

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

May 19, 2015

Introduction

Acting Chairman Nicandri welcomed the Trustees and staff members who were present at the meeting. He said that 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 May 19, 2015 Proposed Meeting Agenda

Upon motion made and seconded the meeting Agenda was adopted.

Conflicts of Interest

Vice Chair Mahoney and Trustee Flynn declared conflicts of interest as indicated below and said they would not participate in the discussions or votes as it relates to those matters.

Vice Chair Mahoney: C&S Companies, Inc. (Item 2ci).

Trustee Flynn: Solar Liberty Energy Systems, Inc. (Item 6b).

The items above were not adopted because the conflicts resulted in a failure to attain the required number of votes necessary for their approval.

Trustees Nicandri, Foster and Kress declared no conflicts.

RESOLUTION	Moved: J. Mahoney	Seconded: T. Flynn	Adopted: 4/0
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2. Consent Agenda:

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| <p>a. Governance Matters</p> <ul style="list-style-type: none"> i. Minutes of the Annual Meeting held on March 26, 2015 <p>b. Power Allocations</p> <ul style="list-style-type: none"> i. Contract for the Sale of Western New York Hydropower – Transmittal to the Governor ii. Hydropower Allocation – Extension of Replacement Power Allocation to Niacet Corporation <p>c. Procurement (Services) Contracts</p> <ul style="list-style-type: none"> i. Procurement (Services) Contracts – Consulting Engineering Services for Power Generation, Transmission and Ancillary Facilities – Contract Awards ii. Procurement (Services) Contracts – On-Call Services – Fair Market Valuation and Procurement Support Services – Contract Awards iii. Procurement (Services) Contracts – Professional Services – Reliability Standards and Compliance Group – Contract Awards iv. Procurement (Services) Contract – Professional Services – Ernst & Young LLC – Additional Funding and Contract Extension <p style="padding-left: 40px;">NIAGARA</p> <ul style="list-style-type: none"> v. Procurement (Services) Contract – Transmission Life Extension and Modernization Program – Niagara Switchyard – Circuit Breaker – Contract Award vi. Procurement (Services) Contract – Niagara Power Project Relicensing – Maintenance Services – Project Intakes and Observation Area – Contract Award vii. Procurement (Construction) Contract – Niagara Power Project Relicensing – Invasive Species Control Habitat Improvement Project – Contract Award <p>d. Capital Expenditure Authorization Request</p> <ul style="list-style-type: none"> i. Niagara Power Project – Robert Moses Spare Generator Step-Up Transformer– Capital Expenditure Authorization Request ii. Spare 345 kV Dual Usage Shunt Reactor Project – Capital Expenditure Authorization Request iii. Niagara Power Project – First Buffalo Marina – Winter Mooring Site Relocation – Capital Expenditure Authorization Request and Contract Award iv. Construction of Nature Center at the Robert Moses State Park – Capital Expenditure Authorization Request and Contract Award |
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Upon motion made and seconded, the Consent Agenda was approved.

Acting Chairman Nicandri said since Vice Chair Mahoney was recused from the vote as previously indicated, the Consent Agenda was approved with the exception of C&S Companies, Inc.

RESOLUTION	Moved: J. Mahoney	Seconded: A. Kress	Adopted: See Conflicts of Interest note above.
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Discussion Agenda:

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

President Quinones provided the following report on the Authority’s performance for April 2015 (Exhibit “3a-A”):

Performance Scorecard

As of April 2015, five of the eight Performance Measures have met or exceeded their targets. Both of the Financial Management measures (Debt Coverage Ratio and O&M Budget Performance) met their targets, as well as the Energy Services MMBTUs Saved and the Environmental Incidents measures. The Energy Efficiency Investment in State Facilities performance measure is below target. The Authority was ahead of its target at the beginning of the year, but fell below it due to timing issues with construction activities. However, staff is confident that the target will be met by the end of the year.

Generation Market Readiness and DART Rate (days away, restricted or transferred) measures are significantly below the year-to-date (“YTD”) target. The Generation Market Readiness YTD measure has been impacted by several factors including an unexpected repair at the Astoria 500 MW plant; a tube failure at the B-G Unit 1; and ice conditions at the St. Lawrence/FDR Power Project. Although the DART rate performance measure met its monthly target, it did not meet the YTD target. NYPA has established a very conservative target for the DART rate measure which is well below the Bureau of Labor Standards Rate. To date, there have been nine injuries that are classified as meeting the DART criteria. Staff continues to work towards meeting this target, focusing on leading indicators and proactive management to enhance the Authority’s performance.

