

POWER AUTHORITY OF THE STATE OF NEW YORK

SUMMARY OF THE REGULAR
MEETING MINUTES OF

January 23, 2013

Introduction

Chairman Koelmel welcomed the Trustees and staff members who were present at the meeting. He said the meeting has been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to the Authority's Bylaws, Article III, Section 3.

1. Adoption of the January 23, 2013 Proposed Meeting Agenda

On motion made and seconded, the meeting Agenda was adopted.

RESOLUTION	Moved: E. Nicandri	Seconded: T. Flynn	Adopted: 6/0
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2. Consent Agenda:

<ul style="list-style-type: none">a. Minutes of the Regular Meeting held on December 18, 2012b. Deferred Compensation Plan – Auditor for Plan Assets – Contract Awardc. Information Technology Initiatives – Capital Expenditure Authorization Requestd. Information Technology Operations Network – Capital Expenditure Authorization Requeste. SAP Maintenance and Support Services – Operating Expenditure Authorization and Contract Awardf. Procurement (Services) Contracts – Business Units and Facilities – Contract Awardsg. Seaway Private Equity Corporation – Grant Agreement Amendmenth. Transmission Life Extension and Modernization Program – On-Call Engineering and Project Management Services – Contract Awardi. Release of Funds in Support of the Residential Consumer Discount Program Incorporated in the Recharge New York Power Program

On motion made and seconded, the Consent Agenda was approved.

With respect to item #2f (Procurement (Services) Contracts – Business Units and Facilities – Awards and Extensions), Trustee Mahoney was recused from the vote as it relates to C&S Engineering and O'Brien & Gere/Dewberry Energy Services Joint Venture; Trustee LeChase on C&S Engineering and Lewis Tree Service, Inc.; and Trustee Flynn on Lewis Tree Service, Inc. and O'Brien & Gere Dewberry Energy Services Joint Venture. Trustee LeChase said, in the interest of full transparency, he wanted the record to show that his firm had contracted with O'Brien and Gere Dewberry in the past but currently have no direct contracts with the company; therefore, he plans to vote in favor of the resolution.

Trustee Nicandri said that since he serves on the Board of the Seaway Private Equity Corporation as a representative of the Authority, he is abstaining from the vote on item 2g (Seaway Private Equity Corporation – Grant Agreement Amendment).

RESOLUTION	Moved: E. Nicandri	Seconded: T. Flynn	Adopted: 2f: Mahoney & LeChase recused from C&S Eng.; Flynn & LeChase from Lewis Tree; Flynn & Mahoney from O'Brien&Gere; 2g: Nicandri abstained from Seaway.
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3. Discussion Agenda:

3a. REPORT FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

President Gil Quiniones said that in the year 2012, the Authority had performed well in each of the performance metrics outlined in the Performance Scorecard. He said although the metrics indicate that the Authority did not meet its goals in environmental and safety incidents, it had performed above industry standards. He said the Authority will be examining leading indicators and actions that can be implemented to improve and enhance its safety and environmental record.

Corporate Measures:

President Quiniones said that for the year 2012 the Authority exceeded its Net Income target. Operations and Maintenance was under budget by approximately \$7 million, and this was due mainly to reductions in Authority overhead and indirect costs. He said that Standard & Poors revised its credit outlook for NYPA to positive from stable and that Fitch reaffirmed NYPA's AA credit rating.

Trustee Nicandri said he wanted to acknowledge the efforts of former Vice Chairman John Dyson who worked diligently to stabilize the Authority's bond rating. President Quiniones added that former Vice Chairman Dyson assisted the Authority in filing its new hydro rates and planning its transmission rate case. He was also very instrumental in restructuring and strengthening the Authority's financial position by his recommendations to discontinue projects, such as the Great Lakes Off-shore Wind and the 100 MW Solar projects, which were not cost-effective. Trustee Mahoney said she serves on the Moreland Commission with former Vice Chairman John Dyson and would convey the Board's comments to him.

President Quiniones continued that during the year 2012 the Authority invested approximately \$124 million in upgrading its aging infrastructure. He said the Authority also invested approximately \$260 million in energy

efficiency projects, a very significant achievement by the Authority's Energy Efficiency division which mandate is to ensure that the Authority supports the Governor's "Build Smart New York" initiative by making the State's public buildings, schools and hospitals energy efficient.

