PROPOSED AGENDA

JOINT FINANCE COMMITTEE MEETING

Videoconference – January 24, 2019 at 3:30 p.m.

Clarence D. Rappleyea Building, White Plains, NY

1. Adoption of the January 24, 2019 Proposed Meeting Agenda

2. Motion to Conduct an Executive Session

3. Motion to Resume Meeting in Open Session

4. CONSENT AGENDA:

a. Approval of the Joint Regular Meeting Minutes held on November 27, 2018.

5. DISCUSSION AGENDA:

a. Large-Scale Renewable Project Award (Marie Berninger)

b. Release of Funds in Support of the Residential Consumer Discount Program Created in Connection with the Recharge New York Power Program (Lee Garza)

6. Next Meeting

January 24, 2019

Motion to Conduct an Executive Session

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

January 24, 2019

Motion to Resume Meeting in Open Session

I move to resume the meeting in Open Session.

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

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November 27, 2018

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 Quiniones	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
<u>Joint Meeting held on September 26, 2018</u>

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 Moonshot s 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

NEW YORK STATE OF OPPORTUNITY | NY Power Authority | Canal Corporation

Exhibit 5a-A
November 27, 2018

2019 BUDGET AND FOUR-YEAR PLAN

Finance Committee Meeting

November 27, 2018

INTRODUCTION

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

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

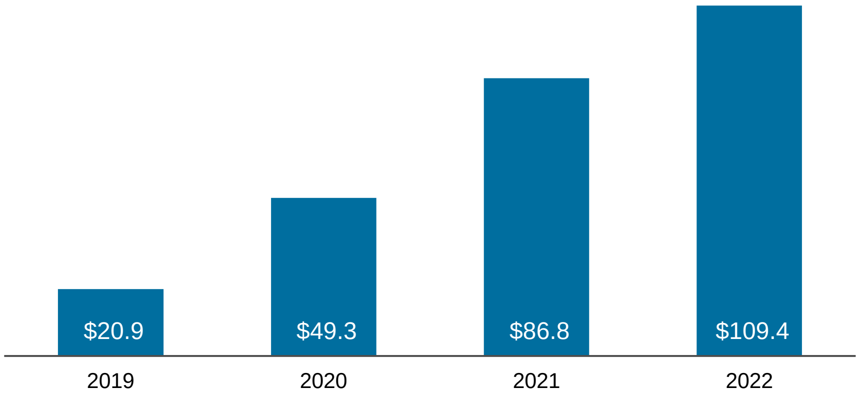
- Integrated, long-term financial planning to ensure ability to achieve our operational, strategic and policy goals
- Maintain our AA credit profile and preserve access to low cost capital
- Allocate our capital resources efficiently and effectively

FINANCIAL SUMMARY

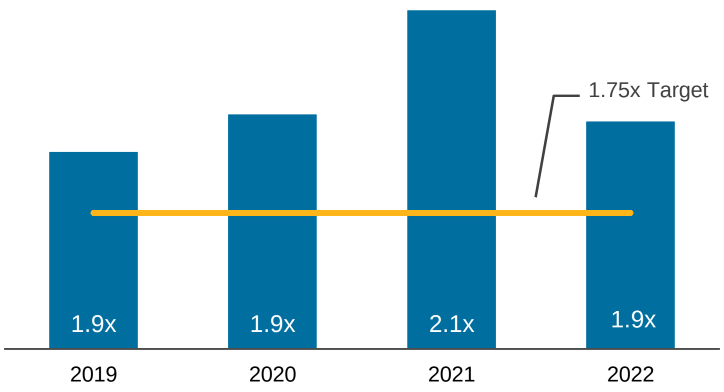
NYPA maintains a strong financial profile throughout the forecast period, consistent with our AA credit rating

