



Utility Debt Securitization Authority Discussion with the Board of Trustees

Audit plan and strategy for the year ending December 31, 2024

(Prepared: November 22, 2024)

With you today, December 16, 2024:

- Kevin Lyons, Lead Audit Engagement Partner
- Todd Fowler, Client Service Partner & Audit Sector Leader Power, Utilities & Renewables
- Stephen Scelfo, Lead Audit Engagement Senior Manager





Delivering a better audit experience drives us

With KPMG, you can expect an experience that's better for your team, your organization, and the capital markets. An experience that's built for a world that demands agility and integrity.

We aim to deliver an exceptional client experience by focusing on:



Quality



Experience



Productivity



Insights

Audit plan required communications and other matters

Our audit of the basic financial statements of UDSA as of and for the year ended December 31, 2024, will be performed in accordance with auditing standards generally accepted in the United States of America.

Performing an audit of the basic 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.

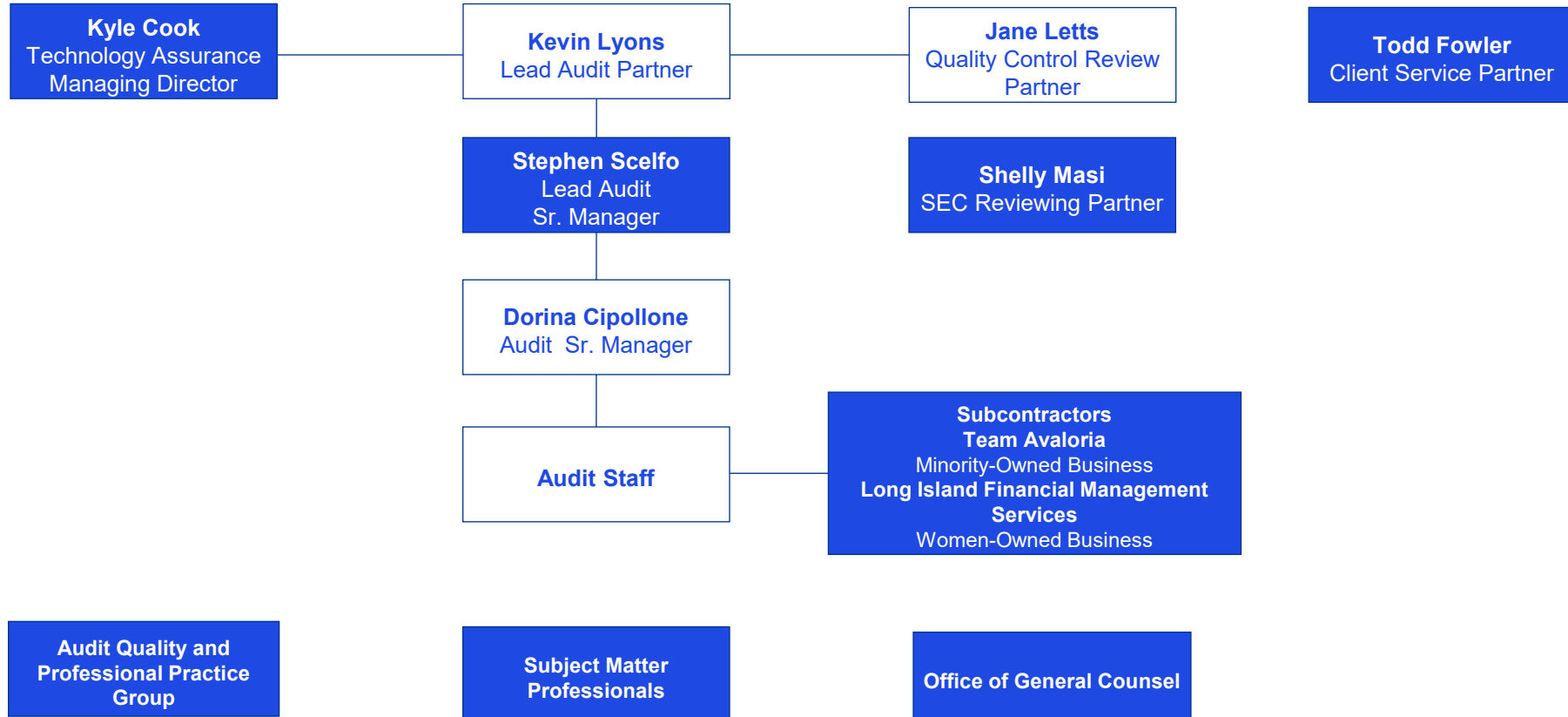
We will also be issuing our examination report in accordance with UDSA's investments guidelines and our Agreed Upon Procedures reports related to UDSA's Restructuring Property Servicing Agreements (6 reports)

