

**POWER AUTHORITY OF THE STATE OF NEW YORK
SUMMARY OF THE TRUSTEES'
MEETING MINUTES OF**

October 15, 2014

Introduction

Chairman Koelmel welcomed the Trustees and staff members who were present at the meeting. He said that the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to the Authority's Bylaws, Article III, Section 3.

1. Adoption of the October 15, 2014 Proposed Meeting Agenda

Upon motion made and seconded, the meeting Agenda was adopted.

RESOLUTION	Moved: E. Nicandri	Seconded: A. Kress	Adopted: 4/0
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2. Consent Agenda:

<p>a. Governance Matters</p> <p>i. Minutes of the Regular Meeting held on May 22, 2014</p> <p>b. Power Allocations:</p> <p>i. Contract for the Sale of Western New York Hydropower – Transmittal to the Governor</p> <p>ii. Extension of Hydropower Contracts with Upstate Investor-Owned Utilities for the Benefit of Rural and Domestic Consumers – Notice of Public Hearing</p> <p>c. Procurement (Services) Contracts:</p> <p>i. Procurement (Services) Contracts – Business Units and Facilities – Awards, Extensions and/or Additional Funding</p> <p>NIAGARA</p> <p>ii. Procurement (Services) Contract – Robert Moses Niagara Power Project – Ice Boom Tug Boat Replacement – Capital Expenditure Authorization Request and Contract Award</p> <p>iii. Procurement (Services) Contract – Robert Moses Niagara Power Project – Unit Controls and Control Room Assessment – Contract Award</p> <p>iv. Procurement (Services) Contract – Niagara Power Project – Lewiston Pump Generating Plant – Life Extension and Modernization Program – Servomotor Design and Fabrication – Contract Extension</p> <p>ST LAWRENCE</p> <p>v. Procurement (Services) Contract – St. Lawrence/FDR Power Project – Safety Systems Upgrade – Capital Expenditure Authorization Request and Contract Award</p> <p>SENY</p> <p>vi. Procurement (Services) Contract – 500 MW Project – HRSG Valves and Platform Installation Project – Contract Award</p> <p>vii. Procurement (Services) Contract – On-Call Engineering, Construction Management and Oversight Services – Contract Award</p> <p>TRANSMISSION LEM</p> <p>viii. Procurement (Services) Contract – Transmission Life Extension and Modernization Program – Clark Energy Center Switchyard – Capital Expenditure Authorization Request and Contract Award</p>

BLENHHEIM-GILBOA
ix. Procurement (Services) Contract – Blenheim-Gilboa Power Project – Generator Rotor Repair – Contract Award
d. Real Estate
i. Lease of Office Space – Electric Tower, Buffalo, New York
e. Finance Matters
i. New York Power Authority Other Post-Employment Benefits and Nuclear Decommissioning Trust Funds: Selection of Fixed-Income Investment Managers

Conflicts of Interest

The following Trustees declared conflicts of interest as indicated below and said they would not participate in the discussions or votes as it relate to those matters:

Vice Chair Mahoney: ARCADIS of New York, Inc. (Item #2c i); CH2M Hill Engineering (Item #s 2c i and 2c vii) and Wendel Energy Services (Item #5)

Trustee Kress: LaBella Associates (Item #5)

The items above were not adopted due to lack of a quorum.

Chairman Koelmel and Trustee Nicandri declared no conflicts.

Chairman Koelmel said the contract relating to Burns & McDonnell Consultants, PC (Item #2c i) has been withdrawn. In addition, since Vice Chair Mahoney filed conflicts of interest with respect to ARCADIS of New York, Inc. and CH2M Hill Engineering the Consent Agenda was approved with the exclusion of those firms because the conflicts resulted in a failure to attain the required number of votes necessary for their approval.