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

2020 STRATEGIC PLAN COMPONENTS

FOUR AIMS

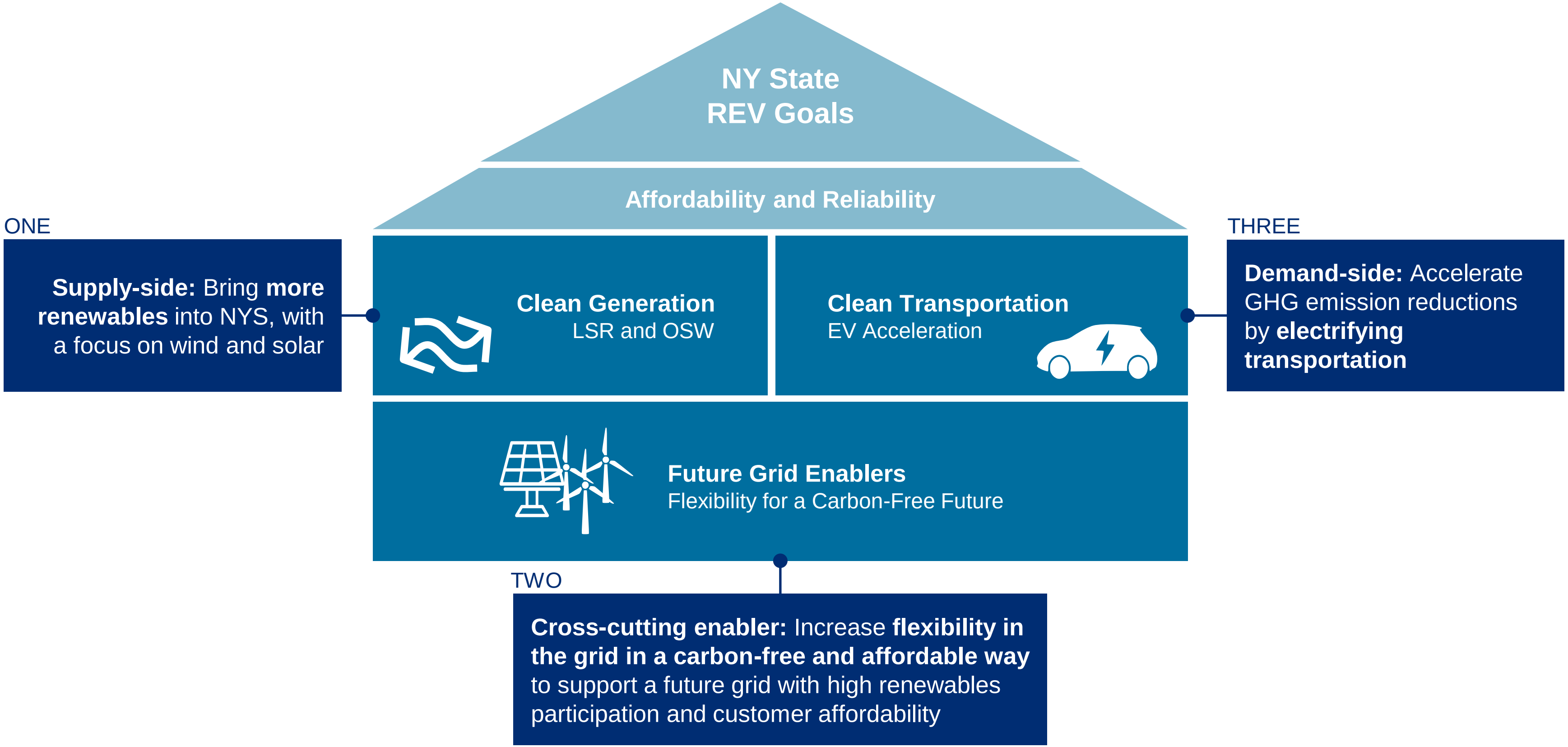
1. Market leader for energy efficiency and renewable energy services
2. Best deal for electricity commodity management for supply customers
3. Leader in energy storage and electric vehicle infrastructure and services
4. Largest market share of new transmission and large scale renewable projects

