

**POWER AUTHORITY OF THE STATE OF NEW YORK  
SUMMARY OF THE REGULAR TRUSTEES'  
MEETING MINUTES OF**

**December 17, 2013**

**Introduction**

*Chairman Koelmel welcomed the Trustees and staff members who were present at the meeting. He said the meeting had 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 December 17, 2013 Proposed Meeting Agenda**

*Upon motion made and seconded the meeting Agenda was adopted.*

<b>RESOLUTION</b>	Moved: J. Foster	Seconded: E. Nicandri	Adopted: 6/0
-------------------	---------------------	--------------------------	-----------------

**2. Consent Agenda:**

a.	Minutes of the Regular Meeting held on September 24, 2013
b.	500 MW Power Plant – Storage Facilities – Capital Expenditure Authorization Request.
c.	Request for Increased Funding – Municipal and Rural Cooperative Electric Utilities Electric-Drive Vehicle Program.
d.	Procurement (Services) Contracts – Business Units and Facilities – Awards, Extensions and/or Additional Funding.
e.	Plattsburgh to Vermont Transmission Facility (PV-20) – Acquisition of Property – Map No. CL-1506, Parcel No. 1506.
f.	St. Lawrence River Power Project – Conveyance of Surplus Lands to the County of Franklin – Map No. CL-909, Parcel No. 951 and Map No. CL-910, Parcel No. 952.
g.	Proposed Schedule of Trustees' Meetings in 2014.
h.	Transfer of Western New York Hydropower Allocations to Delphi Automotive PLC and Proposed Contract – Notice of Public Hearing.
i.	Direct Sale Contract for the Sale of Western New York Hydropower to M&T Bank – Transmittal to the Governor.

*Upon motion made and seconded, the Consent Agenda was approved. Vice Chair Mahoney was recused from the vote on Item #2d (Procurement (Services) Contracts – Business Units and Facilities - Awards, Extensions and/or Additional Funding) as it pertains to CHA Consulting, Inc. and Orrick Herrington & Sutcliffe LLP; and Trustee LeChase as it pertains to CHA Consulting, Inc. and Nixon Peabody LLP. Vice Chair Mahoney was also recused from the vote on item #2i (Direct Sale Contract for the sale of WNY Hydropower to M&T Bank – Transmittal to the Governor.*

<b>RESOLUTION</b>	Moved: J. Foster	Seconded: E. Nicandri	Adopted: See note above
-------------------	---------------------	--------------------------	----------------------------

3. Discussion Agenda:

a. Report from the President and Chief Executive Officer:

Corporate Performance

*President Quiniones stated that the reports by the Executive Management will cover the months of October and November and at the January meeting they will present a 2013 year-end report on the operations of the Authority. He continued that based on the Performance Scorecard, the Authority performed very well during the months of October and November. He said other than the effects of the forced outage earlier in the year due to the failure of the Y-49 transmission line that connects Westchester County and Long Island, he anticipates that the year-end report will indicate a very successful year of operations for the Authority during 2013.*

b. Report of the Chief Operating Officer

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

Transmission Reliability

- *Two outages on the MA-2 transmission line in order to repair a broken cross arm;*
- *Repairs were made to a pothead on the GL-3 line;*
- *Repairs continue on the Y-49 Transmission line which should be completed by the end of the year.*

Environmental/Safety

- *Environmental incidents for the year were below target of 32 incidents;*
- *The DART rate for the year, the measure of the Authority's safety performance, was .72%; the annual target is .78%.*

St. Lawrence Power Project

- *The LEM program at STL has been completed;*
- *Successful completion of table top functional exercise with FERC and the first responders at STL for the Authority's emergency action plan.*

Transmission

- *First phase of the Marcy Substation autotransformer bank and reactor refurbishment completed;*
- *Replaced four motor operated disconnects at the Marcy Substation;*
- *Working on the Alcoa new substation and new transmission line;*
- *Work on the LPGP LEM program at Niagara continues;*
- *Working with GE to plan and schedule an outage to repair the generator step-up transformer at the 500 MW plant;*

- *Work on the replacement of the generator step-up transformers at the St. Lawrence facility to begin in 2014;*
- *Started transmission line substation design work for the Authority's T-LEM program.*

*Compliance*

- *The new Bulk Electric System definition will be effective in 2014. This will put some pressure on the Authority with new equipment and new transmission lines upcoming compliance review by NERC and FERC.*

