

New York Power Authority
Finance Committee Meeting
Debt Management Plan Update

December 17, 2013

Financial Condition - Overview

- NYPA continues to maintain its strong financial condition
 - NYPA's senior debt is rated Aa2 (stable) , AA- (positive) , and AA (stable) by Moody's, S&P and Fitch, respectively
 - With annual revenues in the \$2.5 - \$3.0 billion range, NYPA has maintained sufficient earnings to produce coverage ratios at or above 2.0X for the last several years
 - At 11/30/13, NYPA had \$1.4 billion in unrestricted investments
 - Net income for 2013 expected to be approximately \$200 million versus original forecast of \$130 million

- NYPA's Four Year Financial Plan (2014-2017) projects continued strong financial performance
 - With projected coverage in the 2.5X range or better, NYPA has the ability to support several large initiatives in addition to its baseline capital investment and energy efficiency investments of nearly \$2.0 billion
 - NYPA's current coverage (2.90x projected), liquidity (208 days cash on hand) and leverage (debt to total capitalization of 32%) support NYPA's strong AA credit ratings and compare very favorably with other AA rated wholesale public power entities.

Debt Management

DEBT OUTSTANDING

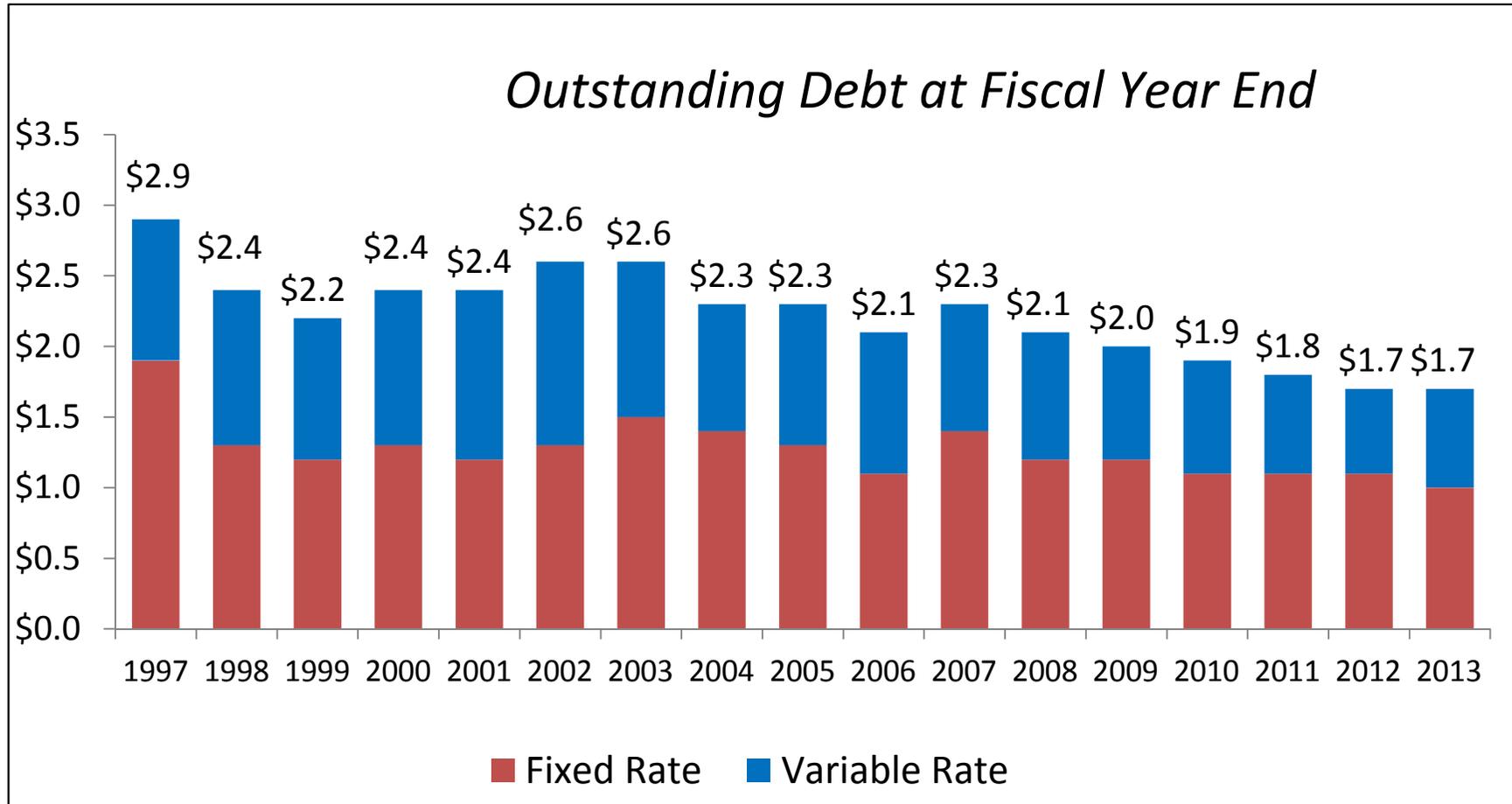
As of November 30, 2013

(in millions of dollars)

