

**POWER AUTHORITY OF THE STATE OF NEW YORK
SUMMARY OF THE TRUSTEES'
REGULAR MEETING MINUTES
OF
July 26, 2016**

Introduction

Chairman Koelmel 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 July 26, 2016 Proposed Meeting Agenda

Upon motion made by Vice Chairman Nicandri and seconded by Trustee McKibben, the meeting Agenda was adopted.

RESOLUTION	Moved: E. Nicandri	Seconded: T. McKibben	Adopted: 5/0
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2. Motion to Conduct an Executive Session

RESOLUTION	Moved: A. Picente	Seconded: E. Nicandri	Adopted: 5/0
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3. Motion to Resume Meeting in Open Session

RESOLUTION	Moved: E. Nicandri	Seconded: T. McKibben	Adopted: 5/0
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4. Consent Agenda:

a. Governance Matters

- i. Minutes of the Regular Meeting held on May 24, 2016

b. Power Allocations

- i. Transfer of Power Allocations and Adjustments to Job Commitments
- ii. Transitional Electricity Discount Payments

c. Procurement (Services) Contracts

- i. Procurement (Services) Contracts – Business Units and Facilities – Awards, Extensions and/or Additional Funding
- ii. Procurement (Services) Contracts - On-Call Engineering Services - Transmission and Substation Assets - Contract Award
- iii. Procurement (Services) Contract - New York City Department of Environmental Protection - Grahamsville Small Hydropower Plant - Contract Extension and Additional Funding

NIA

- iv. Procurement (Services) Contracts – Niagara Power Project – On-call Crane Rental Services – Contract Awards

WPO

- v. Procurement Services Contract - White Plains Office New Centroplex Garage Project - Contract Award

SENY

- vi. Procurement (Services) Contract – SENY 500 MW Power Plant – Technical Support and Maintenance Services – Contract Award

d. Capital Expenditure Authorization Requests

- i. Information Technology – Canal Corporation Initiatives – Capital Expenditure Authorization Request
- ii. STL-FDR Robert Moses Switchyard Life Extension and Modernization Project – Capital Expenditure Authorization Request
- iii. STL-FDR Power Project and Long Sault Dam – Procurement and Construction for Station Service Upgrades – Capital Expenditure Authorization Request and Contract Award
- iv. Astoria Annex Replacement of Shunt Reactors Project – Capital Expenditure Authorization Request and Contract Award
- v. Asset Health Monitoring and Diagnostics Center – Capital Expenditure Authorization Request and Contract Award

e. Energy Efficiency

- i. Energy Efficiency Program – Authorization to Extend Maximum Cost Recovery Period to Twenty-Five Years

f. Real Estate

- i. Lease of Premises – 30 South Pearl Street, 5th Floor, Albany NY

- ii. Lake St. Lawrence Yacht Club and St. Lawrence University – Renewal of Leases NY
- iii. Sprint Spectrum Realty Company – Extension of Transmission Structure Right-of-Occupancy Agreement NY

- g. **Relicensing**
 - i. St. Lawrence-FDR Project Relicensing Agreement - Amendment to 10-Year Review with Local Government Task Force

- h. **Decommissioning**
 - i. Authorization to Terminate Nuclear Decommissioning Obligations and Transfer Nuclear Decommissioning Trust Funds

Conflicts of Interest

The following Trustees declared conflicts of interest as indicated below and said they would not participate in the discussions or votes as it relates to those matters.

Chairman Koelmel:

- *Kaleida Health (Item #4b);*

Trustee Kress:

- *Corning, Inc.; Jasco Tools, Inc. (Item #4b)*

- *General Motors, LLC; M&T Bank (Item #7d iv)*

Vice Chairman Nicandri and Trustees Picente and McKibben declared no conflicts.

Consent Agenda:

Upon motion made by Trustee McKibben and seconded by Trustee Picente, the Consent Agenda was approved.

RESOLUTION	Moved: T. McKibben	Seconded: E. Nicandri	Adopted: 5/0 (<i>with the exception of Item #4b-- see conflicts above</i>)
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Discussion Agenda:

5. Strategic Initiatives:

a. Report of the President and Chief Executive Officer

Discussion Agenda - New Format

President Quiniones said, as indicated by the Chairman and with the Board's concurrence, the Discussion Agenda will be presented in a new format: Strategy; Risk Management; Operations and Finance; Board Committee Reports; and Informational items, as necessary.

