



**NY Power
Authority**

**Canal
Corporation**

**MINUTES OF THE REGULAR JOINT MEETING
OF THE FINANCE COMMITTEE
November 27, 2018**

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Minutes of the regular joint meeting of the New York Power Authority and Canal Corporation's Finance Committee held, via video conference, at the Clarence D. Rappleyea Building at 123 Main Street, White Plains, New York at approximately 9:24 a.m.

Members of the Finance Committee present were:

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

Dr. Anne M. Kress - Excused

Also in attendance were:

Gil Quinones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Joseph Kessler	Executive Vice President and Chief Operations Officer
Robert Lurie	Executive Vice President and Chief Financial Officer
Sarah Salati	Executive Vice President and Chief Commercial Officer
Lee Garza	Senior Vice President - Financial Operations and Acting Controller
Kimberly Harriman	Senior Vice President - Public & Regulatory Affairs
Soubhagya Parija	Senior Vice President and Chief Risk Officer
Karen Delince	Vice President and Corporate Secretary
Daniella Piper	Vice President - Digital Transformation / Chief of Staff
Anne Reasoner	Vice President - Budgets & Business Controls
Scott Tetenman	Vice President - Finance
Christine Lally	Director - Financial Planning
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Associate 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 November 27, 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 Michael Balboni and seconded by member Anthony Picente 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 Anthony Picente and seconded by member Michael Balboni, 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 of the Regular
Joint Meeting held on September 26, 2018**

The Minutes of the Regular joint Meeting of the New York Power Authority and Canal Corporation's Finance Committee held on September 26, 2018 were unanimously approved.

5. DISCUSSION AGENDA:

a. 2019 Budget and Four Year Plan

Mr. Lee Garza, Senior Vice President of Financial Operations and Acting Controller provided highlights of the Authority's 2019 budget and four-year financial plan (Exhibit "5a-A").

2019 Budget and Four-Year Financial Plan

The Authority's 2019 budget and four-year plan has been designed to fully fund its operations and allow the Authority to achieve its operational, strategic, and policy objectives. It maintains the Authority's strong credit profile and is consistent with the Authority's AA credit rating. This budget is centered on the Authority's investment in its core transmission business, as well as its strategic initiatives.

The Authority's operational and strategic plan calls for significant, new investment in transmission that will provide stable, regulated rates of return as well as commencing investments and key new initiatives associated with Electric Vehicle ("EV") charging infrastructure and large-scale renewables, in an effort to meet the future energy needs of the state.

Financial Summary

The Authority's financial plan is designed to meet the needs of its 2020 strategic plan, and centers around three components: success for its customers; cost leadership in the market; and innovation, including being the nation's first digital utility.

In summary, the financial plan is the foundation which will facilitate the Authority in achieving its goals. It maintains the Authority's strong credit profile, and assures the Authority access to low-cost capital, which solidifies NYPA's competitive position as a partner of choice in the market.

NYS REV Goals

As NYPA considers the energy policy goals associated with REV and its implications, NYPA has developed two principles to support the state energy goals, namely, affordability and reliability.

Moonshot Initiatives

The elements of the Authority's strategic plan which will help meet the affordability and reliability goals, are associated with clean generation (LSR and OSW); clean transportation (EV Acceleration); and future grid enablers (flexibility in the grid). The Financial Plan also provides funding to launch these three "Moonshot" initiatives.

2019 - 2022 Planned Capital Investment

The Authority continues to invest in the modernization of its core transmission and generation business, as well as its customer business as related to energy efficiency, while dedicating a meaningful portion of the total capital funding to strategic growth initiatives.

Over the course of its four-year plan, NYPA will invest approximately \$3.3 billion across the organization. This averages out to approximately \$800 million annually, and compares to historical investment amounts in the range of \$450 to \$500 million.

Over the next four years, approximately one quarter of the total capital budget is going to be invested in strategic initiatives, specifically, transmission associated with rebuilding the Moses Adirondack lines, the Communications Backbone and the Sensor Deployment Programs, all of which are incremental investments into the Authority's transmission system that will help drive net income growth, going forward.

In addition, the 2019-2020 include investment associated with Moonshots the strategic initiatives that have policy-oriented objectives, Evolve New York, a program to further establish an electric vehicle charging infrastructure system across the state as well as Large Energy Storage.

2019 Planned Capital Investment

The Authority is committing 25% of its capital budget toward its strategic initiatives, actively investing capital in transmission, as well as the moonshots, including energy storage and electric vehicle infrastructure.

Projected Results

2018 Year-End Forecast

The 2018 year-end budget forecast is favorable; this is driven by strong operating results.

Net Income

Year-end 2018 Net Income is expected to be between \$80 million and \$110 million based on potential changes in market prices, hydro generation O&M and other expenses. The variability is being driven by elements such as commodity prices, capacity prices, as well as NYPA's overall power generation.

