**MINUTES OF THE REGULAR MEETING**
**OF THE**
**POWER AUTHORITY OF THE STATE OF NEW YORK**

**January 23, 2013**

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via video conference at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York at approximately 11:00 a.m.

Members of the Board were present at the following video conference locations:

John R. Koelmel, Chairman - Buffalo
Eugene L. Nicandri, Trustee - Massena
Jonathan F. Foster, Trustee - New York City
R. Wayne LeChase, Trustee - Rochester
Terrance P. Flynn, Trustee - Buffalo
Joanne M. Mahoney, Trustee - Syracuse

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|---|---|
| Gil C. Quiniones | President and Chief Executive Officer |
| Judith C. McCarthy | Executive Vice President and General Counsel |
| Edward Welz | Chief Operating Officer |
| Donald Russak | Chief Financial Officer |
| Joseph Kessler | Senior Vice President – Power Generation, Power Supply |
| William Nadeau | Senior Vice President and Chief Risk Officer |
| James Pasquale | Senior Vice President – Economic Development and Energy Efficiency |
| Paul Tartaglia | Senior Vice President – Energy Resource Management |
| Joan Tursi | Senior Vice President – Corporate Support Services |
| Bradford Van Auken | Acting Senior Vice President and Chief Engineer – Operations Support Services |
| Jill Anderson | Chief of Staff and Director Energy Policy – Special Projects and Business Integration |
| John Canale | Vice President – Project Management |
| Dennis Eccleston | Vice President – Information Technology/Chief Information Officer |
| John Kahabka | Vice President – Environmental, Health and Safety |
| Joseph Leary | Vice President – Community and Government Relations |
| Patricia Leto | Vice President – Procurement |
| Brian McElroy | Treasurer |
| Karen Delince | Corporate Secretary |
| Gerald Goldstein | Assistant General Counsel – Procurement and Contract Affairs |
| Anne Cahill | Principal Attorney II – Procurement and Contract Affairs |
| Michael Saltzman | Director – Media Relations |
| Alice Conway | Manager – Benefits |
| Gary Schmid | Manager – Network Services Infrastructure |
| Reynaldo Salcedo | Project Manager – Generation and Facility Improvements |
| Gennaro Caccavale | Project Engineer |
| Ruth Colon | Senior Business Integration Project Manager |
| Brian Wilkie | Rotational BI Project Manager – Special Projects and Business Integration |
| Lorna M. Johnson | Assistant Corporate Secretary |
| Sheila Baughman | Senior Secretary – Corporate Secretary's Office |
| Sheri L. Mooney | Senior Vice President, Senior Programs Manager - First Niagara Financial Group |
| Jennifer Sanfilippo | Partner – The Mullen Group |
| WGRZ-TV, Buffalo, NY | |

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Chairman Koelmel presided over the meeting. Corporate Secretary Delince kept the Minutes.

***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.***

**2. <u>Consent Agenda</u>:**

***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 & 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).***

**a. <u>Approval of the Minutes</u>**

***The Minutes of the Regular Meeting held on December 18, 2012 were unanimously adopted.***

**b. Deferred Compensation Plan – Auditor for Plan Assets – Contract Award**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of a procurement contract to Rizzo DiGiacco & Hern, CPAs, PLLC of Pittsford, New York, to perform an annual audit of the assets of the Authority's Deferred Compensation Plan ('457 Plan'). The term of the contract is for five years. The total cost of the five-year contract shall not exceed fifty thousand dollars ($50,000).

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts requires the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

"In March 1989, the Trustees approved the implementation of the 457 Plan. The 457 Plan was established primarily to provide those Authority employees covered by a collective bargaining agreement with a means of saving through a tax-deferred compensation program; the Plan is also available to salaried employees. Under the 457 Plan, employees may elect to defer receiving a portion of their salary and direct the investment of this deferred compensation in a selection of investments. As of December 31, 2011, the 457 Plan assets totaled approximately $65 million.

"The 457 Plan was established in accordance with Section 457 of the Internal Revenue Code and Section 5 of the State Finance Law of the State of New York. In accordance with Section 9005.1 of the rules and regulations (the 'Regulations') of the New York State Deferred Compensation Board ('Board'), the 457 Plan Committee is required to annually prepare a financial statement of net assets available for benefits in accordance with Governmental Accounting Standards Board Statement 32 and to have those financial statements audited by a certified public accountant. The contract with the certified public accountant shall be awarded pursuant to the procedures set forth in Section 9003.1 of the Regulations. The 457 Plan Committee is chaired by Alice Conway; other Committee members are Paul Grozio, Michele LaPorte, Jeffrey Popiel and Donald Russak.

DISCUSSION

"On November 1, 2012, a Request for Proposals ('RFP') was published in the New York State *Contract Reporter* for a firm of certified public accountants to prepare a financial statement of the net 457 Plan assets. Bid documents were downloaded electronically from the Authority's Procurement Web site by twenty-eight firms, including those that may have responded to a notice in the *State Register*. On or before November 26, 2012, the Authority received responses from the following three firms: Grant Thornton LLP, Rizzo DiGiacco & Hern, CPAs, PLLC, and Toski & Co., P.C.

"The Committee conducted the vendor selection. One of the three bidders was eliminated from further consideration based on cost. The remaining two proposals were evaluated based on experience, hourly billing rates and the number of hours projected to perform the audit. Although both firms were found to have nearly identical overall evaluated costs, the deciding factor was the lower hourly rates of Rizzo DiGiacco & Hern, CPAs, PLLC.

"Based on the foregoing reasons, the Committee recommends the award of a contract to Rizzo DiGiacco & Hern, CPAs, PLLC, the lowest-priced, most qualified bidder.

"The Trustees are requested to authorize a contract with Rizzo DiGiacco & Hern, CPAs, PLLC for a term not to exceed five years. Approval is also requested for the total amount expected to be expended for the term of the contract, $50,000.

FISCAL INFORMATION

"Funds required to support the contract for Rizzo DiGiacco & Hern, CPAs, PLLC have been included in the O&M budget. Funds for subsequent years will be included in the budgets submittals for those years.

RECOMMENDATION

"The Vice President – Human Resources recommends that the Trustees approve the award of a five-year contract to Rizzo DiGiacco & Hern, CPAs, PLLC to perform an annual audit of the assets of the 457 Plan for the years ended 2012, 2013, 2014, 2015, and 2016.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of a contract to Rizzo DiGiacco & Hern, CPAs, PLLC to perform an annual audit of the Authority's 457 Plan assets is hereby approved for a period of five years commencing February 1, 2013; and be it further**

**RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

**c. Information Technology Initiatives –**
**<u>Capital Expenditure Authorization Request</u>**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures in the amount of $3,654,800 for the implementation of Information Technology ('IT') Initiatives in 2013 as per the Authority's Expenditure Authorization Procedures ('EAPs'). These expenditures have been included in the 2013 approved Capital budget.

BACKGROUND

"In accordance with the Authority's EAPs, the award of non-personal services or equipment purchase contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder, requires the Trustees' approval.

"Each year, in concert with the Business Units, IT develops a list of initiatives designed to meet the Authority's business needs by taking advantage of evolving technology applications. These application developments have been funded from a capital program called IT Initiatives. This capital program, which has often totaled less than $3 million annually, has been approved by the Trustees in the Authority's Capital budget each December with funds later authorized and released by the President and Chief Executive Officer during the budget year. Since the request for 2013 is greater than $3 million, the Trustees' approval is requested as per the Authority's EAPs.

DISCUSSION

"The following lists the 2013 IT Initiatives, along with the estimated cost of each:

- **Access Information Management System (AIMS)** **$ 500,000**
  The development of a new system to control the granting and revocation of access to controlled assets to ensure compliance with North American Electric Reliability Corporation ('NERC') Critical Infrastructure Protection ('CIP') requirements. This application will provide workflow notifications for employee access qualification information such as training records and background checks.

- **Enterprise Training Solution** **$ 500,000**
  This initiative is to address the lack of a single enterprise training/tracking application. Currently, there are several separate training solutions in place. These disparate solutions prevent easy access to training information between groups and necessitate redundant data entry and maintenance.

- **Comprehensive Emergency Management Plan (CEMP) communication backbone** **$ 720,800**
  Implementation of new integration equipment to provide the ability to have inter-operability of communication between Authority facility sites and the surrounding communities in the form of phone, data, radio and video in the event of an emergency.

- **Facility conference room communication enhancements** **$ 400,000**
  Major expansion of the Authority's internal communication capabilities to allow video conferencing, 'smart boards' and Web meetings to be conducted in all major conference rooms. These new hardware and software solutions will improve meetings and reduce the need for travel time and costs.

- **High Earth Orbit Satellite Phones** **$ 350,000**
  These Satellite phones are used as a means of emergency communication between NYPA's Control centers and the New York Independent System Operator (NYISO). NYPA's current equipment is old and

obsolete. It is the intent of this initiative to replace the phones, base stations and antennas with the same type of equipment that is currently used by NYISO.

- **Strategy Management System** **$ 500,000**
  This project will find and implement a new solution to utilize Performance Measures, Key Performance Indicators, and a Dashboard to track and monitor business performance for the various Business Units.

- **Warehouse Efficiency Initiative** **$ 150,000**
  This project represents the efforts to provide improved operation at the Authority's warehouse facilities. New barcoding hardware and software technology will be integrated into the SAP R/3 inventory and receiving procedures. Initially, this effort will be deployed for the new warehouse at the Niagara Project.

- **Application / Network Monitoring Fault Manager** **$ 360,000**
  New implementation of a software product to monitor production systems, provide end-to-end performance statistics and alerting capabilities to any faults with an impact assessment and facilitate corrective actions to be taken.

- **HQ Overhead** **$ 174,000**

**Total** **$3,654,800**

FISCAL INFORMATION

"Payments associated with these projects will be made from the Capital Fund.

RECOMMENDATION

"The Chief Information Officer – Information Technology recommends that the Trustees approve the Capital Expenditure Authorization Request in the amount of $3,654,800 for Information Technology Initiatives.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That Capital Expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose listed below:**

| **Capital** | **Expenditure Authorization** |
|---|---|
| **Information Technology Initiatives 2013** | **$3,654,800** |

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things**

**and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

**d. Information Technology Operations Network –**
**Capital Expenditure Authorization Request**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures in the amount of $4,731,930 for the implementation of a new Operations Network as per the Authority's Expenditure Authorization Procedures ('EAPs'). These expenditures have been included in the 2013 approved Capital budget.

BACKGROUND

"In accordance with the Authority's EAPs, the award of non-personal services or equipment purchase contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder, requires the Trustees' approval.

"The Authority has a heterogeneous environment of various types of telecommunication equipment that makes up the 'Operations network' infrastructure. This environment has grown and evolved over the past twenty years without an integrated design philosophy. A number of issues have been identified that need to be addressed:

- Cyber Security Risks – The installation of a new Operations Network will provide additional protection for the Authority in the event of a breach of its system.

- Management Difficulties – the age and variety of telecommunication circuits from numerous carriers presents many problems in 'Outage Events.' For example, location of the problem; who should be called; staffing skills required to support the issue; how long the issue existed; and how long it will take to clear the 'Outage.'

- Lack of Circuit Redundancy – many of the current circuits are 'single path' without 'route diversity' and backup.

- End of Life Technology – many of the circuits the Authority depends on are being phased out by the carriers.

DISCUSSION

"The current infrastructure that has evolved over the past twenty years supports operations at the Authority's facilities. The types of uses include inter-facility communication of 'Real-Time Systems,' telemetry data acquisition for Supervisory Control and Data Acquisition ('SCADA') and Energy Management System ('EMS'), communication for Remote Terminal Units ('RTUs'), Access Control, Security, Video Surveillance, Radio communication, Protection Relay's communication and communication with the New York Independent System Operator ('NYISO') and other utilities.

"The project requires the building of a new Operations Network, separate from the business Local Area Network ('LAN'), based on new technology – Multi-Protocol Label Switching ('MPLS') – provided by a single carrier. This new environment will have security and monitoring built in from the ground up in order to meet and exceed current North American Electric Reliability Corporation ('NERC') Critical Infrastructure Protection ('CIP') compliance and audit requirements.

"The establishment of this new MPLS infrastructure will provide the following:

- Aggregate all circuits under one contract with a single carrier
- Segregation of the Operations Network from the Corporate Business Network
- Provide a new environment to monitor all Operations Circuits for Cyber Security

- Provide a Centralized Management of the Status and Health of all circuits
- Reduce Costs of Operation

"This project is a multi-year effort that will begin in 2013 and should be completed in early 2015. It will involve engineering design, new hardware and software, installation and testing. The major components of the funding are as follows:

| | | |
|---|---|---|
| • Engineering Design, Hardware, Software, vendor labor | | **$ 2,800,000** |
| • NYPA staff labor at HQ and Facilities | | **$ 1,706,600** |
| • HQ Overhead | | **$ 225,330** |
| | **Total:** | **$ 4,731,930** |

FISCAL INFORMATION

"Payments associated with these projects will be made from the Capital Fund.

RECOMMENDATION

"The Chief Information Officer – Information Technology recommends that the Trustees approve the Capital Expenditure Authorization Request in the amount of $4,731,930 for Operations Network.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That Capital Expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose listed below:**

| **Capital** | **Expenditure Authorization** |
|---|---|
| **Information Technology Operations Network** | **$4,731,930** |

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

**e. SAP Maintenance and Support Services – Operating Expenditure Authorization and Contract Award**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize operating expenditures in the total amount of $1.6 million and approve the award of a five-year contract to Rimini Street, Inc. ('Rimini') of Las Vegas, Nevada, in the amount of $1.6 million for the maintenance and support of the Authority's suite of SAP programs. This support includes, but is not limited to, telephone/Web site/e-mail, resolution of software issues, enhancements, and business-driven updates and consulting services to provide any additional support that may be required on an 'as needed' basis.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

The Authority's Expenditure Authorization Procedures (EPAs'), require the Trustees' approval for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder.

"The Authority acquired and implemented the SAP Enterprise Resource Program ('ERP') in 1998. For the past 14 years the Authority has expanded its SAP presence to include SAP's Business Warehouse, Business Objects, and Portal product offerings. During this time, the ERP was upgraded from version 3.1H to version 4.7 and subsequently to its current release of ECC 6.0. In addition, the other SAP products were also upgraded to support the changing ERP environment. According to SAP, the current ECC 6.0 release of the ERP is expected to remain in effect until 2017.

"For the first nine years of the Authority's SAP practice, SAP solely possessed the ability to provide SAP maintenance and support. However, over the past five years third-party providers have entered the SAP maintenance marketplace. These providers offer the support of the SAP software but are unable to offer new releases of the SAP software. This ability to acquire new releases represented the value added of retaining a Maintenance Agreement directly with SAP.

"SAP's project support of its ECC 6.0 release until 2017 affords the Authority the ability to look beyond SAP for maintenance and support and to potentially reduce its SAP maintenance costs.

DISCUSSION

"The Information Technology ('IT') group, in an effort to reduce its SAP maintenance costs while ensuring the appropriate level of support is maintained for its SAP suite of software, investigated the feasibility of utilizing a third-party SAP maintenance provider.

"The Authority placed a Request for Quotation ('RFQ') in the New York State *Contract Reporter* and bid packages for SAP Maintenance Services were available as of October 3, 2012. Five proposals were received on November 8, 2012. After several post-bid inquiries, the following bids were received and evaluated:

| **Bidders** | **One Year Bid Price** | **Five Year Bid Price** |
|---|---|---|
| Spinnaker Support LLC | $210,000 | $1,050,000 |
| Rimini Street Inc. | $304,418 | $1,568,514 |
| SAP | $656,303 | $3,281,515 |
| Purple Genie | $1,736,000 | $8,012,825 |
| Quintel Management Consultants | $1,996,368 | $11,070,632 |
| NYPA Fair Cost Estimate | N/A | N/A |

"The proposals were reviewed by an evaluation committee comprising of Authority staff from IT and Procurement.

"Spinnaker Support LLC ('Spinnaker') was eliminated as a candidate based on its limited SAP practice. Spinnaker has been supporting SAP for less than one year and has less than ten SAP accounts. Of these accounts, none encompass SAP customer billing, a critical component of the Authority's SAP environment.

"Rimini Street, Inc. ('Rimini') has maintained an SAP practice for five years and has more than one hundred SAP support customers. Rimini was the first to introduce SAP support and has maintained its position as the leader in the SAP maintenance provider market. In addition, the company possess SAP customer billing expertise.

"SAP, the Authority's current provider, offers the most comprehensive support but at a significantly higher price.

"The remaining two vendors, Purple Genie and Quintel Management Consultants Inc. failed to submit bids to provide SAP support services. They submitted bids to provide SAP consulting services to augment the Authority's existing staff and were therefore rejected for not meeting the RFQ requirements.

FISCAL INFORMATION

"Payments associated with this project will be made from the Authority's Operating Fund.

RECOMMENDATION

"The Senior Vice President – Corporate Support Services, the Vice President Information Technology and Chief Information Officer and the Vice President – Procurement recommend that the Trustees authorize operating expenditures in the amount of $1.6 million and approve the award of a multi-year contract to Rimini Street, Inc. of Las Vegas, Nevada, in the amount of $1.6 million for the support and maintenance of the Authority's SAP product suite.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization procedures, approval is hereby granted to authorize the operating expenditures and award of a multi-year contract to Rimini Street, Inc. in the amount of $1.6 million to furnish SAP maintenance and**

**support services as recommended in the foregoing report of the President and Chief Executive Officer;**

| **Contractor** | **Contract Approval** |
|---|---|
| **Rimini Street, Inc.**<br>**Las Vegas, NV** | **$1.6 million** |

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

**f. Procurement (Services) Contracts – Business Units and Facilities – Contract Awards**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the three multiyear procurement (services) contracts listed in Exhibit '2f-A,' in support of projects and programs for the Authority's Operations Business Unit/Departments and Facilities, as well as for the Governmental Customer Energy Services Program. Detailed explanations of the recommended awards, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts were previously set forth in Agenda Items 2c and 6, respectively, at the December 18, 2012 Trustees' Meeting.

BACKGROUND

"The proposed awards to C&S Engineers, Inc. and Lewis Tree Service, Inc., included in the aforementioned December Consent Agenda Item 2c, as well as the proposed award to O'Brien & Gere / Dewberry Energy Services Joint Venture, included in December Discussion Agenda Item 6, were not adopted by the Trustees because they were unable to attain the required number of votes based on conflicts of interest filed by some of the Board members. Therefore, the proposed awards to these three firms are resubmitted for the Board's consideration with the intent of achieving the required quorum for adoption.

DISCUSSION

"A detailed summary of each recommended contract award was set forth in the respective Items at the December 18, 2012 meeting; a brief synopsis follows.

"At their meeting of December 18, 2012, staff recommended (Item 2c) the award of contracts to 12 firms **(Q12-5249)** to provide for 'on-call, as required' consulting engineering services to support the operation and maintenance of the Authority's hydroelectric, pumped storage and fossil-fuel generation projects, as well as its transmission and other ancillary facilities throughout New York State. For the reasons stated above, the Trustees approved the award of contracts to 11 of these firms and an aggregate total amount of $15 million. Staff now resubmits a request for approval to award a contract to the 12th firm, **C&S Engineers, Inc. ('C&S'),** to enable the Authority to utilize the firm's specialty skills and expertise, as needed. The contract would become effective on or about February 1, 2013 for an intended term of approximately five years (through December 31, 2017, coterminous with the other 11 previously-approved contract awards), subject to the Trustees' approval, which is hereby requested. C&S Engineers would share in the previously-approved aggregate total.

"In the same Item, staff also recommended the award of a contract to **Lewis Tree Service, Inc. ('Lewis Tree') (Q12-5315)** to provide for Right-of-Way ('ROW') vegetation management services for the next four-year treatment cycle, including various chemical and mechanical/manual treatments, over a range of vegetation sites within the ROW of high-voltage transmission lines under the Authority's maintenance jurisdiction, covering approximately 16,000 managed acres. However, this proposed award was not adopted due to the reasons indicated above. Staff therefore resubmits a request for approval to award a new contract to Lewis Tree for the subject services, which are required by various regulatory agencies including, but not limited to, the Federal Energy Regulatory Commission ('FERC'), the National Electric Reliability Council ('NERC') and the New York State Public Service Commission ('NYS PSC'). The contractor will supply all necessary labor, supervision, materials, chemicals, tools and equipment to control undesirable target trees along more than 1,400 miles of high-voltage transmission lines. The new contract would become effective on or about April 1, 2013 for an intended term of up to four and one-half years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $9 million.

"At their meeting of December 18, 2012, staff recommended (Item 6) the award of contracts to 19 firms **(Q12-5243)** to provide for various services to support the Authority's Governmental Customer Energy Services Program ('GCESP'), including any or all of the following: energy auditing, engineering and design, construction management and construction trade management services, as well as procurement of equipment and installation services. Due to the reasons stated above, the Trustees approved the award of contracts to 18 of these firms and an aggregate total amount of $750 million. Staff now resubmits a request for approval to award a contract to the 19th firm, **O'Brien & Gere / Dewberry Energy Services Joint Venture**, to enable the Authority to avail itself of their experience and expertise, as needed, in auditing, design, construction management and turnkey implementation services in connection with the GCESP. The contract would become effective on or about February 1, 2013 for a term of approximately five years (through December 31, 2017, coterminous with the other 18 previously-approved contract awards). O'Brien & Gere will share in the previously-approved aggregate total.

FISCAL INFORMATION

"Funds required to support contract services for the Operations Business Unit/Departments and Facilities have been included in the 2013 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund. Payment for the contract in support of the Governmental Customer Energy Services Program will be made from the Commercial Paper Program, the Operating Fund and the Petroleum Overcharge Restitution ('POCR') Fund, as further set forth in December Agenda Item 6.

RECOMMENDATION

"The Senior Vice President – Operations Support Services and Chief Engineer, the Senior Vice President – Power Generation, the Vice President – Engineering, the Vice President – Procurement, the Acting Vice President – Transmission, the Vice President – Energy Efficiency, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Southeastern New York recommend that the Trustees approve the award of multiyear procurement (services) contracts to the three companies listed in Exhibit '2f-A,' for the purposes and in the amounts discussed herein and/or listed in Exhibit '2f-A.'

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was adopted with Trustees Flynn and Mahoney being recused as it relates to the aforementioned companies.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the three multiyear procurement services contracts set forth in Exhibit "2f-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer and as further set forth in Agenda Items 2c and 6, respectively, at the December 18, 2012 Trustees' Meeting; and be it further**

**RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver**

**any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

**g. Seaway Private Equity Corporation –**
**Grant Agreement Amendment**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an amendment to the Amended and Restated Grant Agreement with the Seaway Private Equity Corporation ('SPEC') to increase the amount set aside for legal and administrative expenses by authorizing SPEC to use the interest earned on the unexpended principal for such expenses.

BACKGROUND

"By resolution approved September 20, 2005, as part of the St. Lawrence Relicensing Settlement Agreements, the Trustees authorized the Authority to negotiate the terms and conditions of a grant agreement ('Grant Agreement') with a St. Lawrence County not-for-profit corporation, subsequently incorporated as SPEC. Pursuant to that grant agreement, the Authority would provide a grant of $10 million to be invested by SPEC under a capital commitment agreement ('Capital Commitment Agreement') with Golden Technology Management, LLC ('Golden'). Golden, in turn, would raise an additional $20 million in private equity funds for the purpose of establishing a pool for investments in technology businesses to promote economic development and increase employment and the tax base in St. Lawrence County.

"The original Grant Agreement was amended ('Amended and Restated Grant Agreement') to: (i) clarify the definitions of business development firms in which SPEC may invest, (ii) allow SPEC to invest in firms other than Golden, (iii) allow SPEC to invest in firms that are not 'new technology' firms (requiring a two-thirds vote of the SPEC Board), and (iv) require that the Authority approve any alternate business development firms prior to SPEC investment.

"On July 28, 2009, the Trustees approved two amendments to the Amended and Restated Grant Agreement with SPEC to: (i) authorize SPEC to waive provisions of the standard-form Amended and Restated Capital Commitment Agreement upon a vote of two-thirds of its Board of Directors and (ii) increase the amount set aside for legal and administrative expenses, from $250,000 to $500,000 by authorizing SPEC to use the interest earned on the principal for such expenses.

"Since its inception, SPEC has invested approximately $6,899,824.00 of the original $10,000,000 in firms located in St. Lawrence County. The fund has a balance of $3,803,723.72 (including earned interest less expenses).

"SPEC has now requested that the cap on administrative expenses be increased from $500,000 to $750,000. Currently, approximately $450,000 has been expended by SPEC for administrative expenses. To date, the principal grant amount has earned $1,151,189.66 in interest. It is recommended that the cap on administrative expenses be increased to $750,000, with such increase to be paid out of the interest earned.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer recommends that the Trustees approve an amendment to the Amended and Restated Grant Agreement with the Seaway Private Equity Corporation to increase the amount set aside for legal and administrative expenses from $500,000 to $750,000 using the interest earned on the principal for such expenses.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was adopted with a vote of 5-1with Trustee Nicandri abstaining.

> **RESOLVED, That an amendment to the Amended and Restated Grant Agreement with the Seaway Private Equity Corporation (“SPEC”) to increase the amount set aside for legal and administrative expenses from $500,000 to $750,000 using the interest earned on the principal for such expenses, be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

**h. <u>Transmission Life Extension and Modernization Program - On-Call Engineering and Project Management Services – Contract Award</u>**

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to award a five-year contract for the On-Call Engineering and Project Management Services for the Authority's Transmission Life Extension and Modernization ('T-LEM') program in the aggregate not-to-exceed amount of $10 million to the three most technically acceptable bidders - CH2M Hill Inc. ('CH2M') of Englewood, CO; CHA Consulting Inc. ('CHA') of Albany, NY; and RCM Technologies Inc. ('RCM') of Pennsauken, NJ.

<u>BACKGROUND</u>

"In accordance with the Authority's Expenditure Authorization Procedures, the award of Personal Services contracts in excess of $1 million and contracts exceeding a one-year term require Trustee approval.

"T-LEM is a multiyear program that will upgrade the Authority's existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses Authority transmission assets in the Central, Northern and Western regions and has been divided into several projects. The Program is estimated to cost $726 million and includes:

- Upgrades, refurbishments and replacements associated with switchyards and substations
- Transmission line structures or towers and associated hardware, including tower painting
- Replacement of the submarine cable on PV-20
- Work along rights-of-way, including access roads

"The scope is a result of internal and external assessments and recommendations. Funding will be requested in a tiered approach for each project as the complete plan of work develops.

"In order to supplement the Authority's resources and ensure the proper implementation of the T-LEM program, additional engineering and project management services are required.

<u>DISCUSSION</u>

"In response to the Authority's request for proposal ('RFP') advertised in the New York State *Contract Reporter* on June 21, 2012, eighty-one firms downloaded the bid documents and twelve proposals were received on July 26, 2012 for On-Call Engineering and Project Management Services.

"The proposals were evaluated based on:

- Price
- Resource availability
- Transmission industry experience

"The proposals were first ranked from a cost standpoint. After the proposals were ranked by cost, each proposal was individually evaluated from resource availability and transmission industry experience standpoints. For consideration of an award, the firms were required to have, at a minimum, prior experience with designing, managing and implementing transmission or distribution related projects and availability of internal resources to support the Authority's T-LEM program.

"CH2M, CHA and RCM (the 'Firms') are considered the lowest-priced, technically qualified bidders. The Firms did not take any exception to the bid documents. They were interviewed to determine their capabilities, experience and resource availability.

"The Firms demonstrated the capability and experience required to successfully execute and implement transmission related projects. The Firms' experience and capabilities were validated by their prior experience working with the Authority or other New York State transmission owners. In addition, the Firms' experience included facility construction projects which will support the Authority's facility upgrade projects for the Plattsburgh and Saranac substations.

"The Firms will provide a dedicated team of experts that will bring knowledge and experience from a wide range of transmission projects. The Firms will support the Authority's T-LEM program by providing project management, construction management and engineering services. These services include project administration, scheduling, cost estimating, cost control, design, drafting, constructability reviews, construction inspections, quality assurance, project controls and document management.

"Services under this contract will be provided on an as-needed basis and/or availability, using the hourly rates presented in the proposals.

FISCAL INFORMATION

"Payment associated with this project will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Procurement and the Project Manager recommend that the Trustees approve the award of a five-year contract for the On-Call Engineering and Project Management Services for the Authority's Transmission Life Extension and Modernization program in the aggregate not-to-exceed amount of $10 million to CH2M Hill Inc., CHA Consulting Inc., and RCM Technologies Inc.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to authorize the award of a five-year contract for the On-Call Engineering and Project Management Services for the Authority's Transmission Life Extension and Modernization program in the aggregate not-to-exceed amount of $10 million to CH2M Hill Inc., CHA Consulting Inc., and RCM Technologies Inc., as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

### i. Release of Funds in Support of the Residential Consumer Discount Program Incorporated in the Recharge New York Power Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the release of funds during 2013 in support of the of the monthly Residential Consumer Discount Program incorporated in the Recharge New York ('Recharge NY') Power Program, as authorized by Chapter 60 of the Laws of 2011. A portion of the approximately $8.3 million per month authorized for the Residential Discounts in 2013 ($100 million in total) is to be off-set mainly from the sale of unallocated Recharge NY hydropower into the wholesale market such that the net cost to the Authority of the Discounts in 2013 is estimated to be approximately $34 million. The release of these funds was anticipated and reflected in the Authority's 2013 Operating Budget approved by the Trustees at their December 18, 2012 meeting.

BACKGROUND

"The Authority is requested, from time to time, to make financial contributions and transfers of funds to the State or to otherwise provide financial support for various State programs including the Residential Consumer Discount Program related to Recharge NY.

"Any such contribution or transfer of funds must (1) be authorized by the Legislature; (2) be approved by the Trustees 'as feasible and advisable,' (3) satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution') and (4) as set forth in the Trustees' Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 shall be used as a reference point in considering any such payments or transfers.

"The Bond Resolution's requirements to withdraw monies 'free and clear of the lien and pledge created by the [Bond] Resolution' are such that withdrawals (a) must be for a 'lawful corporate purpose as determined by the Authority,' and (b) the Authority must determine, taking into account, among other considerations, anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

DISCUSSION

"In March 2011, Governor Cuomo signed into law the Recharge NY Power Program that utilizes 455 megawatts ('MW') of the firm power from the Authority's Niagara and St. Lawrence hydroelectric facilities, combined with market-based power purchases, forming a new, 910-megawatt economic development power program to replace and expand upon the Power For Jobs ('PFJ') and Energy Cost Savings Benefits ('ECSB') economic development programs.

"As part of the Recharge NY Power Program, the Authority, on August 1, 2011, withdrew all 455 MW of the firm hydroelectric power previously sold to certain utility companies for the benefit of their residential consumers. To mitigate the price impacts of this withdrawal on the residential consumers, the Authority has been authorized, as deemed feasible and advisable by the Trustees, to fund monthly Residential Consumer Discount Program payments for the benefit of such consumers on a declining schedule. For each of the first three years following the withdrawal, the Authority is authorized to provide $100 million per year to fund the discounts. In years four and five following the withdrawal, the Authority is authorized to fund discounts of $70 million and $50 million, respectively. Beginning in year six following the withdrawal, and for each year thereafter, the Authority is authorized to fund discounts of $30 million per year.

"The Authority is authorized to use the revenues from the sale of the withdrawn power, together with any other funds of the Authority as the Trustees may deem feasible and advisable, to support the Residential Consumer Discount Program. The net cost to the Authority of the Residential Discounts after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be $34 million for 2013. Given the volatility in market prices, however, there is no assurance that the sale of this power will produce sufficient revenues to cover this amount of the residential discounts.

"The Trustees have previously approved the release of funds in support of the Residential Consumer Discount Program, the most recent action being taken at the July 31, 2012 meeting. Under consideration today are payments for 2013. Staff intends to return to the Trustees with a recommendation as to the release of any future amounts related to the Residential Consumer Discount Program based on how the overall program is progressing as well as the financial circumstances of the Authority at the time such payments are to be considered.

"Staff has reviewed the effects of the anticipated payments of the Residential Consumer Discount Program (up to $100 million) on the Authority's projected financial position and reserve requirements. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of these amounts on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference point level. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to provide up to $100 million of the Residential Consumer Discount Program at this time.

FISCAL INFORMATION

"Staff has determined that sufficient funds are available in the Operating Fund to provide up to $100 million in support for the Residential Consumer Discount Program authorized by the Recharge NY program at this time and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. The release of up to $100 million associated with the Residential Consumer Discount Program payments was anticipated and reflected in the Power Authority's 2013 Operating Budget approved by the Trustees at their December 18, 2012 meeting. The net cost to the Authority after consideration of the value of the unallocated power being sold into the wholesale market is estimated to be $34 million during 2013. These monthly payments will be recorded as an expense at the time of payment.

RECOMMENDATION

"The Treasurer recommends that the Trustees affirm the release of up to $100 million related to Residential Consumer Discount Program is feasible and advisable and to authorize such payments.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED, That the Trustees hereby authorize the release of up to $100 million from the Operating Fund during 2013 to support the monthly Residential Consumer Discount Program as authorized by the Recharge New York Power Program as set forth in Chapter 60 of the Laws of 2011 as discussed in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the amount of up to $100 million to be used for the Residential Consumer Discount Program described in the foregoing resolutions is not needed for any of**

**the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

**RESOLVED, That as a condition to making the payments specified in the foregoing resolutions, on the day of such payment the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

**RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel.**

**3.** **Discussion Agenda:**

**a.** **Report of 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 & Poor's 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 covey 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.***

***<u>St. Lawrence/FDR Power Plant</u>***

***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.***

***<u>Diversity, Environmental Justice and Sustainability</u>***

***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.***

***<u>KEY INITIATIVES</u>:***

***<u>Recharge New York ("RNY")</u>***

***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.***

***<u>New York Energy Highway</u>***

***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.***

***<u>Build Smart NY</u>***

***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.***

**b. <u>Report of the Chief Operating Officer</u>**

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

***<u>Generation</u>***

- ***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.***

***<u>Transmission Performance</u>***

- ***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.***

***<u>Environmental</u>***

- ***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.***

***<u>Safety</u>***

- ***NYPA did not achieve its target for the Safety Recordable Incidents Rate. However, it should be noted that NYPA's target is intentionally aggressive, and NYPA 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.***

***<u>Key Issues</u>:***

***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.***

**c. <u>Report of the Chief Financial Officer</u>**

***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 form 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**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures in the amount of $36.0 million for the engineering, design, manufacture, shipment, installation, testing and commissioning of twelve single phase generator step-up ("GSUs") transformers and one spare dual voltage transformer (The 'Program') as replacements for the existing units at the St. Lawrence/FDR Power Project. The Trustees are also requested to approve the award of a multi-year turnkey services contract in the amount of $22.2 million to ABB Inc. of Raleigh, NC, to design, fabricate, test, deliver and install these transformers. The President and Chief Executive Officer has approved $138,000 for Preliminary Engineering.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

"The Authority's Expenditure Authorization Procedures (EPAs'), require the Trustees' approval for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder.

"The St. Lawrence/FDR Power Project ('STL') has sixteen generating units and has been in operation since 1958. A group of four generating units terminate into GSU bank, for a total of four banks. Each bank consists of three GSUs for a total of twelve, single phase, 86MVA GSUs (six at 13.2kV/115kV and six 13.2 kV/230kV), and one dual-winding (115kV/230kV) spare GSU, that is configured to provide back-up in case of a single unit failure.

"The GSUs and the dual-winding spare are original plant equipment. The units are to be replaced as they are approaching the end of design life and pose the risk of a transformer failure. At STL, any single GSU failure could take four generators out of service, and due to the long lead time (1.5 years) for a replacement of a GSU, it could result in a significant loss of generation revenues.

DISCUSSION

"In response to the Authority's Request for Proposals ('RFP') advertised in the New York State *Contract Reporter* on June 6, 2012, one hundred and eight firms downloaded the bid documents and eight proposals were received on August 8, 2012 for procurement and associated services for twelve GSUs.

"All proposals were evaluated by a committee of Authority Engineering, Plant Maintenance and Operations, Quality Assurance, Asset Management, Project Management and Procurement staffs.

"The proposals were evaluated based on:

- Compliance with commercial, technical and quality assurance requirements
- Transformer Load Losses
- Price
- Engineering and Quality Assurance support and travel associated with overseeing the design, fabrication, and testing.

"As part of the bid evaluation process, written technical clarifications were required of all bidders. Follow-up clarifications were requested of the technically qualified bidders to provide written clarifications of their manufacturing and design capabilities, understanding of the bidding documents, and shipping and transportation logistics. An optional price for one spare dual-winding GSU to be furnished as part of the scope-of-work was requested from the two lowest-cost, technically qualified bidders.

"As set forth in the award recommendation, ABB was determined to have submitted the lowest, evaluated bid. ABB demonstrated an understanding of the project and the ability to successfully complete the project as planned.

"ABB is the original manufacturer of the existing STL GSUs. The company has the most familiarity of the STL site and staff and holds the design records for the existing GSUs.

"The Program work will be performed over a five-year period with design taking place in 2013. Manufacturing, shipment, installation, testing and commissioning will commence in 2014 and will be completed in 2017.

"The capital expenditure authorization request is compromised of the following:

| | | |
|---|---|---|
| Preliminary Engineering (previously authorized) | | $ 138,000 |
| Engineering and Design | | $ 880,000 |
| Procurement | | $ 24,358,000 |
| Construction/Installation | | $ 7,590,000 |
| Authority Indirect and Direct Expenses | | $ 3,020,000 |
| | TOTAL: | $ 35,986,000 |

FISCAL INFORMATION

"Payment associated with this project will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Engineering, the Acting Vice President – Transmission, the Vice President – Procurement, the Project Manager, and the Regional Manager – Northern New York recommend that the Trustees authorize capital expenditures in the amount of $36.0 million and approve the award of a multi-year contract to ABB Inc., in the amount of $22.2 million.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

***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.***

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

**RESOLVED that pursuant to the Authority's Expenditure Authorization Procedures, capital expenditures in the amount of $36.0 million are hereby authorized in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer; and be it further;**

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a multi-year contract to ABB Inc. of Raleigh, NC, in the amount of $22.2 million to provide twelve generator step-up transformers and one dual voltage transformer for use at the St. Lawrence/FDR Power Project, as recommended in the foregoing report of the President and Chief Executive Officer:**

| **Contractor** | **Contract Approval** |
|---|---|
| **ABB Inc.<br>Raleigh, NC** | **$22.2 million** |

**AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

**5. Motion to Conduct an Executive Session**

***Mr. Chairman, I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 to discuss matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or corporation.*** Upon motion made and seconded an Executive Session was held.

**6. <u>Motion to Resume Meeting in Open Session</u>**

***Mr. Chairman, I move to resume the meeting in Open Session.*** Upon motion made and seconded, the meeting resumed in Open Session.

**7. <u>Next Meeting</u>**

The next Regular Meeting of the Trustees will be held on **February 26, 2013, at 11:00 a.m., at the Clarence D. Rappleyea Building in White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

**Closing**

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 12:30 p.m.

Karen Delince
Corporate Secretary

# EXHIBITS

# For

# January 23, 2013

# Regular
# Trustees' Meeting

**Procurement (Services) Contracts – Awards**
**(For Description of Contracts See "Discussion")**

**EXHIBIT "A"**
**January 23, 2013**

| Plant Site | Company Contract # | Start of Contract | Description of Contract | Closing Date | Award Basis[1] Contract Type[2] | Compensation Limit | Amount Expended To Date | Authorized Expenditures For Life Of Contract |
|---|---|---|---|---|---|---|---|---|
| OPERATIONS SUPP SERV - ENGINEERING | **Q12-5249 (1 of 12 awards)**<br><br>**C&S ENGINEERS, INC.**<br>Syracuse, NY | 02/01/13 (on or about) | Provide for on-call consulting engineering services to support the Authority's hydro-electric, pumped storage and fossil power generation facilities, transmission and ancillary facilities | 12/31/17 | B/P | *Note: represents previously-approved aggregate total for 12 awards for approximately 5-year term; funding approved at 12/18/12 meeting | | **$15,000,000*** |
| OPERATIONS - TRANSMISSION | **LEWIS TREE SERVICE, INC.**<br>West Henrietta, NY<br>(Q12-5315; PO# TBA) | 04/01/13 (on or about) | Provide for Right-of-Way vegetation management services along 1,400 miles of high-voltage transmission lines | 09/30/17 | B/S | *Note: represents total for up to 4 and one-half year term | | **$9,000,000*** |
| MED ENERGY EFFIC. RESOURCES & TECH SERV. - ENERGY SERVICES | **Q12-5243 (1 of 19 awards)**<br><br>**O'BRIEN & GERE / DEWBERRY ENERGY SERVICES JOINT VENTURE**<br>Syracuse, NY<br>+ 6 offices in the Greater NYC area, including 2 in Manhattan | 02/01/13 (on or about) | Provide for services to support the Authority's Governmental Customer Energy Services Program | 12/31/17 | B/C | *Note: represents previously-approved aggregate total for 19 awards for approximately 5-year term; funding approved at 12/18/12 meeting | | **$750,000,000*** |

| | | |
|---|---|---|
| **♦** | **M / WBE:** | **New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)** |
| **1** | **Award Basis:** | **B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search** |
| **2** | **Contract Type:** | **P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service** |

# President & Chief Executive Officer Report

**Gil Quiniones**

**January 23, 2013**

Board of Trustees Meeting

# Balanced scorecard for Q4 2012

| | GOAL | CORPORATE MEASURE | YTD TARGET | YTD ACTUAL | STATUS Oct | STATUS Nov | STATUS Dec |
|---|---|---|---|---|---|---|---|
| Mission Goals | Economic Development | **Jobs per MW Allocated** (ratio) (Measure in redesign) | N/A | | | | |
| | Energy Services | **MMBTU's Saved** | 400 | **407.5** | | | |
| | | **Energy Efficiency Investment In State Facilities** ($ Millions) | 80 | **116.5** | | | |
| | Energy Infrastructure | **Energy Highway** (% Milestones) | 100 | **100** | | | |
| Stewardship Goals | Financial Management | **O&M Budget Performance** ($ Millions ) | 370.9 | **364.2*** | | | |
| | | **Debt Coverage Ratio** (Ratio) | 2.5 | **2.85** | | | |
| | Maintain Infrastructure | **Generation Market Readiness** (%) | 99.4 | **99.7** | | | |
| | | **Transmission System Reliability** (%) | 96.56 | **97.64** | | | |
| | Workforce Management | **Retention** (# of Touchpoints) | 475 | **500** | | | |
| | | **Training** (% Milestones) | 100 | **100** | | | |
| Accountability Goals | Safety Leadership | **Recordable Incidence Rate** (Index; 12 - month rolling average) | 1.00 | **1.85** | | | |
| | Environmental Responsibility | **Environmental Incidents** (Units) | 29 | **35** | | | |
| | Enterprise Risk | **Enterprise Wide Risk Management** (% Milestones) | 100 | **100** | | | |
| | Compliance | **Compliance Reporting** (% Milestones) | 100 | **100** | | | |
| | | **Compliance Training** (% Milestones) | 100 | **100** | | | |

*Preliminary results

# 2012 year-end summary *as of 1/11/13*

| CORPORATE MEASURE | 2012 YEAR-END TARGET | 2012 YEAR-END ACTUAL |
|---|---|---|
| | | |
| **Financial** | | |
| Net Income ($ Millions ) | 167 | 175.2* |
| Operations & Maintenance Budget ($ Millions ) | 370.9 | 364.2* |
| Bond Ratings: | | |
| Fitch | AA | AA |
| Standard and Poor | AA- | AA- |
| Moody's | Aa2 | Aa2 |
| **Operational** | | |
| Transmission System Reliability (%) | 96.56 | 97.64 |
| Generation Market Readiness (%) | 99.4 | 99.7 |

*Preliminary results

# 2012 Accomplishments

- 2012 Operations & Maintenance: *$7 million under budget*
- 2012 Capital Expenditures on Infrastructure: *$124 million*
- 2012 Capital Expenditures on Energy Efficiency: *$260 million invested, over 4,700 MW in demand reduction*
- St. Lawrence Life Extension and Modernization Project: *final unit returned to service, completed on time and under budget*
- Initiated $726 million Transmission Life Extension & Modernization

# Key Initiatives 2012

- **Diversity NYPA**
  Generating Excellence through Diversity and Inclusiveness

- **Environmental Justice**
  Generating Energy and Environmental Equality

- **Sustainability**
  - Environmental Stewardship
  - Social Equity
  - Economic Prosperity

DiVERSITy
A POWERRESOURCE

EJ Environmental Justice
New York Power Authority

Generating Sustainability

# Key Initiatives 2012

- ReCharge NY
  - Awarded 692 Recharge NY Allocations contracts for over 730 MW supporting tens of thousands of NY jobs and billions in capital investment commitments
- New York Energy Highway
  - Issued Blueprint as part of Task Force
- Clean Energy
  - Anaerobic Digester Gas to Electricity program with NYSERDA
  - Build Smart NY
  - Solar Market Acceleration Program
  - Energy Efficiency Market Acceleration Program

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New York Power Authority

**Edward Welz**
Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES

FROM: EDWARD WELZ, CHIEF OPERATING OFFICER

DATE: JANUARY 9, 2013

SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

*****************************************************************************

This report covers performance of the Operations group in December 2012.