		<u>Outstanding Debt</u>			<u>Comments</u>
		<u>Fixed</u>	<u>Variable</u>	<u>Total</u>	
Generation	Niagara / St. Lawrence	581.9	66.6	648.5	Recovered through cost based/indexed rates
	Blenheim Gilboa	-	-	-	
	500 MW Combined Cycle	299.9		299.9	Recovered through cost based rates
	Small Clean Power Plants	-	-	-	
	Small Hydro		9.3	9.3	Recovered through cost based rates
	Flynn	-	-	-	
		881.8	75.9	957.7	
Transmission	Marcy South	-	136.8	136.8	Recovered through cost based rates
	Long Island Sound Cable	99.9	-	99.9	Recovered through cost based rates
	Massena Marcy	-	-	-	
			99.9	136.8	236.7
Energy Efficiency	Energy Efficiency	-	455.3	455.3	Full cost recovery from program participants
Other	Y2K	10.0	-	10.0	Costs allocated to customers
	State Parks Greenway Fund	24.3	-	24.3	Recovered through relicensing settlement agreement
			34.3	-	34.3
Total NYPA		1,016.0	668.0	1,684.0	

Targeted Debt Reduction

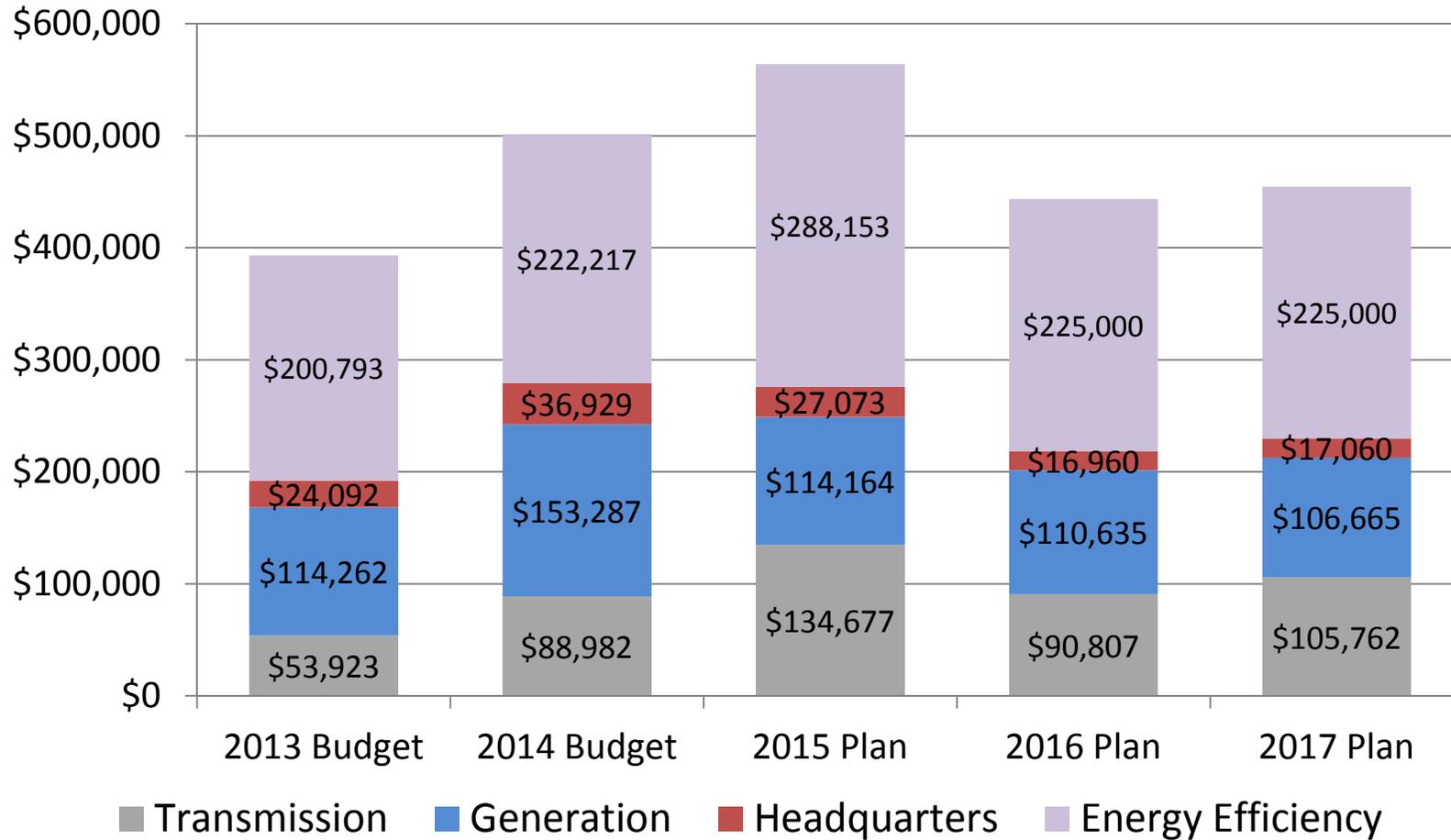
(in billions of dollars)