Financial Forecast

NYPA maintains a strong financial profile throughout the forecast period (2019-2022), with Net Income growth driven by returns on investments in the Authority's core utility business.

Consolidating Analysis of NYPA's Capital Investments

NYPA is investing approximately \$3.3 billion over the forecast period, 2019 - 2022, in various different parts of its business, including its core transmission and generation, customer services and energy efficiency business, moonshots, which it is beginning to invest capital for the first time this year and will continue to accelerate into the future, as well as Canal Corporation's operation.

O&M Expenses

Over the course of forecast period, 2019 through 2022, there is approximately 3 percent increase in O&M expenses that is driven by activities in the Authority's generation unit, as well as expenses associated with IT and headquarters' expenses.

As it relates to generation, the increase in O&M is driven by major maintenance expenses associated with incremental investment that is going to add long-term value to the organization.

As it relates to IT and headquarters support, the increases in O&M are associated with NYPA's strategic initiatives; starting up new businesses, and making sure that they are appropriately staffed with the best talent there is for those businesses, as well as making sure that NYPA have all of the technology that is aligned with its digital strategy, and necessary to support the successful operation of those businesses, going forward.

Mr. Lurie added that in the IT area, particularly, significant investment is going to be required to achieve NYPA's digital utility vision. Those IT investments are going to provide benefits to the Authority's customers in the form of lower cost of operation of NYPA's assets, and its ability to provide better service to customers in terms of better data analytics of their energy use, and better products and services that NYPA can tailor to their needs.

Risks

Hydro Generation and Commodity Risks -- The key risks that the Authority encounters as part of its normal business relates to its hydro generation and commodity risk. The Authority has a strong and active commodity hedging program to mitigate those exposures.

Delays in Planned Transmission Projects -- The Authority is also subject to delays in planned projects, including planned transmission projects, which could postpone NYPA's ability to capture revenues in economics with the projects currently budgeted.

Unplanned Expenses at Canals -- There are unplanned expenses at the Canal Corporation that is associated with the safe and secure operation of that system.

Energy Efficiency Defaults on Customer Repayments -- Energy efficiency and defaults on customer payments is a risk given the size of the Authority's customer program in that area. Mitigating this risk is the strong credit profile of the Authority's partners and customers, as well as the diversification of the projects within its portfolio.

Losses from Moonshots -- The Authority have supported the Moonshot business through sound strategy directly aligned with what the state's REV and energy policy goals. From an economic perspective, the Authority is conservatively structuring, not only the actual, direct investments, but also all of the financing. However, the Authority has a strong controls process that allows it to closely monitor the on those investments, going forward.

In summary, the Authority's 2019 Budget and Four-Year Financial Plan fully support its core business, strategic growth investments and the Canal Corporation. The Authority is investing its money in its core utility, generation and transmission businesses, as well as the strategic initiatives that are necessary, not only to meet the policy objectives, but, ultimately, to help reduce carbon emissions and provide more renewable resources for the State of New York and the citizens of New York.

The Authority's financial principles facilitate the achievement of its goals and objectives. The Authority has a long-term integrated financial plan in order to ensure that it can achieve its operational, strategic and policy goals.

In addition, the Authority has a strong focus on maintaining its AA credit position since this helps preserve access to low-cost capital.

The Authority also aims to allocate its capital resources efficiently and effectively to take risks and return into consideration, as well as other objectives beyond economics, where necessary, and to leverage its capital to make sure that it can attract the best business opportunities to NYPA so that it can deliver the benefits to the State of New York.

Upon motion made by member Michael Balboni and seconded by member Anthony Picente, the Committee voted to recommend the adoption of the 2019 budget and four-year financial plan to the full Boards.

b. Revolving Credit Facility Financing Update

Mr. Lee Garza provided an update on a refinancing related to the Authority's Revolving Credit Facility Financing (Exhibit "5b-A"). He said that the Authority maintains a \$600 million Revolving Credit Facility that is set to mature on January 18, 2019.

On October 9, 2018, the Authority launched a Request for Proposal ("RFP") in order to solicit interest from banks for the Authority's new 2019 Revolving Credit Facility and received multiple indications of interest from the financial community, those being banks and syndicates of banks, in participating and understanding more about what our financial needs were, going forward.

On October 30, the Authority received multiple nonbinding proposals from individual banks and groups of banks. The finance team and executive management have been reviewing the proposals and intends to recommend the final bank syndicate and the terms and conditions of the financing to the Board for consideration and consent at their meeting on December 11th.

In addition, in December, the Authority will present the proposed Revolving Credit Facility to the rating agencies to have it rated with the intention of having the facility become effective prior to the expiration of the current facility. The new Facility would have an effective date of January 16, 2019.