Strategic Planning

Since the last Board meeting, the Authority has made substantial progress in establishing the governance and management structure that will help ensure the successful implementation of its Strategic Plan. To this end, NYPA has formed a Project Management Office, or PMO, to help the strategic initiative leaders and to report on the progress as contrasted with the Plan. Mr. Doug McMahon has been hired as Vice President of Strategy. He will report to the Chief Strategy Officer, Mr. Robert Lurie, and also work closely with Ms. Janis Archer, Director of Strategy Management. Mr. McMahon has been involved in NYPA’s strategic plan at its onset, as leader of the team from PA Consulting that facilitated and advised NYPA throughout the strategic planning process. Mr. McMahon will also be finalizing the metrics that will be used to assess performance of the Plan and each of its parts and to provide clarity to NYPA’s staff and the Board on what the Authority is trying to achieve through its strategic initiatives. An executive-level Strategic Management Committee has also been formed and will have overall governance responsibility for the Plan, including resource allocation, revisions to the Plan, as necessary, and overseeing the performance of each of the initiatives.

In addition, in April, as part of the annual strategic planning cycle, approximately 35 members of the Authority’s management team were tasked to refresh the Strategic Plan. The team challenged the initial assumptions that were made when the Plan was initiated eighteen months ago; brainstormed new opportunities; and identified barriers and risks to achieving the Plan. The team is now in the process of organizing and prioritizing the output of those sessions and will report to Board at a future meeting.

Risks

President Quiniones said, while the search for the new Chief Risk Officer is underway, the Authority's management team continues to advance its risk management efforts towards leading practices. The team has made substantial progress on the three major work streams.

First, the Authority's efforts to link risk and strategy have been very successful starting with the strategic risk lab, followed by the strategic planning off-site session in April. These activities focused on identifying and managing the opportunities, challenges, barriers and specific risks events faced by NYPA in the achievement of its strategic vision. Risk and Strategy groups are currently working together to ensure that the outputs of these activities are used in into the critical management processes of the organization, including budgeting, performance management and enterprise risk management.

Second, the Authority's Executive Risk Management Committee continues with the important work of developing risk "appetite" and "tolerance" statements to clarify and communicate the amount and types of risks the Authority is willing or unwilling to take in order to meet its strategic vision. The executive leadership team will be providing input to the draft statement provided by the ERM after which it will be presented to the Trustees in order to ensure appropriateness of the boundaries being expressed by management.

Third, the Standing Committee, formed to ensure alignment and coordination of risk and control activities has begun to meet with the goal of ensuring that no gaps or duplication of efforts exists between the various risk functions. The Committee will be led by the Chief Risk Officer and its membership includes Internal Audit, Ethics and Compliance, Technical Compliance, Internal Controls and Enterprise Risk.

President Quiniones said the Trustees will be informed of output of these efforts at a future meeting.

3b. Report of the Chief Operating Officer

Mr. Joseph Kessler, Senior Vice President of Power Generation, provided highlights of the Chief Operating Officer's report to the Trustees (Exhibit "3b-A").

Generation Market Readiness

Mr. Kessler said, as reported by President Quiniones, the Authority did not meet its target for Generation Market Readiness. However, the three incidents which affected that measure have been resolved and the Authority is prepared for the summer demands.

Performance Summary

There were four significant forced outages in April:

- *B-G Unit 3 – Rotor cracks discovered during a maintenance outage created a forced outage as of December 5, 2014. Early estimate for repair and return to service was July 2015. Staff was challenged to meet a June 1, 2015 completion date for the repairs in order to ensure summer readiness. They collaborated with vendors, other operating sites and support services and the unit was returned to service on May 12th, nineteen days ahead of schedule.*
- *St. Lawrence Power Project units continued to be hampered by extreme ice conditions throughout the month; this resulted in the equivalent of 14.5 forced outage hours for the Plant. In total, there were 125.9 equivalent forced outage hours due to ice problems, year-to-date.*
- *Gilboa Unit 1 had a tube failure on the thrust and lower guide bearing heat exchanger in March. The unit was returned to service on April 7th.*
- *Astoria 500 MW Unit 7A needed repairs on the generator end shield. This resulted in 210.7 forced outage hours.*

Transmission

There were no Transmission events during the month of April.

Environmental Incidents

There were four reportable environmental incidents in April:

- *Vernon GT – a hose clamp failed resulting in 70 gallons of oil being released.*
- *Plattsburgh Substation – oil was released from CT 226.*
- *Clark Energy Center – a capacitor failed, releasing 2 gallons of oil.*
- *A SPDES excursion occurred at Niagara at the Robert Moses Plant south drainage.*

The oil releases were contained and did not get into the environment.

Safety

- *The NYPA DART (Days Away, Restricted or Transferred) Rate for April is 0.75. For the year, the DART Rate is 1.71 compared to the target of 0.78.*
- *The Operations' DART Rate for April is 1.16. For the year, the DART Rate is 2.28 compared to the target of 1.08.*

- *There was one lost time incident in April that affected the DART rate.*

Summer Preparedness

All sites have completed maintenance and calibration in preparation of peak summer loads. The peak summer load forecast by the NYISO is 33,567 MW; the Authority is prepared for its part in meeting this forecast.

Strategic Initiatives

At the last Strategic Planning meeting, Operations learned that the initiatives were not being effectively communicated to the operating sites. To that end, the Operations leadership visited some of the sites with the view to re-orient the staff on the status of the strategic initiatives. The team received positive feedback and offers of help from the staff.

As part of the strategic initiative, Operations continue its employee engagement, working with the Process Efficiency group on the “5-S Program” with the goal to make sure that the sites are operating efficiently.

3c. Report of the Chief Financial Officer

Mr. Robert Lurie presented highlights of the Chief Financial Officer’s report to the Trustees (Exhibit “3c-A”).

Financial Summary

Net Income

- *The Authority had a net loss of \$1.9 million for the month of April, which was \$15.9 million below the budget due to a lower net margin on sales (\$26.9 million), partially offset by lower operating expenses. The margins on market-based sales continue to be lower than budgeted due to lower energy prices and 14% lower hydro production.*
- *Net income for the year-to-date was \$6.6 million, which was \$63.8 million lower than budgeted due to lower hydro production (\$48.2 million), and lower energy prices on market sales (\$44.9 million), partially offset by lower O&M and other expenses (\$34.9 million). Lower production resulted from low precipitation in the Great Lakes and a less than normal winter ice thaw. Variances in O&M and other expenses were primarily due to timing differences in expenditures.*

Hydro Generation and Energy Price Forecast

The Authority’s actual hydro generation results are well below its forecast at the start of the year; it is closer to the long-term average. Authority staff believes that the hydro generation will increase and be higher than the

long-term average throughout 2016. Also, actual energy prices are well below the budget and, for the balance of this year, energy prices are expected to stay below the budget.

Year-End Net Income Projection & Debt Service Coverage

Net income for the year is projected to be \$61 million which is \$145 million lower than the budget. This is primarily due to the lower hydro generation and lower energy prices. Authority staff is studying ways to control operating expenses and boost its net income projections for the year and will provide a report in that regard to the Board in July.

In response to a question from Vice Chair Mahoney, Mr. Lurie said when preparing the budget, the revenue is budgeted at the expected value of the hydro generation forecast. However, going forward, staff will prepare a revenue budget forecast that is more conservative and will provide staff's recommended budget projection to the Board in the near future.

Responding to further questioning from Vice Chair Mahoney, Mr. Lurie said the experts forecast hydro flows based on a variety of factors, the most important being the actual observed levels in the Great Lakes; and the timing of when that flows down into the Authority's hydro plants can be affected by a number of short-term factors. Since staff is providing a one-year budget proposal to the Board as opposed to a five- or ten-year forecast, staff will be more conservative with their projections for that one-year period and budget at a lower level. Mr. Lurie added that the Authority is conservative with the "expense" side of the budget in order to have some flexibility to reduce the budget, if necessary. And he ended by saying that staff will review the hydro forecasting methods with a view to provide a revenue estimate that is more conservative and also provide a more accurate range of possible outcomes when preparing the budget. In response to still further questioning from Vice Chair Mahoney, Mr. Lurie said that it has been approximately ten years since the Authority had hydro generation at the levels as budgeted.

In response to a question from Trustee Flynn, Mr. Lurie said the degree to which the actual generation came in below budget was extremely below the expected values. Based on the factors that the experts used to forecast hydro generation, the Authority expected the generation to be higher than the actual levels. President Quiniones added that at the July meeting of the Board staff will provide information on the variances in the forecast to include hydro flows and prices and also changes that the Authority will be implementing in order to have a better budgeting and forecasting process.