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 4
Materiality in the context of an audit	✓	Page 5
Our timeline	✓	Page 6
Risk assessment: Significant risks	✓	Page 7
Risk assessment: Significant audit areas and accounting estimates	✓	Page 8
Involvement of others	✓	Page 9
Newly effective accounting standards	✓	Page 10
Shared responsibilities: Independence	✓	Page 11
Responsibilities	✓	Page 12
2024 Audit Fees	✓	Page 13
US Audit Quality, Transparency, and Impact Reports	✓	Page 14
Inquiries	✓	Page 15

✓ = Matters to report X = No matters to report

Client service team

Team members with continuity are designated in blue.



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:

<p>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.</p>	<p>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.</p>	<p>Judgments about materiality involve both qualitative and quantitative considerations.</p>
<p>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.</p>	<p>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.</p>	<p>Judgments about the size of misstatements that will be considered material provide a basis for</p> <ol style="list-style-type: none">Determining the nature and extent of risk assessment procedures;Identifying and assessing the risks of material misstatement; andDetermining the nature, timing, and extent of further audit procedures.

Our timeline

August – October

Planning and risk assessment

- Debrief on prior year audit with management
- Obtain and update our understanding of LIPA and its environment
- Finalize contracting
- Coordinate with management timing and uploading of PBC documents

November – December

Interim

- Planning and initial risk assessment procedures, including:
- 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 UDSA about risks of material misstatement
- Coordinate with Internal Audit
- Perform interim substantive audit procedures
- Identify IT applications and environments
- Communicate audit plan

January – March 2025

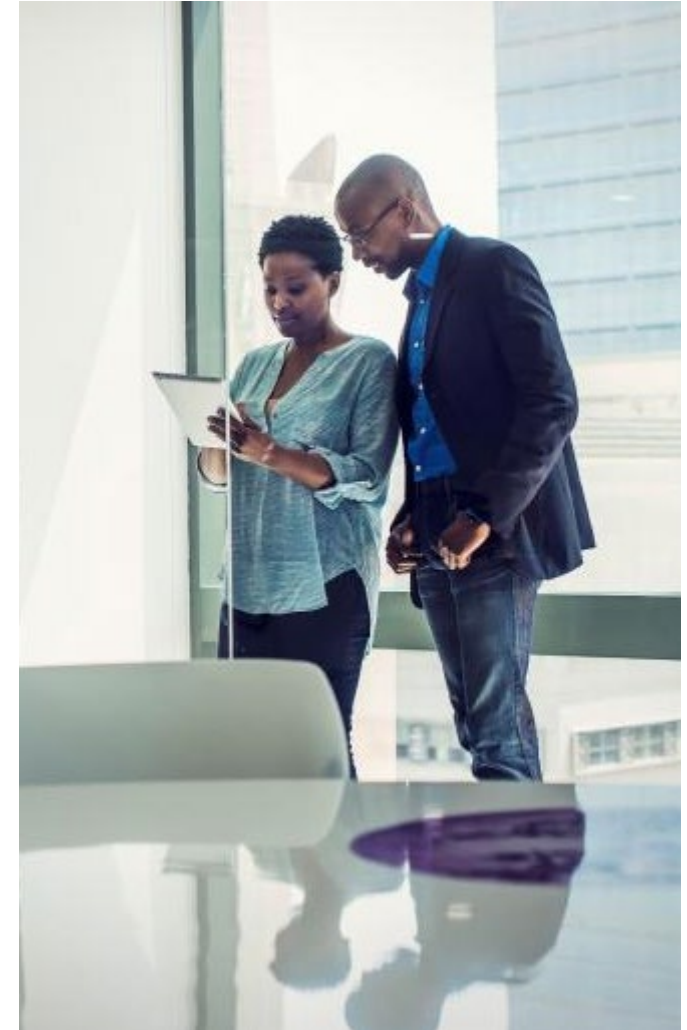
Year-end

- 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 Finance and Audit Commit and perform required communications
- Issue audit reports on financial statements and other reports

Filing date: Issue audit reports on financial statements & attestation reports on or before March 28, 2025.

Risk assessment: Significant risk

Significant risk	Susceptibility to:	
	Error	Fraud
<p>Management override of controls</p> <p>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.</p>		Yes
<p>We plan to address the risk of fraud due to management override of controls by:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the journal entry process as it relates to financial reporting - Performing procedures to address completeness of the journal entry population including any period-end, post-close, and top-side journal entries - Perform scanning and risk assessment procedures to identify higher risk journal entries for substantive testing. 		