Some of the basic terms of the Revolving Credit Facility are as follows:

- NYPA would be the borrower. This refinancing is going to be sized consistently, and to the exact same borrowing amount of NYPA's current facility, \$600 million.
- The term of this Facility is up to five years for the life of the Facility. Therefore, this would be in the Authority's funding availability for the foreseeable future and will assure that NYPA can execute its strategic initiatives.
- This would be a secured facility on a subordinate basis.
- The purpose is for use of funds is to support NYPA's Commercial Paper Program. That commercial paper program is used very specifically to support the funding of NYPA's Energy Services businesses, and the customers for those energy services projects.
- The covenants will remain materially similar to those in NYPA's current facility. And that is, there will be ratings, covenants, and other customary nonfinancial covenants.

Mr. Garza ended by saying that pricing for a standard financing such as this is through the RFP process. The Authority received very competitive pricing, and expect to, ultimately, be able to realize a very competitive price for this Facility.

Upon motion made by member Michael Balboni and seconded by member Anthony Picente, the committee voted to recommend the approach presented on the revolving credit facility financing to the full Board.

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 11:31 a.m.

Karen Delince

Karen Delince
Corporate Secretary



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Exhibit 5a-A
November 27, 2018

2019 BUDGET AND FOUR-YEAR PLAN

Finance Committee Meeting

November 27, 2018

HOW ARE WE INVESTING OUR MONEY

- Core utility business that produces stable cash flows and competitive rates of return
- Strategic Initiatives that support customer success, cost leadership, and innovation

OUR FINANCIAL PRINCIPLES

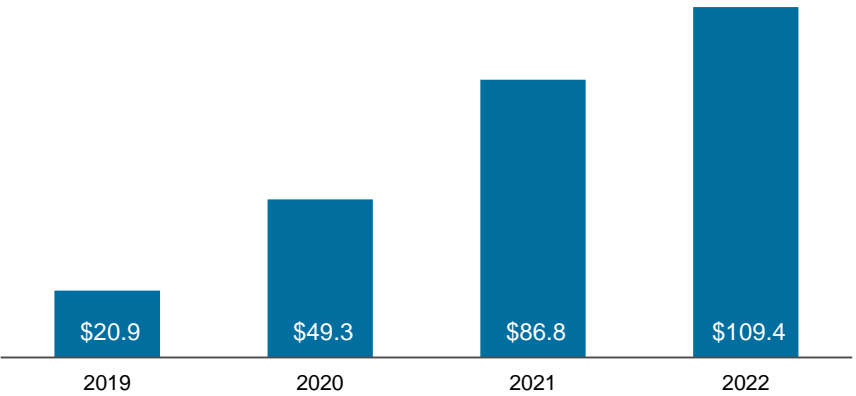
- Integrated, long-term financial planning to ensure ability to achieve our operational, strategic and policy goals
- Maintain our AA credit profile and preserve access to low cost capital
- Allocate our capital resources efficiently and effectively

FINANCIAL SUMMARY

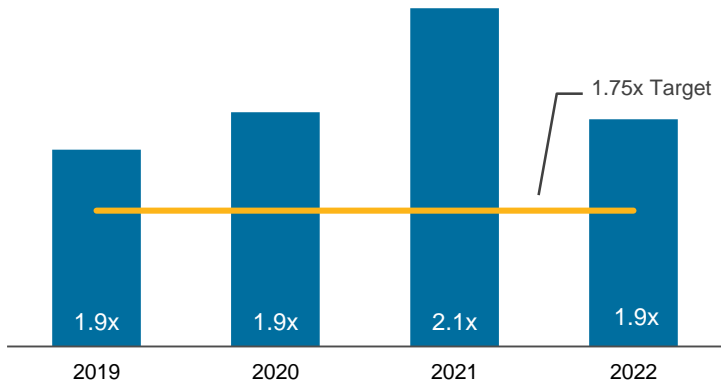
NYPA maintains a strong financial profile throughout the forecast period, consistent with our AA credit rating

