

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

**March 25, 2014**

**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 March 25, 2014 Proposed Meeting Agenda**

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

<b>RESOLUTION</b>	Moved: T. Flynn	Seconded: R. Wayne LeChase	Adopted: 6/0 as amended
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**2. Consent Agenda:**

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| <ul style="list-style-type: none"> <li>a. Minutes of the Regular Meeting held on January 28, 2014</li> <li>b. Annual Review and Approval of Guidelines for the Investment of Funds and 2013 Annual Report on Investment of Authority Funds</li> <li>c. Annual Report of Procurement Contracts, Guidelines for Procurement Contracts and Annual Review of Open Procurement Service Contracts.</li> <li>d. Annual Review and Approval of Guidelines and Procedures for and Annual Report of the Disposal of Personal Property</li> <li>e. Annual Review and Approval of Guidelines and Procedures for the Disposal of Real Property, Guidelines and Procedures for the Acquisition of Real property and Annual Reports for the Disposal and Acquisition of Real Property</li> <li>f. Niagara Power Project Robert Moses Generator Step-Up Transformer Replacement – Capital Expenditure Authorization Request</li> <li>g. Procurement (Services) Contract – St. Lawrence/FDR Power Project – Massena Substation Auto-Transformer Removal and Site Preparation – Contract Extension</li> <li>h. Procurement (Services) Contract – Niagara Power Project – On-Call Testing and Inspection Services – Contract Award</li> <li>i. Procurement (Services) Contract – Niagara Power Project – Lewiston Pumped Generating Plant Life Extension and Modernization Program Installation of Auxiliary Equipment Phase II – Contract Award</li> <li>j. Procurement (Services) Contract – Environmental Health and Safety Oversight Services for the South East New York Region – Contract Awards</li> <li>k. Procurement (Services) Contract – St. Lawrence-FDR Power Project – Independent FERC Consultant's Part 12D Safety Inspection and Follow-up Services – Contract Award</li> <li>l. Procurement (Services) Contract – Information Technology Operations Network – Time Warner Cable Inc. – Contract Award</li> <li>m. Procurement (Services) Contract – Business Units and Facilities – Awards, Extensions and/or Additional Funding</li> <li>n. Revision to Expenditure Authorization Limits Table for Non-Hedge Physical Fuel-Related Transactions</li> <li>o. Membership in Electric Power Research Institute ("EPRI") – Renewal</li> <li>p. Selection of Investment Manager for the Authority's Other Post-Employment Benefits Trust Fund</li> <li>q. Annual Review and Approval of Certain Authority Policies</li> <li>r. Release of Funds in Support of the Western New York Power Proceeds Allocation Act</li> <li>s. Procurement (Services) Contract – Richard M. Flynn Plant – Well Water Pump Replacement – Contract Extension</li> <li>t. Committee Appointments</li> <li>u. Awards of Fund Benefits from the Western New York Economic Development Fund Recommended by the Western New York Power Proceeds Allocation Board</li> </ul> |
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**Conflicts of Interest**

*The following Trustees declared conflicts of interest as indicated below and said they will not participate in the discussions or votes as it relate to those matters:*

*Vice Chair Mahoney – Greater Syracuse Moving & Storage, CH2M Hill, CHA Consulting, CRA International, Navigant Consulting (Item 2m)*

*Trustee LeChase – Time Warner Cable, Inc. (Item 2l); CH2M Hill, CHA Consulting (Item 2m)*

*Trustee Flynn – Time Warner Cable, Inc. (Item 2l); JP Morgan Chase (Item 4a)*

*Chairman Koelmel and Trustees Nicandri and Foster declared no conflicts.*

*Upon motion made and seconded, the Consent Agenda was approved as amended.*

<b>RESOLUTION</b>	Moved: J. Foster	Seconded: R. Wayne LeChase	Adopted: See Conflicts of Interest note above.
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**3. Discussion Agenda:**

