

**MINUTES OF THE REGULAR MEETING
OF THE
FINANCE COMMITTEE
January 31, 2017**

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
Introduction	2	
1. Adoption of the January 31, 2017 Proposed Meeting Agenda	3	
2. Motion to Conduct an Executive Session	4	
3. Motion to Resume Meeting in Open Session	5	
4. CONSENT AGENDA:	6	
a. Approval of the Regular Meeting held on September 27, 2016, Special Meeting held on November 7, 2016 and Special Meeting held on December 14, 2016.	7	
5. DISCUSSION AGENDA:	8	
a. Amended 2017 Power Authority Budgets Resolution	8	5a-A - 5a-E
6. Next Meeting	11	
Closing	12	

Minutes of the regular meeting of the New York Power Authority's Finance Committee held at the Authority's offices at 123 Main Street, White Plains, New York at approximately 9:00 a.m.

Members of the Finance Committee present were:

Tracy B. McKibben, Chair
John R. Koelmel
Eugene L. Nicandri
Dr. Anne M. Kress
Anthony Picente, Jr.

Also in attendance were:

Gil Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Robert Lurie	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Jill Anderson	Executive Vice President and Chief Commercial Officer
Soubhagya Parija	Senior Vice President and Chief Risk Officer
Kimberly Harriman	Senior Vice President – Corporate and Public Affairs
Karen Delince	Vice President and Corporate Secretary
Anne Reasoner	Vice President - Budgets and Business Controls
John Canale	Vice President - Strategic Supply Management
Thomas Concadoro	Vice President and Controller
Scott Tetenman	Vice President – Finance
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary
Howard Goebel	Canal Corporation
Randal E. Kreus	Canal Corporation

Chairperson Tracy McKibben presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairperson Tracy McKibben welcomed committee members and the Authority's senior staff to the meeting. She said the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to Section B(4) of the Finance Committee Charter.

1. **Adoption of the January 31, 2017 Proposed Meeting Agenda**

Upon motion made by Authority Chairman Koelmel and seconded by Vice Chairman Nicandri, the agenda for the meeting was adopted.

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

I move that the Authority and Canal Corporation Finance Committee conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 to discuss matters leading to the promotion or removal of a particular person.

Upon motion made by Vice Chairman Nicandri and seconded by Authority Chairman Koelmel, an Executive Session was held.

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

I move to resume the meeting in Open Session. Upon motion made by Authority Chairman Koelmel and seconded by Vice Chairman Nicandri, the meeting resumed in Open Session.

4. CONSENT AGENDA:

Upon motion made by Vice Chairman Nicandri and seconded by Authority Chairman Koelmel, the agenda for the meeting was adopted.

a. Approval of the Minutes

The Minutes of the Committee's Regular Meeting held on September 27, 2016, and Special Meetings held on November 7, 2016 and December 14, 2016, were unanimously approved.

5. DISCUSSION AGENDA:

a. Amended 2017 Power Authority Budgets

The Executive Vice President and Chief Financial Officer submitted the following report:

"SUMMARY"

The Trustees will be requested at their January 31, 2017 meeting to approve the Amended 2017 Budgets for the Power Authority, specifically including the expenditures for the (i) Amended 2017 Operations and Maintenance ('O&M') Budget (attached as Exhibit '5a-A'), (ii) Amended 2017 Capital Budget (attached as Exhibit '5a-B'), (iii) 2017 Energy Services Budget (attached as Exhibit '5a-C') and (iv) 2017 Canal Development Fund Budget (collectively, with Exhibits '5a-A', '5a-B', and '5a-C', the 'Amended 2017 Power Authority Budgets').

The Amended 2017 Power Authority Budgets set forth the expected expenses of the Authority and include the recommended expenditures in the following amounts:

<u>Amended 2017 Power Authority Budgets</u>	<u>(\$ million)</u>
O&M	\$ 559.5
Capital	\$ 319.4
Energy Services	\$ 208.5
Canal Development Fund	\$ 3.1

At the December 15, 2016 meeting, the Trustees approved the 2017 Power Authority Budgets, which did not include budget information relating to the Canal Corporation since it was not under the Power Authority's jurisdiction at the time. The Amended 2017 Power Authority Budgets include the budget information of the Canal Corporation and are intended to replace the 2017 Power Authority Budgets.

As compared to the 2017 Power Authority Budgets, these figures represent (i) an increase of \$84.3 million for O&M expenses, (ii) an increase of \$60.5 million in Capital expenses and (iii) the addition of \$3.1 million in Canal Development Fund expenses. The Amended 2017 Power Authority Budgets are inclusive of expenses relating to the operation of the Canal Corporation (i) for the period from January 1, 2017 through January 31, 2017, for which the Trustees had authorized the release of up to \$14.0 million in funding at the December 15, 2016 meeting and (ii) for the period from February 1, 2017 through March 31, 2017, for which the Trustees are being asked to authorize the release of up to \$15.0 million in funding at their January 2017 meeting.

The Finance Committee is requested to recommend to the Trustees the approval of the Amended 2017 Power Authority Budgets.

BACKGROUND

Legislation was enacted on April 4, 2016 which provides for the transfer of the New York State Canal Corporation (the 'Canal Corporation'), and responsibility for certain management responsibilities regarding the New York State Canal System, from the New York State Thruway Authority to the Power Authority, effective January 1, 2017. The Amended 2017 Power Authority Budgets include expenses of the Power Authority and the Canal Corporation.

The Amended 2017 Power Authority Budgets are intended to provide the Power Authority's operating facilities with, and support organizations by providing, the resources needed to meet the Power Authority's overall mission and strategic objectives, and to fund the expenses of the Canal Corporation. Any transfers of funds from the Power Authority to the Canal Corporation would be subject to compliance with the Power Authority's General Resolution Authorizing Revenue Obligations, as amended and

supplemented. Canal Development Fund expenses are expected to be reimbursed to the Power Authority by the State Comptroller with moneys held in the New York State Canal System Development Fund as discussed in the attached Canal Corporation Budget memorandum (Exhibit '5a-E').

In approving the Amended 2017 Power Authority Budgets, the Trustees will be authorizing spending for 2017 operations, spending for capital projects, and spending for general plant purchases of \$750,000 or less. The 2017 Power Authority Budgets includes requests for 60 new positions (20 positions pooled and funded in a cost center under the Executive Office, 15 positions with no funding and 25 positions embedded in specific departments and funded accordingly).

In accordance with the Power Authority's Expenditure Authorization Procedures, the President and Chief Executive Officer may, during the course of the year, authorize an additional 1.0% in the O&M Budget, up to 15 new positions, capital projects of \$3 million or less, or an increase in spending of no more than \$1 million to a capital project previously approved by the Trustees. All other spending authorizations must be approved by the Trustees.

DISCUSSION & FISCAL INFORMATION

Copies of the 2017 Power Authority Budgets memorandum presented to the Trustees in the December 2016 Trustee meeting (attached as Exhibit '5a-D') and the 2017 Canal Corporation Budget being presented to the Canal Corporation Board of Directors at the January 2017 Canal Corporation Board of Directors meeting (attached as Exhibit '5a-E') are attached to this document to provide Discussion and Fiscal Information detail.

REQUESTED ACTION

It is requested that the Finance Committee recommend that the Trustees approve the Amended 2017 Power Authority Budgets, specifically including the expenditures for the (i) Amended 2017 Operations and Maintenance Budget, (ii) Amended 2017 Capital Budget, (iii) 2017 Energy Services Budget and (iv) 2017 Canal Development Fund Budget, each as discussed herein.

In connection with the 2017 Amended Capital Budget, it is requested that the Finance Committee recommend that the Trustees authorize the transfer of up to \$318.9 million from the Operating Fund to the Capital Fund, subject to compliance with the General Resolution Authorizing Revenue Obligations, as amended and supplemented.

For the reasons stated, I recommend the approval of the above-requested actions by adoption of a resolution in the form of the attached draft resolution."

Mr. Lurie provided highlights of staff's recommendation to the Committee. He said now that the Authority legally owns the Canal Corporation the Authority needs to amend its budget to include the Canal Corporation's budget. In addition to the O&M and capital expenses, there is also a legal requirement for the Board to adopt the budget for the Canal Development Fund which is the fund through which Canal revenues are expensed for the limited purposes authorized by State such as marketing and community affairs.

The Board has to formally adopt the amended budget so that the Authority can file its budget with the Controller's office and other appropriate authorities.

In response to a question from Chairperson McKibben, Mr. Lurie said that the development fund is from revenues from Canal Corporation it is not supported by any additional contribution from the Authority.

In response to a question from Authority Chairman Koelmel, Mr. Lurie said that the budget plan for 2017 presented to the Board is appropriate and there are no issues that need to be revisited by the Board.

Upon motion made by Vice Chairman Nicandri and seconded by Authority Chairman Koelmel, the following resolution, as submitted by the Executive Vice President and Chief Financial Officer, was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Authority Trustees approve the Amended 2017 Power Authority Budgets, specifically including the expenditures for the (i) Amended 2017 Operations and Maintenance Budget, (ii) Amended 2017 Capital Budget, (iii) 2017 Energy Services Budget and (iv) 2017 Canal Development Fund Budget, each as discussed in the foregoing report of the President and Chief Executive Officer, are hereby approved; and be it further

RESOLVED, That the Finance Committee recommends that the Authority Trustees authorize up to \$318.9 million of monies in the Operating Fund to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations as amended and supplemented, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer.

6. **Next Meeting**

Chairperson McKibben said that the next regular meeting of the Finance Committee is to be determined.

Closing

Upon motion made by Authority Chairman Koelmel and seconded by Vice Chairman Nicandri, the meeting was adjourned by the Chair at approximately 9:20 a.m.

Karen Delince

Karen Delince
Corporate Secretary

FINANCE COMMITTEE

EXHIBITS

For

January 31, 2017

Meeting Minutes

**MINUTES OF THE
SPECIAL FINANCE COMMITTEE MEETING
OF THE POWER AUTHORITY OF THE STATE OF NEW YORK**

November 7, 2016

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
Introduction	2	
1. Adoption of the November 7, 2016 Proposed Special Meeting Agenda	3	
Discussion Agenda:	4	
2. Eleventh Supplemental Resolution Authorizing 2016 Revenue Bonds Resolution	4	
3. Adjustment of Payment Schedule for the Niagara Relicensing Settlement Agreement State Parks Greenway Fund and Authorization of the Issuance of the 2016 Subordinated Notes	7	3-A; 3-B
4. Next Meeting	10	
Closing	11	

Minutes of the special meeting of the New York Power Authority's Finance Committee held at the Authority's offices at 123 Main Street, White Plains, New York at approximately 12:00 p.m.

Members of the Finance Committee present were:

Tracy B. McKibben, Chair
John R. Koelmel
Eugene L. Nicandri
Anne M. Kress
Anthony Picente, Jr.

Also in attendance were:

Gil Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Robert Lurie	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Subhagya Parija	Senior Vice President and Chief Risk Officer
Kimberly Harriman	Senior Vice President – Corporate and Public Affairs
Karen Delince	Vice President and Corporate Secretary
Scott Tetenman	Vice President – Finance
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary

Chairperson Tracy McKibben presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairperson Tracy McKibben welcomed committee members and the Authority's senior staff to the special meeting. She said the special meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to Section B(4) of the Finance Committee Charter.

1. **Adoption of the November 7, 2016 Proposed Special Meeting Agenda**

Upon motion made by Authority Chairman Koelmel and seconded by Trustee Picente, the agenda for the special meeting was adopted.

Discussion Agenda:

2. Eleventh Supplemental Resolution Authorizing 2016 Revenue Bonds

The Treasurer submitted the following report:

"Below is a summary of the actions to be put before the Board of Trustees at the November 7, 2016 meeting in connection with the issuance of the Series 2016 Revenue Bonds ('Series 2016 Bonds'). The Committee is requested to recommend adoption by the Board of Trustees of the related resolutions.

A. SERIES 2016 REVENUE BONDS

The Staff of the Authority proposes the issuance of the Series 2016 Bonds, in multiple series in an aggregate principal amount not to exceed \$475,000,000 million, for the purpose of (i) refunding up to \$82,025,000 million of the Authority's Series 2007 A Revenue Bonds; (ii) refunding up to \$ 176,295,000 million of the Authority's Series 2007 C Revenue Bonds; (iii) finance certain costs associated with the life extension and modernization project relating to the Authority's power transmission system; (iv) finance certain costs associated with the life extension and modernization project relating to the Authority's Lewiston Pump Generating Plant; and (v) pay the costs of issuance of the Series 2016 Bonds.

The Series 2016 Bonds would be issued as senior lien revenue bonds under the Authority's General Resolution Authorizing Revenue Obligations, adopted February 24, 1998, as amended and supplemented. The Authority proposes to issue the Series 2016 Bonds simultaneously or at different times and as taxable, tax-exempt, fixed rate or variable rate bonds or a combination thereof. Alternatively, costs necessary to refund the Series 2007 C Bonds may be obtained pursuant to a loan or other financing agreement with one of the underwriters.

B. THE RESOLUTIONS

A summary of the principal terms of the resolutions to be put before the Board of Trustees for consideration is set forth below:

1) Eleventh Supplemental Resolution

Adoption of the Eleventh Supplemental Resolution Authorizing Series 2016 Revenue Bonds ('Eleventh Supplemental Resolution'), which authorizes the issuance of the Series 2016 Bonds, in an aggregate principal amount not to exceed \$475,000,000 million, to refund the Authority's Series 2007 A and Series 2007 C Revenue Bonds, finance certain costs associated with the Authority's life extension and modernization programs, and pay the costs of issuance of the Series 2016 Bonds.

2) 2016 Bonds

- a) The sale of the Series 2016 Bonds to one or more underwriters as may be selected by the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer from the prequalified underwriting pool approved by the Trustees at their July 29, 2014 Board meeting, at such prices as any such officer may accept and as will be in compliance with the requirements of the Eleventh Supplemental Resolution is authorized.

- b) The Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer and other specified officers to execute a Contract of Purchase, Forward Purchase or Delivery Agreement, providing for the sale of the Series 2016 Bonds to such underwriters, a Continuing Disclosure Agreement with The Bank of New York Mellon relating to the Series 2016 Bonds and miscellaneous other documents and instruments is authorized. The execution and delivery by the above-mentioned officers of a loan agreement and miscellaneous other documents and instruments and instruments with respect to the refunding of the Authority's Series 2007 C Bonds in lieu of the sale of the Series 2016 Bonds to the underwriters for resale to investors for such purpose is authorized.
- c) The Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer and other specified officers are authorized to approve the issuance of the Preliminary Official Statement and final Official Statement relating to the Series 2016 Bonds.

3) Registrar and Paying Agent

The Bank of New York Mellon is appointed as Registrar and Paying Agent for the Series 2016 Bonds.

RECOMMENDATION:

For the reasons stated, I recommend approval of the above requested action by adoption of a resolution in the form of the attached draft resolution."

Mr. Brian McElroy provided highlights of staff's recommendations to the Committee. In response to a question from Trustee McKibben, Mr. McElroy said that based on tax regulations the Authority can advance refund a series of bonds only once. The 2007C bonds were already advance refunded; therefore, the Authority actually cannot refund those bonds until November of 2017. The Authority is prohibited from refunding those at this time unless it uses the taxable markets or enter into a forward delivery of tax exempt bonds in 2017.

In response to further questioning from Trustee McKibben, Mr. McElroy said that the interest rate for the 2007A and 2007C bonds are currently between four and five percent.

In response to still further questioning from Trustee McKibben, Mr. McElroy said the underwriters are Wells Fargo, JP Morgan Securities, Morgan Stanley, Ramirez, and Siebert Cisneros.

In response to a question from Authority Chairman Koelmel, Mr. McElroy said the \$350-375 million includes the 25 basis points hike and the 10-15 million of savings reflect the expected rate.

Upon motion made by Authority Chairman Koelmel and seconded by Trustee Kress, the following resolution as submitted by the Treasurer was unanimously adopted.

RESOLVED, that the Finance Committee recommends that the Board of Trustees approve the 2016 plan of finance and its related resolutions, as discussed in the foregoing report of the Treasurer, at the Board's November 7, 2016 meeting.

3. Adjustment of Payment Schedule for the Niagara Relicensing Settlement Agreement State Parks Greenway Fund and Authorization of the Issuance of the 2016 Subordinated Notes

The Treasurer submitted the following report:

SUMMARY

The Trustees will be requested at their November 7, 2016 meeting to approve the issuance of the 2016 Subordinated Notes ('2016 Notes') to be funded, as described below, by a second adjustment to the payment schedule for the Niagara Relicensing Settlement Agreement State Parks Greenway Fund pursuant to the terms of the Relicensing Settlement Agreement entered into by the Authority and the New York State Office of Parks, Recreation and Historic Preservation ('OPRHP') at the request of OPRHP. The Finance Committee is requested to recommend to the Trustees adoption of the related resolutions.

BACKGROUND

On July 18, 2005, the Authority executed the Relicensing Settlement Agreement Addressing New License Terms and Conditions ('Settlement Agreement') entered into by several parties to the relicensing of the Niagara Project, including OPRHP. Section 3.1 of Appendix E of the Settlement Agreement provides for the establishment of a Niagara Relicensing Settlement Agreement State Parks Greenway Fund ('State Parks Greenway Fund'), which is to be funded by the Authority in the amount of \$3 million per year for the term of the 50-year License. The State Parks Greenway Fund was established to support the construction and/or rehabilitation of parks, recreation and related facilities in and around the Niagara River Greenway.

The Settlement Agreement further provides that the Authority may elect to adjust the schedule of payments after consultation with OPRHP. OPRHP, in order to accelerate the funding of certain projects it wants to complete in the region, has requested that the Authority make an adjustment to the schedule of payments as allowed under the terms of the Settlement Agreement. Specifically, OPRHP has identified an additional approximately \$25 million of qualifying improvements it wishes to make in the next few years. In 2012, OPRHP identified and NYPA funded approximately \$25 million in qualifying improvements through the transaction described below.

PRIOR TRANSACTION

In 2012, OPRHP initially requested that the Authority consider accelerating approximately half of the \$3 million annual payments over a period of up to twenty-five years to provide an accelerated lump-sum amount such that the present value of the revised payment stream would be the same as in the original agreement, as required by the terms of the Settlement Agreement. However, the discount rate required by the Settlement Agreement was somewhat higher than borrowing rates in effect at the time. As a more cost-effective alternative, OPRHP requested that the Authority consider issuing Notes to a third-party investor for which the proceeds may be deposited into the State Parks Greenway Fund and a portion of the Authority's annual payments which would otherwise be deposited to the State Parks Greenway Fund would be used to repay the Notes. The New York State Environmental Facilities Corporation ('EFC') was identified as the purchaser of such notes. Pursuant to a Note Purchase Agreement between EFC and the Authority, the Authority sold its 2012 Subordinated Notes in the aggregate principal amount of \$25,160,000 (the '2012 Notes') to EFC.

