

December 16, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

SUBJECT: 2015 Revolving Credit Agreement

SUMMARY

The Trustees are requested to approve a \$600 million Revolving Credit Agreement (“RCA”) with a syndicate of four banks led by JPMorgan Chase Bank, N.A. (“JPMorgan”) for an initial term extending to no later than February 1, 2017, to replace an expiring agreement that provides liquidity support for the Authority’s Series 1, 2 and 3 Commercial Paper Notes, and to authorize two, one-year extensions of such RCA not to exceed February 1, 2019.

BACKGROUND

The Authority currently has \$475 million of Series 1, 2 and 3 Commercial Paper Notes outstanding, supporting numerous projects and programs including the Energy Efficiency program. In accordance with the “Resolution Authorizing Commercial Paper Notes” adopted by the Authority on June 28, 1994, as amended, supplemented, and restated, the Authority is required to maintain in full force and effect a Credit Agreement while the Notes are outstanding. The current RCA will expire on January 20, 2015.

DISCUSSION

On October 27, 2014, the Authority issued a Request for Quotations in the New York State *Contract Reporter* inviting banks to submit proposals to provide a \$600 million liquidity facility. On November 18, 2014, the Authority received six proposals from banks, or syndicates of banks, meeting the minimum required long-term credit rating of “A+” or comparable from Moody’s Investors Service (“Moody’s”), Standard & Poor’s (“S&P”), and Fitch Ratings (“Fitch”). The six proposals received were from: JPMorgan on behalf of a syndicate of four banks for the entire \$600 million commitment; and separate proposals for less than the full \$600 million commitment from TD Bank N.A., Mizuho Bank LTD, Helaba, Bank of Montreal, and JPMorgan on behalf of a syndicate of two banks.

The review of the six proposals considered: 1) pricing to provide commitments and borrowings; 2) credit quality of the banks; 3) trading differential on the Commercial Paper Notes based on the bank(s) providing the liquidity; 4) whether the proposed terms and conditions under the agreement would be acceptable to the Authority; and 5) investors’ capacity for holding additional commercial paper notes supported by the bank(s). Based on this review, staff is recommending the award of the liquidity facility to the JPMorgan led syndicate proposing the entire \$600 million commitment. On an overall basis, the JPMorgan led syndicate proposal provided competitive all-in price terms and conditions, strong credit ratings, and is expected to give the Authority broad and liquid access to the short-term credit markets.

Bank commitments and current ratings from Moody's, S&P, and Fitch are as follows:

	<u>Commitment</u>	<u>Current Rating</u>
JPMorgan Chase Bank, N.A	\$200,000,000	Aa3 / A+ / A+
TD Bank	\$175,000,000	Aa3 / AA- / AA-
State Street Bank and Trust Company	\$125,000,000	Aa3 / AA- / AA-
Wells Fargo Bank, N.A.	<u>\$100,000,000</u>	Aa3 / AA- / AA-
Total	\$600,000,000	

The syndicate would provide the credit facility for an annual commitment fee payable on the unused amount of the facility and annual administrative fees totaling approximately \$2.78 million. In the event the Authority has to draw on the line, the interest rate (the "Base Rate") would be the highest of the JPMorgan Prime Rate plus 1.5%, the Federal Funds rate plus 2.0%, or 7.5% for the first 180 days. After 180 days, the loan would convert to a two-year term loan at the Base Rate plus 1.0%.

JPMorgan's legal fees for execution of the Revolving Credit Agreement are not expected to exceed \$42,500 with a one-time arranging fee of \$75,000.

FISCAL INFORMATION

The annual cost of the proposed line, along with the Administrative Agent and legal fees, will be paid from the Operating Fund. A portion of fees commensurate with the percentage of Commercial Paper Notes issued in support of the Energy Efficiency program will be fully recoverable from Energy Efficiency program participants.

RECOMMENDATION

The Treasurer recommends that the Trustees (1) approve the execution of the 2015 Revolving Credit Agreement with the bank syndicate led by JPMorgan Chase Bank, N.A. with a borrowing capacity not to exceed \$600 million and for an initial term not to exceed February 1, 2017 and (2) authorize two, one-year extensions of such agreement not to exceed February 1, 2019.

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

RESOLUTION

RESOLVED, That the Trustees authorize the execution by the Executive Vice President and Chief Financial Officer or the Treasurer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, on behalf of the Authority, of the 2015 Revolving Credit Agreement between the Authority and JPMorgan Chase Bank, N.A., as Administrative Agent and the banks listed in the foregoing memorandum of the President and Chief Executive Officer, with such Agreement having such terms and conditions as the executing officer deems necessary or advisable, such execution to be conclusive evidence of such determinations, provided that such Agreement shall have an initial term not exceeding February 1, 2017 and shall not exceed \$600 million in borrowing capacity; and be it further

RESOLVED, That the Executive Vice President and Chief Financial Officer or the Treasurer are, and each hereby is, authorized to execute two, one-year extensions of the 2015 Revolving Credit Agreement, provided that such extensions shall not in the aggregate extend the Agreement beyond February 1, 2019; and be it further

RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or

any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel.