
New York Power Authority
Generating more than electricity

President & Chief Executive Officer Report

Gil Quiniones

May 21, 2013

Board of Trustees Meeting

New York Power Authority

Balanced Scorecard for April 2013

Goal	Measure	YTD Target	YTD Actual	Status	Trend
Maintain Infrastructure	Generation Market Readiness *(%)*	99.40	**99.42**	▲	—
	Transmission System Reliability *(%)*	94.85	**95.64**	▲	↘
Financial Management	Debt Coverage Ratio *(Ratio)* Quarterly Measure Q1	2.4	**2.75**	▲	↗
	O&M Budget Performance *($ Millions)*	117.5	**119.8**	▬	—
Energy Services	MMBTUs Saved *(Thousands)*	92.3	**125.0**	▲	—
	Energy Efficiency Investment in State Facilities *($ Millions)*	16.5	**31.0**	▲	↗
Workforce Management	Retention *(# of Touchpoints)* Quarterly Measure Q1	130	**132**	▲	↘
Safety Leadership	DART Rate *(Index)*	0.78	**0.77**	▲	↘
Environmental Responsibility	Environmental Incidents *(Units)*	11	**3**	▲	↗

Status

- ▲ Meeting or exceeding target
- ▬ Below target
- ● Significantly below target

Trend

- ↗ Improving
- — Stable
- ↘ Worsening

Highlights

- Build Smart NY-Steering Committee
- Energy Highway

Build Smart NY- Executive Committee

- Governor Andrew M. Cuomo issued Executive Order 88
- Goals:
  - Accelerate Implementation of energy efficiency improvements in state buildings
  - 20% energy use reduction in NYS buildings by 2020
- First Meeting of Executive Steering Committee—May 6, 2013
- Provides general oversight, identifies risks, addresses emerging issues and advises in policy
- Will meet quarterly
- NYPA is Chairing the Committee

BuildSmartNY

Energy Highway

NEW YORK ENERGY HIGHWAY
The time for powerful ideas

- The Task Force issued the Update Report April 30
- Task Force is disbanded
- All Actions in the Blueprint are underway. Some of them:
  - PSC Orders issued to **ease transmission constraints** and plan for **major power plant retirements**
  - PSC Order issued to revise policies on extension of **natural gas service**; **NYPA Board approved** transmission life extension program
  - PSC Order issued to evaluate repowering; Solicitation issued for renewable resources; RGGI states proposed lower emissions cap
  - Nearly $2.6 million in **funding awarded** to five Smart Grid demonstration projects




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Chief Operating Officer Report

Presented By:
Paul Tartaglia; P.E.
SVP Energy Resource Management
May 21, 2013
Board of Trustees Meeting

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COO Report Overview

- Performance Measures
- Key Issues
  - Generation
  - Transmission
  - Safety
  - Environmental
  - People

Performance Measures

- **Corporate-Level Performance Summary**
  - Generation Market Readiness is above projections.
  - Two significant operational events occurred in April:
    - **Generation** - At Niagara, a leak in the draft tube door of Robert Moses Unit 4 was found
    - **Transmission** – Y49, tripped due to an internally faulted A-phase cable

	April 2013		YTD	
NYPA OVERALL	**Actual**	**Target**	**Actual**	**Target**
Generation Market Readiness (%)	99.76	99.40	99.42	99.40
Transmission Reliability (%)	92.54	94.59	95.64	94.85
Environmental Incidents	1	3	3	32
DART Rate	1.44	0.78	0.77	0.78

Key Issues

- Generation
  - BG – transformer tap changers
  - SCPP – overhauls complete
  - Niagara – LPGP Unit Windings
- Transmission
  - Y-49 Outage
- Safety
  - Two DART incidents
  - Active Shooter training
  - APPA award

Key Issues

- Environmental
  - One reportable incident
- People


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Chief Financial Officer – Summary Report

