MINUTES OF THE REGULAR MEETING OF THE
FINANCE COMMITTEE
December 17, 2013

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Minutes of the regular meeting of the New York Power Authority’s Finance Committee held at the Authority’s offices at 123 Main Street, White Plains, New York at approximately 10:30 a.m.

Members of the Finance Committee present were:

John R. Koelmel, Chairperson
Trustee Jonathan Foster
Trustee Joanne M. Mahoney

Also in attendance were:

Eugene L. Nicandri Trustee
R. Wayne LeChase Trustee
Gil Quiniones President and Chief Executive Officer
Judith McCarthy Executive Vice President and General Counsel
Donald Russak Executive Vice President and Chief Financial Officer
Karen Delince Corporate Secretary
Brian McElroy Treasurer
Lorna Johnson Associate Corporate Secretary

Chairman John Koelmel presided over the meeting. Corporate Secretary Delince kept the Minutes.
Introduction

Chairman John Koelmel welcomed committee members, and also Trustees Nicandri and LeChase and the Authority’s senior staff to 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 Section B(4) of the Finance Committee Charter.
1. **Adoption of the Proposed Meeting Agenda**

   Upon motion made and seconded the agenda for the meeting was adopted.
2. Approval of the Minutes

The Minutes of the Committee’s Regular Meeting held on November 9, 2012, were approved.
3. **Debt Management Plan Update**

Mr. Russak said pursuant to the Authority’s Bylaws, the Finance Committee is required to meet once per year. He said, to date, the Authority has been able to manage its capital program through its internal funding and continues operations on a very strong financial path. He then asked Mr. Brian McElroy to provide the Committee with an update on the Debt Management Plan, Capital Plan and Funding Plan.

Mr. McElroy provided an update of the Authority’s outstanding debt as of November 30, 2013 (Exhibit “3-A”). He said the Authority has approximately $1.7 million in total debt outstanding. This is the lowest level the Authority has had on its books since 1975. He said there were contractual provisions and other means to recover costs associated with the Authority’s debts, therefore debt costs are fully recoverable from customers and others, and outlined the various means of recovering this debt.

He continued that in 1997 as the Authority prepared for deregulation of the utility industry, staff determined that it needed to be more competitive in the new environment. To that end, the Authority established a long-term debt restructuring program and this has resulted in debt reduction of approximately $1.3 billion. Also during the period, 1997 to date, the Authority issued new debt of approximately $2 billion.

Mr. McElroy continued that the Trustees will be asked to approve the Authority’s four-year capital plan projection of $2.0 billion. Included in the capital plan is funding for the BuildSmart NY initiative which goal is to reduce consumption of electricity in government buildings by 20% by 2020.
In response to a question from Trustee Foster, Mr. Russak said with the exception of the projects associated with the 500 MW Plant, the Small Clean Power Plants and the relicensing of the hydroelectric facilities, the Authority has not had any large or major capital investments. Ongoing investments in the Authority’s facilities are approximately $100 - $200 million per year.

Responding to further questioning from Trustee Foster, Mr. Russak said the funding for the BuildSmart NY initiative will be managed the same as the Authority’s other energy efficiency projects. President Quiniones added that with the creation of the Green Bank as proposed by the Governor, staff will be working with NYSERDA and rely on the Green Bank rather than Authority internal financing for energy efficiency projects in the future.

In response to a question from Chairman Koelmel, Mr. Russak said the Authority is ready to provide major contributions to the infrastructure of New York State and will do so should the right investment opportunity be developed through the Authority’s Strategic Planning process.

Responding to further questioning from Chairman Koelmel, Mr. Russak said that under the right circumstances, the Authority would be able to handle investments up to $3 billion at this time. And President Quiniones added that even with these investments, the financial integrity of the Authority will still be maintained.

Responding to still further questioning from Chairman Koelmel, Mr. Russak said the Authority will be meeting with Standard and Poor’s in an effort to have the S&P AA- rating upgraded to an AA rating. Moody’s recently introduced a new rating methodology and targets with very stringent criteria. Although the Authority was still able to maintain its AA rating,
public power companies around the country did not react very favorably to the new criteria.

The Authority also has an AA rating with Fitch.

Mr. Russak opined that the AA rating is a good balance for the Authority; even with market disturbances the Authority will still have ready access to capital markets at that AA rating. The AA rating is a good spot for the Authority as it strives to maintain this rating through its metrics and its managing of the business so it can deliver low-cost power to its customers.

In response to another question from Chairman Koelmel, Mr. Russak opined that the optimal place for the Authority on a large investment is 2/3 debt / 1/3 equity. And President Quiniones added that the rating agencies are concerned with an organization’s leverage, debt service coverage ratio and cash on hand, and this is included in the Authority’s performance metrics and closely monitored.
4. **Motion to Conduct an Executive Session**

   Mr. Chairman, I move that the Committee conduct an Executive Session to consult with counsel. *Upon motion made and seconded, an executive session was held.*
5. **Motion to Resume Meeting in Open Session**

   Mr. Chairman, I move that the Committee resume the meeting in Open Session. *Upon motion made and seconded, the meeting resumed in Open Session.*
6. **Next Meeting**

*The next regular meeting of the Finance Committee is to be determined.*
Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 11:00 a.m.

Karen Delince
Corporate Secretary
EXHIBITS

For

December 17, 2013

Regular

Finance Committee

Meeting
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 )

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

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<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td></td>
<td>$222 million</td>
<td>$288 million</td>
<td>$225 million</td>
<td>$225 million</td>
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- 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