In response to a question from Trustee Nicandri, Mr. Van Auken said with regard to the request for approval of the contract for Tug Boats replacement, the Authority splits the cost of the contract with Ontario Power Generation. In response to further questioning from Trustee Nicandri, Mr. Van Auken said NYPA is the only signee to the contract. Mr. Welz added that the Authority does several projects with Ontario Power Generation related to its St. Lawrence and Niagara power plants, the costs of which are shared jointly between Authority and Ontario Power Generation; the replacement of the ice boom work barge is one such joint project with Ontario Power Generation. The Authority will pay approximately \$7 million for the Tug Boats and Ontario Power Generation will reimburse the Authority in 2015 for approximately \$3.5 million that they owe for the project. Responding to still further

questioning from Trustee Nicandri, Mr. Welz said the Trustees only have to approve the Authority’s portion of the cost of the contract, approximately\$3.5 million.

Upon motion made and seconded, the Consent Agenda was approved.

RESOLUTION	Moved: A. Kress	Seconded: E. Nicandri	Adopted: See Conflicts of Interest note above.
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Discussion Agenda:

3a. Report of the President and Chief Executive Officer:

Performance Scorecard:

President Quiniones reported that, based on the Performance Scorecard, NYPA’s performance as of the end of the third quarter remains strong. He said with regards to its financial, workforce and infrastructure goals, the Authority has exceeded its targets on those measures. The Authority also exceeded its year-to-date target for investments in energy efficiency projects under Governor Cuomo’s Build Smart NY program. The “MMBTUs Saved” measure for energy savings, although below target, has improved since the last report as projects continue to be completed. This target is expected to be met by the end of the year.

President Quiniones said there were two measures that are rated “significantly below target” this month. The Y-T-D Safety measure or “DART Rate” is currently at 1.34. This value is below the Bureau of Labor Standards rate of 1.4 but above NYPA’s aspirational target of .78. The other is the “Environmental Incidents” measure; however, the year-end target is achievable. Authority staff continues to focus on leading indicators and staff awareness for these measures. He said Mr. Joseph Kessler, who will be presenting the Chief Operating Officer’s report, will provide additional information regarding the environmental and safety measures.

Strategic Initiatives:

President Quiniones said staff will be providing an update on three of the Authority’s strategic initiatives concerning infrastructure and customer issues: Customer Solutions - which will provide an update on the plan to significantly expand the services NYPA provides to customers; Smart Generation and Transmission - which are the Authority’s infrastructure modernization initiative for its transmission and generation operations and Asset Management to ensure peak performance of the Authority’s assets. He said these initiatives are in the advance

stage of the Business Planning process and staff will make the initial funding request for the projects under these initiatives to the Board in December.

KEY ACTIVITIES UPDATE:

- *On August 14, Fitch, one of the rating agencies, revised NYPA's outlook from "Stable" to "Positive" emphasizing NYPA's "above average and highly consistent financial metrics."*
Fitch noted NYPA's "solid balance sheet, consistently healthy cash flow and debt service coverage averaging 2.7 times over the past five years; these are particularly strong relative to Fitch's 'AA' median levels" of comparable power utilities. Fitch also cited NYPA's "solid customer base" and "financial projections" that are based on "conservative hydro flow forecasts"

North Country Economic Development

- *On August 28, Governor Cuomo announced the establishment of the North Country Economic Development Fund to provide low-cost loans to businesses expanding their facilities and creating or retaining jobs in the North Country. This \$10 million fund is from a long-term power contract between the New York Power Authority and Alcoa.*
- *The fund will give local businesses access to capital for start-up loans to invest in land, equipment and technology to help create jobs in the North Country.*
- *On October 10, the Board administering the fund announced that it has approved a loan to Carthage Specialty Paperboard, Inc. in the amount of \$225,000. The company has committed to retain 89 jobs and create 9 new jobs over the course of 3 years.*

K-Solar Program

- *On September 4, NYPA announced the rollout of K-Solar, a landmark program under the \$1 billion gubernatorial NY-Sun Initiative, to help public school districts throughout New York State lower their energy costs with clean, renewable power.*
- *NYPA will provide each school district with site assessments to determine if the schools' facilities are suitable for solar and cost-effective for their facilities.*