Performance Scorecard

President Quiniones provided highlights of the Authority's performance for the month of June (Exhibit "5a-A"). He said the Authority's overall performance across the board is very good. Although Transmission Reliability is below target, staff has indicated that it will meet or exceed the target by the end of the year.

Strategic Plan

President Quiniones provided an outline of the Authority's 2020 Strategic Plan as follows:

Workforce Planning - includes Succession Planning and the training necessary to get the Authority's workforce ready for the future.

Process excellence - prioritizing what is necessary to achieve the goals of the Plan.

Knowledge management - capturing the knowledge of employees with years of experience; new information gathered from the marketplace; and organizing the information in a structured way so that it can be retrieved and used effectively and efficiently across the enterprise.

Smart Generation and Transmission - With the changes in the utility industry, the fundamental way that utilities have been operating since its inception is changing

because of technology. Through the Smart Generation and Transmission initiative, the Authority plans to digitize its generation and transmission assets.

Asset Management - In the new paradigm, the Authority will need to change the way it manages and maintains its assets.

Customer Solutions - The Authority will need to focus on its customers' needs and preferences as this transformation of the industry occurs.

President Quiniones ended by saying that, in terms of executing the Plan, at future meetings he will provide an update on each of the six strategic initiatives and the progress with realizing NYPA's 2020 vision.

In response to a question from Chairman Koelmel, President Quiniones said he was pleased to report that the Authority is on track to execute the Plan. Responding to further questioning from Chairman Koelmel, President Quiniones said as he look ahead toward the end of 2016 and early 2017 he is optimistic about the path the Authority is on. He is also working on keeping the Authority organized in terms of integrating Canals into NYPA, a management challenge that, as CEO, he is keeping his eyes on. Chairman Koelmel opined that the Canals integration is a critical, significant, and very substantive initiative for the Authority.

b. Canal Corporation Integration

Ms. Kimberly Harriman provided an update on the integration of the Canal Corporation ("Canal") into the Authority.

Ms. Harriman began by saying that the NYPA's budget for fiscal year 2016-2017 included the transfer of Canal's assets from the Thruway Authority to the New York Power Authority.

There are two components of the transfer. First, the fiscal responsibility for Canal and its operations being transferred to NYPA effective April 1, which has been memorialized in a funding agreement negotiated by the Authority's Legal Department and executed by the Finance group led by Robert Lurie. Second, the transfer of Canal's operational control which will entail identification of systems, individuals, and resources that need to be separated from the Thruway Authority and embodied within Canal and supported by the Power Authority.

This endeavor will give the Authority insight into many improvement opportunities as it identifies the processes, systems, peoples and contracts that need to be migrated into Canals and supported by NYPA. To that end, the Authority is considering creating target operating models that show both "as is" and "to be" conditions of the operations of Canal's facilities. This would include housing, internally, Canal's critical functions and supporting those functions through strategic support by the Power Authority; this support has to be done in such a way that does not distract from NYPA's 2020 initiative, its strategic and financial goals.

There is a team of approximately 75 individuals, along with Thruway and Canal resources, who are working to ensure that the activities that need to take place from now to day one of the transfer, and beyond, are on track for success. To that extent, the overall organizational structure includes a series of working groups that span among Financial, Human Resources, Information Technology, Shared Services, Communications, Legal, Engineering, Environmental, and Procurement Business Units. Each of the working groups is include staff from Canal, the Thruway and NYPA; and the groups have been working tremendously long hours to develop a plan for action day one of the transfer, and beyond.

The transfer is also being overseen by a management team that includes Tom Concadoro from NYPA and John Callahan from Canal. There is also an Executive Sponsor team comprised of NYPA's Executive and Senior managers partnering with the executive leadership of the Thruway. The key to a successful transition is going to be clear, open and frequent communications between every layer of the groups.

This initiative was started about February 2016 with a kickoff meeting. To date, significant milestones, such as the identification of the entanglements for processes people and procurements, have been achieved. The group is now approaching finalizing agreements with Canals. In the fourth quarter of 2016, NYPA will be ready to test those critical processes and procedures such as payroll, procurement, operations and engineering. In December, NYPA will go through the checkpoint readiness process so that on January 1, 2017, NYPA will not only be ready for the transfer, but have contingency plans in place that if any of its automated systems have some setbacks, it will be ready to go manually.