For the four months ended April 30, 2013

Presented by

Thomas Davis

May 21, 2013

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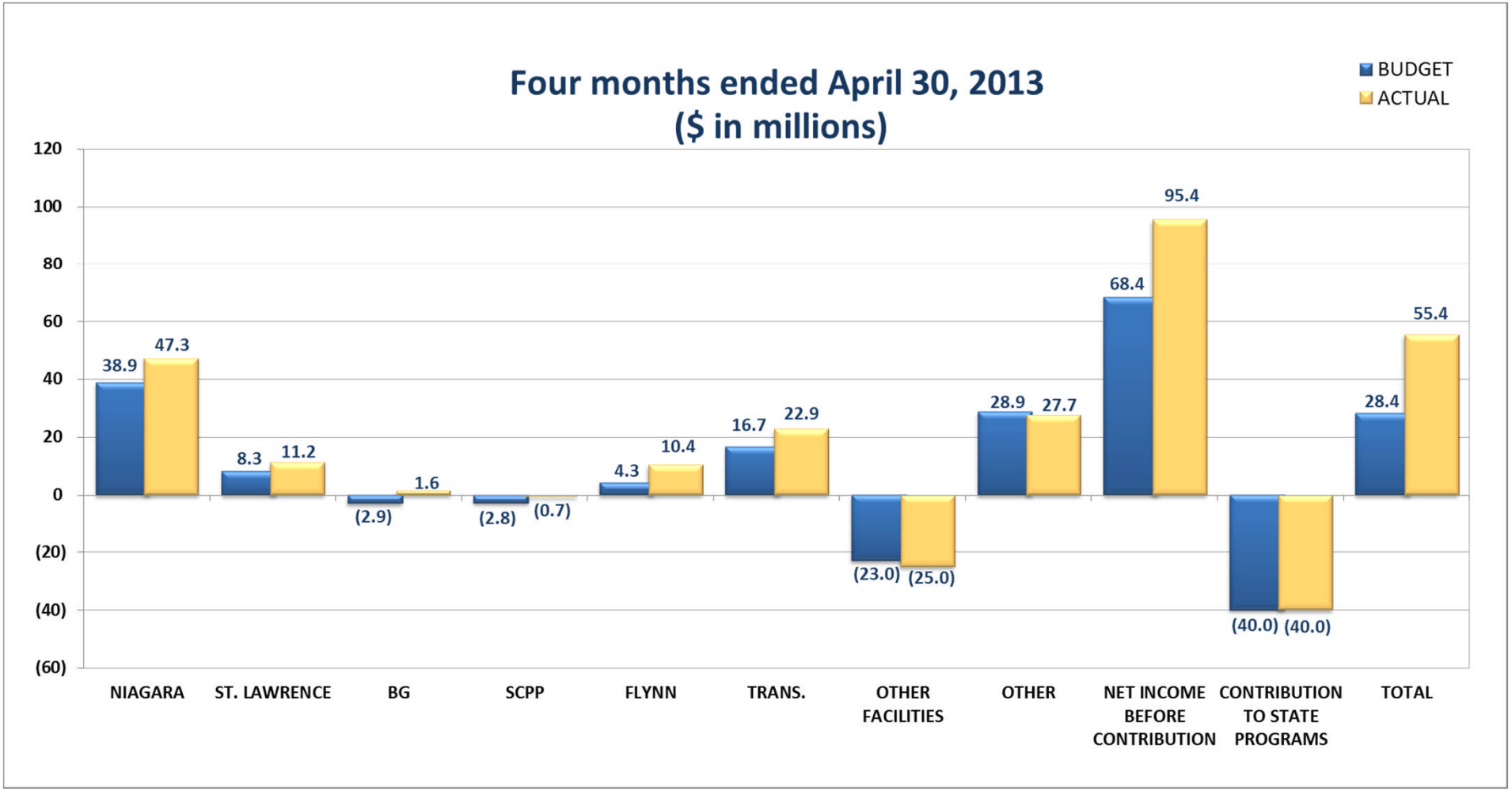
Net Income


Four months ended April 30, 2013
($ in millions)
BUDGET
ACTUAL
120
100
80
60
40
20
0
(20)
(40)
(60)
38.9
47.3
8.3
11.2
(2.9)
1.6
(2.8)
(0.7)
4.3
10.4
16.7
22.9
(23.0)
(25.0)
28.9
27.7
68.4
95.4
(40.0)
(40.0)
28.4
55.4
NIAGARA
ST. LAWRENCE
BG
SCPP
FLYNN
TRANS.
OTHER FACILITIES
OTHER
NET INCOME BEFORE CONTRIBUTION
CONTRIBUTION TO STATE PROGRAMS
TOTAL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Western NY Economic Development Fund