The net proceeds received by the Authority were deposited into the State Parks Greenway Fund and made available for qualifying projects as set forth in the Section 3 of Appendix E of the Settlement Agreement. The Authority continued to make \$3 million per year available for the State Parks Greenway Fund for the term of the License with the payment schedule adjusted to reflect the use of a portion of the \$3 million provided each year for twenty-five years to pay the debt service associated with the 2012

Notes. After the payment of the debt service (approximately \$1.5 million per year), the remainder of the annual \$3 million amount has been deposited into the State Parks Greenway Fund and made available for qualifying projects.

NEW TRANSACTION - DISCUSSION

OPRHP has recently requested that the Authority consider accelerating the remaining half of the \$3 million annual payments over a period of twenty years and a portion of the \$3 million annual payments in years twenty-one to twenty-five to provide a lump-sum amount payable now such that the present value of the revised payment stream would be the same as in the original agreement, as required by the terms of the Settlement Agreement. However, the discount rate required by the Settlement Agreement continues to be somewhat higher than today's borrowing rates. As a more cost-effective alternative, OPRHP requested that the Authority consider repeating the transaction with EFC, structured substantially similar to the transaction by which the Authority issued its 2012 Notes. Pursuant to a Note Purchase Agreement between EFC and the Authority (a draft of which is attached as Exhibit '3-A'), EFC has advised that it would purchase the 2016 Notes and that it expects to hold the 2016 Notes in its portfolio as an authorized investment. In order to permit the 2016 Notes to be delivered through DTC's 'book-entry only' system, the Authority may need to enter into a placement or other agreement with a broker dealer or other financial institution to be selected by the Authority's Executive Vice President and Chief Financial Officer or Treasurer. The Authority may also prepare a placement memorandum or other offering document to be delivered to EFC which will describe the terms of the 2016 Notes or incorporate financial and operating information relating to the Authority. Such financial and operating information is expected to be comparable to the information proposed to be included in the official statement to be delivered in connection with the Authority's senior lien bonds authorized at this meeting.

The Authority would issue the 2016 Notes pursuant to a Resolution Authorizing Subordinated Notes Series 2016 (Federally Taxable), attached hereto as Exhibit '3-B.' Approval of certain provisions of such resolution by the State Comptroller under Section 1010-a of the Power Authority Act will be sought. Similar provisions in the resolution authorizing the 2012 Notes were so approved.

The Authority's financial advisor, Public Financial Management, will advise Authority staff and verify the reasonableness of the interest rates employed in the transaction. Upon the execution and closing of the sale, the net proceeds received by the Authority shall immediately be deposited into the State Parks Greenway Fund and made available for qualifying projects as set forth in the Section 3 of Appendix E of the Settlement Agreement. The Authority will continue to make \$3 million per year available for the State Parks Greenway Fund for the term of the License with the payment schedule adjusted to reflect the use of the \$3 million provided each year for up to twenty five years to pay the debt service associated with the 2012 Notes and the 2016 Notes. After the payment of the debt service, all the remainder of the annual \$3 million amount will be deposited into the State Parks Greenway Fund and made available for qualifying projects.

FISCAL INFORMATION

The fiscal impact on the Authority is negligible. The transaction is revenue neutral to the Authority and would result in only a nominal increase to the amount of the Authority's subordinated debt outstanding. The Authority is currently obligated to make the \$3 million per year payment under the Relicensing Settlement Agreement. A portion of these payments will be used to pay debt service on the 2012 Notes and 2016 Notes.

REQUESTED ACTION

It is requested that the Finance Committee recommend that the Authority's Trustees adopt the necessary resolutions authorizing the issuance of the 2016 Subordinated Notes to be funded by such adjusted payment schedule."

Mr. Brian McElroy provided highlights of staff's recommendations to the Committee. In response to a question from Trustee McKibben, Mr. McElroy said that the original discount rate used in the Settlement Agreement was approximately 6.25 percent. In a private sale, such as that used to accelerate the funding to the New York State Environmental Facilities Corporation, the interest rate would be approximately 3.5 percent; and they would save about \$7 million in proceeds by going to the private market or the public market versus the Authority discounting their payments and providing them a cash amount. Mr. Lurie added that the Authority's cash-flow is the same; it is making the same payments over time.

In response to a question from Authority Chairman Koelmel, Mr. McElroy said after the 2012 and 2016 transactions they will still have approximately \$30 million in payments that the Authority will owe them.

In response to further questioning from Authority Chairman Koelmel, Mr. McElroy said this transaction is separate from monies for the Erie Canal Development Corporation to fund the Canal site operations.

In response to another question from Authority Chairman Koelmel, Mr. Driscoll said the Trustees do not have any fiduciary responsibility to evaluate the optimal use of the funds. The Park Department is obligated to dispense the funds. Mr. McElroy added that, as part of the agreement, they are required to provide the Authority with a list of projects they plan to implement for the Authority's review.

Upon motion made by Authority Chairman Koelmel and seconded by Trustee Nicnadri, the following resolution as submitted by the Treasurer was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Authority's Trustees adopt the necessary resolutions authorizing the issuance of Subordinated Notes, Series 2016 (Federally Taxable), substantially in the form as attached hereto as Exhibit "3-B," as discussed in the foregoing report of the Treasurer.

4. **Next Meeting**

Chairperson McKibben said that the next regular meeting of the Finance Committee is to be determined.

Closing

Upon motion made by Trustee Nicandri and seconded by Trustee Authority Chairman Koelmel, the meeting was adjourned by the Chair at approximately 12:30 p.m.

Karen Delince

Karen Delince
Corporate Secretary

FINANCE COMMITTEE

EXHIBITS

For

November 7, 2016

Special

Meeting Minutes

\$ _____
POWER AUTHORITY OF THE STATE OF NEW YORK
2016 Subordinated Notes

NOTE PURCHASE AGREEMENT

(Date of Closing or Sale)

POWER AUTHORITY OF THE
STATE OF NEW YORK
123 Main Street
White Plains, New York 10601

Dear Ladies and Gentlemen:

The undersigned, New York State Environmental Facilities Corporation (the "Purchaser"), offers to enter into the following agreement with the Power Authority of the State of New York (the "Authority") relating to the \$ _____ aggregate principal amount of the Authority's 2016 Subordinated Notes (the "Notes"). The offer made hereby is subject to acceptance by the Authority by execution of this Note Purchase Agreement and delivery thereof to the undersigned at or prior to 5:00 P.M., New York time, on the date first above written. Upon acceptance of such offer by the Authority, this Note Purchase Agreement will be binding upon the Authority and the Purchaser.

1. Purchase and Sale

In reliance on the representations and warranties of the Authority contained herein and subject to the satisfaction of the terms and conditions which can be performed at or prior to the Closing (as defined herein) set forth herein to which the obligations of the Purchaser are subject, the Purchaser will, purchase from the Authority, and the Authority will sell to the Purchaser, the Notes. The aggregate price to be paid by the Purchaser for the Notes is \$ _____.

The Notes shall be as described in, and shall be issued pursuant to, the Resolution Authorizing Subordinated Notes, Series 2016 (Federally Taxable) (the "2016 Subordinated Note Resolution"), adopted on November 7, 2016, authorizing the issuance and sale of the Notes. The Bank of New York Mellon, New York, New York, has been appointed the Paying Agent (the "Paying Agent") pursuant to the 2016 Subordinated Note Resolution.

2. Closing and Delivery

The Closing will be held at such time and place on _____, 2016, or such other date as shall have been mutually agreed upon by the Purchaser and the Authority (the "Closing"). At the Closing the Authority will deliver, or cause to be delivered, through the facilities of The Depository Trust Company ("DTC") to Manufacturers and Traders Trust Company, as custodian and trustee of the Purchaser, the Notes, in fully registered form, bearing CUSIP numbers, duly executed by the Authority, together with the other documents hereinafter mentioned, and the Purchaser, will accept such delivery and pay the purchase price of the Notes as set forth in Section I hereof by delivering to the Authority a check or wire payable in Federal funds or other immediately available funds to the order of the Authority, in the amount of such purchase price.

The Notes will mature on the dates and in the principal amounts and bear interest at the interest rates shown below:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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Interest on the Notes will be payable semiannually on May 15 and November 15 of each year, commencing May 15, 2017. The Notes will be delivered in registered form in denomination of one Note for each maturity and each Note shall be registered in the name of Cede & Co., as nominee of DTC and shall not be subject to redemption prior to maturity. The Notes shall be fully transferable in whole or in part on the registry books of the Paying Agent as provided in the 2016 Subordinated Bond Resolution.

3. Representations of the Authority

The Authority acknowledges that the Notes will be sold to the Purchaser and that the Purchaser will purchase the Notes in reliance upon the representations and warranties set forth herein. Accordingly, the Authority represents and warrants to the Purchaser that:

(a) *Organization; Power.* The Authority is and will be at the Closing a duly organized and existing body corporate and politic constituting a corporate municipal instrumentality and political subdivision of the State of New York under the laws of the State of New York with the powers and authority set forth in the Power Authority Act of the State of New York, Title I of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (the “Act”), and as such has and will have at the Closing the legal right to adopt and engage in the transactions contemplated by the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as amended and supplemented (the “General Resolution”) and the 2016 Subordinated Note Resolution and this Note Purchase Agreement.

(b) *Action by the Authority.* The Authority has authorized by appropriate action (i) the issuance and sale of the Notes upon the terms herein and as set forth in the 2016 Subordinated Note Resolution, (ii) the execution, delivery, performance, acceptance, approval and receipt, as the case may be, of this Note Purchase Agreement and the 2016 Subordinated Note Resolution, and (iii) the taking of any and all such action as may be required to carry out, give effect to and consummate the transactions contemplated therein and herein.

(c) *Valid Obligations.* When delivered to and paid for by the Purchaser at the Closing in accordance with the provisions of this Note Purchase Agreement, the Notes will have been duly authorized, executed, issued and delivered and will constitute a valid, binding and enforceable obligation of the Authority in conformity with the Act and the 2016 Subordinated Note Resolution and will be entitled to the benefit and security thereof. The Note Purchase Agreement has been duly executed and delivered by the Authority and each of the General Resolution and the 2016 Subordinated Note Resolution have been duly and lawfully adopted by the Authority and each is in full force and effect and each is valid and binding upon the Authority and enforceable in accordance with their respective terms.

(d) *No Defaults.* The Authority is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any bond, debenture, note or other evidence of indebtedness of the Authority or any mortgage, deed of trust, indenture,

resolution or other agreement or instrument pursuant to which indebtedness of the Authority was incurred. Neither the adoption of the 2016 Subordinated Note Resolution, the execution and delivery of this Note Purchase Agreement, the consummation by the Authority of the transactions contemplated thereby and hereby, nor the compliance by the Authority with the provisions thereof and hereof, will result in any breach of the terms, conditions or provisions of, conflict with, or constitute a breach of or a default (or any event which with the passage of time or the giving of notice, or both, would become a default) under (i) the Act, any currently effective resolution of the Authority, or any contract, agreement or instrument to which the Authority is a party, (ii) the constitution of the United States or of the State of New York, or (iii) any existing law, administrative regulation, court order or consent decree to which the Authority is subject.

(e) *Security.* Upon their due issuance and sale as contemplated herein, the Notes will be secured by and payable from certain monies of the Authority as provided in the 2016 Subordinated Note Resolution.

(f) *Financial Statements.* The audited financial statements dated March 29, 2016 present fairly the financial position of the Authority at December 31, 2014 and December 31, 2015 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding periods.

(g) *Litigation.* Except as set forth in the audited financial statements described in 3(f) hereof, there is no pending, or to the knowledge of the Authority threatened, legal, administrative or judicial proceeding to which the Authority is or would be a party: (i) contesting the official existence or powers of the Authority; (ii) contesting or affecting the authority for the issuance of the Notes, or seeking to restrain or enjoin the issuance or the delivery of the Notes; (iii) contesting or affecting, the validity of the Notes, the General Resolution, the 2016 Subordinated Note Resolution or this Note Purchase Agreement; (iv) seeking to restrain or enjoin the collection of the income or revenues available for or pledged to the Notes under the 2016 Subordinated Note Resolution; or (v) involving the possibility of any judgment or uninsured liability which may result in any material adverse change in the business, properties, assets or financial condition of the Authority.

(h) *Filings or Approvals.* All approvals, consents or orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to, or the absence of which would materially adversely affect, the lawful performance by the Authority of its obligations hereunder and under the General Resolution, the 2016 Subordinated Note Resolution, the Note Purchase Agreement and the Notes have been obtained and are in full force and effect, except for the approval of the Comptroller of the State of New York provided for in Section 1010-a of the Public Authorities Law of the State of New York.

(i) *Additional Certificates.* Any certificates signed by any authorized officer of the Authority and delivered to the Purchaser pursuant to this Note Purchase Agreement shall be deemed a representation and warranty by the Authority to the Purchaser as to the statements made therein with the same effect as if such representation and warranty were set forth by the Authority herein.

4. Conditions of the Purchaser's Obligations

The obligation of the Purchaser to purchase the Notes is subject to the fulfillment of the following conditions at or before the Closing. Should any of the following conditions not be fulfilled, the obligations of the Purchaser under this Note Purchase Agreement shall terminate and neither the Authority nor the

Purchaser shall have any further obligations hereunder.

(a) The Authority's representations contained in Section 3 hereof shall be true, correct and complete as of the Closing and shall be confirmed at the Closing by certificates, signed by authorized officers of the Authority, in form and substance satisfactory to the Purchaser and its counsel.

(b) On or prior to the Closing: (i) this Note Purchase Agreement, the General Resolution and the 2016 Subordinated Note Resolution shall each be valid, binding and in full force and effect; (ii) the Notes shall have been duly authorized, issued, executed and attested in accordance with the provisions of the 2016 Subordinated Note Resolution and the Act, and delivered; and (iii) the Authority shall have duly adopted and there shall be in force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(c) At or prior to the closing, the Purchaser and the Authority shall have received (i) an executed copy of the Acknowledgement of and Consent to Adjustment of the Payment Schedule For the Relicensing Settlement Agreement State Parks Greenway Fund, in form and substance satisfactory to the Authority, and delivered to the Authority by the New York State Office of Parks, Recreation and Historic Preservation and (ii) the approval of the Comptroller of the State of New York provided for in Section 1010-a of the Public Authorities Law of the State of New York shall have been received.

(d) At or prior to the Closing, unless otherwise agreed to by the Purchaser in writing, the Purchaser shall receive the following:

(i) The opinion of Hawkins Delafield & Wood LLP, as Bond Counsel, dated the date of the Closing and addressed to the Authority and the Purchaser, substantially in the form of Schedule I attached hereto.

(ii) An opinion of the Executive Vice President and General Counsel of the Authority, dated the date of Closing and addressed to the Purchaser, in form and substance as attached hereto as Schedule II.

(iii) A certificate executed by a duly authorized officer of the Authority, dated the date of the Closing, to the effect that there has been no material adverse change in the affairs or financial condition of the Authority since the date of the Authority's Official Statement with respect to its Series 2016 Bonds, issued and delivered _____, 2016.

(iv) One copy of each of the General Resolution and the 2016 Subordinated Note Resolution duly certified by the Executive Vice President and General Counsel or Secretary of the Authority with the 2016 Subordinated Resolution being in substantially the form heretofore reviewed by the Purchaser.

(v) The Notes shall have received a rating in at least the second highest long term rating category without reference to gradations from at least one of Moody's Investors Service, Standard & Poor's Ratings Group or Fitch Ratings.

(e) At the Closing, the Purchaser shall receive such additional certificates, instruments or opinions as Bond Counsel or counsel to the Purchaser may reasonably request to evidence the due authorization, execution, and delivery of the Notes and the adoption of the 2016 Subordinated Note Resolution, and the truth, accuracy and completeness as of the closing of the Authority's representations and warranties contained herein and in any of certificates or documents of Authority or officers of the Authority delivered pursuant thereto.

5. Events Permitting the Purchaser to Terminate

The Purchaser may terminate its obligation to purchase the Notes at any time before the Closing if any of the following should occur:

(a) All of the ratings for the Notes shall have been lowered below the minimum ratings specified in Sections 4(d)(v) hereof, or withdrawn, by the applicable rating agency.

(b) If (i) a general suspension of trading in securities shall have occurred on the New York Stock Exchange, or (ii) there shall have occurred any outbreak or escalation of hostilities or any calamity or crisis, or (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred that, in the judgment of the Purchaser, is material and adverse and, in the case of any of the events specified in clauses (i)-(iii), such event singly or together with any other such events makes it, in the judgment of the Purchaser, so material and adverse as to make it impracticable to proceed with the delivery of the Notes on the terms and in the manner contemplated in this Note Purchase Agreement.

(c) A general banking moratorium shall have been declared by authorities of the United States or the State of New York.

(d) A stop order, release, regulation, or no-action letter by or on behalf of the United States Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the issuance or sale of the Notes hereby or any document relating to the issuance or sale of the Notes is or would be in violation of any provision of the federal securities laws at the Closing, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Trust Indenture Act of 1939, as amended.

6. Notices

All notices, demands and formal actions hereunder will be in writing, mailed, telegraphed or delivered to:

The Authority: Power Authority of the State of New York
123 Main Street
White Plains, New York 10601
Attention: Brian McElroy, Treasurer

The Purchaser: New York State Environmental Facilities Corporation
625 Broadway
Albany, New York 12207
Attention: Sabrina Ty, President

7. Expenses

All costs and expenses of the Authority in connection with the authorization, issuance, sale and delivery of the Notes and other items herein specified to be delivered to the Purchaser shall be paid for from the proceeds of the Notes. All expenses of the Purchaser, including specifically the fees and expenses of counsel to the Purchaser and financial advisor to the Purchaser, shall be paid from the proceeds of the Notes.

8. No Advisory or Fiduciary Role

The Authority acknowledges and agrees that (i) the purchase of the Notes pursuant to this Note

Purchase Agreement is an arm's-length commercial transaction between the Authority and the Purchaser; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Purchaser is and has been acting solely as a principal and is not acting as the agent, advisor, fiduciary or Municipal Advisor (as defined in Section 15B of the Securities and Exchange Act of 1934, as amended) of the Authority; (iii) the Purchaser has not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the sale of the Notes or the discussions, undertakings and procedures leading thereto (irrespective of whether the Purchaser provided other services or is currently providing other services to the Authority on other matters) and the Purchaser has no obligation to the Authority with respect to the sale of the Notes hereby except the obligations expressly set forth in this Note Purchase Agreement; and (iv) the Authority has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

9. Miscellaneous

(a) No recourse shall be had for the payment of the principal of or interest on the Notes or for any claim based thereon, on the 2016 Subordinated Note Resolution, or on this Note Purchase Agreement against any member, officer or employee of the Authority or any person executing the Notes or this Note Purchase Agreement.

