

FOR CONSIDERATION

March 24, 2025

TO: Board of Trustees of the Utility Debt Securitization Authority

FROM: John Rhodes

REQUEST: Approval of the 2024 Financial Report of the Utility Debt Securitization Authority

Requested Action

The Board of Trustees (“Board”) is being requested to approve the proposed financial report section of the 2024 annual report of the Utility Debt Securitization Authority (the “UDSA”), prepared in accordance with Section 2800(1) of the Public Authorities Law (“PAL”), in the form attached hereto as **Exhibit “B”**.

Background

Section 2800(1) of the PAL requires that the UDSA submit an annual report to the Governor, the Chairman and ranking minority member of the Senate Finance committee, the Chairman and ranking minority member of the Assembly Ways and Means committee, the State Comptroller, and the Authorities Budget Office, within ninety days after the end of the Authority’s fiscal year. The annual report includes, among other things, the Authority’s financial report for the fiscal year just ended. Under Section 2800(1)(a)(2) of PAL, the financial report shall include the following: audited financials; grant and subsidy programs; operating and financial risks; current bond ratings; and long-term liabilities (the “Financial Report”). Section 2800(3) of PAL requires the Financial Report to be approved by the Trustees.

Recommendation

Based upon the foregoing, it is recommended that the Board adopt a resolution in the form attached hereto as **Exhibit “A”**.

Attachments

Exhibit “A” Resolution

Exhibit “B” Financial Report of the Utility Debt Securitization Authority

RESOLUTION APPROVING THE 2024 FINANCIAL REPORT OF THE UTILITY DEBT SECURITIZATION AUTHORITY

WHEREAS, Section 2800(1) of the Public Authorities Law (“PAL”) requires public authorities such as the Utility Debt Securitization Authority (the “UDSA”) to prepare an annual report; and

WHEREAS, the UDSA’s annual report includes, among other things, a financial report, as defined under Section 2800(1)(a)(2) of PAL (the “Financial Report”); and

WHEREAS, the UDSA has prepared its Financial Report, which, pursuant to Section 2800(3) of PAL, is subject to the approval of the Trustees.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees hereby approves the 2024 Financial Report of the Utility Debt Securitization Authority, in the form presented at this meeting.

Dated: March 24, 2025

UTILITY DEBT SECURITIZATION AUTHORITY

(A Component Unit of the Long Island Power Authority)

Basic Financial Statements

And Required Supplementary Information

December 31, 2024 and 2023

(With Independent Auditors' Reports Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13

DRAFT

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

Management's Discussion and Analysis
(Unaudited)

December 31, 2024 and 2023

Overview of the Financial Statements

The annual financial report for the Utility Debt Securitization Authority (UDSA) includes Management's Discussion and Analysis (MD&A) and the Basic Financial Statements. The Basic Financial Statements consist of the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position, the Statements of Cash Flows, and the notes to the financial statements.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses, and Changes in Net Position report UDSA's revenues and expenses for the periods shown.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income, and other cash uses, such as payments for debt service.

The notes to the financial statements (Notes) provide additional information regarding amounts reported in the financial statements and other information necessary for a fair presentation of the financial statements.

The MD&A of the financial performance of UDSA, which is required supplementary information, provides an overview for the years ended December 31, 2024, and 2023, with certain comparative information as of and for the year ended December 31, 2022. The MD&A should be read in conjunction with the Basic Financial Statements which follow this section. The Notes are an integral part of UDSA's Basic Financial Statements.

UDSA's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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

Management's Discussion and Analysis
(Unaudited)

December 31, 2024 and 2023

Nature of Operations

UDSA was created by Part B of Chapter 173, Laws of New York, 2013 (as amended by Chapter 58 of the Laws of New York, 2015, and then by Chapter 369 of the Laws of New York, 2021, the "Securitization Law"), allowing for the retirement of certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of securitized restructuring bonds (Restructuring Bonds) by UDSA. The Restructuring Bonds are to be repaid by an irrevocable, non-bypassable restructuring charge on all LIPA customer bills.

The Securitization Law permitted LIPA's Board of Trustees (Board) to adopt financing orders pursuant to which UDSA issued Restructuring Bonds in an amount not to exceed \$4.5 billion. LIPA's Board adopted Financing Order No. 1 on October 3, 2013, Financing Orders No. 2, No. 3, and No. 4 on June 26, 2015, and Financing Order No. 5 on September 29, 2017, each authorizing UDSA to issue Restructuring Bonds.

On August 2, 2021, changes to the Securitization Law were authorized to permit the issuance of additional securitized bonds for refinancing LIPA and UDSA bonds and to fund LIPA transmission and distribution system resiliency investments. Funding from UDSA bonds provides a lower cost to customers than issuing LIPA bonds for the same purpose. With these legislative changes UDSA may issue an initial par amount of up to \$8.0 billion of securitized bonds (inclusive of the bonds already issued).

