



**NY Power
Authority**

**Canal
Corporation**

**MINUTES OF THE JOINT MEETING
OF THE FINANCE COMMITTEE
September 23, 2020**

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Minutes of the joint meeting of the New York Power Authority and Canal Corporation's Finance Committee held via videoconference at approximately 8:00 a.m.

Members of the Finance Committee present were:

Tracy B. McKibben - Chair
John R. Koelmel
Eugene Nicandri
Dennis Trainor
Michael Balboni
Anthony Picente, Jr.

Also in attendance were:

Gil Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Adam Barsky	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operations Officer
Kristine Pizzo	Executive Vice President and Chief Human Resources & Administrative Officer
Sarah Salati	Executive Vice President and Chief Commercial Officer
Keith Hayes	Senior Vice President – Clean Energy solutions
Yves Noel	Senior Vice President – Strategy and Corporate Development
Soubhagya Parija	Senior Vice President and Chief Risk Officer
Robert Piascik	Senior Vice President and Chief Information Officer
Karen Delince	Vice President and Corporate Secretary
Daniella Piper	Vice President – Digital Transformation / Chief of Staff
John Canale	Vice President – Strategic Supply Management
Angelyn Chandler	Vice President – Planning
Patricia Lombardi	Vice President – Project Manager
Scott Tetenman	Vice President – Finance
Thakur Sundeep	Controller
Dave Mellen	Deputy Director – Canal Corporation
Thomas Spencer	Senior Director – Enterprise Risk
Robert Daly	Director – Licensing
Christopher Vitale	Senior Finance Project Manager
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Associate Corporate Secretary
Michele Stockwell	Project Coordinator – Executive Office

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 that 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 September 23, 2020 Proposed Meeting Agenda**

On motion made by member Michael Balboni and seconded by member Dennis Trainor, the agenda for the meeting was adopted.

Conflicts of Interest

Chairperson McKibben and members Koelmel, Nicandri, Picente, Balboni and Trainor declared no conflicts of interest based on the list of entities previously provided for their review.

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

Mr. Chairman, I move that the Committee conduct an executive session to discuss the financial and credit history of a particular corporation and matters regarding public safety and security pursuant to Section 105 of the Public Officers Law. On motion made by member Eugene Nicandri and seconded by member John Koelmel, the members conducted an executive session.

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

I move that the meeting resume in open session. On motion made by member Michael Balboni and seconded by member John Koelmel, the meeting resumed in open session.

Chairperson McKibben said no votes were taken during the executive session.

4. **DISCUSSION AGENDA**

a. **Financial Operations**

i. **Chief Financial Officer Report**

Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided an update on the Authority's financial operations (Exhibit 4a i-A).

Year-to-Date Actuals through July 31, 2020

Year-to-Date the Authority has a reported negative Net Loss of \$18 million.

Year-end Projections

Based on the year-end projections, Net Loss is projected to be \$26 million between now and the end of the year. Given the uncertainties and the environment the Authority is in with the COVID-19 pandemic and unknowns related to a second wave, and other factors that lead to the uncertainties that the Authority is experiencing, there is a range indicating that the number could decrease \$30 million; worst case negative \$56 million, or it could increase by \$30 million to a positive \$3 million Net Income.

The unknowns related to another wave of the COVID pandemic include additional expenses associated with that new wave such as energy prices going lower than what is currently projected, and the final costs in terms of the Pension and OPEB expenses between now and the end of the year. Information related to these unknowns will be provided to the members in future meetings at which time staff will be able to have more clarity around that downside scenario.

The drivers behind the factors that can actually change the outcomes would be an improving energy market in terms of the prices, expense reductions associated with some of the delays, continuing cost-cutting measures that are currently being undertaken, and rebounding of some of the revenues associated with the energy efficiency business.

Major Drivers of the Projected Net Income Ranges

Low Case (\$56.8M) – potential **(\$30 million)** NI decrease from the mid-point, driven primarily by:

- Continued softening of market energy prices and the resulting lower than currently expected revenues from merchant energy sales.
- Potential increase of expenses related to NYPA's response to COVID-19.
- Increase in combined Pension and OPEB ("Other Post-Employment Benefits") expenses driven by worse than expected performance of the New York State Pension fund investment returns and somewhat offset by better than expected results of NYPA's OPEB Trust Fund. Figures have not yet been finalized by the State.

Mid-Point (26.8M)

- At this point in time we believe the mid-point or better is more likely than the low case.

High Case \$3.2M – potential **\$30 million** NI increase from the mid-point, driven primarily by:

- Improvement in market energy prices and increased generation from the hydro and merchant fossil units.
- Continued efforts to reduce operating expenses due to modified operations, in response to COVID.
- Potential increase in revenues related to the Energy Efficiency operations should capital projects be completed earlier than currently forecasted.
- Lower than projected Interest Expenses due to a lower interest rate environment than was in the financial plan.

Based on the shutdown and restart related the COVID-19 pandemic, the Authority incurred expenses, some of which are reimbursable from FEMA. These include additional overtime expenses associated with shelter-in-place, additional PPE, and retrofitting buildings to be COVID-ready, moving forward. In addition, there were some impacts in terms of the capital in terms of labor charges; impacts of the revenues associated with the energy efficiency business; and in terms of the revenue loss associated with the Authority's economic development program.

Financial Impacts of COVID-19 (\$59 million)

Margins: \$29.5 million

- As overall electricity demand across the State and the country has declined this year due to the slowdown in industrial and commercial operations related to Covid, so have prices and NYPA's margins.
- Effect was exacerbated by an unseasonably warm winter in early 2020, a collapse of fossil fuel prices, and an oversupply of gas.

Direct Costs of Covid: \$8.5 million in non-reimbursable expenses

- Expectation of approximately \$20 million in total expenses related to Covid in 2020 for: labor, shelter-in-place, cleaning and sanitization, personal protective equipment, communications, state support, personnel testing, building improvements, and return-to-work precautionary measures. *Excludes capital expenses.*
- Projected FEMA reimbursements of \$11.5 million, leaving \$8.5 million as a net NYPA expense.

Labor to Capital: \$14.5 million

- NYPA employees working on capital projects allocate a portion of their time directly to those projects, and their salaries then move from being an O&M expense to being charged to capital.
- The "pause" in work resulted in an estimated decrease in capital projects being completed in 2020 from \$537 million to \$391 million, causing \$14.5 million to flow back to O&M from Budgeted levels.

Economic Development Relief: \$800,000

- Economic development customer rate increase waived in 2020.

Energy Efficiency: \$6 million

- 12% decline in projected completion of Energy efficiency projects.

Mr. Barsky ended by saying that, absent those extraordinary events is the regular business of the Authority which has been sound and on track.

ii. **Canal Corporation Operations – Status Update**

Mr. David Mellen, Deputy Director of Canal Corporation, provided an update on the Canal Corporation's operations (Exhibit 4a ii-A).

Operations Summary

- The navigation season for Canals ends on October 14, 2020. Due to COVID-19, this was an unprecedented season that was reduced due to work stoppages and then re-opened in a staggered approach, early June – August, making various parts of the canal system available to the public as quickly as possible.

Overview of Winter Work Plans

- Current focus is on planning the maintenance work for the upcoming non-navigation season. General maintenance work at locks and other locations is planned statewide throughout the winter.
- Significant maintenance projects at 10 locations across the state is expected to get underway in early November. This includes de-watering locks and upgrade and/or maintenance of various components such as gates, valves, electrical, mechanical, and concrete work, that have not been upgraded in approximately eight – ten years.
- Improvements continue to be made with regard to the planning, scheduling, and work practices at maintenance projects.
- Studies were done on the way Canal Corporation does “pump-outs” over the years and recommendations were made and implemented to improve the efficiency and safety of that work.
- The dredging program at various locations across the state will continue into November.

COVID-related Impacts

- COVID-related impacts include the deferral of slightly more than \$20M of capital work into 2021, the need to accelerate some of the delayed Empire State Trail (“EST”) projects, and labor savings due to the shortened navigation season where the hiring of approximately 70 seasonal workers was delayed by approximately two months.

Empire State Trail program and other work

- There are six (6) active EST projects having a total construction value of approximately \$33M; some of these projects are being accelerated to achieve substantial completion by the end of this year.
- The \$25M Lock O-7 Rehabilitation project in Oswego, New York, the gateway to Lake Ontario, which is a signature project for the Canal Corporation, is substantially complete.
- The \$8M DeRuyter Dam Rehabilitation project is expected to be substantially complete in October of this year.

Public and Employee Safety

Canal Corporation places a lot of effort on safety relative the public and its own employees; most importantly, its public safety efforts related to its inspection program which is progressing well and includes:

- Structural inspection program with more than 400 inspections planned for this year by licensed engineers in the field performing formal inspections of Canals' civil infrastructure such as dams, bridges, retaining walls, locks, and guard gates.
- Development of a public safety program in terms of public access, security, and abandoned property.
- An employee safety initiative which is underway and will continue into next year.

2020 Canals Budget

- Based on July actuals, year-end forecasts are \$88.982M (-2% variance) for Operations and Maintenance and \$48.839M (-30% variance) for Capital.

iii. **Reimagine the Canals – Status Update**

Ms. Angelyn Chandler, Vice President of Planning-Empire Line, provided a status update on the Reimagine the Canals initiative (Exhibit 4a iii-A).