PRIORITIES

- **Be bold** in identifying areas for NYPA to have unique impact
- **Commit to 2-3 priority areas** that NYPA will invest in to have impact at scale
- **Launch early initiatives** in 2018-2019 to lay foundation for impact
- **Build partnerships with public and private sector** to catalyze progress towards 2030 REV goals

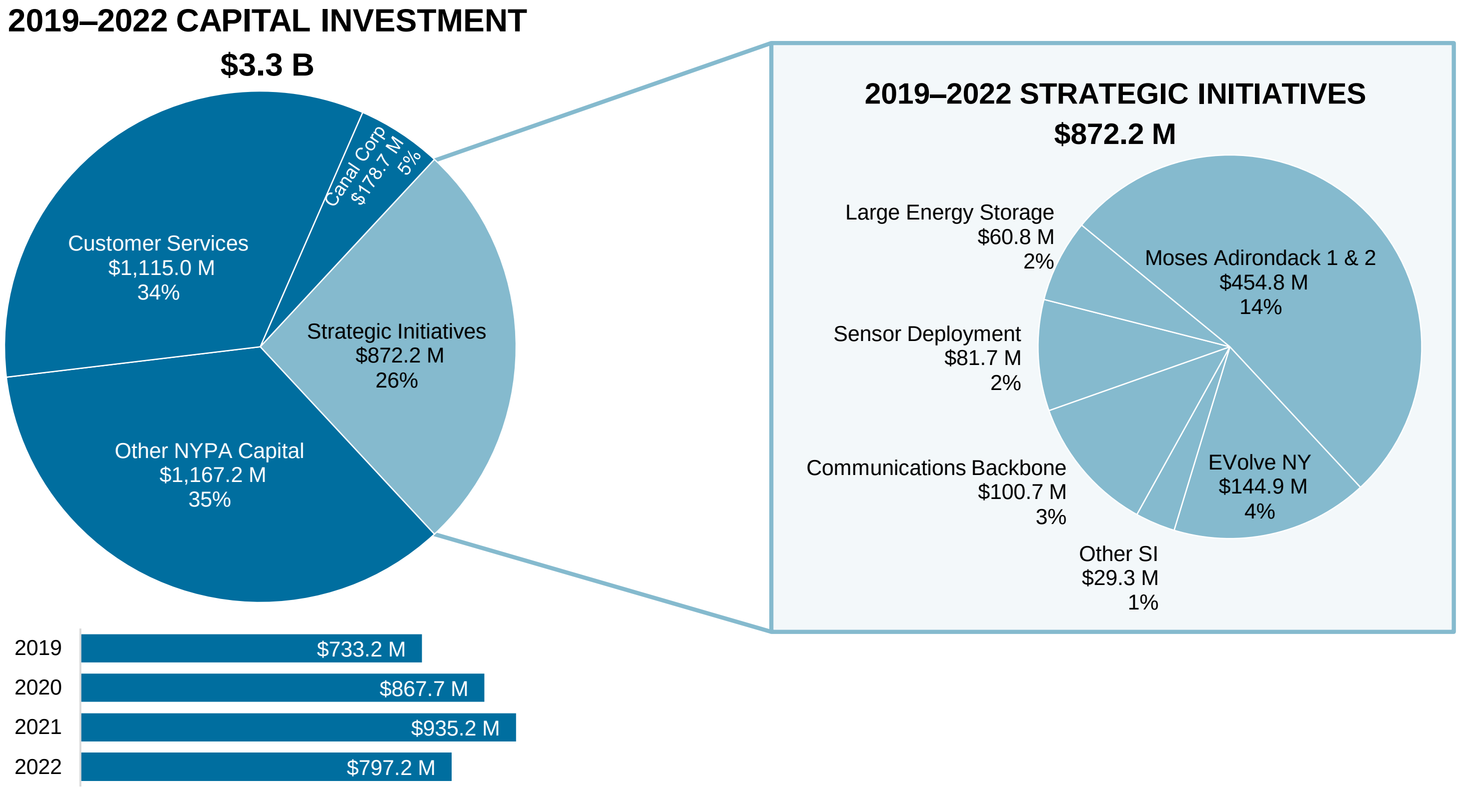
FINANCIAL PLAN (continued)