On May 18, 2022, LIPA's Board adopted additional Financing Orders No. 6, No. 7, No. 8, and No. 9. On August 2, 2022, UDSA's Board of Trustees approved the issuance of Series 2022 bonds in an amount not to exceed \$1.3 billion pursuant to Financing Order No. 6. On September 29, 2022, UDSA issued \$54 million Series 2022 Taxable Restructuring Bonds, \$787 million Series 2022 Tax-Exempt Restructuring Bonds, and \$95 million Series 2022 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus \$91 million of premium received, refunded \$852 million of LIPA and UDSA debt and funded \$100 million of LIPA resiliency investments. The 2022 UDSA Restructuring Bonds generated total net present value debt service savings of \$42 million for LIPA's customers.

On March 28, 2023, UDSA's Board of Trustees approved the issuance of Series 2023 bonds in an amount not to exceed \$2 billion pursuant to Financing Order No. 7. On December 15, 2023, UDSA issued \$36 million Series 2023 Taxable Restructuring Bonds, \$662 million Series 2023 Tax-Exempt Restructuring Bonds, and \$136 million Series 2023 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus \$57 million of premium received, refunded \$750 million of LIPA and UDSA debt and funded \$141 million of LIPA resiliency investments. The 2023 UDSA Restructuring Bonds generated total net present value debt service savings of \$45 million for LIPA's customers.

UDSA refinancings have saved LIPA customers \$579 million of net present value debt savings since 2013. A total of \$6.3 billion of UDSA Restructuring Bonds have been issued resulting in \$1.7 billion in remaining statutory capacity.

Each financing order authorized Restructuring Bonds secured by a separate restructuring charge created pursuant to that financing.

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

Management's Discussion and Analysis
(Unaudited)

December 31, 2024 and 2023

Financial Condition Overview

UDSA's condensed Statements of Net Position as of December 31, 2024, 2023, and 2022 are summarized below:

(amounts in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets and Deferred Outflows of Resources			
Current assets	\$ 179,147	168,414	223,211
Noncurrent assets	3,649,620	3,902,830	4,032,258
Deferred outflows of resources	7,049	8,554	10,059
Total assets and deferred outflows of resources	<u>3,835,816</u>	<u>4,079,798</u>	<u>4,265,528</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities	231,853	212,768	273,993
Noncurrent liabilities	3,503,707	3,773,546	3,872,915
Deferred inflows of resources	17,921	21,908	—
Total liabilities and deferred inflows of resources	<u>3,753,481</u>	<u>4,008,222</u>	<u>4,146,908</u>
Net position-restricted	82,335	71,576	118,620
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,835,816</u>	<u>4,079,798</u>	<u>4,265,528</u>

The following summarizes UDSA's statements of net position variances for the years 2024 and 2023:

2024 Compared to 2023

Current assets increased by \$11 million compared to 2023 due to higher cash and cash equivalents of \$15 million primarily due to the additional restructuring charge related to the 2023 bonds combined with the impact of higher sales in 2024. This increase was partially offset by lower accounts receivable balances of \$4 million.

Noncurrent assets decreased by \$253 million compared to 2023 primarily due to the scheduled amortization of the Restructuring Property.

Deferred outflows of resources decreased by \$2 million compared to 2023 due to the scheduled amortization of the deferred defeasance costs on refunding associated with the issuance of the 2022 Restructuring Bonds.

Current liabilities increased by \$19 million compared to 2023 primarily due to higher scheduled current maturities of long-term debt.

Noncurrent liabilities decreased by \$270 million compared to 2023, due to the, scheduled current maturities of long-term debt of \$224 million, and scheduled amortization of debt premium of \$46 million.

Deferred inflows of resources decreased by \$4 million compared to 2023 due to the scheduled amortization of the deferred defeasance costs on refunding associated with the issuance of the 2023 Restructuring Bonds.

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

Management's Discussion and Analysis
(Unaudited)

December 31, 2024 and 2023

2023 Compared to 2022

Current assets decreased by \$55 million compared to 2022 due to lower cash and cash equivalents of \$38 million and lower accounts receivable balances of \$17 million driven by lower restructuring charge rates effective in November 2023 for lower debt service requirements in 2024.

Noncurrent assets decreased by \$129 million compared to 2022 primarily due to the reduction of \$725 million related to Financing Order No. 1 Restructuring Property as a result of the early retirement of Series 2013 Bonds and scheduled amortizations of the Restructuring Property of \$298 million. These decreases were offset by the issuance of Financing Order No. 7, which increased the Restructuring Property by \$898 million. The remaining \$4 million decrease is due to scheduled amortization of bond issuance costs recorded as a regulatory asset.