Economic Development Projects

There are five economic development projects in the first phase as follows:

1. Brockport - (\$7-9M)
 - The Brockport Loop is a new pedestrian bridge that will connect the SUNY Brockport Campus to the Empire State Trail, which will create a loop that provides a recreational and connectivity amenity for the Village of Brockport
 - The Owner's Architect and Engineer of Record have been selected. These are two separate contracts. Staff has an item on the Consent Agenda today requesting the Board's approval for the Owner's Architect
 - Design to begin Fall 2020, with a 2023 completion.
2. Iconic Lighting – (\$3-5M)
 - The first phase of the iconic lighting program includes 6 sites where the Authority is lighting up canal infrastructure
 - 5 sites are currently in design: Little Falls, Tonawanda, Guy Park Manor, and the Lighthouses at Verona Beach and Brewerton at either end of Oneida Lake
 - For the 6th site, Fairport, the Authority is "piggy-backing" on a Department of Transportation ("DOT") project already underway, with an anticipated Spring 2021 completion, with the other sites to follow in mid-2021.
3. Cayuga Watercourse – (\$12-15M)
 - The Cayuga Watercourse will be a whitewater facility on the Cayuga-Seneca Canal
 - The Authority has completed a feasibility study for this project, and has a concept design
 - The Authority has looked at the areas where archaeological sensitivity can be anticipated
 - The Authority is currently preparing a design Request for Proposal ("RFP") for a Fall 2020 release
 - Completion is expected 2023/2024.
4. Guy Park Manor - (\$5M)
 - The Authority is preparing a concept design that lays out a plan for a developer-built hospitality destination, providing lodging and dining facilities at Guy Park Manor
 - The plan also includes ideas for using the moveable dam at this site as a bridge to connect the hospitality facility to the Empire State Trail on the opposite side of the canal where the Authority is also exploring establishing a glamping operation
 - This concept design will be used to interest a developer in building out an operation at the site
 - The development of this project will coordinate with, and work around a FEMA funded project at this site to elevate the historic structure out of the flood plain.
5. Canastota - (\$1.5M)
 - In July, three responses were received for the Request for Qualifications ("RFQ") released in May for the Canastota Pocket Neighborhood
 - The Madison County Planning Department interviewed the three developers last month, and Stage 2 RFQ proposals from these developers are due in October.

Resilience projects and other Reimagine Programs

- Ice jams – [\$500K]
 - The Authority is working with Clarkson University to develop an ice jam model
 - This will help to predict and monitor ice jams and flooding so that the Authority can give communities more time to prepare in case of a flooding event
 - A scenario model will be completed by the end of this year, and the next two years will be spent on developing and rolling out an operational model.
- Ice Breaker
 - To address ice jams directly, the Authority is on track to take delivery of an amphibious dredge in Dec 2020 (\$1.5M)
 - The Authority is renting an additional ice breaker for the 2020/21 winter season (\$850K).
- Western Water Management
 - Fishing
 - The pilot fishing program is underway for a Fall 2020 start
 - The Authority will be increasing flows into two streams (Sandy and Oak Orchard Creeks) north of the canal in the western region throughout September and October
 - The Authority will drain the canal twice -- in November and December -- and over a longer period of time, to extend the fishing season, driving an increase in tourism in the Western Region
 - The Authority is developing a promotional campaign to alert communities, fishing businesses and fishers to this new program
 - Irrigation
 - The Authority will be working with the NYS Department of Agriculture and Markets to develop an irrigation incentive program that will provide farmers with funds to install or improve infrastructure that is needed to pull water from the streams that are fed from the canal
 - This additional water will allow them to have a more reliable source of water and to invest in growing more high-value crops
 - To support both projects, the Authority is preparing a design RFP for a pilot project in Albion that will modify the waste weir to allow it to be remotely operated (\$3-6M).
- Staycations
 - The Staycations program this summer was hugely successful
 - The Authority provided free kayak and bike rentals and curated itineraries for outings in six locations across the canal system that promoted the canal and the Empire State Trail as local recreation amenities
 - The Authority's online promotion received more than 124,000 website hits, which has been estimated at reaching 1.2M people
 - The Authority had a total of 2800 participants in the kayak rentals, and had "Sold out" situations
 - This program will be repeated and expanded in 2021.

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees will be requested at their September 23, 2020 meeting to authorize the release of an additional up to \$22.6 million in funding to the New York State Canal Corporation ("Canal Corporation") to support the operations of the Canal Corporation in calendar year 2020. The amount requested is 25% of the Canal Corporation's 2020 O&M Budget. The Trustees have previously authorized the release of \$68.4 million to support the operations of the Canal Corporation for calendar year 2020.

The Finance Committee is requested to recommend to the Trustees the release of this additional funding.

BACKGROUND

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

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

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

DISCUSSION

With this authorization, the Trustees will have authorized the release of a cumulative \$91.0 million, an amount equal to 100% of the Canal Corporation's 2020 O&M Budget.

Staff has reviewed the effect of releasing up to an additional \$22.6 million in funding at this time on the Authority's expected financial position and reserve requirements. In accordance with the Board's Policy Statement adopted May 24, 2011, staff calculated the impact of this release, together with the last 12 months releases including (i) the release of \$30 million in Recharge New York Discounts for 2020, (ii) the release of up to \$91.0 million in Canal-related operating expenses for 2020 (\$22.6 million authorized in December 2019, \$22.6 million authorized in March 2020, and \$22.6 million of which the Trustees are being asked to authorize at this May 2020 meeting), (iii) the release of up to \$2 million in Western NY

Power Proceeds net earnings, and (iv) the release of up to \$1 million in Northern NY Power proceeds net earnings, on the Authority's debt service coverage 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 at each year-end of the forecast period 2020-2023. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release such amounts from the trust estate created by the Bond Resolution consistent with the terms thereof.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to release an additional up to \$22.6 million in funding to support the operation of the Canal Corporation in calendar year 2020. Staff has further determined that the amounts presently held in reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority's Bond Resolution 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 expenses associated with the operations of the Canal Corporation for calendar year 2020 were included in the Canal Corporation's 2020 O&M Budget and the Authority's 2020 Budget.

RECOMMENDATION

The Chief Financial Officer requests that the Finance Committee recommend that the Trustees authorize the release of an additional up to \$22.6 million in funding to the Canal Corporation to support the operations of the Canal Corporation in calendar year 2020. The Chief Financial Officer further recommends that the Finance Committee recommend the Trustees affirm that such release is feasible and advisable, that the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority's Bond Resolution, and that the amount of up to \$22.6 million is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution.

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

On motion made by member John Koelmel and seconded by member Eugene Nicandri, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Trustees authorize the release of an additional up to \$22.6 million in funding to the Canal Corporation to support operations of the Canal Corporation in calendar year 2020, as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance Committee recommends that the Trustees affirm that the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority's Bond Resolution, that the amount of up to \$22.6 million in funding as described in the foregoing report is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and

supplemented, and that the release of such amount is feasible and advisable; and be it further

RESOLVED, That the Finance Committee recommends that the Trustee affirm that as a condition to making the payments specified in the foregoing report, on the day of such payments, the Treasurer shall certify that such monies are not then 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 be it further

RESOLVED, That the Finance Committee recommends that the Trustees affirm that the Chairman, the Vice Chairman, 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 resolution, subject to approval as to the form thereof by the Executive Vice President and General Counsel.

b. Legal Operations – Licensing

i. St. Lawrence/FDR Power Project Relicensing – Capital Expenditure Authorization Request to Increase Authorized Spending Limit for Compliance with New License and Implementation of Settlement Agreements

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees will be requested at their September 23, 2020 meeting to authorize an additional \$13.3 million for costs related to compliance requirements of the new License for the St. Lawrence/FDR Power Project ('Project') issued by the Federal Energy Regulatory Commission ('FERC') in October 2003 and for costs related to the implementation of settlement agreements between the Power Authority and various parties as a result of the relicensing, bringing the total authorization to \$182.3 million.

BACKGROUND

On October 23, 2003, FERC issued the Order for a new License. Overall, the Order was consistent with the license application and the Offer of Settlement and, at their meeting of November 25, 2003, the Trustees approved the acceptance of the new License. Acceptance of the new License obligates the Power Authority to the conditions of the new License and the commitments in the settlement agreements.

On December 16, 2003, the Trustees authorized funding of \$169 million for costs related to compliance with requirements of the second fifty-year License for the Project. To date, \$168.7 million has been expended relating to the settlement agreements with local governments, state and federal resource agencies and non-governmental organizations, the construction of habitat improvement projects ('HIPS'), shoreline stabilization projects, and construction and refurbishment of recreational facilities. Additional funding is needed due to ongoing HIPS commitments, the construction of a field office to allow DEC staff to continue maintenance of the Wilson Hill Wildlife Management Area ('WHWMA') and several other HIPS, and additional obligations arising from ongoing regulatory compliance.

DISCUSSION

Certain HIPS have not achieved the levels required by the settlement agreements with the resource agencies, requiring additional time and funding to reach the stated goals. One such HIP is an effort to establish nesting habitat for the Common Tern, which is a New York State listed threatened species. To date, the goal of 1400 nesting pairs has not been reached, and, as required by the settlement agreements, the Power Authority consulted with the agencies on new measures to meet the goal. Accordingly, the Power Authority will incorporate a barge to provide an additional habitat for the birds and to help protect the nests from predation. The cost of acquiring a barge, positioning it, and establishing nesting habitat upon it will approach \$1 million.

Moreover, new obligations were identified requiring additional funding to meet regulatory standards and remain in compliance. Among the new mandates is the refurbishment of a historic bathhouse at the Long Sault Campground and the resubmission of the Project's Recreation Plan to better update the information of the facilities and amenities available to the public; both of these projects are a result of an environmental inspection by FERC conducted in July 2017. The cost for these two projects approaches \$800,000.

The Power Authority is pursuing the construction of a field office for DEC located on Project lands. The License requires the Power Authority to ensure ongoing management of the HIPS at certain effectiveness levels throughout the term of the License. Through a funding agreement with the Power

Authority, DEC has taken on the role to operate and manage the constructed HIPS, including those at WHWMA, to ensure each is performing as expected and remaining in compliance. This effort requires two full-time and two part-time employees along with an investment in vehicles, boats, and other equipment. The duties span over 40 miles from end-to-end and include over 25 different sites within the Project boundary. A centralized office will accommodate the personnel and equipment and will better serve the duties of DEC relative to the WHWMA and HIPS. The construction of this facility will approach \$2 million.

Other obligations that require additional funding include the Shoreline Stabilization Program \$2,500,000, Lake Sturgeon Spawning Beds \$750,000, Osprey Nesting Platforms \$100,000, and the final phase of the Little Sucker Brook HIP \$1,100,000.

FISCAL INFORMATION

The current cost of implementing the requirements of the new License and the commitments included in the settlement agreements are estimated at \$169 million. This cost includes escalation beyond 2003, an allocation for indirect costs and a contingency on environmental projects, recreation projects and implementation costs.

The Finance Committee is requested to recommend an additional \$13.3 million in funding for compliance and implementation work related to environmental projects, recreational projects and settlement payments costs, escalation, contingency and allocation for indirect costs bringing the total authorization to \$182.3 million.