## Operations

*Plant Performance*

Systemwide net generation[1] was 2,087,433 megawatt-hours[2] (MWh) in December 2012, compared to projected net generation of 2,412,268 MWh. Year-to-date net generation is 25,019,379 MWh, compared to the target of 27,757,292 MWh.

The fleet availability factor[3] was 87.0 percent in December 2012, and 89.2 percent for the year. Generation market readiness factor[4] was 99.2 percent in December, compared with the monthly target of 99.4 percent. Year-to-date generation market readiness factor was at 99.7 percent.

No signicant outages occurred during December, while two significant outages that began earlier continued into the month:

a) During routine inspections, weld cracks were discovered on the rotor of St. Lawrence Unit 28. The rotor was removed and additional cracks were discovered. Further assessments are being made before repair work commences. The unit is expected to return to service in February 2013.

b) A failure occurred on the Main Generator Step-Up Transformer at Gilboa Unit 2 . The unit returned to service on January 8, 2013.

Generation net revenue in December was $4.5 million with loss of revenue of $0.06 million during the month. Year-to-date Generation net revenue was $200.0 million and lost opportunity cost remains at $1.02 million.

Niagara River flows in December 2012 continued to be below the historical average, and are expected to be below average for at least the next two years. St. Lawrence River flows during December 2012 were also below forecast. River flows are expected to be below historical levels beyond 2013.

*Transmission Performance*

Transmission reliability[i] in December was 97.43 percent, which was above the target of 95.91 percent. Year-to-date transmission reliability is 97.64 percent, above the target of 96.56 percent.

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

*Safety*

The NYPA Recordable Incidence Rate through December 2012 (based on a 12-month rolling average) is 1.85 compared to the target of 1.00. The Operations Incidence Rate for December 2012 (based on a 12-month rolling average) is 2.16 compared to the target of 1.62.

*Environmental*

There were three reportable incidents for December 2012. For the year, there have been 35 reportable incidents compared to the target of 29.

*Relicensing – Niagara Power Project*

Railing fabrication and installation continues at the Schoellkopf overlook.

Construction work at the HIPs has been suspended for the winter. During the winter months, we expect to receive the remaining permits (primarily Corps of Engineers) needed to commence construction on Frog Island next season. Design work on the Strawberry Island HIP, which is the last of the Niagara HIPs, continues.

*Relicensing – St. Lawrence-FDR Power Project*

Construction of the Nichols Island Controlled Level Pond HIP continues. The reconstruction of Sand Road, the western access to the project, is completed. The construction of the western dike (Dike D) of this HIP is well underway, and continues, weather allowing. Land clearing for the other roads and dikes is completed across Nichols Island and dike reconstruction at the eastern end of the project, within the buffer zone near a productive Bald Eagle nest, has been completed. There was a very limited timeframe to complete this work that would avoid the sensitive season for nesting.

OPRHP continues construction of the new Coles Creek Marina Building. Foundations are completed and steel erection will begin soon. This is the last element of the State Park renovations associated with relicensing.

*Relicensing – Blenheim-Gilboa Project*

Preparation of the preliminary licensing documents continues. A Strategy White Paper is being prepared to support executive decision making. At this time, no significant regulatory issues that would impact relicensing have been identified.

*Life Extension and Modernization Programs*

<u>St. Lawrence LEM Upgrade</u>

Work on Unit 20 at the St. Lawrence-FDR Power Project, the 16th of the 16 units, began on May 9, 2012, as part of the Project's Life Extension and Modernization[i] (LEM) program. All pre-operational testing was completed and unit returned to service (RTS) on 12/16/12, 5 days ahead of schedule. Work for the automation of Unit 17 will begin in January, 2013 with the unit projected to return to service on June 28, 2013. The 2013 scheduled completion date for the LEM project remains unchanged.

<u>Transmission LEM</u>

The Trustees approved the $726 million program. The program will be managed in a phased approach on a project basis as detailed scope is further developed.

The St. Lawrence Circuit Breaker and Relay Replacement as well as the Niagara Relay Replacement were projects approved under the program. Project teams are coordinating activities to support engineering, procurement, and construction actitivities. Relay replacements are ongoing at Blenheim-Gilboa and Clark Energy Center.

Replacement of the spare auto-transformer at Massena Substation is in progress with equipment delivery expected in mid-2013. An award for the replacement of the remaining auto-transformers is being processed.

Refurbishment of Auto-Transformer 1B at Marcy is ongoing with completion expected in May 2013.

<u>LPGP LEM</u>

The third feeder outage (Feeder 4) to replace the third GSU, and potheads at the Switchyard and LPGP in addition to upgrading of the Isolated Phase Bus sections was completed and the feeder was returned to service on December 3, 2012. The fourth GSU was being assembled in the Assembly Bay and is scheduled to be installed in the fourth (and last) feeder outage scheduled in February 2013.. The new Unit Control Board for the first unit to be upgraded (#11) was inspected and the factory acceptance testing is scheduled to commence in early January and the delivery is scheduled in February.. The first new turbine was inspected in Hitachi's facility located in Japan and is scheduled to arrive at LPGP in April 2013. The fabrication of the second and third turbines components are well underway and the fourth turbine was released for fabrication. The first unit outage commenced and the disassembly is scheduled to be completed by Januray 12, 2013. The LPGP LEM program is scheduled to be completed in 2020.

RMNPP Unit 13 Standardization

The outage for the standardization work commenced on September 14th, due to Unit 3 generator step up transformer (GSU) failure. Voith has commenced with assembly of the new stator in the Assembly Bay which is scheduled to be completed in April 2013 in time for installation into Unit 13.

*Technical Compliance – NERC Reliability Standards*

In December, Technical Compliance continued to oversee compliance enforcement actions related to several of the NERC Reliability Standards that are applicable to NYPA's NERC registrations. The active actions and statuses are briefly stated below:

a. **PRC-005-1 R2 - Transmission and Generation Protection System Maintenance and Testing** (NERC Violation ID: NPCC2011-00236): NYPA self-reported to the Northeast Power Coordinating Council (NPCC) a potential violation of the requirement R2 of PRC-005-1 on February 11, 2011. The associated mitigation plan closure documents were reviewed and accepted by NPCC staff in early 2012. NYPA met with NPCC staff on August 15, 2012 for the initial settlement discussions. As a result of that meeting, NPCC staff requested some additional information that was provided to NPCC on October 3, 2012. NPCC is reviewing the information.

b. **CIP-004-3 R2 - Cyber Security - Personnel and Training** (NERC Violation ID: NPCC20122-00446): NYPA self-reported to NPCC a possible violation of requirement R2 of CIP-004-3 on February 16, 2012. The mitigation plan and associated closure documents were submitted to NPCC for review and approval in April 2012. NPCC submitted them to NERC for approval on May 18 and NERC approved them and submitted them to FERC on June 14. NYPA is awaiting the initiation by NPCC of settlement discussions.

In December, Technical Compliance initiated investigations of three possible NERC Reliability Standards compliance concerns identified by the staff pursuant to an internal procedure entitled "Possible NERC Reliability Standards Compliance Violation." The compliance concerns were associated with the Voltage and Reactive (VAR), Critical Information Protection (CIP), and Modeling, Data, and Analysis (MOD) NERC Reliability Standards. Investigations of two possible compliance violation concerns identified in October and November continued in December. These investigations are typically concluded within 30 days with a recommendation to either self-report a possible violation to NPCC or not. In some cases, depending on the facts, the investigations may take longer. Any self-reports recommended by this process are reported above. This internal process is viewed by the regulator as evidence that NYPA has a strong internal compliance program.

The Federal Energy Regulatory Commission (FERC) approved the new Bulk Electric System (BES) definition and associated Rules Of Procedure Exception Process on December 20, 2012. The new definition will require transmission assets above 100 kV to be subject to the NERC Reliability Standards. The exception process provides rules to add or remove system elements from the definition on a cases-by-case basis. In December, NYPA met with NPCC staff to review NYPA's list of forty-one (41) newly identified Bulk Electric System (BES) assets and to confirm NYPA's plans to assign Transmission Operator (TOP) and Transmission Planner (TP) compliance accountability to the NYISO and the other NY Transmission Owners. NPCC agreed with NYPA's approach.

In December, NYPA continued to implement its work plan for responding to a 2010 NERC Alert Recommendation that requires NYPA to review its current facility ratings methodology for their solely and jointly owned transmission lines to verify that the methodology used to determine facility ratings is based on actual field conditions (in particular line ground clearances). The assessment revealed that there are about 260 line clearance discrepancies in NYPA's 1,400 miles of transmission lines; about 50 of which are on lines rated as high priority. Staff engaged contractors and other utilities to remediate the discrepancies on the high priority lines. Northline Utilities and Macedon Excavating completed work in the field. Currently, there are two (2) outstanding discrepancies pending resolution by National Grid and NYSEG. The delays in implementing the corrective action are attributed to the need of National Grid and NYSEG to reallocate resources to respond to the impacts of Hurricane Sandy. The remediation of discrepancies on the medium priority lines is being planned for completion in 2013. Development of design packages is in progress by Quanta Technology / Realtime Utility Engineers and CT Male for mitigating the discrepancies on the medium and low priority transmission lines.

Energy Resource Management

*NYISO Markets*

In December, Energy Resource Management (ERM) bid 2.3 million MWh of NYPA generation into the NYISO markets, netting almost $41.73 million in power supplier payments to the Authority. Year-to-date net power supplier payments are $508.23 million.

*Fuel Planning & Operations*

In December, NYPA's Fuels Group transacted $26.5 million in natural gas and oil purchases, compared with $21.5 million in December 2011. Year-to-date natural gas and oil purchases are $227.8 million, compared with $258.0 million at this point in 2011. The total $30.2 million decrease is mainly due to the lower cost of fuel at the 500-MW Combined Cycle Plant (-$37.6 million), Small Clean Power Plants (-$14.5 million) and the Richard M. Flynn Power Plant (-$11.1 million), which was offset by the start up of the Astoria Energy II Plant (+$33.0 million) in July of 2011.

*Regional Greenhouse Gas Initiative*

On December 5th, Auction 18 of the Regional Greenhouse Gas Initiative[5] was held. During the auction, RGGI allowances cleared at the CPI-adjusted auction price floor of $1.93/ton for Vintage 2012. NYPA bid on and was awarded 575,000 allowances during this fourth quarter auction of 2012. Awaiting only December final generation numbers to be finalized, NYPA is currently forecasted to have enough allowances to cover approximately 98% of its 2012 $CO_2$ emissions. Since the inception of this program, NYPA has spent $27 million on 12 million RGGI allowances, or $2.24/ton on average. For the current three-year compliance period, NYPA has spent $1.93/ton on average for Vintage 2012 allowances.

**GLOSSARY**

[1] **Net Generation –** The energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped storage facility. Preliminary data in the COO report is provided by Accounting and subject to revision.

[2] **Megawatt-hour (MWh) –** The amount of electricity needed to light ten thousand l00-watt light bulbs for one hour. A megawatt is equal to 1,000 kilowatts and can power about 800 homes, based on national averages.

[3] **Availability Factor –** The Available Hours of a generating unit over the Period Hours (hours in a reporting period when the unit was in an active state). Available Hours are the sum of Service Hours (hours of generation), Reserve Shutdown Hours (hours a unit was not running but was available) and Pump Hours (hours a pumped storage unit was pumping water instead of generating power).

[4] **Generation Market Readiness Factor –** The availability of generating facilities for bidding into the New York Independent System Operator (NYISO) market. It factors in available hours and forced outage hours that drive the results.

[5] **Regional Greenhouse Gas Initiative (RGGI) –** A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. These nine states have capped $CO_2$ emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual $CO_2$ Budget Trading Programs in each of the nine participating states. Regulated power plants can use a $CO_2$ allowance issued by any of the nine participating states to demonstrate compliance with the state program governing their facility. Taken together, the nine individual state programs function as a single regional compliance market for carbon emissions, the first mandatory, market-based $CO_2$ emissions reduction program in the United States. New Jersey was a tenth state within the RGGI program but New Jersey’s governor pulled the state out of the program in 2011.

[i] **Transmission Reliability –** A measurement of the impact of forced and scheduled outages on the statewide system’s ability to transmit power.

# New York Power Authority

## Report of the Chief Financial Officer

## For the Year Ended December 31, 2012

**Report of the Chief Financial Officer**
**For the Year Ended December 31, 2012***
**Executive Summary**

## Results of Operations

Net income for the year ended December 31, 2012 was $175.2 million compared to a budget of $167 million resulting in an $8.2 million favorable variance. Results for the year included a higher net margin on sales ($4.9 million), higher non-operating income ($6.4 million) and lower operations and maintenance expenses ($6.7 million), partially offset by higher other operating expenses ($5.4 million). Higher net margins on sales for the year ($4.9 million) included positive variances in the MSP market area ($9 million, lower purchased power costs), the SCPP's ($22.7 million) and Blenheim-Gilboa ($7.6 million) due to higher capacity revenues, substantially offset by negative results at Niagara ($32.8 million, lower energy prices). Higher market-based capacity revenues resulted from higher prices due to an increase in NYISO reserve requirements and the moth-balling of several generating stations throughout New York State. Statewide wholesale energy prices declined by 21% relative to the budget primarily due to lower natural gas prices.

