

LONG ISLAND POWER AUTHORITY

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING

HELD ON OCTOBER 19, 2015

The Finance and Audit Committee of the Long Island Power Authority (the "Authority") was convened at 8:02 a.m. at LIPA Headquarters, Uniondale, NY, pursuant to legal notice given on October 14, 2015; and electronic notice posted on the Authority's website annually.

The following Trustees of the Authority were present:

**Shelly Cohen, Committee Chair
Mark Fischl
Thomas McAteer**

Representing the Authority were Tom Falcone, Chief Financial Officer; Jon Mostel, General Counsel & Secretary to the Board of Trustees; Bobbi O'Connor, Deputy General Counsel & Assistant Secretary to the Board of Trustees; Kenneth Kane, Managing Director of Finance and Budgeting; Donna Mongiardo, Controller; Corey Horowitz, Director of Power Supply Risk Management; Kathleen Mitterway, Director of Audit; Rick Shansky, Managing Director of Contract Oversight; and Ben Chu, Director of Power & Fuel Supply Services.

Representing KPMG were Todd Fowler and Nicholas DiVirgilio.

Representing PSEG LI were David Lyons, Director of Corporate Integration; Scott Payant, Senior Manager of Treasury; Steven Oster, Director of Enterprise Risk Strategy; and Laurent Pommier, Vice President Risk Management and Chief Risk Officer.

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 August 7, 2015 Committee meeting.

Chair Cohen made a motion to accept the minutes of the August 7, 2015 meeting, which was seconded. The minutes were approved unanimously.

Trustee Cohen stated that next item on the agenda is the Overview of Financial Results & Hedge Report.

Ms. Mongiardo presented LIPA's financial results through September 2015, and Mr. Lyons and Mr. Payant of PSEG LI reported on the PSEG LI Operating Results and then took questions from the Trustees.

Mr. Falcone reported on the UDSA refinancing and then took questions from the Trustees.

Mr. Horowitz reported on the Hedge Report and then took questions from the Trustees.

Chair Cohen stated that next item on the agenda is Internal Audit Activities which would be presented by Kathleen Mitterway. Ms. Mitterway gave a presentation regarding the Authority's internal audit activities and then took questions from Trustees.

The Chair stated that the next item on the agenda is the KPMG 2015 Audit Plan which would be presented by Mr. Fowler and Mr. DiVirgilio. Mr. Fowler and Mr. DiVirgilio reported on the 2015 Audit Plan and then took questions from the Trustees

Chair Cohen stated that the next item on the agenda is the presentation of Management of the Authority's Hedge Plan which would be presented by Mr. Chu, Mr. Oster

and Mr. Pommier. Mr. Oster and Mr. Pommier gave a presentation regarding the current status of Power Supply and Fuel Management and took questions from the Trustees.

Chair Cohen stated that the next item on the agenda is consideration of Recommendation to Authorize Engagement of Actuarial Services which would be presented by Mr. Kane. Mr. Kane presented the following item.

Requested Action

The Finance and Audit Committee of the Board of Trustees is being requested to approve a resolution recommending that the full Board authorize the Chief Financial Officer, or his designee, to engage Cheiron, Inc. (“Cheiron”) to provide actuarial services to the Long Island Power Authority and its subsidiary, the Long Island Lighting Company d/b/a LIPA and d/b/a Power Supply Long Island (collectively, “LIPA” or the “Authority”) for a term not to exceed 5 years.

Background

LIPA has an on-going need for actuarial services related to a variety of aspects of its business including calculations of ongoing pension and OPEB liabilities specific to the Authority employees and to advise Authority management on matters relevant to the pension and OPEB costs that are flowed through to the Authority by PSEG-LI through the A&R OSA, and by National Grid through the Power Supply Agreement.

Discussion

On August 27, 2015, LIPA issued a Request for Proposals (“RFP”) seeking qualified firms to provide actuarial services to LIPA. The RFP was distributed to 23 firms including 3 M/WBE firms, advertised in the NYS Contract Reporter, and posted on LIPA’s website.

On or before September 25, 2015, four firms responded to the RFP. A selection committee comprised of LIPA staff carefully examined each of the four proposals for compliance with the threshold criteria and terms of the RFP, including the cost and non-cost evaluation criteria set forth therein. LIPA staff concluded that all four proposals were responsive to the RFP.

LIPA staff then scored the four proposals on a quantitative basis. No interviews were conducted

Based upon the written submissions and an assessment of LIPA’s needs, Cheiron was judged to be best suited to provide LIPA actuarial services for the term of this engagement. Some of the strengths of Cheiron include its extensive experience advising some of the largest public companies, including utilities, in the country, as well as multiemployer and corporate pension and OPEB plans. In addition, Cheiron’s proposal noted specific experience serving as an independent actuary while another actuary is conducting the day-to-day actuarial results which is an expertise the Authority needs to assist in evaluating and

overseeing the actuarial results presented by PSEG Long Island and National Grid's actuaries.

Recommendation

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

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

RECOMMENDATION TO APPROVE ENGAGEMENT OF FIRM TO PROVIDE ACTUARIAL SERVICES

RESOLVED, that consistent with the attached memorandum, the Finance and Audit Committee of the Board of Trustees adopt a resolution authorizing the Chief Financial Officer or his designee, to engage Cheiron, Inc. to provide actuarial services to the Long Island Power Authority and its wholly owned subsidiary Long Island Lighting Company d/b/a LIPA and d/b/a Power Supply Long Island (together "LIPA") on an as-needed basis, based on terms and conditions substantially consistent with LIPA's standard form of consulting agreement with such modifications as the individual executing same shall consider reasonable as demonstrated by such individual's execution of same.

Chair Cohen then entertained a motion to adjourn, which was duly made and seconded, after which the meeting concluded at approximately 9:15 a.m.