Deferred outflows of resources decreased by \$2 million compared to 2022 primarily due to the scheduled amortization of the deferred defeasance costs on refunding associated with the issuance of the 2022 Restructuring Bonds.

Current liabilities decreased by \$61 million compared to 2022 primarily due to lower scheduled current maturities of long-term debt resulting from the early retirement of Series 2013 Restructuring Bonds.

Noncurrent liabilities decreased by \$99 million compared to 2022, primarily due to the early retirement of Series 2013 Bonds of \$714 million, scheduled current maturities of long-term debt of \$205 million, and scheduled amortization of debt premium of \$47 million. This was offset by the issuance of the 2023 Restructuring Bonds of \$833 million.

Deferred inflows of resources increased by \$22 million compared to 2022, due to the recognition of a deferred gain from the refunding of Restructuring Bonds, Series 2013 with the issuance of Restructuring Bonds, Series 2023.

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

Management's Discussion and Analysis
(Unaudited)

December 31, 2024 and 2023

Results of Operations

UDSA's condensed Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2024, 2023 and 2022 are summarized as follows:

(amounts in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues, net of uncollectible accounts expense	\$ 388,487	390,914	389,830
Operating expenses	<u>(254,699)</u>	<u>(301,570)</u>	<u>(219,003)</u>
Operating income	133,788	89,344	170,827
Interest income	9,637	10,745	2,306
Interest charges and credits, net	<u>(132,666)</u>	<u>(147,133)</u>	<u>(142,151)</u>
Change in net position	10,759	(47,044)	30,982
Restricted net position, beginning of year	71,576	118,620	87,638
Restricted net position, end of year	<u>\$ 82,335</u>	<u>71,576</u>	<u>118,620</u>

The following summarizes UDSA's financial performance for the years 2024 and 2023:

2024 Compared to 2023

Operating revenues, net of uncollectible accounts expense, decreased by \$2 million compared to 2023 due to a decrease in restructuring charge rates. Any excess recoveries resulting from the 2024 charges are applied to the rate resets for 2025.

Operating expenses decreased by \$47 million compared to 2023 due to lower amortization of the Restructuring Property, which is amortized annually based on total principal payments due, plus premium amortization on the Restructuring Bonds.

Interest income decreased by \$1 million compared to 2023 due to lower average UDSA cash balances throughout 2024.

Interest charges and credits decreased by \$14 million compared to 2023 due lower debt outstanding and the recognition of debt issuance costs in 2023.

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

Management's Discussion and Analysis
(Unaudited)

December 31, 2024 and 2023

2023 Compared to 2022

Operating revenues, net of uncollectible accounts expense, increased by \$1 million compared to 2022 due to an increase in restructuring charge rates. Any excess recoveries resulting from the 2023 charges are applied to the rate resets for 2024.

Operating expenses increased by \$83 million compared to 2022 due to higher amortization of the Restructuring Property, which is amortized annually based on total principal payments due, plus premium amortization on the Restructuring Bonds.

Interest income increased by \$8 million compared to 2022 due to higher interest rates earned on UDSA cash balances.

Interest charges and credits increased by \$5 million compared to 2022 due to the recognition of debt issuance costs as expense in the current period.

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

Management's Discussion and Analysis
(Unaudited)

December 31, 2024 and 2023

Cash and Liquidity

Included in current assets are UDSA's restricted cash accounts totaling approximately \$130 million, \$115 million, and \$153 million as of December 31, 2024, 2023, and 2022, respectively. The higher balance in 2024 compared to 2023 is due to an increase in the collection accounts to meet the increase in debt service requirements in 2025. The lower balance in 2023 compared to 2022 is due to higher redemptions of bonds required in 2023.

Bond Ratings

UDSA's credit ratings by Moody's Investors Service (Moody's), Standard and Poor's Global Ratings (S&P), and Fitch Ratings (Fitch) are listed below.

Bond Series	Moody's	S&P	Fitch
Series 2015	Aaa (sf)	AAA (sf)	AAAsf
Series 2016A	Aaa (sf)	AAA (sf)	AAAsf
Series 2016B	Aaa (sf)	AAA (sf)	AAAsf
Series 2017	Aaa (sf)	AAA (sf)	AAAsf
Series 2022	Aaa (sf)	AAA (sf)	Not applied for
Series 2023	Aaa (sf)	AAA (sf)	Not applied for

Contacting the Utility Debt Securitization Authority

This financial report is designed to provide UDSA's bondholders, and other interested parties, with a general overview of UDSA's finances and to demonstrate its accountability for the funds it receives. For more information, contact the Utility Debt Securitization Authority, in care of the Long Island Power Authority, at 333 Earle Ovington Blvd., Suite 403, Uniondale, New York 11553, or visit UDSA's website at www.lipower.org/UDSA.

