New York has pledged and agreed with the holders of the Bonds, any assignee and all financing entities that the State will not in any way take or permit any action that limits, alters or impairs the value of Restructuring Property or, except as required by the adjustment mechanism described in this order, reduce, alter or impair the Charges that are imposed, collected and remitted for the benefit of the owners of the Bonds, any assignee, and all financing entities, until any principal, interest and redemption premium in respect of the Bonds, all ongoing financing costs and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid or performed in full. As further provided in section 9 of the LIPA Reform Act, the foregoing pledge may be included in the Bonds, the Indenture, the offering memorandum or official statement, and other ancillary agreements and documentation related to the issuance and marketing of the Bonds.

20. Not Debt of State: As provided in subdivision 3 of section 6 of the LIPA Reform Act, the Bonds shall not constitute a debt, general obligation or a pledge of the faith and credit or taxing power of the State of New York or of any county, municipality or any other political subdivision, agency or instrumentality of the State.

21. Limitations: As provided in subdivision 1(v) of section 5 of the LIPA Reform Act, no limitation, express or implied, on Upfront Financing Costs or Ongoing Financing Costs shall impair the ability of the Securitization Authority to pay and service the Bonds in accordance with their terms. This means that there is no limitation on the amount of Upfront Financing Costs or Ongoing Financing Costs that would impair the ability of the Securitization Authority to pay and service the Bonds in accordance with their terms

22. Legal Investments: As provided in subdivision 4 of section 6 of the LIPA Reform Act, the Bonds are legal investments for the state and all municipalities, insurance companies, banks, trusts and other persons or entities, who are authorized to invest in bonds or other obligations of the state.

23. Regulation of the Owner of the T&D System Assets: As provided in subdivision 1(b) of section 8 of the LIPA Reform Act, neither the Authority nor any successor regulator may



consider the Bonds to be debt of any owner of the T&D System Assets, consider the Charges to be revenue of any owner of the T&D System Assets, consider the approved Restructuring Costs or Ongoing Financing Costs to be costs of any owner of the T&D System Assets or any affiliate, or determine that any action taken by any owner of the T&D System Assets that is consistent with this order is unjust or unreasonable from a regulatory or ratemaking perspective.

24. Additional Restructuring Bonds: The Securitization Authority may issue one or more series of restructuring bonds in addition to the Bonds secured by restructuring property other than the Restructuring Property created pursuant to this order under one or more restructuring cost financing orders in addition to this order, as such terms are defined in the LIPA Reform Act.

### **ORDERING PARAGRAPHS**

1. The Authority hereby approves the recovery and payment of the Restructuring Costs, including the Upfront Financing Costs, in an amount not to exceed \$450 million. The Authority hereby approves the Restructuring Costs, including the Upfront Financing Costs, as approved restructuring costs within the meaning of the LIPA Reform Act.
2. The Authority hereby approves the sale of the Restructuring Property to the Securitization Authority for an amount equal to the proceeds of the sale of the Bonds less the amount required to pay all Upfront Financing Costs (but not including the deposit into the Reserve Subaccount) by the Authority known to or estimated by the Authority at the time of the sale of the Bonds.
3. The Authority approves the issuance and sale of Bonds in an aggregate principal amount not to exceed the Order Cap, in one or more series or tranches to be sold at one or more times, pursuant to the Bond Purchase Agreement.
4. The Authority hereby approves the recovery and payment of all Upfront Financing Costs known to or estimated by the Authority at the time of the sale of the Bonds from the proceeds of the sale of the Bonds.
5. The Authority hereby approves the recovery and payment of any Upfront Financing Costs not known to or in excess of the estimates by the Authority at the time of the sale of the Bonds as Ongoing Financing Costs.
6. The Authority hereby authorizes and approves the imposition, billing and collection of the Charges to recover from Consumers the principal and interest payable on the Bonds and the other Ongoing Financing Costs. Such Charges shall be in an amount sufficient at all times to provide for the full and timely payment of scheduled principal of and interest on the Bonds and the payment and recovery of other Ongoing Financing Costs.
7. The Authority hereby approves the financing, recovery and payment of the Restructuring Costs, including the Upfront Financing Costs, through the sale of the Restructuring Property and the issuance of the Bonds.
8. The Authority hereby approves the adjustment mechanism and mathematical formula specified in Exhibit B to this order. The adjustment mechanism shall be used to determine