- *NYPA is in the process of selecting qualified vendors and consultants for this program so that the school districts can take advantage of the high volume pricing and standardized terms of a Power Purchase Agreement which will help minimize administrative costs for school districts.*
- *146 School Districts in 50 Counties representing more than 650 individual schools have registered into the K-Solar Program.*
- *81 of the registered school districts have completed the required questionnaire.*
- *Almost 300 individual school locations have been submitted to NYPA for site assessment.*

NYC DEP Hydro Project Development in Cannonsville

- *On September 15, the New York City Department of Environmental Protection (“DEP”) announced the building of a new hydroelectric facility at the City’s Cannonsville Reservoir located in Delaware County.*
- *NYPA and DEP are working to finalize an agreement whereby:*
 - *The City would, upon FERC approval, transfer to NYPA the portion of the license necessary for building the generating and transmission facilities and those assets necessary for the continuing operating and maintenance of the project.*
 - *NYPA would construct, own and operate the project.*
 - *DEP would reimburse NYPA for all construction, operating and maintenance costs.*
- *The hydroelectric facility will generate enough electricity to power roughly 6,000 homes and it will avoid the emission of 25,620 metric tons of greenhouse gases each year.*

Energy Efficiency Projects:

Projects in Progress:

- *Rikers Island - Installation of two 7.5 MW combustion turbine generators. Project cost is \$120 million with annual savings of \$8 million.*
- *Grand Central Terminal Phase 2 - Installation of chillers, motors, meters, steam distribution, lighting upgrades, cooling tower and compressed air systems. Project cost is \$24.8 million with savings of \$2.4 million per year.*

- *Coney Island Hospital - Upgrade of boiler system with energy efficient equipment at Coney Island Hospital. Raise new boilers and associated equipment above the FEMA designated 100-year flood line. Project cost is \$9.9 million with savings of \$1.2 million.*

Projects Completed:

- *SUNY Buffalo (Phase 3 & Governors Dorm) - energy-saving improvements completed at SUNY Buffalo include more than \$20 million in heating, ventilation and air-conditioning upgrades and interior and exterior lighting enhancements. Annual savings nearly \$1 million.*
- *SUNY Upstate Medical Phase 3 & 4 - Energy efficiency improvements include heating, ventilation and air-conditioning upgrades, interior and exterior lighting enhancements, boiler controls and hot water upgrades. In addition, the improvements feature a 50-kilowatt photovoltaic solar array. Total cost of both projects nearly \$7 million with annual savings of nearly \$500,000.*

Employee Awards

The following employees were recognized for industry awards:

- *Joseph Kessler, Senior Vice President of Power Generation, received the 2014 Professional Engineer in Government Award from the New York State Society of Professional Engineers (“NYSSPE”).*
- *Lena Smart, Vice President of Information Technology and Chief Information Officer, received the 2014 Energy Sector Leader of the Year award at the organization’s 10th Anniversary Security Summit held in Austin, Texas.*
- *Jill Anderson, Vice President of Public and Regulatory Affairs and Chief of Staff, was cited in Diversity Journal’s 2014 Women Worth Watching.*

Key Press Events

Hollingsworth and Vose – Recharge NY

- *On August 12, there was a press event with Hollingsworth & Vose (“H&V”), a ReCharge NY customer in Washington County. H&V is among 48 business and not-for-profit operations in the Capital Region benefiting from the program, which is directly linked to nearly 17,000 jobs in the area. Because of the low-cost hydropower allocation the Authority provided, the company was able to maintain jobs and expand its operations.*

Corning Canton Expansion – Preservation power

- *On August 21, representatives of Corning Incorporated, NYPA’s Trustee, Eugene Nicandri, and President Quiniones along with staff from Empire State Development, joined with local officials in Canton to formally commence the start of Corning’s expansion project, which will lead to 40 new jobs at the site. Because of the low-cost hydropower allocation the Authority provided, the company is able to expand its facility and add 40 new jobs at that site.*