Michael Huvane

Vice President, Marketing

May 21, 2013

Board of Trustees Meeting

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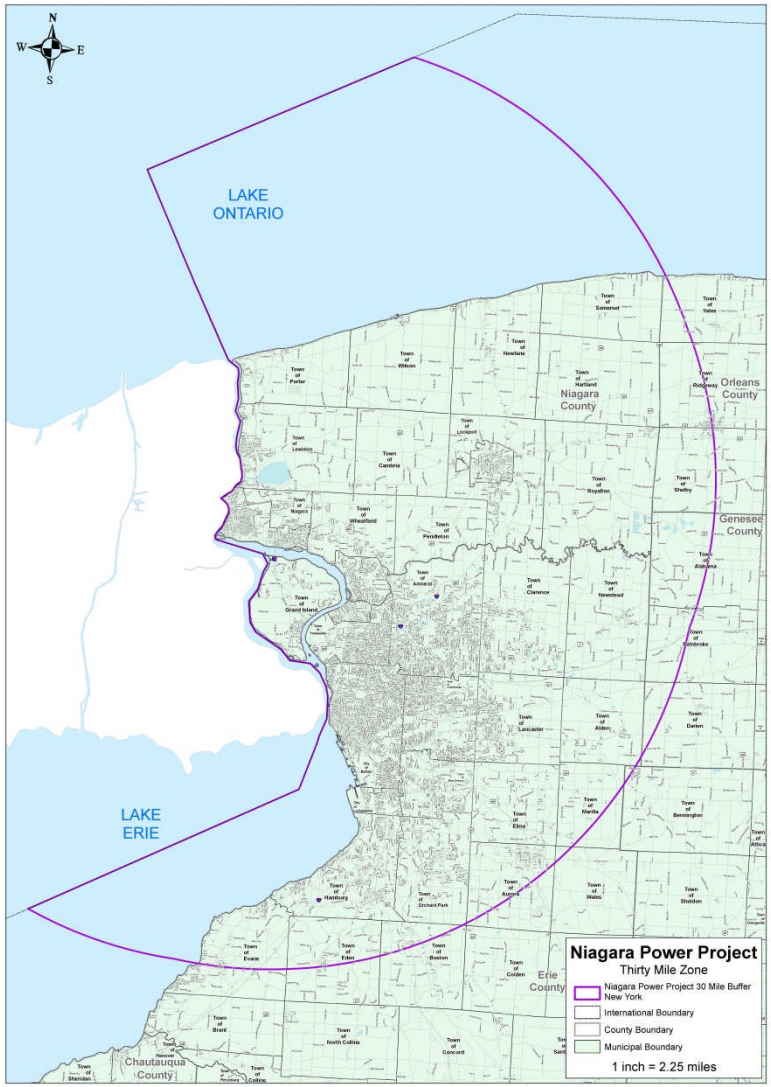
Western NY Economic Development Fund ("Fund")



Requested Trustee Action

- Accept the recommendations of the Western NY Power Proceeds Allocation Board ("WNYPPAB") that three businesses be awarded Fund benefits

Background

- Western NY Power Proceeds Allocation Act created a fund from the net proceeds from the sale of unutilized Expansion and Replacement Power

- All projects must be within the Niagara Power Project 30 mile zone

Western NY Economic Development Fund ("Fund")

Application Type	#
Business Investment Track	6
Innovation/Entrepreneur Development Track	4
Workforce Development Track	1
Infrastructure/Downtown Investment Track	2
Tourism/Marketing Track	3
*Applied to both Workforce Development & Business Investment	1
*Did not choose a specific track	1
Total Applications	**18**

Discussion

- 18 applications reviewed for the first award period
- Alignment with the Regional Council strategies was emphasized

Financial

- $6.2M in total recommendations made by the WNYPPAB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Other-Post Employment Benefits ("OPEB") Trust Fund Investment Manager Selection

Brian Liu

Deputy Treasurer

May 21, 2013

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OPEB Trust Fund – Investment Manager Selection

Background

- Certain Governmental Accounting Standards Board ("GASB") standards issued in 2004 require governmental employers to account for other post-employment benefit ("OPEB") liabilities in their financial reporting