As these expenditures are related to the implementation of commitments in the new License and the settlement agreements, payments will be made from St. Lawrence accounts for relicensing and construction.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees authorize the additional funds of \$13.3 million, bringing the total authorized capital expenditures to \$182.3 million for compliance, implementation and settlement activities associated with the new license for the St. Lawrence/FDR Power Project.

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

On motion made by member John Koelmel and seconded by member Dennis Trainor, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Trustees approve an increase in capital expenditures of \$13.3 million establishing a total authorized amount of \$182.3 million to facilitate and accomplish implementation of, and compliance with, the new License issued by the Federal Energy Regulatory Commission for the St. Lawrence-FDR Power Project, as well as the settlement agreements associated therewith.

<u>Capital</u>	<u>Expenditure Authorization</u>
STL-FDR Implementation	<u>\$13,325,000</u>

c. Utility Operations

i. Procurement (Services) Contract – On-Call General Maintenance Services for Southeast New York Region

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their September 23, 2020, meeting to approve the award of a competitively bid five-year non-personal services contract to Fresh Meadow Power, LLC ('FMP') of Queens, NY, in the amount of \$25,000,000 for on-call general maintenance services for the Southeast New York ('SENY') Region facilities.

The Finance Committee is requested to recommend to the Trustees the approval of the award of a competitively bid five-year non-personal services contract to FMP, in the amount of \$25,000,000 for on-call general maintenance services for the SENY Region facilities.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year. Additionally, in accordance with the Authority's Expenditure Authorization procedures, the award of non-personal services contracts exceeding \$6 million requires the Trustees' approval.

The Authority has used on-call general maintenance services in the SENY Region for the last fifteen (15) years. These services include onsite welding services, electrical maintenance, balance of plant equipment maintenance, large pump and motor replacement, installation, and alignments, Heat Recovery Steam Generator ('HRSG') catalyst work and replacements, Instrumentation and Controls, and certified HRSG and power piping repairs.

DISCUSSION

On-call general maintenance service agreements (agreements) have supported the SENY Region for the past 15 years, allowing SENY to assess and preselect an organization with competitive rates, certifications and a strong reputation within the power generation industry. The agreements also ensure that the SENY plants operate reliably and with reduced outages, meeting the Authority's power generation requirements for the New York City area.

The agreements enable SENY plants to recover quickly from unplanned outages and successfully prevent outages by timely response to the Authority's needs.

Due to the ageing of the plants, HRSG repairs are increasing in frequency. The repairs are costly, and the equipment require certifications from The American Society of Mechanical Engineers and The National Board of Boiler and Pressure Vessel Inspectors. These certifications require constant attention and certified organization(s) must regularly track and maintain records for personnel proficiencies. Personnel training requirements are strict, difficult, and expensive to maintain, especially when only a few repairs are performed each year. The agreements allow SENY to utilize an organization well established in this field.

The agreements support complex repairs as well as repairs that require skills and knowledge of systems such as hydraulics, pumps, motors, fuels, scaffolding installation, electrical wiring and installation, instrument calibrations and many others.

This supplemental workforce ensures SENY remains complete and committed to its agreements to the New York Independent Systems Operator ('NYISO') and other organizations.

The Authority posted a Request for Proposal ('RFP') (Q20-6881HM) through the Ariba system, which was advertised in the New York State *Contract Reporter* on January 28, 2020. Thirty-eight (38) firms are listed as having reviewed the RFP documents.

Proposals were received from the following two bidders on March 13, 2020, via the Ariba e-sourcing portal:

- Fresh Meadow, LLC
- ACME Industrial, Inc.

The table below provides a comparison of the hourly rates quoted/bid by the two Bidders for their various Skill Level Labor/Craft.

Craft/Trade(s)	Fresh Meadow Power, LLC	ACME Industrial, Inc.
Site Supervisor	\$175.00	\$160.00
Millwright	\$160.33	\$270.00
Steam/Pipe Fitter	\$173.04	\$285.00
Electrician	\$165.32	\$280.00
I&C Tech	\$195.31	\$160.00
Laborer	\$122.29	\$215.00

The proposals were reviewed by an Evaluation Committee composed of staff from SENY Operations and Strategic Supply Management.

Consistent with the Authority's Procurement Procedures, the proposals have been evaluated for price, completeness, exceptions to the Bid Documents, relevant experience, and safety record.

The Committee concluded that FMP, having extensive experience in providing the necessary on-call general maintenance services and meeting the Authority's Quality Assurance/Control, performance, and safety requirements are capable of performing the work required. FMP took no exceptions to the Authority's bid documents, and commercial Terms and Conditions. Any technical and commercial exceptions that required clarifications related to FMP's bid have been addressed and resolved to the satisfaction of Strategic Supply Management. FMP requested a waiver to the Minority/Women-Owned Business Enterprise ('M/WBE') and the Service Disabled Veteran-Owned Business ('SDVOB') participation goals which were reviewed and considered reasonable by the Authority's Supplier Diversity group.

ACME Industrial, Inc. ('ACME') failed to submit its own QA manual(s), ASME Certification or any proof that they are a National Board Certified Boiler Repair contractor with an 'R' and/or 'VR' stamp, essential and vital requirements for the on-call general maintenance services being performed, especially for the Eugene W. Zeltmann and Richard M. Flynn facilities. ACME quoted hourly rates higher than its competitor for the trade workers by approximately 45% on average. The M/WBE firms which ACME intended to engage for this work are not New York State certified entities. The intended SDVOB firm, DMC Industrial, did not meet the criteria to qualify as an SDVOB firm.

FISCAL INFORMATION

This award is a Value Contract, and funds will be released through individual Purchase Order Releases that will abide by, and follow all of the Authority's Expenditure Authorization Procedures. Maintenance on the SENY Facilities is budgeted for 5 years and is represented in the Regional Asset Management Plan. The contract award value of \$25,000,000 is based on historical spending data.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve the award of a five-year non-personal services contract to Fresh Meadow Power, LLC in the amount of \$25,000,000 for on-call general maintenance services for the Southeast New York ('SENY') Region facilities.

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

On motion made by member John Koelmel and seconded by member Dennis Trainor, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Trustees, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, award a five-year contract to Fresh Meadow Power, LLC of Queens, NY, in the amount of \$25,000,000 for the SENY facilities maintenance agreement;

<u>Contractor</u>	<u>Contract Approval</u>
Fresh Meadow Power, LLC Queens, NY	<u>\$25,000,000</u>
(Q20-6881HM)	

ii. **Transmission Line L33P & L34P Interconnections:
Replacement of Phase Shifters –
Capital Expenditure Authorization Request**

The President and Chief Executive Officer submitted the following report:

"SUMMARY

The Trustees will be requested at their September 23, 2020 meeting to approve capital expenditures in the amount of \$30 million, representing the Authority's share of the replacement costs of Phase Shifter Regulating transformer PSR33 and Phase Shifter Regulating transformer PSR34, referred to hereafter as the 'Cost-Shared Equipment Requiring Replacement' Project.

Capital Expenditures in the amount of \$ 600,000, for preliminary engineering and payment to Hydro-One, were previously approved by the President and Chief Executive Officer in July 2020, bringing the total estimated Project cost to \$30.6 million.

The Finance Committee is requested to recommend to the Trustees the approval of capital expenditures in the amount of \$30 million for the implementation of the Project.

BACKGROUND

In accordance with the Authority's Capital Planning and Budgeting Procedures, capital expenditures in excess of \$6 million require the Trustees' approval.

The Project will replace the existing Phase Shifter Regulating transformers PSR33 and PSR34, which are part of the 230kV transmission lines L33P and L34P.

L33P and L34P, jointly owned by the Authority and Hydro-One, connect Hydro-One's transmission network to the Authority's transmission network. They originate from Hydro-One's St. Lawrence Transformer Station in Ontario and terminate in the Authority's Robert Moses switchyard in northern New York.

Under normal operating conditions, the phase shifters are used to regulate and maintain power flow exchange between New York State and Ontario, to provide balance between the interconnected transmission networks. Under emergency conditions, the phase shifters are used to transfer power to assist the entity experiencing reduction in power output due the loss of generation, or to help channel power flow to nearby transmission lines to relieve transmission overloads.

DISCUSSION

The Authority and Hydro-One, of 483 Bay Street, 15th floor, North Tower, Toronto, Ontario, Canada entered into and form Parties to an Interconnection Facilities Agreement ('IFA'), effective March 31, 2007, that governs the operation of L33P and L34P Interconnection facilities.

Pursuant to the terms of the IFA, the Authority and Hydro-One entered into a Memorandum of Understanding ('MOU'), on May 1, 2020, identifying phase-shifting transformer PSR34, in operation since 1978, and phase shifting transformer PSR33, in operation since 1962, to be equally-owned by the Authority and Hydro-One, and subject to cost sharing for their replacements.

PSR33 and PSR34 have experienced multiple failures throughout their operation. Most recently, PSR33 has experienced a failure deemed to be more sensible to replace than repair. Similarly, PSR34 is considered nearing the end of its useful life, requiring replacement.

The capital expenditures will cover the Authority's share of the cost of replacing transformers PSR33 and PSR34. It will also cover additional work that may be required at the St. Lawrence Robert Moses Switchyard, for the protection of lines L33P and L34P due to this equipment replacement.

Pursuant to the terms of the MOU, project execution will occur in 3 phases over a 3-year period. Phase 1 involves equipment procurement by Hydro-One in 2020 for the Cost-Shared Equipment Requiring Replacement. Phase 2 involves the installation, testing and commissioning of the new transformer PSR33 to be completed in 2022. Phase 3 involves the installation, testing and commissioning of the new transformer PSR34 and project closeout to be completed in 2023.

The proposed spending for this Project is included in the approved Four-Year Capital Plan.

FISCAL INFORMATION

Payment associated with this Project will be made from the Authority's Capital Fund and will be recovered under the Authority's FERC approved formula rate.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve capital expenditures in the amount of \$30 million for implementation of the Cost-Shared Equipment Requiring Replacement Project.