In response to a question from Chairman Koelmel, Ms. Harriman said she is feeling positive regarding the transfer. She said this transfer is a very significant endeavor for both NYPA and the Thruway. Although they are going through some "growing pains" in identifying the layers, they have a very good relationship with the groups. Also, if there is a need for executive presence at the working group level, she will ensure that it occurs.

Responding to further questioning from Chairman Koelmel, Ms. Harriman said there are no stumbling blocks at this time. The working groups are working at a feverish pace with the mindset that they have to be quick, but efficient and competent. They are meticulous in the process and the activities that they are undertaking but they have an immense dedication to performing and being ready on day one.

Responding to still further questioning from Chairman Koelmel, Ms. Harriman said they have leveraged contracting resources that are known to NYPA and have been well-performing partners of NYPA, to support this endeavor, to conduct risk analysis, environmental health and safety insight and even review practices and procedures to ensure that NYPA brings Canal up to the level of engineering excellence and reputational responsibility that NYPA is known for.

Responding to another question from Chairman Koelmel, Ms. Harriman said the transaction costs that would incorporate all of the internal, external, and outsource activities falls within the range of \$72 - \$90 million; this is in addition to the operational burden that NYPA is absorbing or have traded out in terms of that activity.

In response to a question from Trustee McKibben, Ms. Harriman said that in terms of outside sources that the Authority is relying on for the transition and absorption of Canal, KPMG has been engaged as NYPA's integration partner. They have a team partnering with NYPA who are well-versed in this type of merger and integration of assets. NYPA has also engaged personnel to perform risk assessment in order to understand the state of the assets and where it will need to look for immediate opportunities for improvement. NYPA is also soliciting additional resources to help with environmental health and safety matters. She said there is a "war center" in the White Plains office with personnel, both internal and external to NYPA, working on the Canal integration. That same dynamic will be created in Albany populated with both Thruway and Canal personnel, as well as NYPA's internal and external resources.

Mr. Lurie added that NYPA has also engaged a third-party firm, Customer Care Network, to work with the Canal management team to identify potential for operational improvements -- ways to reduce costs; ways to provide better customer service -- which NYPA can bring to the system when it integrates with Canal in January.

In response to a comment from Vice Chairman Nicandri, Ms. Harriman said the team's key priority is to discover all that is needed to in order to make sure Canal runs efficiently and up to NYPA's engineering and reputational standards.

6. Enterprise Risk Management

a. Chief Risk Officer Update

. Mr. Soubhagya Parija provided highlights of the report to the Trustees. (Exhibit "6a-A")

Top Enterprise Risks Update

Mr. Parija said the enterprise's top risks have not changed. However, based on the Board Members' comments at the last meeting, the ranking of some of the risks have been changed. Risk Management is now addressing those risks and making sure that the action plans recommended through the risk assessment workshops process are being completed.

Other Risk Management Activities

Mr. Parija said it is important to keep abreast of, and understand what is happening with regard to risk management in the large public power corporations. To that end, he is member of the Committee of Chief Risk Officers, a collection of Chief Risk Officers in power utilities in the United States. As a participant on that committee, he can leverage some of its resources with NYPA's risk management activities.

Commodity Risk

The recent Risk Appetite workshop, managed with the assistance of PWC, was very successful.

Insurance

Enterprise Risk is conducting a Cyber Insurance Gap Analysis in order to understand what is being covered under cyber incidents and to make sure that there are no unnecessary redundancies based on other Authority policies. To that end, Enterprise Risk is in the process of identifying what coverages the Authority needs; what the limits or be the deductible should be and how much risk the Authority can accept.

Strategic Initiatives:

Business Resiliency

Enterprise Risk has initiated a business resiliency program to address incident response, disaster recovery, and emergency and crisis management plans. The goal of the program is to create a platform which is very resilient so that the members can react to, or respond to, different crisis. A strategic “road map” has been established and was presented to the ERM.

Reputation Risk Management

Enterprise Risk has defined reputational risk for NYPA. The group has developed a six-month road map and has formed a steering committee to get a consensus on the desired reputation for different stakeholder groups. This will be enhanced with scenario planning workshops. Enterprise Risk is also working closely with the Finance group on a strategy for reputational risk and will make presentations to the Trustees regarding the outcome of this project.