St. Lawrence/FDR Power Plant

President Quiniones said that the Authority completed the St. Lawrence/FDR Power Project's Life Extension and Modernization program on time and under budget. He said that this 15-year project involved the renewal of 16 units at the Authority's hydroelectric project in upstate New York. President Quiniones said that the Trustees approved an investment of \$726 million for a period of 15 years for the Life Extension and Modernization Program to renew the Authority's transmission system. The Trustees also approved a \$460 million investment to upgrade the Authority's Lewiston Pumped-Generating unit at the Niagara Power Project. President Quiniones ended by saying that the investments in the Authority's infrastructure are consistent with the Governor's policy, under the "New York Works" Program to renew the State's infrastructure.

Diversity, Environmental Justice and Sustainability

President Quiniones said that the Authority has launched a Diversity Program with the goal of generating excellence through diversity and inclusiveness. He said that the Authority has also launched an Environmental Justice program which goal is to generate energy and environmental equality by ensuring that communities that are disproportionately impacted by the Authority's facilities are treated fairly and that the Authority is operating in a sustainable manner.

Key Initiatives:

Recharge New York ("RNY")

President Quiniones said last year the Governor requested that the Authority support three initiatives. Following the Board's approval, Authority staff launched the RNY Power Program which was very successful. The program allows for the allocations of low-cost hydropower to eligible businesses in an effort to support the retention and creation of jobs, especially in upstate New York.

New York Energy Highway

President Quiniones said that the Energy Highway Task force issued, and the Governor accepted, the actions recommended in the New York Energy Highway Blueprint to revitalize New York State's generation and transmission infrastructure. By June 2013, all of the actions recommended in the Blueprint are scheduled to be

launched. President Quiniones said more than \$5 billion will be invested in this initiative by its scheduled completion date of 2020.

Build Smart NY

President Quiniones said the Governor requested that the Authority take the lead in the “Build Smart NY” initiative. The program, scheduled for 5 – 7 years, will provide \$800 million in low-cost financing, turnkey energy efficiency services to ensure that the State’s public facilities, and also county, municipal and local buildings are energy efficient.

In closing, President Quiniones said 2012 was a banner year for the Authority and thanked Authority staff for a job well done. He also thanked the Trustees for their support, guidance and advice during the year.

Chairman Koelmel said that on behalf of the Trustees, he commended President Quiniones for his leadership in guiding the Authority on a positive path.

3b. REPORT FROM THE CHIEF OPERATING OFFICER

Mr. Edward Welz provided highlights of the report to the Trustees.

Generation

- *Generation market readiness was 99.2 percent in December 2012, compared with the monthly target of 99.4 percent. Year-to-date generation market readiness was at 99.7 percent.*
- *In 2012, the Operations Business Unit (“Operations”) requested Enterprise Risk Management to collaborate and better define the Generator Market Readiness targets for 2013.*
- *Operations continue to collaborate with Enterprise Risk Management on Workforce Development and Succession Planning.*
- *Operations is also collaborating with Enterprise Risk Management to identify a more quantitative method for prioritizing and planning its Capital and O&M budget.*

In December, there were no significant unplanned generation events.

- *St. Lawrence Unit 28 remains out-of-service due to rotor repairs. Expected return-to-service date is 02/15/2013.*
- *B-G Unit #2 failed Generator Step-Up transformer has been removed and replaced with the pre-LEM spare transformer. B-G Operations is collaborating with Engineering/Asset Management to ensure real-time monitoring of equipment is properly calibrated.*

Transmission Performance

- *Transmission reliability in December 2012 was 97.43 percent, which was above the target of 95.91 percent. Year-to-date, transmission reliability is 97.64 percent; this is above the target of 96.56 percent.*

- *There were no significant unplanned transmission events to report in December.*

Environmental

- *There were three reportable environmental incidents for December 2012. For the year, there have been 35 reportable incidents against a target of 29.*
- *Operations implementing leading measures in 2013, including job briefings, implementation and tracking of specific EPRI “Good Management Practices” recommendations.*

Safety

- *NYP&A did not achieve its target for the Safety Recordable Incidents Rate. However, it should be noted that NYP&A’s target is intentionally aggressive, and NYP&A has performed above industry standards.*

In response to Safety issues, Operations has taken some steps to address this concern in 2013:

- *In collaboration with the Technical Training Department and consultant, Beacon Associates, Operations is implementing a comprehensive safety training matrix.*
- *Colden Corporation provided a draft report evaluating the practices in the Authority’s SENY Region.*
- *Colden will also assist in the design of a safety management system.*
- *After an in-depth review, staff will determine if there is anything in the recommendations that warrant Board action.*
- *Joe Kessler has been assigned as executive sponsor of the SAWC – immediate action items from each region will be addressed.*
- *Mandated Monthly Training in all regions.*
- *Creating a measure to track “close-out” of near-miss reports.*
- *Tracking Severity Rate.*

Key Issues:

Life Extension and Modernization Projects (“LEM”)