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

On motion made by member John Koelmel and seconded by member Eugene Nicandri the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Trustees, pursuant to the Authority's Capital Planning and Budgeting Procedures, approve capital expenditures in the amount of \$30 million for the Authority's share of the replacement costs of Phase Shifter Regulating transformer PSR33 and Phase Shifter Regulating transformer PSR34, collectively referred to as the Cost-Shared Equipment Requiring Replacement Project, in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority will use Capital Funds, which may include proceeds of debt issuances, to finance the Authority's share of the Cost-Shared Equipment Requiring Replacement Project.

<u>Capital</u>	<u>Expenditure Authorization</u>
Transmission Line L33P and L34P Interconnections: Replacement of Phase Shifters	<u>\$30,000,000</u>

iii. **St. Lawrence-FDR Power Project – Rotor Modification
for Stress Redistribution – Phase 2 – Capital Expenditure
Authorization Request**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees will be requested at their September 23, 2020, meeting to approve capital expenditures in the amount of \$24,848,200 for Phase 2 of the Rotor Modification for Stress Redistribution Project ('Project') which includes upgrades to the remaining thirteen generating units at the St. Lawrence-FDR Power Project ('Project'). The work being performed on the remaining thirteen generator units is planned to be completed by the end of 2035.

Capital Expenditures in the amount of \$1,878,216 for preliminary engineering, were previously approved by the President and Chief Executive Officer. Subsequently, capital expenditures in the amount of \$5,345,400 for upgrades to the first three generating units were approved by the Trustees in September 2017. The total project cost at this time is nearly unchanged, at \$32,017,816.

The Finance Committee is requested to recommend to the Trustees the approval of additional capital expenditures in the amount of \$24,848,200 for the Project.

BACKGROUND

In accordance with the Authority's Capital Planning and Budgeting Procedures, capital expenditures in excess of \$6 million require the Trustees' approval.

During the final stages of the St. Lawrence Life Extension and Modernization Program, significant cracks were discovered in the arms of the generator rotors in the last two units. Further propagation of the cracks could have rendered the units inoperable or could lead to a potentially catastrophic failure. The cracks were immediately repaired, and the units returned to service without additional costs and downtime. Further investigation of the remaining units revealed propagation of smaller cracks of varying severity in the same general areas which needed to be addressed.

The Authority's staff recognized the criticality and the need for a two-phased approach for the repairs. First, implement an immediate inspection program with temporary repairs of the cracks. Second, set in place a program for a long-term solution including possible modifications to the rotor spiders.

DISCUSSION

Authority staff has performed extensive investigations and analyses relative to this condition with results and recommendations presented in the engineering reports titled, 'Engineering Assessment Generator Rotor Spider Arm Cracks,' December 15, 2014, and 'Supplement to Engineering Assessment Generator Rotor Spider Arm Cracks,' November 8, 2016. The main report attributes the cracking primarily to the number of start/stop cycles for the age of the units, which result in high stresses in critical areas of the rotor frame, particularly in areas of discontinuities. The supplemental report addresses, specifically, the potential cracking of the ledges at the outer end of the rotor spider which supports the rotor ring.

Overall, the rotor frame repair program will address specific recommendations for crack repairs, structural reinforcements, rounding of discontinuities and weld modifications to reduce stress concentrations. Compared to the cost of replacing the rotors, the proposed long-term program of repairs

and modifications to the generator rotors is the most cost-effective approach for long-term reliable operation of the units.

The sequence of work will consist of: disassembly and staging of the rotor, followed by total paint removal and abatement, crack repair and welding of gusset plates, post-weld heat treatment, final surface preparation, prime and finish coat application, and unit reassembly and testing prior to return to service. All work will be performed within the Erection Bay of the St. Lawrence-FDR Power Project. A six-month outage is anticipated per unit specifically for this work. To date, work has been completed on three rotors.

The majority of the work is performed by Authority craft personnel with support from external contractors, primarily for paint abatement and weld treatment. The external contractors' contracts were previously approved by the Trustees at the July 2020 meeting.

The work being performed on the remaining thirteen generator units is planned to be completed by the end of 2035.

FISCAL INFORMATION

Payment associated with this Project will be made from the Authority's Capital Fund. Funding in the amount of \$7,223,616 has been authorized, to date, for the Project, which is estimated at a total of \$32,017,816, to complete preliminary engineering, detailed engineering and design, procurement, implement construction, and Authority direct/indirect costs. This authorization in the amount of \$24,848,200 is projected to be the last authorization for the Project.

The total cost for Phase 2 of the Project is summarized as follows:

Preliminary Engineering and Design	\$1,878,216
Engineering/Design	\$2,095,700
Procurement	\$3,346,200
Construction/Installation	\$20,320,700
<u>Authority Close-Out, Direct and Indirect Expenses</u>	<u>\$4,431,000</u>
TOTAL	\$32,071,816

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve additional capital expenditures in the amount of \$24,848,200 for Phase 2 of the Rotor Modification for Stress Redistribution Project which includes upgrades to the remaining thirteen generating units at the St. Lawrence-FDR Power Project.

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

On motion made by member Eugene Nicandri and seconded by member Dennis Trainor, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Trustees approve additional capital expenditures in the amount of \$24,848,200 for Phase 2 of the Rotor Modification for Stress Redistribution Project; and be it further

RESOLVED, That the Authority will use Capital Funds, which may include proceeds of debt issuances, to finance the costs of the of the St. Lawrence-FDR Power Project Rotor Modification for Stress Redistribution Project.

<u>Capital</u>	<u>Expenditure Authorization</u>
Rotor Modification for Stress Redistribution	<u>\$24,848,200</u>

iv. **Transmission Life Extension & Modernization Program
Tower Coating Upgrades for Central NY Region –
Capital Expenditure Authorization Request**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees will be requested at their September 23, 2020 meeting to approve capital expenditures in the amount of \$27,663,700, for the Transmission Life Extension and Modernization Program - Tower Coating Upgrades for the Central NY Region ('Project').

The Finance Committee is requested to recommend to the Trustees the approval of capital expenditures in the amount of \$27,663,700 for the implementation of the Project.

BACKGROUND

In accordance with the Authority's Capital Planning and Budgeting Procedures, capital expenditures in excess of \$6 million require the Trustees' approval.

The Transmission Life Extension and Modernization Program ('TLEM') is a multiyear program that will upgrade the Authority's existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The TLEM Program encompasses transmission assets in the Central, Northern, and Western Regions and has been divided into several projects at an estimated cost of \$726 million.

The Authority's transmission assets require continued field assessment and recoating to extend the longevity of critical components, achieve compliance with regulatory requirements and maintain system reliability. Existing coating conditions on steel towers supporting the Central Region transmission lines warrant a new program of recoating to protect painted and galvanized steel surfaces.

DISCUSSION

The scope-of-work includes surface preparation and recoating towers on approximately 1,049 transmission structures. The transmission lines affected are: Edic to Fraser Substations ('EF'); Utica to Coopers Corner ('UCC'); Coopers Corner to Rock Tavern ('CCRT'); Roseton to Fishkill ('RFK'); Crescent, Vischer Ferry Substations, Atomic to Woodlawn river crossings, and Lock #7 tower crossings.

Project execution is planned to occur over a four-year period, with targeted completion in 2024, subject to approved outages. In support of the Project schedule, the Trustees approved a four-year construction contract award at their January 29, 2020 meeting.

The proposed spending for this Project is included in the approved Four-Year Capital Plan.

FISCAL INFORMATION

The Accounting determination for this Project recently changed to capital, based on a detailed review of the scope. As such, payments associated with this Project will be made from the Authority's Capital Fund and will be recovered under the Authority's FERC approved formula rate.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve capital expenditures in the amount of \$27,663,700 for implementation of the Transmission Life Extension and Modernization Program - Tower Coating Upgrades Project for the Central NY Region.

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

On motion made by member Eugene Nicandri and seconded by member Dennis Trainor, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Trustees, pursuant to the Authority’s Capital Planning and Budgeting Procedures, approve capital expenditures in the amount of \$27,663,700 for the Transmission Life Extension and Modernization Program – Tower Coating Upgrades Project for the Central NY Region, in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority will use Capital Funds, which may include proceeds of debt issuances, to finance the costs for the Transmission Life Extension and Modernization Program - Tower Coating Upgrades Project for the Central NY Region.

<u>Capital</u>	<u>Expenditure Authorization</u>
TLEM - Tower Coating Upgrades Central NY Region	<u>\$27,663,700</u>

**v. Transmission Life Extension & Modernization Program
Tower Coating Upgrades for the Western NY Region –
Capital Expenditure Authorization Request**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees will be requested at their September 23, 2020 meeting to approve capital expenditures in the amount of \$29,338,700, for the Transmission Life Extension and Modernization Program – Tower Coating Upgrades for the Western NY Region ('Project').

The Finance Committee is requested to recommend to the Trustees the approval of capital expenditures in the amount of \$29.3 million for the implementation of the Project.

BACKGROUND

In accordance with the Authority's Capital Planning and Budgeting Procedures, capital expenditures in excess of \$6 million require the Trustees' approval.

The Transmission Life Extension and Modernization Program ('TLEM') is a multiyear program that will upgrade the Authority's existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The TLEM Program encompasses transmission assets in the Central, Northern, and Western Regions and has been divided into several projects at an estimated cost of \$726 million.

The Authority's transmission assets require continued field assessment and recoating to extend the longevity of critical components, achieve compliance with regulatory requirements and maintain system reliability. Existing coating conditions on steel towers supporting the Western Region transmission lines warrant a new program of recoating to protect painted and galvanized steel surfaces.

DISCUSSION

The scope-of-work includes surface preparation and recoating towers on approximately 2,826 transmission structures. The transmission lines affected are: Niagara to Syracuse ('NS'), Niagara to Rochester ('NR'), Syracuse to Rochester ('SR'), Rochester to Pannel ('RP'), Pannel to Clay ('PC'), Niagara Substation to Beck Substation ('PA'), Clay to Edic ('CE').

Surface preparation and recoating of the transmission towers in the Western NY Region commenced in 2016. To date, 1,079 tower structures have been completed. 306 towers are planned to be recoated in 2021 under an existing contract that was approved by the Trustees at their December 11, 2018 meeting.

A Request for Proposal will be issued in 2021 to complete the remaining 1,441 structures on the Clay to Edic ('CE'), and Pannel to Clay ('PC') Transmission Lines. Project execution is planned to occur over a four-year period, with targeted completion in 2025, subject to approved outages.

The proposed spending for this Project is included in the approved Four-Year Capital Plan.