*Personnel*

- *Plans to restructure several departments within Operations in order to facilitate a more efficient operation underway;*
- *Labor negotiations with IEWB and UWUA unions will begin soon;*  
*Responding to a question from Trustee LeChase, Mr. Welz said that both unions will continue with the salaries and benefits they had before the contracts expire.*

c. *Report of the Chief Financial Officer*

*Mr. Donald Russak provided highlights of the financial report to the Trustees. He said the state of the Authority's financial position remains strong. The Authority continues to improve on its projections and therefore expects to meet all its metrics and targets for the year.*

*Net Income*

- *Net Income is expected to remain above budget ending the year at a level exceeding \$200 million;*
  - *Drivers of Performance – As has been reported over the past few months, higher than forecast hydro generation and capacity prices largely contributed to this positive performance.*
- *At these projected levels, the business requirements for cash flow and liquidity will be met for the year.*

*Revolving Credit Agreement*

- *The \$550 million Revolving Credit Agreement supporting NYPA's Commercial Paper Program was successfully renegotiated for an additional year pursuant to its terms and prior Trustee authorization;*
  - *Significant Savings – Commitment Fees will be reduced from 65 basis points to 35 bps per annum for an annual savings of approximately \$1.7 million*
- *As part of this process, each of the three Ratings Agencies reaffirmed NYPA's solid credit ratings.*

d. *Chief Risk Officer's Report*

*Mr. William Nadeau provided highlights of the report to the Trustees.*

*Enterprise Risk Report – Lessons Learned*

*The Enterprise Risk Report issued in September outlined nine enterprise risks which staff is now working on to begin development of mitigation plans. Also, in looking at the lessons learned from the process, the Enterprise Risk team reviewed: how the team did in communicating the process, and NYPA's overall understanding of the risk management philosophy in place. Also, the Enterprise Risk team plans to conduct 19 sessions with various stakeholders throughout the Authority next month to aggregate and come up with lessons learned from the just completed NYPA- wide Risk Assessment process so that as the team goes forward with future assessment, there will be the strongest opportunity for successful implementation.*

*Integration with Strategy*

*The Enterprise Risk staff discussed the Report with Mr. Robert Lurie of Strategic Planning. The discussions included areas which have been integrated into some of the initiatives that are currently in place, such as asset management and workforce planning, and which can be used to help develop business plans.*

*Risk Response and Key Risk Indicator - Pilot*

*The Risk Department has retained the firm of Deloitte and Touche to assist in the development of mitigation plans from the two pilot risks identified by the Executive Risk Management Committee (increasingly difficult to attract and retain employees; and significant increase in nonrecurring O&M based upon some of the past policies and an aging infrastructure) the form of which will be presented to the Executive Risk Management Committee, the Executive Management Committee and thereafter, the Audit Committee in March.*

*Integration with Internal Audit*

*The Enterprise Risk Management team had several meetings with Mr. Lesly Pardo and the Internal Audit staff pertaining to the development of the 2014 Audit Plan. The discussions included the risks, at the enterprise level, that Internal Audit needs to be aware of in developing the Audit Plan; examining the risks associated with the audits and strengthening the processes associated with those risks within the Authority.*

*e. Report of the Senior Vice President of Strategic Planning*

*Mr. Robert Lurie provided highlights of the report to the Trustees. He outlined the 2014 action plan for those initiatives related to the three major areas in NYPA Strategic Plan: 1) workforce planning – knowledge management and process efficiency; 2) Infrastructure Modernization – Smart grid and Asset management; 3) Customer Value - Customer services.*

- Teams have been set up to work on business cases for each of the initiatives including the scope, costs and benefits, and necessary resources.*
- An external plan describing the initiatives and how they will benefit the stakeholders is being drafted. The draft plan will be presented to the Board in January 2014.*
- Staff will also develop business plans showing how the initiatives will be achieved. This will include communications; internal rollout across the organization; teams and organizational structure that will be necessary for each strategy; development of a detailed business plan for each strategy; and implementation.*
- Governance structure and process to ensure proper accountability as each initiative is being developed.*
- Outreach to external stakeholders in order to get feedback from them.*
- January 2014 the Board will be requested to approve the mission/vision goals.*
- The Board will be requested to approve capital allocation for specific detailed business plan for each one of the initiatives.*

*Responding to a question from Trustee LeChase, Mr. Lurie said the Authority will be communicating with potential customers in terms of getting market intelligence and feedback from them in terms of what they would like to see in the service bundle, after which the Authority will develop its market plan. This will take place early next year.*

*President Quiniones added that the Authority has a lot of experience in energy efficiency projects and renewable projects which include, not only large governmental buildings, but also some private sector economic development customers and municipals electric systems. He continued that, historically, the Authority implements programs that are effectuated through legislation, e.g., RNY or other hydro programs, Energy efficiency, Built Smart; however, the Authority is now taking a different approach, looking at the what customers indicate they would like from the Authority and making a determination if the Authority has skill-set that can be developed to address*