Responding to a question from Acting Chairman Nicandri, Mr. Lurie said the Authority does adjust the budget adopted by the Trustees and is currently in the process of making adjustments. The plan for reforming the budget will be presented to the Board at its next meeting. Trustee Kress requested that, going forward staff provides budget projections for the past ten years mapped against the actual hydro generation and energy price and margin so that the Board can get a historical view of the Authority's generation and budget projections. And Trustee Flynn requested that an explanation be provided as to the role of the experts and whether their role is paramount in the overall decision-making process of the budget.

4. POWER ALLOCATIONS AND PROCEEDS

4a. Western New York Hydropower Allocations and Notice of Public Hearing

Mr. Keith Hayes, Vice President of Marketing, provided highlights of staff’s recommendation to the Trustees. In response to a question from Trustee Flynn, Mr. Hayes said North American Hoganas is a manufacturer of pure iron powder and is located in the City of Niagara Falls; Just Greens processes organic leafy green vegetables and is located in Lackawanna, and Cummins is an engineering company located in the Village of Lakewood.

RESOLUTION	Moved: J. Mahoney	Seconded: A. Kress	Adopted: 4/0
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4b. Awards of Fund Benefits from the Western New York Economic Development Fund Recommended by the Western New York Power Proceeds Allocation Board

Mr. Keith Hayes provided highlights of staff’s recommendation to the Trustees. In response to a question from Trustee Flynn, Mr. Hayes said Cambria Asphalt Products will be retaining six jobs and creating one new job. We Care Transportation is retaining 200 jobs and creating 100 additional new jobs. There are no new jobs being created or retained by Buffalo Niagara Enterprise. In total, 206 jobs will be retained and 100 new jobs will be created.

In response to a question from Trustee Kress, Mr. Hayes said the contracts contain provisions to the effect that the awards are dispersed over a period of time and there is a compliance review with respect to the job commitments. Mr. Pasquale added that the contracts for the WNY fund benefits are similar to the Authority’s hydropower allocation contracts. Therefore, the awards are tied to the job numbers and the Authority performs compliance reviews at certain milestones to make sure the recipients are living up to their commitments. President Quiniones added that if the recipients are not living up to their commitments the Authority have drawback provisions in the contracts for non-compliance.

In response to a question from Acting Chairman Nicandri, Mr. Hayes said the labor market study includes the following key components: Availability of labor, quality of labor, workforce development, skills gap, under-employment, labor-management relations, payroll, and other costs.

RESOLUTION	Moved: T. Flynn	Seconded: J. Mahoney	Adopted: 4/0
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5. Collective Bargaining Agreement Between the Authority and Local Unions 2032 and 2104 – International Brotherhood of Electrical Workers – Successor Agreement

Ms. Carol Geiger-Wank, Director of Labor Relations, provided highlights of staff’s recommendation to the Trustees. President Quiniones said he wanted to commend Mr. Welz for his leadership in finalizing the agreement and also the other departments in the Authority – Human Resources, Legal, Finance, Public and Governmental Affairs and Communications – for their teamwork during the negotiations. He also thanked the leadership of the Union and said he looked forward to working productively with them going forward. Acting Chairman Nicandri agreed and said he would also like to congratulate the employees that are going to be the beneficiaries of the agreement which he believed was well-earned and appreciated.

RESOLUTION	Moved: J. Mahoney	Seconded: A. Kress	Adopted: 4/0
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6. ENERGY EFFICIENCY

Energy Efficiency

Mr. James Pasquale, Senior Vice President of Energy Efficiency, introduced the next three presenters on the agenda. He said these young engineers are members of NYPA’s Energy Efficiency (“EE”) Department and have been leading NYPA’s efforts with the City of New York to implement Photovoltaic projects on an expedited basis.

Trevor Smith

Trevor is a graduate of Drexel University and first joined the EE Department as a COOP student in March of 2009. Upon his graduation in June of 2010 with a degree in Mechanical Engineering & Mechanics Trevor was hired full time by NYPA. The Authority is happy to have Trevor on staff.

Lauren Magin

Lauren is a May 2014 graduate of Clarkson University with a degree in mechanical engineering and an Excelsior Fellow. The Excelsior Fellowship program offers bright NYS college graduates interested in a career in public service a two-year placement at a NYS agency or Authority. Lauren joined the EE Department in September 2014 and has been supporting the Authority’s work in NYC. Next month Lauren will be transferred to NYPA’s Albany office to gain experience with the Upstate market and operation.