FISCAL INFORMATION

The Accounting determination for this Project recently changed to capital, based on a detailed review of the scope. As such, payments associated with this Project will be made from the Authority's Capital Fund and will be recovered under the Authority's FERC approved formula rate.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve capital expenditures in the amount of \$29,338,700 for implementation of the Transmission Life Extension and Modernization Program – Tower Coating Upgrades for the Western NY Region.

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

On motion made by member Eugene Nicandri and seconded by member Dennis Trainor, the following resolution, as submitted by the President and Chief Executive Officer was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Trustees, pursuant to the Authority’s Capital Planning and Budgeting Procedures, approve capital expenditures in the amount of \$29,338,700 for the Transmission Life Extension and Modernization Program – Tower Coating Upgrades for the Western NY Region in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority will use Capital Funds, which may include proceeds of debt issuances, to finance the costs for the Transmission Life Extension and Modernization Program – Tower Coating Upgrades Project for the Western NY Region.

<u>Capital</u>	<u>Expenditure Authorization</u>
TLEM – Tower Coating Upgrades Project Western NY Region	<u>\$29,338,700</u>

d. Commercial Operations

**i. Energy Efficiency Program –
Contract Award for Construction Services
LED Street Lighting Direct Install Program**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees will be requested at their September 23, 2020 to approve the award of construction services contracts to three firms, Candela Systems Corp., Hawthorne, NY, D&M Contracting, Inc. Elmsford, NY and E-J Electric T&D, LLC., Wallingford, CT in the aggregate amount of \$150 million for a term of up to 5 years for the LED Street Lighting Direct Install Program ('Program') for energy efficiency customers. The costs will be recovered directly from Program participants. The Program will be funded from amounts previously authorized by the Trustees for the Authority's Energy Efficiency Program ('EEP').

The Finance Committee is requested to recommend to the Trustees to approve the award of a five-year, competitively bid contract to the above-mentioned firms, at its September 23, 2020 meeting, for the LED Street Lighting Direct Install Program in the aggregated amount of \$150 million as part of the Authority's EEP.

BACKGROUND

Public Authorities Law §1005 (17) authorizes the Authority to finance and design, develop, construct, implement, provide, and administer energy-related projects, programs and services.

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year. Additionally, in accordance with the Authority's Expenditure Authorization Procedures, the award of construction services contracts exceeding \$6 million requires the Trustees' approval.

On February 19, 2018, the Governor announced the Smart Street Lighting NY Service which has a goal of converting 500,000 streetlights to LED technology by 2025. NYPA has been tasked with implementing 250,000 streetlight conversions in order to help achieve the State's goal. The conversions would yield estimated savings of 482 gigawatt hours annually and reduce the overall greenhouse gas emissions, which aligns with the State's goal of 40 percent reduction in emissions by 2030. The LED Street Lighting Direct Install Program will facilitate the conversion to LED street lighting and achieve associated energy savings.

The Program will provide customers with an expedited implementation model that will focus on a '1-for-1' replacement of existing street lighting systems. This service will help NYPA achieve the State's goals. Customers will be provided with a detailed street lighting evaluation and will receive contractor direct installation services to implement the LED conversions. This program will be available to all customers with qualifying projects as part of the Authority's efforts to convert standard street lights to LED technology.

DISCUSSION

The Authority issued Request for Proposal ('RFP') No. Q20-6928DKT, which was advertised in the *NYS Contract Reporter* on March 16, 2020 and via the Authority's Ariba system. Thirty-three (33) bidders were invited to bid. On April 23, 2020 seven (7) proposals were received. The RFP was broken

into ten (10) different service territories throughout New York State with bidders having the option to bid on any or all regions. As part of their proposals, bidders were asked to provide unitized pricing based on various fixture quantities as well as region(s) selected.

The evaluation team consisted of members from Clean Energy, Engineering & Construction Management, and Strategic Supply Management. Commercial evaluations of all bids were conducted by Strategic Supply Management to ensure the firms' financial viability and determine if any exceptions requested were acceptable. MBE and WBE commitments for all suppliers are 15% and SDVOB commitments for all suppliers are 6%.

The evaluation team performed a thorough technical evaluation of the firms and analyzed their pricing, experience and capacity to meet the program's deliverables. D&M Electrical Contracting, Inc. has substantial experience working on NYPA street lighting projects and was the apparent low bidder. Candela Systems Corp has been awarded previous NYPA lighting projects, are an M/WBE and was the 2nd apparent low bidder. Candela Systems Corp's bid on all regions and can cover the entirety of NYS. E-J Electric T&D LLC was selected as the Contractor for NYPA's Street Lighting O&M program and can provide project continuity by performing both the LED conversion and the post installation O&M services to Customers. E-J Electric T&D LLC was the apparent 3rd low bidder.

Based upon a thorough analysis of the proposals, as well as reference checks, the Authority staff recommends the award of contracts to Candela Systems Corp., D&M Electrical Contracting, Inc. and E-J Electric T&D LLC.

FISCAL INFORMATION

The LED Street Lighting Direct Install Program will be made available to customers participating in the Authority's EEP and will be funded from amounts previously authorized for the Authority's EEP. Funding for the Authority's EEP is provided from the Authority's operating funds and/or from the proceeds of the Authority's Commercial Paper Notes or other financing instruments, as deemed appropriate. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding grants as applicable, for the LED Street Lighting Direct Install program will be recovered from the program participants.

RECOMMENDATION

It is requested that the Finance Committee recommend to the Trustees to approve the award of a competitively bid construction services contracts to Candela Systems Corp., D&M Electrical Contracting, Inc. and E-J Electric T&D LLC in the aggregate amount of \$150 million for a term of up to 5 years for the LED Street Lighting Direct Install Program for energy efficiency customers.

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

On motion made by member Dennis Trainor and seconded by member Eugene Nicandri, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Trustees, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, award contracts in the aggregate amount of \$150 million for a term of up to five years to Candela Systems Corp., D&M Electrical Contracting, Inc. and E-J Electric T&D LLC for

the LED Street Lighting Direct Install Program as part of the Authority's Energy Efficiency Program.

<u>Contractor</u>	<u>Aggregate Contract Amount</u>
Candela Systems Corp. (MBE) Hawthorne, NY	
D&M Electrical Contracting, Inc. Elmsford, NY	<u>\$150,000,000</u>
E-J Electric T&D LLC Wallingford, CT	

ii. **Energy Efficiency Program – Direct Installation Services
Contract Award for Construction Services**

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their September 23, 2020 meeting to approve the award of a construction services contract for direct installation electrical and lighting services to Graybar Electric Company, Inc. ('Graybar') of Clayton, Missouri for a total authorized amount of \$10 million for a term through January 31, 2023. The direct installation model is designed to implement simple energy efficiency projects quickly and cost effectively. The costs will be recovered directly from program participants. The Program will be funded from amounts previously authorized by the Trustees for the Authority's Energy Efficiency Program ('EEP').

The Finance Committee is requested to recommend to the Trustees to approve the award of a competitively bid contract to Graybar Electric Company, Inc., at its September 23, 2020 meeting, in the amount of \$10 million for a term ending on January 31, 2023.

BACKGROUND

The Trustees' approval is being sought under Public Authorities Law §1005(17), which enables the Authority to finance and design, develop, implement, and administer energy related projects, and provide energy services for its customers. The Authority is adopting expedited project delivery methods to better meet customer needs with faster project delivery times. The Authority has been delivering small lighting projects to its customers with traditional project delivery models, including public solicitations of projects. The direct install delivery method of lighting projects will offer faster project cycle times and competitive pricing by bypassing a sometimes costly and timely design and bidding process, and standardizing recommendations.

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval of procurement contracts involving services to be rendered for a period in excess of one year. In accordance with the Authority's Expenditure Authorization Procedures, the award of construction services contracts in excess of \$6 million require the Trustees' approval.

DISCUSSION

Construction Contractor RFQ, RFP and Contract Awards

Pursuant to Section 3.F of the NYPA Guidelines for Procurement Contracts (3/31/2020) 'Certain goods and/or services may be procured pursuant to Procurement Contracts let by any department, agency, officer, political subdivision or instrumentality of the State (e.g., the New York State Office of General Services ('OGS')) or Federal government (e.g., General Services Administration ('GSA')) or any city or municipality where the White Plains SSM Department, or facility SSM Departments, and the initiating department determine that a reasonable potential exists for cost savings or other benefits to the Authority and have approved the specifications and proposed terms and conditions of such contract.'

Accordingly, OMNIA Partners is a cooperative purchasing organization that allows government entities to access other competitively solicited contracts. The Authority has been a member of OMNIA since 2006 and is a signatory to a Master Intergovernmental Cooperative Purchasing Agreement by and between the Authority and OMNIA Partners. The Authority has utilized this OMNIA service for the purchase of equipment for NYPA facilities. The Authority will be utilizing Contract EV2370 – Electrical, Lighting, Data Communications and Security Products and Related Products, Services and Solutions that

was publicly solicited and advertised by the city of Kansas City ('City') on behalf of itself and all states, local governments, school districts, and higher education institutions in the United States of America, and other government agencies and nonprofit organizations (herein 'Participating Public Agencies') under its RFP # EV2370 issued on September 6, 2017.

On October 6, 2017, the City received a response from the following offerors:

- Graybar Electric Company, Inc.
- HB (Delivering Systems LLC/DBA High Biometrics)
- SupplyFORCE

Upon evaluation, the City's committee elected to award a contract to the most responsive Proposal, Graybar, for electrical, lighting, data communications and security products and related products, services, and solutions. Using the Contract EV2370 will provide significant cost savings and other benefits including, but not limited to, an expedited implementation and delivery timeframe to the Authority. Additionally, the Authority's Business Development team reviewed the pricing provided by Graybar and validated the competitiveness and reasonableness of such pricing and terms in comparison to prior and current Authority Energy Services Programs solutions.

The delivery method being utilized is direct install with unitized pricing to expedite the project for completion in a shorter time frame. Unitized pricing was pre-negotiated to prevent the need for bidding on an individual project basis. Graybar will perform a scoping survey at assigned locations. That survey will generate a scope-of-work and cost and savings estimates. After the approval of the survey, a task order to implement the installation of lighting and other direct installation measures will be issued.