In response to a question from Chairman Koelmel, Mr. Parija said cyber security is an area of concern for him. Enterprise Risk is working closely with Mr. Ken Lee, the Authority's new Information Technology Officer, in regard to cyber security. Enterprise

Risk is also keeping track of other emerging risks. He said the utility industry is changing constantly so Risk Management is working closely with the other Business Units and also partners with other utility businesses in order to understand the emerging risks.

7. Operations & Finance

a. Utility Operations

i. Update

Mr. Joseph Kessler provided an update of the Utility Operations' activities to the Trustees (Exhibit "7a-A").

Performance Measures

Generation Market Readiness

Generation market readiness for the month of June was above target. The monthly value of 99.77% was above the target of 99.40%. The YTD value of 99.71% was also above the target of 99.40%.

One significant outage occurred at Niagara's Lewiston Unit 11. The Unit was returned to service on June 24th.

Transmission Reliability

June's performance metric of 94.12% was below the target of 99.18%. The YTD actual of 94.31% was below the target of 94.59%. Staff is confident, however, that the Authority will be able to meet or exceed this target. There was a capacitor bank issue at Marcy and the Long Island section of the Y49 underground cable had to be repaired and modifications were made on the line.

In response to a question from Trustee McKibben, Mr. Kessler said NYPA owns the transmission lines.

Environmental Incidents

There were two environmental incidents in June, and a total of nine for the year:

- Niagara Project -- a hydraulic line failure on a lawn mower resulted in 10 gallons of oil being spilled on the roadway.
- St. Lawrence Project -- a water quality violation occurred that exceeded TSS and SS limits.

Safety

The DART (Days Away Restricted or Transferred) Rate for the month of June was below target.

- There was one DART incident that occurred in June. For the year, there have been 5 DART incidents.
- The monthly DART Rate was 0.73 and the YTD DART Rate was 0.59, both of which are better than the target of 0.78.

Recent Events

NERC CIP version 5 compliance.

NYPA has successfully completed the Critical Infrastructure Protection (“CIP”) Standards Program that satisfies the requirements of the Version 5 standards prior to the July 1, 2016 enforcement date.

Organizational Changes

Mr. Andy Sumner, Vice President of Project Management, has retired from the Authority after 26 years of service. Ms. Patricia Lombardi will be acting in that capacity and will be responsible for development and implementation of all of Operation’s large capital projects including the LPGP and Transmission LEM’s.

Mr. Philip Toia has been promoted to Senior Vice President of Power Supply. Mr. Toia has more than 20 years of experience in the utility industry and has been at the Authority’s Clark Energy Center for the last 15 years.

ii. **First 100-Day Plan Overview**

Challenges

Mr. Kessler said that in collaboration with ERM, Finance, Enterprise Risk and IT, Utility Operations plans to merge NYPA's 2020 strategic vision within its operations -- health and safety compliance, maintenance and its planning processes. Utility Operations also plans to leverage the strategic initiatives in terms of data analytics and smart G&T and M&D centers and merge those efforts to make sure Operations is at peak operating levels.

The agility of the organization poses some challenges since, traditionally, it measured success on reliability. Now, Utility Operations is trying to be more flexible in terms of optimizing its resources, linking operational decisions through the P&L with some additional metrics, going forward.

Regulation

Operations recently completed the NERC CIP Version 5 compliance program.

Physical and Cyber Security

Utility Operations reviews operational risks to make sure the employees are safe. To that end, Utility Operations is planning a significant number of drill activities for its staff, going forward.

In terms of disruptive technologies, Utility Operations is creating a cross-functional group with R&D and other groups to make sure it understands technologies and energy transactions which may be different in the future.

Canal Integration

Utility Operations will provide technical support to the Canal integration, as required.

Succession Planning

Utility Operations is planning to redesign the centralized functions of the technical staff in to make sure that Technical Compliance and Engineering, Project Management and other groups are aligned in a way that is strategic and agile for the unit, going forward. Operations will work very closely with HR on engaging high potential candidates and developing them.

Utility Operations strives to maintain its dependability that everyone can rely on the Authority to be that safe advocate for smart G&T and energy management, and energy services. The unit wants to align its performance indicators and make sure that it is on track with the metrics. And they want to engage the workforce in the whole succession issue and ideas on moving forward.

c. Commercial Operations (Jill Anderson)

i. Update

Ms. Jill Anderson provided an update of Commercial Operations' activities to the Trustees (Exhibit "7b-A").