- The GASB rules do not mandate funding of the accrued OPEB obligations, but if left unfunded, the employer's overall financial condition could be significantly impacted

- In 2007, the Trustees approved the creation of the NYPA OPEB Trust with an initial funding of $225 million to be managed in a diversified portfolio by several then appointed investment managers

- In 2013, six investment management contracts are approaching expirations. Staff reevaluated the portfolio strategy at inception and solicited responses through RFPs to select the new managers

OPEB Trust Fund – Investment Manager Selection

Four Step Selection Process

- Step 1 – All RFP responses received were scored by the Authority's financial advisor, PFM, against a total of 56 different criteria under the following categories:

	Total Score		
Category	Score	Weight	Wtd Score
Company Background *(includes 11 criteria)*	1-5	15%	Avg Score * Weight
People/Organization *(includes 12 criteria)*	1-5	20%	Avg Score * Weight
Investment Process *(includes 19 criteria)*	1-5	30%	Avg Score * Weight
Fees *(includes 6 criteria)*	1-5	15%	Avg Score * Weight
Performances *(includes 8 criteria)*	1-5	20%	Avg Score * Weight

- Step 2 – Staff conducted additional independent due diligence to review PFM scores and commentaries as compared to NYPA views
- Step 3 – In further consultation with PFM, agreed on which firms to interview on site
- Step 4 – Taking into consideration the initial total scores, interview performances, revised fee schedules, etc. An award decision is reached.

OPEB Trust Fund – Investment Manager Selection

All recommended firms share the key characteristics in having consistent investment philosophy, stability of investment team, solid past performances and extensive research capabilities. In addition, the following firms exhibits other particular strengths that the Authority deems to be positive for managing the respective assets.

Requested Trustee Action

- To approve awards of approximately $233 million in assets to the following investment management firms:
  - ***State Street Global Advisors –*** *To manage* ***$86*** *million in equity assets****,*** particular strengths are excellent customer support and low fee structure
  - ***GAMCO Asset Management –*** *To manage* ***$58*** *million in equity assets****,*** particular strengths are unique investment process and security selection
  - ***WCM Investment Management –*** *To manage* ***$24*** *million in equity assets,* particular strengths are high conviction approach and strong track record
  - ***Urdang Securities Management -*** *To manage* ***$21*** *million in REIT assets,* particular strengths are robust risk management and depth of research teams
  - ***Wells Capital Management*** *– To manage* ***$44*** *million in fixed income assets,* particular strengths are conservative "plus" investing and tight risk controls


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Energy Efficiency Market Acceleration Program Authorization to Award Program Implementation Contracts

Guy Sliker

Director, Clean Energy Technology

May 21, 2013

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Energy Efficiency Market Acceleration Program ("EE-MAP")

Syracuse Center of Excellence Facility, Syracuse, NY

Requested Trustee Action

- Ratify and formerly approve two contract awards for services related to implementation of EE-MAP for a term of up to five years and for an aggregate amount of up to $20 million:
  - The Syracuse Center of Excellence
  - The Institute for Building Technology and Safety

Background

- Trustee approved $30 million EE MAP funding in June, 2012
- NYPA issued RFP for services in September, 2012 - six proposals evaluated, multiple bidder interviews conducted
- Interim contract awards made in April 2013 to commence services

Energy Efficiency Market Acceleration Program ("EE-MAP")

City University of New York, Brooklyn College – Energy and Building Control upgrades

Discussion

- Recommended awardees highest rated dual award to best meet program objectives:
  - Screen and demonstrate technologies
  - Leverage Build Smart NY to build markets for NY technology companies
  - Enable informed technology adoption by stakeholders
  - Advance New York's technology leadership in this important industry

Financial

- Total aggregate award amount of up to $20 million


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Marcy South Series Compensation Project

Mark Malone

Director, Project Development, Licensing & Compliance

May 21, 2013

Board of Trustees Meeting

New York Power Authority

Marcy South Series Compensation Project ("MSSC")

Requested Trustee Action

- Authorize staff to proceed with engineering and licensing of the Marcy South Series Compensation Project.

Background

- Energy Highway
- Indian Point Reliability Contingency Plan
- PSC authorization to proceed with Transmission Owners Transmission Solutions
- The President and Chief Executive Officer has approved $2.8 million for preliminary engineering & licensing and detailed engineering & design.