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



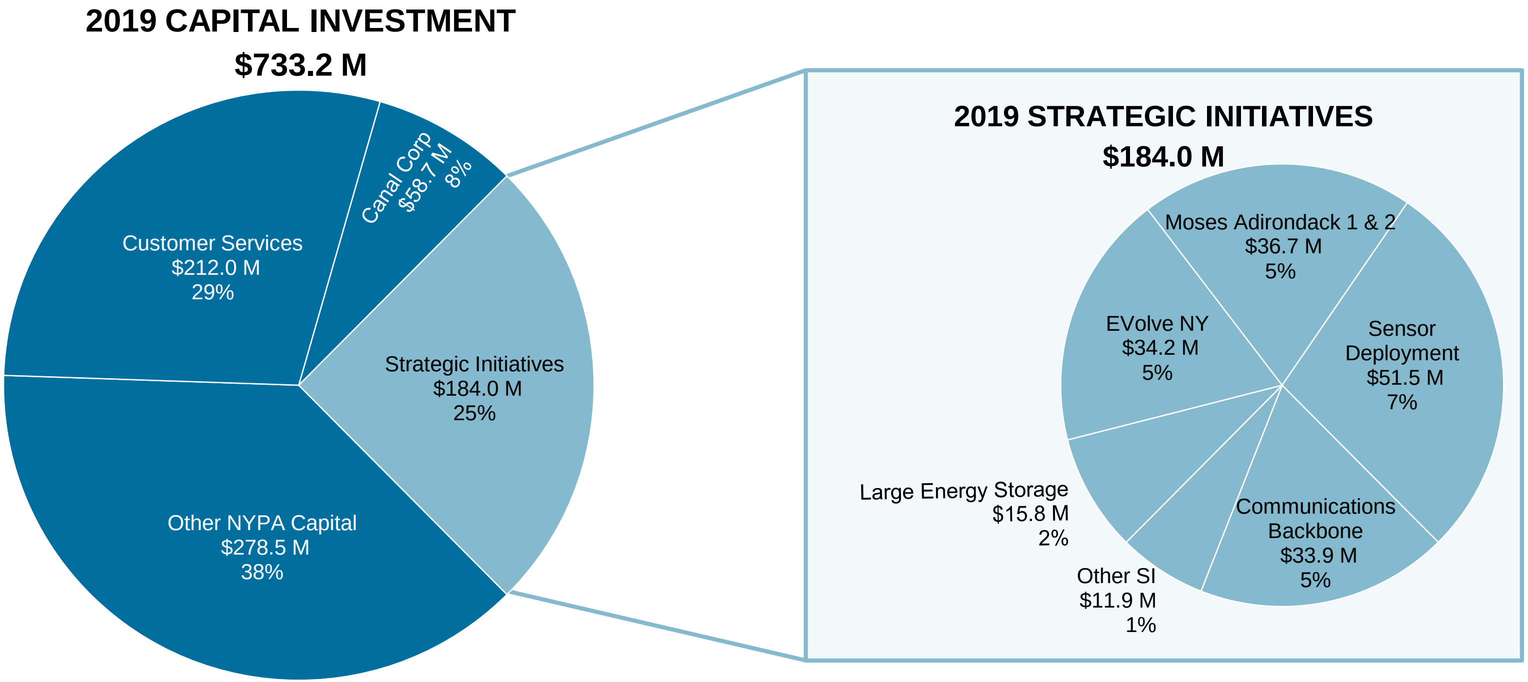
2019 - 2022 PLANNED CAPITAL INVESTMENT

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 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.