Non-operating income was higher than expected due primarily to lower than budgeted interest costs and a lower mark-to-market loss on the Authority's investment portfolio, resulting from lower market interest rates. Operations and maintenance expenses were lower than anticipated primarily due to less than expected spending for projects at Niagara, St. Lawrence and Flynn. Other operating expenses were higher due to higher retiree health benefits, Power for Jobs rebates and Recharge New York transition payments.

Results for the year ended December 31, 2012 ($175.2 million) were $59.7 million lower than the year ended 2011 ($234.9 million) due to lower non-operating income ($29 million), a higher voluntary contribution to New York State ($20 million), and higher other operating expenses ($9.3 million). Non-operating income in 2011 included $11 million for the settlement of a claim against the D.O.E. relating to spent fuel disposal at previously owned nuclear plants. Additionally, in 2011 the Authority experienced a $6.3 million mark-to-market gain on its investment portfolio, versus a $5.6 million loss in 2012. Voluntary contributions were $85 million in 2012 compared to $65 million for 2011. Other operating expenses in 2012 included higher retiree health benefits based upon an updated actuarial valuation.

## Cash & Liquidity

The Authority ended 2012 with total operating funds of $1,350 million as compared to $1,205 million at the end of 2011. The increase ($145 million) is primarily attributable to net cash from operations and payments received from Entergy of $102 million substantially offset by voluntary contributions to New York State, scheduled debt service payments, and utility plant additions.

**Preliminary amounts subject to adjustment based on the true-up of estimates and completion of the independent audit*

New York Power Authority

# RESULTS OF OPERATIONS

**Net Income**

**Year ended December 31, 2012***

**($ in millions)**

| | Actual | Budget | Variance |
|---|---|---|---|
| Niagara | $106.6 | $134.3 | ($27.7) |
| St. Lawrence | 34.5 | 33.3 | 1.2 |
| Blenheim-Gilboa | (11.4) | (16.3) | 4.9 |
| SENY | 39.4 | 40.0 | (0.6) |
| SCPP | 12.4 | (9.3) | 21.7 |
| Market Supply Power | (72.0) | (73.6) | 1.6 |
| Flynn | 18.6 | 11.2 | 7.4 |
| Transmission | 33.6 | 40.5 | (6.9) |
| Non-facility | 13.5 | 6.9 | 6.6 |
| **Total** | **$175.2** | **$167.0** | **$8.2** |

| **Major Factors** | **Better (Worse)** |
|---|---|
| **Niagara**<br>Lower net margins on sales ($32.8) due to lower energy prices, substantially offset by lower O&M ($3.6, non-recurring projects). | ($27.7) |
| **St. Lawrence**<br>Primarily lower O&M ($1.5, non-recurring projects). | 1.2 |
| **Blenheim Gilboa**<br>Primarily higher capacity revenues. | 4.9 |
| **SENY** | (0.6) |
| **SCPP**<br>Higher capacity revenues due to higher prices. | 21.7 |
| **Market Supply Power**<br>Lower purchased power costs due to lower prices, partially offest by additional accruals for P4J rebates and RNY transition payments. | 1.6 |
| **Flynn**<br>Higher net margin on sales ($3.7, including lower fuel costs due to lower prices) and lower O&M ($3.4, non-recurring projects). | 7.4 |
| **Transmission**<br>Lower revenues ($5.3, including lower FACTS revenues) and higher other expenses ($2.0, primarily retiree health benefits). | (6.9) |
| **Non-facility (including investment income)**<br>Primarily lower interest costs due to lower than anticipated market interest rates during the period. | 6.6 |
| **Total** | **$8.2** |

**Preliminary amounts subject to adjustment based on the true-up of estimates and completion of the independent audit*

# RESULTS OF OPERATIONS

## Net Income
## Years Ended December 31, 2012 and December 31, 2011*
## ($ in millions)

| | 2012 | 2011 | Variance Favorable/ (Unfavorable) |
|---|---|---|---|
| **Operating Revenues** | **2,686.9** | **2,655.7** | **31.2** |
| **Operating Expenses** | | | |
| Fuel consumed - oil & gas | 227.8 | 257.9 | 30.1 |
| Purchased power and ancillary services | 743.6 | 853.1 | 109.5 |
| Wheeling | 606.4 | 548.1 | (58.3) |
| Operations and maintenance | 364.2 | 330.4 | (33.8) |
| Other expenses | 199.7 | 190.4 | (9.3) |
| Depreciation and amortization | 226.2 | 193.9 | (32.3) |
| Allocation to capital | (10.9) | (8.7) | 2.2 |
| **Total Operating Expenses** | **2,357.0** | **2,365.1** | **8.1** |
| **Net Operating Income** | **329.9** | **290.6** | **39.3** |
| Investment and other income | 122.8 | 139.9 | (17.1) |
| Mark to Market Adjustment | (5.6) | 6.3 | (11.9) |
| **Total Nonoperating Income** | **117.2** | **146.2** | **(29.0)** |
| Contributions to New York State | 85.0 | 65.0 | (20.0) |
| Interest and other expenses | 186.9 | 136.9 | (50.0) |
| **Total Nonoperating Expenses** | **271.9** | **201.9** | **(70.0)** |
| **Net Nonoperating Income (Loss)** | **(154.7)** | **(55.7)** | **(99.0)** |
| **Net Income** | **175.2** | **234.9** | **(59.7)** |

Results for the year ended December 31, 2012 ($172.2 million) were $62.7 million lower than the year ended 2011 ($234.9 million) primarily due to lower non-operating income ($29 million) and a higher voluntary contribution to New York State ($20 million).

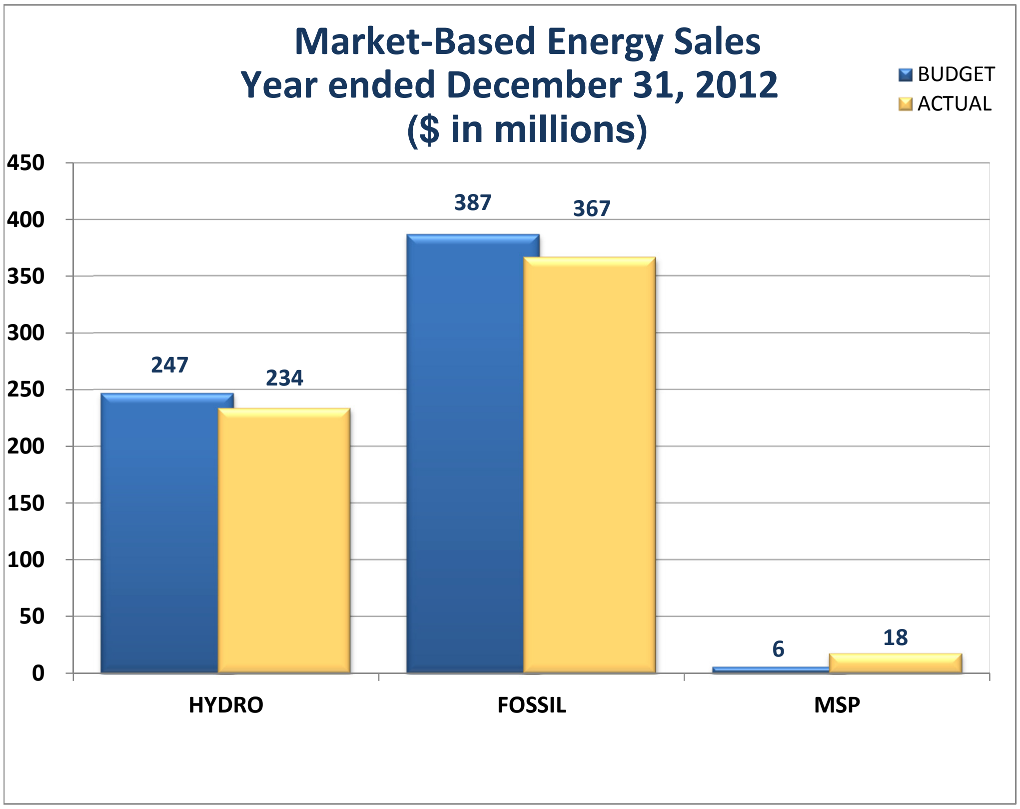
Non-operating income in 2011 included $11 million for the settlement of a claim against the D.O.E. relating to spent fuel disposal at previously owned nuclear plants. Additionally, in 2011 the Authority experienced a $6.3 million mark-to-market gain on its investment portfolio, versus a $5.6 million loss in 2012.

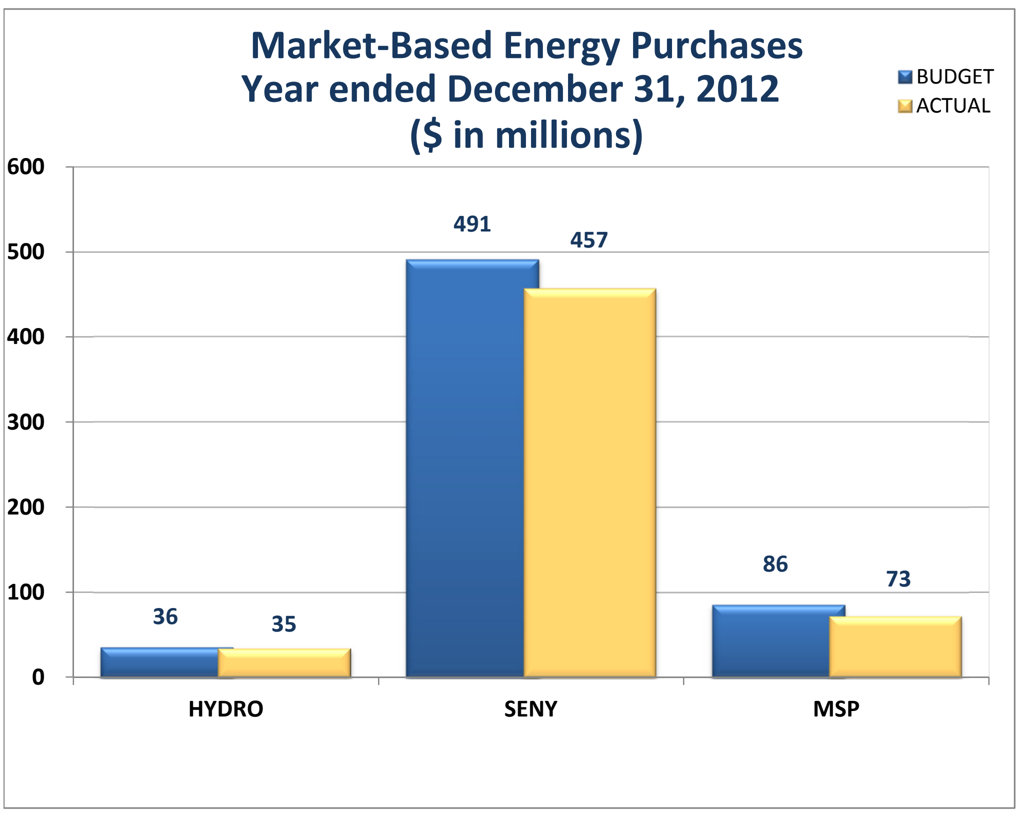
Voluntary contributions were $85 million in 2012 compared to $65 million for 2011.

Higher net operating income in 2012 ($39.3 million) was more than offset by higher interest expense ($50 million). These variations were substantially attributable to the operation of Astoria II for a full year in 2012 compared to six months in 2011. Variations in purchased power, depreciation, fuel and operations and maintenance expenses were also substantially attributable to the operation of the Astoria II generating station. These cost variations were recovered through operating revenues. Higher operations and maintenance expenses at most facilities in 2012 were due primarily to emergent work and non-recurring projects as well as the impact of Astoria II.

**Preliminary amounts subject to adjustment based on the true-up of estimates and completion of the independent audit*

# RESULTS OF OPERATIONS



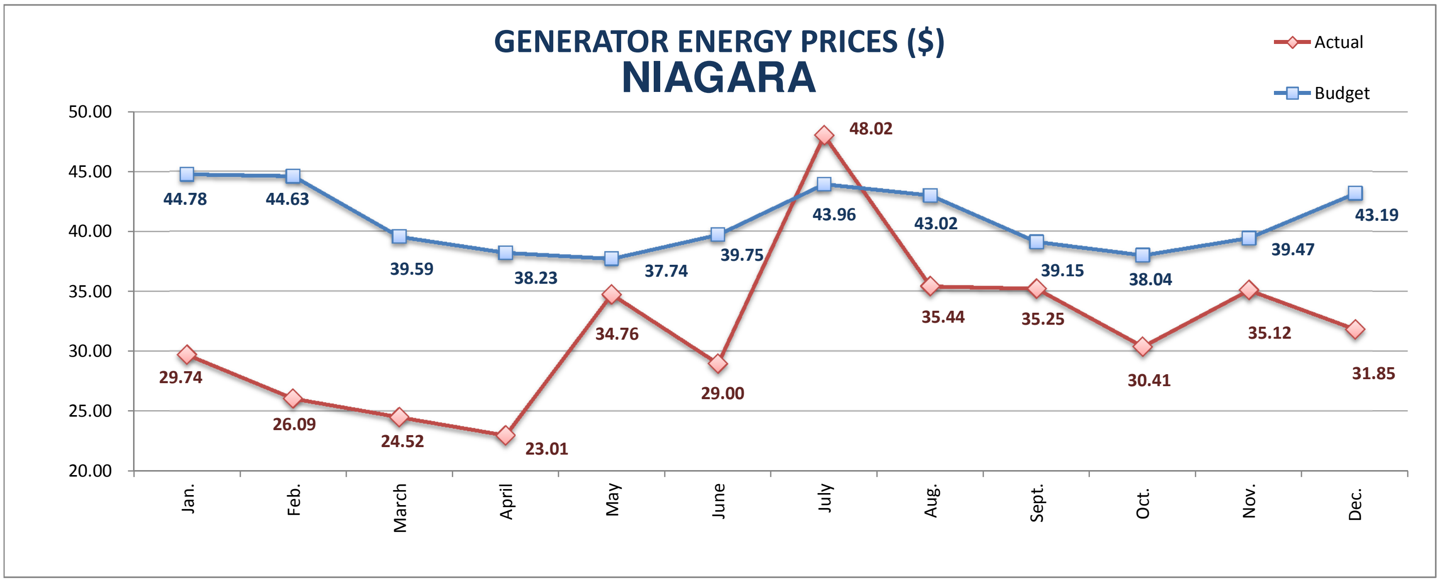

| REVENUES | | |
|---|---|---|
| **SALES (MWH)** | | |
| | **BUDGET** | **ACTUAL** |
| Hydro* | 5,454,516 | 5,926,513 |
| Fossil | 6,238,234 | 7,313,732 |
| MSP | 158,750 | 524,177 |
| TOTAL | 11,851,500 | 13,764,422 |
| **PRICES ($/MWH)** | | |
| Hydro* | $42.14 | $33.20 |
| Fossil | $59.02 | $44.42 |
| MSP | $37.56 | $34.80 |
| AVERAGE | $50.96 | $39.22 |