**3a. Report of the President and Chief Executive Officer:**

*President Quiniones said at the meeting today the Trustees would be asked to review and affirm the Authority’s audited financial statements, corporate policies and procedures. He said the executive management would be unveiling the Authority’s Strategic Plan which was initiated last summer with Authority staff and extensive outreach to various external stakeholders.*

**Performance Scorecard**

*President Quiniones said, based on the Performance Scorecard, 2013 was a banner year for the Authority. He said in the history of the Authority’s rating its performance by using scorecards, last year was the first time it met and exceeded all of its Key Performance Indicators. He continued that, to date, because of some challenges in January there was decline in Safety. However, there were no incidents reported in the month of February. He ended by saying that Mr. Philip Toia, Vice President of Transmission will further report on this in his report to the Board.*

*Responding to a question from Chairman Koelmel, President Quiniones said there were some icing issues during the first month of the year, which were reportable and staff responded well to those issues. He said there were no reportable incidents in February and management plans to closely monitor the safety performance measure. President Quiniones said, in terms of all the other metrics listed in the Performance Scorecard, there were no "red flags" to date.*

*Responding to further questioning from Chairman Koelmel, President Quiniones said, based on the scorecard, from a trend perspective, he expects the Authority will remain in the "green," and this is the goal of the Authority.*

*Responding to a question from Trustee Foster, President Quiniones said that the targets for 2013 and 2014 are the same. He said the metrics established by the Authority are benchmarked with industry standard and reviewed every year to make sure that they are calibrated with the "best in class" in the utility sector.*

*Responding to a question from Chairman Koelmel, President Quiniones said he is confident that the Authority is well-positioned and have a very good foundation in terms of leadership, operations and finances, to implement the Strategic Plan. He added that there will be changes to the Authority's scorecard as new initiatives are implemented, and as the Authority enters new lines of businesses, products or services based on the new Strategic Plan. He said the Performance metrics will reflect any additional scope-of-work. Staff will be coming before the Board with very specific business plans for the new initiatives that the Authority plans to undertake as a result of the Strategic Plan. He said Mr. Robert Lurie will outline the process when he presents the Strategic Plan and the strategic vision of the Authority to the Board.*

*Responding to further questioning from Chairman Koelmel, President Quiniones said staff of the Authority, who has been part of the strategic planning process since last year, is ready to implement the initiatives and, as President and CEO of the Authority, he is very excited about what lies ahead as a result of the new Strategic Plan.*

**3b. Report of the Chief Operating Officer**

*Mr. Philip Toia, Vice President of Transmission, provided highlights of the Chief Operating Officer's report to the Trustees.*

Performance Summary

*Mr. Toia said to date, the operations of the Authority continues to be very strong. The Authority has exceeded the generation readiness and transmission reliability metrics, both for the month of February and year-to-date. Although the metrics indicate environmental incidents below target, the year-to-date DART rate, the measure of the Authority's safety performance, is above target (0.82 vs. a target of 0.278). There were two safety incidents in January because of slips and injuries and none in February, continuing the downward trends of previous years.*

Y-49 Transmission Line

*Mr. Toia said as previously reported, the Y-49 transmission cable failed on January 6th. This failure was due to an anchor drag on the cable. The cable was replaced with a spare cable and put back in service, so there were no system impacts due to this event. The cable damage was located by divers; it was then repaired and pressure tested to make sure there were no further damages or additional dielectric fluid leaking from the cable. This was completed on February 27. The next phase related to this event is developing a budget plan and repairing and testing the damaged section of the cable and put that back in service.*

*In response to a question from Chairman Koelmel, Mr. Toia said the cable locations are identified on Coast Guard maps; therefore ships should not drop anchor in that area. Because of a previous failure approximately 12 years ago, the Authority ordered a spare cable for instances such as this. Staff will however work with the Coast Guard as to any additional measures that can be taken to avoid events such as this. Mr. Welz added that the cable in question is buried 15 feet below the seabed, and as a precaution this information is marked on the Coast Guard maps; therefore an anchor should not have been dropped at that location. President Quiniones added that the Authority is also taking legal action regarding this incident.*