Budget

The Authority's budget is approximately 17% lower than projected, to date, and this is directly related to the market context. Also, the price of wholesale power is nearly 50% lower than the other products that the Authority sells into the energy markets than projected. The hot weather in July resulted in higher prices and higher merchant revenues for the Authority. Therefore, the Authority will come back in line with its budget. The low prices also resulted in positive impacts, in that the low natural gas prices resulted in low wholesale prices; this made it more efficient for the Authority to buy fuel.

Hedges

The hedges that were put in place last year for merchant revenue is positive because the market is a lot stronger than it was. Year-to-date, more than \$21 million in positive hedging positions have been collected.

In response to a question from Trustee McKibben, Ms. Anderson said staff has been doing annual schedules for hedging. They have been working very closely with the Enterprise Risk group on an overall update to the strategy on how to manage both the commodity and the merchant revenues. They are also planning to do a multi-year strategy starting next year. To date, hedges for 2016 are completed and the team is currently putting hedges in place for 2017 purchases. As the 2017 portfolio is built, the team will be looking at layering the portfolio, doing a smaller portion for 2018 and maybe 2019.

Transmission Business Development

The Authority has two major proposals in the competitive processes for building new infrastructure. These capital investments are in partnership with: 1) Western New York with the existing utility, New York State Electric and Gas; and 2) Central New York with a private sector transmission developer that is successful in other parts of the country. So far, the Authority has been successful in the multiple rounds in this competitive process; by early to mid-next year the Authority will know if it will be selected.

Economic Development

The Authority continues to secure jobs and capital investments as it enters into contracts for its low-cost power. Approximately 753 megawatts out of 910 MW of power have been allocated under the Recharge New York Program. And, overall, the Authority is tracking close to 415,000 jobs committed and almost \$33 billion in capital investments associated with those commitments.

Energy Efficiency

On the retail side of Commercial Operations is energy services -- energy efficiency and solar installations on the distributed part of the grid.

The group was projecting this year to be under-recovering as it relates to fees that the Authority receives from those services versus its fixed expenses; about \$6.3 million was projected.

Strategic Initiatives

The strategic initiative is an intentional spend. The Authority has currently deployed nearly \$5 million worth of grants and other investments for the initiatives.

Some of the big outcomes that the Authority received this year were from investments such as New York Energy Manager. This is the visualization of real-time energy data coming in from our customers across the state. NYPA currently have more than 1,000 buildings connected, giving it 15-minute interval data. That data is being used to do analytics which is then turned into project opportunities.

ii. First 100-Day Plan Overview

Ms. Anderson said the businesses included in this overview are: Energy Services, Economic Development and Marketing Power Plants. In each of these businesses are areas that have a downward pressure on the Authority.

Declining Revenues

The Authority is not covering its fixed costs. This is because customers' demands are changing. Technologies are different, so the contractual relationships customers are looking for are also different. Therefore, the Authority has to adjust its services, as well.

On the economic development side, some of the challenges that the Authority is facing is related to the value of its power which is a fixed price. Wholesale market prices are low and therefore that margin is being squeezed. As a result, the Authority is experiencing more issues with customer compliance because the value is lower and the Authority is asking them to retain the same number of jobs.

On the wholesale side, the low price environment that the Authority is in is driven by low natural gas prices and with stagnant demand. The days of very volatile prices for wholesale power are probably behind us. It's now an environment of increased competition because everyone else in this market is feeling the same pressure.

In spite of these challenges, there are opportunities that can help the Authority grow its business. The Authority is getting new project opportunities because of new technologies. For example, customers are asking for help with such things as upgrading to LED lighting. Also, there are mandates as a result of regulations that are pushing renewable energy faster than they would in just a market competitive environment.

On the economic development side, even though the Authority is seeing a squeeze in its margin in some parts of the state, there are other parts of the state, the down-state region, for example, where the Authority's value is going to be sustained.

Finally, there are opportunities to change market rules and modeling, which the Authority has pursued early this year, to get better value from its existing assets. Also, its customer contracts being renewed to make those contracts more mutually- beneficial and not as one-sided as they were in the past.

Top Priorities

On the energy services side, the Authority is looking at redesigning and redeploying how it issues grants. The Authority has a break-even goal for its strategic

initiatives by 2019. Part of that is being achieved by changes in the organization and realignment is already being implemented.