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

Statements of Net Position
December 31, 2024 and 2023
(Amounts in thousands)

	2024	2023
Assets and Deferred Outflows of Resources		
Current assets:		
Restricted cash and cash equivalents	\$ 129,695	114,951
Accounts receivable, net of allowance for uncollectible accounts of \$208 and \$180, respectively	49,161	53,463
Prepaid expenses	291	—
Total current assets	179,147	168,414
Noncurrent assets:		
Restructuring property, net of accumulated amortization	3,637,311	3,888,672
Regulatory asset – unamortized debt issuance costs	12,309	14,158
Total noncurrent assets	3,649,620	3,902,830
Total assets	3,828,767	4,071,244
Deferred outflows of resources:		
Deferred defeasance costs on debt refunding	7,049	8,554
Total assets and deferred outflows of resources	\$ 3,835,816	4,079,798
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 223,965	204,790
Accrued interest	7,144	7,571
Accrued expenses	744	407
Total current liabilities	231,853	212,768
Noncurrent liabilities:		
Long-term debt, net	3,227,590	3,451,555
Unamortized premium of long-term debt	276,117	321,991
Total noncurrent liabilities	3,503,707	3,773,546
Total liabilities	3,735,560	3,986,314
Deferred inflows of resources:		
Deferred defeasance costs on debt refunding	17,921	21,908
Net position – restricted	82,335	71,576
Total liabilities, deferred inflows of resources and net position	\$ 3,835,816	4,079,798

See accompanying notes to financial statements.

UTILITY DEBT SECURITIZATION AUTHORITY
(A Component Unit of the Long Island Power Authority)
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2024 and 2023
(Amounts in thousands)

	2024	2023
Operating revenue, net of uncollectible accounts expense	\$ 388,487	390,914
Operating expenses:		
Amortization of restructuring property	251,361	297,527
Servicing, administrative and other fees	3,338	4,043
Total operating expenses	254,699	301,570
Operating income	133,788	89,344
Nonoperating revenue and expenses:		
Interest income	9,637	10,745
Income before interest charges and (credits)	143,425	100,089
Interest charges and (credits):		
Interest on debt	178,755	184,298
Other interest	420	5,787
Other interest amortizations	(46,509)	(42,952)
Total non-operating expenses, net	132,666	147,133
Change in net position	10,759	(47,044)
Net position, beginning of year	71,576	118,620
Net position, end of year	\$ 82,335	71,576

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended December 31, 2024 and 2023

(Amounts in thousands)

	2024	2023
Cash flows from operating activities:		
Operating revenues received	\$ 392,755	407,194
Servicing, administrative and other fees	(3,251)	(4,911)
Net cash provided by operating activities	389,504	402,283
Cash flows from investing activities:		
Interest income	9,637	10,745
Net cash provided by investing activities	9,637	10,745
Cash flows from financing activities:		
Interest paid	(179,181)	(184,539)
Proceeds from the issuance of long-term debt	—	894,630
Early defeasance of UDSA long-term debt	—	(713,513)
Redemption of long-term debt	(204,790)	(264,660)
Payments to bond escrow agent to refinance LIPA bonds	—	(36,277)
Payments to LIPA System Resiliency Fund	—	(141,000)
Other interest costs	(418)	(418)
Debt issuance costs	(8)	(5,450)
Net cash used in financing activities	(384,397)	(451,227)
Net increase (decrease) in cash and cash equivalents	14,744	(38,199)
Restricted cash and cash equivalents, beginning of year	114,951	153,150
Restricted cash and cash equivalents, end of year	\$ 129,695	114,951
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 133,788	89,344
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of restructuring property	251,361	297,527
Changes in operating assets and liabilities:		
Prepaid expenses and accrued expenses	53	(868)
Accounts receivable	4,302	16,280
Net cash provided by operating activities	\$ 389,504	402,283

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

(1) Summary of Significant Accounting Policies

(a) General

The Utility Debt Securitization Authority (UDSA) is a special purpose corporate municipal instrumentality, a body corporate and politic, and a political subdivision and public benefit corporation of the State of New York (State), created by Part B of Chapter 173, Laws of New York, 2013 (as amended by Chapter 58 of the Laws of New York, 2015, and then by Chapter 369 of the Laws of New York, 2021, the "Securitization Law").

The Securitization Law provided the statutory authority for the issuance of restructuring bonds (Restructuring Bonds) by UDSA. The issuance of Restructuring Bonds allows the Long Island Power Authority (LIPA) to retire a portion of its outstanding indebtedness and provides savings to LIPA's utility customers on a net present value basis. LIPA is the owner of the electric transmission and distribution system located in the Counties of Nassau and Suffolk (with certain limited exceptions) and a portion of Queens County known as the Rockaways (Service Area).

