

LONG ISLAND POWER AUTHORITY

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING

HELD ON JULY 25, 2018

The Finance and Audit Committee of the Long Island Power Authority (the "Authority") was convened at 8:11 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on July 20, 2018 and electronic notice posted on the Authority's website.

The following Trustees of the Authority were present:

**Shelly L. Cohen, Committee Chair
Elkan Abramowitz, Committee Member
Mark Fischl, Committee Member
Drew Biondo, Trustee**

Representing the Authority were Thomas Falcone, Chief Executive Officer; Anna Chacko, General Counsel; Rick Shansky, Vice President of Operations Oversight; Kenneth Kane, Interim Chief Financial Officer, Bobbi O'Connor, Vice President of Policy and Strategy & Secretary to the Board of Trustees; Donna Mongiardo, Vice President, Controller; Kathleen Mitterway, Vice President of Audit; and Corey Horowitz, Director of Risk Management.

Representing PSEG LI were David Lyons, Vice President of Business Services; Markus Ramlall, Director of Finance; and Steven Oster, Senior Director of Wholesale Energy Services.

Chair Cohen welcomed everyone to the Finance and Audit Committee meeting of the Long Island Power Authority Board of Trustees.

Chair Cohen stated that the first item on the agenda is the adoption of the minutes from the May 23, 2018 Committee meeting.

Upon motion duly made and seconded, the minutes of the May 23, 2018 meeting were approved unanimously.

Chair Cohen stated that next item on the agenda is the Overview of Financial Results & Hedge Report, and a Discussion of the Board's policy on the Power Supply and Hedging Program.

Ms. Mongiardo presented LIPA's financial results, and Mr. Lyons and Mr. Ramlall of PSEG LI reported on the PSEG LI Operating Results and then took questions from the Trustees.

Mr. Horowitz presented the Hedge Report and the Discussion of the Board's Policy on the Power Supply and Hedging Program then took questions from the Trustees.

Chair Cohen stated that next item on the agenda is the Semi-Annual Update from PSEG ER&T on Power and Fuel Supply Management and Hedging, to be presented by Steven Oster.

Mr. Oster presented the Semi-Annual Update from PSEG ER&T on Power and Fuel Supply Management and Hedging and took questions from the Trustees.

Chair Cohen stated that next item on the agenda is the Discussion of Internal Audit Activities which would be presented by Kathleen Mitterway.

Ms. Mitterway gave a presentation regarding the Authority's Internal Audit Activities and then took questions from Trustees.

Chair Cohen stated that the last item on the agenda is Recommendation for Approval of an Amended Board Policy on Audit Relationships, which would be presented by Kathleen Mitterway.

Ms. Mitterway presented the following action item and took questions from the Trustees:

Requested Action

The Finance and Audit Committee of the Board of Trustees of the Long Island Power Authority (the “Authority”) is requested to adopt a resolution approving an amended Board Policy on Audit Relationships, as further described below.

Board Policy on Audit Relationships

The Finance & Audit Committee of the Authority’s Board of Trustees, in its charter, was delegated the responsibility of reviewing the Authority’s policies regarding Audit Relationships.

This proposed Board Policy on Audit Relationships defines the expectations of the Board regarding the existing authority granted to the Finance & Audit Committee for:

- Selecting an independent certified public accounting firm to conduct annual audits of the Authority.
- The annual review of the audit plan as well as the charter, activities, staffing, budget, and organizational structure of the Internal Audit Department and confirming the independence of the internal auditors.
- Monitoring, in consultation with the Vice President - Audit, the significant findings of internal audit reports and the status of the implementation of management’s action plans in response to such audit findings.
- Setting forth the procedures for the Board of Trustee’s receipt, review and implementation of any recommendations in a Management and Operations Audit conducted by the New York State Department of Public Service (“DPS”).

Proposed Changes to Board Policy

The proposed changes to the Board Policy are intended to reflect, in more detail, the procedures relating to the implementation of the management action plans of a DPS Management and Operations Audit, in conformance with Recommendations #2 and #3 of the 2018 Audit.

Specifically, the changes include, among others:

- (i) Clarifying that DPS is only delivering to the Board a report of its findings together with any recommendation of improvement. DPS does not deliver a timetable for implementation of recommendations;
- (ii) Consistent with the Management and Operations Audit, clarifying that the Chief Executive Officer will submit the implementation plan to the Oversight Committee of the Board within ninety (90) days after the audit report’s finalization;

- (iii) (iii) Providing that the Authority's Chief Executive Officer, together with PSEG Long Island, will submit an annual report to the Oversight Committee of the Board and the Department of Public Service, of the status of the implementation plan. That report will include a summary of the activities completed to date and any revisions to completion targets. The annual report will be reviewed by Internal Audit for completeness prior to submission; and
- (iv) (iv) Providing that LIPA Internal Audit will review the effectiveness of the implementation plan in addressing each audit recommendation after the completion of the plan for that recommendation.

A redline copy of the changes is included as Attachment A-1 Board Policy on Audit Relationships.

Recommendation

Based upon the foregoing, I recommend the approval of the adoption of the following resolution.

A motion was made and seconded, and the Trustees unanimously adopted the following resolution:

RESOLUTION APPROVING AMENDMENTS TO THE LONG ISLAND POWER AUTHORITY BOARD POLICY ON AUDIT RELATIONSHIPS

WHEREAS, the Board of Trustees of Long Island Power Authority (the "Authority") oversees the management of the Authority, the contractual relationship with the Authority's Service Provider, and fulfillment of the Authority's mission; and

WHEREAS, as stewards of the Authority, the Trustees are responsible for setting the Authority's audit relationship policy and overseeing its fulfillment; and

WHEREAS, the Finance & Audit Committee of the Authority's Board of Trustees, in its charter, was delegated the responsibility of reviewing the Authority's policies regarding Audit Relationships;

WHEREAS, in the Authority's By-Laws, the Authority's Board of Trustees delegated certain responsibilities to the Chief Executive Officer for managing and directing the staff of the Authority; and

WHEREAS, policies addressing audit relationships have been recommended by the Finance & Audit Committee for adoption by the Board, in accordance with this process;

NOW, THEREFORE, BE IT IS RESOLVED, that the Trustees hereby approve and adopt the amended Policy on Audit Relationships in the form attached to this resolution; and

BE IT FURTHER RESOLVED, that the Policy on Audit Relationships be subject to annual review and evaluation by the Finance & Audit Committee in accordance with the accompanying memorandum.

Chair Cohen then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 8:36 a.m.