Niagara Falls Transportation Authority (NFTA) – Electric Vehicle Charging Stations

- *On September 19, two new charging stations at Niagara Falls International Airport were opened for the public.*
- *NFTA informed the Authority that there has been increasing demand for more charging stations at the airport.*

BuildSmart Innovators Summit

- *On September 16, the Authority held a BuildSmart NY Innovators Summit in Albany to recognize the achievements of State agencies and authorities, as well as individuals, who have been innovative leaders in advancing the goal of the BuildSmart NY program.*
- *The Authority is on its way to realizing Governor Andrew M. Cuomo’s ambitious goal of increasing energy efficiency in state facilities 20 percent by 2020.*
- *Seven agencies and two individuals received BuildSmart NY Innovator Summit awards for their outstanding achievements in driving down energy consumption and costs in facilities such as universities, hospitals, office buildings and transportation centers.*

Alcoa Apprenticeship Program

- *On October 9, President Quiniones met with employees participating in the Alcoa aluminum manufacturer’s expanded apprentice training program, which was broadened as a result of an agreement reached earlier this year with NYPA in connection with the closure of the Massena East plant.*
- *NYPA agreed to maintain Alcoa’s competitive power supply contract in return for the company’s avoidance of layoffs and its commitment to fund a workforce development program of the highest caliber to train employees for technical jobs that will be needed in the future.*

- *Alcoa currently has approximately 50 apprentices enrolled in the expanded training program (1/3 electrical; 2/3 mechanical). Each apprentice is paired with an experienced worker during the regular workday, and takes two related courses at night during the week. The mechanical program will be completed after three years and the electrical after four years.*

Public Speaking Engagements

President Quiniones participated in the following events:

- *September 11 – NERC Leadership Summit*
- *September 29 – Alliance to Save Energy - Energy 2030 conference in NYC*
- *October 1 – LPPC Investor Conference in NYC*
- *October 2 – Keynote Speaker at the NHA Hydropower Finance Summit in NYC*
- *October 8 – Alliance to Save Energy Board meeting.*

In response to a question from Chairman Koelmel, President Quiniones said with regards to operational priorities, the challenge for the Authority in 2015 will be focusing on its base measures, as outlined in the performance metrics, in addition to new projects as a result of the roll-out of the strategic initiatives, and balancing them effectively and efficiently. As the Authority makes investments in the organization, it will need to educate its customers and rate-payers regarding the value of these investments to them because the Authority will eventually go to them for appropriate rate adjustments. Responding to further questioning from Chairman Koelmel, President Quiniones said the Authority will hire at differing levels as new talent will be required to advance the strategic initiatives. This is intended to enhance and complement the staffing of the organization. Organizational processes will also be restructured to meet the challenges of the new initiatives.

Responding to still further questioning from Chairman Koelmel, President Quiniones said financially and operationally the Authority will out-perform its metrics. He has been working with Mr. Welz regarding the Authority's safety measure. While this measure is better than industry standards, the Authority may not reach its stretch goal for that measure. Mr. Lurie added that the Performance Scorecard will be revised next year to incorporate the goals of the new strategic plan and report those measures.

Responding to a question from Trustee Nicandri, President Quiniones said as the utility industry is changing, the Authority's strategic planning initiatives, e.g. Smart G&T, will make its generation and transmission grid more flexible and more resilient. It is anticipated that in years to come there will be more distributed resources and renewable energy, so the Authority's goal is to make sure that its generation and transmission assets are ready and evolving for the next fifty years for its customers. As to the Authority's Customer Energy Solutions initiative, the Authority's goal is to increase that portfolio of services and to have the capability of delivering the services that customers have been demanding from the Authority.