Marcy South Series Compensation Project

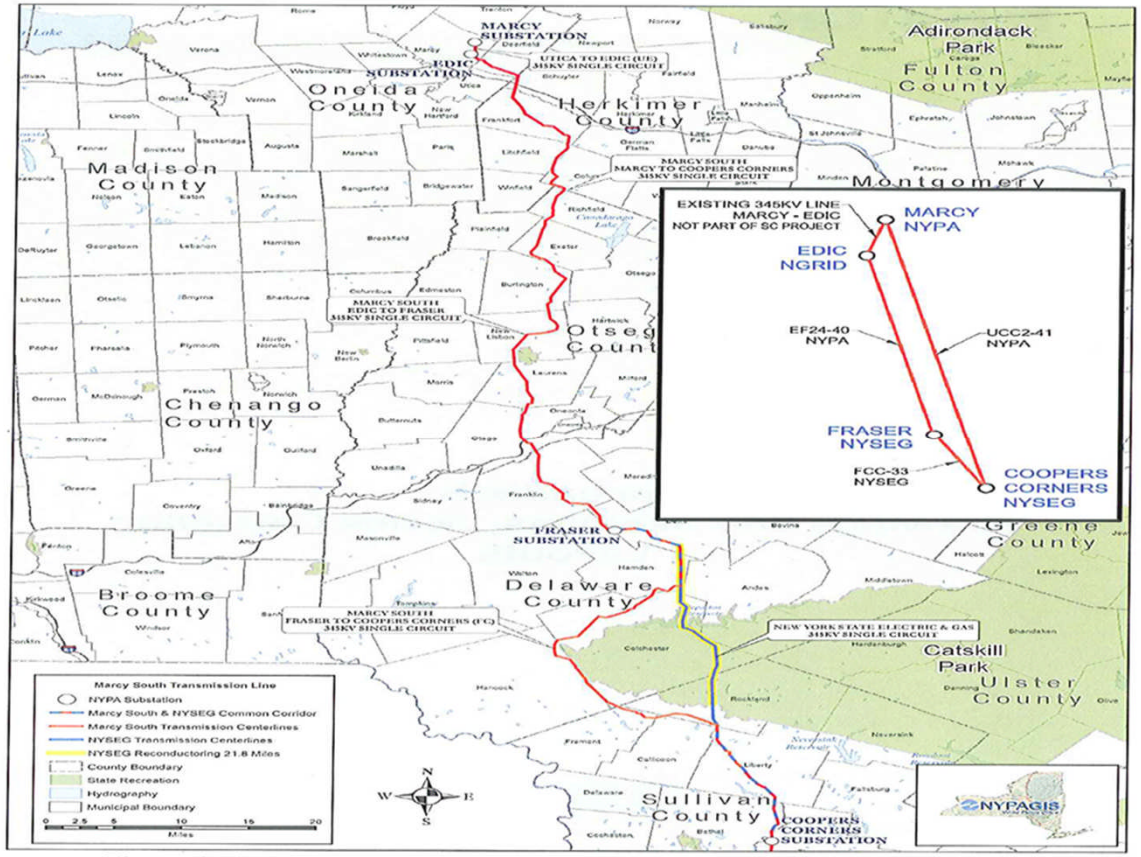

Figure B.1 - Marcy South to Coopers Corners - NYPA & NYSEG Lines

- Project Components
  - Install 3 Series Capacitor (“SC”) Banks.
  - Transmission Line Reconductoring.

Marcy South Series Compensation Project

Discussion

- MSSC will help solve potential reliability issues should Indian Key Point Energy Center retire
- NYPA – Series Capacitors & NYSEG – Line Reconductoring
- To meet the in-service of June 2016
  - Preliminary engineering & licensing are completed by early 2014.
  - Detailed engineering & design begins in June 2013.

