



**NY Power
Authority**

Canal Transfer Effort Finance Committee Update

September 27, 2016



Canal transfer

Key accomplishments to date and next steps

- Overall, the program is currently on track to complete the tasks required to reach operational transfer on January 1, 2017 (“Day 1”).
- Key accomplishments since the last Trustee update (July 26, 2016) include:
 - 1) A tentative Day 1 Canal Organization Design has been documented and approved by NYPA leadership.
 - 2) The Target Operating Model (TOM)¹, including a refined TSA scope, was approved by NYPA and TWY leadership.
 - 3) An updated cutover date (December 27, 2016) for most systems and processes (excluding those covered by a TSA) was approved. This will mitigate risk during the holiday season, along with provide contingency ahead of Day 1.
 - 4) Execution has progressed across areas such as IT migration, contract assignment, shared service office implementation, 2017 budget development, etc.
- The key next step is continue executing against the agreed program plans, preparing for operational transfer.

¹Documents the “as is” and “to be” (Day 1) state of Canal operations.

Canal transfer

Tentative Day 1 Canal organization structure

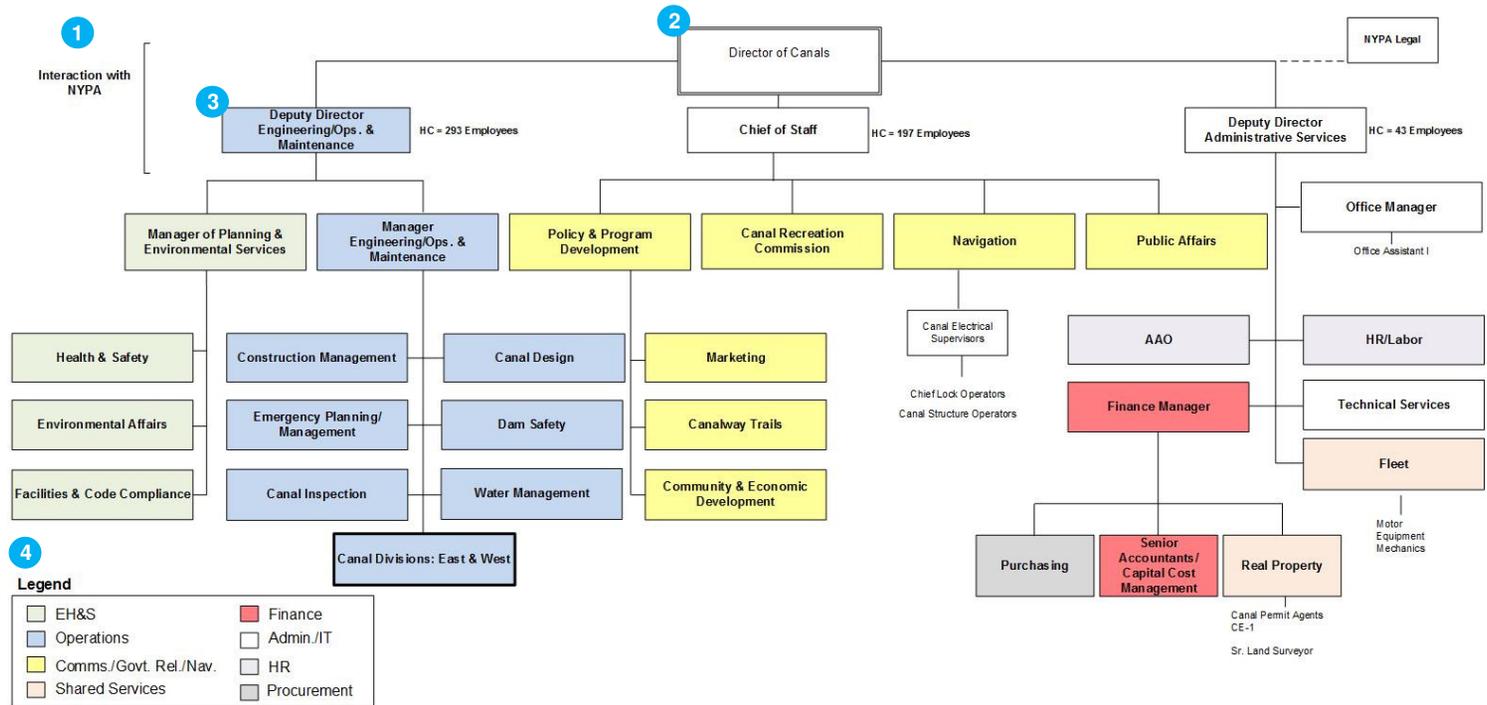
- NYPA Working Groups have identified resources required to stand-up Canal upon operational transfer. Most of the additional headcount falls into two categories:
 - 1) **Support Services** (e.g. IT, HR, Finance) – Staff required to support functions that do not exist in Canal today.
 - 2) **Operations, EH&S** – Staff required to support enhanced health, safety and maintenance standards.
- Key principles employed during this exercise include:
 - Keep the Canal organization and associated decision making processes separate from NYPA where practically possible.
 - Respecting the requirements of Civil Service law and Collective Bargaining Agreements of Canal union employees.
 - When staffing functions, assume the minimal amount of support required for Day 1. Further headcount can be added at a later date as need is demonstrated.
- The end result was an updated Day 1 Canal organization structure, which is presented within the following slide. Updates may be made as program assumptions change.