the initial Charge, which shall be specified in the Issuance Advice Letter. The adjustment mechanism shall thereafter be applied at least annually to correct for any over-collection or under-collection of Charges and to provide for timely payment of scheduled principal of and interest on the Bonds and the payment and recovery of other Ongoing Financing Costs. The Authority hereby approves the request of the Securitization Authority that each adjustment to the Charge shall automatically become effective on the date specified in the notice of such adjustment that is filed with the Authority, which effective date shall be within the 60 day period following the filing of such notice of adjustment. Each Charge adjustment shall take effect as described in such Exhibit and each mathematically inaccurate Charge adjustment shall be changed (after taking into account the estimated overcollections or undercollections resulting from such mathematical error) effective as of the billing cycle in the month that begins at least 5 days after the Authority notifies the Servicer of its determination that the calculation of such Charge adjustment is mathematically inaccurate.

9. The Authority hereby approves the recovery and payment of all Ongoing Financing Costs from the collections of the Charges.
10. The Authority shall be the entity in which initial ownership of the Restructuring Property will vest.
11. The Restructuring Property will be created when the Restructuring Property is sold to the Securitization Authority as provided in the Sale Agreement. The Restructuring Property shall include the right to impose, bill and collect the Charges described in this order and the right, title and interest (a) in and to the Charges, as adjusted from time to time in accordance with this order; (b) in and to all revenues, collections, claims, payments, money, or proceeds of or arising from the Charges or constituting 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; (c) in and to all rights to obtain adjustments to the Charges pursuant to the terms of this order; and (d) in and to all rights to receive the foregoing.
12. The Restructuring Property shall be used to pay and secure the payment of the Bonds and other Ongoing Financing Costs. The Servicer, on behalf of the owner of the Restructuring Property, is hereby authorized to impose, bill and collect the Charges, and to adjust such Charges from time to time pursuant to the adjustment mechanism set forth in Exhibit B hereto, to pay debt service on the Bonds and other Ongoing Financing Costs on a timely basis.
13. The Authority hereby approves the Servicing Agreement, the Administration Agreement, the Indenture, Sale Agreement and the Bond Purchase Agreement (the "Basic Documents"), with such changes as the trustee, officer or other authorized representative of the Securitization Authority, the Authority or LIPA signing such Basic Document may approve, such approval to be conclusively evidenced by the signature of such trustee, officer or other authorized representative on such Basic Document.

14. The Authority hereby approves the subcontracting by the Servicer of some of its duties under the Servicing Agreement to the operator of the T&D System Assets as sub-servicer or otherwise. The Authority directs that the Servicer submit to the Authority and the owner of the T&D System Assets, at least one month before its effective date or at such other time specified by the Authority, any contract that authorizes a third party to bill and/or collect the Charges, for review and any steps or other action required by Section 16 of the LIPA Reform Act.
15. The Securitization Authority shall sign the Bond Purchase Agreement at the time specified by the Authority in a written notice sent to the Securitization Authority, which time shall be no later than December 31, 2018.
16. Since payments by Consumers will include payments of the Charge which will be subject to the lien of the Indenture as well as payments of other transition charges, transmission and distribution and other charges that will be subject to the lien of the General Bond Resolution of the Authority, the Authority hereby authorizes the commingling of these payments in one or more segregated accounts (subject to a lockbox, escrow, intercreditor or other agreement or arrangement to protect the interests of the owners of the Bonds and the Securitization Authority as well as the interests of the secured creditors of the Authority) or in the Authority's revenue account until the amounts of the Charges included in the payments can be estimated or determined and transferred to the collection account maintained with the Indenture Trustee and the amounts that are subject to the lien of the General Bond Resolution can be estimated or determined and transferred to the appropriate account of the Authority. To the extent necessary to provide for timely payment of the Bonds and other Ongoing Financing Costs, the Authority hereby authorizes the transfer of estimated amounts subject to reconciliation as soon as practicable, but no less often than monthly. The estimated amounts shall be reconciled with the actual collections at least annually. The estimated amounts may be based on a collections curve or other information produced by the Servicer's billing system.
17. The Securitization Authority is not authorized to incur any debt other than the Bonds and its obligations under or in accordance with the Basic Documents or successor agreements or other rate reduction bonds and its obligations under or in accordance with the documents entered into in connection therewith. The Securitization Authority is not authorized to incur any Upfront Financing Costs unless specifically authorized by the Authority.
18. The Bonds shall be without recourse to the credit or any assets of the Authority or LIPA.
19. The Bonds shall be without recourse to the credit or any assets of the Securitization Authority other than the Restructuring Property, the collection account, the Reserve Subaccount, and any other collateral for the Bonds described in the Indenture.
20. The initial Servicer shall file with the Authority and the Securitization Authority, no later than the third business day after the completion of the pricing of the Bonds in accordance with the Bond Purchase Agreement, an Issuance Advice Letter in substantially the form attached hereto as Exhibit C.