(b) The Purchaser is acquiring the Notes for its own account and not with a view to or for resale in connection with any distribution of all or any part of the Notes.

(c) This Note Purchase Agreement may be executed by anyone or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all of such counterparts shall together constitute one and the same instrument. This Note Purchase Agreement will inure to the benefit of and be binding upon the parties and their successors, and will not confer any rights upon any other person. This Note Purchase Agreement shall not be binding until executed by the parties hereto. All representations and agreements by the Authority and the Purchaser in this Note Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Purchaser and shall survive the delivery of any payment for the Notes. This Note Purchase Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Section headings have been inserted in this Note Purchase Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not part of this Note Purchase Agreement and will not be used in the interpretation of any provisions of this Note Purchase Agreement.

10. Continuing Disclosure (a) All terms used in this Section 10 but not otherwise defined in this Note Purchase Agreement are used as defined in the Continuing Disclosure Agreement dated _____, 2016 by and between the Authority and The Bank of New York Mellon, as trustee, relating to the Authority's Series 2016 Bonds, except that with respect to the definition of "Notice Event," the term "Bonds" as used in such Continuing Disclosure Agreement shall be read to refer to the Notes as defined herein rather to such Series 2016 Bonds.

(b) The Authority shall provide Annual Financial Information with respect to each fiscal year of the Authority, commencing with the fiscal year ending December 31, 2016, by no later than nine months after the end of the respective fiscal year, to the MSRB.

(c) The Authority shall provide, in a timely manner, notice of any failure of the Authority to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

(d) If not provided as part of Annual Financial Information by the date required by clause (a) of this Section 10, the Authority shall provide Audited Financial Statements, when and if available, to the

MSRB.

(e) If a Notice Event occurs, the Authority shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the Holders (as defined in the 2016 Subordinated Notes Resolution).

(f) As and to the extent there are no obligations of the Authority which are the subject of a continuing disclosure agreement entered into pursuant to the Rule remaining outstanding, the Authority may provide any information required to be provided to the MSRB under this Section 10 to the Holders rather than to the MSRB.

(g) The obligation of the Authority to comply with the provisions of this Section 10 shall be enforceable by any Holder of outstanding Notes, provided that the Holders' rights to enforce the provisions of this Section 10 shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Section 10.

(h) Nothing in this Section 10 shall be construed to imply that the sale of the Notes is subject to the requirements of the Rule.

NEW YORK STATE ENVIRONMENTAL
FACILITIES CORPORATION,
as Purchaser

By: _____
Name: Sabrina Ty
Title: President

Accepted as of the date first set forth above

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
Name: Brian McElroy
Title: Treasurer

FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL]

[Date of Closing]

New York State Environmental
Facilities Corporation

Ladies and Gentlemen:

Reference is made to Section 4(d)(ii) of the Note Purchase Agreement, dated _____, 2016 (the “Note Purchase Agreement”), for the 2016 Subordinated Notes (the “Notes”), by and between the Power Authority of the State of New York (the “Authority”) and the New York State Environmental Facilities Corporation, and the Resolution Authorizing Subordinated Notes, Series 2016 (Federally Taxable) , (the “2016 Subordinated Note Resolution”).

As Executive Vice President and General Counsel of the Authority, I have examined and relied on originals or copies certified or otherwise identified to my satisfaction of such documents, instruments or corporate records, and have made such investigations of law, as I have considered necessary or appropriate for the purposes of this opinion.

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the 2016 Subordinated Note Resolution and, if not defined therein, in the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as amended and supplemented (the “General Resolution”).

I am of the opinion that:

1. The Authority is a body corporate and politic constituting a corporate municipal instrumentality of the State of New York (the “State”) duly created by and validly existing under the Act, with the right, power and authority to execute, deliver and perform its obligations under the Note Purchase Agreement, to adopt the 2016 Subordinated Note Resolution and to issue the Notes thereunder (collectively, the “Authorized Documents”).

2. The execution and delivery of, and the performance by the Authority of its obligations under the Notes and the Note Purchase Agreement have been duly authorized by proper corporate proceedings of the Authority. The Note Purchase Agreement has been duly executed and delivered by the Authority and each of the General Resolution and the 2016 Subordinated Note Resolution have been duly and lawfully adopted by the Authority and each is in full force and effect and each is valid and binding upon the Authority and enforceable in accordance with their respective terms.

3. The Notes are Subordinated Indebtedness within the meaning of the General Resolution and is payable from the Trust Estate, provided that such payments are subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in the General Resolution. The Notes do not constitute obligations, debts or liabilities of the State of New York, and the Authority has no power of taxation or power to pledge the credit of the State of New York.

4. The Authority is not in any material respect in violation of, breach of or default under the Act,

or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Authority or any of its activities, or any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Authority is a party or by which the Authority or any of its property or assets is bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Notes or the Note Purchase Agreement, and compliance with the provisions on the Authority's part contained therein, do not and will not conflict with, or constitute on the part of the Authority a violation of, breach of or default under any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Authority or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Authority is a party or by which the Authority or any of its property or assets is bound, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Notes or the Authorized Documents.

5. There is no litigation or other proceeding pending or, to the best of my knowledge, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Notes, or in any way questioning or affecting (i) the issuance, sale and delivery of the Notes, (ii) the proceedings under which the Notes are to be issued, (iii) the validity of any provision of the Notes, the 2016 Subordinated Note Resolution or the Note Purchase Agreement, (iv) the pledge by the Authority effected under the 2016 Subordinated Note Resolution, or (v) the legal existence of the Authority. There is no litigation or other proceeding pending to which the Authority is a party or, to the best of my knowledge, threatened against it, and, to the best of my knowledge, there is no other litigation or proceeding pending or threatened in any court, agency or other administrative body (either State or Federal) which could have a material adverse effect on the transactions contemplated by the 2016 Subordinated Note Resolution and the items pledged under the 2016 Subordinated Note Resolution.

6. The Authority is not in default in any material respect under the terms of the General Resolution or the 2016 Subordinated Note Resolution.

7. All authorizations, consents, approvals and reviews of governmental bodies or regulatory authorities required for, or the absence of which would materially adversely affect, (i) the execution, issuance and performance by the Authority of the Notes, and (ii) the execution, delivery and performance by the Authority of the Note Purchase Agreement and the performance by the Authority of the 2016 Subordinated Note Resolution, have been obtained or effected.

The obligations of the Authority under the Notes, the Note Purchase Agreement and the 2016 Subordinated Note Resolution and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. The enforceability of such obligations is subject to applicable general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

I have rendered the opinions expressed herein based on facts and circumstances existing, and applicable laws, rules, regulations, court decisions, and governmental and regulatory authority determinations in effect, on the date hereof. I assume no obligation to update or supplement this letter to reflect any change to, or the occurrence, issuance or adoption of, any fact, circumstances, laws, rules, or regulations, or any decision of any court or other body or governmental or regulatory authority. This opinion is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated herein.

This opinion is solely for your information and assistance and is not to be used, circulated, quoted or otherwise referred to, except that reference to this opinion may be made in any list of closing documents pertaining to the issuance of the Notes or in such closing documents.

Very truly yours,

Name:

Title:

POWER AUTHORITY OF THE
STATE OF NEW YORK

RESOLUTION
AUTHORIZING SUBORDINATED NOTES, SERIES 2016 (FEDERALLY TAXABLE)

Adopted November 7, 2016

**POWER AUTHORITY OF THE
STATE OF NEW YORK**

**RESOLUTION
AUTHORIZING
SUBORDINATED NOTES, SERIES 2016
(FEDERALLY TAXABLE)**

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS

SECTION 101.	Definitions.....	1
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ARTICLE II

OBLIGATION OF RESOLUTION AND SUBORDINATED NOTES

SECTION 201.	Authority for the Subordinated Notes.....	4
SECTION 202.	Subordinated Notes Resolution to Constitute Contract	4
SECTION 203.	Obligation of the Subordinated Notes.....	4
SECTION 204.	Certain Findings and Determinations	4

ARTICLE III

AUTHORIZATION, TERMS AND ISSUANCE OF SUBORDINATED NOTES

SECTION 301.	Authorization of Issue of Subordinated Notes.....	6
SECTION 302.	General Terms of the Subordinated Notes.....	6
SECTION 303.	Delegation of Authority	6
SECTION 304.	Form of the Subordinated Notes	7
SECTION 305.	No Recourse on the Subordinated Notes	7
SECTION 306.	Execution and Validation of Subordinated Notes.....	7
SECTION 307.	Appointment of Paying Agent	7
SECTION 308.	Transfer of Subordinated Notes Registered Notes.....	8
SECTION 309.	Book-Entry-Only System of Subordinated Notes Registration.	8
SECTION 310.	Subordinated Notes Mutilated, Lost, Destroyed or Stolen	10

ARTICLE IV

APPLICATION OF SUBORDINATED NOTES PROCEEDS

SECTION 401.	Application of Proceeds	11
SECTION 402.	Application of Note Proceeds; Note Proceeds Accounts.....	11
SECTION 403.	Non-Presented Subordinated Notes	11

ARTICLE V

COVENANTS

SECTION 501.	Covenants.....	13
SECTION 502.	Additional Subordinated Indebtedness and Lien	13

ARTICLE VI

SUPPLEMENTAL SUBORDINATED NOTES RESOLUTIONS

SECTION 601.	Supplemental Subordinated Resolutions	14
SECTION 602.	Supplemental Subordinate Resolutions Effective with Consent of Holders of Subordinated Notes	15
SECTION 603.	General Provisions	15

ARTICLE VII

AMENDMENTS

SECTION 701.	Mailing.....	16
SECTION 702.	Powers of Amendment.....	16
SECTION 703.	Consent of Holders of Subordinated Notes	16
SECTION 704.	Modifications by Unanimous Consent.....	17
SECTION 705.	Exclusion of Subordinated Notes Owned by the Authority	18
SECTION 706.	Notation on Subordinated Notes	18

ARTICLE VIII

MISCELLANEOUS

SECTION 801.	Defeasance	19
SECTION 802.	Agreement of the State.....	19
SECTION 803.	Authorized Officers	19
SECTION 804.	Severability of Invalid Provisions.....	20

SECTION 805.	Payment and Performance on Business Days	20
SECTION 806.	Effective Date	20
EXHIBIT A.....		A-1

RESOLUTION
AUTHORIZING SUBORDINATED NOTES, SERIES 2016 (FEDERALLY TAXABLE)

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York (the “Authority”) as follows:

ARTICLE I

DEFINITIONS

SECTION 101. Definitions. (a) Except as provided in paragraph (b) of this Section 101, all terms which are defined in Section 101 of the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as heretofore and hereafter amended and supplemented in accordance with the terms thereof (the “General Resolution”), shall have the same meanings, respectively, in this Series 2016 Subordinated Notes Resolution as such terms are given in said Section 101 of the General Resolution.

(b) In this Resolution (hereinafter referred to as the “Subordinated Notes Resolution”), unless a different meaning clearly appears from the context:

(1) The terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof”, “hereinafter”, and any similar terms, refer to this Subordinated Notes Resolution, and the term “hereafter” means after the date of adoption of this Subordinated Notes Resolution;

(2) Words importing the singular number include the plural number and vice versa and words importing persons include firms, associations and corporations. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders;

(3) Any headings preceding the texts of the several Articles and Sections of this Subordinated Notes Resolution, and any table of contents shall be solely for convenience of reference and shall not constitute a part of this Subordinated Notes Resolution, nor shall they affect its meaning, construction or effect;

(4) “Authorized Officer” means the Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Treasurer of the Authority, or such other person or persons so designated by resolution of the Authority;

(5) “Business Day” means any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the State of New York are authorized or

required by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed;

(6) “Certificate of Determination” means a certificate or certificates of an Authorized Officer delivered pursuant to Section 303 of this Subordinated Notes Resolution setting forth certain terms and provisions of the Subordinated Notes, as such certificate(s) may be amended and supplemented.

(7) “Holder” or any similar term, when used with reference to the Subordinated Notes, shall mean any registered owner of Subordinated Notes as shown on the books of the Paying Agent;

(8) “Maturity Date” means, with respect to any Subordinated Note, the final date specified therefor in the Certificate of Determination.

(9) “Paying Agent” means an agent appointed by the Authority pursuant to Section 307 hereof, or any successor entity which may be appointed by an Authorized Officer as a Paying Agent hereunder;

(10) “Securities Depository” means The Depository Trust Company, or any other Holder of the Subordinated Notes acting as a central securities depository for the Subordinated Notes or a portion of the Subordinated Notes, as authorized pursuant to Section 309 of this Subordinated Notes Resolution, and its successors and assigns, or if any Securities Depository resigns from its function as depository of the Subordinated Notes, any other securities depository which agrees to follow the procedures required to be followed by the Securities Depository in connection with such Subordinated Notes or such portion of the Subordinated Notes, and which is selected by the Authority;

(11) “Settlement Agreement” shall mean the Relicensing Settlement Agreement Addressing New License Terms and Conditions, dated July 18, 2005, between the Authority, the New York State Office of Parks, Recreation and Historic Preservation, *et al.*

(12) “State Parks Greenway Fund” shall mean the fund created pursuant to Section 3, “State Parks Greenway Fund,” of Appendix E of the Settlement Agreement and held in the Operating Fund.

(13) “Subordinated Notes” means the Subordinated Notes, Series 2016 (Federally Taxable) authorized to be issued pursuant to Section 301 hereof.

(14) “Subordinated Notes Resolution” means this Resolution Authorizing Subordinated Notes, Series 2016 (Federally Taxable) of the Authority adopted November 7,, 2016, as the same may be amended and supplemented from time to time in accordance herewith;

(15) “State” means the State of New York.

(16) “Supplemental Subordinated Notes Resolution” means any resolution supplemental to or amendatory of the Subordinated Notes Resolution, adopted by, or adopted pursuant to authorization granted by the Authority in accordance with Article VI or VII hereof.

ARTICLE II

OBLIGATION OF RESOLUTION AND SUBORDINATED NOTES

SECTION 201. Authority for the Subordinated Notes. This Subordinated Notes Resolution is adopted in accordance with and pursuant to the Act.

SECTION 202. Subordinated Notes Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Subordinated Notes authorized to be issued hereunder by those who shall be a Holder of the same from time to time, this Subordinated Notes Resolution shall be deemed to be and shall constitute a contract between the Authority and each of the Holders from time to time of the Subordinated Notes and such provisions are covenants and agreements with such Holders which the Authority hereby determines to be necessary and desirable for the security and payment thereof. The covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Subordinated Notes, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Subordinated Notes over any other except as expressly provided in or permitted by this Subordinated Notes Resolution.

SECTION 203. Obligation of the Subordinated Notes. The Subordinated Notes shall be Subordinated Indebtedness within the meaning of the General Resolution and shall be payable from the Trust Estate; provided that such payments shall be subject and subordinated to the payments to be made with respect to the Obligations and Parity Debt, as provided in Sections 503 and 604 of the General Resolution. The Trust Estate is hereby pledged for the payment of the Subordinated Notes, provided that such pledge shall be junior and inferior to the pledge of the Trust Estate created in the General Resolution for the payment of the Obligations and Parity Debt. The Subordinated Notes shall be on a parity with other Subordinated Indebtedness. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge created by this Subordinated Notes Resolution to secure the Subordinated Notes and all the interests of the Holders of the Subordinated Notes under this Subordinated Notes Resolution against all claims and demands of all Persons whomsoever.

SECTION 204. Certain Findings and Determinations. The Trustees hereby find and determine:

(a) The Trust Estate is not encumbered by any lien or charge thereon or pledge thereof, other than the senior lien and charge thereon and pledge thereof created by the General Resolution in favor of Obligations and Parity Debt, and the subordinate liens and charges thereon and subordinated pledge thereof created by the existing Subordinated Indebtedness and Subordinated Contract Obligations, which Subordinated Indebtedness and Subordinated Contract Obligations are on a parity with the Subordinated Notes.

(b) There does not exist an “Event of Default” within the meaning of such quoted term as defined in Section 1001 of the General Resolution, nor does there exist any condition which, after the giving of notice or the passage of time, or both, would constitute such an “Event of Default.”

ARTICLE III

AUTHORIZATION, TERMS AND ISSUANCE OF SUBORDINATED NOTES

SECTION 301. Authorization of Issue of Subordinated Notes. Subordinated Notes in a principal amount not to exceed \$30,000,000 are hereby authorized to be issued for the purposes set forth in Section 401 hereof. The Subordinated Notes shall bear the designation Subordinated Notes, Series 2016, or such other designation as shall be set forth in the Certificate of Determination. The Subordinated Notes shall otherwise be subject to the terms, conditions and limitations provided or referred to herein, the Certificate of Determination and in the Act. In the event that the Subordinated Notes are not issued in calendar year 2016, the applicable Certificate of Determination may (i) redesignate the year and series of such Subordinated Notes and (ii) make any other conforming changes deemed necessary or appropriate to reflect the year of issuance.

SECTION 302. General Terms of the Subordinated Notes. The Subordinated Notes herein authorized shall be issued in the denomination of \$1,000,000 or any larger integral multiple of \$5,000 as determined by an Authorized Officer, shall be numbered consecutively from 1 upwards in order of their issuance, and may bear such other or alternative identification as an Authorized Officer may deem appropriate. The Subordinated Notes shall be issued in registered form, and may be issued through the book-entry system of a Securities Depository upon the determination of an Authorized Officer. The Subordinated Notes shall be dated their date of issuance and mature on the Maturity Date. The Subordinated Notes shall be payable in any coin or currency of the United States of America which shall then be legal tender for the payment of public and private debts, by wire transfer of immediately available funds on the date such payments are due.

SECTION 303. Delegation of Authority. There is hereby delegated to an Authorized Officer, subject to the limitations contained herein, the power with respect to the Subordinated Notes to determine and effectuate the following:

- (a) the principal amount of Subordinated Notes to be issued, provided that the aggregate principal amount of Subordinated Notes shall not exceed \$30,000,000;
- (b) the Maturity Date of each Note which in no event shall be later than twenty-six years from the date of issuance of the Notes, the interest payment dates of the Subordinated Notes, and the date or dates from which the Subordinated Notes shall bear interest;
- (c) the interest rate or rates on the Subordinated Notes, provided, however, that such interest rate(s) shall not exceed five and one-half percent (5.50%) per annum;

- (d) the amounts of the proceeds of the Subordinated Notes to be deposited and applied in accordance with Section 401 and Section 402 hereof;
- (e) the redemption provisions, if any, of the Subordinated Notes;
- (f) the definitive form or forms of the Subordinated Notes; and
- (g) any other provisions deemed advisable by an Authorized Officer of the Authority, not in conflict with the provisions of this Subordinated Notes Resolution.

An Authorized Officer shall execute one or more certificates evidencing determinations or other actions taken pursuant to the authority granted herein. Each such certificate shall be deemed a Certificate of Determination and shall be conclusive evidence of the action or determination of such Authorized Officer as to the matters stated therein. The provisions of each Certificate of Determination shall be deemed to be incorporated in Article III hereof.

SECTION 304. Form of the Subordinated Notes. Subject to the provisions of Section 303 hereof, the form of the Subordinated Notes shall be substantially of the tenor set forth in Exhibit A hereto.

SECTION 305. No Recourse on the Subordinated Notes. No recourse shall be had for the payment of the Subordinated Notes or for any claim based thereon or on this Subordinated Notes Resolution against any Trustee, officer or employee of the Authority or any person executing the Subordinated Notes and neither the Trustees of the Authority nor any other person executing the Subordinated Notes shall be subject to any personal liability or accountability by reason of the issuance thereof. The Subordinated Notes are not and shall not be in any way a debt or liability of the State, and the State shall not be liable on the Subordinated Notes, and the Subordinated Notes are not and shall not be payable out of any funds other than those of the Authority.

SECTION 306. Execution and Validation of Subordinated Notes. An Authorized Officer of the Authority is each hereby authorized and directed to execute by his or her manual or facsimile signature the Subordinated Notes in the name of the Authority and the corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced thereon, if necessary. In case any such Authorized Officer who shall have signed Subordinated Notes shall cease to be such Authorized Officer before the Subordinated Notes shall have been authenticated by the Paying Agent, the Subordinated Notes may nevertheless be issued as though the person who signed such notes had not ceased to be such Authorized Officer.

SECTION 307. Appointment of Paying Agent. The Bank of New York Mellon is hereby appointed as Paying Agent, and any Authorized Officer is hereby authorized to enter into a paying agency agreement with The Bank of New York Mellon or with any other Paying Agent appointed upon the direction of an Authorized Officer, to the extent such Authorized

Officer shall determine the same to be necessary or advisable. Any such paying agency agreement may be approved by such Authorized Officer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, including, but not limited to, terms and conditions as may be required in connection with the establishment of a book-entry-only registration system in accordance with Section 309 hereof, the execution of the paying agency agreement to be conclusive evidence of such approval.

SECTION 308. Transfer of Subordinated Notes Registered Notes. (a) The Paying Agent shall act as registrar for the Subordinated Notes, which shall be transferable only upon the books of the Paying Agent, which shall be kept for that purpose at the office of the Paying Agent by the registered owner thereof in person or by his or her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Paying Agent duly executed by the registered owner or his or her duly authorized attorney. Upon the transfer of any such Subordinated Note, the Paying Agent shall issue in the name of the transferee new Subordinated Notes of the same aggregate principal amount and maturity as the surrendered Subordinated Note.

(b) The Authority and the Paying Agent may deem and treat the person in whose name any Subordinated Notes shall be registered upon the books of the Paying Agent as the absolute owner of such Subordinated Notes, whether such Subordinated Notes shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Subordinated Notes and for all other purposes, and all such payments so made to any such registered owner or upon his or her order shall be valid and effectual to satisfy and discharge the liability upon such Subordinated Notes to the extent of the sum or sums so paid, and neither the Authority nor the Paying Agent shall be affected by any notice to the contrary.

SECTION 309. Book-Entry-Only System of Subordinated Notes Registration. (a) Notwithstanding any other provision of this Subordinated Notes Resolution, the Authority may employ a book-entry-only system of note registration with respect to all or any of the registered Subordinated Notes, all as more fully set forth in subparagraphs (a) and (b) of this Section. Any provisions of this Subordinated Notes Resolution inconsistent with book-entry-only Subordinated Notes shall not be applicable to such book-entry-only Subordinated Notes.

(b) Except as an Authorized Officer may specify by delivery of a certificate, a book-entry-only system of Subordinated Notes registration shall be employed by the Authority. Each Authorized Officer (i) is hereby authorized to execute and deliver on behalf of the Authority a letter of representation or other agreements, documents or instruments in connection with the implementation or operation of such a book-entry-only system and (ii) may prescribe changes to the form of Subordinated Notes to the extent necessary or convenient to make such Subordinated Notes eligible for deposit under such a book-entry-only system. The provisions of any letter of representation or other agreement with a Securities Depository shall be deemed to be incorporated in this Subordinated Notes Resolution and, in accordance with subparagraph (a) of this Section 309, any provision of this Subordinated Notes Resolution inconsistent with such

letter or agreement shall be deemed amended with respect to Subordinated Notes thereafter issued in book-entry-only form.

(c) With respect to all book-entry Subordinated Notes, neither the Authority nor the Paying Agent shall have any responsibility or obligation to any Securities Depository participant or indirect participant, or any nominee of any thereof, any person claiming a beneficial ownership interest in book-entry Subordinated Notes under or through the Securities Depository or any Securities Depository participant or indirect participant, or any other person which is not shown on the books of the Paying Agent as being the Holder of any master note, with respect to: (1) sending transaction statements; (2) maintaining, supervising or reviewing, or the accuracy of, any records maintained by the Securities Depository or any Securities Depository participant or other nominees of such beneficial owners; (3) payment or the timeliness of payment by the Securities Depository to any Securities Depository participant, or by any Securities Depository participant or other nominees of beneficial owners to any beneficial owners, of any amount in respect of the principal of or interest on book-entry Subordinated Notes; (4) delivery or timely delivery by the Securities Depository to any Securities Depository participant, or by any Securities Depository participant or other nominees of beneficial owners to any beneficial owners, of any notice which is permitted or required to be given to Holders under this Subordinated Notes Resolution; or (5) any action taken by the Securities Depository or its nominee as Holder of book-entry Subordinated Notes.

(d) The Authority and the Paying Agent may treat the Securities Depository or its nominee as, and deem the Securities Depository or its nominee to be, the absolute owner of each of the Subordinated Notes issued as a book-entry-only Subordinated Notes for the purpose of payment of the principal of and interest on such Subordinated Notes, for other matters with respect to such Subordinated Notes, for the purpose of registering transfers with respect to such Subordinated Notes, and for all other purposes whatsoever.

(e) The Securities Depository may determine not to continue to act as securities depository for the Subordinated Notes, and the Authority may determine to discontinue the book-entry-only issuance of the Subordinated Notes through the Securities Depository and in such case shall deliver a certificate to the Paying Agent to that effect. In either case, if the Authority determines to replace the Securities Depository with another qualified Securities Depository, the Authority shall prepare or direct the preparation of new, separate, fully registered notes, registered in the name of such successor or substitute qualified Securities Depository or its nominee, or make such other arrangements acceptable to the Authority, the Paying Agent and the replacement Securities Depository as are not inconsistent with the terms of this Subordinated Notes Resolution. If the Authority fails to identify another Securities Depository to replace the Securities Depository, the Authority may amend this Subordinated Note Resolution pursuant to Section 601(7) and shall deliver to the Paying Agent for safekeeping, completion, authentication and delivery in accordance with the provisions of this Subordinated Notes Resolution, as so amended, Subordinated Notes executed on behalf of the Authority, with the date of issuance, principal amount, maturity date, owner and rate of interest left blank. Each of such Subordinated

Notes instruments shall be held in safekeeping by the Paying Agent until authenticated and issued in accordance with the provisions of this Subordinated Notes Resolution.

SECTION 310. Subordinated Notes Mutilated, Lost, Destroyed or Stolen. If any Subordinated Notes shall become mutilated, the Authority, at the expense of the Holder of said Subordinated Notes, shall execute and deliver a new Subordinated Notes of like tenor, series and number in exchange and substitution for the Subordinated Notes so mutilated, but only upon surrender to the Authority of the Subordinated Notes so mutilated. If any Subordinated Notes shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Authority and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the owner, shall execute and the Paying Agent shall countersign and deliver a new Subordinated Notes of like tenor, series and number in lieu of and in substitution for the Subordinated Notes so lost, destroyed or stolen. Neither the Authority nor the Paying Agent shall be required to treat both the original Subordinated Notes and any duplicate Subordinated Notes as being outstanding for the purpose of determining the amount of Subordinated Notes which may be issued hereunder, but both the original and the duplicate Subordinated Notes shall be treated as one and the same.

ARTICLE IV

APPLICATION OF SUBORDINATED NOTES PROCEEDS

SECTION 401. Application of Proceeds. The Subordinated Notes are being issued, and the proceeds of sale of the Subordinated Notes shall be applied: (i) to make payments to the State Parks Greenway Fund to finance projects for the construction and/or rehabilitation of parks, recreation and related facilities as set forth in Section 3, "State Parks Greenway Fund," of Appendix E of the Settlement Agreement, and (ii) to pay the costs of issuance of the Subordinated Notes.

SECTION 402. Application of Note Proceeds; Note Proceeds Accounts. The proceeds of the sale of the Subordinated Notes shall be deposited in the State Parks Greenway Fund. At the direction of an Authorized Officer, moneys in the State Parks Greenway Fund may be applied to pay costs incurred in connection with the issuance of Subordinated Notes, and the balance shall remain in the State Parks Greenway Fund and be made available to finance projects referred to in Section 401 hereof. Such balance shall be held or invested in Authorized Investments in accordance with the provisions of the General Resolution pertaining to amounts held in the Operating Fund. At the direction of an Authorized Officer, the Paying Agent is hereby authorized to create such other funds, accounts and sub-accounts in accordance with this Subordinated Notes Resolution as may be necessary for the administration of the Authority's Subordinated Notes program.

SECTION 403. Non-Presented Subordinated Notes. Anything in this Subordinated Notes Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal or redemption price of or interest on any of the Subordinated Notes which remain unclaimed for 2 years after the date when such principal, redemption price, or interest, respectively, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for 2 years after the date of deposit of such moneys if deposited with the Paying Agent after the date when such principal, redemption price, or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Holders of Subordinated Notes shall look only to the Authority for the payment of such principal, redemption price, or interest, respectively. Notwithstanding the foregoing or anything in this Subordinated Notes Resolution to the contrary, any moneys held by the Paying Agent in trust for the payment and discharge of any Subordinated Notes which remain unclaimed after such moneys were to be applied to the payment of such Subordinated Notes in accordance with this Subordinated Notes Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Subordinated Notes shall look only to the Authority or

the Comptroller of the State for the payment of such Obligations. Before being required to make any such payment to the Authority or to apply such moneys in accordance with the Abandoned Property Law of the State, the Paying Agent shall, at the expense of the Authority, cause to be mailed to the Holders entitled to receive such moneys a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law of the State, as the case may be.

ARTICLE V

COVENANTS

SECTION 501. Covenants. The Authority hereby particularly covenants and agrees with the Holders of the Subordinated Notes, and makes provisions which shall be a part of the contract with such Holders, to the effect and with the purpose as follows:

(a) The Authority shall duly and punctually pay or cause to be paid the principal of and interest on Subordinated Notes at the place and in the manner mentioned in the Subordinated Notes, according to the true intent and meaning thereof.

(b) Upon each date of issuance of the Subordinated Notes, all conditions, acts and things required by the Constitution or statutes of the State or this Subordinated Notes Resolution to exist, to have happened and to have been performed precedent to or in the issuance of such Subordinated Notes shall exist, have happened and have been performed and such Subordinated Notes, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by said Constitution or statutes.

(c) The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of this Subordinated Notes Resolution in accordance with the terms of such provisions.

(d) The Authority shall comply with the rate covenant of Section 606 of the General Resolution so long as any Subordinated Notes are Outstanding, notwithstanding whether any Obligations are then Outstanding.

(e) The Authority shall give prior written notice to each rating agency then rating the Subordinated Notes of (i) any amendments to this Subordinated Notes Resolution, or (ii) any defeasance of the Subordinated Notes.

SECTION 502. Additional Subordinated Indebtedness and Lien. Nothing contained herein shall prohibit the Authority from issuing additional Subordinated Indebtedness or incurring Subordinated Contract Obligations, in each case subject and subordinate in all respects to the pledge thereof and lien and charge thereon, or assignment thereof, as the case may be, created by the General Resolution in favor of Obligations and Parity Debt, but either of equal rank or priority with, or subject and subordinate to, the pledge and assignment made in the Subordinated Notes Resolution in favor of the Subordinated Notes authorized hereby.

ARTICLE VI

SUPPLEMENTAL SUBORDINATED NOTES RESOLUTIONS

SECTION 601. Supplemental Subordinated Resolutions. For any one or more of the following purposes and at any time or from time to time, a Supplemental Subordinated Notes Resolution may be adopted without the consent of or notice to any Holder, which, upon its adoption, shall be duly effective in accordance with its terms:

(1) To close the Subordinated Note Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Subordinated Notes Resolution on, the delivery on original issuance of Subordinated Notes or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Authority in the Subordinated Notes Resolution other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Subordinated Notes Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Subordinated Notes Resolution other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Subordinated Notes Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Authority by the Subordinated Notes Resolution;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Subordinated Notes Resolution, of any additional security other than that granted or pledged under the Subordinated Notes Resolution;

(6) To modify, amend or supplement the Subordinated Notes Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Subordinated Notes for sale under the securities laws of any of the states of the United States of America, and, if the Authority so determines, to add hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar Federal statute;

(7) To comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system;

(8) To modify any of the provisions of the Subordinated Notes Resolution in any other respect whatever, provided that (a) such modification is to be effective prior to the issuance of any Subordinated Notes;

(9) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Subordinated Notes Resolution; or

(10) To insert such provisions, or to make such other amendments to the Subordinated Notes Resolution, as are necessary or desirable which are not materially adverse to the rights under the Subordinated Notes Resolution of the Holders of Subordinated Notes. The determination of the Authority as to whether any modification or amendment materially and adversely affects the interests of the Holders shall be binding and conclusive on the Holders.

SECTION 602. Supplemental Subordinate Resolutions Effective with Consent of Holders of Subordinated Notes. At any time or from time to time, a Supplemental Subordinated Notes Resolution also may be adopted subject to consent by Holders of Subordinated Notes in accordance with and subject to the provisions of Article VII, which Supplemental Subordinated Notes Resolution shall become fully effective in accordance with its terms as provided in said Article VII.

SECTION 603. General Provisions. (1) The Subordinated Notes Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article VI and Article VII. Nothing in this Article VI or in Article VII contained shall affect or limit the right or obligation of the Authority to execute and deliver to any Paying Agent any instrument which elsewhere in the Subordinated Notes Resolution it is provided shall be delivered to said Paying Agent.

(2) Any Supplemental Subordinated Notes Resolution referred to and permitted or authorized by Sections 601 and 602 shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Subordinated Notes Resolution when filed with the Paying Agent shall be accompanied by a Counsel's Opinion stating that such Supplemental Subordinated Notes Resolution has been duly and lawfully adopted in accordance with the provisions of the Subordinated Notes Resolution, is authorized or permitted by the Subordinated Notes Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms.

ARTICLE VII

AMENDMENTS

SECTION 701. Mailing. Any provision in this Article for the mailing of a notice or other paper to Holders of Subordinated Notes shall be fully complied with if it is mailed postage prepaid only to each Holder of Subordinated Notes then Outstanding at his address, if any, appearing upon the registry books of the Authority.

SECTION 702. Powers of Amendment. Any modification or amendment of the Subordinated Notes Resolution and of the rights and obligations of the Authority and of the Holders, in any particular, may be made by a Supplemental Subordinated Notes Resolution, with the written consent given as provided in Section 703 (i) of the Holders of a majority in principal amount of the Subordinated Notes Outstanding at the time such consent is given, and (ii) in case less than all of the Subordinated Notes then Outstanding are affected by the modification or amendment, of the Holders of a majority in principal amount of the Subordinated Notes so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Subordinated Notes remain outstanding shall not be required and such Subordinated Notes shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Subordinated Notes under this Section. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Notes or of any installment of interest thereon or a reduction in the principal amount or in the rate of interest thereon without the consent of the Holders of all of such Subordinated Notes, (b) reduce the percentage of Subordinated Notes owned or otherwise affect the interests of those Holders of Subordinated Notes whose consent is required to effect any such modification or amendment, (c) create a preference or priority of any Subordinated Notes over any other Subordinated Notes without the consent of the Holders of all such Subordinated Notes, (d) create a lien prior to or on parity with the lien of the Subordinated Notes Resolution, without the consent of the Holders of all of the Subordinated Notes then Outstanding, or (e) change or modify any of the rights or obligations of Paying Agent without its written assent thereto. Notwithstanding the foregoing, nothing in this Subordinated Notes Resolution shall be deemed to preclude, or restrict issuance of additional Obligations or Subordinated Indebtedness or incurring Subordinated Contract Obligations in accordance with the terms of the General Resolution. For the purposes of this Section, Subordinated Notes shall be deemed to be affected by a modification or amendment of the Subordinated Notes Resolution if the same materially and adversely affects the rights of the Holders of such Subordinated Notes.

SECTION 703. Consent of Holders of Subordinated Notes. The Authority may at any time adopt a Supplemental Subordinated Notes Resolution making a modification or amendment permitted by the provisions of Section 702, to take effect when and as provided in this Section. A copy of such Supplemental Subordinated Notes Resolution (or brief summary

thereof or reference thereto) together with a request to the Holders for their consent thereto, shall be mailed by the Authority to the Holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Subordinated Notes Resolution when consented to as in this Section provided). Such Supplemental Subordinated Notes Resolution shall not be effective unless and until (a) (i) the written consents of Holders of the percentages of Outstanding Subordinated Notes specified in Section 702 have been obtained and (ii) a Counsel's Opinion stating that such Supplemental Subordinated Notes Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Subordinated Notes Resolution, is authorized or permitted by the Subordinated Notes Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (b) a notice shall have been mailed to Holders as hereinafter in this Section 703 provided. Any such consent shall be binding upon the Holders of the Subordinated Notes giving such consent and, anything herein to the contrary notwithstanding, upon any subsequent Holder of such Subordinated Notes issued in exchange thereof (whether or not such subsequent Holder thereof has notice thereof). At any time after the Holders of the required percentages of Subordinated Notes shall have filed their consents to the Supplemental Subordinated Notes Resolution, notice, stating in substance that the Supplemental Subordinated Notes Resolution has been consented to by the Holders of the required percentages of Subordinated Notes and will be effective as provided in this Section 703, may be given to Holders of Subordinated Notes by the Authority by mailing such notice to Holders of Subordinated Notes (but failure to mail such notice shall not prevent such Supplemental Subordinated Notes Resolution from becoming effective and binding as in this Section 703 provided). The Authority shall maintain proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section 703, shall be proof of the matters therein stated. Such Supplemental Subordinated Notes Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Paying Agent and the Holders of all Subordinated Notes at the expiration of 40 days after the execution of an Authorized Officer's certification of the proof of the mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Subordinated Notes Resolution in a legal action or equitable proceeding for such purpose commenced within such 40-day period; provided, however, that the Paying Agent and the Authority during such 40-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Subordinated Notes Resolution as they may deem expedient.