In response to a question from Chairman Koelmel, President Quiniones said customer behavior and attitude towards energy is starting to shift. Historically it has been very difficult to do energy efficiency projects in schools, but now they are more receptive. Also, some private sector companies are looking to generate some or all of their power, especially since natural gas is cost-effective making it cheaper for them to generate power; it would make them more resilient, in the event of a severe weather condition, if they have their own source of power. It's important for the Authority to educate its customers on the costs and benefits of the new sources of energy. The Authority is uniquely positioned for this role since it is a public benefit corporation and can be that unbiased source of facts related to new sources of energy. He said the Authority is not only doing programs that are required by legislation or executive order, it now has to understand its customers' needs and develop the programs, products and services that address those needs.

In response to further questioning from Chairman Koelmel, Mr. Lurie said the Authority has one of the highest ratings in the public power industry. When the Authority is compared to other similarly rated public power entities in the country, its metrics, across the board, are better; hence the change in the Authority's outlook to positive. President Quiniones added that last year the Authority had an upgrade from Standard & Poor's from "Stable" to "Positive." This year, Fitch revised the Authority's outlook from "Stable" to "Positive." The Authority is now waiting for the rating from Moody's; however, it is optimistic based on the strength of the Authority's financial and operations profile.

b. Report of the Chief Operating Officer

Mr. Joseph Kessler, Senior Vice President of Power Generation, provided highlights of the Chief Operating Officer's report to the Trustees.

Performance Summary

- *Operational Performance – Mr. Kessler said to date, the operations of the Authority continues to be very strong, meeting targets.*
- *Environmental Incidents – Mr. Kessler said there was another R-22 release from a HVAC unit at Poletti. Staff has taken a proactive approach to this incident and will be replacing all the R-22s throughout the Authority’s system. Although we did not meet the target for this reporting, staff is of the view that we will meet it by the end of the year. As President Quiniones pointed out in his report, the Bureau of Labor Standards rate for safety measure is 1.4, so based on the performance metrics the Authority’s measure is below that standard.*

In response to a question from Trustee Nicandri, Mr. Kessler said the Authority is not required to include the DART measure for its contractors. Therefore, the numbers for the contractors is not a part of the Performance Scorecard. However, staff does report on them internally to make sure that the Authority is aware of what is going on with its contractors and that they meet its standard for safety practices.

In response to further questioning from Trustee Nicandri, Mr. Kessler said the Authority has contract employees that work under the direct supervision of a NYPA employee and they are offered training in safety. If contractors have their own safety program, the Authority’s project management team reviews these safety programs to make sure they are not violating those programs.

In response to a question from Chairman Koelmel, Mr. Kessler said there are a number of things the Authority is undertaking in terms of safety, for example it is more involved in job safety briefings, providing more details and training staff how to do them. The job hazard analysis, with its new computer maintenance program, is more detailed. It is also concentrating on best practices.

- *DART Report*

Mr. Kessler said regarding the Authority’s Environmental and Safety measure, the Authority changed from reportable incidents rate which counted the number of safety incidents to the DART Rate (Days Away Restrictions and Transfers) which provides a review of the severity of the incidents. As a result of using this measure, it was observed that although the number of incidents was reduced, there was a trend of slips, trips

and falls. Corrective action was taken and an ergonomics specialist was retained to work with staff on Safety Outreach, Preparedness and Fire Safety, the goal of which is to enhance the culture for employees to take a perspective of their entire life, at home and at work, and bring in those behaviors to work. Although the Authority will not meet this performance measure, as indicated in the Performance Scorecard, by the end of year, this measure is still below the industry standard.

POLAR VORTEX

- *NERC released its Polar Vortex Review in September 2014. (the review focused on fuel delivery system which affects NYPA)*
- *Power Magazine featured articles on Polar Vortex in its October 2014 issue.*
- *US Energy Information Administration is predicting milder weather.*

Responding to a question from Chairman Koelmel, Mr. Kessler said staff is comfortable that there won't be severe issues relating to polar vortex that was experienced last year. It has been projected that there will be approximately 6% savings on fuel purchases this year due to a lack of demand.

Responding to a question from Trustee Nicandri, Mr. Kessler said the intent of the "Knowledge Capture" strategic initiative, is to capture knowledge and the Authority's responses to incidents (such as the 2003 Black-out, hurricanes and winter storms) so that the Authority can know the state of its systems during any of these events.

