

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

MINUTES OF THE 8TH MEETING

HELD ON MARCH 30, 2016

**AT THE OFFICES OF HAWKINS DELAFIELD & WOOD LLP
28 LIBERTY STREET, NEW YORK, NY**

The Finance and Audit Committee (the “Committee”) of the Utility Debt Securitization Authority (the “Authority”) was convened for the sixth time at 2:00 p.m. at Hawkins Delafield & Wood LLP, 28 Liberty Street, New York, NY, pursuant to legal notice given on Friday, March 25, 2016; and electronic notice posted on the Long Island Power Authority (“LIPA”) website.

The following Trustees of the Authority were in attendance:

**Bruce Levy, Chair
Robert Gurman, by phone**

Representing the Authority were Tom Falcone, Chief Executive Officer; and Jon Mostel, General Counsel and Secretary to the Board of Trustees participated by phone. Representing LIPA were Bobbi O’Connor, Deputy General Counsel & Assistant Secretary; Kenneth Kane, Managing Director of Finance; Donna Mongiardo, Controller; Kathleen Mitterway, Director of Audit; and Sanna Wong-Chen, Director of Finance. John Little, Managing Director of Planning and Strategy participated by phone.

Also participating were David Lyons, Senior Director and VP Business Services from PSEG Long Island; Bruce Van Dusen, Hawkins Delafield & Wood, LLP; Nicholas DiVirgilio, Todd Fowler and Mike Percent all from KPMG; and Jeffrey Pohl and Abby Pugliese, both from Squire Patton Boggs, participated by phone.

The Chair stated that the first item on the agenda is the adoption of minutes from the January 5, 2016 meeting. He asked if there were any changes or deletions. Hearing none, the resolution was then adopted by the Trustees upon motion duly made and seconded:

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE JANUARY 5, 2016 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 January 5, 2016 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 discussion of 2015 Financial Report, to be presented by Donna Mongiardo, Todd Fowler, Nicholas DiVirgilio and Mike Percent.

Donna Mongiardo, Todd Fowler, Nicholas DiVirgilio and Mike Percent, delivered a presentation on the 2015 Financial report and took questions from the Trustees.

At approximately 2:23 p.m., the Chair stated that the Committee would adjourn to Executive Session to discuss personnel matters. The Chair noted that no votes would be taken and that the committee would be returning to public session. The Chair entertained a motion to adjourn, which was duly made and seconded. At approximately 2:30 p.m., the Committee returned to public session.

The Chair stated that the next item on the agenda is consideration of recommendation to approve 2015 Financial Report.

Requested Action

The Finance and Audit Committee (“Committee”) of the Board of Trustees (“Board”) is being requested to recommend that the Board approve the proposed financial report section of the 2015 annual report of the Utility Debt Securitization Authority (the “Authority”), prepared in accordance with Section 2800(1) of the Public Authorities Law (“PAL”), in the form presented at the meeting.

Background

Section 2800(1) of the PAL requires the Authority to submit an annual report to the Governor, the Chairman and ranking minority member of the Senate Finance committee, the Chairman and ranking minority member of the Assembly Ways and Means committee, the State Comptroller, and the Authorities Budget Office, within ninety days after the end of the Authority’s fiscal year. The annual report includes, among other things, the Authority’s financial report for the fiscal year just ended. Under Section 2800(1)(a)(2) of PAL, the financial report shall include the following: audited financials; grant and subsidy programs; operating and financial risks; current bond ratings; and long-term liabilities (the “Financial Report”). Section 2800(3) of PAL requires the Financial Report to be approved by the Trustees.

Recommendation

Based upon the foregoing, it is recommended that the Committee adopt a resolution in the form of the draft resolution attached.

The Chair made a motion that the Committee recommend adoption of the resolution by the full UDSA Board, which was seconded. The Committee unanimously agreed to recommend adoption of the following resolution:

RECOMMENDATION OF APPROVAL OF 2015 FINANCIAL REPORT OF THE UTILITY DEBT SECURITIZATION AUTHORITY

WHEREAS, Section 2800(1) of the Public Authorities Law (“PAL”) requires public authorities such as the Utility Debt Securitization Authority (the “Authority”) to prepare an annual report; and

WHEREAS, the Authority’s annual report includes, among other things, a financial report, as defined under Section 2800(1)(a)(2) of PAL (the “Financial Report”); and

WHEREAS, the Authority has prepared its Financial Report, which, pursuant to Section 2800(3) of PAL, is subject to the approval of the Trustees;

NOW, THEREFORE, BE IT RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends approval by the full Board of the 2015 Financial Report of the Utility Debt Securitization Authority, in the form presented at this meeting.

The Chair stated that the next item on the agenda is consideration of recommendation to approve the 2015 Annual Investment Report, to be presented by Kenneth Kane.