21. The Servicer shall file at least semi-annually with the Authority and the Indenture Trustee a periodic report showing the billing and collection of Charges, remittances to the Indenture Trustee, the application of Charge revenues to debt service on the Bonds and other Ongoing Financing Costs by the Indenture Trustee as directed by the Servicer, and the balances in the collection account and the Reserve Subaccount as of a particular date.
22. The amounts in the Reserve Subaccount shall be fully used, to the extent practicable, to make the final payments of principal and interest on the Bonds (including any Subordinate Note) and other Ongoing Financing Costs. If any amount remains in the Reserve Subaccount after the Bonds and any other Ongoing Financing Costs have been paid in full, the remaining amount shall be applied to make refunds to Consumers on the same basis as such Consumers would have then been obligated to pay Charges.
23. If an event of default with respect to the Bonds has occurred and is continuing, the transfer of the Restructuring Property to a third party as provided in the Indenture is hereby approved.
24. The Securitization Authority is hereby authorized to contract with LIPA as initial Servicer for an initial annual servicing fee of up to 0.05% of the aggregate initial principal amount of the Bonds and (without duplication) for reimbursement of all expenses incurred by LIPA in the performance of its duties as Servicer, to enable LIPA to recover the incremental costs to LIPA of performing the services required under the Servicing Agreement, including the incremental costs payable to the operator of the T&D System Assets, accountants, or any other entity with whom LIPA contracts to perform any portion of such services, in each case payable from collections of the Charges. The Securitization Authority is hereby authorized to agree with any Servicer to change the annual servicing fee from time to time to approximate the estimated incremental cost of performing the services required by Servicing Agreement. The Securitization Authority is hereby authorized to contract with a successor Servicer for a larger servicing fee if such successor Servicer is not affiliated with the owner of the T&D System Assets or is not performing similar services with respect to the base rates of the owner of the T&D System Assets if such larger fee is reasonably necessary, in the determination of the Authority or the Indenture Trustee, to employ a reliable successor Servicer.
25. The Authority hereby authorizes each Authority Designee to review and approve, as and on behalf of the Authority, the Issuance Advice Letter, the pricing and terms of the Bonds, the amounts of approved Restructuring Costs, the expected Upfront Financing Costs and the expected Ongoing Financing Costs (which may include estimates thereof), and the terms of the Basic Documents, all within the parameters specified in this order, and to confirm, by and on behalf of the Authority, that the pricing of the Bonds set forth in the Issuance Advice Letter complies with this order. The Authority Designee's approval or confirmation pursuant to this order shall constitute the Authority's approval or confirmation, and shall be final and incontestable, without need of further action by the Authority. No approval of expected Upfront Financing Costs or expected Ongoing Financing Costs shall be interpreted to limit the amount of Upfront Financing Costs or Ongoing Financing Costs that are approved by this order.

26. This order shall not be amended after the Bonds have been issued. This order may only be amended on or prior to the date of issuance of the Bonds, but before the Bonds have been issued, (i) at the request of the Authority and (ii) upon approval by the PACB within thirty days of receipt of such amendment; provided, however, that if no approval or disapproval is made within such time, the amendment shall be deemed approved as provided in subsection 4(b) of section 5 of the LIPA Reform Act.
27. This order shall not be interpreted to alter or limit the rights vested in the Authority to establish sufficient T&D rates to pay and perform all of its obligations and contracts with the Authority's bondholders and others in accordance with the terms thereof.

