

LONG ISLAND POWER AUTHORITY

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING

HELD ON JULY 24, 2019

The Finance and Audit Committee of the Long Island Power Authority (the "Authority") was convened at 9:02 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on July 19, 2019 and electronic notice posted on the Authority's website annually.

The following Trustees of the Authority were present:

**Shelly L. Cohen, Committee Chair
Mark Fischl, Committee Member
Drew Biondo
Ali Mohammed**

Representing the Authority were Thomas Falcone, Chief Executive Officer; 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; and Kathleen Mitterway, Vice President of Audit.

Representing PSEG LI were Markus Ramlall, Director of Finance, and Richard Tinelli, Manager of Regulatory Requirements.

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 22, 2019 Committee meeting.

Upon motion duly made and seconded, the minutes of the May 22, 2019 meeting were approved unanimously.

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 and Mr. Tinelli of PSEG LI reported on the PSEG LI Operating Results and then took questions from the Trustees.

Chair Cohen stated that the next item on the agenda is the Discussion of the 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.

Chair Cohen stated that the next item on the agenda is the Recommendation to Approve a Vendor for Financial Audit Services, to be presented by Kenneth Kane.

Mr. Kane 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 “Board”) is requested to approve a resolution, attached hereto as Exhibit “A”, recommending that the Chief Executive Officer, or his designee, be authorized to engage KPMG LLP (“KPMG”) to provide financial audit services to the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA (collectively, “LIPA” or the “Authority”) for a term not to exceed five (5) years.

Background

LIPA's financial statements are subject to an annual examination by an independent certified public accounting firm in accordance with Generally Accepted Auditing Standards. Such annual audit includes a review and evaluation of the Authority's system of accounts, accounting procedures, internal controls, and business practices to determine its adequacy and compliance with applicable provisions of the laws of the State of New York. The annual audit report may also include recommendations of possible improvements to internal controls, where appropriate. The audit report must conform to the requirements of Public Authorities Law Section 2802 and Governmental Accounting Standards (“GASB”).

Discussion

On April 15, 2019, LIPA issued a Request for Proposals (“RFP”) seeking qualified firms to provide annual audit services to LIPA. The RFP was distributed to widely known firms, advertised in the New York State Contract Reporter and posted on LIPA’s website.

On or before May 15, 2019, three firms responded to the RFP. A fourth firm that submitted a letter of intent to bid subsequently informed LIPA it would not be submitting a response. LIPA staff formed a selection committee to review the responses. The selection committee performed a technical evaluation by scoring each proposal, while LIPA's procurement staff evaluated cost and the Minority and Women Owned Business Enterprises and Service-Disabled Veteran-Owned Business criteria.

Based upon the review of the submissions and an assessment of LIPA's needs, the selection committee determined KPMG was best suited to serve as LIPA's independent accountants. This recommendation was based on the strengths of the firm's ability to provide the required range of services within timeframes specified by LIPA, the firm's demonstrated record of experience in public finance, and the professional qualifications and experience of the team assigned to the audit by KPMG.

KPMG will also provide financial audit services to the Utility Debt Securitization Authority ("UDSA") under the terms its servicing agreement with the Authority for a period of five years.

Recommendation

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

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

RESOLUTION RECOMMENDING THE AUTHORIZATION TO ENGAGE A FIRM TO PROVIDE FINANCIAL AUDIT SERVICES

NOW, THEREFORE, BE IT RESOLVED, that consistent with the attached Memorandum, the Finance and Audit Committee of the Board of Trustees hereby recommends that the Chief Executive Officer or his designee be authorized to engage KPMG LLP to provide financial audit services to the Long Island Power Authority and its subsidiary the Long Island Lighting Company d/b/a LIPA (collectively, "LIPA" or the "Authority") with a contract for a period of five years; and

BE IT FURTHER RESOLVED, that KPMG LLP will also provide financial audit services to the Utility Debt Securitization Authority ("UDSA") under the terms its servicing agreement with the Authority for a period of five years.

Chair Cohen stated that the last item on the agenda is the Recommendation to Approve Amendments to the F&A Committee Charter to be presented by Kenneth Kane.

Mr. Kane 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 “Board”) is requested to adopt a resolution recommending approval of certain amendments to the Finance and Audit Committee Charter (the “Charter”), which resolution is attached hereto as Exhibit “A”.

Background

The Charter was most recently revised by the Board of Trustees in March 2018. It establishes the purpose, membership, meeting requirements and responsibilities of the Finance and Audit Committee (the “Committee”) and serves as the governing document for the Committee. Consistent with the Charter, the Committee has undertaken a thorough review of the Charter’s adequacy and compliance with applicable law and has noted certain changes that clarify the Committee’s responsibilities and remove redundancies between the responsibilities listed in the Charter and the applicable Board policies.

Recommendation

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

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

RECOMMENDATION TO APPROVE AMENDMENTS TO THE FINANCE AND AUDIT COMMITTEE CHARTER

WHEREAS, on June 26, 2014, the Board of Trustees adopted the Finance and Audit Committee Charter (“Charter”) which establishes, among other things, the purpose, powers, composition and key responsibilities of the Finance and Audit Committee (the “Committee”); and

WHEREAS, the Committee has reviewed the proposed revised Charter and has recommended to the Board the adoption of the revised Charter consistent with the accompanying memorandum.

NOW, THEREFORE, BE IT RESOLVED, that the Finance and Audit Committee of the Board of Trustees of the Long Island Power Authority hereby recommends the adoption of the Long Island Power Authority’s “Finance and Audit Committee Charter (July 24, 2019)” in the form presented at this meeting.

Chair Cohen then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 9:26 a.m.