FISCAL INFORMATION

Funding for the Authority's EEP is provided from the Authority's operating funds and/or from the proceeds of the Authority's Commercial Paper Notes or other financing instruments, as deemed appropriate. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding grants, as applicable, will be recovered from the customers.

RECOMMENDATION

It is requested that the Finance Committee recommend to the Trustees to approve the award of a competitively bid construction services contract to Graybar Electric Company, Inc. ('Graybar') of Clayton, Missouri, for a term ending on January 31, 2023 in the amount of \$10 million.

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

On motion made by member Dennis Trainor and seconded by member Eugene Nicandri, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Trustees, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, award a contract to Graybar Electric Company, Inc., ("Graybar") of Clayton, Missouri, in the amount of \$10,000,000 for a term through January 31, 2023 for direct install electrical and lighting services throughout New York State.

Contractor

Contract Amount

Graybar Electric Company, Inc.
Clayton, Missouri

\$10,000,000

e. Risk Management Update

i. Risk Management Update

Mr. Thomas Spencer, Senior Director – Enterprise Risk, provided an update on the Authority's Risk Management activities (Exhibit "4e i-A"). He said the purpose of the presentation is to:

- 1) reiterate the strong governance structure the Board has installed to ensure the proper identification and escalation of risks;
- 2) highlight NYPA's alignment to common multi-industry enterprise risks supported by an external benchmarking exercise; and
- 3) highlight some key risk management initiatives that support NYPA's risk framework.

Risk Governance Structure

NYPA's Risk Governance Structure (Governing Body/Board/Audit Committee) represents what the Board has instituted regarding the risk governance and escalation processes:

- Business Units – Operational Managers who own and manage risks
- Risk Management – facilitates and monitors the implementation of effective risk management
- Internal Audit – provides the governing body and senior management with comprehensive independent assurance

Risk Management Benchmarking Efforts

As part of the risk review process, Risk Management benchmarked the enterprise level risks against two global risk surveys conducted by North Carolina State University and Aon Global. Each survey had more than 1,000 executive-level participants across multiple industries who were asked to identify their top enterprise risks.

NYPA's top enterprise risks aligned very well with the benchmark surveys and survey participants. However, there were areas of differences where there was not in direct alignment:

1) Hydro Generation

Since hydro generation is a very specific industry risk, the Authority did not expect this risk to be identified by a bulk of the survey participants as one of their top-level risks.

2) Workplace Health and Safety

While Workforce Health and Safety was not directly identified as a top-risk for some companies, it is reasonable when you consider the lines of business of some of the participants, such as financial services or retail, where safety is less of a factor. This also makes sense for NYPA when you consider the high safety and health risk associated with operating a power plant or transmission lines.

3) Organization's Culture

An organization's culture may not sufficiently encourage timely identification and escalation of risk issues. While this may be a top risk for many of the survey participants, NYPA is certainly working to mitigate this and addressing it through its active risk culture and the Risk Governance Structure.

The benchmarking exercise provide reassurance that NYPA's Enterprise Risk Management team is working effectively to identify the right risks through its risk assessment process, as NYPA faces many of the same challenges as organizations around the globe.

Addressing Challenges with Risk Management

Key Risk Initiatives

Below are some of the key initiatives the Risk Management team is working on to help address these enterprise level risks:

Enterprise Governance Risk and Compliance System (EGRC) – The EGRC tool is used for the training of risk information across risk audit and controls, providing a more detailed view of the Authority's risk profile on a realtime basis. The Risk Management team has been working to deploy this tool throughout 2020; and while the implementation schedule is delayed due to the COVID-19 pandemic, the Risk Management team is progressing as planned per its revised schedule.

Annual Risk Assessment – Using information collected in the EGRC tool and the Authority's Annual Risk Assessment process, the Risk Management team will be updating its risk profile and creating new Key Risk Indicator ("KRI") dashboards.

Key Risk Indicator – The Risk Management team has been working on an executive level dashboard that will provide visibility into key risks using enterprise level indicators. These high-level indicators will aid in the management of risks by monitoring those metrics and drivers that provide insight into potential shifts and risks impacting NYPA.

Risk Management will present the KRI dashboard to the members at the next meeting.

5. CONSENT AGENDA:

a. Approval of the Minutes of the Joint Meeting held on July 16, 2020

On motion made by member Michael Balboni and seconded by member Eugene Nicandri, the Minutes of the joint meeting held on July 16, 2020 were unanimously adopted.

6. Next Meeting

Chairperson Tracy McKibben said that the next regular meeting of the Finance Committee will be held on November 17, 2020 at a time to be determined.

Closing

On motion made by member Michael Balboni and seconded by member John Koelmel, the meeting was adjourned by Chairperson McKibben at approximately 10:31 a.m.

Karen Delince

Karen Delince
Corporate Secretary

EXHIBITS

For

September 23, 2020

Meeting Minutes



**NY Power
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**Canal
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Chief Financial Officer Report

Adam Barsky

EVP & Chief Financial Officer

September 23, 2020

Year-to-Date Actuals Through July 31st

In \$ Thousands	2020 Budget (\$)	2020 Current (\$)	Variance (\$)			
Net Operating Income						
Operating Revenue						
Customer Revenue	\$1,051,113	\$907,195	(\$143,917)			
Market-Based Power Sales	319,956	207,218	(112,737)			
Non Utility Revenue	15,542	10,426	(5,116)		Margins - Generation	(\$59,438) (1)
Ancillary Service Revenue	26,152	16,770	(9,382)			
NTAC and Other	114,166	118,497	4,331			
Operating Revenue Total	1,526,929	1,260,107	(266,821)		Margins - Transmission	(24,259) (2)
Operating Expense					Margins - Non Utility	(5,485) (3)
Purchase Power	(374,294)	(250,203)	124,092			
Ancillary Service Expense	(34,133)	(29,662)	4,471			
Fuel Consumed	(99,162)	(55,682)	43,481			
Wheeling	(367,088)	(361,493)	5,596			
Operations & Maintenance	(347,484)	(324,421)	23,063			
Other Expense	(69,930)	(76,047)	(6,117)		Operating Expenses	21,176 (4)
Allocation to Capital	12,293	16,522	4,229			
Operating Expense Total	(1,279,799)	(1,080,984)	198,815			
EBIDA Total	247,130	179,123	(68,007)			(68,007)
<i>EBIDA NYPA</i>	<i>301,126</i>	<i>229,583</i>	<i>(71,543)</i>			
<i>EBIDA Canals</i>	<i>(53,996)</i>	<i>(50,460)</i>	<i>3,536</i>			
Non Operating						
Interest and Other Expenses						
Interest & Other Expenses	(70,402)	(70,146)	256			
Investment and Other Income	16,392	26,501	10,109			
Mark to Market Adjustments	(209)	(4,639)	(4,430)		Non-Operating Net	9,524 (5)
Depreciation	(153,146)	(149,558)	3,588			
Interest and Other Expenses Total	(207,366)	(197,842)	9,524			
NET INCOME	\$39,764	(\$18,719)	(\$58,483)			(\$58,483)

EBIDA: Earnings Before Interest Depreciation & Amortization



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Year-End Projection

In \$ Thousands	2020 Budget (\$)	2020 [6+6] (\$)	2020 Current (\$)	Variance (\$)
Net Operating Income				Current vs Budget
Operating Revenue				
Customer Revenue	\$1,786,465	\$1,653,806	\$1,647,251	(\$139,214)
Market-Based Power Sales	524,543	390,079	389,853	(134,690)
Non Utility Revenue	30,128	24,166	24,118	(6,009)
Ancillary Service Revenue	45,417	37,258	32,397	(13,019)
NTAC and Other	193,707	213,666	214,627	20,920
Operating Revenue Total	2,580,259	2,318,975	2,308,247	(272,012)
Operating Expense				
Purchase Power	(612,391)	(485,105)	(484,248)	128,143
Ancillary Service Expense	(58,270)	(54,441)	(53,830)	4,439
Fuel Consumed	(158,717)	(96,405)	(99,596)	59,121
Wheeling	(644,109)	(648,878)	(638,324)	5,785
Operations & Maintenance	(612,582)	(608,630)	(602,759)	9,823
Other Expense	(119,785)	(123,916)	(127,503)	(7,718)
Covid-19 Expense*	0	(6,337)	(8,450)	(8,450)
Allocation to Capital	22,156	24,696	26,108	3,952
Operating Expense Total	(2,183,698)	(1,999,016)	(1,988,602)	195,096
EBIDA Total	396,561	319,960	319,645	(76,917)
EBIDA NYPA	487,588	407,758	408,627	(78,961)
EBIDA Canals	(91,027)	(87,798)	(88,982)	2,045
Non Operating				
Interest and Other Expenses				
Interest & Other Expenses	(120,919)	(120,306)	(119,317)	1,602
Investment and Other Income	28,726	37,817	36,586	7,859
Mark to Market Adjustments	(359)	(5,503)	(4,993)	(4,634)
Depreciation	(262,536)	(258,918)	(258,749)	3,788
Interest and Other Expenses Total	(355,088)	(346,910)	(346,473)	8,615
NET INCOME	\$41,473	(\$43,381)	(\$56,828)	(\$68,302)
			Low Case	Mid-Point High Case

Margins - Generation** (\$55,613) ⁽⁶⁾

Margins - Transmission*** (12,830) ⁽⁷⁾

Margins - Non Utility (6,081) ⁽⁸⁾

** Includes Merchant Gross Margin Variance of (\$38,766):
Budget @ \$335,449 vs Current @ \$296,682

*** Includes RTEP payment of \$32,810

Operating Expenses (2,392) ⁽⁹⁾

Non-Operating Net 8,615 ⁽¹⁰⁾

EBIDA: Earnings Before Interest Depreciation & Amortization

*Covid-19: Expected incremental expenses into the forecast.



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Major drivers of the Projected Net Income Ranges

Low Case (\$56.8M) – potential **(\$30 million)** NI decrease from the mid-point, driven primarily by:

- Continued softening of market energy prices and the resulting lower than currently expected revenues from merchant energy sales.
- Potential increase of expenses related to NYPA's response to Covid.
- Increase in combined Pension and OPEB ("Other Post Employment Benefits") expenses driven by worse than expected performance of the New York State Pension fund investment returns and somewhat offset by better than expected results of NYPA's OPEB Trust Fund. Figures have not yet been finalized by the State.

