



**MINUTES OF THE REGULAR MEETING
OF THE
FINANCE COMMITTEE
March 20, 2018**

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March 20, 2018

Minutes of the regular meeting of the New York Power Authority's Finance Committee held at the Clarence D. Rappleyea Building at 123 Main Street, White Plains, New York at approximately 9:07 a.m.

Members of the Finance Committee present were:

Tracy B. McKibben - Chair
John R. Koelmel
Anthony Picente
Michael Balboni

Dr. Anne M. Kerss - Excused

Also in attendance were:

Eugene L. Nicandri	Vice Chairman - NYPA
Dennis G. Trainor	Trustee
Gil Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Robert Lurie	Executive Vice President and Chief Financial Officer
Soubhagya Parija	Senior Vice President and Chief Risk Officer
Karen Delince	Vice President and Corporate Secretary
Richard W. Allen	Vice President - Project and Business Development
Marie Berninger	Director - Business Development
Genevieve Fabela	Treasurer
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary

Chairperson Tracy McKibben presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairperson Tracy Mckibben welcomed committee members and the Authority's senior staff to the meeting. She 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 March 20, 2018 Proposed Meeting Agenda**

Upon motion made by member Michael Balboni and seconded by member Anthony Picente, the agenda for the meeting was adopted.

2. **Motion to Conduct an Executive Session**

I move that the Finance Committee conduct an executive session to discuss the financial and credit history of a particular corporation pursuant to §105f of the Public Officers Law.

Upon motion made by member Anthony Picente and seconded by member Michael Balboni, an Executive Session was held.

3. **Motion to Resume Meeting in Open Session**

I move to resume the meeting in Open Session. Upon motion made by member Michael Balboni and seconded by member Anthony Picente, the meeting resumed in Open Session.

Chairperson McKibben said no votes were taken during the Executive Session.

4. CONSENT AGENDA:

Upon motion made by member Michael Balboni and seconded by member Anthony Picente, the agenda for the meeting was adopted.

a. **Approval of the Minutes**

The Minutes of the Committee's Regular Meeting held on December 12, 2017 were unanimously approved.

5. DISCUSSION AGENDA:

a. Release of Funds in Support of the Residential Consumer Discount Program Created in Connection with the Recharge New York Power Program

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their March 20, 2018 meeting to approve the release of \$30.0 million in funds during 2018 in support of the monthly Residential Consumer Discount Program created in connection with the Recharge New York ('Recharge NY') Power Program, as authorized by Chapter 60 of the Laws of 2011 ('Chapter 60'). The funds are to be released monthly at a level of \$2.5 million per month. It is estimated that the \$30.0 million authorized for the Residential Discounts in 2018 will be entirely off-set from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market.

The Finance Committee is requested to recommend to the Trustees the approval of the release of \$30.0 million in funds during 2018 in support of the monthly Residential Consumer Discount Program related to Recharge NY.

BACKGROUND

The Authority is requested, from time to time, to make financial contributions and transfers of funds to the State or to otherwise provide financial support for various State programs including the Residential Consumer Discount Program related to Recharge NY.

Any such contribution or transfer of funds must (1) be authorized by the Legislature; (2) be approved by the Trustees 'as feasible and advisable,' and (3) satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution'). Further, as set forth in the Trustees' Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 shall be used as a reference point in considering any such payments or transfers.

The Bond Resolution's requirements to withdraw monies 'free and clear of the lien and pledge created by the [Bond] Resolution' are such that withdrawals (a) must be for a 'lawful corporate purpose as determined by the Authority,' and (b) the Authority must determine, taking into account, among other considerations, anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

DISCUSSION

In March 2011, Governor Cuomo signed into law legislation creating the Recharge NY Power Program. The Program utilizes 455 megawatts ('MW') of the firm power from the Authority's Niagara and St. Lawrence hydroelectric facilities, combined with market-based power purchases, forming a new, 910-megawatt economic development power program to replace and expand upon the Power For Jobs ('PFJ') and Energy Cost Savings Benefits ('ECSB') economic development programs.