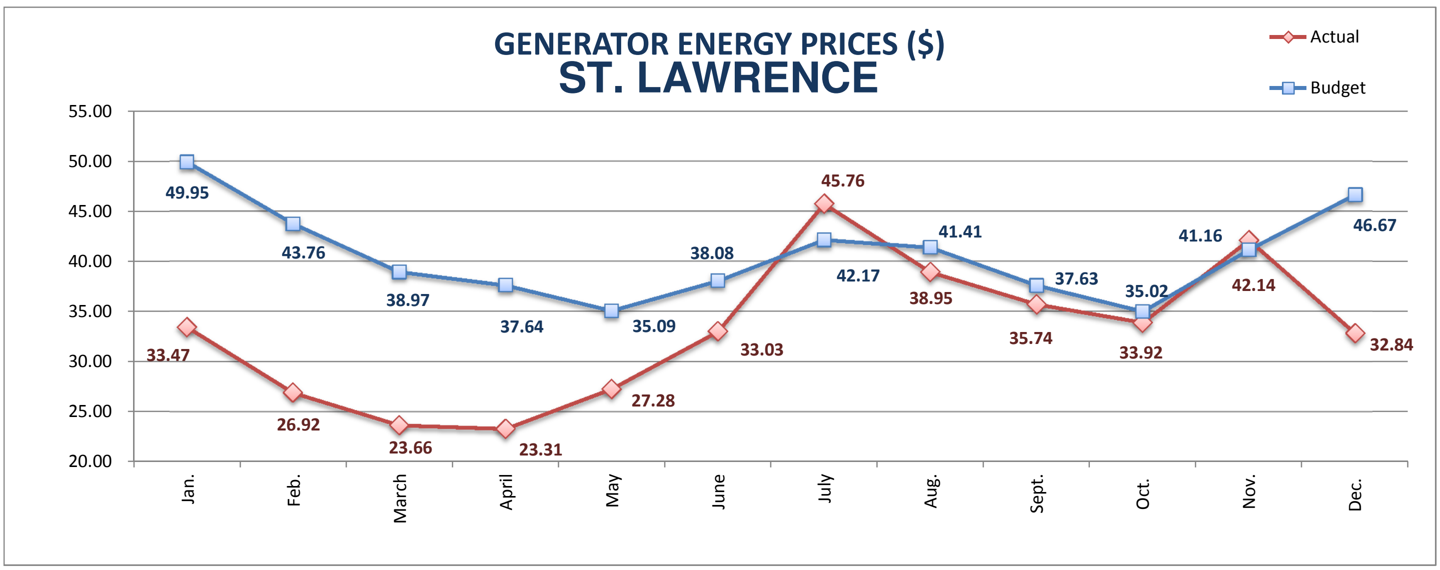
** Includes Niagara, St. Lawrence, B-G, and Small Hydro.*

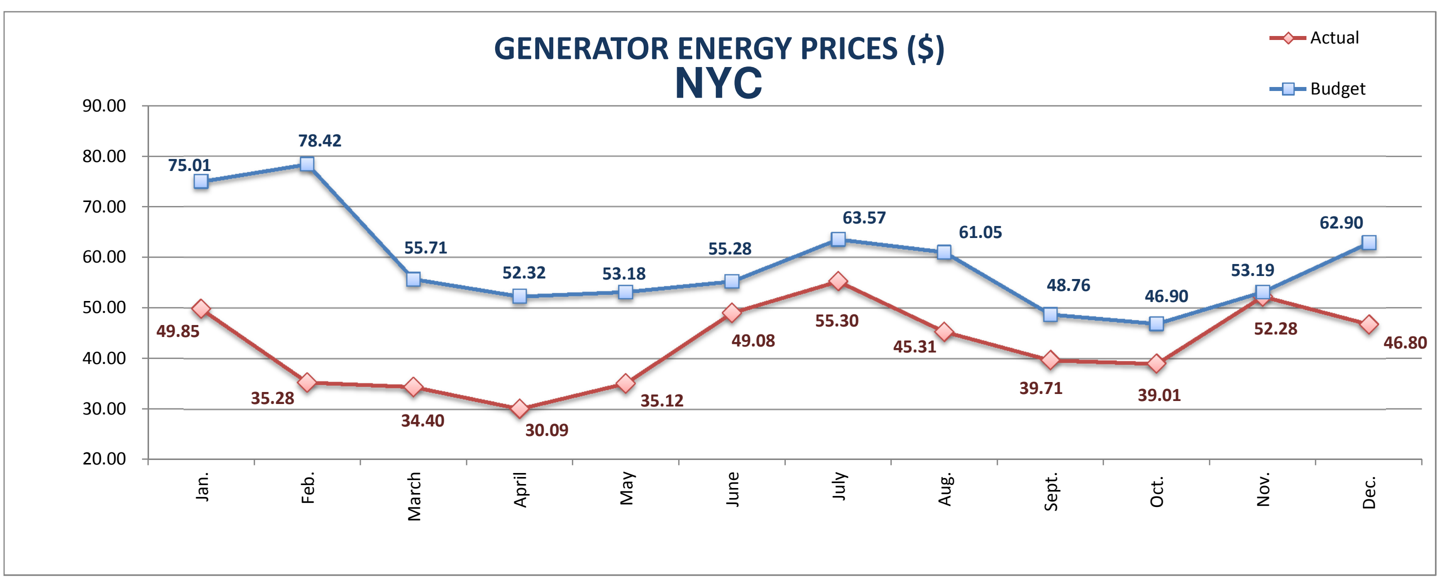
| REVENUES | | |
|---|---|---|
| **SALES (MWH)** | | |
| | **BUDGET** | **ACTUAL** |
| Niagara | 3,371,050 | 3,455,430 |
| St. Law. | 1,640,093 | 2,083,212 |
| **PRICES ($/MWH)** | | |
| Niagara | $40.70 | $31.45 |
| St. Law. | $38.51 | $30.49 |

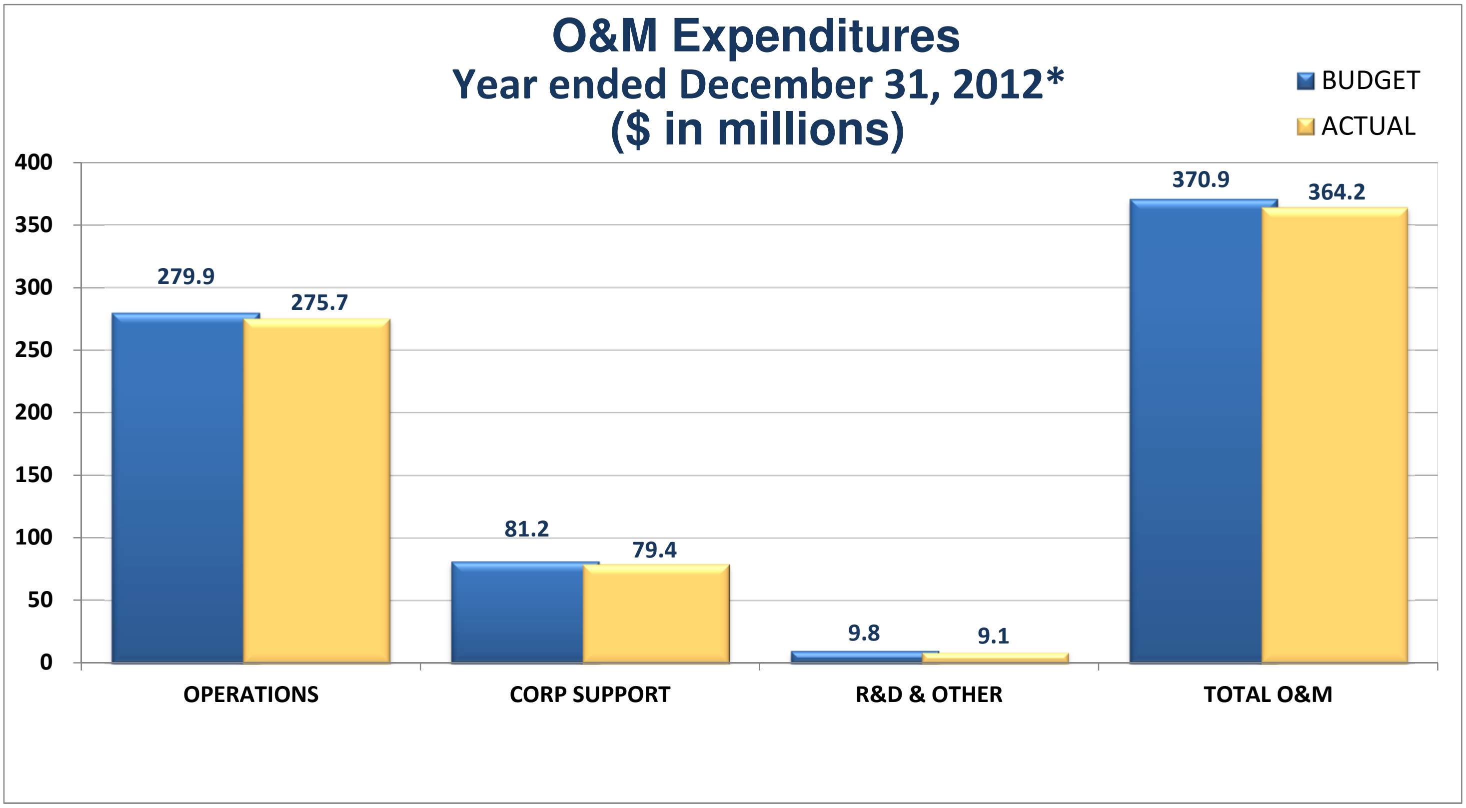
| COSTS | | |
|---|---|---|
| **PURCHASES (MWH)** | | |
| | **BUDGET** | **ACTUAL** |
| Hydro | 1,376,807 | 1,526,026 |
| SENY | 8,983,327 | 9,040,935 |
| MSP | 2,018,147 | 2,136,418 |
| TOTAL | 12,378,281 | 12,703,379 |
| **COSTS ($/MWH)** | | |
| Hydro | $26.05 | $23.14 |
| SENY | $54.58 | $50.57 |
| MSP | $42.83 | $33.93 |
| AVERAGE | $49.49 | $44.48 |

# RESULTS OF OPERATIONS
## Market Energy Prices



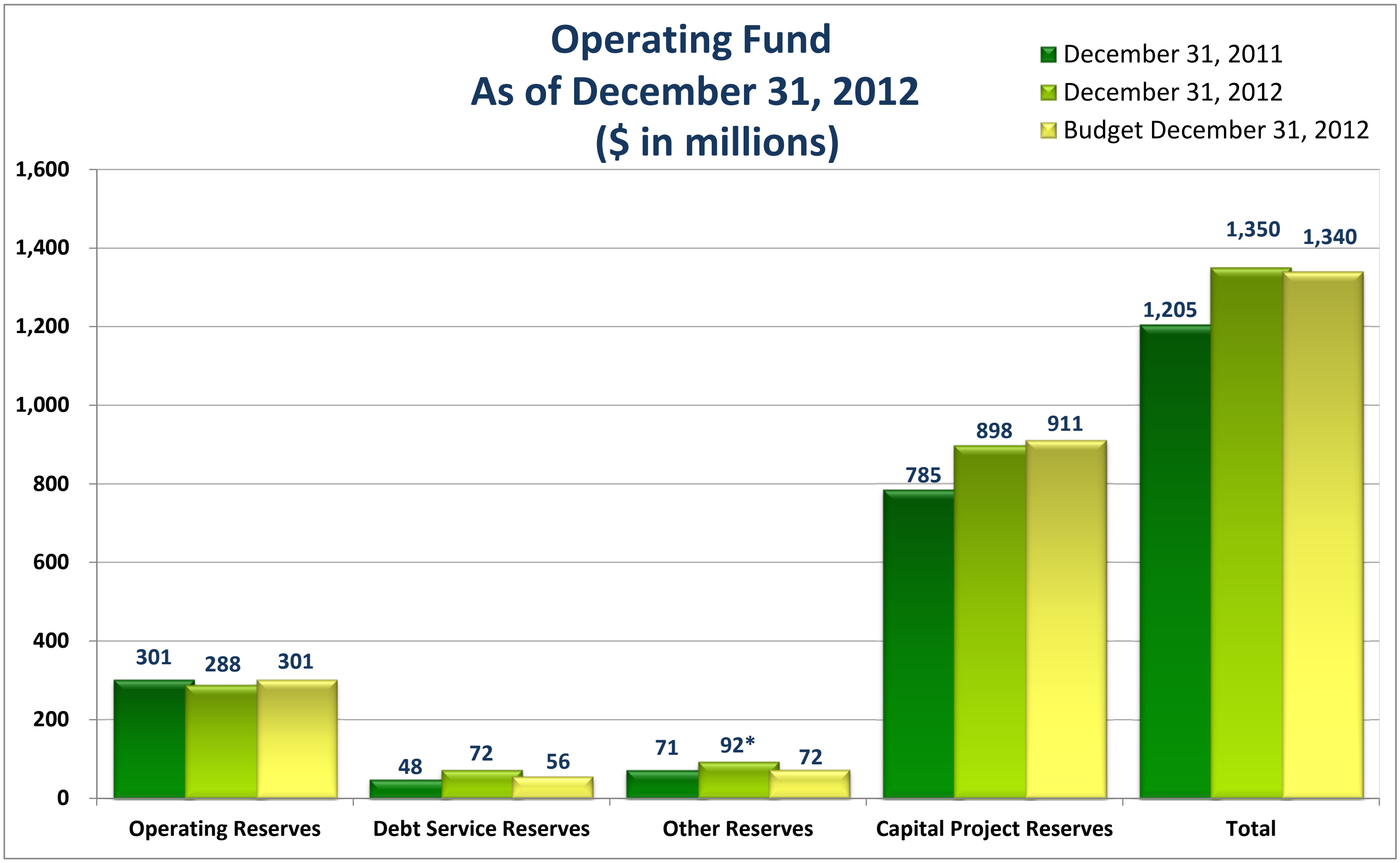



- For the year ended December 31, 2012, O&M expenses were $6.7 lower than the budget.

- Operations expenditures were lower than anticipated primarily due to less than expected spending for projects at Niagara (RMNPP Head-gate Refurbishment and Unit #2 Standardization) and Flynn (HRSG Stack Painting and Refurbishment).

- HQ Corporate Support was under budget due to lower than anticipated expenditures for payroll, outside legal consultants and fuel cell maintenance.