Mid-Point (26.8M)

- At this point in time we believe the mid-point or better is more likely than the low case

High Case \$3.2M – potential **\$30 million** NI increase from the mid-point, driven primarily by:

- Improvement in market energy prices and increased generation from the hydro and merchant fossil units.
- Continued efforts to reduce operating expenses due to modified operations, in response to Covid.
- Potential increase in revenues related to the Energy Efficiency operations should capital projects be completed earlier than currently forecasted.
- Lower than projected Interest Expenses due to a lower interest rate environment than was in the financial plan.

Change in the underlying drivers since the 6+6 forecast is the downside risk of the merchant revenue has decreased but offset by increased risk of uncontrollable pension and OPEB expense. We expect the bands to narrow in future months.

Financial Impacts of Covid: \$59 million

Margins: \$29.5 million

- As overall electricity demand across the State and the country has declined this year due to the slowdown in industrial and commercial operations related to Covid, so have prices and NYPA's margins.
- Effect was exacerbated by an unseasonably warm winter in early 2020, a collapse of fossil fuel prices, and an oversupply of gas.

Direct Costs of Covid: \$8.5 million in non-reimbursable expenses

- Expectation of approximately \$20 million in total expenses related to Covid in 2020 for: labor, shelter-in-place, cleaning and sanitization, personal protective equipment, communications, state support, personnel testing, building improvements, and return-to-work precautionary measures. *Excludes capital expenses.*
- Projected FEMA reimbursements of \$11.5 million, leaving \$8.5 million as a net NYPA expense.

Labor to Capital: \$14.5 million

- NYPA employees working on capital projects allocate a portion of their time directly to those projects, and their salaries then move from being an O&M expense to being charged to capital.
- The "pause" in work resulted in an estimated decrease in capital projects being completed in 2020 from \$537 million to \$391 million, causing \$14.5 million to flow back to O&M from Budgeted levels.

Economic Development Relief: \$800,000

- Economic development customer rate increase waived in 2020.

Energy Efficiency: \$6 million

- 12% decline in projected completion of Energy efficiency projects.



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Canal Operations – Status Update

David Mellen



Deputy Director of Canal Corporation

September 23, 2020

Canal Operations Summary

- October 14th – End of 2020 Navigation Season
- Overview - Winter Work Plans
- 2020 Accomplishments & Challenges
 - COVID related impacts*
 - Empire State Trail program & other work*
 - Pump Out improvements*
 - Public & Employee Safety*

2020 Canals Budget July Actuals

	2020 Annual Budget ¹	YTD Budget	YTD Actuals	YTD Variance		Year-End Forecast	Year-End Variance		Status
Operations & Maintenance	91,027	55,367	52,049	3,318	6%	88,982	2,045	2%	
Capital	70,039	40,095	22,675	17,520	44%	48,839	21,200	30%	

*Top 5 Capital Project Reductions:

Embankment Rehab Program - \$3.7m

Rochester West River Wall - \$3m

EEP – Albion - \$2.4m

Brockville Waste Weir & Culvert - \$2m

Harrison Spillway - \$1.7m

Court Street Dam Rehab - \$1.5m



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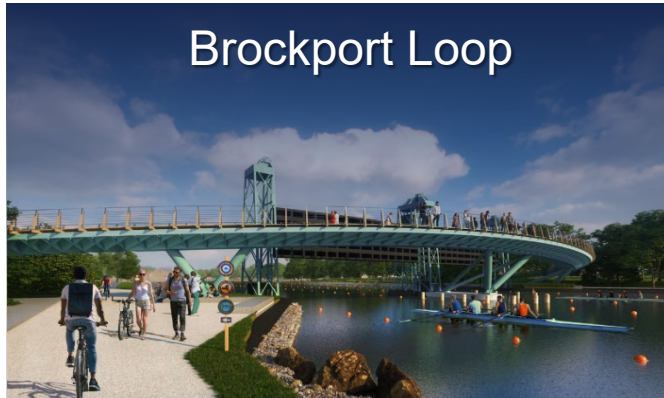
Reimagine the Canals – Status Update

Angelyn Chandler

Vice President – Planning, Empire Line

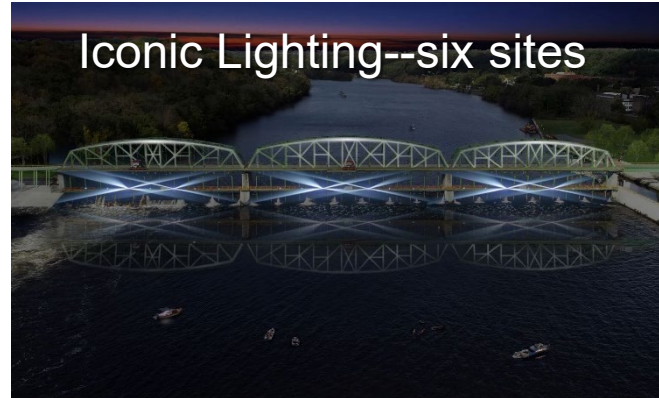
September 23, 2020

Five Economic Development Projects



Brockport Loop

- Designers selected
- Design to begin Fall 2020



Iconic Lighting--six sites

- In design on 5 sites
- 6th site--Fairport in construction for November 2020 completion



Cayuga Watercourse

- Preparing design RFP for Fall 2020 release



Guy Park Manor--Amsterdam

- Concept design will be complete November 2020



Canastota Pocket Neighborhood

- Interviewing three developers

Resilience Projects and Reimagine Programs

■ Resilience



- Ice jam model development in progress



- Amphibious dredge on track for Dec 2020 delivery
- Rental ice breaker in procurement for Dec 2020



- Pilot fishing program underway for Fall 2020
- Irrigation incentive program in development
- Preparing design RFP for Albion waste weir modifications

■ Staycations

- 124,000+ website hits
- Reach estimated at 1.2M people
- Total 2800 participants
- “Sold out” situations

THE SUNDAY GAZETTE **REGIONAL** SECTION C
SUNDAY, JULY 19, 2020

SCHENECTADY COUNTY

Free kayak, bike rentals boost canal staycations

BY JOHN CROPLEY
Business Editor

Free kayak and bike rentals are being offered this summer along the Erie Canal in Schenectady and Niskayuna. It's a loop, paddling from Mohawk Harbor to the Rexford Bridge and pedaling back. Similar excursions are being offered elsewhere on the canal system to let people enjoy the outdoors without journeying too far from home amid a public health crisis.

The demand is there — kayaks are in short supply at some retailers and new bicycles are even harder to find. After months cooped up because of winter, and several weeks inside due to COVID-19 precautions, people want to get outside.

The New York State Canal Corp. is promoting excursions at six places along the canal system as staycation opportunities. Schenectady/Niskayuna and three other hubs feature free rentals; Saratoga/Schuylerville and one other do not.

SCHENECTADY

In Schenectady County, anyone can reserve a kayak through the website of Upstate Kayak Rentals, which operates a rental fleet at Mohawk Harbor.

Cassie Smith, seated, is helped onto the launch ramp by Tom Chase as her father, Scott Smith, right, of Niskayuna watches at Mohawk Harbor on Friday. Upstate Kayak Rentals operates a fleet at the location.