As part of the Recharge NY Power Program, the Authority, on August 1, 2011, withdrew all 455 MW of the firm hydroelectric power previously sold to certain utility companies for the benefit of their residential consumers. To mitigate the price impacts of this withdrawal on the residential consumers, the Authority was authorized by Chapter 60, as deemed feasible and advisable by the Trustees, to fund monthly 'Residential Consumer Discount Program' payments for the benefit of such consumers on a declining schedule. For each of the first three years following the withdrawal, the Authority is authorized to provide \$100 million per year to fund the discounts. In years four and five following the withdrawal, the Authority is authorized to fund discounts of \$70 million and \$50 million, respectively. Beginning in year six following the withdrawal, and for each year thereafter, the Authority is authorized to fund discounts of \$30 million per year.

The Authority is authorized to use the revenues from the sale of the withdrawn power, together with any other funds of the Authority as the Trustees may deem feasible and advisable, to support the Residential Consumer Discount Program. The net cost to the Authority of the Residential Discounts after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market during 2016. Given the volatility in market prices, however, there is no assurance that the sale of this power will produce sufficient revenues to cover this amount of the residential discounts.

The Trustees have previously approved the release of funds in support of the Residential Consumer Discount Program, the most recent action being taken at the January 2017 meeting. Under consideration today are payments for 2018. Staff intends to return to the Trustees with a recommendation as to the release of any future amounts related to the Residential Consumer Discount Program based on how the overall program is progressing as well as the financial circumstances of the Authority at the time such payments are to be considered.

Staff has reviewed the effects of the \$30.0 million in anticipated payments of the Residential Consumer Discount Program on the Authority's projected financial position and reserve requirements. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of these releases together with (i) the release of up to \$41 million in Canal-related operating expenses for 2018 (\$20.5 million of which was authorized in December 2017 and \$20.5 million of which the Trustees are being asked to authorize at this March 2018 meeting), (ii) the release of up to \$2 million in Northern NY Power Proceeds net earnings, and (iii) the release of up to \$1 million in Western NY Power Proceeds net earnings on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference level. Based on the Authority's Four-Year Budget and Financial Plan, the 2.0 reference point level is forecasted to be met for each year-end of the forecast period 2018-2021. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to provide \$30.0 million of the Residential Consumer Discount Program at this time.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to provide \$30.0 million in support for the Residential Consumer Discount Program authorized by Chapter 60 at this time, and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. The release of \$30.0 million associated with the Residential Consumer Discount Program payments was anticipated and reflected in the Power Authority's 2018 Operating Budget approved by the Trustees at their December 2017 meeting. The net cost to the Authority of the Residential Consumer Discounts, after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from Recharge NY hydropower allocated and sold to Recharge NY customers and unallocated Recharge NY hydropower sold into the wholesale market during 2018. These monthly payments will be recorded as an expense at the time of payment.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve that the release of \$30.0 million related to the Residential Consumer Discount Program. It is further requested that the Finance Committee recommend that the Trustees affirm that such release is feasible and advisable and to authorize such payments.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

Upon motion made by Member Picente and seconded by Member Balboni, the following resolution was unanimously approved by the Committee members.

RESOLVED, That the Finance Committee recommends that the Trustees authorize the release of \$30.0 million from the Operating Fund during 2018 to support the monthly Residential Consumer Discount Program as authorized by Chapter 60 of the Laws of 2011 and as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance Committee recommends that the Trustees affirm that the amount of \$30.0 million to be used for the Residential Consumer Discount Program described herein is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented.

b. Release of Funds in Support of the New York State Canal Corporation

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their March 20, 2018 meeting to authorize the release of an additional up to \$20.5 million in funding to the New York State Canal Corporation (‘Canal Corporation’) to support the operations of the Canal Corporation in calendar year 2018. The amount requested is 25% of the Canal Corporation’s 2018 O&M Budget. The amount requested is in addition to the \$20.5 million that the Trustees authorized in December 2017 to be released to support the operations of the Canal Corporation in calendar year 2018.