- *The Authority completed the St. Lawrence Power Project’s LEM, and maintained its schedule of the Lewiston Pumped-Generation Project’s LEM.*
- *The Authority will move forward on its Transmission-LEM and small hydro LEMs in 2013.*

Compliance

- *Authority met all FERC commitments and compliance in 2012, and had no penalties for violations of NERC Reliability Standards.*
- *Authority continues to demonstrate its robust culture of compliance... this will be a moving target as staff identify impacts of the new BES definition.*
- *Environmental challenges with deconstruction of the Poletti Plant.*

Emergency Preparedness

- *Successful development of Emergency Operation Centers and regular functional exercises enhanced the Authority’s preparedness during Super-storm Sandy.*
- *Staff will be taking a serious look at lessons learned in 2013, and will keep the Board advised.*

Personnel

- *Rebuilt Leadership Team - 75% of Operations staff are in different roles than they were in 2012.*
- *Operations collaborating with HR on interview process to select Vice President of Transmission.*
- *In 2013, Operations is committed to the development of staff to strengthen the Unit.*
- *Reviewed Operations in 2012 in terms of “best in class” training, environmental targets and Occupational Health & Safety Management Systems.*
- *Staff Development – Technical Training – implementing recommendations to close gaps in becoming “Best in Class”*
- *Operations continue to work collaboratively with UWUA and IBEW as negotiations continue.*

Global Sourcing and Quality Control:

- *Operations will address the Board's concerns on Global Sourcing and Quality Control and will give a full report at an upcoming Board meeting on some of the measures now being taken, and propose, going forward, to protect NYPA's interests (IP, QA, Costs, etc.) in procuring specialized equipment.*

In response to a question from Trustee LeChase, Mr. Welz said the leading measures for safety and environmental incidents and the plan to achieve them will be included in the Reports. Also, additional definitions will be added to each of the incidents.

In response to a question from Trustee Nicandri, Mr. Welz said each facility has a target for reporting "near misses." However, staff has concluded that, although the target is good measure, a better leading measure would be the percentage of "near misses" that were addressed; staff will therefore be tracking the percentage of "near misses" in 2013.

3c. REPORT FROM THE CHIEF FINANCIAL OFFICER

Mr. Donald Russak provided highlights of the financial report to the Trustees. He said that based on the Performance Scorecard, the Authority performed very well financially for the year 2012. Net Income for the year was \$175 million versus budget of \$167 million. Overall, it was a very positive year for the Authority and its customers. He continued that, as President Quiniones pointed out, two of the rating agencies have reaffirmed the Authority's rating; Fitch Ratings at AA and Standard & Poor's at AA-, changing the outlook to positive.

For the year 2013, Mr. Russak said that the Authority has projected Net Income of \$130 million. He said, with regard to Authority risk, staff will be tracking its operations and maintenance and capital investments during the year to ensure that these expenditures remain on target. With respect to the payments to the State, the Authority has included this payment in its budget plan for 2013. Mr. Russak concluded by saying that, overall, the Authority is projecting another positive year for 2013.

In response to a question from Chairman Koelmel, President Quiniones said that the Authority is in the process of preparing its metrics for 2013 and will present it to the Board at the next meeting. In addition, the Authority is also organizing a Strategic Planning session to discuss its outlook for 2013 and plans for the next five years and he will also report on its progress at the next Board meeting.

4. St. Lawrence/FDR Power Project – Generator Step-up Transformer Replacement – Capital Expenditure Authorization Request and Contract Award

Mr. John Canale presented highlights of staff's recommendation to the Trustees. In response to a question from Trustee Foster, Mr. Canale said eight firms provided proposals in response to the Authority's Request for Proposals ("RFP"); six of these bidders' proposals did not comply with the technical requirements of the specification and were eliminated from consideration, therefore, only two bidders were evaluated. In response to further question from Trustee Foster, Mr. Canale said the \$3 million allocated for Authority Indirect and Direct expenses is for existing expenses and is approximately ten percent of the overall capital costs for support staff and administrative costs.

In response to a question from Trustee Nicandri, Mr. Canale said the contractor provided the original equipment at the St. Lawrence Project and added that the new transformers will be fabricated in St. Louis, Missouri.

RESOLUTION	Moved: R.W. LeChase	Seconded: E. Nicandri	Adopted: 6/0
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5. Motion to Conduct an Executive Session

RESOLUTION	Moved: E. Nicandri	Seconded: T. Flynn	Adopted: 6/0
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6. Motion to Resume Meeting in Open Session

RESOLUTION	Moved: E. Nicandri	Seconded: T. Flynn	Adopted: 6/0
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7. Next Meeting