2019-2022 NET INCOME FORECAST

In \$ Millions

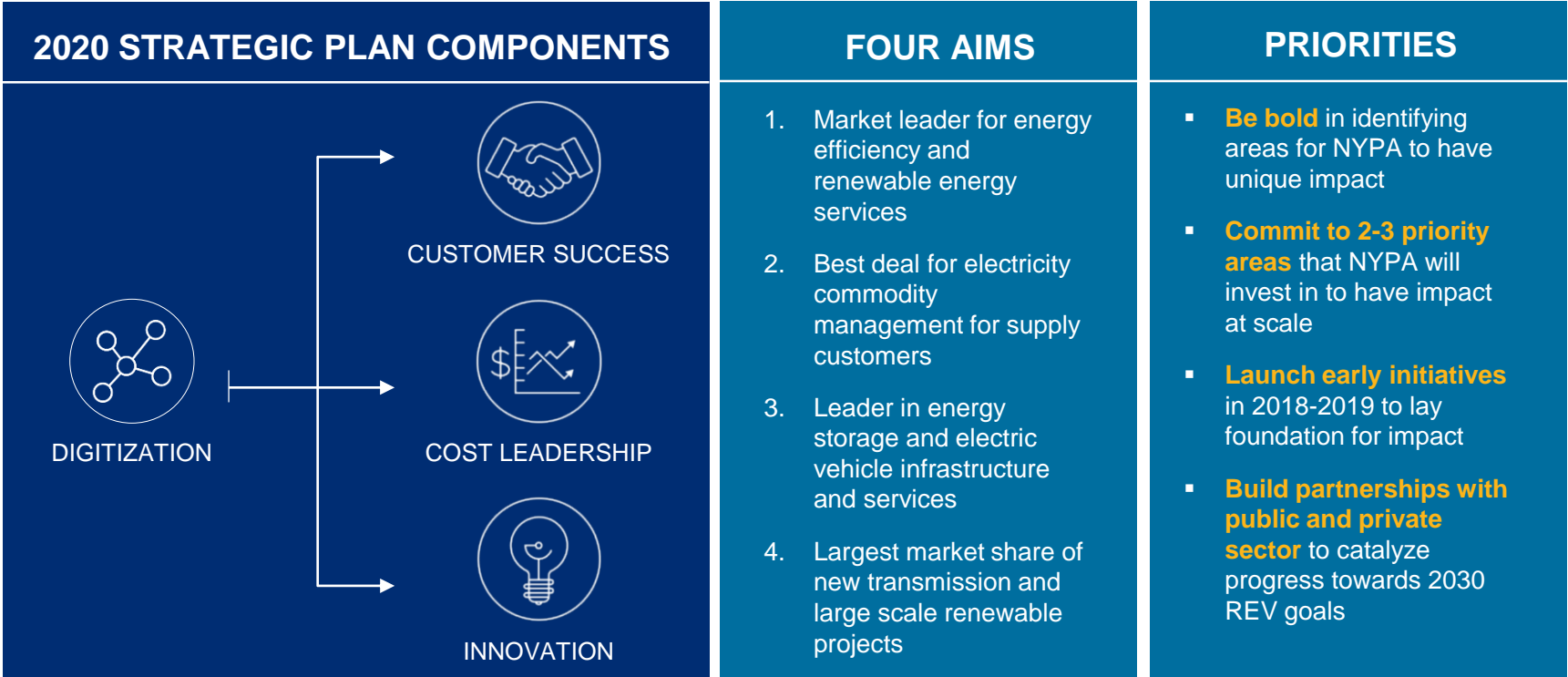


2019-2022 FIXED CHARGE COVERAGE RATIO FORECAST



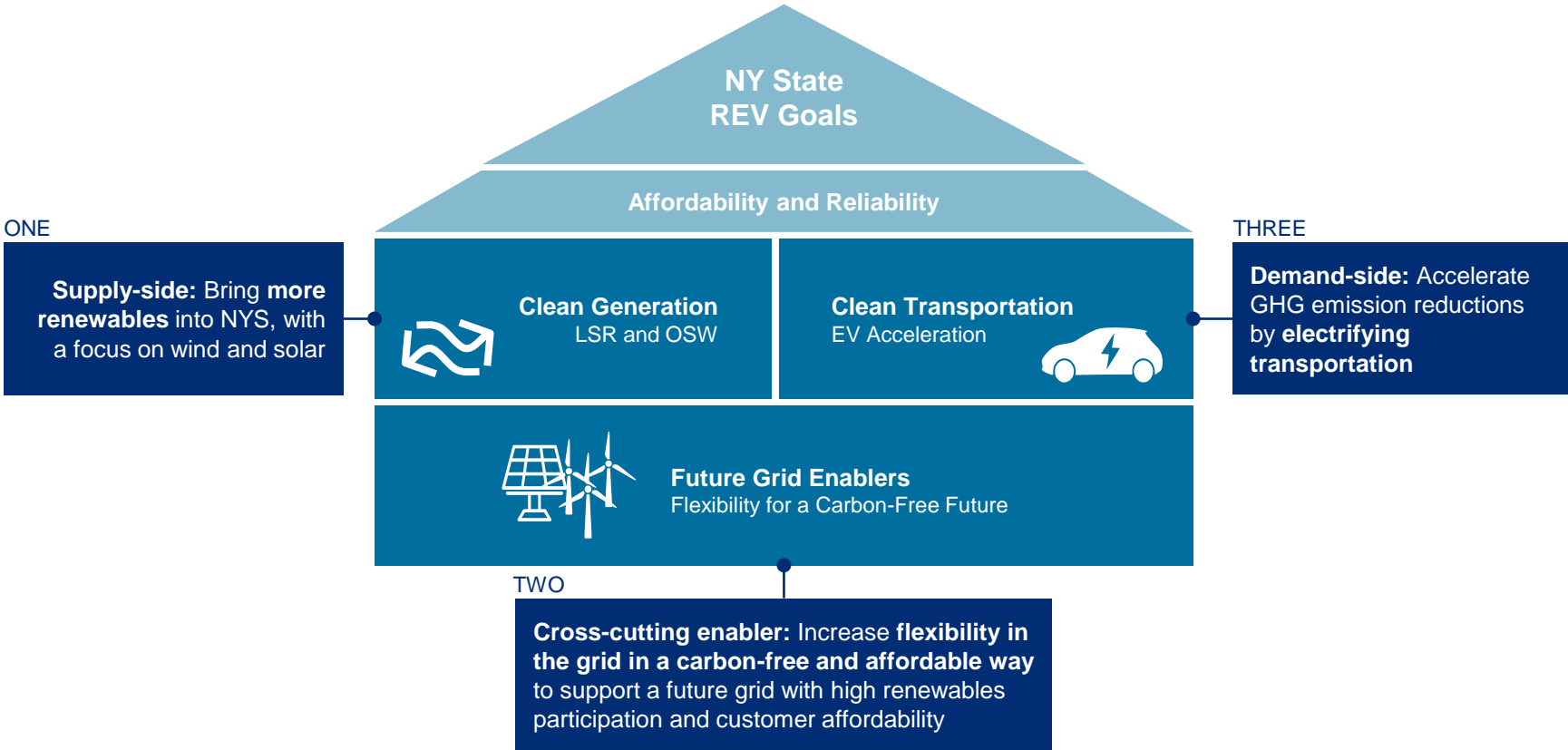
FINANCIAL PLAN

