



**NY Power
Authority**

**Canal
Corporation**

**MINUTES OF THE REGULAR JOINT MEETING
OF THE
POWER AUTHORITY OF THE STATE OF NEW YORK AND
NEW YORK STATE CANAL CORPORATION**

January 29, 2020

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Minutes of the Regular Joint Meeting of the New York Power Authority's Trustees and Canal Corporation's Board of Directors held at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York at approximately 10:00 a.m.

Members of the Board present were:

John R. Koelmel, Chairman
Eugene L. Nicandri, Vice Chairman
Tracy McKibben
Michael Balboni
Dennis Trainor
Anthony Picente, Jr.

Gil Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Adam Barsky	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Sarah Salati	Executive Vice President and Chief Commercial Officer
Soubhagya Parija	Senior Vice President and Chief Risk Officer
Robert Piascik	Senior Vice President and Chief Information Officer
Lee Garza	Senior Vice President – Financial Operations
Angela Gonzalez	Senior Vice President – Internal Audit
Keith Hayes	Senior Vice President – Clean Energy Solutions
Yves Noel	Senior Vice President – Strategy & Corporate Development
Kristine Pizzo	Senior Vice President – Human Resources
Karen Delince	Vice President and Corporate Secretary
Daniella Piper	Vice President – Digital Transformation Office and Chief of Staff
Kenneth Carnes	Vice President – Critical Secure Services & CISO
Patricia Lombardi	Vice President – Project Management
Ethan Riegelhaupt	Vice President – Corporate Communications
Thakur Sundeep	Controller
Ana Stachowiak	Senior Program Director
Diane Gil	Senior Director – Procurement Governance & Analytics COE
Susan Craig	Director – Media Relations
Emily Alkiewicz	Manager – Business Power Allocations & Compliance
Mary Cahill	Manager – Executive Office
James Reynolds	Manager – Governance
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Associate Corporate Secretary
Michele Stockwell	Project Coordinator – Executive Office
Lori DeMichele	Board Travel Specialist

Chairman Koelmel presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

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

1. **Adoption of the January 29, 2020 Proposed Meeting Agenda**

On motion made by member Michael Balboni and seconded by Vice Chair Eugene Nicandri, the members adopted the meeting Agenda.

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

“Mr. Chairman, I move that the NYPA and Canal Boards conduct an Executive Session to discuss the employment of a particular person and the financial and credit history of a particular corporation.” On motion made by Vice Chair Eugene Nicandri and seconded by member Tracy McKibben, the members held an executive session.

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

“Mr. Chairman, I move to resume the meeting in Open Session.” On motion made by Vice Chair Nicandri and seconded by member Dennis Trainor, the meeting resumed in Open Session.

Chairman Koelmel said that no votes were taken during the Executive Session.

4. CONSENT AGENDA:

On motion made by member Tracy McKibben and seconded by member Eugene Nicandri, the members approved the Consent Agenda.

a. Governance Matters:

i. **Approval of the Minutes**

The Minutes of the Regular Joint Meeting of the New York Power Authority's Trustees and Canal Corporation's Board of Directors held on December 11, 2019 were unanimously adopted.

b. Rate Making

i. Decrease in Westchester County Governmental Customer Rates – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve a decrease in the production rates for the sale of firm power to the Westchester County Governmental Customers ('Customers') in 2020. This proposed action is consistent with the rate-setting process set forth in the 2006 Supplemental Electricity Agreements executed by the Customers and the Authority and in accordance with the State Administrative Procedure Act ('SAPA').

As part of this final proposed action, Authority staff is seeking approval to decrease the production rates of the Customers by \$4.60 million, or 13.5%, as compared to the 2019 rates. The proposed decrease is driven by a \$4.63 million decrease in variable costs, offset by a \$30 thousand increase in the fixed costs component of currently effective production costs. The production rate decrease would be effective as of the January 2020 billing period.