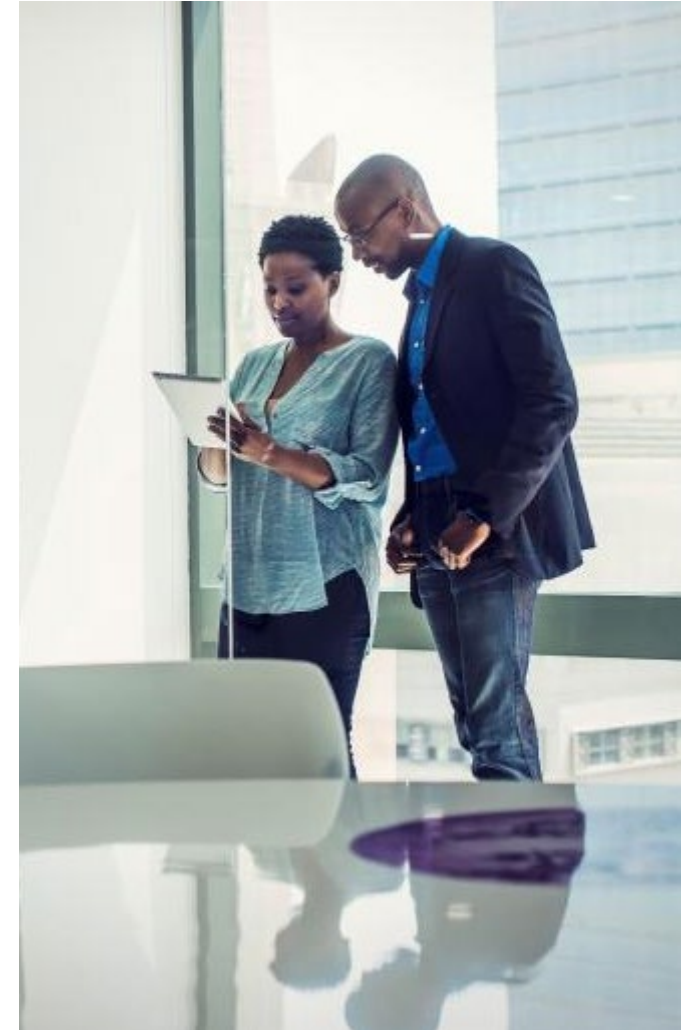
Risk assessment: Significant audit areas and accounting estimates

Significant audit areas and accounting estimates

Revenue recognition

Long-term debt

Restructuring property



Involvement of others

Audit of financial statements	Extent of planned involvement
Internal Audit	Inquiries of Internal Audit, collaboration on walkthrough process, review internal audit plan, and review results of internal audits performed

Newly effective accounting standards

Effective for calendar year-end companies in 2024

GASB Statement No. 99, Omnibus

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, Compensated Absences

Updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Effective for calendar year-end companies 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.

None of the above referenced GASBs are 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 directors, 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.

FY 2024 audit fees

Fees for the FY 2024 audit will be billed according to the Cost Proposal dated May 24, 2024

UDSA Financial Statements

- Independent Auditors' Report
- Report on Internal Control over Financial Reporting and Compliance on Other Matters
- Investment Guidelines Compliance Report
- Agreed Upon Procedures related to the UDSA's Restructuring Property Servicing Agreements (6 reports)
- Required Communications to the Board of Trustees
- Management letter, if necessary

2024 Fees for above deliverables

Per Cost Proposal



U.S. 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 structure, governance and approach to audit quality
- Discusses how the firm aligns with the requirements and intent of applicable professional standards

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

In addition to this report, we are providing you with our [Transparency Report Supplement: Assisting audit committees in meeting NYSE rules on auditor communications Reports and supplements available at: \[audit.kpmg.us/auditquality\]\(https://audit.kpmg.us/auditquality\)](#)

Inquiries

Are Board of Trustees aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do the Board of Trustees have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting UDSA?
 - If so, have the instances been appropriately addressed and how have they been addressed

Additional inquiries:

- What are the Board of Trustee's views about fraud risks at UDSA?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and the Board of Trustees?
- What are UDSA's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are the board of Trustee's attitudes, awareness, and actions concerning (a.) UDSA's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b.) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has UDSA entered into any significant unusual transactions?
- Whether UDSA is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?



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 www.kpmg.com/ACI

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