NYPA's Financial Plan is designed to fund its 2020 Strategic Plan



FINANCIAL PLAN (continued)

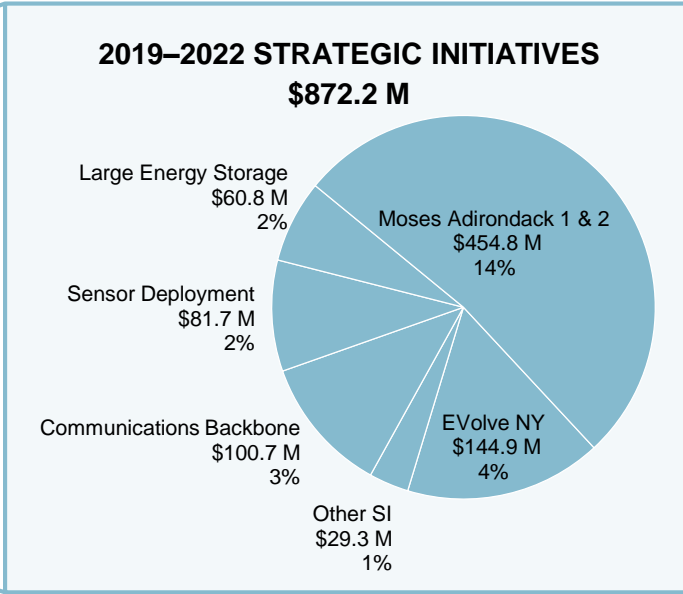
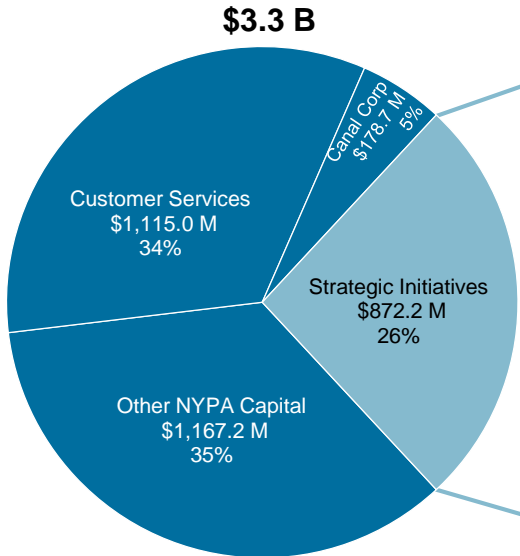
The Financial Plan also provides funding to launch the three “Moonshot” initiatives