On August 2, 2021, changes to the Securitization Law were authorized to permit the issuance of additional securitized bonds for refinancing LIPA and UDSA bonds and to fund LIPA transmission and distribution system resiliency investments. Funding from UDSA bonds provides a lower cost to customers than issuing LIPA bonds for the same purpose. With these statutory changes, UDSA may issue up to \$8.0 billion of securitized bonds (inclusive of the bonds already issued).

On May 18, 2022, LIPA's Board adopted additional Financing Orders No. 6, No. 7, No. 8, and No. 9 and UDSA's Board of Trustees approved the issuance of Series 2022 bonds in an amount not to exceed \$1.3 billion pursuant to Financing Order No. 6 for the purpose of refinancing certain debt of LIPA and UDSA and financing resiliency investments.

UDSA issued \$54 million Series 2022 Taxable Restructuring Bonds, \$787 million Series 2022 Tax-Exempt Restructuring Bonds, and \$95 million Series 2022 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus \$91 million of premium received, refunded \$852 million of LIPA and UDSA debt and funded \$100 million of LIPA resiliency investments. The 2022 UDSA Restructuring Bonds generated total net present value debt service savings of \$42 million for LIPA's customers.

On December 15, 2023, UDSA issued \$36 million Series 2023 Taxable Restructuring Bonds, \$662 million Series 2023 Tax-Exempt Restructuring Bonds, and \$136 million Series 2023 Tax-Exempt Green Bonds. The proceeds of these Restructuring Bonds, plus \$57 million of premium received, refunded \$750 million of LIPA and UDSA debt and funded \$141 million of LIPA resiliency investments. The 2023 UDSA Restructuring Bonds generated total net present value debt service savings of \$45 million for LIPA's customers.

UDSA refinancings have saved LIPA customers \$579 million of net present value debt savings since 2013. A total of \$6.3 billion of UDSA Restructuring Bonds have been issued resulting in \$1.7 billion in remaining statutory capacity.

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

Notes to Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

(b) Financial Reporting Entity

The Securitization Law prohibits UDSA from engaging in any activity except as specifically authorized by a financing order and provides that UDSA is not authorized to be a debtor under Chapter 9 or any other provision of the Bankruptcy Code.

The financial statements of UDSA have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The operations of UDSA are presented as a proprietary fund following the accrual basis of accounting in order to recognize the flow of economic resources. Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

UDSA is considered a blended component unit of LIPA. The basic financial statements of UDSA are consolidated with LIPA for financial reporting purposes in LIPA's Basic Financial Statements.

(c) Use of Estimates

The accompanying financial statements were prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Accounting for the Effects of Rate Regulation

UDSA is subject to the provisions of GASB Codification Section RE10, *Regulated Operations*, which addresses accounting rules for regulated operations. This statement recognizes the economic ability of regulators, through the ratemaking process, to create future economic benefits and obligations affecting rate-regulated companies. Accordingly, UDSA records these future economic benefits and obligations as regulatory assets or regulatory liabilities, respectively.

UDSA established a regulatory asset, in accordance with GASB Codification Section RE10 for debt issuance costs incurred prior to 2023. The regulatory asset will be amortized as a component of interest expense on a systematic basis over the life of the debt they relate. Debt issuance costs incurred for 2023 and beyond will be expensed as incurred.

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

Notes to Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

(e) *Accounts Receivable*

Accounts receivables are classified as current assets and are reported net of an allowance for uncollectible accounts. UDSA records bad debts for its estimated uncollectible accounts as a reduction to the related operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position. Bad debt expense for UDSA totaled \$2 million and \$4 million as of December 31, 2024 and 2023, respectively.

UDSA's accounts receivable includes amounts due from the customers served by LIPA and the accrual of unbilled revenue to be received in the subsequent year. LIPA accrues unbilled revenue by estimating unbilled consumption at the utility customer meter. Unbilled revenue for UDSA totaled \$19 million and \$20 million as of December 31, 2024 and 2023, respectively.

(f) *Restructuring Property*

The Financing Orders, as adopted by LIPA's Board, authorized the creation of Restructuring Property and the issuance of Restructuring Bonds by UDSA to provide funds for the purchase of Restructuring Property from LIPA. LIPA was authorized to use the proceeds from the sale of Restructuring Property to purchase, redeem, repay, or defease certain of its outstanding debt or fund transmission and distribution resiliency investments. Restructuring Property is defined as the right, title, and interest: (a) in and to rates and charges to recover from utility customers the debt service requirements on the Restructuring Bonds (referred to as Restructuring Charges); (b) in and to all revenues, collections, claims, payments, money, or proceeds of, or arising from, the Restructuring 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; and (c) in and to all rights to obtain adjustments to the Restructuring Charges. These non-bypassable consumption-based Restructuring Charges are billed to all existing and future retail electric customers taking electric transmission or distribution service within the Service Area from LIPA or any of its successors or assignees. Restructuring Charges are established on behalf of UDSA and are not subject to oversight by the New York State Public Service Commission, the Department of Public Service, or any other regulatory body, including LIPA's Board.