Marcy South Series Compensation Project

Financial

- Estimated cost of Licensing and Detailed Engineering is $2.8 million.
- Project expenditures will be made from the Authority's Capital Fund
- Cost recovery through mechanism to be developed by the PSC

Marcy South Series Compensation Project


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Risk Management Update

William Nadeau/Frank Deaton

SVP and Chief Risk Officer/Director Enterprise Risk

May 21, 2013

Board of Trustees Meeting

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NYPA's Risk Management History

Concept Introduction

- Trustee Commitment – (2009)
  - Creation of Enterprise Risk Department
  - Initial approach
- Risk Inventory Build-out
  - 2010-12 - Bottoms-up assessment approach
  - 2012 - Participation of all Business Units/operating facilities
- Risk Metrics
- Governance
  - Formalize and align to existing governance structure
  - Clarify roles and responsibilities
- Enterprise Risk Report – starts to tell the story

2013 and Beyond – Realizing Value

- Assessment Process – maturity
  - Top-down – enterprise/top risks
  - Bottom-up – inform enterprise/top risks
  - Risk Workshops
  - Response Plans

- Emerging Risks
  - Internal – risk as part of the discussion
  - External – enhance awareness

2013 – Next Steps

Executive Risk Management Committee (ERMC)

- *Priority Consensus*
- *Top Risks*

Incorporate Risk in Capital Allocation

- *Asset Investment Planning*

Governance

- Finalize Materials
- Audit Committee Update

Complete March 2013

Key Risk Indicators (KRI)

- *Development*

Enhance Coordination

- *Strategy*
- *Audit*
- *Compliance*


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Risk Mitigation Strategy
Lewiston Pump Generating Plant
Life Extension and Modernization Program

John Canale

Vice President – Project Management

May 21, 2013

Trustee Meeting

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NYPA Previous and Current Life Extension and Modernization Projects

- NYPA has undertaken several Life Extension and Modernization Projects (LEMs) at our Generation Facilities.
- Each LEM faced its own set of unique challenges.
- But all had similar risks regarding schedule, global sourcing, shipping, potential for force majeure, unforeseen conditions, environmental and resources.
- We are here today to discuss some of our risk mitigation strategies.

LEMs	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total Cost
GENERATION																															**$1,174M**
RMNPP	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■															$298M
St. Lawrence								■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■								$281M
BG																■	■	■	■	■											$135M
LPGP																				■	■	■	■	■	■	■	■	■	■	■	$460M

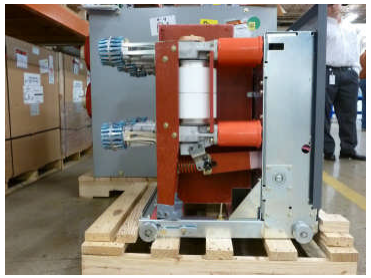






Sampling of Fabrication Locations for LPGP LEM

Major Contracts Awarded	Location
Pump/Turbine Runner Components, Head Covers, Wicket Gates and Shafts	Slovenia, Canada, China, South Korea (respectively)
Motor/Generator	Brazil, Canada
Potheads	Illinois
Generator Step Up Transformers	China
Transformer Transfer Car	New York
Exciters	Virginia
Circuit Breakers	Puerto Rico
Control System Integration	Maine
Servomotors	Alabama, Netherlands



Risk Mitigation Strategy - Schedule

Risk	Risk Mitigation Strategy
Long Project Duration	Maintain and update an overall Unit Project Schedule, coordinate and participate in contractor/vendor schedule update meetings.
Aggressive Schedule	Release material in advance. Order spare parts. Coordinate activities multiple contractors/vendors. Integrated unit schedule. Incorporate “lessons learned” into future work.
Storage of equipment	Lease/rent/build additional space for storage of equipment. Define space needs early. Determine need based on project criteria (uniformity of equipment, schedule, etc.)
Equipment consistency , maintenance & performance	Release material for multiple units. Continue with QA presence in vendor facilities.