2019 - 2022 PLANNED CAPITAL INVESTMENT

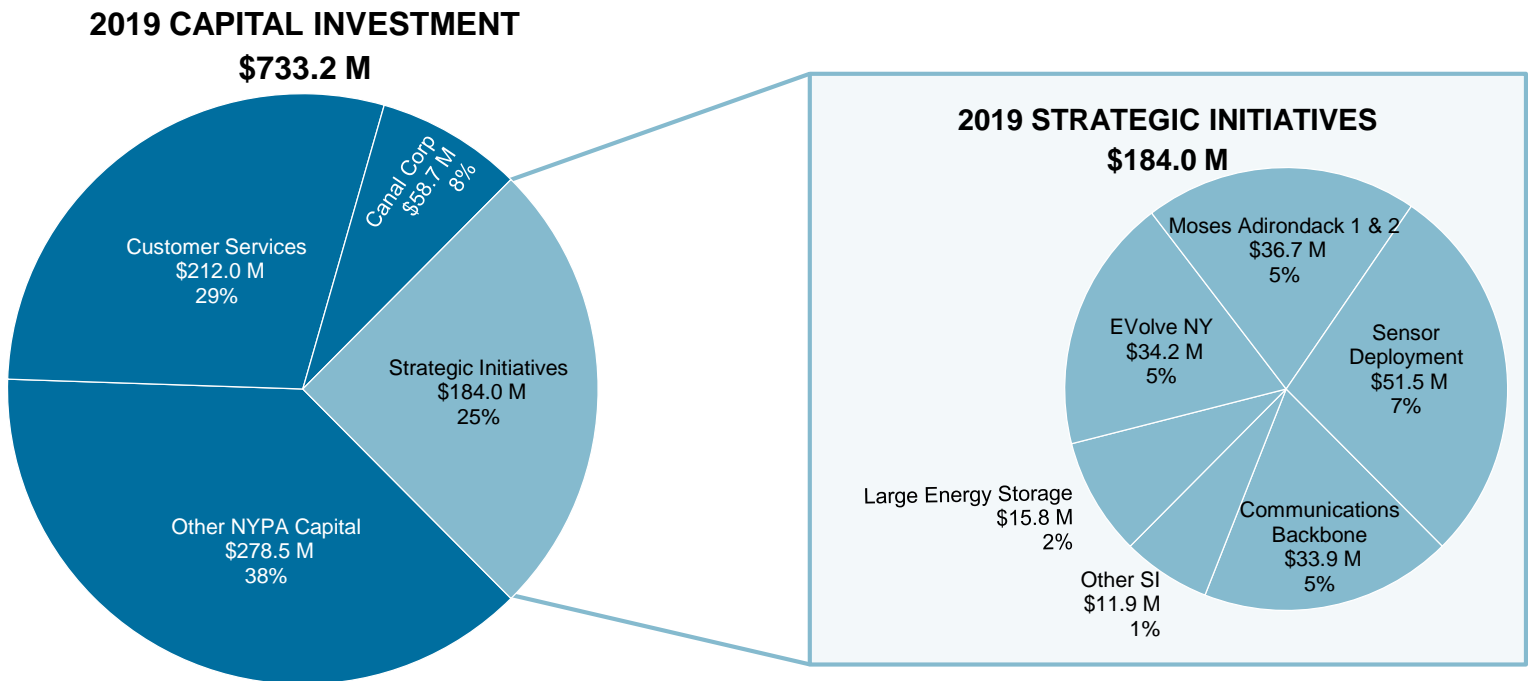
With Trustee support and guidance, NYPA continues to execute on our strategy with planned capital investments in our core business and our strategic initiatives, accelerator programs, transmission buildouts and Moonshots

2019–2022 CAPITAL INVESTMENT



2019 PLANNED CAPITAL INVESTMENT

NYPA is committing 25% of our capital budget toward our Strategic Initiatives



PROJECTED RESULTS

2018 YEAR-END FORECAST

2018 Year End Forecast is favorable to Budget by \$17.4 million, driven by strong operating results

Year End 2018 Net Income is expected to be between \$80 M and \$110 M based on potential changes in market prices, hydro generation, O&M and other expenses.

	In \$ Millions			
BUDGETED YE NET INCOME	\$ 76.9	VARIANCE TO BUDGET	2018 BUDGET	Δ AS % of BUDGET
Margins - Energy	31.4	▲	947.7	3%
Margins - Transmission	(0.6)	▼	149.5	0%
Margins - Non Utility	(9.7)	▼	28.3	(34)%
O&M Expenses ¹	(3.2)	▼	577.4	(1)%
Other Operating Expenses/Depreciation	(4.8)	▼	338.4	(1)%
Interest Expense, Net	4.3	▲	132.8	3%
FORECASTED YE NET INCOME²	\$ 94.3			

¹O&M expenses includes \$28.8 M AE II lease and is net of \$11.0 M allocation to capital

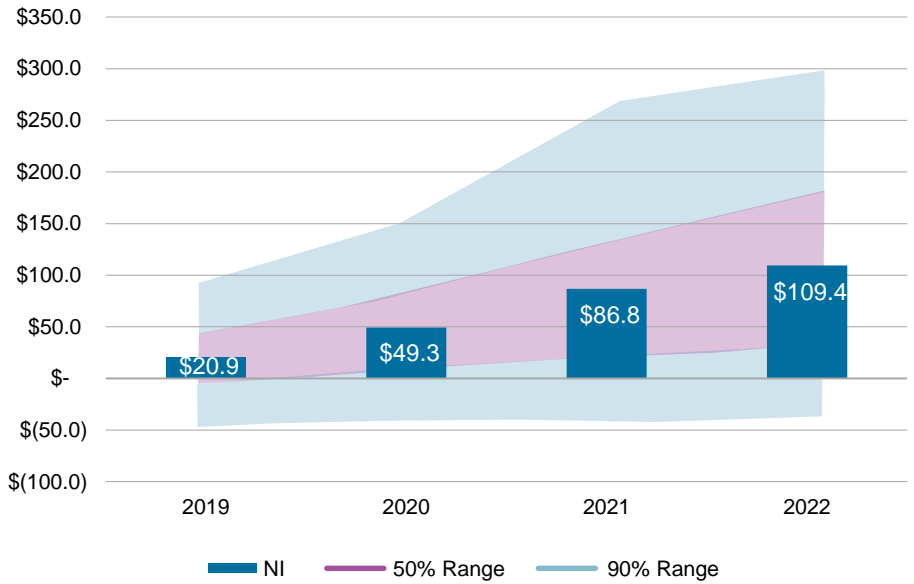
²Market update October 3, 2018. Includes 9 months of actuals and 3 months of projections