**Exhibit A**

<u>Series</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Maturity Amount</u>	<u>Value on 10/04/2017</u>
1998A	12/01/2018	5.280%	\$4,454,157.40	\$12,210,087.70
1998A	12/01/2019	5.280	4,227,960.60	11,590,121.70
1998A	12/01/2020	5.300	3,995,667.90	10,994,798.70
2009A	04/01/2020	4.500	8,885,000.00	8,885,000.00
2009A	04/01/2020	5.250	7,405,000.00	7,405,000.00
2009A	04/01/2021	5.250	22,015,000.00	22,015,000.00
2009A	04/01/2022	5.500	23,020,000.00	23,020,000.00
2009A	04/01/2023	5.000	36,805,000.00	36,805,000.00
2009A	04/01/2039	5.750	83,420,000.00	83,420,000.00
2011A	05/01/2020	5.000	8,930,000.00	8,930,000.00
2011A	05/01/2036	5.000	63,360,000.00	63,360,000.00
2011A	05/01/2037	5.000	62,200,000.00	62,200,000.00
2011A	05/01/2038	5.000	70,030,000.00	70,030,000.00
2014B	09/01/2018	2.355	18,515,000.00	18,515,000.00
2014B	09/01/2019	2.755	18,950,000.00	18,950,000.00
2014B	09/01/2020	3.107	19,475,000.00	19,475,000.00
2015B	09/01/2019	4.000	380,000.00	380,000.00
2015B	09/01/2019	5.000	1,800,000.00	1,800,000.00
2015B	09/01/2020	4.000	140,000.00	140,000.00
2015B	09/01/2020	5.000	2,145,000.00	2,145,000.00
2016B	09/01/2018	4.000	5,255,000.00	5,255,000.00
2016B	09/01/2018	5.000	5,000,000.00	5,000,000.00
<b>Total</b>			<b>\$470,407,785.90</b>	<b>\$492,525,008.10</b>

Authority's revolving line or lines of credit in an amount not to exceed \$350 million.

Authority's subordinate or senior lien commercial paper or notes in an amount not to exceed \$800 million.

## EXHIBIT B

### ADJUSTMENT MECHANISM AND MATHEMATICAL FORMULA

#### Adjustment Calculation

The Servicer will make adjustments to the Charge at least annually, beginning no more than 12 months from issuance of the Bonds and continuing until the scheduled final maturity of the Bonds (or any series of Bonds). The Annual True-up (defined below) will be performed on a mandatory basis; the Mid-year Review (defined below) will also be performed on a mandatory basis and the Mid-year True-up (defined below) will only be performed if the Servicer projects undercollections. For each true-up, the Servicer will file with the Securitization Authority a notice of adjustment to the Charge approximately 30 days prior to the effective date.

Annually, the Servicer will file a notice of adjustment (i) to correct for any over-collections or under-collections to date and anticipated to be experienced up to the date of the next annual adjustment and (ii) to ensure that the expected collections of the Charge are adequate to pay timely principal and interest on the Bonds when due pursuant to the expected amortization schedule and to make timely payment on all other Ongoing Financing Costs (the “Annual True-up”). Approximately five months after the effective date of each Annual True-up, the Servicer will perform a review to ensure that the expected collections of the Charge are adequate to pay timely principal and interest on the Bonds when due pursuant to the expected amortization schedule and to make timely payment on all other Ongoing Financing Costs (the “Mid-year Review”). If the Servicer projects that the Charge collections will be insufficient to pay timely principal and interest on the Bonds when due pursuant to the expected amortization schedule and to make timely payment on all other Ongoing Financing Costs, the Servicer will file a notice of adjustment (the “Mid-year True-up”). Additionally, the Servicer may file at any time an optional notice of adjustment to ensure that the expected collections of the Charge are adequate to pay timely principal and interest on the Bonds when due pursuant to the expected amortization schedule and to make timely payment on all other Ongoing Financing Costs (the “Optional True-up”).

Following the last scheduled final maturity date of the Bonds (or any series of Bonds), if any such Bonds remain outstanding after such scheduled final maturity date, the Servicer will file quarterly adjustments to the Charge to ensure that the Charge collections will be sufficient to pay timely interest and principal in full on the Bonds (or any series of Bonds) that remain outstanding after their scheduled final maturity date and to make timely payment on all other Ongoing Financing Costs on the next payment date.

All adjustments will be designed to cause (i) the outstanding principal balance of the Bonds (or any series of Bonds) to be equal to the scheduled balance (based on the expected amortization schedule) with respect to such Bonds (or any series of Bonds); (ii) the amount in the Reserve Subaccount to be equal to the required reserve level; and (iii) with respect to the Annual True-up only, any residual or excess funds subaccount to be targeted to be zero by the payment date immediately preceding the effective date of the next Annual True-up or by the final payment date on the Bonds, if the next payment date is the final payment date of all of the Bonds (or any series of Bonds).