Risk Mitigation Strategy – Global Sourcing

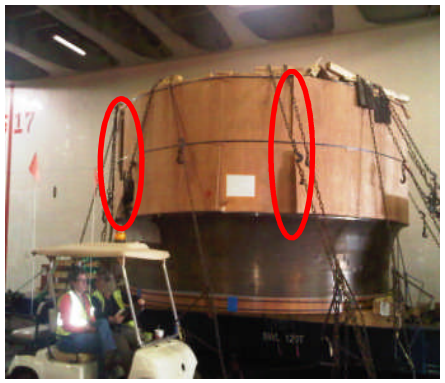
Risk	Risk Mitigation Strategy
Quality (Global Sourcing)	Engage QA & expeditors at vendor facilities to ensure equipment and material quality and schedule adherence.
Differing Codes/Standards	Provide additional Engineering time to review and interpret and additional QA support to inspect materials.
Language Barrier	Engage local bi-lingual inspectors and include clauses in contracts for English speaking counterparts.
Time Zones	Conduct meetings and conferences at times where all parties can reasonably meet.
Travel	Include additional dollars in the budget for travel to foreign destinations as well as local fabrication/ machine shops. Use videoconferencing to facilitate conversation.
Exchange Rates	Include exchange rate clauses into the RFQ's/contract documents for the locations where work is being performed.
Escalation Indices	Include indices in the RFQ's/contract documents for both material and labor escalation. If no US index is appropriate a mutually agreed upon index should be used.
Cultural Differences	Be aware of various cultural differences and ask vendors prior to award for any insight into work hours and holidays that they may be used to. Some places shut down for extended holidays.

Inconsistent wrapping

Failed HiPot Indication

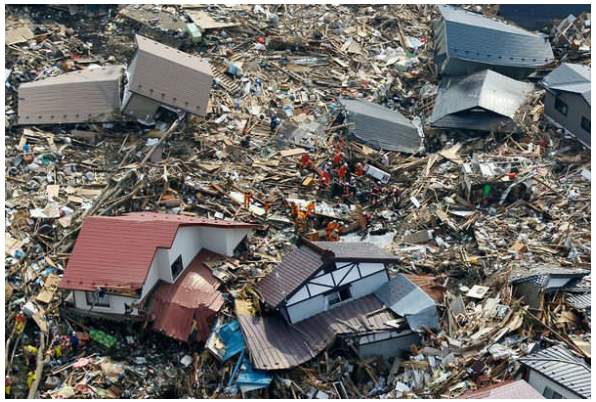
Risk Mitigation Strategy – Shipping

Risk	Risk Mitigation Strategy
Shipping	Schedule shipments & request permits early. Conduct shipping study to determine shipping restrictions. Tracking of Shipments. Store equipment on site and at off site storage facilities (Portable cranes may be required to offload larger inventory).
Delivery	Walkthroughs of the delivery entrances to the site as well as determination of the final location of equipment should performed in advance of deliveries and a rigging plan should be provided by the vendors.



Risk Mitigation Strategy – Force Majeure

Risk	Risk Mitigation Strategy
Earthquake/Tsunami	Develop Recovery Schedules, work additional shifts in factories to recover time and fabricate additional equipment that may be required. Shift work to other locations unaffected by natural disaster.



Risk Mitigation Strategy – Unforeseen Conditions

Risk	Risk Mitigation Strategy
Site Conditions	Equipment conditions should be inspected to the best extent possible. Assumptions as to wear of certain components should be conservative. Work additional shifts at site to account for unforeseen unit conditions.
Facility Closings	Discussions with vendors must occur early regarding any foreseeable issues at their facilities. When not advised, contingency and recovery plans will be worked on immediately. Additional factory locations must be identified to continue work.
Facility Fires	Recovery schedule must be worked on immediately.

Crack on Lower Facing Plate

Stay Ring O-Ring Groove Deteriorated Condition

GSU #4 JSHP Stop Work Order Plant Accident 2/14/12

Risk Mitigation Strategy – Environmental

Risk	Risk Mitigation Strategy
Lead	All paint is assumed to contain lead and OSHA standards are required to be followed. New “lead free” paint is allowed to contain lead.
Asbestos	Perform Additional Testing as required, vendor code interpretations Request, maintain and update HASPs from Vendors Work with Stakeholders to Identify Possible ACM, PCBs and Lead
PCB’s	Testing for PCB’s should occur (at the earliest) one year prior to starting work. An abatement plan and disposal plan must be developed. Require vendor HASPs prior to starting work
Silica	Silica in dust created by grinding or cutting operations requires additional containment and ventilation

Risk Mitigation Strategy – Resources

Risk	Risk Mitigation Strategy	
Man Power	Engage additional contractors/consultants (QA, Engineers, Environmental) To provide progress reporting, inspections, acceptance testing, expediting.	
Support Locations	Overseas Support China Korea Brazil Japan Netherlands Slovenia	Local Support (USA / Canada) Permanent Staff Contract Labor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