

Long Island Power Authority

FINANCE AND AUDIT COMMITTEE - 2017 REPORT

The Finance and Audit Committee (the “Committee”) of the Long Island Power Authority’s Board of Trustees (the “Board”) has prepared this report related to its obligations pursuant to the Committee’s charter.

Among its responsibilities, the Committee must report its actions and recommendations to the Board on at least an annual basis on how it has discharged its duties and met its responsibilities including actions related to investigating any matter brought to the attention of the Committee. The Committee is also charged with specific responsibilities related to the Annual Budget; Borrowing, Debt Management, and Interest Rate Exchange Agreements; Power Supply Hedging; Investments; Financial Statements and Disclosure Matters; Selection and Oversight of the Independent Auditor; Internal Audit; Enterprise Risk Management and Internal Control; and Compliance Oversight. These specific responsibilities are detailed within the Committee Charter. Accordingly, the Committee reports as follows:

Membership

The charter requires that a minimum of three Trustees serves as members of the Committee. As appointed by the Chair of the Board, the following three Trustees currently serve on the Committee:

Sheldon L. Cohen, Chair
Elkan Abramowitz
Mark Fischl

Each Committee member meets the standards required for such membership, including: 1) independence, as set forth in the Public Authorities Accountability Act of 2005; 2) familiarity with corporate financial and accounting activities; and 3) skills necessary to understand the duties of the Committee.

Meetings

The Committee is required to meet as often as it determines necessary, but not less frequently than four times per year. As of December 31, 2017, the Committee met six times.

Committee Activities

During 2017, the Committee satisfied each of the obligations contained in its Charter including the following key activities:

- Recommendation to approve revisions to Committee Charter;
- Discussion of 2016 goals and accomplishments;
- Review of LIPA and PSEG Long Island's financials at every meeting of the Committee;
- Review of the LIPA Hedge Report at every meeting of the Committee;
- Review of internal audit activities;
- Review of Internal Audit Charter and confirmation of independence;
- Discussion with KPMG of 2016 audit planning and results;
- Approval of the 2016 Financial Report;
- Approval of (i) the Board Policies on Enterprise Risk Management, Power Supply Hedging, Interest Rate Exchange Agreements and Audit Relationships, (ii) Revisions to the Board Policies on Prompt Payment, Debt and Access to Credit Markets, and Regionally Competitive Rates and (iii) the 2016 Annual Investment Report;
- Discussion of the Committee's Annual Report to the Board;
- Review of various quarterly reports;
- Approval of revised Investment Policy;
- Discussion of plan of finance for 2017;
- Approval of selection of Letter of Credit Providers and Broker-Dealers;
- Approval of financing order No. 5 for issuance of UDSA Debt;
- Approval of establishment of section 115 OPEB Trust;
- Update of Power and Fuel Supply Management and Commodity Hedging from PSEG Energy Resources and Trade;
- Approval of 2018 Internal Audit Plan;
- Approval of 2018 Budget;
- Approval of plan of Finance and Bond Authorizations for 2018;
- Approval of request to IRS to disqualify the qualified Nuclear Decommissioning Trust Fund;
- Discussion of KPMG's 2018 Audit Plan; and
- Discussion of Enterprise Risk Management activities.

Conclusion

The Committee will continue to support the Board of Trustees in discharging its oversight responsibilities relating to accounting, financial reporting, financial practices, and other charter obligations and remains available to provide assistance and guidance regarding any additional responsibilities requested by the Trustees or the Chair of the Board.