The Finance Committee is requested to recommend to the Trustees the authorization of the release of an additional up to \$20.5 million in funding to the Canal Corporation to support the operations of Canal Corporation in calendar year 2018.

BACKGROUND

The Authority has been authorized to provide financial support for the Canal Corporation. See, e.g., Public Authorities Law § 1005-b(2). However, certain expenditures associated therewith do not constitute Capital Costs or Operating Expenses (‘Operating Expenses’) as defined in the Authority’s General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented (‘Bond Resolution’). Expenditures for the Canal Corporation’s operating purposes that do not constitute Capital Costs or Operating Expenses must satisfy the requirements of the Authority’s Bond Resolution relating to the release of funds from the trust estate created by the Bond Resolution for lawful corporate purposes. In addition, as set forth in the Trustees’ Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 is to be used as a reference point in considering any such release of funds.

The Bond Resolution permits the Authority to withdraw monies ‘free and clear of the lien and pledge created by the [Bond] Resolution’ provided that (a) such withdrawals must be for a ‘lawful corporate purpose as determined by the Authority,’ and (b) the Authority must determine, taking into account among other considerations anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

Under the Bond Resolution, Capital Costs (which includes capital costs related to the Canal Corporation) may be paid without satisfying the provision described above.

DISCUSSION

With this authorization, the Trustees will approve the release of \$20.5 million, an amount equal to 25% of the Canal Corporation’s 2018 O&M Budget as presented to the Canal Corporation Board of Directors at their December 2017 meeting. The amount requested is in addition to the \$20.5 million that the Trustees authorized in December 2017 to be released to support the operations of the Canal Corporation in calendar year 2018. With regard to Canal Corporation’s operating expenses in excess of \$41 million in calendar year 2018, staff is not requesting any action at this time, but will return to the Board to request additional releases as needed.

Staff has reviewed the effect of releasing up to an additional \$20.5 million in funding at this time on the Authority's expected financial position and reserve requirements. In accordance with the Board's Policy Statement adopted May 24, 2011, staff calculated the impact of this release, together with (i) the release of \$30 million in Recharge New York Discounts for 2018, (ii) the release of up to \$20.5 million in Canal-related operating expenses for 2018 previously authorized at the December 2017 meeting, (iii) the release of up to \$1 million in Western NY Power Proceeds net earnings and (iv) and the release of up to \$2 million in Northern NY Power Proceeds net earnings on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference point level. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release such amounts from the trust estate created by the Bond Resolution consistent with the terms thereof.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to release an additional up to \$20.5 million in funding to support the operation of the Canal Corporation in calendar year 2018. Staff has further determined that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution.

The expenses associated with the operations of the Canal Corporation for calendar year 2018 were included in the 2018 Canal Corporation Budget and the 2018 Power Authority Budget.

RECOMMENDATION

It is requested that the Finance Committee recommends that the Trustees authorize the release of an additional up to \$20.5 million in funding to the Canal Corporation to support the operations of the Canal Corporation in calendar year 2018. It is further requested that the Finance Committee recommend that the Trustees affirm that such releases are feasible and advisable, that such funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution and that the release of such funds is authorized.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

Upon motion made by Member Balboni and seconded by Member Picente, the following resolution was unanimously approved by the Committee members.

RESOLVED, That the Finance Committee recommends that the Trustees authorize the release of an additional up to \$20.5 million in funding to the Canal Corporation to support operations of the Canal Corporation in calendar year 2018, as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance Committee recommends that the Trustees affirm that the amount of up to \$20.5 million in funding as described in the foregoing report is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented, and that the release of such amount is feasible and advisable.

6. **Next Meeting**

Chairperson McKibben said that the next regular meeting of the Finance Committee is to be determined.

Closing

Upon motion made by member Michael Balboni and seconded by member Anthony Picente, the meeting was adjourned by Chairperson McKibben at approximately 10:15 a.m.

Karen Delince

Karen Delince
Corporate Secretary