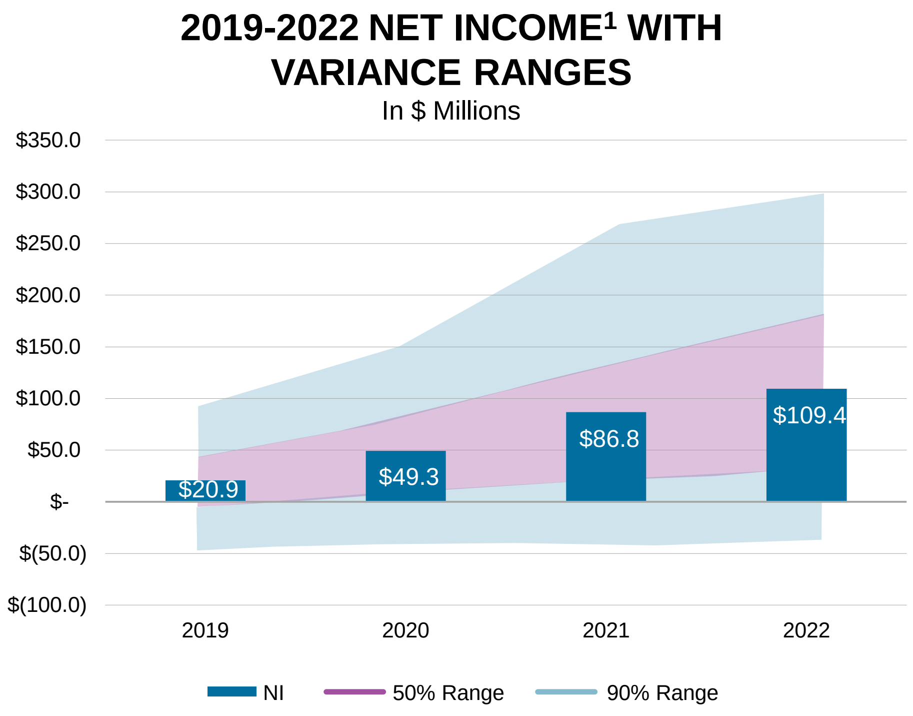
In $ Millions

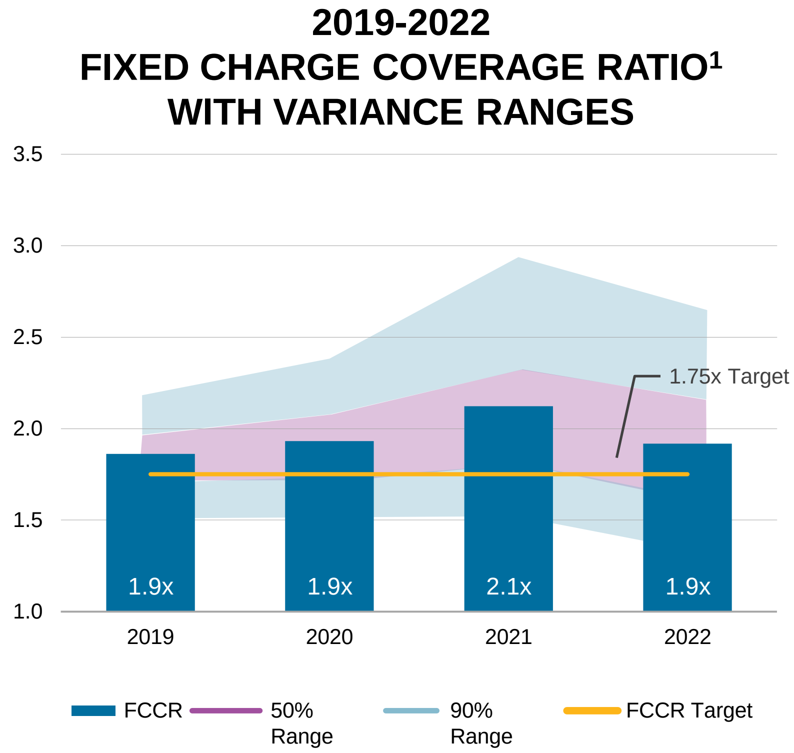
BUDGETED YE NET INCOME	$ 76.9	VARIANCE TO BUDGET	2018 BUDGET	Δ AS % of BUDGET
Margins - Energy	31.4	▲	947.7	3%
Margins - Transmission	(0.6)	▼	149.5	0%
Margins - Non Utility	(9.7)	▼	28.3	(34)%
O&M Expenses[1]	(3.2)	▼	577.4	(1)%
Other Operating Expenses/Depreciation	(4.8)	▼	338.4	(1)%
Interest Expense, Net	4.3	▲	132.8	3%
FORECASTED YE NET INCOME[2]	**$ 94.3**			