Dennis Willette

Dennis is currently a Conservation Program Engineer in the EE Department. He is a 2005 graduate of Syracuse University with a degree in Mechanical Engineering. As part of Dennis’ development plan for 2014/2015, he requested the opportunity to manage a work group. When the expedited Photovoltaic project with the City arose in the fall of 2014 a work group was formed consisting of Dennis as lead along with Trevor Smith and Lauren Magin.

Dennis will be presenting the PV discussion item on today’s agenda following a brief presentation by Trevor and Lauren.

6a. **Informational Item: Energy Efficiency – NYC Solar Schools – Design, Development and Implementation Program**

Mr. Trevor Smith, Associate Conservation Engineer, and Ms. Lauren Magin, Excelsior Engineering Fellow, made a presentation to the Board regarding the energy efficiency measure for the design, development and implementation of 100 megawatts of rooftop solar energy over the next ten years, on an expedited schedule, on city-owned buildings, primarily New York City schools. These systems will be wholly-owned by the customer (Exhibit “6-A”). Mr. Smith continued that NYPA’s Energy Efficiency department, in collaboration with the NYC Department of Citywide Administrative Services (“DCAS”), agreed to install approximately 6.25 megawatts (“MW”) of rooftop solar panels at 24 sites by April 2016; two additional sites were completed by “Earth Day” in April 2015.

Ms. Lauren Magin outlined the construction development of the project. She said in April 2015, with the assistance and cooperation of agencies such as the Public Design Commission, Department of Buildings, Department of Education, Electrical Advisory Board and Consolidated Edison, the first school with more than 600 panels and 200 kilowatts (“kW”) of power and the second, with 1700 panels and 500 kW of power were completed on schedule.

To date, three other schools are completed or in construction; six schools have permits and expect to begin construction soon, and the remaining fifteen locations are in the design phase. Once completed, the project would have facilitated the installation of 15,000 solar panels.

The environmental impact of the project would reduce greenhouse gas emissions. The project also supports Governor Cuomo’s goals of increasing clean energy in New York State and demonstrates the importance of government incentives and initiatives in increasing clean energy resources.

6b. **Procurement (Services) Contract – Energy Efficiency Programs – Roof Mounted Solar Photovoltaic Systems – Phase II – Contract Awards**

Mr. Dennis Willette, Conservation Program Engineer, provided highlights of staff’s recommendation to the Trustees.

President Quiniones said the team did a tremendous job in meeting a tight construction schedule for the roof-mounted solar photovoltaic systems at twenty-four NYC schools. He said they were creative in the way that they conducted the work on an on-going basis in order to complete the project. President Quiniones then mentioned that, as part of Governor Cuomo’s vision to reform energy, the Authority is part of the K-Solar Program, and, partnering with the New York State Department of Education, has offered to assist all 698 school districts across the state to implement a program to install solar photovoltaic panels, and incorporate solar energy into the schools’ Science and Math curriculum with the view to nurture clean energy across the state. He continued that approximately 300 school districts have signed on to partner with the Authority to implement these projects.

In response to a question from Trustee Kress, Mr. Willette said all of the firms have to maintain the “WMBE” requirements that the Authority includes in its contracts. As part of their bid, the companies have to include a plan as to how they intend to comply with the requirement.

In response to a question from Trustee Flynn, Corporate Secretary Delince said although the Trustees will not be able to vote on the contract for Solar Liberty Energy Systems, Inc., there were two additional contracts to be voted on at this meeting. In response to further questioning from Trustee Flynn, Mr. Willette said the Trustees will be voting on the contracts in the amount of \$32 million for Standard Solar and Montante Solar for all regions; and Montante Solar for all regions outside New York City and Long Island.

The following resolution, as submitted by the President and Chief Executive Officer, was adopted with the exception of **Solar Liberty Energy Systems, Inc.**, which failed to pass due to the conflict of interest filed by Trustee Flynn.

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RESOLUTION	Moved: J. Mahoney	Seconded: A. Kress	Adopted: 4/0
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7. **Motion to Conduct an Executive Session**

RESOLUTION	Moved: J. Mahoney	Seconded: A. Kress	Adopted: 4/0
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8. **Motion to Conduct an Executive Session**

RESOLUTION	Moved: J. Mahoney	Seconded: A. Kress	Adopted: 4/0
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9. **Next Meeting**

RESOLUTION	Moved: J. Mahoney	Seconded: A. Kress	Adopted: 4/0
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