BACKGROUND

At their meeting on September 25, 2019, the Trustees directed the publication in the New York *State Register* ('*State Register*') of a notice that the Authority proposed to decrease production rates by \$3.39 million, or 9.32%, for rate year 2020. The proposed decrease was solely driven by an estimated decrease in variable costs, which are reconciled to actual variable costs incurred by the Authority to serve the Customers. Although the Authority proposed to decrease production rates, the fixed costs were projected to increase by \$80 thousand, or 6.8%. The *State Register* notice was published on October 16, 2019 in accordance with the SAPA. The sixty-day public comment period was then established and subsequently closed on December 16, 2019. There were no public comments received during the comment period.

The Authority's policies and procedures call for a public forum if the fixed costs component of the proposed rate change exceeds a 2.0% increase. As such, a public forum was held on November 22, 2019. No comments were received during the public forum. The public forum transcript is attached as Exhibit '4b i-A.'

DISCUSSION

To align with the Authority's 2020 Official Budget approved by the Trustees on December 11, 2019, staff is now proposing a decrease of \$50 thousand in fixed costs as compared to the proposal at the September 2019 meeting. As part of this final proposed rate action, the fixed costs component is expected to increase by \$30 thousand from \$1.23 million in 2019 to \$1.26 million in 2020. The proposed increase is primarily driven by a projected increase in Operations & Maintenance ('O&M') costs at the Small Hydroelectric facilities due to increases in non-recurring projects and direct labor assessments.

The variable costs component of rates is estimated based on the market price snapshot at the time of the Cost of Service ('COS') development. Due to the market's variability, the Authority passes through all variable costs to the Customers by way of an Energy Charge Adjustment ('ECA') cost-recovery mechanism. This ECA mechanism reconciles through a monthly charge or credit the difference between the projected variable costs of electricity recovered by the tariff rates and the monthly actual variable costs incurred by the Authority to serve the Customers. The estimated variable costs component is projected to decrease \$4.63 million from \$28.32 million in the Final 2019 COS to \$23.69 million in the Final 2020 COS. The primary cost element, energy purchases, is projected to be \$18.77 million in 2020

and accounts for 75% of the total production costs. The projected 2020 energy prices are expected to be lower than those that were projected for 2019 and incorporated into the rates that are currently in effect. Also contributing to the decrease in variable costs are lower capacity costs due to a projected decrease in Lower Hudson Valley capacity prices.

Based on further staff analysis, the Final 2020 Westchester County Governmental Customers' COS is \$24.95 million. Applying current rates to the 2020 Customer sales forecast results in projected revenues of \$28.85 million, representing a surplus of \$3.90 million, triggering this final action to decrease production rates by 13.52%.

The current 2019 and final 2020 proposed rates with the 13.52% rate decrease are shown in Exhibit '4b i-B.'

FISCAL INFORMATION

The proposed production rates are pro forma cost-based, and with the application of the Energy Charge Adjustment mechanism, staff anticipates that the Authority will recover all costs incurred in serving the Customers. The adoption of the 2020 production rate decrease would have no effect on NYPA's financial position.

RECOMMENDATION

The Senior Director – Revenue & Pricing Analysis and the Vice President – Finance recommend that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the New York *State Register* for the adoption of a production rate decrease applicable to the Authority's Westchester County Governmental Customers.

The Trustees are also requested to authorize the Vice President of Business Development, or her designee, to issue written notice of adoption and the revised tariff leaves, as necessary, to the affected Customers.

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

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

RESOLVED, That the Vice President – Business Development, or her designee, be, and hereby is, authorized to issue written notice to the affected Customers of this final action by the Trustees for a 13.52% decrease in the production rates applicable to the Westchester County Governmental Customers as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notices as may be required with the Secretary of State for publication in the New York *State Register* and to submit such other notice as may be required by statute or regulation concerning the rate decrease; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

c. Power Allocations:

i. Transfer of Preservation Power, Recharge New York Power and Replacement Power Allocations

The President and Chief Executive Officer submitted the following report:

"SUMMARY"

The Trustees are requested to approve the transfer of the following New York Power Authority ('Authority') power allocations:

1. Transfer of a 5,000 kilowatt ('kW') Preservation Power ('PP') allocation awarded to Arconic Inc. ('Arconic') for use at 1814 State Highway 131, Massena, New York, to Arconic Massena LLC ('Arconic Massena') in order to address organizational changes.
2. Transfer of a 2,000 kW Recharge New York ('RNY') Power allocation awarded to Cayuga Operating Company LLC ('COC') for use at 228 Cayuga Drive, Lansing, New York, to Cayuga Data Juice LLC ('CDJ') in order to address organizational changes.
3. Transfer of a 10,000 kW Replacement Power ('RP') allocation awarded to Somerset Operating Company, LLC ('SOC') for use at its facilities located at 7725 Lake Road, Barker, New York to Somerset Big Water Data LLC ('SBWD') in order to address organization changes.

The Trustees have previously approved transfers of Authority power allocations in similar circumstances.

Transfers of RNY Power are subject to approval of the Economic Development Power Allocation Board ('EDPAB'). At its January 27, 2020 meeting, EDPAB approved the transfer of the RNY Power allocations described above.

DISCUSSION

The following is a summary of the facts relating to the recommended transfers.

1) Arconic Inc.

Arconic, which currently has business operations located on Alcoa USA Corp.'s industrial campus, at 1814 State Highway 131, Massena, New York (the 'Massena Facility'), manufactures specialized lightweight metals, including aluminum, titanium and nickel to supply materials for the aerospace, automotive and other industries. The company currently has a 5,000 kW PP allocation for use at the Massena Facility.

Arconic is in the process of separating into two companies with one focused on engineered products and forgings and the other focused on rolled products. Arconic Massena will focus on rolled products and operate at the Massena Facility. The organizational change will not result in any changes to the operations conducted at the Massena Facility. Both Arconic and Arconic Massena request that Arconic's 5,000 kW PP allocation be transferred to Arconic Massena for its use at the Massena Facilities. Arconic Massena will honor all commitments including employment, power utilization and capital investment commitments associated with the 5,000 kW PP allocation.

2) Cayuga Operating Company LLC

COC operates a 310 megawatt coal plant located at 228 Cayuga Drive, Lansing, New York (the 'Lansing Site'). It will be closing the coal plant by 2020. COC intends to establish an enterprise data hub on the 400-acre site, focusing on delivering computing power for artificial intelligence, machine learning

operations and other advanced computational power services sought by large end users with long-term need for computational capacity. The company presently has a pending 2,000 kW RNY Power allocation for use at the Lansing Site.

CDJ, a sister company to COC with common control and management, was created to, among other things, enable the transformation of the coal plant into an enterprise data hub. Both COC and CDJ request that the pending 2,000 kW RNY Power allocation be transferred to CDJ for its use at the Lansing Site. CDJ will honor all commitments including employment, power utilization and capital investment commitments associated with the 2,000 kW RNY Power allocation.

3) Somerset Operating Company, LLC

SOC operates a 690 MW coal plant at 7725 Lake Road, Barker, New York (the 'Barker Site'). It will be closing the plant in 2020 and intends to repurpose the Barker Site to operate a state-of-the-art data center focusing on artificial intelligence, machine learning and other computationally intensive processes to serve companies in the information and technology sectors. SOC has a pending 10,000 kW RP allocation for use at the Barker Site.

SBWD, a sister company to SOC with common control and management, was created to, among other things, repurpose the site for the data center. Both SOC and SBWD request that the 10,000 kW RP allocation be transferred to SBWC for its use at the Barker Site. SBWD will honor all terms and commitments, including employment, power utilization and capital investment commitments associated with the 10,000 kW RP allocation.

RECOMMENDATION

The Senior Vice President – Clean Energy Solutions recommends that the Trustees approve the transfers discussed above, subject to, among other things: (1) assumption of existing supplemental commitments by the proposed transferees as described above; and (2) the transfers are addressed in contract documents containing such terms and conditions determined by the Authority to be appropriate to effectuate each transfer.