FINANCIAL FORECAST

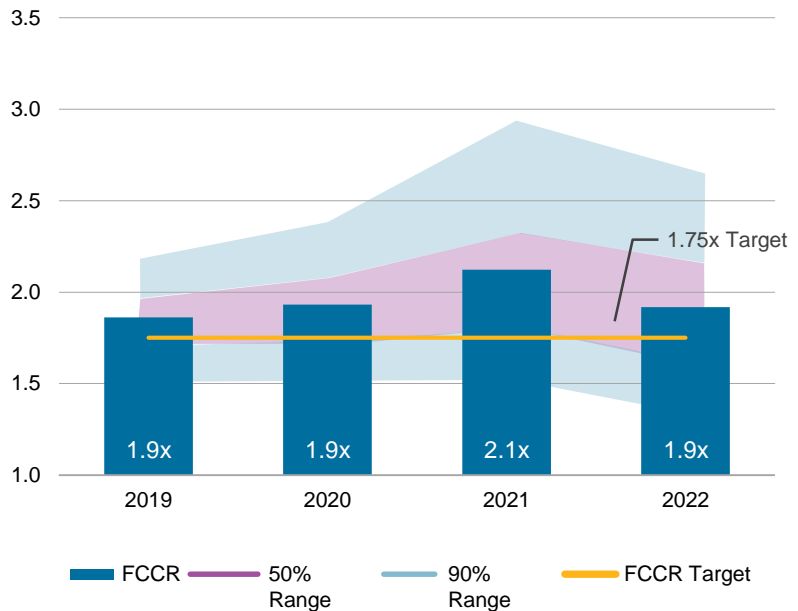
NYPA maintains a strong financial profile throughout the forecast period, with Net Income growth driven by returns on investments in our core utility business