- *SENY (Southeastern New York)*
 - *A-10 Dock modified.*
 - *Building containment on various pieces of heat-taped equipment (Air Injectors, Transmitters, Demineralization tanks, etc.)*
 - *FLYNN - Testing oil-gas transfers after outage this week.*
- *NNY (Northern New York)*
 - *Enhanced Ice Monitoring – Cameras, Prototype deicer at Long Sault dam.*
 - *Winter mix – diesel, especially for stationary back-up equipment.*
- *WNY (Western New York)*
 - *Ice management – boats, fuel, training, cameras, rounds, etc.*
- **EMERGENT ISSUES**
 - **BG Unit #3 Unit Cracks**
 - *Deformed laminations in LEM 2006-2010*
 - *Request for Contract to GE – \$10.3 Million – based on inspections done during the LEM on the rotors at B-G which were not covered in the LEM*
 - *Expediting inspection of remaining units.*

- *Pandemic Plans*
 - *Authority has pandemic plans Regionally, but they were based on SARS & Bird Flu*
 - *Plans will be updated this Fall to include:*
 - *Ebola related scenarios that may not have been contemplated.*
 - *Remote Control Rooms & Command Posts (for security & reliability).*

c. Report of the Chief Financial Officer

Mr. Thomas Concadoro, Vice President and Controller, presented highlights of the Chief Financial Officer's report to the Trustees.

- *Net income through September 30, 2014, was \$218.0 million, which was \$88.8 million higher than the budget:*
 - *Higher margins on market-based sales (\$33.3 million) primarily due to higher market energy prices caused by severe winter weather conditions.*
 - *Lower O&M (\$19.1 million) and other operating expenses (\$33.4 million) including underruns in non-recurring projects, industrial incentive awards, and the energy efficiency and solar market acceleration programs.*
 - *Non-operating income was higher by \$7.3 million including an insurance reimbursements related to prior year transformer equipment failures, and the positive impact of a smaller mark-to-market loss on the Authority's investment portfolio due to lower market interest rates.*
- *Net income for the 3rd quarter was \$8.5 million lower than the budget as market energy prices were lower due to the mild summer weather.*
- *Projected net income for 2014 (\$266 million) is expected to significantly exceed the budget primarily due to the early year positive variances above. Energy prices for the rest of the year are projected to be slightly lower than budget while hydro generation will be higher, resulting in earnings about equal to budgeted levels for the remainder of 2014.*
- *The Authority is meeting its debt service (3.5 vs 3.1) and liquidity targets.*

- *The Authority received its first repayment of \$18 million from the state related to the temporary asset transfer that was made in 2009.*

In response to a question from Trustee Nicandri, Mr. Lurie said the hydro flows have been ahead of the long-term average. The Great Lakes averages are still relatively high; therefore, the outlook for the next couple of years is positive.

In response to a question from Chairman Koelmel, Mr. Lurie said looking ahead, financially, it is expected that next year will be another good year for the Authority; this is also reflected in the rating agencies projections. Contracts with customers will provide adequate revenues that will cover the Authority’s debt service and operating expenses; also strong hydro flows and not many large-scale risks in its business. He said next year the focus will be on planning processes – integrating risk with the Authority’s Strategic Plan and making sure that it has the resources needed to execute the Plan. To that end, staff has to make sure the Authority’s base business is cost-effective while making room in its budget for the new initiatives.

4. Power Allocations: Western New York Hydropower Allocations and Notice of Public Hearing

RESOLUTION	Moved: A. Kress	Seconded: E. Nicandri	Adopted: 4/0
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5. Energy Efficiency: Statewide Energy Efficiency Program – Authorization to Expand Program Funding and Award Services Contracts to Support the Program

Mr. James Bejarano provided highlights of staff’s recommendation to the Trustees.