SECTION 704. Modifications by Unanimous Consent. The terms and provisions of the Subordinated Notes Resolution and the rights and obligations of the Authority and of the Holders of Subordinated Notes may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Subordinated Notes Resolution and the consent of the Holders of all of the Subordinated Notes then Outstanding, such consent to be given as provided in Section 703 except that no notice to Holders of Subordinated Notes shall be required; provided, however, that no such modification or amendment shall change or modify

any of the rights or obligations of the Paying Agent without the written assent thereto of such Paying Agent in addition to the consent of the Holders of Subordinated Notes.

SECTION 705. Exclusion of Subordinated Notes Owned by the Authority. Subordinated Notes owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Subordinated Notes provided for in this Article, and the Authority shall not be entitled with respect to such Subordinated Notes to give any consent or take any other action provided for in this Article.

SECTION 706. Notation on Subordinated Notes. Subordinated Notes delivered after the effective date of any action taken as in Article VI or this Article VII may bear a notation by endorsement or otherwise in form approved by the Authority as to such action, and in that case upon demand of the Holder of any Subordinated Notes Outstanding at such effective date and presentation of his Subordinated Notes for the purpose at the principal office of the Authority suitable notation shall be made on such Subordinated Notes as to any such action. If the Authority shall so determine, new Subordinated Notes so modified as in the opinion of the Authority to conform to such action shall be prepared and delivered, and upon demand of the Holder of any Subordinated Notes then Outstanding shall be exchanged, without cost to such Holders of Subordinated Notes for Subordinated Notes of the same maturity and interest rate then Outstanding, upon surrender of such Subordinated Notes.

ARTICLE VIII

MISCELLANEOUS

SECTION 801. Defeasance. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Subordinated Notes, all amounts due on the Subordinated Notes at the times and in the manner stipulated herein, then the pledge created under this Subordinated Notes Resolution and all covenants, agreements and other obligations of the Authority hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, and thereupon all of the moneys and securities of the Authority then subject to such pledge shall be forever free and clear of such pledge and the Subordinated Notes shall no longer be deemed to be outstanding hereunder. If (i) moneys or (ii) direct obligations of the United States of America, the principal of and interest on which if paid, when due, will provide moneys sufficient to pay any Subordinated Note or Notes on their Maturity Date shall have been set aside and shall be held by a bank or trust company in the State having a capital and surplus of not less than \$25,000,000, in a separate account irrevocably in trust for and assigned to the Holder or Holders thereof (through deposit by the Authority of funds or obligations for such payment or otherwise), such Subordinated Note or Notes shall be deemed to have been paid within the meaning and with the effect expressed in this paragraph. Moneys so set aside and held may be invested in direct obligations of the United States of America, provided, however, that said obligations shall mature not later than the Maturity Date of the Subordinated Note or Notes to be paid therefrom and shall be scheduled to pay the principal of or interest on such obligations at such times and in such amounts as shall permit the payment of such Subordinated Note or Notes on the Maturity Date. All earnings from the investment of such moneys other than such amounts as are required to pay such Subordinated Note or Notes shall be paid over to the Authority, as received by such bank or trust company, free and clear of any trust, lien or pledge.

SECTION 802. Agreement of the State. Pursuant to Section 1011 of the Act, the Authority, as agent for the State, does hereby pledge to and agree with the Holders of the Subordinated Notes that the State will not limit or alter the rights vested in the Authority by the Act until the Subordinated Notes, together with the interest thereon, have been fully met and discharged or adequate provision shall have been made by law for the protection of the Holders of the Subordinated Notes.

SECTION 803. Authorized Officers. The Authorized Officers, the Deputy Treasurer, the Secretary, and any Assistant Secretary of the Authority are each hereby authorized to deliver and execute in the name and on behalf of the Authority any certificate, opinion, record, approval, agreement, amendment to an agreement, including any documents required by or authorized pursuant to this Subordinated Notes Resolution or which they may deem necessary or advisable in order to consummate the issuance, sale, delivery or transfer of the Subordinated Notes and otherwise to effectuate the purposes of this Subordinated Notes Resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

SECTION 804. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions or portions thereof contained herein shall be held by a court of competent jurisdiction contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Subordinated Notes issued hereunder.

SECTION 805. Payment and Performance on Business Days. Whenever under the terms of this Subordinated Notes Resolution or the Subordinated Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Subordinated Notes shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Subordinated Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the originally scheduled date of performance or payment, and, with respect to any payment, without additional interest accruing after the originally scheduled date of payment.

SECTION 806. Effective Date. This Subordinated Notes Resolution shall be in full force and effect immediately upon its adoption.

EXHIBIT A TO SUBORDINATED NOTES RESOLUTION
(FORM OF SUBORDINATED NOTES)

POWER AUTHORITY OF THE STATE OF NEW YORK

SUBORDINATED NOTES, SERIES 2016

ISSUE DATE: No.____ PRINCIPAL AMOUNT:

FOR VALUE RECEIVED THE AUTHORITY PROMISES TO PAY

ON: _____ (THE "MATURITY DATE")

TO THE ORDER OF: _____

THE SUM OF: THE PRINCIPAL AMOUNT PLUS INTEREST DETERMINED
IN ACCORDANCE WITH THE SUBORDINATED NOTES
RESOLUTION (THE "INTEREST")

PAYABLE AT: _____

Power Authority of the State of New York ("Authority") acknowledges itself indebted to and for the value received, hereby promises to pay on the MATURITY DATE to the order of _____ or registered assigns, the PRINCIPAL AMOUNT plus INTEREST by wire transfer of immediately available funds on the date payments are due.

This Subordinated Note is one of a duly authorized issue of Subordinated Notes of the Authority, issued under and pursuant to the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended ("Act"), and under and pursuant to a resolution adopted by the Authority on November 7, 2016 entitled "Resolution Authorizing Subordinated Notes, Series 2016 (Federally Taxable)", as the same may be amended and supplemented from time to time (the "Subordinated Notes Resolution"), and is entitled to the benefits and subject to the terms and conditions of the Subordinated Notes Resolution. A copy of the Subordinated Notes Resolution is on file at the office of the Authority located at 123 Main Street, White Plains, New York. The principal amount of Subordinated Notes issued under the Subordinated Notes Resolution outstanding at any one time may not exceed \$30,000,000.

Except as otherwise defined herein, all capitalized words and terms used herein have the same meanings as in the Subordinated Notes Resolution.

The Subordinated Notes are Subordinated Indebtedness within the meaning of the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as heretofore and hereafter amended and supplemented in accordance with the terms thereof (the "General Resolution") and shall be payable from the Trust Estate; provided that such payments shall be subject and subordinated to the payments to be made with respect to the Obligations and Parity Debt, as provided in Sections 503 and 604 of the General Resolution. The Trust Estate is pledged for the payment of the Subordinated Notes, provided that such pledge is junior and inferior to the pledge of the Trust Estate created in the General Resolution for the payment of the Obligations and Parity Debt.

This Subordinated Note is transferable, as provided in the Subordinated Notes Resolution, only upon the books of the Authority, kept for that purpose at the office of The Bank of New York Mellon, as Paying Agent, by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Subordinated Note together with a written instrument of transfer satisfactory to such Paying Agent, duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new registered Subordinated Note in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Subordinated Notes Resolution, upon payment of the charges therein prescribed. The Authority and such Paying Agent may deem and treat the person in whose name this Subordinated Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal and interest due hereon and for all other purposes.

Pursuant to Section 1011 of the Act, the Authority, as agent for the State of New York, does hereby pledge to and agree with the holder of this Subordinated Note that the State of New York will not limit or alter the rights vested in the Authority by the Act, until this Subordinated Note and each of the other Subordinated Notes of like tenor issued under the Subordinated Notes Resolution, together with the interest hereon and thereon, have been fully met and discharged or adequate provision shall have been made by law for the protection of the holders of all such Subordinated Notes.

Pursuant to the Act, the Authority has no power to pledge the credit of the State of New York, nor shall any of its obligations, including this Subordinated Note, be deemed to be obligations of the State of New York.

Neither the Trustees of the Authority nor any other officer or employee of the Authority shall be subject to any personal liability or accountability by reason of the issuance hereof.

This Subordinated Note shall not be entitled to any security, right or benefit pursuant to the Resolution or be valid or obligatory for any purposes unless the Certificate of Authentication hereon has been duly executed by The Bank of New York Mellon, the Paying Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State and the Subordinated Notes Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Subordinated Note, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Subordinated Notes, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the POWER AUTHORITY OF THE STATE OF NEW YORK has caused this Subordinated Note to be executed in its name by the manual or facsimile signature of its Chairman, Vice Chairman, President and Chief Executive Officer, or Executive Vice President and Chief Financial Officer, and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon, all as of the ISSUE DATE.

POWER AUTHORITY OF THE
STATE OF NEW YORK

By _____
Authorized Officer

[FACSIMILE SEAL]

NOT VALID UNLESS AUTHENTICATED

Authenticated:

THE BANK OF NEW YORK MELLON

Paying Agent

By _____
Authorized Signature

**MINUTES OF THE
SPECIAL FINANCE COMMITTEE MEETING
OF THE POWER AUTHORITY OF THE STATE OF NEW YORK**

December 14, 2016

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
Introduction	2	
1. Adoption of the December 14, 2016 Proposed Special Meeting Agenda	3	
2. Motion to Conduct an Executive Session	4	
3. Motion to Resume Meeting in Open Session	5	
Discussion Agenda:	6	
4. Canal Corporation Integration Update	6	
5. Release of Funds in Support of the New York State Canal Corporation and New York State Canal System	8	
6. Next Meeting	11	
Closing	12	

Minutes of the special meeting of the New York Power Authority's Finance Committee held at the Authority's offices at 123 Main Street, White Plains, New York at approximately 3:00 p.m.

Members of the Finance Committee present were:

Tracy B. McKibben, Chair
John R. Koelmel
Eugene L. Nicandri

Anne M. Kress - Excused
Anthony Picente, Jr. - Excused

Also in attendance were:

Gil Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Robert Lurie	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Subhagya Parija	Senior Vice President and Chief Risk Officer
Jennifer Sutton	Senior Vice President – Internal Audit
Kimberly Harriman	Senior Vice President – Corporate and Public Affairs
Karen Delince	Vice President and Corporate Secretary
Thomas Concadoro	Vice President and Controller
Anne Reasoner	Vice President - Budgets and Business Controls
Scott Tetenman	Vice President – Finance
Brian McElroy	Treasurer
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary

Chairperson Tracy McKibben presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairperson Tracy McKibben welcomed committee members and the Authority's senior staff to the special meeting. She said the special 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 December 14, 2016 Proposed Special Meeting Agenda**

Upon motion made by Trustee Nicandri and seconded by Authority Chairman Koelmel, the agenda for the special meeting was adopted.

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

I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 (f) to discuss the financial, credit or employment history of a particular person or corporation. Upon made by Trustee Nicandri and seconded by Authority Chairman Koelmel, an executive session was held.

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

I move to resume the meeting in Open Session. Upon made by Trustee Nicandri and seconded by Authority Chairman Koelmel, the meeting resumed in open session.

Discussion Agenda

4. Canal Corporation Integration Update

Ms. Kimberly Harriman provided an update on the Canal Corporation's ("Canal") integration, to date. She said that NYPA is well-positioned to successfully take over the operations of Canal on January 1, 2017, the Authority's legal date for assumption of those responsibilities. Staff will complete all of the transfer functions by December 27th, with sufficient spare time to ensure that any issues identified can be worked out prior to the statutory deadline. She continued that there were no significant operational transfer risks. Staff has accomplished key updates and goals have been achieved since the last report to the Board in September.

Enterprise Shared Services

Office space has been obtained in Syracuse, Buffalo and Albany for Canal staff. Currently, Canal staff has moved to locations in Syracuse and Buffalo. And the first set of employees moved to the Albany location on Friday, December 9th. The remaining headquarters and eastern division positions will be migrated from the Thruway Authority to the Albany office on Friday, December 16th.

All computers and IT systems have been set up and the staff has been connected to these systems. An email system hosted by the Authority has been established. The Authority has also established an Intranet page for the Canal employees and a dry-run with regard to the use of those systems in real time will be conducted.

Human Resources and Labor

There are several positions that the Authority needs to fill within Canal given the fact that the Thruway Authority ("Thruway") did a large portion of work on Canal's behalf namely in the areas of Engineering, Operations and Environmental Health and Safety, Human Resources and Procurement. To date, the Authority has hired 13 of the 37 employees identified as "needed" and "incremental" personnel for Canal. The remaining employees needed, will be backfilled through contractor services that will be temporary but robust enough to ensure that the Authority will be ready for Day One operational control.

Operations and Environment Health & Safety

Contractors have been identified that will supplement the Authority both for construction management as well as design work. To that end, at their meeting on December 15th, the Trustees will be requested to approve a request to retain 10 contractors split evenly between those two functions. This action by the Board will finalize the contingency plans and the Authority will be ready to assume responsibility on Day One.

Transition Services Agreement

There are some functions that the Thruway will continue to provide at the present time. However, the Authority has identified several transition services agreements as it relates to Operations, Environment Health & Safety, Labor and Information Technology, the executions of which are nearing completion. The deadline for completion and final execution of all agreements that have been identified is Friday, December 16th. Staff does not foresee any difficulties or problems in meeting that goal.

Procurement

There are several procurement contracts that the Thruway, as its parent corporation, held on behalf of Canal. The Authority has identified all contracts that involve Canal's work and have effectuated the assignment of those contracts to NYPA as the new parent so that NYPA can assume those contract responsibility and control on January 1, 2017.

Finance

The Authority has successfully completed payroll testing. By Friday, December 16th, staff will be ready to manage the payroll systems.

Information Technology

Staff successfully completed testing of all critical SAP functions. Staff will sequentially roll-out these critical SAP systems, beginning with Payroll, and have them operational the last two weeks of December. Sufficient time will be allotted to implement contingency plans for any unforeseen issues.

Communications

With respect to communications and government relations, the transition between the Thruway press office and NYPA's media relations went smoothly. The Authority has a good communications plan and is ready to respond to any questions from either stakeholders or elected officials.

Ms. Harriman ended by saying that, after working long hours, holidays and week-ends, Authority staff is ready to go forward with the transition and looking forward to partnering with Canal to ensure that the Authority continue this recreation and tourism state treasure.

Authority Chairman thanked Ms. Harriman for her leadership in this effort and also the collective Business Units for the tremendous outcomes, to date.

5. Release of Funds in Support of the New York State Canal Corporation and New York State Canal System

The Treasurer submitted the following report:

"SUMMARY"

The Trustees will be requested at their December 15, 2016 meeting to authorize the release of up to \$30.0 million in additional funding to support costs associated with the transfer of the New York State Canal Corporation ('Canal Corporation') and specified powers, duties and jurisdiction relating to the NYS Canal System ('Canal System') from the New York State Thruway Authority ('Thruway Authority') to the Authority (the 'Canal Transfer') including: (1) reimbursements to the Thruway Authority in respect of the period of October 1, 2016 through January 1, 2017 as authorized by legislation approving the 2016-17 Budget of the State of New York (Part TT of Chapter 54 of the Laws of 2016) (hereinafter the 'Canal Transfer Legislation'), and (2) Authority integration costs for 2016 associated with the Canal Transfer.

The Trustees will also be requested at their December 15, 2016 meeting to authorize the release of up to \$14.0 million in funding to support the operation of the Canal Corporation for the period from January 1, 2017 through January 31, 2017.

The Finance Committee is requested to recommend to the Trustees authorization of these releases.

BACKGROUND

The Authority has been authorized to provide financial support for the Canal Transfer but the expenditures associated therewith do not constitute Operating Expenses as defined in the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution'). Accordingly, any expenditures for such purposes 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 expenditures.

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 for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

DISCUSSION

The Canal Transfer Legislation authorized the Authority to reimburse the Thruway Authority for any and all operating and capital costs for the operation and maintenance of the Canal Corporation and the Canal System for the period of April 1, 2016 through January 1, 2017 in advance of the January 1, 2017 implementation date set forth in such legislation for the transfer of the Canal Corporation to the Authority. Pursuant to the Canal Transfer Legislation, the Authority entered into an agreement with the Thruway Authority ('Canal Reimbursement Agreement') to reimburse the Thruway Authority for any and all operating and capital costs for the operation and maintenance of the Canal Corporation and the Canal System for the period of April 1, 2016 through January 1, 2017.

On November 7, 2016, the Trustees authorized and ratified the release of up to \$60 million in initial funding to support estimated reimbursement costs and integration costs to be released prior to the next Board of Trustees meeting on December 15, 2016. Through November 30, 2016, the Authority has released a total of \$50.1 million comprised of \$37.0 million in reimbursement costs (in respect of the period April 1, 2016 – September 1, 2016) and \$13.1 million in integration costs. In total, the Authority estimates incurring \$90.0 million in reimbursement costs and integration costs for 2016.

The Canal Transfer Legislation further provides that the Canal Corporation will become a subsidiary of the Authority effective January 1, 2017. The Authority expects to incur up to \$14.0 million in costs to support the operation of the Canal Corporation for the period from January 1, 2017 to January 31, 2017.

Staff has reviewed the effect of releasing the requested \$44.0 million, in aggregate, 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 also calculated the impact of this release, together with the release of \$60 million approved in November 2016, and the release of \$91 million in voluntary contributions (\$20 million of which is to be considered today and \$71 million approved in March 2016) on the Authority's debt service coverage ratio and determined it would temporarily fall below the 2.0 reference level using Net Cash from Operating Activities ending with the last calendar quarter September 30, 2016. Based on the most recent November 30, 2016 Net Cash from Operating Activities and the Authority's Four Year Budget and Financial Plan, the 2.0 reference point level would be met for the period ending November 30, 2016 and in each year-end of the forecast period 2017-2020. For purposes of the Board's Policy Statement these expenditures are treated as amounts being withdrawn or paid out directly or indirectly to a State entity, so that such expenditures will be 'Prior Contributions to the State' under such Policy Statement. 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 (a) sufficient funds are available in the Operating Fund to release up to \$44.0 million, in aggregate, in funding, consisting of (i) up to \$30.0 million in funding to support 2016 costs associated with the Canal Transfer and (ii) up to \$14.0 million in funding to support operation of the Canal Corporation for the period from January 1, 2017 to January 31, 2017. Staff has further determined 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 Canal Transfer Legislation was enacted subsequent to approval of the Authority's 2016 Operating Budget approved by the Trustees in December 2015 and expenses associated with the transfer and integration were not anticipated for and were not included in the 2016 Operating Budget. The expenses associated with the operation of the Canal Corporation for the month of January 2017 are expected to be included in the 2017 Canal Corporation budget that will be submitted to the Canal Corporation's Board of Trustees in January 2017 for review and approval.