[1]O&M expenses includes $28.8 M AE II lease and is net of $11.0 M allocation to capital
[2]Market 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





[1]Market update October 3, 2018

CONSOLIDATING ANALYSIS OF NYPA's CAPITAL INVESTMENTS

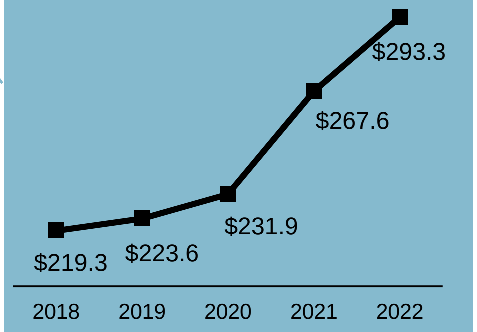
Investments in our transmission business drive revenue growth

CAPITAL INVESTMENT

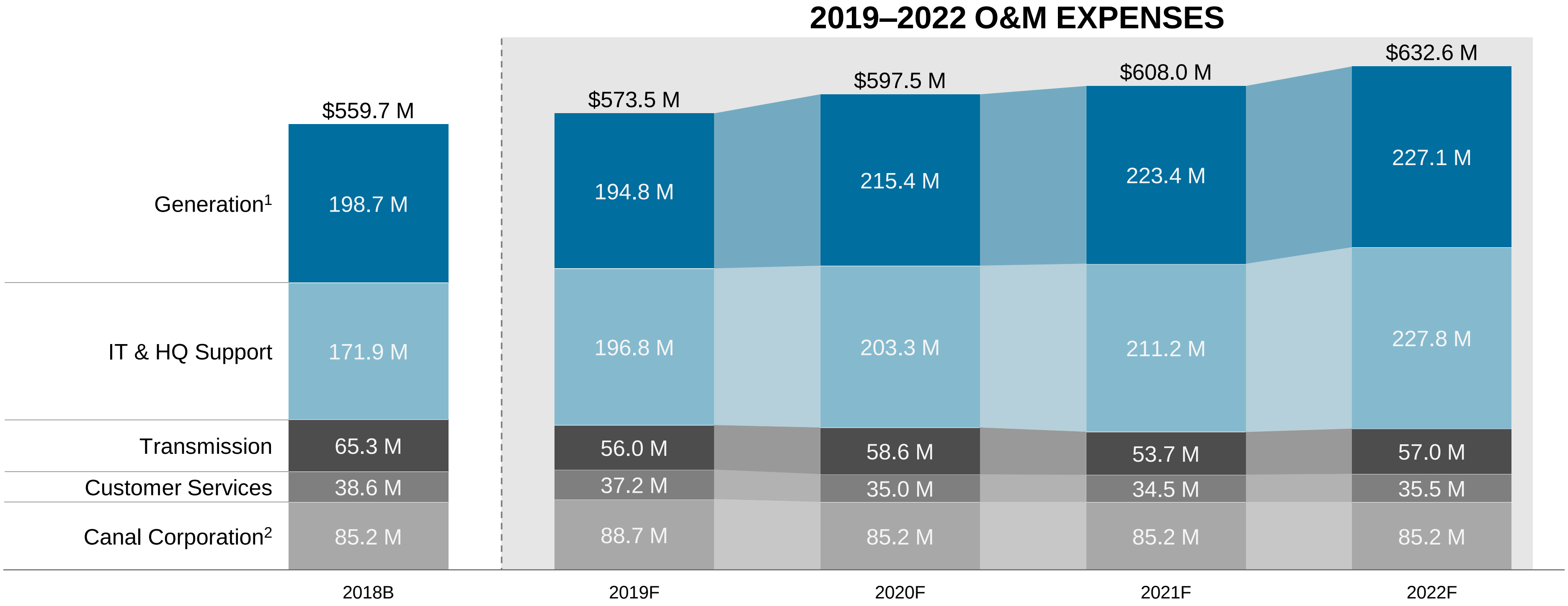
In $ Millions	2019	2020	2021	2022
Transmission[1]	$183.3	$319.5	$340.8	$218.8
Power Gen	148.5	107.0	140.0	127.2
Customer Service	212.0	263.0	315.0	325.0
Moonshots[2]	50.0	66.9	51.9	36.9
Other	80.7	71.3	47.5	49.3
Canals	58.7	40.0	40.0	40.0
TOTAL	$733.2	$867.7	$935.2	$797.2