Canal transfer

Tentative Day 1 Canal organization structure (continued)

Highlights

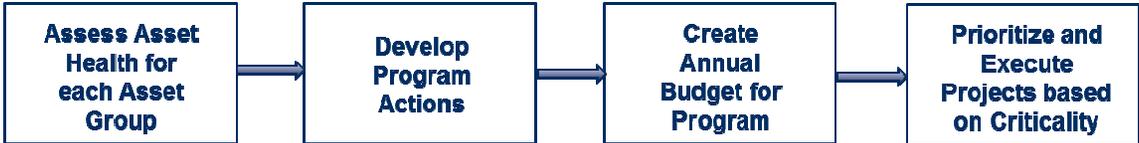
1. This is the level at which Canal will interact with NYPA; the specific governance process is being defined.
2. Three Deputy Directors will run major aspects of the Canal organization.
3. Technical staff (e.g. engineers) will report to a Deputy Director with a similar background.
4. In order to staff the organization, existing TWY staff will transfer (subject to agreement with the applicable employees) and new employees hired directly into Canal.



Canal transfer

Canal budget update – New capital and O&M programs

Programmatic Management of Assets



Capital Programs

- Guard Gate Rehab Program – common design
- Culvert Rehab Program
- Embankment Rehab Program
- Feeder Rehab Program
- Retention Dam Rehab Program
- Vehicle and Equipment Rehab and Replace
- Vessel Rehab and Replace
- Energy Efficiency Program

O&M Programs

- Vegetation Management Program
- Culvert Cleaning and Inspection Program
- Environmental Health and Safety Program
- Dam Safety Program
- Embankment Inspection Program
- Independent Vessel Assessment (one time)

Canal transfer

Canal budget update – Approval and submission process

- NYPA, at their September Trustee meeting, will acknowledge that the 2017 Canal budget will not be submitted (filing the budget with the State) to the TWY Board.
- NYPA staff will notify the NYPA Trustees that TWY has worked with NYPA to prepare the 2017 Canal budget. The NYPA Trustees will be briefed on the 2017 Canal Budget at NYPA's December 2016 meeting as part of the presentation of the NYPA Budget.
- NYPA's board, which will become the Canal board in January 2017, will vote to formally approve the 2017 Canal budget at their January meeting.
- NYPA will formally submit the 2017 Canal budget to the State (in-line with the NYPA budget).