LIPA has lowered its electric rates to reflect the savings from the securitization and modified its rate structure to create restructuring offset charges, which are amounts equal to and opposite the Restructuring Charges, so that utility customer bills are less than they would have been absent the sale of Restructuring Bonds. The securitization offset charges will be adjusted along with changes to the Restructuring Charges, subject to true-up adjustments as discussed in note 4.

The Restructuring Property is amortized annually based on principal payments due on the Restructuring Bonds. Included in the annual amortization is an amount equal to the bond premium amortization, which is recorded using the effective-interest-rate method.

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

Notes to Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

Below is a summary of the Financing Orders and the original issuance amounts:

Financing Order	Date Issued	Initial Amount Issued Excluding Premiums	Amount Outstanding	Net Present Value Savings	Restructuring Charge Rate Effective Date
Financing Order No. 1	December 18, 2013	\$ 2,022,324	—	131,609	Not Applicable*
Financing Order No. 2	October 27, 2015	1,002,115	911,225	127,978	January 1, 2016
Financing Order No. 3	April 7, 2016	636,770	420,490	115,238	April 7, 2016
Financing Order No. 4	September 8, 2016	469,320	127,510	71,647	September 8, 2016
Financing Order No. 5	November 21, 2017	369,465	283,520	45,387	January 1, 2018
Financing Order No. 6	September 29, 2022	935,655	890,395	42,080	October 3, 2022
Financing Order No. 7	December 15, 2023	833,215	818,415	44,646	December 15, 2023
		<u>\$ 6,268,864</u>	<u>3,451,555</u>	<u>578,585</u>	

*Restructuring Bonds, Series 2013 were fully refunded in 2023 and a restructuring charge for Financing Order No. 1 is no longer required.

(g) Deferred Outflows/Inflows of Resources

Deferred defeasance costs on refunded debt represents the difference between the reacquisition price and the carrying amount of refunded debt. These deferred costs are amortized as a component of interest expense over the shorter of the life of the old or new debt.

(h) Revenues

UDSA records revenue for Restructuring Charges under the accrual method of accounting in an amount equal to the imposed charges.

(i) Income Taxes

UDSA is a political subdivision of the State of New York and, therefore, is exempt from federal, state, and local income taxes.

(2) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of funds held in UDSA's restricted bank accounts to pay the principal, interest, and other expenses associated with the Restructuring Bonds. UDSA has specific investment guidelines to address the legal and contractual requirement such that investment maturities are managed to meet the restructuring bonds' debt service obligations.

The Bond Trustee (Trustee), under the indenture for each series of Restructuring Bonds, must maintain a segregated trust account for each series of Restructuring Bonds known as the Collection Account. The Collection Account for the bonds consists of four subaccounts: a General Subaccount, an Excess Funds Subaccount, Reserve Subaccounts (described below), and an Upfront Financing

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

Notes to Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

Costs Subaccount. For administrative purposes, the subaccounts have been established by the Trustee as separate accounts, which will be recognized collectively as the Collection Account.

The Trustee shall have sole dominion and exclusive control over all money in each Collection Account and shall apply such money as provided in the Indenture. Each account shall remain at all times with a securities intermediary. Only the Trustee shall have access to each Collection Account for the purpose of making deposits to and withdrawals from such account. Funds in each Collection Account shall not be commingled with any other monies.

Reserve Subaccounts

The Reserve Subaccount related to the Series 2013 Restructuring Bonds was established at a reserve level of 0.5% of the initial principal amount of the Restructuring Bonds originally issued. With the issuance of the 2023 Restructuring Bonds, the remaining balances of the 2013 Restructuring Bonds outstanding were refunded. As such, the 2013 Reserve Subaccount funds were used to pay the debt service on the 2013 Restructuring Bonds refunded.

The Reserve Subaccounts related to the Series 2015, 2016A, 2016B, 2017, 2022 and 2023 Restructuring Bonds were each established with two subaccounts — the Operating Reserve Subaccount and the Debt Service Reserve Subaccount. Each Operating Reserve Subaccount requires a reserve level of 0.5% of the initial principal amount of the respective Restructuring Bonds.

The Debt Service Reserve Subaccounts related to the Series 2015, 2016A, 2016B and 2017 Restructuring Bonds were each established at a reserve level of 1.50% of the aggregate principal amount of the respective Restructuring Bonds issued. Series 2022 and 2023 were established at a reserve level of 0.50% of the aggregate principal amount. The Debt Service Reserve Subaccounts are subsequently measured at 1.50% or 0.50% of aggregate principal amounts of Bonds minus the minimum principal amount of Bonds due on the next scheduled debt service payment date. Any release from the Debt Service Reserve Subaccounts is transferred to the Collection Account to fund debt service.