For the period prior to the scheduled final maturity date of the Bonds (or any series of Bonds), the Servicer will calculate the adjustments for the Annual True-up in the following manner:

- (1) Calculate under-collections or over-collections of Charge collections from all prior collection periods on a cumulative basis by subtracting (a) the sum of (i) principal and interest paid and scheduled to be paid on the Bonds through the effective date of the next Annual True-up and (ii) all Ongoing Financing Costs paid and expected to be payable through the effective date of the next Annual True-up from (b) the Charge collections to date as well as all Charge collections projected to be received prior to the effective date of the next Annual True-up.
- (2) Calculate the amount of Charges that must be billed during a collection period such that the Charges are sufficient (a) to pay timely principal and interest on the Bonds when due pursuant to the expected amortization schedule and (b) to make timely payment on all other Ongoing Financing Costs, given (i) projected energy consumption, (ii) projected uncollectibles, and (iii) projected lags in collection of billed Charges for that collection period.
- (3) Sum amounts in steps (1) and (2) above.
- (4) Divide the amount in step (3) above by the forecasted energy billing units to determine the Charge for the upcoming collection period.

For the period prior to the scheduled final maturity date of the Bonds (or any series of Bonds), the Servicer will perform the Mid-year Review approximately five months after the effective date of each Annual True-up, calculated in the following manner:

- (1) Determine the Charge collections from the current collection period, taking into account actual collections and collections projected to be received during the current collection period.
- (2) Calculate the amount of Charges that must be billed during a collection period such that the Charges are sufficient (a) to pay timely principal and interest on the Bonds when due pursuant to the expected amortization schedule and (b) to make timely payment on all other Ongoing Financing Costs, given (i) projected energy consumption, (ii) projected uncollectibles, and (iii) projected lags in collection of billed Charge for that period.
- (3) If step (2) is greater than step (1), the Servicer will institute a Mid-year True-up in the manner described below.

For the period prior to the scheduled final maturity date of the Bonds (or any series of Bonds), the Servicer will calculate the adjustments for the Mid-year True-up in the following manner:

- (1) Calculate the amount of Charges that must be billed during a collection period such that the Charges are sufficient (a) to pay timely principal and interest on the Bonds when due pursuant to the expected amortization schedule and (b) to make timely payment on all other Ongoing Financing Costs, given (i) projected energy consumption, (ii) projected uncollectibles, and (iii) projected lags in collection of billed Charge for that period.



(2) Divide the amount in step (1) above by the forecasted energy billing units to determine the Charge for a collection period.

**EXHIBIT C**

**FORM OF ISSUANCE ADVICE LETTER**

\_\_th day of \_\_\_\_, 2017

**LONG ISLAND POWER AUTHORITY**

**ORDER NO. 5**

**ISSUANCE ADVICE LETTER FOR RESTRUCTURING BONDS**

Pursuant to the Restructuring Cost Financing Order No. 5 (the “Financing Order”) issued by the Authority on July \_\_, 2017, LIPA, as the initial servicer of the Bonds, hereby submits this Issuance Advice Letter with respect to the Bonds priced on \_\_\_\_\_, 201[7][8]. Any capitalized terms not defined in this Issuance Advice Letter shall have the meanings ascribed to them in the Financing Order.

**PURPOSE:**

This filing sets forth the following:

- (a) Terms of Issuance, including pricing and principal amount of the Bonds;
- (b) The net proceeds from the sale of the Bonds and estimated Upfront Financing Costs;
- (c) The initial Charge;
- (d) The Target Debt to be purchased, redeemed, repaid or defeased by the Authority with the proceeds of the sale of the Restructuring Property to be purchased by the Securitization Authority with the net proceeds from the sale of the Bonds;
- (e) The expected savings to Consumers; and
- (f) Confirmation of compliance with the requirements of the Financing Order.

**A. ACTUAL TERMS OF ISSUANCE:**

<b>Issuer:</b>	Utility Debt Securitization Authority
<b>Total Amount Issued (Taxable):</b>	[\$ ]
<b>Total Amount Issued (Non-Taxable):</b>	[\$ ]
<b>[Subordinate Note]</b>	
<b>Trustee: [*]</b>	[ ]
<b>Sale Date: [*]</b>	[ ]
<b>Closing Date:</b>	[ ]
<b>Bond Ratings: [*]</b>	S&P [AAA], Fitch [AAA], Moody’s [Aaa]

**Target Amortization Schedule:** [\*]

See Schedule B.