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

ANNUAL TRANSMISSION REVENUE REQUIREMENT
In $ Millions



O&M EXPENDITURES



[1]Excludes AEII lease
[2]Includes Canal Corporation O&M + Canal Development Fund

RISKS

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

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Exhibit 5b-A
November 27, 2018

REVOLVING CREDIT FACILITY FINANCING UPDATE

Finance Committee Meeting

November 27, 2018

EXECUTIVE SUMMARY – REVOLVING CREDIT FACILITY FINANCING

- 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

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2019**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

Subject: **Large Scale Renewable Project Award**

SUMMARY

The Trustees will be requested at their January 30, 2019 meeting to approve the award of a Power Purchase Agreement ("PPA") to Canisteo Wind Energy LLC ("Canisteo Wind Project"), for the to-be-constructed 290 MW Canisteo Wind Project located in Steuben County, NY ("the Project"). The Project will be developed by Invenergy Wind Development North America LLC ("Invenergy") of Chicago, Illinois. This award is a result of the Large Scale Renewables Request for Proposal ("RFP") issued by the New York Power Authority (the "Authority") in June of 2017. A comprehensive evaluation of the proposals received was performed and Invenergy's Canisteo Wind Project was evaluated to be the best value among robust competition. With the Trustees' approval, the Authority will enter into a 20 year PPA with the Canisteo Wind Project for energy, capacity and renewable energy credits ("RECs") generated from the Project, inclusive of an option to purchase the asset at year 11 of the contract. The Project is expected to be in-service by December 31, 2020.

The Finance Committee is requested to recommend to the Trustees the approval to execute a 20 year PPA with the Canisteo Wind Project.

BACKGROUND

In 2016, the New York Public Service Commission ("PSC") issued the Clean Energy Standard ("CES") which requires load serving entities ("LSEs") to purchase a progressively increasing amount of RECs in support of the State Energy Plan goal to supply 50% of New York's electricity needs with renewable energy resources by 2030. While the Authority is not subject to the jurisdiction of the PSC, it supports the State Energy Plan goals, and as an LSE, will voluntarily comply with the 50% by 2030 objective.

Accordingly, to advance the State's CES and help its customers reach their renewable energy goals, the Authority issued a RFP on June 2, 2017 seeking Large Scale Renewable projects that would provide energy, capacity and RECs.

One hundred thirty two (132) projects proposed from fifty-one (51) developers were received in response to the RFP. Proposals were comprehensively evaluated by the Authority based on a number of qualitative and quantitative criteria. The Canisteo Wind Project was subsequently selected as the best-value project for the Authority and its customers.