Below is a summary of the Reserve Subaccounts as of December 31:

<u>Reserve Subaccounts</u>	<u>2024</u>	<u>2023</u>
Restructuring Bonds, Series 2015	\$ 18,679	19,434
Restructuring Bonds, Series 2016A	9,491	12,121
Restructuring Bonds, Series 2016B	4,259	4,458
Restructuring Bonds, Series 2017	6,100	6,385
Restructuring Bonds, Series 2022	9,130	9,181
Restructuring Bonds, Series 2023	8,290	8,332
	<u>\$ 55,949</u>	<u>59,911</u>

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

Notes to Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

Risks

Credit Risk: UDSA's permissible investments include: (i) demand deposits and certificates of deposit; (ii) direct obligations of, or obligations guaranteed by, the United States of America; (iii) commercial paper having a rating of not less than A-1, P-1, F1 at the time of the commitment; (iv) money market funds which have the highest rating available; (v) repurchase obligations that are a direct obligation of, or obligation guaranteed by, the United States of America; and (vi) repurchase obligations meeting the minimum ratings criteria set forth in the investment guidelines.

Concentration of Credit Risk: UDSA's investment policies have established limits such that no more than 5% of the investment portfolio may be invested in the securities of any one issuer except as follows: (i) U.S. Treasury Obligations; (ii) demand deposits, time deposits, or certificates of deposit and bankers' acceptance of eligible institutions (as defined in investment guidelines); (iii) repurchase obligations with respect to any security that is a direct obligation of, or obligations guaranteed by, the United States of America; (iv) repurchase obligations with an eligible institution; and (v) money market funds which have the highest rating available. To the extent that more than 35% of UDSA's total invested funds are invested with any single eligible institution, other than the Trustee, the UDSA Board shall be notified. UDSA deposits invested in money-market mutual funds are primarily invested in U.S. government obligations.

Custodial Credit Risk: UDSA believes that custodial credit risk is minimal, as it is UDSA's policy and practice, as stipulated in its investment guidelines, that its investments be held by only eligible institutions with investment grade credit ratings.

Interest Rate Risk: UDSA's investment guidelines state that investments must mature on or before the business day preceding the debt service payment dates of the restructuring bonds and all investments, therefore, are generally maturities of a short nature. As such, UDSA presently holds its funds in money-market mutual funds as cash equivalents.

Below is a summary of UDSA's restricted cash and cash equivalents as of December 31, 2024 and 2023:

Deposit/investment type	2024 Fair value	Percent of portfolio	2023 Fair value	Percent of portfolio
Money-market mutual fund	\$ 129,695	100%	114,951	100%
Total	\$ 129,695	100%	114,951	100%

For 2024 and 2023, the money-market mutual funds were rated by S&P and Moody's as AAAM and Aaa-mf, respectively.

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

Notes to Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

(3) Long-Term Debt

The Financing Orders adopted by LIPA's Board authorized the issuance of Restructuring Bonds by UDSA to provide funds for the purchase of Restructuring Property from LIPA.

The Restructuring Bonds are included on LIPA's basic financial statements; however, they are not direct obligations of LIPA. The Restructuring Bonds are also not a debt, and do not constitute a pledge of the faith and credit or taxing power of the State or of any county, municipality, or any other political subdivision, agency, or instrumentality of the State other than UDSA.

Each Restructuring Property secures only their respective Restructuring Bonds. In each restructuring transaction, LIPA used the net proceeds from the sale of the Restructuring Property to refund debt and other obligations of LIPA or to fund resiliency investments, producing net present value savings to LIPA's utility customers.

Interest payments on all the Restructuring Bonds are paid semi-annually every June 15th and December 15th. Restructuring Charges are set to collect amounts sufficient to pay principal of, and interest on, the bonds on a timely basis and any ongoing financing costs.

UDSA's restructuring bonds contain a provision that in an event of a default, including defaults of debt service payments, the timing of repayment of outstanding amounts may become immediately due.