- Since 1997, the Authority has reduced net debt levels by over \$1.3 billion after having issued more than \$2.0 billion in new project debt.

Capital/Energy Efficiency Plan (in thousands of dollars)

Total projected Capital Plan 2014-2017 of \$2.0 billion



Major Capital Initiatives

Lewiston Pump Generating Plant LEM (\$460 Million)

- Life extension and modernization of the 12 pump turbine units including the rehabilitation and replacement of aging equipment as well as increased efficiency
- Approved by Board in June 2010
- Initiative runs through 2020
- Costs recovered through cost based/indexed rates

Transmission LEM (\$726 million)

- Multiyear upgrade program to maintain availability, increase reliability and ensure regulatory compliance of the Authority's transmission system
- Approved by Board in December 2012
- Initiative runs through 2023
- Costs to be recovered through FERC approved transmission revenue requirement

Energy Efficiency Initiatives

- ❑ Significant Customer bill savings and emission/oil consumption reduction – costs fully recovered from customers

- ❑ Total investment in energy-efficiency and other clean energy initiatives has surpassed \$1.8 billion
 - Completed over 2,000 projects at 5,100 facilities statewide
 - Peak demand reduction of more than 245 MW
 - Customers’ electricity savings of \$160 million annually
 - Annual oil consumption reduction of 2.9 million barrels
 - Annual greenhouse gas emissions reduction of 940,000 tons

- ❑ Projected capital requirements through 2017

2014	2015	2016	2017
\$222 million	\$288 million	\$225 million	\$225 million

- ❑ Projected capital requirements include on-going measures for SENY governmental and Energy Services program participants as well as approximately \$440 million for the Build Smart NY initiative.

Funding Plan

Lewiston Pump Generating Plant and Transmission

- ❑ To preserve the integrity of the Authority's coverage ratio of greater than 2.0x, staff is targeting a funding ratio of 50% equity / 50% debt financing for the Lewiston Pump Generating Plant LEM and Transmission LEM
- ❑ Staff anticipates funding the financed portion of each 2 – 3 years of expenditures with short-term debt which will then be refunded with longer-term revenue bonds
- ❑ Funding plan avoids any negative arbitrage, especially in a low interest rate environment
- ❑ Remaining capital initiatives to be funded with equity

Energy Efficiency

- ❑ Energy Efficiency initiatives to be funded via a portfolio approach of debt financing, equity financing and potentially off-balance sheet financing.
- ❑ Staff has been in discussions with the New York State Green Bank on potential opportunities for leveraging each others resources and developing a securitization approach to financing energy efficiency initiatives throughout the state, including existing NYPA initiatives and Build Smart NY initiatives

Strategic Plan Initiatives

- ❑ As the Authority's strategic initiatives are selected and developed, staff will return to the Finance Committee with funding recommendations specific to each initiative.

Recent Developments

- ❑ Successfully negotiated a one-year extension, as permitted under prior Trustee authorization, of the \$550 million Revolving Credit Agreement supporting the Commercial Paper Notes – initial term due to expire January 20, 2014
 - Syndicate includes JPMorgan (Aa3/P-1), State Street Bank & Trust (Aa3/P-1), Bank of NY Mellon (Aa2/P-1), TD Bank (Aa3/P-1) and Wells Fargo Bank (Aa3/P-1)
 - Commitment fees will be reduced from 65 bps to 35 bps per annum for an annual savings of approximately \$1.7 million

- ❑ Request for Proposal being issued to select a pre-qualified underwriting pool of Senior Managers, Co-Managers and Selling Group members to originate, underwrite and sell the Authority's Debt Obligations for the next three year term
 - Staff expects to make a recommendation to the Finance Committee and the Board by the March 24, 2014 Trustee meeting