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

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

RESOLVED, That the transfer of the 5,000 kilowatt (“kW”) Preservation Power allocation awarded to Arconic Inc., for use at its facility at 1814 State Highway 131, Massena, New York, to Arconic Massena LLC for use at the same facility, as described in the foregoing report of the President and Chief Executive Officer (“Report”) be, and hereby is, approved subject to (i) the terms and conditions described in the foregoing Report, and (ii) such other terms and conditions in contract documents required by the Authority in order to effectuate the transfer; and be it further

RESOLVED, That the transfer of the 2,000 kW Recharge New York Power allocation awarded to Cayuga Operating Company LLC, for use at its facility at 228 Cayuga Drive, Lansing, New York, to Cayuga Data Juice LLC for use at the same facility, as described in the foregoing Report be, and hereby is, approved subject to (i) the terms and conditions described in the foregoing Report, and (ii) such other terms and conditions in contract documents required by the Authority in order to effectuate the transfer; and be it further

RESOLVED, That the transfer of the 10,000 kW Replacement Power allocation awarded to Somerset Operating Company, LLC for use at its facility at 7725 Lake Road, Barker, New York, to Somerset Big Water Data LLC for use at the same facility, as described in the foregoing Report be, and hereby is, approved subject to (i) the terms and conditions described in the foregoing Report, and (ii) such other terms and conditions in contract documents required by the Authority in order to effectuate the transfer; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

d. Procurement (Services) Contracts:

**i. Procurement (Services) Contracts –
Business Units and Facilities – Awards,
Extensions and/or Additional Funding**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are requested to approve the award and funding of the multiyear procurement (services) contracts listed in Exhibit '4d i-A,' as well as the continuation and/or funding of the procurement (services) and other contracts listed in Exhibit '4d i-B,' in support of projects and programs for the Authority's Business Units/Departments and Facilities. Detailed explanations of the recommended awards and extensions, including the nature of such services, the bases for the new awards if other than to the lowest-priced, lowest total cost of ownership or 'best valued' bidders and the intended duration of such contracts, or the reasons for extension and the projected expiration dates, are set forth in the discussion below.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

The Authority's current Expenditure Authorization Procedures ('EAPs') require the Trustees' approval for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of \$6 million, as well as personal services contracts in excess of \$2 million if low bidder or best value, or \$1 million if sole-source, single-source or other non-competitive award.

The Authority's current EAPs also require the Trustees' approval when the cumulative change order value of a personal services contract exceeds \$500,000, or when the cumulative change order value of a non-personal services, construction, equipment purchase, or non-procurement contract exceeds the greater of \$6 million or 25% of the originally approved contract amount not to exceed \$6 million.

DISCUSSION

Awards

The Trustees are requested to approve the award and funding of the multiyear procurement (services) contracts listed in Exhibit '4d i-A,' where the EAPs require approval based upon contract value or the terms of the contracts will be more than one year. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

The issuance of multiyear contracts is recommended from both cost and efficiency standpoints. In many cases, reduced prices can be negotiated for these long-term contracts. Since these services are typically required on a continuous basis, it is more efficient to award long-term contracts than to rebid these services annually.

Extensions

Although the firms identified in Exhibit '4d i-B' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. The Trustees' approval is required because the terms of these contracts will exceed one year including the extension, the term of extension of these contracts will exceed one year and/or because the cumulative change-order limits will exceed the levels authorized by the EAPs in forthcoming change orders. The subject contracts contain provisions allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

Extension of the contracts identified in Exhibit '4d i-B' is requested for one or more of the following reasons: (1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; (2) to accommodate an Authority or external regulatory agency schedule change that has delayed, reprioritized or otherwise suspended required services; (3) the original consultant is uniquely qualified to perform services and/or continue its presence and rebidding would not be practical or (4) the contractor provides proprietary technology or specialized equipment, at reasonable negotiated rates, that the Authority needs to continue until a permanent system is put in place.

The following is a detailed summary of each recommended contract award and extension.