On the economic development side, the Authority has to better understand where its services are most valuable. To that end, all the modeling and analytics have been completed. Now, the Authority has to do a deep dive on assessing its comparative value across the state. This will help to identify where existing customers are at risk for compliance so that the Authority can intervene early, and, maybe, where it should change its whole strategy and give the power where the customers are not going to be at risk of noncompliance.

On the customer side of the business, staff is developing a new business plan and an updated allocations strategy to better reflect the current state of the Authority's value in the market. For example, Energy Risk Management is working on a hedging plan with the Commercial Operations team.

In summary, the Authority is a very mission-driven organization that has incredible opportunity in the industry to help grow its revenue and its net income. The Authority is focused on improving the environment and on retaining jobs, and it has the talent to achieve those goals.

In response to a comment from Trustee Kress, Ms. Anderson said an account for automation and its impact on longer-term job projections from companies that are seeking low-cost power and incentives from the state will be included as they look at job projections.

c. Financial Report (Robert Lurie)

Mr. Robert Lurie provided highlights of the financial report to the Trustees (Exhibit "7c-A").

Net Income YTD June 2016

- Net income for the six months ended June 2016 was \$28.1 million, which was \$23.9 million higher than the budgeted \$4.2 million. A major factor impacting results was the timing of the contribution to the State. The budget assumed a \$25 million contribution in June business. This contribution will be considered by the Board early next year.
- Excluding this contribution, net income for the year-to-date was \$1.1 million lower than budgeted primarily due to a lower net margin on sales (\$45.9 million) and unbudgeted expenses related to the Canal Corp. funding agreement (\$18.3 million), substantially offset by lower operating expenses (\$51.5 million) and higher income on the Authority's investment portfolio (\$10.9 million, primarily mark-to-market gain due to lower than anticipated market interest rates). Margins on market-based sales were lower than budgeted due to significantly lower prices resulting in lower market revenue at Niagara and St. Lawrence. Operating expenses reflected underspending in several programs including Western NY Economic Development and Workforce Development in addition to less than expected O&M spending due to timing.
- Results for the month of June reflected net income of \$5.6 million versus a budgeted net loss of 19.3 million. The positive variance of \$24.9 million was due primarily to the aforementioned delay in the State contribution. A higher net margin on sales (\$3.6 million), lower operating expenses (\$8.6 million, less than anticipated spending in several programs) and a mark-to-market gain on the

Authority's investment portfolio (\$6.5 million, lower market interest rates), were offset by expenses as per the Canal Corp. funding agreement (\$18.3 million).

In response to a question from Trustee McKibben, Mr. Lurie said the \$14 million reflecting the integration costs for 2016 is pre the Authority formally taking control of Canals. Responding to further questioning from Trustee McKibben, Mr. Lurie said staff has provided an estimate for 2017 integration costs and expects that by the end of 2017 the integration will be complete. Staff has an ongoing budget for what it will cost the Authority to operate Canals after improvements and a determination of what it will cost the Authority to integrate it into NYPA have been made.

Mr. Lurie said the reimbursement of expenses this year is \$75 million plus the integration expenses.

Mr. Lurie said the Authority has forecasted \$66 million of operating expenses for 2017 relating to Canals. The total cost of running Canals is expected to be \$66 million of operating expense plus ongoing capital costs of \$40-\$45 million, for a total cost of approximately \$110 million. He said this year, the Authority is responsible for reimbursement costs and integration costs.

In response to a question from Vice Chairman Nicandri, Mr. Lurie said that the forecast includes greatly reduced contributions to the state, which had been \$90 million per year, although 2016 results reflect a contribution of \$25 million in the first quarter.

Mr. Lurie continued that the impact on the Authority's debt service coverage ratio should be measured against a target of having operating cash flow exceed 1.75 times its total fixed charges which are its debt service plus its capitalized lease obligations. Prior to the Canal reimbursement and transition expense, the Authority was above that 1.75. For 2016, the Authority will be below that number because of the one-time expenses relating to reimbursement and the transition expenses.

For 2017, without Canals, the ratio would be up at 2.25 times. With the Canals expense on an ongoing basis the ratio would be at 1.97. If the one-time transition expenses expected for 2017 is included, the Authority will be just above its target ratio of 1.83. Once the Authority finishes with the transition expenses for 2017, it expects that for 2018, and beyond, the outlook with respect to that ratio should be positive, with appropriate management action.