REQUESTED ACTION

It is requested that the Finance Committee recommend that the Authority's Trustees authorize the release of up to \$44.0 million, in aggregate, in funding, consisting of (i) up to \$30.0 million in funding to support costs associated with the Canal Transfer and (ii) up to \$14.0 million in funding to support operation of the Canal Corporation for the period from January 1, 2017 to January 31, 2017."

Mr. Brian McElroy provided highlights of staff's recommendation to the Committee. In response to a question from Authority Chairman Koelmel, Mr. McElroy said the \$75 million represents a net income expense and the \$90 million includes approximately \$15 million in operating and capital costs related to the Canal Corporation's implementation.

Upon motion made by Authority Chairman Koelmel, and seconded by Trustee Nicandri, the following resolution, as submitted by the Treasurer was unanimously adopted.

RESOLVED, That the Finance Committee recommends that the Authority Trustees authorize the release of up to \$44.0 million, in aggregate, in funding consisting of (i) up to \$30.0 million in funding to support costs associated with transfer of the New York State Canal Corporation and (i) up to \$14.0 million in funding to support operation of the Canal Corporation for the period from January 1, 2017 to January 31, 2017, each as discussed in the foregoing report of the Treasurer.

6. **Next Meeting**

Chairperson McKibben said that the next regular meeting of the Finance Committee is to be determined.

Closing

Upon motion made by Trustee Authority Chairman Koelmel and seconded by Trustee Nicandri, the meeting was adjourned by the Chair at approximately 6:15 p.m.

Karen Delince

Karen Delince
Corporate Secretary

**MINUTES OF THE REGULAR MEETING
OF THE
FINANCE COMMITTEE
September 27, 2016**

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
Introduction	2	
1. Adoption of the September 27, 2016 Proposed Meeting Agenda	3	
2. CONSENT AGENDA:	4	
a. Approval of the Minutes of the Regular Meeting held on September 29, 2015	4	
3. Motion to Conduct an Executive Session	5	
4. Motion to Resume Meeting in Open Session	6	
DISCUSSION AGENDA:	7	
5. Canal Corporation Integration	7	5-A
6. Next Meeting	10	
Closing	11	

Minutes of the regular meeting of the New York Power Authority's Finance Committee held at the Authority's offices at 123 Main Street, White Plains, New York at approximately 9:00 a.m.

Members of the Finance Committee present were:

Tracy B. McKibben, Chair
John R. Koelmel
Eugene L. Nicandri
Anne M. Kress
Anthony Picente, Jr.

Also in attendance were:

Gil Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Robert Lurie	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Subhagya Parija	Senior Vice President and Chief Risk Officer
Kimberly Harriman	Senior Vice President – Corporate and Public Affairs
Karen Delince	Vice President and Corporate Secretary
Thomas Concadoro	Vice President and Controller
Scott Tetenman	Vice President – Finance
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary

Chairperson Tracy McKibben presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairperson Tracy McKibben welcomed committee members and the Authority's senior staff to the meeting. She said the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to Section B(4) of the Finance Committee Charter.

1. **Adoption of the September 27, 2016 Proposed Meeting Agenda**

Upon motion made by Authority Chairman John Koelmel and seconded by Trustee Eugene Nicandri, the agenda for the meeting was adopted.

2. CONSENT AGENDA:

Upon motion made by Trustee Eugene Nicandri and seconded by Authority Chairman John Koelmel, the agenda for the meeting was adopted.

a. Approval of the Minutes

The Minutes of the Committee's Regular Meeting held on September 29, 2015, were approved.

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

I move that the Authority conduct an executive session to discuss the financial, credit and employment history of a particular corporation and matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person pursuant to the Public Officers Law of the State of New York section §105(f). Upon motion made by Trustee Eugene Nicandri and seconded by Authority Chairman John Koelmel, an executive session was held.

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

I move to resume the meeting in Open Session. Upon motion made by Trustee Anthony Picente and seconded by Trustee Anne Kress, the meeting resumed in Open Session.

DISCUSSION AGENDA:

5. Canal Corporation Integration

Ms. Kimberly Harriman provided an update on the status of the Canal Corporation's ("Canal") integration into the New York Power Authority (Exhibit 5-A). She said that the organization's design has been completed and shared with both the Thruway Authority ("Thruway") and Canal staffs. The target operating models have been concluded with scopes-of-work to be developed on the transition services agreements that would be in place between NYPA and the Thruway Authority.

Based on discussions during this process it was determined, and Canal and Thruway executives concurred, that it would be prudent to move the date of integration from January 1st, which is a Sunday and a holiday, to December 27th. To that end the team has identified critical resources at the Power Authority and at the Thruway and Canal.

The IT migration contract assignments and shared services have been completed. The Thruway and Canal contracts are entirely entangled; the team therefore, has to remove the Canal portion from the Thruway contracts and have set up procedures to manage the entangled contracts.

The next step is how to empower the Canal Corporation to stand on its own since its construction and design work are all done by the Thruway Authority. Its HR, Finance and Procurement functions are also done at the Thruway Authority. To that end, an Organizational Chart for the Canal Corporation is being developed. The principal objective that the team kept in mind in developing the organizational chart for Canal is the NYPA 2020 Strategic Vision and its statutory responsibility. The goal is to make Canal independent and be able to stand up on its own and make sound business and engineering decisions on a day-to-day basis. At the same time, the team wants to take the 85 years of institutional knowledge that NYPA has and the best practices of engineering and business and impart that to the Canal Corporation. It is important to note that Canal's organizational structure is informed by, and consistent with, the Civil Service guidelines. They are a different legal corporation from the Power Authority in that they have Civil Service titles and they have different collective bargaining units that serve its employees.

Since the team is not familiar with the Canal operations they are taking a scale-up approach to make sure that its structure can be independent. It's hard to pin down with precision the level of functionality in each of the functional areas that need to be independent within Canal's organization because of the entanglement it has with Thruway. The team has to decide, not only what are the critical resources that need to be included for Canal on Day One for safe operations, but also allow room to observe, in real time, the workflow and how many people are needed in a specific functional area.

To that end, the team has developed the organizational chart they are proposing for the Canal Corporation Day One. Under the existing structure there is only one Deputy Director; however, the new organizational will have a management structure that is empowered to make decisions with three Deputy Directors across key functional areas including engineering, operation and maintenance. The functional areas include dam safety, emergency planning, canal inspection and design and construction work. The team intends to identify the best resources to put in those positions.

In response to a question from Chairperson McKibben, Ms. Harriman said the team has identified approximately 40 additional positions for Canal's operation. Canal has about 450 employees. The Chief of Staff has responsibility for about 197 employees that are associated largely with navigation and lock operations. On the engineering side, there are about 293 employees working in the field and doing the design work.

In response to further questioning from Chairperson McKibben, Ms. Harriman said that, the team proposed to add personnel at various levels, e.g., for Canal Inspection, two Regional Canal Inspectors - Eastern Division and Western Division - and a Junior Inspector will be added. Those three positions do

not currently exist at Canal because that function is largely done by the Thruway Authority. The 40 FTE additions across the organization is necessary to stand-up the operations of Canal and to give them the resources and empowerment to make decisions on an everyday basis. The team believes this is necessary so that the day-to-day decisions do not have to come to the Power Authority. The team wants to make sure NYPA staff is focused on mission critical work for achieving the Strategy 2020 initiatives.

In response to a question from Authority Chairman Koelmel, Ms. Harriman, said that the Chief of Staff is viewed as a Deputy Director/Chief of Staff. Two of the three positions need to be filled - the Deputy Director - Shared Services and the Engineering, Operation and Maintenance. The team has identified some possible resources and have interviews set up to fill the other two positions.

In response to further questioning from Authority Chairman Koelmel, Ms. Harriman said the Deputy Director positions will be filled at the October meeting of the Civil Service Commission; the positions should be filled within the next two to three weeks. At the same time, all of the positions will not be filled within the functional areas. There are certain positions, for example, engineering for Dam Safety, which will be advertised and interviews for that position will begin soon.

Budget

The team has been looking at the parameters that the Authority should take into consideration in evaluating the appropriate budget in 2017. The Authority will need to create capital programs that meet the asset health and condition for each of the functional groups. The areas that are of importance include Dam Safety, Culvert Repair and Embankment Repair and the Feeder Rehabilitation program. On the O&M side, the Authority will need to build O&M preventative maintenance programs which will help to reduce the amount of capital it will have to put into the system.

In response to a question from Chairperson McKibben, Ms. Harriman said Canal is a 200-year-old system with culverts that need rehabilitation. The culverts are physical asset which has to be cleaned out because of entrapment of materials in them; therefore, they have to be inspected and rehabbed or repaired.

In response to further questioning from Chairperson McKibben, Ms. Harriman said there is an embankment inspection program that produces capital work that is factored into a corresponding capital program.

Process

Under statute, NYPA does not take operational control of Canal until January 1st. With regard to the budget process and who has the responsibility to review and approve it, the team worked with the Legal Department and has made a recommendation that the 2017 Canal budget not be submitted by the Thruway Board since NYPA will basically have operational and fiscal control of Canal on January 1. In addition, NYPA is working with the Thruway staff which has the historical knowledge on budgeting for the Canal Corporation to develop the 2017 budget and will brief the Board of Trustees at the December meeting. Since operational control would not have been transferred at that time, the Board will not be requested to take official action at the December meeting. That action will be requested at the January 2017 meeting. If there are any issues that the Board of Trustees has identified, staff will address those issues before the budget is presented to the Board for approval in January.

In response to a question from Trustee Kress, Ms. Harriman said the \$97 million is related not only to integration costs but also making a safe and secure transition; with respect to prioritizing asset health and other programs, the actual budget will be above \$97 million.

In response to a question from Trustee Picente, Mr. Lurie said the \$97 million represents what the Thruway budgeted for Canal given their own calendar year. They did not prepare a budget for 2017.

Mr. Driscoll said the budget was based on what they spent in the past and Mr. Lurie added that they put an artificial cap on it in order to keep within a number that they wanted.

Authority Chairman Koelmel opined that it is important that the Finance Committee continue to meet with regularity to oversee the Canal Corporation's transition/integration in order to manage expectations; therefore, he expects the Committee to meet again no later than December.

6. **Next Meeting**

Chairperson McKibben said that the next regular meeting of the Finance Committee is to be determined.

Closing

Upon motion made by Trustee Picente and seconded by Trustee Kress, the meeting was adjourned by the Chair at approximately 10:20 a.m.

Karen Delince

Karen Delince
Corporate Secretary

FINANCE COMMITTEE

EXHIBITS

For

September 27, 2016

Meeting Minutes



**NY Power
Authority**

Canal Transfer Effort

Finance Committee Update

September 27, 2016

Canal transfer

Key accomplishments to date and next steps

- Overall, the program is currently on track to complete the tasks required to reach operational transfer on January 1, 2017 (“Day 1”).
- Key accomplishments since the last Trustee update (July 26, 2016) include:
 - 1) A tentative Day 1 Canal Organization Design has been documented and approved by NYPA leadership.
 - 2) The Target Operating Model (TOM)¹, including a refined TSA scope, was approved by NYPA and TWY leadership.
 - 3) An updated cutover date (December 27, 2016) for most systems and processes (excluding those covered by a TSA) was approved. This will mitigate risk during the holiday season, along with provide contingency ahead of Day 1.
 - 4) Execution has progressed across areas such as IT migration, contract assignment, shared service office implementation, 2017 budget development, etc.
- The key next step is continue executing against the agreed program plans, preparing for operational transfer.

¹Documents the “as is” and “to be” (Day 1) state of Canal operations.

Canal transfer

Tentative Day 1 Canal organization structure

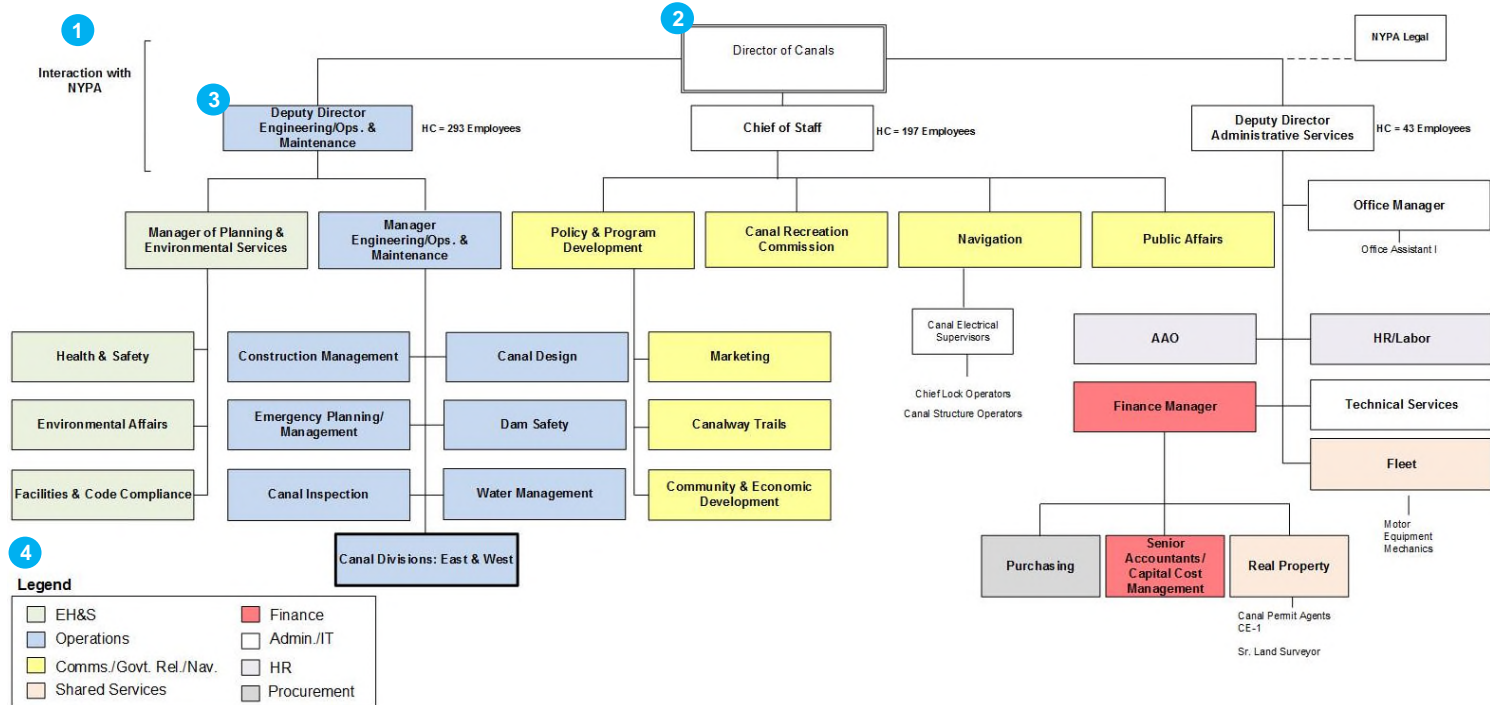
- NYPA Working Groups have identified resources required to stand-up Canal upon operational transfer. Most of the additional headcount falls into two categories:
 - 1) **Support Services** (e.g. IT, HR, Finance) – Staff required to support functions that do not exist in Canal today.
 - 2) **Operations, EH&S** – Staff required to support enhanced health, safety and maintenance standards.
- Key principles employed during this exercise include:
 - Keep the Canal organization and associated decision making processes separate from NYPA where practically possible.
 - Respecting the requirements of Civil Service law and Collective Bargaining Agreements of Canal union employees.
 - When staffing functions, assume the minimal amount of support required for Day 1. Further headcount can be added at a later date as need is demonstrated.
- The end result was an updated Day 1 Canal organization structure, which is presented within the following slide. Updates may be made as program assumptions change.

Canal transfer

Tentative Day 1 Canal organization structure (continued)

Highlights

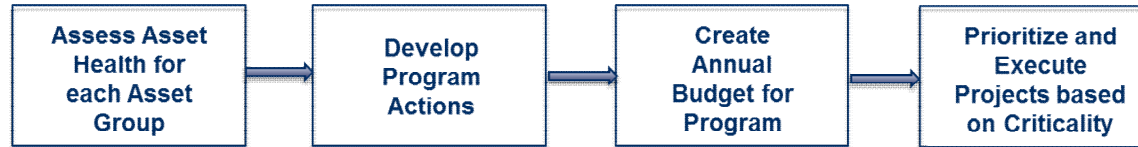
1. This is the level at which Canal will interact with NYPA; the specific governance process is being defined.
2. Three Deputy Directors will run major aspects of the Canal organization.
3. Technical staff (e.g. engineers) will report to a Deputy Director with a similar background.
4. In order to staff the organization, existing TWY staff will transfer (subject to agreement with the applicable employees) and new employees hired directly into Canal.



Canal transfer

Canal budget update – New capital and O&M programs

Programmatic Management of Assets



Capital Programs

- Guard Gate Rehab Program – common design
- Culvert Rehab Program
- Embankment Rehab Program
- Feeder Rehab Program
- Retention Dam Rehab Program
- Vehicle and Equipment Rehab and Replace
- Vessel Rehab and Replace
- Energy Efficiency Program

O&M Programs

- Vegetation Management Program
- Culvert Cleaning and Inspection Program
- Environmental Health and Safety Program
- Dam Safety Program
- Embankment Inspection Program
- Independent Vessel Assessment (one time)

Canal transfer

Canal budget update – Approval and submission process

- NYPA, at their September Trustee meeting, will acknowledge that the 2017 Canal budget will not be submitted (filing the budget with the State) to the TWY Board.
- NYPA staff will notify the NYPA Trustees that TWY has worked with NYPA to prepare the 2017 Canal budget. The NYPA Trustees will be briefed on the 2017 Canal Budget at NYPA's December 2016 meeting as part of the presentation of the NYPA Budget.
- NYPA's board, which will become the Canal board in January 2017, will vote to formally approve the 2017 Canal budget at their January meeting.
- NYPA will formally submit the 2017 Canal budget to the State (in-line with the NYPA budget).