*Responding to a question from Trustee LeChase, Ms. McCarthy said that since issues related to recovery deal with legal strategies, a response will be provided in the private session.*

Niagara Project – Unit 5 Transformer

*Mr. Toia said that on March 19 at approximately 7:10 p.m. the Unit 5 transformer at the Niagara Project had a bushing failure resulting in a fire. Staff is working to determine the extent of the damage before proceeding*

*with the necessary repairs to return the Unit to service. Staff is also conducting a TapRoot investigation to determine the root cause of the failure before proceeding with any repairs.*

*In response to a question from Chairman Koelmel, Mr. Welz said the transformer will be removed from Unit 3, which is currently undergoing maintenance, and placed in the Unit 5 slot making it operational. Therefore, this incident will not impact the Authority's ability to generate electricity; the Authority remains in a good position operationally.*

*Responding to a question from Trustee Nicandri, Mr. Welz said although the bushings were the original bushings that came with the transformers, there was a concern on their viability after an incident 15 months ago. The Authority subsequently purchased ten bushings and is in the process of replacing them based on test data. Also, based on the result of the TapRoot investigation, the Authority may decide to purchase another transformer.*

*Responding to further questioning from Chairman Koelmel, Mr. Welz said the Authority believes the failures on the bushings is due to the manufacturers; therefore the Authority is replacing the bushings with a different type of bushing.*

*Responding to a question from Trustee Nicandri, Mr. Welz said although the fire at the STL switchyard was on 50- year old bushing on an oil circuit breaker, this is different from the failure that is on the transformer at the Niagara Project. The failure at Niagara is premature since the transformer is only 10 years old, hence the concern by Authority staff.*

*Responding to still further questioning from Chairman Koelmel, Mr. Welz said the TapRoot investigation will take approximately 30 days and staff will provide preliminary results of the investigation to the Trustees at the next meeting.*

**3c. Report of the Chief Financial Officer**

*Mr. Donald Russak provided highlights of the financial report to the Trustees. He said that the Authority performed very well financially, to date. He said in January 2014 market prices topped \$100/MWH; market prices were also very high in the months of February and March.*

Net Income

- *Net income through February 2014, prior to the recognition of the voluntary contribution to New York State, was a positive \$96.4 million, which was \$48.0 million higher than the budget.*
- *With the inclusion of the budgeted \$50 million voluntary contribution, the Authority had net income of \$46.4 million year-to-date compared to a budgeted net loss of \$1.6 million.*
- *The severe weather in January and February, and its resulting impact on market prices, were significant drivers of the year-to-date results. With energy prices more than double those of a year ago; NYPA saw higher net margins on sales (\$31.9 million). Higher investment income (\$6.9 million) and insurance reimbursements (\$6.3 million) not reflected in the budget also contributed to the variance. In sum:*
- *Margins on market-based sales were higher than budgeted due to the spike in energy prices. Positive variances were significant at St. Lawrence, Blenheim-Gilboa and Flynn.*
- *Investment income included a mark-to-market gain on the Authority's investment portfolio (\$5.6 million) due to lower market interest rates.*
- *Reimbursements related to Hurricane Irene and a prior year transformer failure were received during January and February.*

*In response to a question from Trustee Foster, Mr. Russak said the average market price for March was approximately \$90/MWH and added that these prices was as a result of the severe weather conditions over the past three months. The end result is that the Authority is operating well above budget, to date.*

*Responding to a question from Chairman Koelmel, Mr. Russak said the predictions are that as soon as the weather gets warmer, the Authority expects its operations to be in line with its budget. With respect to hydro flows, the Authority is on target as far as its hydro generation forecast for the rest of the year and therefore on budget target.*

*Responding to a question from Chairman Koelmel, Mr. Russak said even though the bulk of the Authority's power is sold at contractual rates the Authority also purchases energy for some of its customer groups. With respect to the Recharge New York, full requirements municipal and New York City customers, the Authority assists them with either spreading out the cost recovery or by recommending hedging positions that can be taken in the marketplace.*