**Call Provisions:**[\*]

**Payments to Holders:**[\*]

Semiannually, Beginning on [ ]

**Required Reserve Level**

[0.5% of the initial aggregate principal amount of the Bonds]

[\*Not applicable to Subordinate Note]

The initial annual Servicing Fee as a percentage of the original Bond principal balance is \_\_\_\_%.

The principal amounts of each Tranche of the Bonds to be issued and sold by the Securitization Authority on \_\_\_\_\_, 201[7][8] are as follows:

Tranche	Principal Amount	Expected Final Maturity	Legal Final Maturity	Interest Rate	Yield
		__/__/____	__/__/____		
		__/__/____	__/__/____		
		__/__/____	__/__/____		
		__/__/____	__/__/____		
		__/__/____	__/__/____		
		__/__/____	__/__/____		
		__/__/____	__/__/____		
		__/__/____	__/__/____		
		__/__/____	__/__/____		
		__/__/____	__/__/____		
Total					

The maximum scheduled principal and interest payments in any bond year on the Bonds is calculated to be \$\_\_\_\_\_, which is [less][greater] than the expected aggregate maximum scheduled annual principal and interest payments of \$[\_\_\_\_] as set forth in the Financing Order.

None of the Bonds will have a legal final maturity exceeding 30 years from the date of their issuance.

The final scheduled maturity of each series of Bonds shall be no later than the final scheduled maturity date of the Authority bonds to be purchased, redeemed, repaid or defeased with the proceeds of such series of Bonds.

The Bonds, taken as a whole, are expected to have the following weighted average yield and life:

**Effective Annual Weighted Average Yield on the Bonds:**

[ ]%

**Expected Weighted Average Life of Issuance:**

[ ] yrs

**B. NET PROCEEDS: UPFRONT FINANCING COSTS:**

The net proceeds from the sale of the Bonds are as follows:

	<u>AMOUNT</u>
1	<b>Gross Proceeds</b>
2	Rating agency fees
3	Bond Trustee fee
4	Printing and filing fees (estimated)
5	Accountant's / auditor's fees (estimated)
6	Legal fees and expenses for Authority's/Bond Issuer's counsel (estimated)
7	Legal fees and expenses for Bond Trustee's counsel (estimated)
8	Legal fees and expenses for underwriters' counsel (estimated)
9	Fees and expenses for Authority's financial advisor (estimated)
10	Underwriting fees/expenses (estimated)
11	Original issue discount (estimated)
12	Deposit to Reserve Subaccount
13	[Other]
14	<b>Total estimated Upfront Financing Costs (Sum of Lines 2 through 13)</b>
15	<b>Net Proceeds (Line 1 — Line 14)</b>

**INITIAL CHARGE:**

The initial Charge, calculated pursuant to the Financing Order, is \$\_ /kWh.

The table below shows the current assumptions for variables used in the calculation of the initial Charge.

<b>Input Values For Initial Charge</b>	
Applicable period: from _____, _____ to _____, _____	
Forecasted retail kWh sales for the applicable period:	_____
Scheduled Bond payments and estimated other Ongoing Financing Costs for the applicable period:	\$_____
Percent of billed amounts expected to be charged-off:	%
Forecasted % of billed amounts paid during the applicable period:	%
Forecasted retail kWh sales billed and collected during the applicable period:	
Total billing requirement for applicable period:	\$_____
Initial Charge per kWh	\$_____

**C. TARGET DEBT:**

The Net Proceeds from the sale of the Bonds will be used to purchase the Restructuring Property. The portions of the Target Debt to be purchased, redeemed, repaid or defeased with the proceeds of the sale of the Restructuring Property and the Restructuring Costs are set forth in Schedule A hereto.

**D. EXPECTED SAVINGS:**

The expected Net Present Value Savings to Consumers, calculated pursuant to the Financing Order, the Securitization Debt Service based upon the scheduled payments on the Bonds specified in Schedule B hereto, the expected other Ongoing Financing Costs specified in Schedule C hereto, and the expected Charges specified in Schedule D hereto, and the LIPA Debt Service specified in Schedule E hereto, are as follows:

	<b>Expected LIPA Debt Service</b>	<b>Securitization Debt Service</b>	<b>Expected Savings</b>
<b>Net Present Value</b>	\$ _____	\$ _____	\$ _____

**E. BASIC DOCUMENTS:**

Attached to this Issuance Advice Letter are forms of the Servicing Agreement, Administration Agreement, Indenture, and Sale Agreement to be executed and delivered in connection with the issuance of the Bonds.