2019-2022 NET INCOME¹ WITH VARIANCE RANGES

In \$ Millions



2019-2022 FIXED CHARGE COVERAGE RATIO¹ WITH VARIANCE RANGES



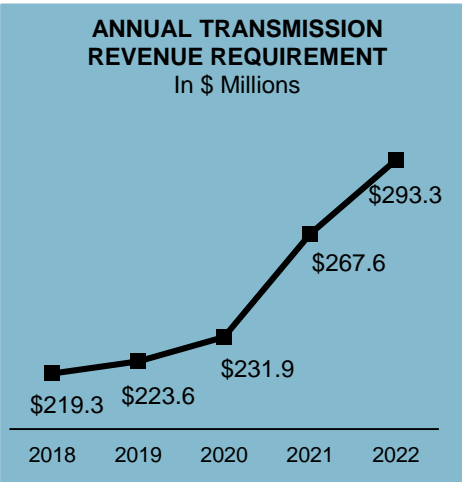
¹Market update October 3, 2018

CONSOLIDATING ANALYSIS OF NYPA's CAPITAL INVESTMENTS

Investments in our transmission business drive revenue growth

CAPITAL INVESTMENT

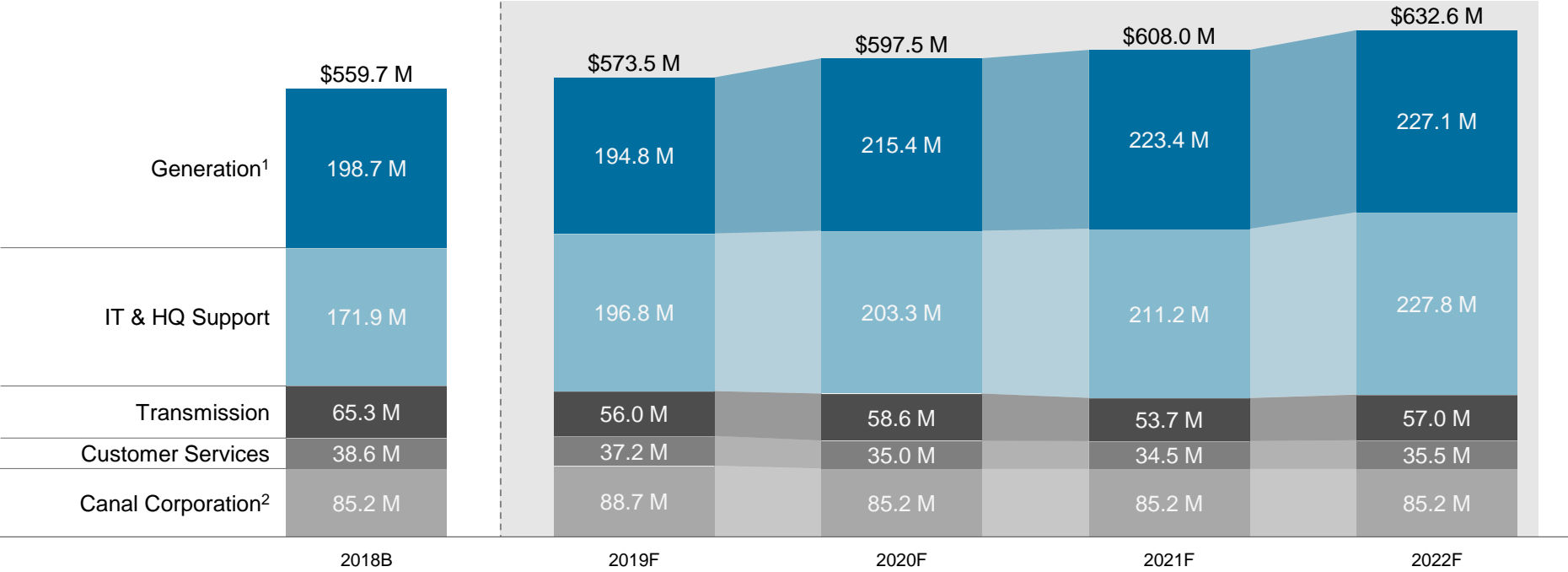
In \$ Millions	2019	2020	2021	2022
Transmission ¹	\$183.3	\$319.5	\$340.8	\$218.8
Power Gen	148.5	107.0	140.0	127.2
Customer Service	212.0	263.0	315.0	325.0
Moonshots ²	50.0	66.9	51.9	36.9
Other	80.7	71.3	47.5	49.3
Canals	58.7	40.0	40.0	40.0
TOTAL	\$733.2	\$867.7	\$935.2	\$797.2



¹Includes Moses Adirondack, Transmission Life Extension & Modernization, Communications Backbone and portions of Sensor Deployment
²Large Energy Storage & EVolve NY

O&M EXPENDITURES

2019–2022 O&M EXPENSES



¹Excludes AEII lease

²Includes Canal Corporation O&M + Canal Development Fund



RISK



MITIGATION

Hydro Generation &
Commodity Risk

Hedging program for commodity risk

Delays in planned
transmission projects

Conservative revenue forecasting

Unplanned expenses at
Canals

Workers compensation & liability insurance in place

Energy Efficiency defaults on
customer repayments

Strong internal credit process in place and counter-party credit risk management

Losses from Moonshots

Solid business cases and gated process for investment

CONCLUSION

NYPA's 2019 Budget and Four-Year plan fully funds our core business, strategic growth investments, and Canals

HOW ARE WE SPENDING OUR MONEY

- Core utility business that produces stable cash flows and competitive rates of return
- Strategic Initiatives that support customer success, cost leadership, and innovation

OUR FINANCIAL PRINCIPLES

- Integrated, long-term financial planning to ensure ability to achieve our operational, strategic and policy goals
- Maintain our AA credit profile and preserve access to low cost capital
- Allocate our capital resources efficiently and effectively



**NY Power
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Exhibit 5b-A
November 27, 2018

REVOLVING CREDIT FACILITY FINANCING UPDATE

Finance Committee Meeting

November 27, 2018

- The Authority maintains a \$600 million Revolving Credit Facility (“RCA”) that will mature on January 18, 2019 and which supports its Commercial Paper Program
- On October 9, 2018, NYPA launched a Request for Proposal (“RFP”) in order to solicit interest from banks for NYPA’s new 2019 RCA
- On October 30, 2018, the Authority received non-binding proposals from multiple banks
- Finance will recommend the final bank syndicate, pricing, and terms of the RCA to the Board for their consideration and approval during the December 11th Board meeting
- In December, NYPA will present the proposed 2019 RCA to the rating Agencies to have the new financing rated
- On January 16th the new 2019 RCA will be effective

REVOLVING CREDIT FACILITY INDICATIVE TERMS

TERM	DESCRIPTION
Borrower	Power Authority of the State of New York
Amount	\$600,000,000
Term	Up to 5 years including option(s) to extend at NYPAs discretion
Security	Secured on subordinate basis by a pledge of the Trustee Estate
Undrawn Pricing	[35-40] bps
Drawn Pricing	TBD
Use of Funds	Credit support for Commercial Paper Program
Covenants	Maintain short term credit ratings above P-3/A-3/F-3 from Moody's, S&P, and Fitch respectively; other customary non-financial covenants