

**LONG ISLAND POWER AUTHORITY**

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING**

**HELD ON JANUARY 23, 2019**

*The Finance and Audit Committee of the Long Island Power Authority (the "Authority") was convened at 9:07 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on January 18, 2019 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  
Matthew Cordaro, Trustee  
Peter Gollon, 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 & Strategy and Secretary to the Board of Trustees; Donna Mongiardo, Vice President and Controller; Kathleen Mitterway, Vice President of Audit; Corey Horowitz, Director of Risk Management and Jason Horowitz, Assistant General Counsel.**

**Representing PSEG LI were Laurent Pommier, Vice President of Risk Management and Chief Risk Officer; Steven Oster, Senior Director of Wholesale Energy Services and ER&T; Markus Ramlall, Director of Finance; Gina Critelli, Manager of Planning & Budgeting; Richard Tinelli, Manager of Regulatory Requirements; and Bryan Irrgang, Manager of Electric Load Forecasting.**

*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 December 19, 2018 Committee meeting.*

*Upon motion duly made and seconded, the minutes of the December 19, 2018 meeting were approved unanimously.*

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*Chair Cohen stated that next item on the agenda is the Overview of Financial Results.*

*Ms. Mongiardo presented the Overview of Financial Results, and Mr. Ramlall, Ms. Critelli and Mr. Tinelli of PSEG LI reported on the PSEG LI Operating Results and then took questions from the Trustees.*

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

*Ms. Mitterway presented the Authority's Internal Audit Activities and then took questions from the Trustees.*

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*Chair Cohen stated that the next item on the agenda is Recommendation to Approve Amendments to the Board's Policy on Audit Relationships, to 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 (the "Committee") of the Board of Trustees of the Long Island Power Authority (the "Authority") is requested to adopt a resolution recommending approval of an amended Board Policy on Audit Relationships, as further described below.**

#### **Board Policy on Audit Relationships**

**The Committee, in its Charter, was delegated the responsibility of reviewing the Authority's policies regarding Audit Relationships.**

The Board Policy on Audit Relationships defines the expectations of the Board regarding the existing authority granted to the Finance and 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 include the following:

- To clarify the Finance and Audit Committee's role in reviewing decisions to hire or dismiss the head of the Audit Department.
- The change in the name of the Oversight and REV Committee.
- The addition of an expectation that the Finance and Audit Committee will review the provisions of the Board Policy on Audit Relationships annually.

#### **Recommendation**

Based upon the foregoing, I recommend the approval of the adoption of the resolution in the form attached hereto as Exhibit "A".

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

#### **RESOLUTION RECOMMENDING APPROVAL OF 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; and**

**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.**

**NOW, THEREFORE, BE IT IS RESOLVED, that the Finance & Audit Committee hereby recommends that the Board of Trustees approve and adopt the amended Policy on Audit Relationships, in accordance with the accompanying memorandum; 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.**

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*Chair Cohen stated that the next item on the agenda is the Review of Internal Audit Charter and Internal Audit Confirmation of Independence, to 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 (the "Committee") is requested to adopt a resolution recommending revisions to the Long Island Power Authority (the "Authority") Internal Audit Charter (the "Charter") in the form attached hereto.**

#### **Background**

**The Charter, which was most recently adopted by the Committee on March 29, 2018, establishes the purpose, authority and responsibilities of Internal Audit.**

#### **Proposed Changes**

**Consistent with the Charter, the Committee has undertaken a thorough annual review of the Charter's adequacy. Minor revisions are suggested, including:**

- **to update the title of the head of the audit department to Vice President – Audit**
- **clarify that references to the Board in the Charter are to the Finance and Audit Committee**

- clarify the Finance and Audit Committee’s role in reviewing decisions to hire or dismiss the head of the audit department.

**Recommendation**

Based upon the foregoing, I recommend approval of the above-requested action by adoption of a resolution in the form of the draft resolution attached hereto.

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

**RECOMMENDATION FOR APPROVAL OF REVISED LONG ISLAND POWER AUTHORITY INTERNAL AUDIT CHARTER**

WHEREAS, the Trustees adopted on March 29, 2018, an Internal Audit (“Charter”) which establishes, among other things, the purpose, authority and responsibilities of Internal Audit; and

WHEREAS, the Trustees have reviewed the proposed revised Internal Audit Charter and believes it is reasonable and appropriate to approve it for the reasons set forth in the accompanying memorandum:

NOW, THEREFORE, BE IT RESOLVED, that the Trustees hereby adopt the Long Island Power Authority’s “Internal Audit Charter” in the form presented at this meeting.

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*Chair Cohen stated that the next item on the agenda is a Presentation from PSEG ER&T Power and Fuel Supply Management and Hedging Activities, to be presented by Laurent Pommier and Steven Oster.*

*Mr. Pommier and Mr. Oster presented the PSEG ER&T Power and Fuel Supply Management and Hedging Activities, and then took questions from the Trustees.*

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*Chair Cohen stated that the next item on the agenda is the Committee’s Annual Self Report to the Board, to be presented by Bobbi O’Connor.*

*Ms. O'Connor presented the Committee's Annual Self Report to the Board, and then took questions from the Trustees.*

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*Chair Cohen stated that the last item on the agenda is the Discussion of Sales Forecast, to be presented by Bryan Irrgang.*

*Mr. Irrgang presented the Discussion of Sales Forecast, and then took questions from the Trustees.*

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*At approximately 10:08 a.m. Chair Cohen stated that the Committee would adjourn to Executive Session to discuss personnel matters. Chair Cohen stated that no votes would be taken, and that the Committee would not be returning to public session.*

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