DISCUSSION

The recommended PPA with the Canisteo Wind Project is part of a customer-driven strategy to advance clean energy generation and deliver cost-savings and price stability to the Authority's customers. The Canisteo Wind Project presents a unique opportunity to contract with a competitively priced, high quality wind project prior to the expiration of the Federal Production Tax Credit in 2020. The Project will further the Authority's role as an industry leader in renewable generation by achieving 19% of its customers' 2030 CES goal by 2021.

The PPA includes an option for the Authority to purchase the asset in year 11 of the contract. Exercising this mid-contract purchase option may drive further customer savings and provide the Authority the opportunity to expand its renewable energy portfolio and in-house operations capabilities with wind power.

The 290 MW Canisteo Wind Project was selected based on its many competitive strengths including the strengths of the developer, Invenergy. Invenergy is a top-tier wind developer with 12,650 MW of wind development in North America and 670 MW in New York State. It is one of the strongest wind operators in the industry with over 10 years of wind operating experience. Invenergy is also financially strong, having raised more than $30 billion in project capital.

The Canisteo Wind Project itself has many competitive strengths, including, but not limited to:

- The pricing for the project is very competitive;
- The project is utilizing top-tier, reliable wind turbine technology;
- The wind resource is reliable, supported by an extensive amount of wind measurement data;
- The location of the project supports economic development and project economics;
- The project is on or ahead of schedule for permitting, interconnection and site-control.

FISCAL INFORMATION

This is a request to enter into a Power Purchase Agreement with Canisteo Wind Project at a fixed, confidential price. Costs will be recovered through the Authority's customer supply contracts.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve the execution of a 20-year Power Purchase Agreement with the Canisteo Wind Project in accordance with this report.

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

Gil C. Quiniones
President and Chief Executive Officer

<u>R E S O L U T I O N</u>

RESOLVED, That the Finance Committee recommend that the Trustees approve an award and authorize execution of the Power Purchase Agreement with Canisteo Wind Energy LLC for the Canisteo Wind Project for a fixed, confidential price, for the energy, capacity and renewable energy credits generated from the project for a contract term of 20 years from the initial delivery date expected to be December, 2020 as discussed in the foregoing report of the President and Chief Executive Officer.

Date: **January 24, 2019**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

Subject: **Release of Funds in Support of the Residential Consumer Discount Program Created in Connection with the Recharge New York Power Program**

SUMMARY

The Trustees will be requested at their January 31, 2019 meeting to approve the release of $30.0 million in funds during 2019 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 2019 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 2019 in support of the monthly Residential Consumer Discount Program created in connection with the Recharge NY Power Program, as authorized by Chapter 60 of the Laws of 2011. The Finance Committee is further requested to recommend that the Trustees affirm that such release is 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.

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 2019. 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 March 2018 meeting. Under consideration today are payments for 2019. 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 this release, together with the last 12 months' releases, including (i) the release of up to $74.5 million in Canal-related operating expenses for 2018 ($20.5 million authorized in March 2018, $27 million in August 2018, and $27 million in October 2018), (ii) the release of up to $21.6 million in Canal-related operating expenses for 2019 authorized in

December 2018; (iii) the release of up to $2 million in Northern NY Power Proceeds net earnings authorized in March 2018, and (iii) the release of up to $1 million in Western NY Power Proceeds net earnings authorized in March 2018, 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 2019-2022. 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 2019 Operating Budget approved by the Trustees at their December 2018 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 2019. 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 is feasible and advisable. It is further requested that the Finance Committee recommend that the Trustees affirm 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.

Gil C. Quiniones
President and Chief Executive Officer

<u>R E S O L U T I O N</u>

RESOLVED, That the Finance Committee recommends that the Trustees authorize the release of $30.0 million from the Operating Fund during 2019 to support the monthly Residential Consumer Discount Program as authorized by Chapter 60 of the Laws of 2011 and as discussed in the foregoing memorandum 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 in the foregoing memorandum 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.

January 24, 2019

Next Meeting

The next regular meeting of the Joint Finance Committee is scheduled to be held on Tuesday, May 21, 2019 at a time to be determined.