*Responding to still further questioning from Chairman Koelmel, Mr. Russak said contributions available for Western New York proceeds fund for the months of January and February was \$6 million, well above the amount budgeted.*

*Responding to another question from Chairman Koelmel, Mr. Russak said looking ahead, he expects the Authority to end its operations above budget for the end of the year. The trajectory is positive and he did not foresee any major red flags. He continued that as reported to the Trustees at the last meeting, the Authority’s capital plan indicates a 40% increase over prior year spending levels. The Authority will have the resources available for its transmission Life Extension and Modernization (“LEM”) project, the Lewiston pumped generation LEM as well as the BuildSmart New York program.*

**3d. Chief Risk Officer’s Report**

*Mr. William Nadeau, Chief Risk Officer, provided highlights of the Report to the Trustees.*

**Risk Pilot Project**

*Mr. Nadeau said, as previously reported to the Audit Committee and the Trustees, the Enterprise Risk group has now completed the pilot project to establish the framework for formal risk response plans and key risk indicators associated with the top risks of the Authority. The pilot risks utilized for this endeavor were: Increasingly Difficult to Attract and Retain Workforce – SENY Region; and Significant Increases in Non-Recurring O&M Expenditures. Staff worked with Deloitte & Touché regarding the framework for the pilot risk project and has reviewed it with the Executive Risk Management Committee as well as the Authority’s Executive Management Committee. Staff has developed a risk dashboard outlining precise information with respect to the risks such as Authority exposures, response and mitigation plans and specific actions that will be undertaken by staff. The dashboard will also provide the Trustees with summary information associated with the responsibilities for actions and the status of these commitments. The risk dashboard will be presented to Trustees at subsequent meetings.*

**4. Power Allocations:**

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

*Mr. Timothy Muldoon provided highlights of staff’s recommendation to the Trustees. In response to a question from Trustee Foster, Mr. Muldoon said the Authority has a scoring system in place for allocations under the Recharge New York program and the metrics for the allocations being recommended are consistent with that methodology.*

<b>RESOLUTION</b>	Moved: R. Wayne LeChase	Seconded: J. Foster	Adopted: 6/0
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**b. Allocation of Hydropower and Notice of Public Hearing**

<b>RESOLUTION</b>	Moved: J. Foster	Seconded: E. Nicandri	Adopted: 6/0
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**5. 2013 Financial Reports Pursuant to Section 2800 of the Public Authorities Law and Regulation of the Office of the State Comptroller**

<b>RESOLUTION</b>	Moved: E. Nicandri	Seconded: T. Flynn	Adopted: 6/0
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**6. Contribution of Funds to the State Treasury**

*Mr. Brian McElroy provided highlights of staff's recommendation to the Trustees. In response to a question from Chairman Koelmel, Mr. McElroy said the contribution from the 2013/14 budget is the final installment to the state treasury for a total of \$90 million.*

*Responding to questions from Trustee Nicandri, Mr. Russak said in relation to the 2014/15 budget discussions with Division of Budget, the budget proposed for contribution to the state is identical to that of the 2014 budget, \$90 million. And with respect to the return of the temporary asset transfer monies, it is also in the Governor's budget proposal, as discussed with the Authority.*

<b>RESOLUTION</b>	Moved: J. Foster	Seconded: J. Koelmel	Adopted: 6/0
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**7. New York Power Authority's 2014 Strategic Plan**

*Mr. Robert Lurie presented highlights of staff's recommendation to the Trustees.*

*In response to a question from Chairman Koelmel, Mr. Lurie said a team has been set up for each of the six initiatives outlined in the Strategic Plan and they will be responsible for developing a business plan for each initiative. In developing the business plans the teams would consider:*

- i) how the Authority will get customers, if it is a customer initiative;*
- ii) how the Authority is going to request funding;*
- iii) the value of the investments that the Authority is going to make;*