In response to a question from Chairman Koelmel, Mr. Bejarano said to date, \$428 million has been spent for projects that have been completed or are in development. Of those projects, it is expected that an additional \$222 million will be spent for their completion. This will bring the total to \$650 million. Mr. Bejarano continued that the Authority is going to award another \$300 million to new contractors and that will bring the program's total to \$950 million which is equivalent to the previously authorized amounts, \$833 million, and the \$117 million being requested. He added that \$183 million of the previous commitment will go to new contracts.

Responding to further questioning from Chairman Koelmel, Mr. Bejarano said \$381 million of the work is complete and \$193 million has already been repaid. The remaining \$428 million is for projects that are in development or under construction. Also, the customers’ repayments are through amortizations over time.

Responding to still further questioning from Chairman Koelmel, Mr. Bejarano said the Authority expects to recover all of the loans to the customers. President Quiniones added the Authority has no bad debt with its financing; it has been successful with customers paying on their loans.

In response to a comment from Trustee Kress, Mr. Bejarano said, in the future, staff will provide the information in a table format and a schedule of the amortized payments so that the Trustees can get a better sense as to when the repayments will be completed.

Since Vice Chair Mahoney and Trustee Kress filed conflicts of interest with respect to Wendel Energy Services and LaBella Associates, respectively, staff's recommendation was approved with the exclusion of those firms because the conflicts resulted in a failure to attain the required number of votes necessary for their approval.

RESOLUTION	Moved: E. Nicandri	Seconded: A. Kress	Adopted: 4/0
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6. Power Proceeds: Awards of Fund Benefits from the Western New York Economic Development Fund Recommended by the Western New York Power Proceeds Allocation Board

Mr. John Giumarra presented highlights of staff's recommendation to the Trustees.

In response to a question from Chairman Koelmel, Mr. Pasquale said staff has been working with the local economic development agencies to stimulate awareness of the program. He added that businesses applying for this fund have to adhere to very specific criteria, which is the same for businesses applying for hydropower allocation. Responding to further questioning from Chairman Koelmel, Mr. Pasquale said one of the issues with an expanded marketing campaign is that many of the applicants may not meet the criteria.

RESOLUTION	Moved: A. Kress	Seconded: E. Nicandri	Adopted: 4/0
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7. Infrastructure: Marcy-South Series Compensation Project – Capital Expenditure Authorization Request and Contract Award

Mr. Ricardo DaSilva presented highlights of staff's recommendation to the Trustees.

In response to a question from Trustee Nicandri, Mr. DaSilva said although being used by the Authority for the first time, this technology is well-established and typically used in the western part of the country. Also, staff visited Dominion Power in Virginia, which uses the technology, to get some input on installation.

Vice Chair Mahoney was recused from the vote with respect to Wendel Energy Services; therefore, the resolution was adopted with the exclusion of the aforementioned firm since the recusal resulted in a failure to attain the required number of votes necessary for its approval.

The following resolution, as submitted by the President and Chief Executive Officer, was adopted.

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RESOLUTION	Moved: A. Kress	Seconded: E. Nicandri	Adopted: 4/0
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8a. Informational Item: Strategic Initiative Business Plans: Smart Generation & Transmission and Asset Management

Mr. Lurie said staff will be presenting informational items on the Authority's Business Plans for two of its strategic initiatives relating to asset modernization – Smart Generation and Transmission and Asset Management. He recalled that one of the main drivers of the Authority's Strategic Plan is based on the fact that the structure of the electric industry is evolving toward the view that generation is done at the distributed or customer level relative to the amount that is being done through large-scale power plants and this will result in the need to move power flows around the system more quickly and flexibly. The Smart Generation and Transmission initiative will focus on making sure that the transmission grid, control and communication systems will be able to accommodate that flexibility in the future. The asset management initiative will focus on how the Authority's assets need to operate in the future; how to maintain them at a low cost, maintaining their reliability, and keeping in mind they will need to function differently.

Mr. Ricardo DaSilva, Project Manager of Operations and Mr. Alan Ettlenger, Manager of Research and Technology Development, provided highlights of the Authority's strategic initiatives for infrastructure modernization -- Smart Generation & Transmission and Asset Management Strategic Initiative Business Plans to the Trustees.

