

**FINANCE AND AUDIT COMMITTEE OF THE
UTILITY DEBT SECURITIZATION AUTHORITY**

MINUTES OF THE 15TH MEETING

HELD ON DECEMBER 12, 2018

AT THE OFFICES OF HAWKINS DELAFIELD & WOOD, LLP

7 WORLD TRADE CENTER, 250 GREENWICH STREET, NEW YORK, NY

The Finance and Audit Committee (the “Committee”) of the Utility Debt Securitization Authority (the “Authority”) was convened at approximately 1:29 p.m., at Hawkins Delafield & Wood LLP, 7 World Trade Center, 250 Greenwich Street, New York, NY, pursuant to legal notice given on December 7, 2018; and electronic notice posted on the website of the Long Island Power Authority (“LIPA”).

The following Trustees of the Authority were in attendance:

**Bruce Levy, Committee Chair
Robert Gurman**

Representing the Authority were Thomas Falcone, Chief Executive Officer, Bobbi O’Connor, Secretary to the Board of Trustees; Kenneth Kane, Chief Financial Officer; and Anna Chacko, General Counsel. Representing LIPA were Donna Mongiardo, Vice President and Controller; Kathleen Mitterway, Vice President of Audit; and Jason Horowitz, Assistant General Counsel.

Also in attendance were Todd Fowler, John Pontecorvo and Mike Percent of KMPG; Bruce Van Dusen, Esq. and Arthur Kimball-Stanley, Esq. of Hawkins Delafield & Wood LLP; and, by phone, Elizabeth Columbo, Esq. of Nixon Peabody and Christopher Reitzel, Esq. of Squire Patton Boggs.

The Chair stated that the first item on the agenda is the adoption of minutes from the

August 20, 2018 meeting. He asked if there were any changes or deletions. Hearing none, the following resolution was then adopted by the Trustees upon motion duly made and seconded:

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE AUGUST 20, 2018 MEETING OF THE FINANCE AND AUDIT COMMITTEE OF THE BOARD OF TRUSTEES OF THE UTILITY DEBT SECURITIZATION AUTHORITY

RESOLVED, that the Minutes of the meeting of the Finance and Audit Committee held on August 20, 2018 are hereby approved and all actions taken by the Trustees present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Committee.

The Chair stated that the next item on the agenda is the Overview of the Quarterly Financials Ended September 30, 2018 to be presented by Donna Mongiardo.

Ms. Mongiardo presented the Discussion of the Quarterly Financials Ended September 30, 2018 and took questions from the Trustees.

The Chair then stated that the next item on the agenda is the Discussion of Internal Audit Activities and the Approval of the 2019 Internal Audit Plan, to be presented by Kathleen Mitterway.

Ms. Mitterway presented the Internal Audit Activities and then the following action item:

Requested Action

The Finance and Audit Committee is requested to approve the 2019 UDSA Internal Audit Plan (the “Plan”).

Background

In accordance with the International Standards for the Professional Practice of Internal Auditing (the “Standards”), LIPA annually establishes an Internal Audit Plan. The Standards provide in relevant part that the chief audit executive (i.e. the Vice President-Audit) must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals. Additionally, as set forth in the Standards, the chief audit executive must communicate the internal audit activity’s plans and resource

requirements, including significant interim changes, to senior management and the Board for review and approval.

Discussion

The 2019 UDSA Internal Audit Plan includes testing of key internal controls of the UDSA processes.

Recommendation

Based upon the foregoing, I recommend approval of the above-requested action by the adoption of the Resolution in the form attached.

The Chair made a motion that the Committee to adopt of the resolution, which was seconded. The Committee unanimously adopted the following resolution:

RESOLUTION APPROVING THE 2019 UDSA INTERNAL AUDIT PLAN

RESOLVED, that consistent with the attached memorandum, the UDSA Finance and Audit Committee of the Board Trustees hereby approves the 2019 Internal Audit Plan.

The Chair stated that the next item on the agenda is the Presentation from KPMG on the 2019 Audit Plan, to be presented by Todd Fowler, John Pontecorvo and Mike Percent.

The representatives of KPMG presented the 2019 Audit Plan and then took questions from the Trustees.

The Chair stated that the next item on the agenda is the Discussion of the Year-To-Date Tracking Report, to be presented by Kenneth Kane.

Mr. Kane presented the Discussion of the Year-To-Date Tracking Report and then took questions from the Trustees.

The Chair then stated that the last item on the agenda is the Adoption of a Resolution

Recommending Approval of the 2019 Budget, to be presented by Kenneth Kane.

Mr. Kane presented the Adoption of Resolution Recommending Approval of the 2019 Budget. The Chair made a motion that the Committee recommend adoption of the 2019 budget by the full UDSA Board, which was seconded. The Committee unanimously adopted the following resolution:

**RECOMMENDATION TO APPROVE THE UTILITY DEBT SECURITIZATION
AUTHORITY'S 2019 BUDGET**

RESOLVED, that the Finance and Audit Committee of the Utility Debt Securitization Authority (“Authority”) hereby recommends approval of the Authority’s proposed 2019 budget, which is attached hereto as Exhibit “A”; and

BE IT FURTHER RESOLVED, that the Authority intends to finance the requirements of the 2019 budget, as adjusted from time to time, through the collection of restructuring charges as provided for in Part B of the LIPA Reform Act, signed into law on July 29, 2013, as amended, and the financing orders adopted by the Long Island Power Authority’s Board of Trustees on October 3, 2013, June 26, 2015 and July 26, 2017.

At approximately 1:55 p.m. the Chair entertained a motion to adjourn, which was duly made and seconded.