Kenneth Kane presented the following item:

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees (“Board”) is requested to adopt a resolution recommending approval by the Board of the Annual Investment Report of the Utility Debt Securitization Authority (UDSA).

Background

Pursuant to the Investment Guidelines adopted by the UDSA on November 14, 2013, as amended on March 30, 2015, an Annual Investment Report is to be prepared and submitted to the Board for approval.

As shown in the report, the UDSA had investments ranging from approximately \$41 million at June 30, 2015 to in excess of \$50 million for each of the quarters ended March, September and December. The UDSA funds are invested in Dreyfus Cash Management Institutional Shares, a triple-A rated money market fund. For the year ended December 31, 2015, the fund generated a return of 0.05%, as shown in their latest report, which is attached for your convenience.

Recommendation

Based upon the foregoing, Mr. Kane recommended the approval of the above requested action by adoption of a resolution in the form of the draft resolution presented at the meeting.

After discussion and questions by the Trustees, the Chair made a motion that the Committee recommend adoption of the resolution by the full UDSA Board, which was seconded. The Committee unanimously agreed to recommend adoption of the following resolution:

RECOMMENDATION FOR APPROVAL OF THE 2015 ANNUAL INVESTMENT REPORT PURSUANT TO THE AUTHORITY'S INVESTMENT GUIDELINES

WHEREAS, the Utility Debt Securitization Authority (the "Authority") adopted the Utility Debt Securitization Authority Guidelines for Investing, Securing, Monitoring and Reporting Authority Funds Available for Investment (the "Investment Guidelines"), in November 2013; and

WHEREAS, the Authority subsequently amended the Investment Guidelines in March 2015; and

WHEREAS, the Investment Guidelines require that the Board annually approve an investment report to be prepared by Long Island Power Authority ("LIPA") staff:

NOW THEREFORE BE IT RESOLVED, that the Finance and Audit Committee of the Board of Trustees hereby recommends approval by the full Board of the Investment Report in the form presented at this meeting.

The Chair stated that the next item on the agenda is an update on internal audit activities presented by Kathleen Mitterway.

Kathleen Mitterway presented an update on internal audit activities and took questions from the Trustees.

The Chair stated that the next item on the agenda is review of Internal Audit Charter and Confirmation of Independence, to be presented by Kathleen Mitterway.

Kathleen Mitterway presented the following item:

Summary

Internal Auditing is an independent and objective assurance and consulting function that seeks to support and advance the mission of the Utility Debt Securitization Authority (the "Authority"). It assists the Authority in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control.

International Standards for the Professional Practice of Internal Auditing (Standards), Attribute Standard 1110 – Organizational Independence, specifically states that the Chief Audit Executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The Chief Audit Executive must confirm to the Board, at least annually, the organizational independence of the internal audit activity.

The Authority’s Director of Audit, who performs the functions of Chief Audit Executive, reports functionally to the Board and administratively (i.e. day to day operations) to the Chief Executive Officer or the individual performing such functions.

Therefore, on this 30th day of March 2016, Kathleen H. Mitterway, the Authority’s Director of Audit, acknowledges and confirms that the internal audit activity is, consistent with applicable standards, operating independently of management.

After discussion and questions by the Trustees, the Chair made a motion to adopt the following resolution. Upon motion duly made and seconded the following resolution was unanimously adopted by the Trustees:

APPROVAL BY FINANCE & AUDIT COMMITTEE OF THE UTILITY DEBT SECURITIZATION AUTHORITY INTERNAL AUDIT CHARTER

WHEREAS, the Finance & Audit Committee (the “Committee”) of the Utility Debt Securitization Authority (the “Authority”) has reviewed the Internal Audit Charter adopted by the Committee on April 27, 2015; and

WHEREAS, the Committee believes the Charter adequately defines the internal audit function’s purpose, authority, responsibility and position within the Authority; and

WHEREAS, the Committee does not believe any amendments to the Charter are necessary at this time:

NOW, THEREFORE, BE IT RESOLVED, that the Committee hereby adopts the Authority’s “Internal Audit Charter” in the form presented at the meeting; and be it further

RESOLVED, that this resolution take effect immediately.

The Chair stated that the next item on the agenda is discussion of Year-to-Date Tracking Report, to be presented by John Little.

John Little presented the Year-to-Date Tracking report and took questions from the

Trustees.

The Chair stated that the next item on the agenda is discussion of March Financing Results to be presented by Tom Falcone.

Tom Falcone presented the March Financing Results and took questions from the Trustees.

The Chair stated that the next item on the agenda is discussion of certain modifications to the 2013 and 2015 Servicing Agreements, to be presented by John Little.

John Little presented modifications to the 2013 and 2015 Servicing Agreements and took questions from the Trustees.

At approximately 3:12 p.m. the Chair entertained a motion to adjourn, which was duly made and seconded.

Respectfully submitted,

Jon Mostel