- iv) what the financial returns would be on any of the investments and how they would be implemented and integrated into the business and operations of the Authority;*
- v) Staffing; and*
- vi) marketing issues, e.g. competition*

*Mr. Lurie said that business plans would be presented to Trustees for approval as they are completed. Staff expects the first plan to be presented to the Board in May and the others in July and September. He added that, in parallel, as the business plans are developed they will evolve and become a part of the budget process, operating plans, and performance metrics.*

*Responding to further questioning from Chairman Koelmel, Mr. Lurie said staff is in the research process in the development of the business plans – some are at an advanced stage – and will be driven towards how the Authority will implement the initiatives. He reiterated that staff would be presenting at least one of the plans to the Board for approval at the next meeting.*

*Responding to still further questioning from Chairman Koelmel, Mr. Lurie said each team is assigned a member of the Authority's executive team as sponsor; a project manager that is responsible for adherence to the time line; and a Consultant acting as an advisor to work with them as they develop the business plans so that the plans will be completed and presented to the Board within the time frame established for the implementation of each initiative.*

*Responding to another question from Chairman Koelmel, President Quiniones said the goal of the teams is to develop a tangible business plan for each of the individual initiatives with the assistance of the executive sponsors and project managers. He then outlined examples of specific projects that would be proposed to the Board:*

- 1) In collaboration with upstate utilities and under the Knowledge Workforce Planning initiative, it was proposed that a workforce development center be built to address retirement issues of the Authority and utilities in upstate New York. To that end, staff will be recommending that the Trustees approve a request for funds to build a workforce development center in Western New York.*
- 2) Under the Smart Generation and Transmission initiative, the Authority and other utilities in New York State installed phaser measurement units in the state's transmission grid. Staff will be recommending that the Trustees approve funding to build an "Advance Grid Innovation Research*

*Laboratory for Energy” in order to develop the data from the smart boxes that were installed in the transmission grid.*

3) *Under the BuildSmart New York Initiative, of which the Authority is the lead agency, the measures that can be undertaken to make state and other public buildings energy efficient were proposed. As part of that initiative, it has been recommended that meters be placed in those buildings. To that end, staff will be recommending that the Trustees approve funding for the creation of the New York Energy Manager Center to analyze the data from the smart meters with the goal to optimize energy consumption in public buildings across the state on an ongoing basis.*

*President Quiniones said in addition to the above, the teams are working on business plans for other projects and will be coming before the Board for their approval.*

*In response to a question from Trustee Nicandri, President Quiniones said there will be checks on the Authority investments. Authority staff will perform due diligence, working with the Risk Management and Finance groups before recommending that the Board fund any of the ventures in the Authority’s “investment grade business plans.”*

*Responding to further questioning from Trustee Nicandri, Mr. Lurie said EPRI is assisting, advising the Authority on some of these initiatives; the Authority will receive the full benefit of their wisdom and experience in research and development on any venture it proposes.*

*In response to a request from Chairman Koelmel, President Quiniones said, to ensure continuing dialogue with the Trustees as the Business Plans are developed, he will provide the Board with a report on the progress of each of the six initiatives.*

*In response to a question from Trustee LeChase, Mr. Russak said staff earmarked capital project dollars in the Authority’s operating fund in the amount of \$150 million for strategic initiatives; these monies, however, have not been committed to any specific project as yet. Staff will have to come before the Board with the business case and plan and request the Board’s authorization for the funding at that time.*

<b>RESOLUTION</b>	Moved: R. Wayne LeChase	Seconded: J. Mahoney	Adopted: 6/0
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**8. Appointment of Acting Executive Vice President and General Counsel**

*President Quiniones said before voting on the resolution for the Acting Executive Vice President and General Counsel he wanted to say a few words to Ms. Judith McCarthy, who was vacating the position. He made the following remarks:*