**Preliminary amounts subject to adjustment based on the true-up of estimates and completion of the independent audit*

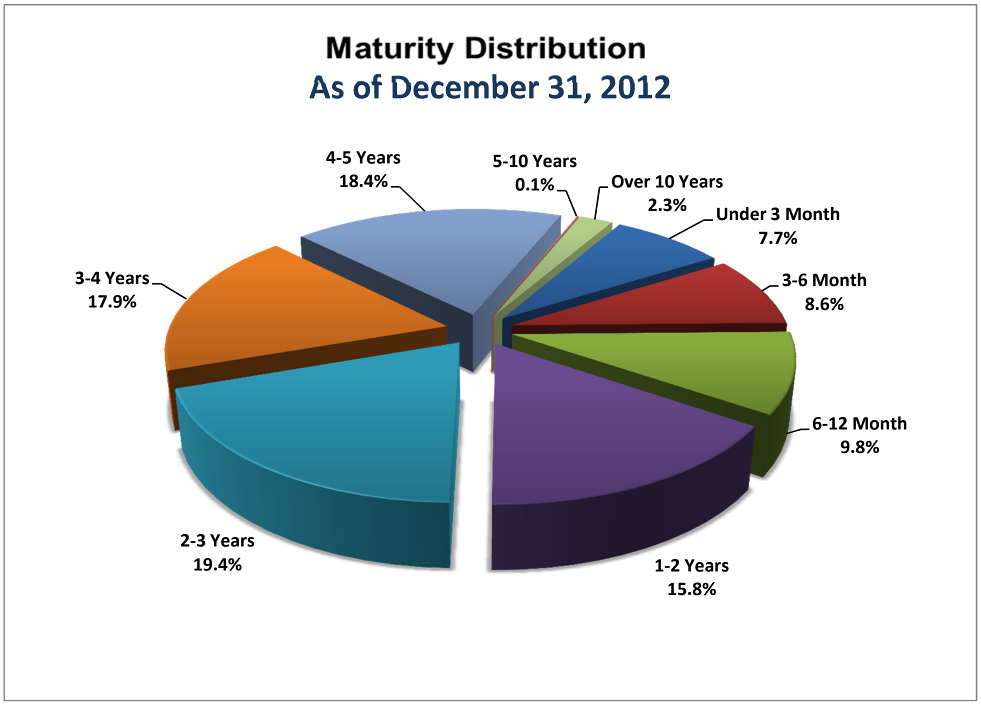



The increase of $145 in the Operating Fund (from $1,205 to $1,350) was primarily attributable to positive net cash provided by operating activities and payments of $102 received from Entergy, substantially offset by voluntary contributions to New York State, scheduled debt service payments, and utility plant additions.

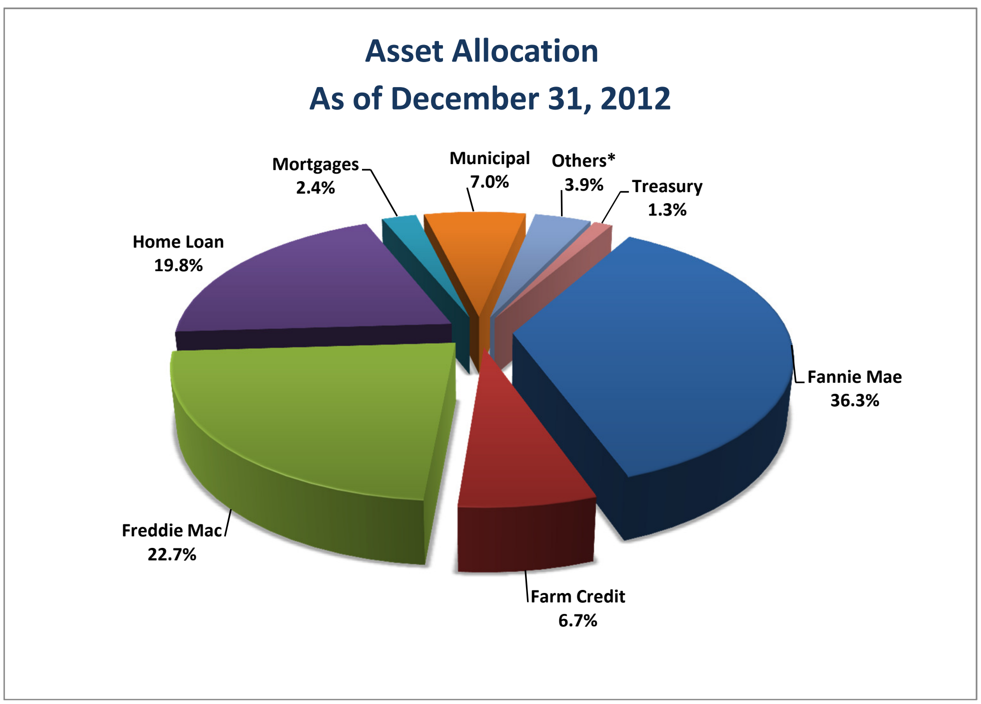
* Includes $71 in Energy Hedging/Fuel Reserves and $21 in the Western New York Economic Development Fund.

New York Power Authority

# CASH AND LIQUIDITY INVESTMENT PORTFOLIO

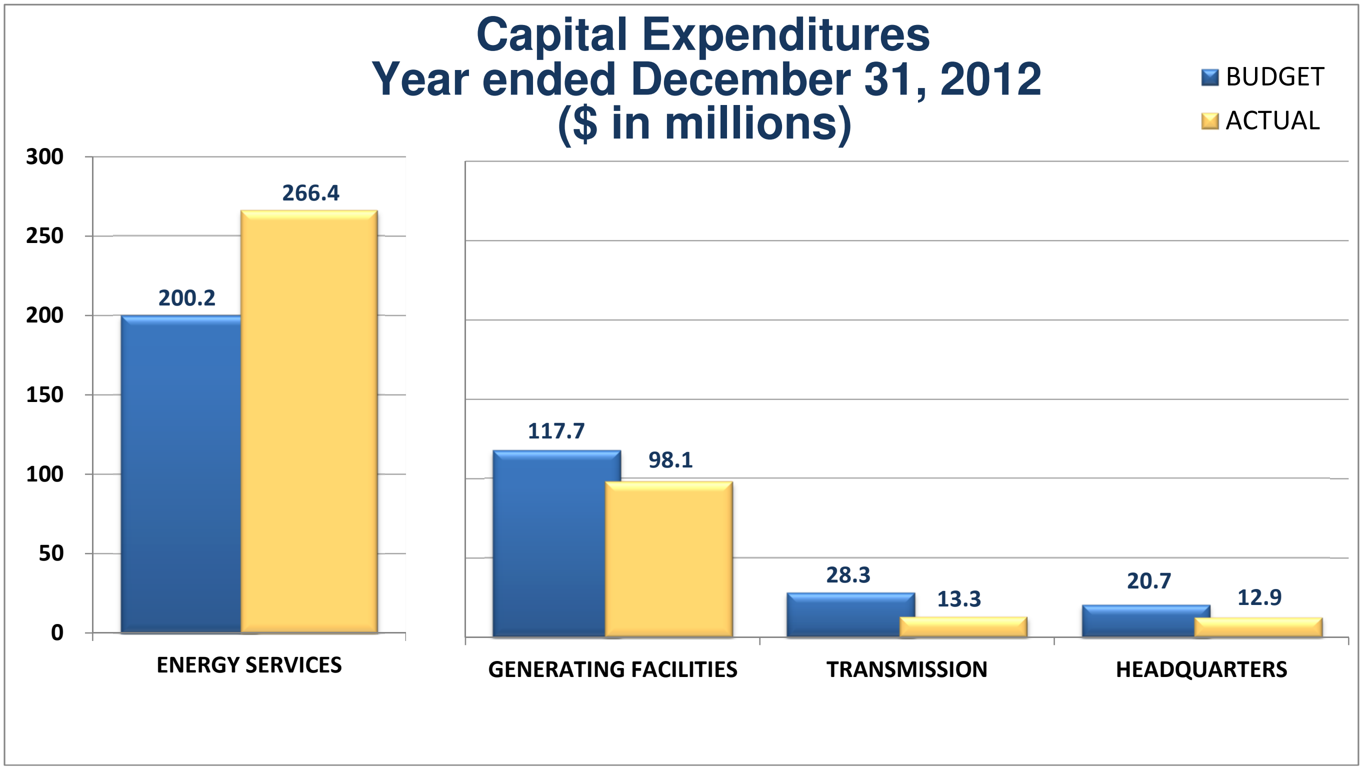



| MATURITY DISTRIBUTION | |
|---|---|
| ($ in millions) | |
| Under 3 Month | $107.6 |
| 3-6 Month | 120.0 |
| 6-12 Month | 137.0 |
| 1-2 Years | 219.2 |
| 2-3 Years | 269.4 |
| 3-4 Years | 249.0 |
| 4-5 Years | 256.4 |
| 5-10 Years | 1.0 |
| Over 10 Years | 31.7 |
| **Total** | **$1,391.3** |




| ASSET ALLOCATION | |
|---|---|
| ($ in millions) | |
| Fannie Mae | $504.6 |
| Farm Credit | $93.0 |
| Freddie Mac | $316.3 |
| Home Loan | $276.1 |
| Mortgages | $32.8 |
| Municipal | $97.2 |
| Others* | $53.8 |
| Treasury | $17.5 |
| **Total** | **$1,391.3** |

*Includes CDs and Repos




- Generating Facilities were under budget by $19.6 primarily due to delays related to the Blenheim Gilboa relicensing project, the St. Lawrence LEM and SCADA projects and Astoria Infrastructure Upgrade.
- Transmission expenditures were less than anticipated due to delays in the Transmission Initiative and the Moses-Willis Double Circuitry projects.
- Headquarters expenditures were under budget primarily due to delays and timing differences related to IT Initiative Projects.
- Energy Services expenditures were over budget by $66.2 due to greater than expected spending in the Governmental Services program.
- Under the Expenditure Authorization Procedure, the President authorized new expenditures on budgeted and emergent capital projects of $19.5 for the year. The following expenditure was authorized for November:

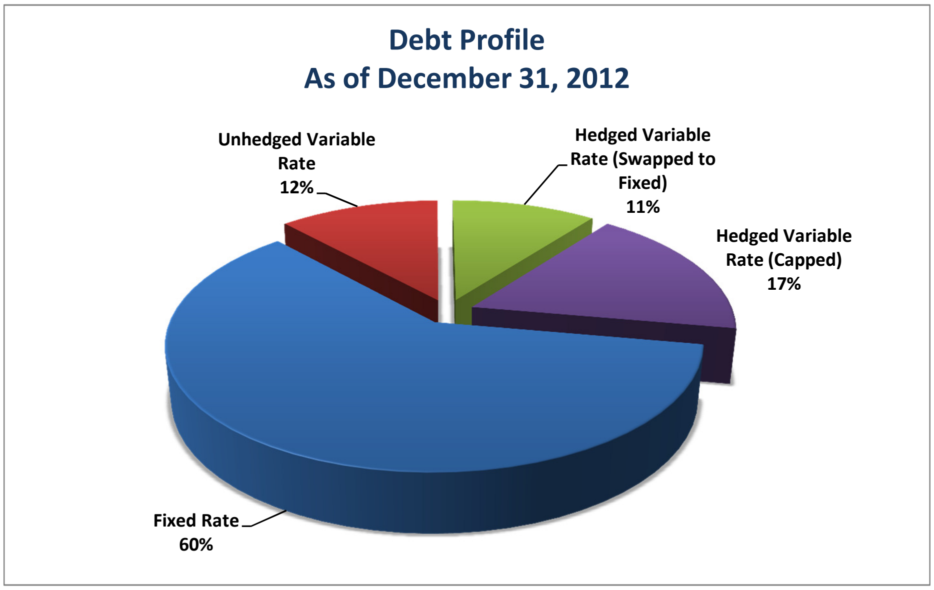
  SCCP Spare Transformer $1.5

  There were no authorizations in December.

**Debt Activity**
**Year ended December 31, 2012**
**($ in millions)**

| | Beginning Balance | New Issues | Scheduled Retirements | Additional Retirements | Ending Balance |
|---|---|---|---|---|---|
| Fixed Rate Debt | $1,083.4 | - | $43.2 | - | $1,040.2 |
| Variable Rate Debt | 303.1 | - | 36.8 | 16.9 | 249.5 |
| Variable Rate Energy Srvcs Debt | 397.6 | 218.2 | - | 184.7 | 431.1 |
| Sub-total Variable Rate Debt | 700.8 | 218.2 | 36.8 | 201.6 | 680.6 |
| **Total** | **$1,784.1** | **$218.2** | **$79.9** | **$201.6** | **$1,720.8** |

# DEBT




| DEBT PROFILE | |
|---|---|
| ($ in millions) | |
| Fixed Rate | $1,040.2 |
| Unhedged Variable Rate | 200.3 |
| Hedged Variable Rate (Swapped) | 180.2 |
| Hedged Variable Rate (Capped) | 300.0 |
| **Total** | **$1,720.8** |

**Interest Rate Derivatives**

The Authority periodically enters into Interest Rate Swaps and Caps to manage interest rate volatility associated with variable rate debt and to hedge future debt issuance. Each transaction is approved by the Board of Trustees and is governed by NYPA's SWAP policy and an ISDA Master Agreement and Schedule to the Agreement with authorized Counterparties. The EVP, CFO and the Treasury department, in consultation with the Authority's financial independent swap advisor continually monitor market conditions for potential hedging strategies that may benefit the Authority and its customers. All transactions were competitively bid.

**Open Positions**

The 1998B transaction is an interest rate swap that was bid March 13, 1998 with an effective date of November 15, 2002. The swap had the effect of fixing the rate on tax-exempt commercial paper at 5.123% on a forward starting basis. It was one component of the 1998 debt refinancing that reduced debt service costs by $740 million and allowed the Authority to adopt a new *General Resolution authorizing Revenue Obligations* in preparation for the competitive marketplace.

The ARTN transaction is an interest rate swap that was bid July 27, 2006 with an effective date of September 1, 2006. It allowed the Authority to lock in a 3.7585% synthetic fixed rate on the Adjustable Rate Tender Notes ("ARTN's"). The synthetic fixed rate was below the historical average rate on the ARTN's and below the rate used in developing NYPA's transmission tariff.

On January 24, 2011 the Authority purchased an interest rate cap on the Series 1 Commercial Paper with a strike rate of 5.50% and term of 2 years. The transaction provides customers participating in the energy services program an interest rate ceiling on their financial rate. The cap was approved by the Board in October 2010 and the Authority's independent swap advisor administered the competitive bid.

| Transaction | Counterparty | Notional Amount* | Effective Date | Type of Swap | Mark-to-Market |
|---|---|---|---|---|---|
| 1998B | Goldman Sachs Mitsui Marine Derivatives | $19.6 | 11/15/2002 | Floating-to-Fixed | ($1.0) |
| 1998B | Merrill Lynch Cap. Srvcs | 32.7 | 11/15/2002 | Floating-to-Fixed | (1.6) |
| 1998B | Citigroup Financial Prod. | 13.1 | 11/15/2002 | Floating-to-Fixed | (0.6) |
| ARTN | Merrill Lynch Cap. Srvcs | 114.8 | 9/1/2006 | Floating-to-Fixed | (11.3) |
| CP - 1 | Morgan Stanley Cap. Srvcs | 300.0 | 1/26/2011 | CAP | - |
| **Totals** | | **$480.2** | | | **($14.5)** |

** The notional amount of each SWAP amortizes according to the provisions contained in the transaction documents.*

**ENERGY DERIVATIVES**

## Results

For year 2012, energy derivative settlements have resulted in a net loss of $146.98 million. Gains and losses on these positions are substantially passed through to customers as resulting hedge settlements are incorporated into and recovered through customer rates.