In response to a question from Trustee Kress, Mr. DaSilva said the Authority is the lead agency in this investment. As part of the roll-out of this initiative, one of the goals is to conduct outreach to the other utilities in order to move them in that direction. President Quiniones added that many of the projects under these two initiatives will be beneficial to the Authority from a cost/benefit perspective. The Authority will need cooperation from other utilities for some of the projects and it is expected they will cooperate.

In response to a question from Chairman Koelmel, Mr. Lurie said since these are long-term investments, e.g. the smart Generation and Transmission initiative, staff intends to have a process where initial assumptions for the Business Plans under these initiatives are reassessed annually and involve the Board in that process. To that end, when staff recommends individual projects to the Board for approval, they will be able to state the benefits as well as the costs of those projects.

Responding to further questioning from Trustee Kress, Mr. Lurie said the Authority's workforce strategy, which will show the demand for the future and which staff will be presenting to the Board at the next meeting, is a key foundation for achieving these initiatives.

8b. Informational Item: Customer Energy Solutions

Mr. Lurie said the Customer Energy Solutions ("CES") Business Plan introduces a new business for the Authority from an infrastructure and foundational perspective as well as skills, technology and customer preferences. He then asked Ms. Kristen Barbato, Vice President of Customer Energy Solutions, to provide highlights of the Plan to the Trustees. (Exhibit "8b-A")

Ms. Barbato said the Business Plan discusses:

- **The Challenge** – *what is the Authority's market challenge (for the customers and for the Authority)*
 - *Conducted a Market Intelligence Study with customers and Authority employees and findings indicated that:*
 - *Customers are seeking cost savings*
 - *Customers want to do more energy savings projects with the Authority*
 - *Customers view NYPA as trustworthy, responsive, and knowledgeable*
 - *Customers are open to partnering with NYPA on new energy projects*
- **The Vision**
 - *Customer Energy Solutions although a Start up! – can build up on the Authority's successes over the years working with its customers.*
 - *Goals*

- *Build the “demand” side of NYPA’s business to be on par with the “supply” side of NYPA’s business*
- *Become and remain our customers’ trusted energy advisor*
- *Serve as a marketplace for accessing energy services*
- *Internally coordinate and externally present “one NYPA” with fully integrated service offerings*
- *Proactively address the energy needs of our customers*
- *Recover costs on a net CES basis*
- *Core Ideology*

NYPA will deliver results, value, and satisfaction for customers

- *The Approach – how the Authority will engage with the customers for different types of services.*

Key Next Steps

- *Business Plan integrates CES functions with current and future programs /initiatives*
 - *Other Strategic Initiatives*
 - *State Policy – Reforming the Energy Vision (REV)*
 - *Customer Programs (EE INC, K-Solar, BuildSmart NY, NY Energy Manager)*
- *Begin CES functional alignment with customer engagement*
- *Establish the near-term and long-term budget to support services expansion*

In response to a question from Chairman Koelmel, Ms. Barbato said the CES team has approximately 40 employees comprised of current NYPA employees. A cross-functional team from across the company was engaged to assist in building the CES Business Plan and Market Intelligence Report.

President Quiniones said the base for the CES has already been established within the Authority’s energy efficiency projects. He has charged the group to act as a subsidiary within the Authority. Mr. Lurie added that some of the market segments that they are going to go after include local government, schools and some industrial customers. This is an opportunity to engage the Authority’s existing customers, and also reach out to a whole new segment of customers that have never been served by the Authority.

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

RESOLUTION	Moved: E. Nicandri	Seconded: A. Kress	Adopted: 4/0
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10. **Motion to Conduct an Executive Session**

RESOLUTION	Moved: E. Nicandri	Seconded: A. Kress	Adopted: 4/0
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11. **Next Meeting**

RESOLUTION	Moved: E. Nicandri	Seconded: A. Kress	Adopted: 4/0
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