



Utility Debt Securitization Authority Discussion with the Board of Trustees

Audit plan and strategy for the year ending December 31, 2025

With you today, December 15, 2025:

- Kevin Lyons, Lead Audit Engagement Partner
- Todd Fowler, Client Service Partner & US Sector Leader Energy, Natural Resources & Chemicals
- Stephen Scelfo, Lead Audit Engagement Senior Manager

Audit plan required communications & other matters

Our audit of the basic financial statements of UDSA as of and for the year ended December 31, 2025, will be performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards (GAS)*.

Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.

We will also be issuing our examination report over UDSA's compliance with its investment guidelines and our Agreed Upon Procedures reports related to UDSA's Restructuring Property Servicing Agreements.

Matters to communicate		Response
Role and identity of engagement partner	✓	Lead audit engagement partner is: Kevin Lyons
Significant findings or issues discussed with management	X	
Client Service Team	✓	Page 3
Materiality in the context of an audit	✓	Page 4
Engagement management and timeline	✓	Page 5 - 6
Risk assessment: Significant risk	✓	Page 7
Newly effective accounting standards	✓	Page 8
Shared responsibilities: Independence	✓	Page 9
Responsibilities	✓	Page 10
2025 Audit Fees	✓	Fees for the FY 2025 audit will be billed according to the Cost Proposal dated May 24, 2024
US Audit Quality, Transparency, and Impact Reports	✓	Page 11
Inquiries	✓	Page 12

Empowered. Engaged. Committed.



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Quality Reviewing
Partner



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Lead Audit
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U.S. Sector
Leader, Energy,
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Stephen Scelfo
Lead Audit Senior
Manager



Dorina Cipollone
Senior Manager

Additional team members



Shelly Masi
SEC Reviewing
Partner

Subcontractors
Team Avaloria (MBE)
Long Island Financial Management
Services (WBE)

Audit Staff

Global Delivery Center Private Limited
(GDC)



Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the financial statements, considering the following factors:

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

Judgments about materiality involve both qualitative and quantitative considerations.

Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.

Judgments about the size of misstatements that will be considered material provide a basis for

- Determining the nature and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

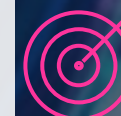
Engagement management to fit your team

KPMG and UDSA have a joint interest in driving quality and eliminating peaks in workload, particularly in the post year end period. That's why we're continuing to:

Communicate and coordinate with all levels of management and the Audit Committee, including updates on key milestones

Accelerate work to drive quality and an exceptional client experience

Improve the walkthrough and controls experience by accelerating and streamlining walkthrough efforts and standardizing requested evidence on controls



Our timeline

April – September

Planning and risk assessment

- Debrief on prior year audit with management
- Obtain and update our understanding of LIPA and UDSA and their environment
- Coordinate with management timing and uploading of PBC documents
- Evaluate design and implementation (D&I) of entity level controls and process level controls for certain processes

October – December

Interim

- Communicate audit plan
- Planning and initial risk assessment procedures, including:
- Identification and assessment of risks of misstatements and planned audit response for certain processes
- Perform process walkthroughs and identification of process risk points for certain processes
- Evaluate design and implementation (D&I) of entity level, process level, and general IT and automated controls
- Inquire of the Board of Trustees, management and others within LIPA about risks of material misstatement
- Perform interim substantive audit procedures and Agreed-upon procedures in connection with most recent securitization transaction

January – March 2026

Year-end

- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Obtain written representation letters from management
- Review financial statement disclosures
- Present audit results to the Board of Trustees and perform required communications
- Issue audit report on financial statements and other reports

Filing date: Issue audit reports on financial statements & attestation reports on or before March 30, 2026.

Risk assessment: Significant risks

Significant risk	Susceptibility to:	
	Error	Fraud
Management override of controls Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.		Yes



Newly effective accounting standards

Effective for calendar year-end organizations in 2025

GASB Statement No. 102, Certain Risk Disclosures

Improves financial reporting by providing users of financial statements with disclosures that will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

The above referenced GASB is not expected to have a material impact on the basic financial statements of UDSA

Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance, and KPMG each play an important role.

System of Independence Quality Control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New officers or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over the Company, and persons in key positions with respect to the preparation or oversight of the financial statements

Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons
- UDSA or its Trustees, officers, from having certain types of business relationships with KPMG or KPMG professionals

Responsibilities



Management responsibilities

- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



KPMG responsibilities – objectives

- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.



KPMG responsibilities – other

- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
 - Withdraw from the audit engagement when possible under applicable law or regulation;
 - Communicate the circumstances to those charged with governance, and
 - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

US Audit Quality, Transparency and Impact reports



- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report



- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards including our System of Quality Control Statement of Effectiveness

Transparency Report



- Provides annual update on our progress on meeting goals aligned to People, Planet, Prosperity, and Governance
- Our goals reflect a materiality assessment and our aspiration to be an employer of choice

KPMG Impact Plan

Reports and supplements available at: <https://kpmg.com/us/en/articles/audit-quality-report.html>

Required inquiries

- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- How do you exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Has the entity entered into any significant unusual transactions?
- **Are you aware of any matters relevant to the audit, including, but not limited to,** any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- Has the entity complied with all covenants during the financial statement period and before the date of the auditor's report?
Have there been any events of default during the financial statement period and before the dates of the auditor's report?
- What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at <https://boardleadership.kpmg.us/audit-committee.html>

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