Respectfully submitted:

LONG ISLAND LIGHTING COMPANY (LIPA),  
as Servicer

By: \_\_\_\_\_  
[Title]

**CONFIRMATION AND APPROVAL**

The undersigned Authority Designee, as and on behalf of the Authority, hereby (a) confirms that the pricing of the Bonds and the other matters described in foregoing Issuance Advice Letter comply with the Financing Order and (b) approves (i) the Restructuring Costs, the expected Upfront Financing Costs, the expected Ongoing Financing Costs described in the Issuance Advice Letter, and (ii) the forms of the Servicing Agreement, Administration Agreement, Indenture, and Sale Agreement attached to the Issuance Advice Letter.

LONG ISLAND POWER AUTHORITY

By: \_\_\_\_\_  
[Title]

**SCHEDULE A**

**TARGET DEBT TO BE PURCHASED, REDEEMED, REPAID OR DEFEASED**  
**("RETIRED")**

<b>Description</b>	<b>Amount to be Retired</b>	<b>Total Outstanding Principal Amount</b>	<b>Current Maturity</b>	<b>Interest Rate</b>

**SCHEDULE B**

**SCHEDULED BOND PAYMENTS**

<b>SERIES [ ] , TRANCH [ ]</b>				
<b>Payment Date</b>	<b>Principal Balance</b>	<b>Interest</b>	<b>Principal</b>	<b>Total Payment</b>

**SCHEDULED SUBORDINATE NOTE PAYMENTS**

<b>Payment Date</b>	<b>Principal Balance</b>	<b>Interest</b>	<b>Principal</b>	<b>Total Payment</b>



**SCHEDULE C**

**ESTIMATED OTHER ONGOING FINANCING COSTS**

	<b><u>ANNUAL AMOUNT</u></b>
Ongoing Servicer fee (LIPA as Servicer)	
Servicing expenses	
Administration fees and expenses	
Bond Trustee Fees and Expenses	
Legal fees	
Accounting fees	
Rating Agency fees	
Reporting and filing fees	
[Amount sufficient to fund the Reserve Subaccount over a period of not more than ____ months]	
Miscellaneous	
<b>TOTAL ESTIMATED OTHER ONGOING FINANCING COSTS</b>	

The Ongoing Financing Costs detailed in the table above are authorized by the Financing Order and approved by the Authority Designee.

**Note: The amounts shown for each category of Ongoing Financing Costs on this attachment are the expected expenses for the first year of the Bonds. Charges will be adjusted at least annually (and at least quarterly after the scheduled final maturity date for the Bonds, or any series of Bonds, if any such Bonds remain outstanding after such scheduled final maturity date, until such Bonds are paid in full) to reflect any changes in Ongoing Financing Costs through the adjustment mechanism described in the Financing Order.**

**SCHEDULE D**

**SUMMARY OF EXPECTED CHARGES**

<b>Year</b>	<b>Bond Payments<sup>1</sup></b>	<b>Other Ongoing Financing Costs<sup>2</sup></b>	<b>Charge Requirement<sup>3</sup></b>	<b>Present Value of Expected Charges<sup>4</sup></b>

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<sup>1</sup> From Schedule B.

<sup>2</sup> From Schedule C.

<sup>3</sup> Sum of Bond payments and Ongoing Financing Costs, adjusted for applicable taxes, uncollectible and billing lags.

<sup>4</sup> The discount rate used is the “all-in” true interest cost of the Bonds.

**SCHEDULE E**

**SUMMARY OF LIPA DEBT SERVICE  
ATTRIBUTABLE TO THE DEBT TO BE PURCHASED, REDEEMED, REPAYED OR  
 DEFEASED (“RETIRED”)**

<b>Fixed Rate Bonds by Series or CUSIP</b>	<b>Principal Amount to be Retired</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>Present Value of Expected Payments</b>

<b>Other Debt</b>	<b>Principal Amount to be Retired</b>	<b>Assumed Maturity if Refinanced</b>	<b>Estimated Interest Rate if Refinanced</b>	<b>Present Value of Expected Payments</b>