*those needs its customers value. After a screening process, the Authority will determine if it has the resources to assist the customers.*

**4. 2014 Operating Budget and Filing of the 2014-2017 Four-Year Financial Plan Pursuant to Regulations of the Office of the State Comptroller**

*Mr. Donald Russak provided highlights of staff's recommendation to the Trustees.*

*In response to a question from chairman Koelmel, Mr. Russak said there are some positive indicators offsetting some of the negative drivers indicated in the Plan. For example, the contract with Alcoa negotiated with the expectation that Alcoa will be reinvesting in its smelter in Massena, NY, will result in an increase in energy revenues effective January 1, 2014; increased rates of previously-approved contracts will add additional revenues; and revenues from the hydro resources.*

*Responding to further questioning from Chairman Koelmel, Mr. Russak said it will not be necessary for the Authority to pull back on investments on its facilities because of expenses related to the HTP project. Responding to still further questioning from Chairman Koelmel, Mr. Russak said that investments in long-life assets such as the HTP project is typical in the utility business, e.g. the Authority's reinvestment in its 51-year Lewiston Plant in order to keep it operational for the next 50 years. He continued that the HTP project will add to the city's reliability since it will have access to a greater array of energy resources. There are other opportunities that will be available to the Authority at the end of the purchase agreement. And, in the life of the agreement, the Authority will get its investment back. Responding to comment from the Chairman, Mr. Russak agreed that this project will not deter the Authority from investing in its facilities and carrying out its charge in keeping with its mission.*

*Mr. Russak said in his opinion, the Authority is in a very strong position to finance its ongoing operations and strategic initiatives. The Authority's balance sheet is very strong at this time; it has borrowing capacity and with the cash flows that it is generating, it will be able to finance this project without it having any detrimental effect on the Authority's core business.*

*In response to a question from Trustee Foster, Mr. Russak said that the plan for the \$726 million T- LEM program that was approved by the Board is to invest in the Authority's facilities from now until the year 2023. This will include work on the Authority's substations and transmission lines which are 50 - 60 years old.*

<b>RESOLUTION</b>	Moved: R.W. LeChase	Seconded: J. Foster	Adopted: 6/0
-------------------	------------------------	------------------------	-----------------

5. **Power Allocations:**

a. **Power Allocations Under the Recharge New York Program**

*Mr. Michael Huvane provided highlights of staff's recommendation to the Trustees. In response to a question from Trustee Foster, Mr. Huvane said the statute does not prohibit the Authority from negotiating contracts for more than seven years; the Board of Trustees makes that determination. Ms. McCarthy agreed and added that the earlier power programs were for shorter terms; however, based on feedback from businesses interested in the low-cost power for longer term contracts, the Authority revised it to seven years. An exception can be made at the request of a company if the Board finds that the request is reasonable.*

*Vice Chair Mahoney was recused from the vote as it pertains to G.C. Hanford Manufacturing Co., John Mezzalingua Associates, LLC and Pathfinder Industries, Inc. and Trustee LeChase as it pertains to RED-Rochester, LLC.*

<b>RESOLUTION</b>	Moved: J. Foster	Seconded: R.W. LeChase	Adopted: 6/0
-------------------	---------------------	---------------------------	-----------------

b. **Allocation of Hydropower and Notice of Public Hearing**

<b>RESOLUTION</b>	Moved: J. Foster	Seconded: R.W. LeChase	Adopted: 6/0
-------------------	---------------------	---------------------------	-----------------

6. **Awards of Fund Benefits from the Western New York Economic Development Fund Recommended by the Western New York Power Proceeds Allocation Board**

*Mr. John Giumarra provided highlights of staff's recommendation to the Trustees. In response to a question from Chairman Koelmel, Mr. Russak said that since the program began, the Authority has accumulated approximately \$26 million and the amounts deposited in the fund is based on the megawatts of unsold replacement power. Responding to further questioning from Chairman Koelmel, Mr. Russak said deposits to the fund are made on a quarterly basis.*

<b>RESOLUTION</b>	Moved: E. Nicandri	Seconded: J. Mahoney	Adopted: 6/0
-------------------	-----------------------	-------------------------	-----------------

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

<b>RESOLUTION</b>	Moved: J. Foster	Seconded: E. Nicandri	Adopted: 6/0
-------------------	---------------------	--------------------------	-----------------

8. **Motion to Resume Meeting in Open Session**

<b>RESOLUTION</b>	Moved: J. Foster	Seconded: E. Nicandri	Adopted: 6/0
-------------------	---------------------	--------------------------	-----------------

9. **Next Meeting**