O&M 2017 - Budget by Organization

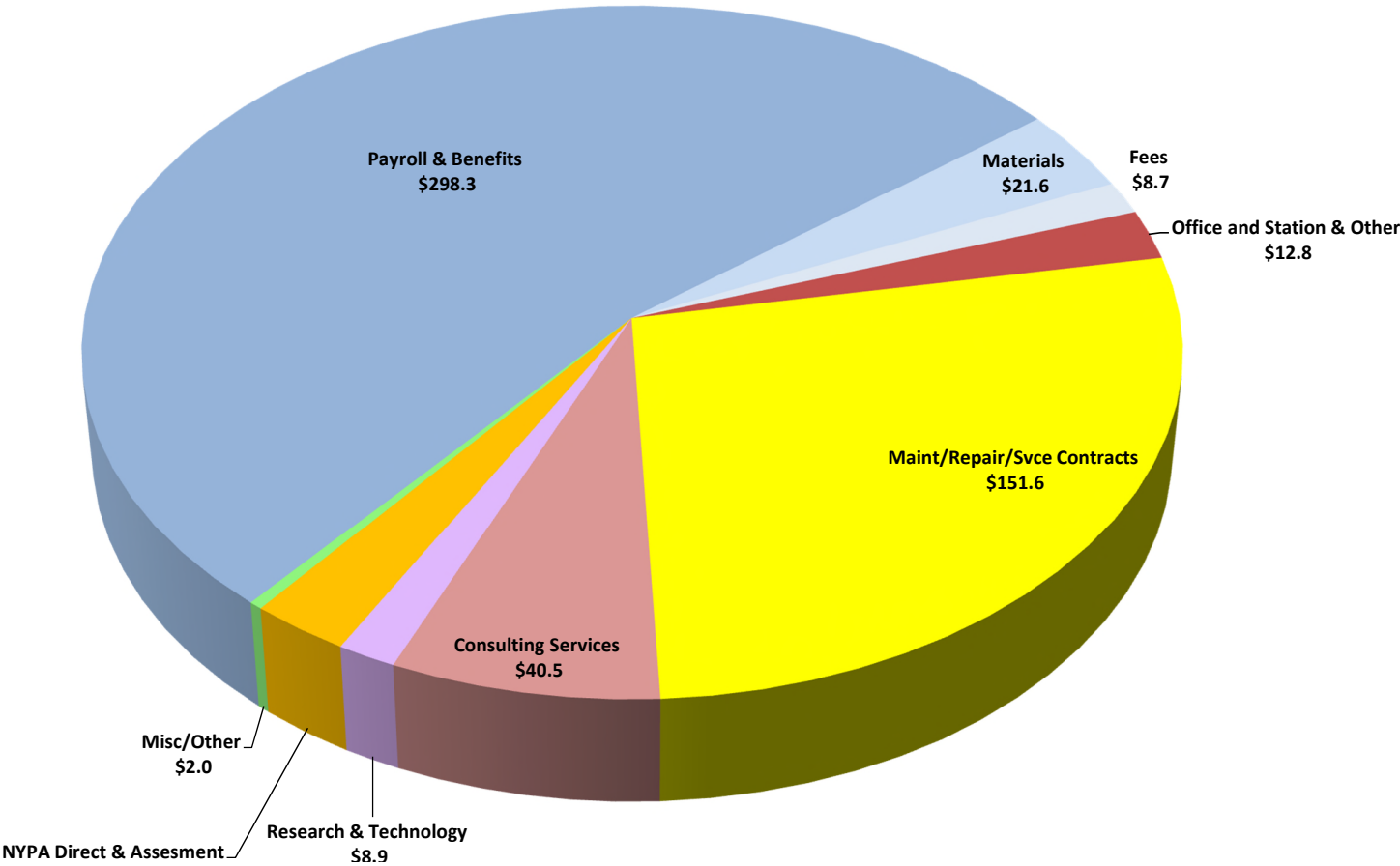
Exhibit A: 1 of 4

(\$000's)

	2017 <u>Budget</u>		2017 <u>Budget</u>
EXECUTIVE OFFICE		ENERGY MARKETING & BUSINESS DEVELOPMENT	
Executive	1,557.9	Energy Efficiency	500.0
Law	9,091.3	Economic Development	464.6
Internal Audit	4,504.8	Market Analysis & Administration	15.0
Corporate Affairs	11,960.4	NY Energy Manager	0.0
Risk Management	<u>5,043.5</u>	Integrated Grid	0.0
Office Total	32,157.8	Customer Energy Solutions	<u>0.0</u>
		Office Total	979.6
COMMERCIAL OPERATIONS		OPERATIONS	
SVP Commercial Operations	1,249.9	Operations Headquarters	33,371.1
Project & Business Development	3,614.4	Blenheim-Gilboa	22,440.2
Energy Resource Management	<u>1,744.9</u>	500 MW	34,468.8
Office Total	6,609.3	Flynn	7,987.7
		SENY	6,856.9
BUSINESS SERVICES		SCPP	18,905.5
EVP & CFO Business Services	622.0	Niagara	62,834.7
Budgets & Business Controls	2,562.4	St. Lawrence	37,386.6
Controller	5,910.2	Small Hydros	13,721.1
Finance	694.9	Transmission Lines	65,994.2
Financial Planning	985.5	Astoria Energy II O&M	<u>967.3</u>
Treasury	1,388.4	Office Total	304,934.2
Procurement	9,913.7	Recharge New York	2,553.8
Strategic Management	1,815.0	Research & Development	8,924.0
Enterprise Excellence	<u>2,676.1</u>		
Office Total	26,568.2	Total before Lease/Invest.	440,958.3
		Eliminations & Adjustments	34,251.5
INFORMATION TECHNOLOGY			
Cyber Security	902.9	Astoria Energy II Lease	28,206.0
Information Technology	<u>29,301.3</u>	Canals	84,300.2
Office Total	30,204.2	Grand Total	587,715.9
ENTERPRISE SHARED SERVICES			
SVP Enterprise Shared Services	1,201.4		
VP Enterprise Shared Services	373.3		
Human Resources	11,894.0		
Knowledge Management	1,619.0		
Corporate Support Services	10,206.7		
Fleet Management	1,458.5		
Real Estate	607.8		
Chief Diversity Officer	<u>666.5</u>		
Office Total	28,027.2		

O&M: 2017 Budget By Cost Element (\$millions)

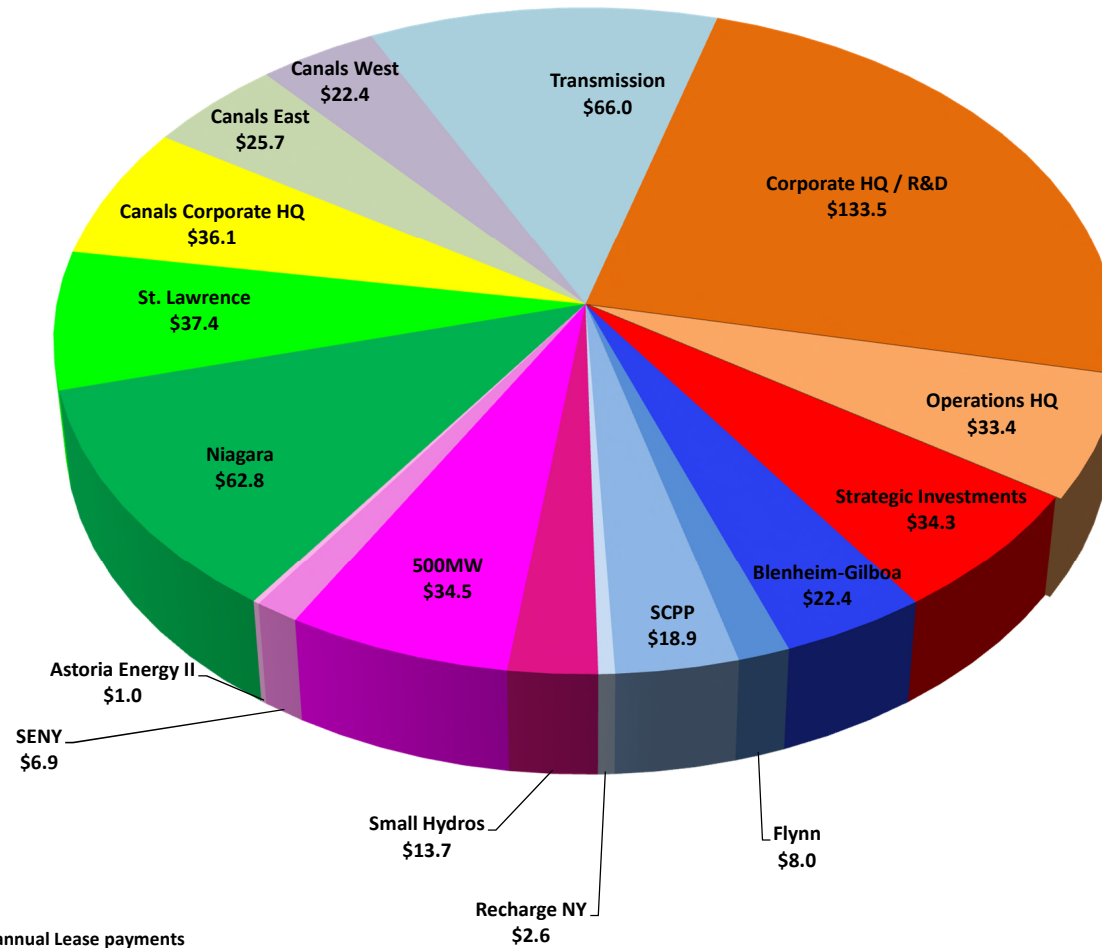
\$559.5 M
(excludes AE II Lease)



O&M: 2017 Budget By Facility (\$millions)

Exhibit A: 3 of 4

\$559.5 M
(excludes AEII Lease)



O & M: Headcount 2017

Headquarters	<u>2017 Request</u>
* Executive Offices	170
Commercial Operations	55
Business Services	197
Human Resources & Enterprise Shared Services	109
Information Technology	130
Economic Development & Energy Efficiency	<u>179</u>
Headquarters Total	840
Operations	
Operations HQ	333
Transmission/Clark	131
Blenheim-Gilboa	108
500MW	64
R.M. Flynn	24
Niagara	246
St. Lawrence	<u>197</u>
Operations Total	1,103
NYPA Total	1,943
Canals Total	482
Grand Total	2,425

NYPA Reflects 25 new position requests, funded and embedded in departments

* Includes 20 funded and 15 unfunded new position requests

2017 Capital Budget Request (\$000's)

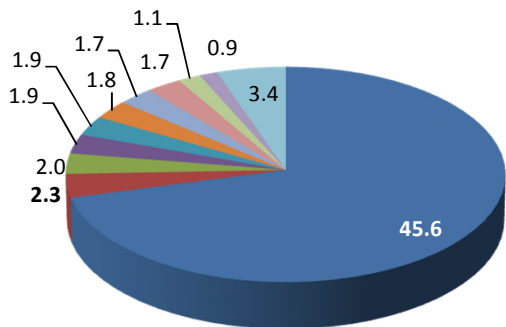
Exhibit B: 1 of 3

	2017 CAPITAL BUDGET
TRANSMISSION	88,317
OPERATIONS	
NIAGARA*	64,271
ST. LAWRENCE*	26,225
BLLENHEIM- GILBOA*	8,171
500 MW	11,105
SCPP	2,717
FLYNN	0
SMALL HYDRO PLANTS	66
SUB-TOTAL OPERATIONS	200,874
OPERATIONS HEADQUARTERS	58,026
CANALS	60,500
TOTAL CAPITAL	319,400

* Includes Relicensing and Compliance / Implementation Expense

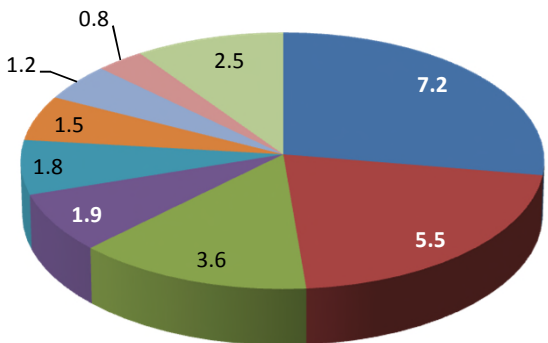
Capital Plan: 2017 Major Initiatives

Niagara 2017
(\$ millions)
Total \$64.3 million



- LEWISTON PUMP GENERATING-LPGP
- NIAGARA -GANTRY CRANE INSPECTION
- RMNPP INTAKE COFFERDAM
- RMNPP TRASH RACK REPLACEMENT
- GENERATOR TRANSFORMER PROTECTION
- CHILLED WATER SYSTEM UPGRADE
- NIAGARA RELICENSING AND IMPLEMENTATION
- RMNPP LIFE EXTENSION & MODERNIZATION
- NIAGARA RM DRAFT TUBE GATES
- NIA SCADA HARDWARE AND SOFTWARE UPGRADE
- All Other Niagara Projects

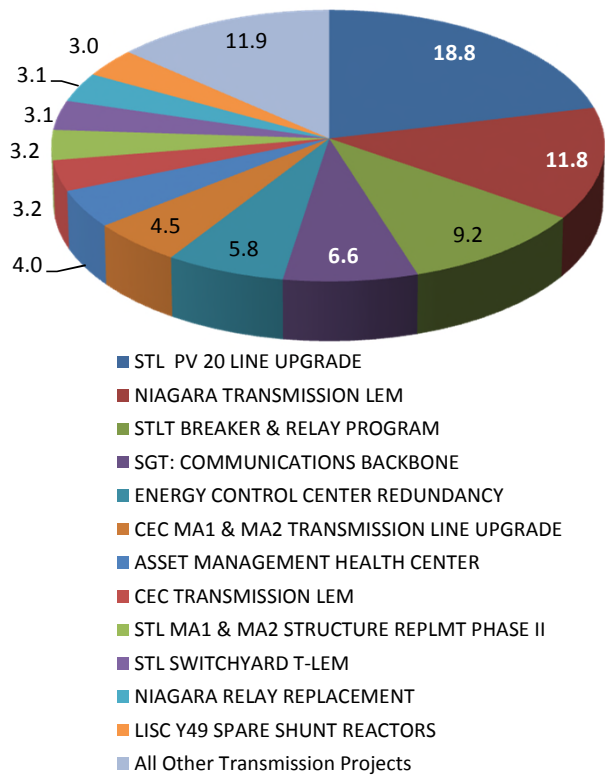
St. Lawrence 2017
(\$ millions)
Total \$26.2 million



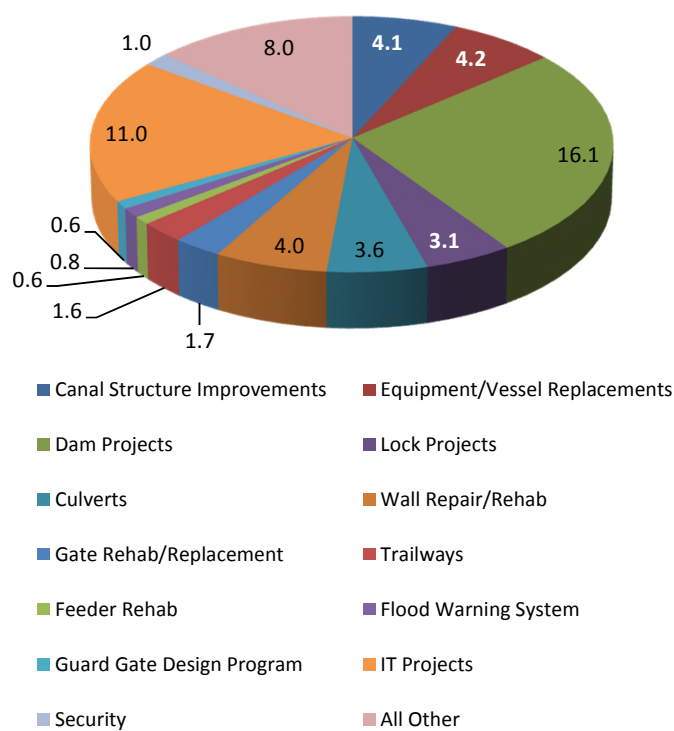
- STL GENERATOR(GSU) TRANSFORMER REPLACEMENT
- STL STATION SERVICE UPGRADE
- STL NEW RMSP FACILITIES/PARKS & RECREATION
- SAINT LAWRENCE RELICENSING AND IMPLEMENTATION
- TARGETED RECREATIONAL FACILITIES
- STL ROTOR MODIFICATION FOR STRESS REDISTRIBUTION
- STL SAFETY SYSTEMS
- STL WATER BALL REPLACEMENT
- All Other St. Lawrence Projects

Capital Plan: 2017 Major Initiatives

Transmission 2017
(\$ millions)
Total \$88.3 million



Canals 2017
(\$ millions)
Total \$60.5 million



**NEW YORK POWER AUTHORITY
FIVE YEAR PLAN
ENERGY EFFICIENCY**

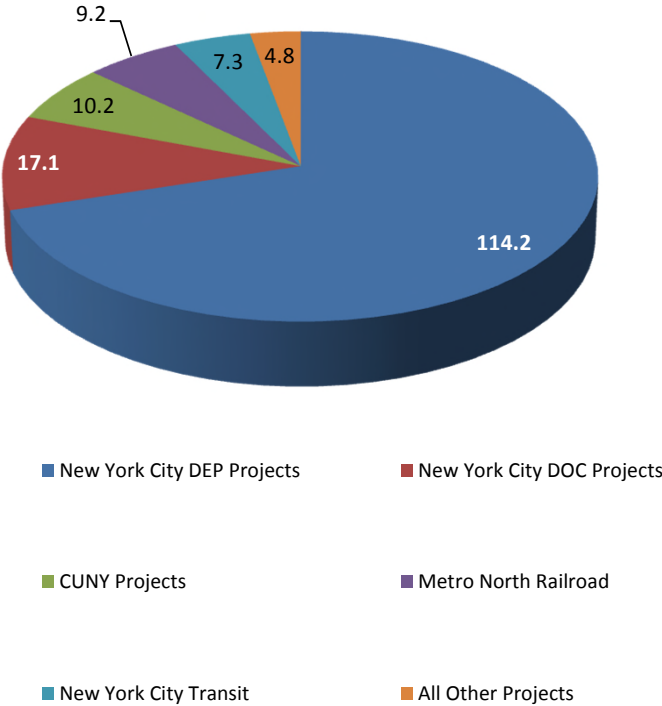
Energy Services 2017 Budget (\$000's)