*Today marks the last Trustees meeting for Judith McCarthy, our Executive Vice President and General Counsel, who is leaving us after more than three years of exemplary service as the Authority’s chief legal officer.*

*Judith, as I’m sure many of you know, will become a Magistrate Judge of the U.S. District Court for the Southern District of New York – long recognized as one of the most prestigious courts in the nation. She will join a select group of Federal Magistrate Judges, who generally work closely with the District Judges and, in fact, handle some of the same duties.*

*At NYPA, Judith has been a consistent source of sound legal advice for this Board and for me and our senior management team. Her skills as a lawyer – along with her keen insights into the policy and business aspects of the issues – have been invaluable at a time of immense challenge for the Authority and our industry.*

*It was largely thanks to Judith that we concluded the complex agreement that averted the shutdown of the Maid of the Mist tour boats at Niagara Falls, and won the lawsuit that followed.*

*She played a pivotal role in the enactment of the legislation that established our Western New York Power Proceeds program and in the program’s successful implementation last year.*

*And as part of Governor Cuomo’s Energy Highway program, she was at the heart of our effort to define NYPA’s role in developing the Indian Point Contingency Plan with Con Edison and issuing the related RFP.*

*In addition to her work on these and countless other critical matters, Judith heightened the Law Department’s focus on ethics and compliance functions. And she led a restructuring of the department that has made it more responsive to its clients – who are, of course, mainly NYPA’s other Business Units.*

*Through all this, Judith’s trademark energy and commitment and dedication were always on full display. If I had one word to describe her, it would be indefatigable.*

*Now, the Southern District Court is about to acquire its own Judge Judy--along with a superb legal mind and someone who's absolutely passionate about her work.*

*Thank you, Judith, for your many contributions to the Power Authority. We will miss you. And we wish you and your family all the best as you take this next--very significant--step in your career.*

*Trustee Flynn said on behalf of the Board he wanted to add to Gil's comments and made the following remarks.*

*The District Judge is appointed by the President of the United States and confirmed by the Senate. But the Magistrate Judge is a very different process. The Magistrate Judge is specifically interviewed and appointed and selected by the judges themselves. Neither the Governor nor the President plays a role in that decision, so politics is removed. So when you select a Magistrate Judge you truly are selected by your credentials. The judges are not going to pick somebody who doesn't understand the issues. They need people that make sound legal decisions both civilly and criminally, they have to have a broad perspective to know what they are doing because the District Judges greatly rely upon the Magistrate Judges to do their work -- to make their jobs easier -- so that their sound decisions are affirmed. So I think we should all be very proud today to have somebody like Judith -- she truly is an exemplary public servant, there is no better way to describe her, and I think we are all better Trustees and a much better Authority from her sound counsel and support. We are very proud of her. Congratulations.*

*Chairman Koelmel said he echoed Trustee Flynn's remarks, and thanked Judith for all she has done for the Trustees and wished her every success.*

*Ms. McCarthy thanked them for their kind words and said it was very much appreciated. She continued that it has been an honor and privilege to serve the Authority and the State of New York. She said it is difficult to leave her work in state government, but she is thrilled for the opportunity to serve as Magistrate Judge. She said she has been very proud over the last three years to lead the Law Department at the Power Authority, and leaves the Authority with a talented and dedicated group of attorneys that will continue to do the work of the Power Authority going forward; she is assured that the Authority is in good hands and thanked them again for their kind words.*

*Chairman Koelmel presented highlights of the recommendation to the Trustees. The following resolution, as presented by the Chairman, was unanimously adopted.*

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<b>RESOLUTION</b>	Moved: E. Nicandri	Seconded: T. Flynn	Adopted: 6/0
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9. **Motion to Conduct an Executive Session**

<b>RESOLUTION</b>	Moved: T. Flynn	Seconded: J. Foster	Adopted: 6/0
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10. **Motion to Resume Meeting in Open Session**

<b>RESOLUTION</b>	Moved: T. Flynn	Seconded: J. Foster	Adopted: 6/0
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11. **Next Meeting**