Responding to a comment from Chairman Koelmel, Mr. Lurie said this year the Authority has the challenge of the transition expense, but staff believes that, the going, forward the outlook will be within the rating agencies parameters. He said as the Authority learns more about Canals and figure out how it can operate it differently, it will have more information regarding the exact expenses it will incur.

Mr. Lurie ended by saying that the Authority is seeing historically low interest rates. For example, interest rates on 30-year municipal bonds at the beginning of January were about 2.8 percent which is very low. This opens opportunities for the Authority to take advantage of those low interest rates in three different areas:

- 1) The Authority can refinance existing debt. Staff believes there is about \$220 million worth of bonds the Authority can call in early and lower the interest rates on those bonds to save about \$22 million on a present value basis.
- 2) The Authority can take some of the capital funding for its transmission program to take advantage of low rates. Staff has identified approximately \$175 million of expenditures for that opportunity.
- 3) Since loans to the Authority's customers for their energy efficiency projects are usually variable rate loans funded with the Authority's variable rate debt (commercial paper), since rates are low, the Authority can request that

customers fix out some of those loans and the Authority would match it with its own fixed rate debt issuance and retire some of its commercial paper.

Assuming interest rates stay where they are, the Authority could have as much as \$400 or \$500 million in financing opportunity; therefore, staff will request that the Board authorize these opportunities at the September Board meeting.

d. Power Allocations and Proceeds (Keith Hayes)

i. Recharge New York Power Allocations

RESOLUTION	Moved: E. Nicandri	Seconded: T. McKibben	Adopted: 5/0
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ii. Western New York Hydropower Allocation

RESOLUTION	Moved: T. McKibben	Seconded: E. Nicandri	Adopted: 5/0
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iii. Preservation Power Allocation and Notice of Public Hearing

RESOLUTION	Moved: E. Nicandri	Seconded: T. McKibben	Adopted: 5/0
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iv. Annual Compliance Review – Expansion, Replacement and Preservation Power Programs

Mr. Keith Hayes provided highlights of staff’s recommendation to the Trustees. *In response to a question from Chairman Koelmel, Mr. Hayes said the Authority is using the 90% compliance threshold for compliance. He added that one company in Buffalo has implemented some energy efficiency measures; therefore, staff is recommending that no action be taken on that company.*

RESOLUTION	Moved: E. Nicandri	Seconded: A. Picente	Adopted: 4/1
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v. Award of Fund Benefits from The Western New York Economic Development Fund Recommended By The Western New York Power Proceeds Allocation Board

RESOLUTION	Moved: A. Picente	Seconded: E. Nicandri	Adopted: 5/0
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8. Board Committee Reports

a. Governance Committee Report (Anne Kress)

i. Appointment of Authority Officers

Vice Chairman Nicandri said he would be providing the report on behalf of the Governance Committee Chair, Trustee Anne Kress. He said the Governance Committee recommends that the entire Board approve the appointment of Ms. Jill Anderson as Executive Vice President and Chief Commercial Officer at the stated salary, and Joseph Kessler as Executive Vice President and Chief Operating Officer at the stated salary.

RESOLUTION	Moved: E. Nicandri	Seconded: A. Picente	Adopted: 5/0
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ii. Board Resolution: Terrance P. Flynn

Chairman Koelmel then thanked Trustee Terrance Flynn for his many years of high-quality service for the benefit of the Power Authority. He said Trustee Flynn joined the Board four years ago and provided great service during his time and tenure. His professional demands has increased and he has ultimately concluded that he is unable to give the time, effort and attention that the role deserves without compromising his professional duties as an attorney for Harris Beach, PLLC. It is with regret that the Board

accepts his resignation, but it is also with great pride that the members offer him this Resolution (Exhibit "8a ii-A"). The Board recognizes his accomplishments and gives him due accolade for his many contributions to the Power Authority during his time and tenure.

RESOLUTION	Moved: E. Nicandri	Seconded: T. McKibben	Adopted: 5/0
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b. Audit Committee Report (Eugene Nicandri)

i. Executive Risk Management Committee Charter – Revision

Vice Chairman Nicandri said the Audit Committee met earlier today and recommends that the entire Board of Trustees ratifies the Executive Risk Management Committee Charter that has been revised and submitted to the Audit Committee for approval.

RESOLUTION	Moved: E. Nicandri	Seconded: T. McKibben	Adopted: 5/0
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9. Next Meeting

RESOLUTION	Moved: A. Picente	Seconded: T. McKibben	Adopted: 5/0
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