Exhibit C: 1 of 2

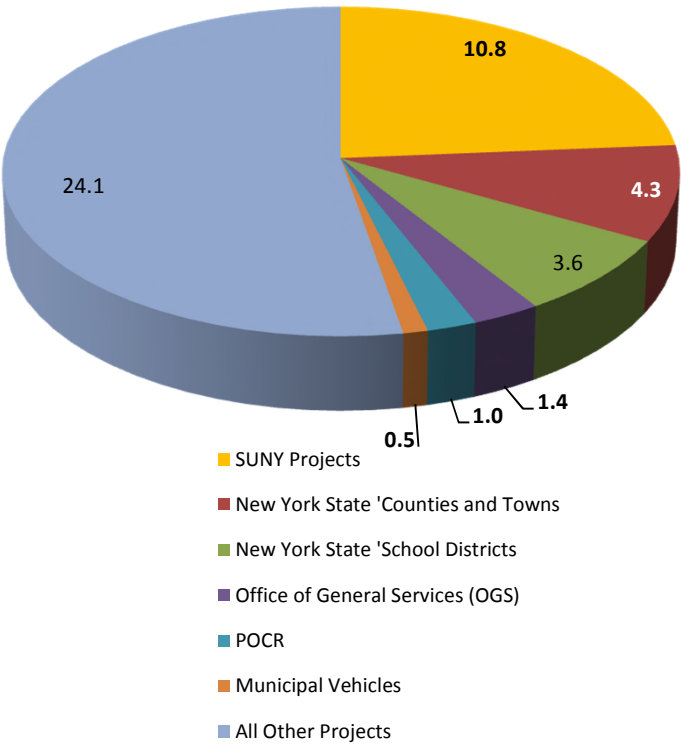
<i>ENERGY EFFICIENCY & TECHNOLOGY</i>	2017
<u>LONG TERM AGREEMENTS</u>	
SENY GOVERNMENTAL SERVICES PROGRAM	162,823
SUB-TOTAL LONG TERM AGREEMENTS	162,823
<u>OTHER NYPA FUNDED PROGRAMS</u>	
ENERGY EFFICIENCY PROGRAM	44,175
MEUA VEHICLES PROGRAM	500
SUB-TOTAL OTHER NYPA FUNDED PROGRAMS	44,675
<u>POCR PROGRAMS</u>	
POCR REBATE PROGRAM	500
POCR - OTHER	509
SUB-TOTAL POCR	1,009
TOTAL ENERGY EFFICIENCY:	208,507

2017 Energy Services Programs

Long Term Agreement Program
(\$ millions)
Total \$162.8 million



Other Energy Services Programs
(\$ millions)
Total \$45.7 million



Date: December 15, 2016

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: **2017 Budget and Filing of the 2017-2020 Approved Budget and Four-Year Financial Plan Pursuant to Regulations of the Office of the State Comptroller**

SUMMARY

The Trustees are requested to approve the 2017 Budget for the Power Authority, specifically including the expenditures for the (i) 2017 Operations and Maintenance (“O&M”) Budget (attached as Exhibit “A”), (ii) 2017 Capital Budget (attached as Exhibit “B”), and (iii) 2017 Energy Services Budget (attached as Exhibit “C”) (collectively, the “2017 Power Authority Budgets”). The 2017 Power Authority Budgets set forth the expected revenues and expenses of the Authority and include the recommended expenditures in the following amounts:

<u>2017 Power Authority Budgets</u>	<u>(\$ million)</u>
O&M	\$ 475.2
Capital	\$ 258.9
Energy Services	\$ 208.5

In accordance with regulations of the Office of the State Comptroller (“OSC”), the Trustees are requested to approve the 2017-2020 Four-Year Budget and Financial Plan attached as Exhibit “D” (in the form approved, the “Approved 2017-2020 Four-Year Budget and Financial Plan”) and authorize: (i) submitting the Approved 2017-2020 Four-Year Budget and Financial Plan to OSC, (ii) posting the Approved 2017-2020 Four-Year Budget and Financial Plan on the Authority’s website, and (iii) making the Approved 2017-2020 Four-Year Budget and Financial Plan available for public inspection at not less than five convenient public places throughout New York State.

BACKGROUND

The Authority is committed to providing clean, low-cost and reliable energy consistent with its commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables and innovation, for the benefit of our customers and all New Yorkers. The mission statement of the Authority is to power the economic growth and competitiveness of New York State by providing customers with low-cost, clean, reliable power and the innovative energy infrastructure and services they value.

Legislation was enacted on April 4, 2016 which provides for the transfer of the New York State Canal Corporation (the “Canal Corporation”), and responsibility for certain management responsibilities regarding the New York State Canal System, from the New York State Thruway

Authority to the Authority, effective January 1, 2017. The 2017 Power Authority Budgets do not include budget information for the Canal Corporation. Staff of the Authority and the New York State Thruway Authority have prepared a separate 2017 Canal Corporation budget (the "Preliminary 2017 Canal Corporation Budget"). The Preliminary 2017 Canal Corporation Budget will be submitted to the Canal Corporation's Board of Trustees in January 2017 for review and approval. The 2017 Power Authority Budget will be presented to the Trustees in January 2017 to be amended to include the approved budget for the Canal Corporation.

Assumptions that were used by staff to prepare the 2017 Preliminary Canal Corporation Budget, and for forward periods, have been incorporated in the 2017-2020 Four-Year Budget and Financial Plan.

The 2017 Power Authority Budgets are intended to provide the Authority's operating facilities with, and support organizations by providing, the resources needed to meet the Authority's overall mission and the Authority's strategic objectives.

In approving the 2017 Power Authority Budgets, the Trustees will be authorizing spending for 2017 operations, spending for capital projects, and spending for general plant purchases of \$750,000 or less. The 2017 Power Authority Budgets includes requests for 60 new positions (20 positions pooled and funded in a cost center under the Executive Office, 15 positions with no funding and 25 positions embedded in specific departments and funded accordingly).

In accordance with the Authority's Expenditure Authorization Procedures, the President and Chief Executive Officer may, during the course of the year, authorize an additional 1.0% in the O&M Budget, up to 15 new positions, capital projects of \$3 million or less, or an increase in spending of no more than \$1 million to a capital project previously approved by the Trustees. All other spending authorizations must be approved by the Trustees.

The OSC implemented regulations in March 2006 addressing the preparation of annual budgets and four-year financial plans by "covered" public authorities, including the Authority. (See 2 NYCRR Part 203 ("Part 203")). These regulations, which are discussed below, establish various procedural and substantive requirements relating to the budgets and financial plans of public authorities. The 2017-2020 Four-Year Budget and Financial Plan has been prepared in accordance with these regulations.

DISCUSSION

2017 Power Authority O&M Budget

The 2017 O&M Budget of \$475.2 million reflects a continued concentration on the effective operation and maintenance of the Authority's critical investments in New York State's electric infrastructure in addition to the continued support of other strategic investments.

The 2017 O&M Budget for Operations provides \$240.5 million for baseline, or recurring, work. In addition to the baseline work, scheduled maintenance outages at the 500 MW plant and the Small Clean Power Plants (totaling \$14.0 million), and planned enhancements in non-recurring maintenance work at the operating facilities (totaling \$51.4 million), are designed to support high reliability goals. Some of the major non-recurring projects include: Marcy Auto Transformer Reactor Refurbishment (\$4.9 Million), Niagara Region Tower Painting (\$4.8 Million), Massena Reactors Refurbishment (\$4.7 million), Crescent Tainter Gate Painting & Concrete Repair (\$2.8 million), St. Lawrence Ice Sluice Gate Repairs (\$2.5 Million), Robert Moses Headgate Refurbishment (\$2.4 Million), and Robert Moses Assembly Bay Floor Repair (\$3.1 Million).

The Astoria Energy II Budget totals \$28.2 million and represents the contractual O&M costs for the plant, which was placed in commercial operation in New York City in July 2011. These costs are being recovered from the Authority's New York City governmental customers, who are beneficiaries of the outputs of these projects under a long-term contract with the Authority.

2017 Power Authority Capital Budget

The 2017 Capital Budget totals \$258.9 million, a decrease of \$36.6 million from the 2016 Budget. Of this amount, \$178.8 million – or 69.1% of the total – represents planned investments in the Authority's Upstate New York facilities at Niagara and St. Lawrence, as well as in the Authority's statewide Transmission network. Significant capital projects for 2017 include the Lewiston Pump Generation Plant Life Extension and Modernization ("LEM") (\$45.6 million); the PV-20 Submarine Cable Replacement (\$18.8 million); the IT Cyber Security Initiative (\$12.4 million); the Niagara Transmission Life Extension and Modernization ("LEM") (\$11.8 million); the Information and Technology Initiatives project (\$11.5 million); and the St. Lawrence Breaker and Relay Program (\$9.3 million). Other significant capital projects include the Implementation of CIP Version 5 standard requirements (\$8.5 million); the St. Lawrence GSU Transformer Replacement (\$7.3 million); and the Smart G&T Communications Backbone (\$6.6 million).

2017 Energy Services Budget

The 2017 Energy Services Budget totals \$208.5 million, an increase of \$25.4 million from the 2016 Energy Services Budget. These expenditures will be subsequently recovered over time from the benefiting customers. The 2017 Energy Services Budget includes funding for energy efficiency projects for Authority customers and other eligible entities as the Authority strives to support the State's improved energy efficiency and clean, renewable energy goals.

2017-2020 Four-Year Budget and Financial Plan

Under Part 203 of the OSC Regulations, the Trustees are required to adopt a Four-Year Budget and Financial Plan. The approved Four-Year Budget and Financial Plan must be available for public inspection not less than seven days before the commencement of the next fiscal year for a period of not less than 45 days and in not less than five convenient public places throughout the State. The approved Four-Year Budget and Financial Plan must also be submitted to OSC, via electronic filing through the Public Authorities Reporting Information System, within seven days of approval by the Trustees. The regulations also require the Authority to post the approved Four-Year Budget and Financial Plan on its Web site.

Under Part 203, each Four-Year Budget and Financial Plan must be shown on both an accrual and cash basis and be prepared in accordance with generally accepted accounting principles; be based on reasonable assumptions and methods of estimation; be organized in a manner consistent with the public authority's programmatic and functional activities; include detailed estimates of projected operating revenues and sources of funding; contain detailed estimates of personal service expenses related to employees and outside contractors; list detailed estimates of non-personal service operating expenses and include estimates of projected debt service and capital project expenditures.

Other key elements that must be incorporated in each Four-Year Budget and Financial Plan are a description of the budget process and the principal assumptions, as well as a self-assessment of risks to the budget and financial plan. Additionally, each Four-Year Budget and Financial Plan must include a certification by the Chief Operating Officer.

The first year of the 2017-2020 Four-Year Budget and Financial Plan is based on (a) the 2017 Power Authority Budgets being brought to the Board for approval at this time and (b) staff's assumptions from the Preliminary 2017 Canal Corporation Budget. The remaining three years are indicative forecasts.

FISCAL INFORMATION

Payment of O&M expenses will be made from the Operating Fund. Payment for Capital and Energy Services expenditures will be made from the Capital Fund and the Energy Conservation Construction and Effectuation Fund, respectively. Monies of up to \$258.9 million from the Operating Fund will be transferred to the Capital Fund for capital expenditures, subject to compliance with the General Resolution Authorizing Revenue Obligations, as amended and supplemented. The 2017 Operating Budget shows adequate earnings levels so that the Authority may maintain its financial goals for cash flow and reserve requirements.

The 2017-2020 Four-Year Budget and Financial Plan's net income estimates for each of the years 2018 through 2020 are indicative forecasts. The Trustees are not being asked to approve any revenue and expenditure amounts for those years at this time.

RECOMMENDATION

The Chief Financial Officer recommends the Trustees approve the 2017 Budget for the Power Authority, specifically including the expenditures for the (i) 2017 Operations and Maintenance Budget, (ii) 2017 Capital Budget, and (iii) 2017 Energy Services Budget, each as discussed herein.

In connection with the 2017 Capital Budget, the Chief Financial Officer recommends the Trustees authorize the transfer of up to \$258.9 million from the Operating Fund to the Capital Fund, subject to compliance with the General Resolution Authorizing Revenue Obligations, as amended and supplemented.

The Chief Financial Officer further recommends the Trustees (1) approve the 2017-2020 Four-Year Budget and Financial Plan, and (2) authorize (i) submitting the Approved 2017-2020 Four-Year Budget and Financial Plan to the OSC in the prescribed format, (ii) posting the Approved 2017-2020 Four-Year Budget and Financial Plan on the Authority's Web site, and (iii) making the Approved 2017-2020 Four-Year Budget and Financial Plan available for public inspection at not less than five convenient public locations throughout New York State.

For the reasons stated, I recommend the approval of the above-requested actions by adoption of a resolution in the form of the attached draft resolution.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the 2017 Budget for the Power Authority, specifically including the expenditures for the (i) 2017 Power Authority Operations and Maintenance Budget, (ii) 2017 Capital Budget, and (iii) 2017 Energy Services Budget, each as discussed in the attached memorandum of the President and Chief Executive Officer, are hereby approved; and be it further

RESOLVED, That up to \$258.9 million of monies in the Operating Fund are hereby authorized to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations as amended and supplemented, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further

RESOLVED, That pursuant to 2 NYCRR Part 203, the attached 2017-2020 Four-Year Budget and Financial Plan, including its certification by the Chief Operating Officer, is approved in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to 2 NYCRR Part 203, the Corporate Secretary be, and hereby is, authorized to submit the Approved 2017-2020 Four-Year Budget and Financial Plan to the Office of the State Comptroller in the prescribed format, post the Approved 2017-2020 Four-Year Budget and Financial Plan on the Authority's website and make the Approved 2017-2020 Four-Year Budget and Financial Plan available for public inspection at not less than five convenient public places throughout New York State; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.



Date: January 31, 2017
To: THE FINANCE COMMITTEE
From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER
Subject: Adoption of 2017 Budget for the New York State Canal Corporation

SUMMARY

The Canal Corporation Board of Directors (“Canal Board”) will be requested at their January 31, 2017 meeting to approve the 2017 Budget for the Canal Corporation, specifically including expenditures for the (i) 2017 Operations and Maintenance (“O&M”) Budget (attached as Exhibit “A”), (ii) 2017 Capital Budget (attached as Exhibit “B”), and (iii) 2017 Canal Development Fund Budget (collectively, the “2017 Canal Corporation Budgets”). The 2017 Canal Corporation Budgets set forth the expected expenses of the Canal Corporation and include the recommended expenditures in the following amounts:

<u>2017 Canal Corporation Budgets</u>	<u>(\$ million)</u>
O&M	\$ 84.3
Capital	\$ 60.5
Canal Development Fund	\$ 3.1

The Finance Committee is requested to recommend to the Canal Corporation Board of Directors (“Canal Board”) the approval of the 2017 Canal Corporation Budgets.

BACKGROUND

The Canal Corporation is authorized to operate, maintain, construct, reconstruct, improve, develop, finance, and promote the New York State canal system (the “Canal System”).

The 2017 Canal Corporation Budgets are intended to provide the Canal Corporation with the resources needed to meet the Canal Corporation’s overall mission and objectives.

DISCUSSION & FISCAL INFORMATION

2017 Canal Corporation O&M Budget

The 2017 O&M Budget of \$85.0 million reflects a concentration on the effective operation and maintenance of the Canal Corporation’s critical investments in New York State Canal System.

The 2017 O&M Budget for Operations provides appropriations for baseline, or recurring, work, along with new programs which have been created to more safely and effectively manage on-going operations. These programs include, but are not limited to, vegetation management (\$2.8 million), culvert cleaning and inspections (\$1.3 million), embankment inspections (\$1.0 million) and dam safety and bridge inspections ((\$0.9 million).

2017 Canal Corporation Capital Budget

The 2017 Capital Budget totals \$60.0 million, representing on going, and new capital projects. The significant projects for 2017 are: dam rehabilitation and repairs (\$16.1 million), IT projects (\$11.0 million), canal structure improvements (\$4.1 million), equipment and vessel replacement (\$4.2 million), wall repair/rehabilitation projects (\$4.0 million), lock rehab/rehabilitation (\$3.1 million).

2017 Canal Development Fund Budget

The 2017 Canal Development Fund Budget totals \$3.1 million, representing on going costs associated with the New York State Canal System Development Fund ("Canal Development Fund").

The Canal Development Fund, created by State Finance Law §92-u, is a fund established in the joint custody of the State Comptroller and the Commissioner of Taxation and Finance. The Canal Development Fund consists largely of revenues received from the operation of the Canal System. Moneys of the Canal Development Fund, following appropriation by the legislature, is made available to the Power Authority, and may be expended by the Power Authority or the Canal Corporation for the maintenance, construction, reconstruction, development or promotion of the Canal System. In addition, moneys of the Canal Development Fund may be used for the purposes of interpretive signage and promotion for appropriate historically significant Erie Canal lands and related sites. Moneys from the Canal Development Fund are paid out by the State Comptroller on certificates issued by the Director of the Budget. Copies of the 2017 Power Authority Budgets memorandum presented to the Trustees in the December 2016 Trustee meeting (attached as Exhibit "D") and the 2017 Canal Corporation Budget being presented to the Canal Corporation Board of Directors at the January 2017 Canal Corporation Board of Directors meeting (attached as Exhibit "E") are attached to this document to provide Discussion and Fiscal Information detail.

FISCAL INFORMATION

The Canal Corporation's O&M, Capital and Canal Development Fund expenses are expected to be funded by transfers of funds from the Power Authority. Any transfers of funds from the Power Authority to the Canal Corporation would be subject to approval by the Power Authority's Board of Trustees and compliance with the Power Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented.

Canal Development Fund expenses are expected to be reimbursed to the Power Authority by the State Comptroller with moneys held in the Canal Development Fund as discussed above.

REQUESTED ACTION

It is requested that the Finance Committee recommend that the Canal Board approve the 2017 Budget for the Canal Corporation, specifically including expenditures for the (i) 2017 Operations and Maintenance ("O&M") Budget (attached as Exhibit "A"), (ii) 2017 Capital Budget (attached as Exhibit "B"), and (iii) 2017 Canal Development Fund Budget.

For the reasons stated, I recommend the approval of the above-requested actions by adoption of a resolution in the form of the attached draft resolution.

RESOLUTION

RESOLVED, That the Finance Committee recommends that the Canal Corporation Board of Directors approve the 2017 Budget for the Canal Corporation, specifically including expenditures for the (i) 2017 Operations and Maintenance (“O&M”) Budget, (ii) 2017 Capital Budget, and (iii) 2017 Canal Development Fund Budget, each as discussed in the attached memorandum of the President and Chief Executive Officer.