UDSA's long-term debt as of December 31, 2024 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Maturities</u>	<u>Refundings</u>	<u>Ending balance</u>	<u>Years of Maturity</u>	<u>Interest Rate (%)</u>
Restructuring bonds:							
Series 2015	\$ 955,255	—	44,030	—	911,225	2025-2035	3.00-5.00
Series 2016A	553,805	—	133,315	—	420,490	2025-2033	5.00
Series 2016B	127,510	—	—	—	127,510	2025-2033	4.00-5.00
Series 2017	283,905	—	385	—	283,520	2025-2039	5.00
Series 2022T	32,640	—	—	—	32,640	2029-2037	4.65-4.95
Series 2022TE-1	775,235	—	12,260	—	762,975	2025-2037	5.00
Series 2022TE-2	94,780	—	—	—	94,780	2038-2050	5.00
Series 2023T	36,200	—	—	—	36,200	2039	5.67
Series 2023TE-1	661,500	—	14,800	—	646,700	2025-2039	5.00
Series 2023TE-2	135,515	—	—	—	135,515	2034-2051	5.00
Subtotal	3,656,345	—	204,790	—	3,451,555		
Less: current maturities	(204,790)				(223,965)		
Total long-term debt	\$ 3,451,555				3,227,590		

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

Notes to Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

UDSA's long-term debt as of December 31, 2023 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Maturities</u>	<u>Refundings</u>	<u>Ending balance</u>	<u>Years of Maturity</u>	<u>Interest Rate (%)</u>
Restructuring bonds:							
Series 2013T	\$ 72,660	—	72,660	—	—	—	—
Series 2013TE	715,100	—	680	714,420	—	—	—
Series 2015	967,710	—	12,455	—	955,255	2023-2035	3.00-5.00
Series 2016A	636,770	—	82,965	—	553,805	2023-2033	5.00
Series 2016B	153,695	—	26,185	—	127,510	2023-2033	4.00-5.00
Series 2017	320,620	—	36,715	—	283,905	2023-2039	5.00
Series 2022T	53,585	—	20,945	—	32,640	2023-2037	4.65-4.95
Series 2022TE-1	787,290	—	12,055	—	775,235	2023-2037	5.00
Series 2022TE-2	94,780	—	—	—	94,780	2038-2050	5.00
Series 2023T	—	36,200	—	—	36,200	2039	5.67
Series 2023TE-1	—	661,500	—	—	661,500	2024-2039	5.00
Series 2023TE-2	—	135,515	—	—	135,515	2034-2051	5.00
Subtotal	<u>3,802,210</u>	<u>833,215</u>	<u>264,660</u>	<u>714,420</u>	<u>3,656,345</u>		
Less: current maturities	(264,660)				(204,790)		
Total long-term debt	<u>\$ 3,537,550</u>				<u>3,451,555</u>		

The debt service requirements for UDSA's bonds as of December 31, 2024 are as follows:

<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service Requirements</u>
2025	\$ 223,965	168,697	392,662
2026	231,310	157,409	388,719
2027	222,120	145,957	368,077
2028	222,595	134,845	357,440
2029	238,310	123,557	361,867
2030–2034	1,183,615	429,125	1,612,740
2035–2039	930,955	186,853	1,117,808
2040–2044	74,625	41,656	116,281
2045–2049	95,500	20,757	116,257
2050–2051	28,560	1,317	29,877
Total	<u>\$ 3,451,555</u>	<u>1,410,171</u>	<u>4,861,726</u>

UDSA has approximately \$2.2 billion of Restructuring Bonds that become callable from 2025 through 2034.

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

Notes to Financial Statements

December 31, 2024 and 2023

(Amounts in thousands, unless otherwise stated)

(4) Significant Agreements and Related-Party Transactions

LIPA acts as the initial Servicer of the applicable Restructuring Property pursuant to the terms of a Servicing Agreement with UDSA executed in connection with each issuance of Restructuring Bonds. Under the Servicing Agreement, LIPA, as Servicer, is required to manage and administer the UDSA bondable Restructuring Property and to collect the Restructuring Charges on UDSA's behalf. However, pursuant to LIPA's Second Amended and Restated Operation Services Agreement, PSEG Long Island, among other things, performs the billing and collections, meter reading, and forecasting required of the Servicer under the Servicing Agreement. LIPA is responsible for taking all necessary action in connection with true-up adjustments (described below) and certain reporting requirements.

The Restructuring Charges will be adjusted at least annually (true-up adjustment) and, if determined by the Servicer during the mid-year review process to be necessary, semi-annually or more frequently, to ensure that the expected collections of the Restructuring Charges are adequate to timely pay all scheduled payments of principal and interest on the Restructuring Bonds and all other ongoing financing costs when due.

During 2024 and 2023, UDSA reset its Restructuring Charge on all its Restructuring Bonds semi-annually, as provided by the Servicing Agreements. Under the Financing Orders, LIPA withholds from the Restructuring Charge collections an annual servicing fee equal to 0.05% of the initial principal amount of the Restructuring Bonds originally issued.

Service fees for 2024 and 2023 were \$2.1 million and \$2.7 million, respectively. Administrative fees for 2024 and 2023 were \$0.6 million for both years.

(5) Subsequent Events

Subsequent events for UDSA have been evaluated through March XX, 2025, which is the date that the financial statements were available to be issued, and no material events were noted requiring disclosure.