***Year 2012 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions***
*($ in Millions)*

| | Settlements | Fair Market Value | | | |
|---|---|---|---|---|---|
| | 2012[1] | 2013 | 2014 | >=2015 | Total |
| NYPA | $ (0.60) | $ 0.02 | $ 0.03 | $ - | $ 0.05 |
| Customer Contracts | $ (146.39) | $ (52.51) | $ (53.59) | $ (18.69) | $ (124.79) |
| **Total** | **$ (146.98)** | **$ (52.50)** | **$ (53.56)** | **$ (18.69)** | **$ (124.74)** |

[1]*Reflects December final settlements.*

At the end of calendar year 2012, the fair market value of outstanding positions was at an unrealized loss of $124.74 million for positions extending through 2017.

## Market Summary

Exhibit 1 shows the average price of futures contracts for February to December 2013 and how they have traded since 11/30/2010. Exhibit 2 shows the average price of futures contracts for entire year 2014 since 11/30/2011.

***Exhibit 1: Average February to December 2013 Forward Price***

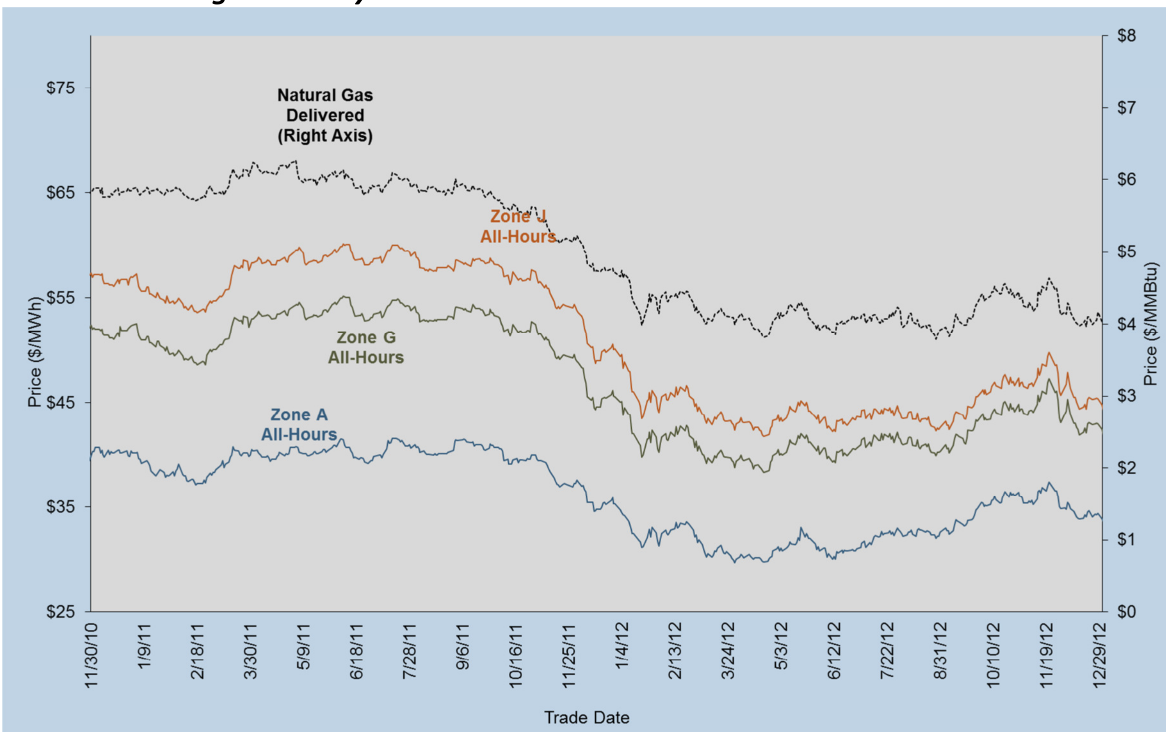
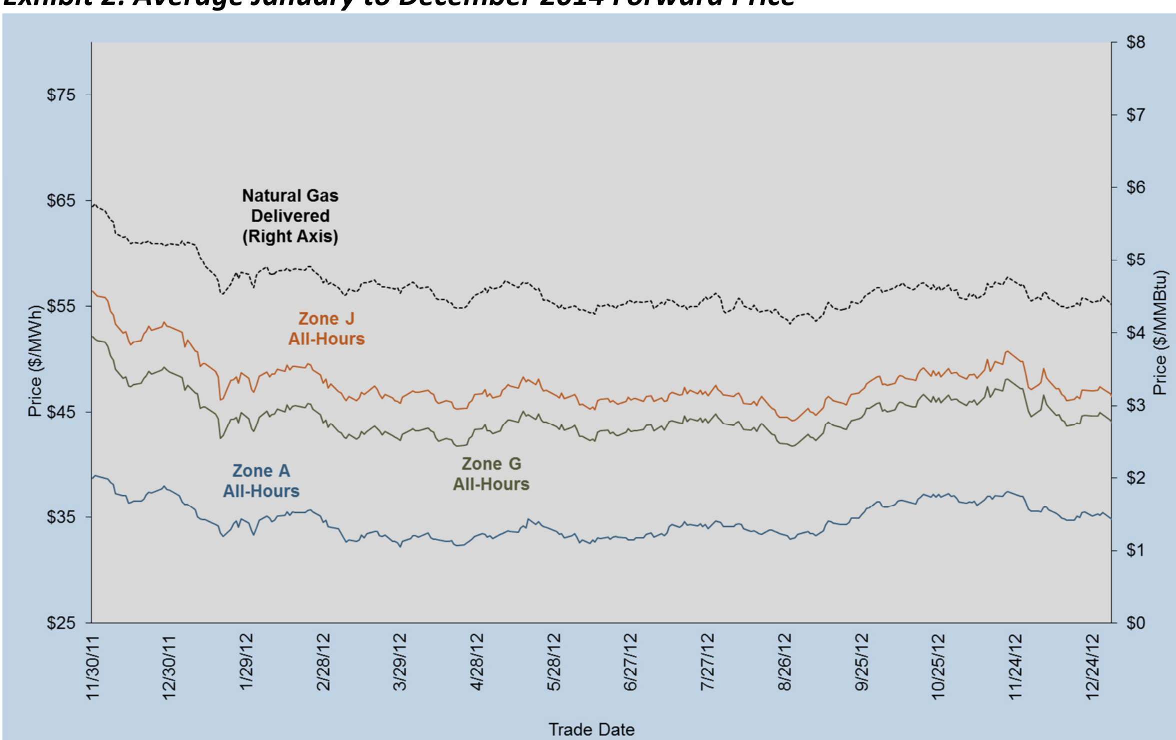



***Exhibit 2: Average January to December 2014 Forward Price***



## STATEMENT OF NET INCOME
### For the Year Ended December 31, 2012*
### ($ in millions)

| | Actual | Budget | Variance Favorable/ (Unfavorable) |
|---|---|---|---|
| **Operating Revenues** | | | |
| Customer | $ **2,007.8** | $ **2,173.0** | $ **(165.2)** |
| Market-based power sales | 536.3 | 552.7 | (16.4) |
| Ancillary services | 25.6 | 28.9 | (3.3) |
| NTAC and other | 117.2 | 118.3 | (1.1) |
| Total | **679.1** | **699.9** | **(20.8)** |
| **Total Operating Revenues** | **2,686.9** | **2,872.9** | **(186.0)** |
| **Operating Expenses** | | | |
| Purchased power | 696.0 | 752.9 | 56.9 |
| Fuel consumed - oil & gas | 227.8 | 329.5 | 101.7 |
| Ancillary services | 47.6 | 76.5 | 28.9 |
| Wheeling | 606.4 | 610.2 | 3.8 |
| Operations and maintenance | 364.2 | 370.9 | 6.7 |
| Depreciation and amortization | 226.2 | 222.2 | (4.0) |
| Other expenses | 199.7 | 194.3 | (5.4) |
| Allocation to capital | (10.9) | (11.7) | (0.8) |
| **Total Operating Expenses** | **2,357.0** | **2,544.8** | **187.8** |
| **Net Operating Income** | **329.9** | **328.1** | **1.8** |
| **Nonoperating Revenues** | | | |
| Post nuclear sale income | 83.3 | 86.9 | (3.6) |
| Investment income | 39.5 | 42.1 | (2.6) |
| Mark to market - investments | (5.6) | (10.0) | 4.4 |
| **Total Nonoperating Revenues** | **117.2** | **119.0** | **(1.8)** |
| **Nonoperating Expenses** | | | |
| Contributions to New York State | 85.0 | 85.0 | - |
| Interest and other expenses | 186.9 | 195.1 | 8.2 |
| **Total Nonoperating Expenses** | **271.9** | **280.1** | **8.2** |
| **Net Income** | $ **175.2** | $ **167.0** | $ **8.2** |

**Preliminary amounts subject to adjustment based on the true-up of estimates and completion of the independent audit*

# New York Power Authority
## Financial Reports

### COMPARATIVE BALANCE SHEETS
**December 31, 2012***
**($ in millions)**

| Assets | | December 31, 2012 | November 30, 2012 | December 31, 2011 |
|---|---|---|---|---|
| **Current Assets** | | | | |
| | Cash | $0.1 | $0.1 | $0.1 |
| | Investments in government securities | 1,370.7 | 1,396.3 | 1,233.0 |
| | Interest receivable on investments | 5.7 | 5.5 | 5.6 |
| | Accounts receivable - customers | 246.2 | 230.3 | 188.1 |
| | Materials and supplies, at average cost: | | | |
| | Plant and general | 83.2 | 82.5 | 80.1 |
| | Fuel | 19.4 | 22.2 | 23.0 |
| | Prepayments and other | 199.0 | 177.8 | 263.5 |
| | **Total Current Assets** | **1,924.3** | **1,914.7** | **1,793.4** |
| **Noncurrent Assets** | | | | |
| Restricted Funds | Investment in decommissioning trust fund | 1,186.7 | 1,183.0 | 1,089.8 |
| | Other | 62.1 | 69.5 | 76.4 |
| | Total Restricted Funds | **1,248.8** | **1,252.5** | **1,166.2** |
| Capital Funds | Investment in securities and cash | 58.0 | 63.5 | 97.2 |
| | Total Capital Funds | **58.0** | **63.5** | **97.2** |
| Net Utility Plant | Electric plant in service, less accumulated depreciation | 3,331.4 | 3,335.0 | 3,414.5 |
| | Capital lease, less accumulated amortization | 1,068.8 | 1,073.6 | 1,126.5 |
| | Construction work in progress | 177.5 | 158.0 | 133.4 |
| | Net Utility Plant | **4,577.7** | **4,566.6** | **4,674.4** |
| Other Noncurrent Assets | Receivable - NY State | 318.0 | 318.0 | 318.0 |
| | Deferred charges, long-term receivables and other | 690.8 | 682.9 | 614.4 |
| | Notes receivable - nuclear plant sale | 124.3 | 121.6 | 143.0 |
| | Total other noncurrent assets | **1,133.1** | **1,122.5** | **1,075.4** |
| | **Total Assets** | **8,941.9** | **8,919.8** | **8,806.6** |
| **Liabilities and Net Assets** | | | | |
| **Current Liabilities** | Accounts payable and accrued liabilities | 872.8 | 877.2 | 905.9 |
| | Short-term debt | 330.4 | 319.3 | 373.7 |
| | **Total Current Liabilities** | **1,203.2** | **1,196.5** | **1,279.6** |
| **Noncurrent Liabilities** | | | | |
| Long-term Debt | Revenue bonds | 1,060.7 | 1,061.0 | 1,107.4 |
| | Adjustable rate tender notes | 139.9 | 114.8 | 122.9 |
| | Commercial paper | 235.5 | 241.2 | 204.2 |
| | Total Long-term Debt | **1,436.1** | **1,417.0** | **1,434.5** |
| Other Noncurrent Liabilities | Nuclear plant decommissioning | 1,186.7 | 1,183.0 | 1,089.8 |
| | Disposal of spent nuclear fuel | 216.4 | 216.4 | 216.2 |
| | Capital lease obligation | 1,236.4 | 1,237.0 | 1,241.3 |
| | Deferred revenues and other | 192.4 | 194.0 | 249.7 |
| | Total Other Noncurrent Liabilities | **2,831.9** | **2,830.4** | **2,797.0** |
| **Net Assets** | Total Net Assets | **3,470.7** | **3,475.9** | **3,295.5** |
| | **Total Liabilities and Net Assets** | **$8,941.9** | **$8,919.8** | **$8,806.6** |

**Preliminary amounts subject to adjustment based on the true-up of estimates and completion of the independent audit*

## SUMMARY OF OPERATING FUND CASH FLOWS
### For the Year Ended December 31, 2012
### ($ in millions)

| | |
|---|---|
| **Operating Fund** | |
| Opening | $1,204.6 |
| Closing | 1,349.7 |
| Increase/(Decrease) | **145.1** |
| | |
| **Cash Generated** | |
| Net Operating Income | 329.9 |
| Adjustments to Reconcile to Cash Provided from Operations | |
| Depreciation & Amortization | 226.2 |
| Net Change in Receivables, Payables & Inventory | (194.4) |
| Other | (5.8) |
| | |
| **Net Cash Generated from Operations** | **355.9** |
| | |
| **(Uses)/Sources** | |
| Utility Plant Additions | (115.0) |
| Debt Service | |
| Revenue Bonds Principal and Interest | (71.4) |
| Commercial Paper 2 | (16.4) |
| Commercial Paper 3 & Extendible Municipal Commercial Paper 1 | (32.1) |
| ART Notes | (8.3) |
| Issue 2012 Subordinated Notes | 25.2 |
| Investment Income | 24.7 |
| OPEB Funding | (22.0) |
| Entergy Payment (Value Sharing Agreement) | 72.0 |
| Entergy Payment (IP2 Purchase Agreement) | 10.0 |
| Entergy Payment (Additional Facilities Note) | 20.0 |
| NYSERDA MOU | (2.0) |
| Voluntary Contributions to NY State | (91.0) |
| Other | (4.5) |
| **Total (Uses)/Sources** | **(210.8)** |
| | |
| **Net Increase in Operating Fund** | **$145.1** |