PETER R. BARBER/
STAFF PHOTOGRAPHER



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Risk Management Update

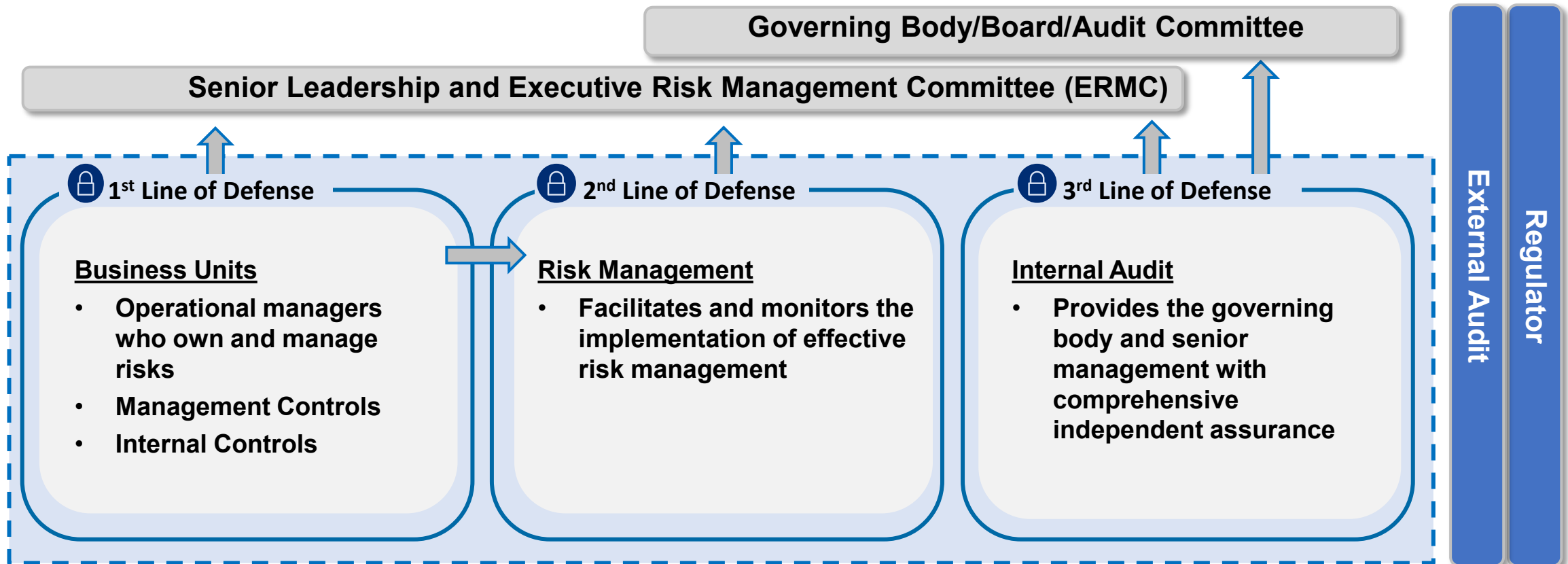
Thomas Spencer

Senior Director of Risk Management

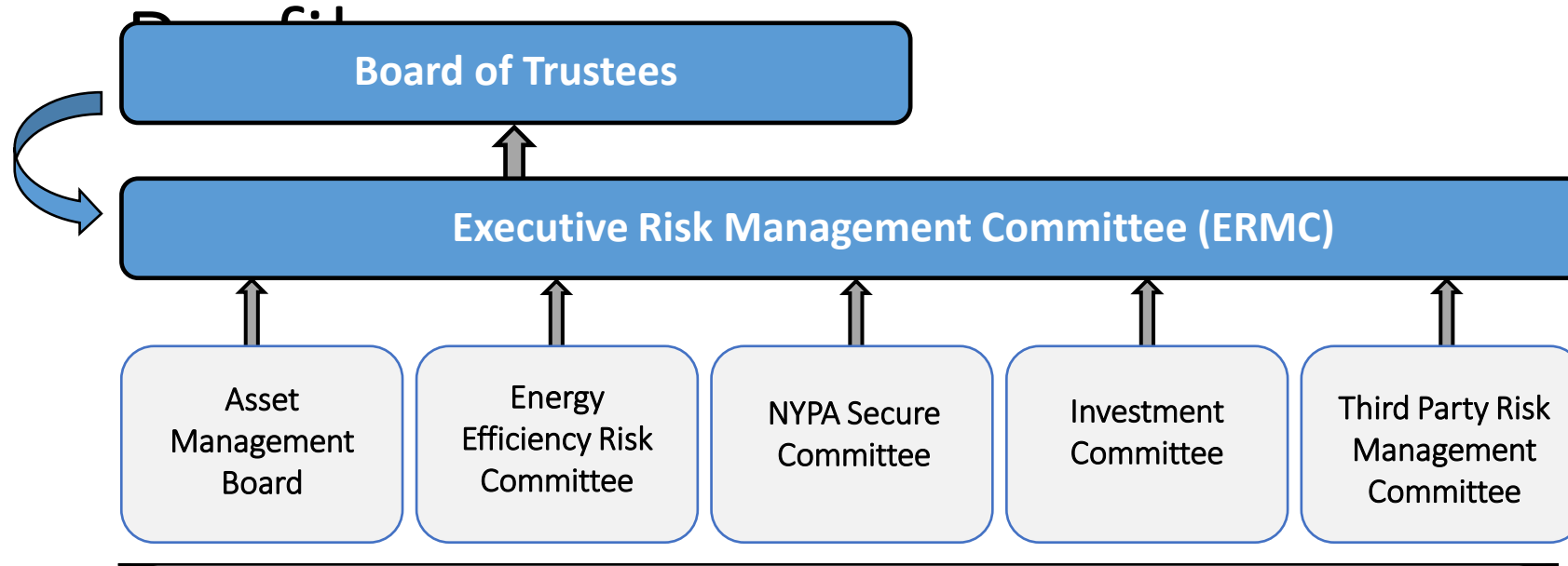
September 23, 2020

Risk Governance Structure at NYPA

Escalation Path



Visibility and Transparency Into NYPA's Risk



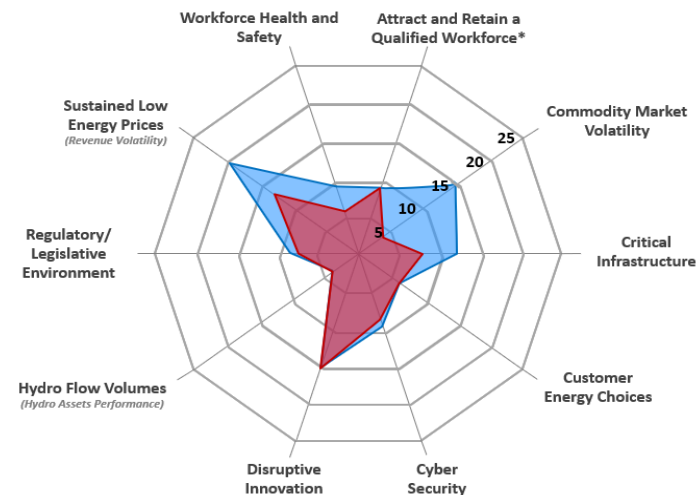
- The ERMCI discusses enterprise level risks on a monthly basis which includes reports from multiple individual risk committees
- Findings are escalated and reported back to the Board of Trustees as needed

Members

- Adam Barsky
- Justin Driscoll
- Joseph Kessler
- Sarah Salati
- Yves Noel
- Kristine Pizzo
- Soubhagya Parija*

*Non-voting

NYPA and Canals Enterprise Risk Profile



NYPDA Faces the Same Challenges

NYPA	North Carolina State University – Poole College of Management Global Survey	Aon Global Risk Survey
Attract and Retain a Qualified Workforce	Impact of regulatory change and scrutiny on operational resilience, products and services	Economic slowdown/recovery
Business Continuity	Economic conditions impacting growth	Damage to reputation/brand
Commodity Market Volatility	Succession challenges; ability to attract and retain top talent	Accelerated rates of change in market factors
Critical Infrastructure	Ability to compete with “born digital” and other competitors	Business interruption
Customer Energy Choice	Resistance to change operations	Increasing competition
Cyber Security	Cyber security threats	Cyber attacks/data breach
Disruptive Innovation	Privacy/Identify Management and information security	Commodity price risk
Hydro Generation	Sustaining customer loyalty and retention	Cash flow/liquidity risk
Regulatory/Legislative	Organization’s culture may not sufficiently encourage timely identification and escalation of risk issues	Failure to innovate/meet customer needs
Sustain Margin Reduction	Adoption of digital technologies may require new skills of significant efforts to upskill/reskill existing employees	Regulatory/Legislative changes
Workforce Health and Safety		Failure to attract or retain top talent

- Benchmarked against global surveys polling over 1,000 multi-industry executives and risk professionals
- NYPA’s Top Enterprise risks are well-aligned with the benchmark surveys and LPPC members
- Across industries top risk focus is on:
 - Talent Management
 - Culture and Change Management
 - Cyber Security
 - Disruptive Innovation

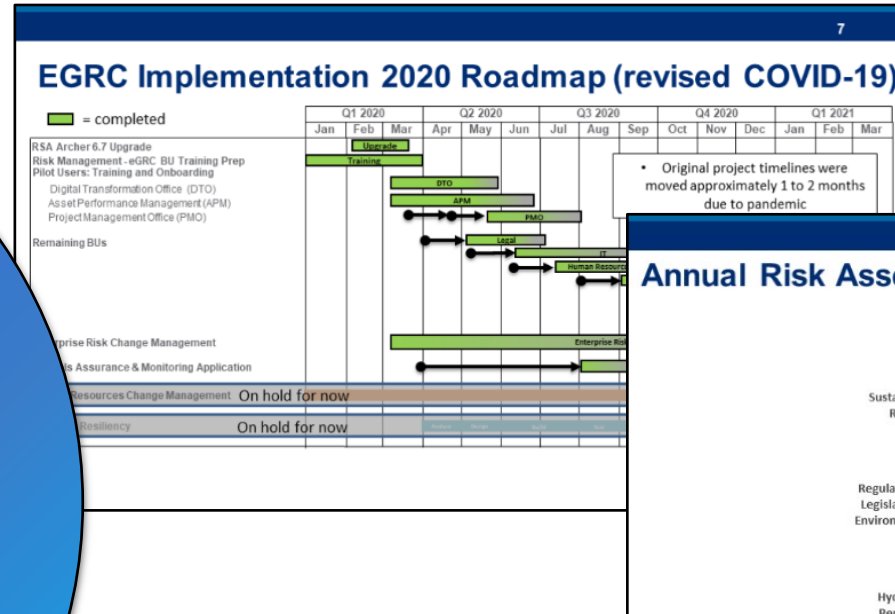
☐ = Risks with direct alignment across benchmarks

☐ = Risks without direct alignment across benchmarks

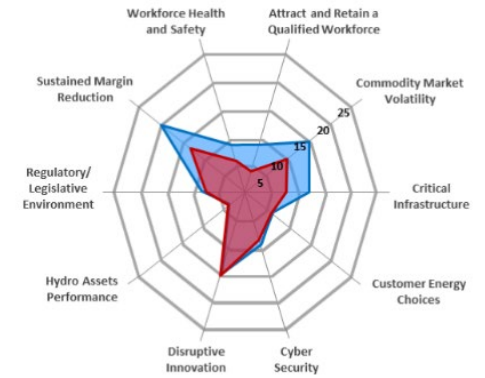
Addressing Those Challenges With Risk Management

Key Risk Initiatives

- EGRC Training and Adaptation
- Annual Risk Assessment
- Key Risk Indicator Update
- Annual Insurance Portfolio Risk Review
- Owner Controlled Insurance Program (OCIP)
- Risk consultation and review within the parameters of climate change
- Hedging Strategy; Monitoring and Governance
- Enterprise Wide Credit Program
- Model Risk Governance



Annual Risk Assessment



Key Risk Indicators

11

Key Risk Indicator	Current Metric	Threshold	Comments/Action Steps
Liquidity Headroom (includes available Credit Lines)	344	<ul style="list-style-type: none"> ≥ 150 days 100 to 149 days < 100 days 	
Prompt Year Hedge Target (Energy)	58.8%	<ul style="list-style-type: none"> ≥ 57% 48% to 56% < 48% 	
Prompt Year Hedge Target (Capacity)	25.4%	<ul style="list-style-type: none"> ≥ 53% 25% to 52% < 25% 	Transitioning to new Hedging strategy, capacity is typically trading in winter and summer capability periods, so market is less liquid
Balance of the Year Commodity Prices (Zone A: \$/MWh)	93.8%	<ul style="list-style-type: none"> > 90% of budget 70% to 90% of budget < 70% of budget 	
Forecasted Net Generation From Hydro Flows (NIA and STL)	117%	<ul style="list-style-type: none"> > 90% of budget 70% to 90% of budget < 70% of budget 	
Monthly Fixed-Charge Coverage Ratio (FCCR)	1.68x	<ul style="list-style-type: none"> ≥ 1.9x 1.5x to 1.89x < 1.5x 	Below target due to lower market prices and the resulting decrease of projected market-based power sales, lower than budgeted Energy Efficiency revenue and projected increased expenses related to the COVID-19 response.



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