Contract Awards in Support of Business Units/Departments and Facilities:

Commercial Operations – e-Mobility Strategy & Business Development

Due to the need to meet and maintain the Authority's project schedule, the proposed non-personal services contract with **Plug 'N Drive Coalition of Ontario ('Plug 'N Drive') (4600003857)** for the EV Ride & Drive services related to the EVolve Model Community Program became effective January 8, 2020, for the initial interim award amount of \$49,550, subject to the Trustee's approval, in accordance with the Authority's Guidelines for Procurement Contracts and EAP's. New York's Reforming the Energy Vision ('REV') has established aggressive targets to reduce economy-wide carbon emissions and supports the electrification of fossil fuel intensive sectors such as transportation. Electric Vehicle ('EV') adoption is essential to fighting climate change and building a low-carbon, electrified transportation system for New York that will benefit the environment and the economy. Bid documents were developed by staff and were accessible through the NYPA.gov site. The Request for Quotations was advertised on the New York State *Contract Reporter* website and posted on the Procurement page of the Authority's website. Fourteen firms / entities were listed as having been invited to, or requested to participate in, the Ariba event. Twenty-four proposals were received electronically via Ariba and were evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to Plug 'N Drive which is technically and commercially qualified and meets the bid requirements on the basis of 'best value', which optimizes quality, cost and efficiency among responsive and responsible offerors. The contract is for an intended term of three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the amount expected to be expended for the term of the contracts, \$1.7 million.

Human Resources & Administration – Digital Warehouse

The proposed personal services contract with **The IQ Business Group, Inc. ('IQ') (Q19-6653JW)** would provide Enterprise Content Management ('ECM') development and implementation services. Bid documents were developed by staff and were accessible through the NYPA.gov site. The Request for Quotations was advertised on the New York State *Contract Reporter* website and posted on the Procurement page of the Authority's website. Twenty-three firms / entities were listed as having been invited to, or requested to participate in, the Ariba event. Nine proposals were received electronically via Ariba and were evaluated, as further set forth in the Award Recommendation documents. Staff

recommends the award of a contract to IQ which is technically and commercially qualified and meets the bid requirements on the basis of 'best value', which optimizes quality, cost and efficiency among responsive and responsible offerors. The contract is for an intended term of 18 months, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the amount expected to be expended for the term of the contract, \$682,000.

Human Resources & Administration – Internal & Marketing Communications

Due to the need to meet and maintain the Authority's project schedule, the proposed personal services contracts with **Arch Street Communications, Inc. ('ASC') (4600003838)**, **ASGK Public Strategies LLC dba Kivvit, M Public Affairs ('Kivvit') (4600003839)**, **Bokland Photography, Inc. dba Bokland Custom Visuals ('Bokland') (4600003836)**, **Call of the Loon Productions ('Loon') (4600003852)**, **Essense Partners ('Essense') (4600003851)**, **Mediagraphics, Inc. ('Mediagraphics') (4600003837)**, **r6catalyst LLC ('r6catalyst') (4600003843)**, **Stanton Communication, Inc. ('Stanton') (4600003853)**, **The Marino Organization, Inc. dba Marino ('Marino') (4600003844)**, **The Paige Group ('Paige') (460003841)** and **The Visual Brand LLC ('Visual') (4600003842)** for the Public Outreach and Strategic Communications services became effective January 1, 2020, for the initial interim award amount of \$100,000, subject to the Trustee's approval, in accordance with the Authority's Guidelines for Procurement Contracts and EAP's. The Authority issued for Public Outreach and Strategic Communications Services to retain full-service and specialty communication firms with a broad range of strategic and tactical expertise to assist with the development and/or implementation of extensive internal and external communications initiatives. The firms will help formulate effective messaging and identify appropriate delivery platforms to help inform the public, communities, stakeholders, decision-makers, influencers and employees about NYPA's many contributions to New York State and its leadership in the energy industry. Bid documents were developed by staff and were accessible through the NYPA.gov site. The Request for Quotations was advertised on the New York State *Contract Reporter* website and posted on the Procurement page of the Authority's website. Nineteen firms / entities were listed as having been invited to, or requested to participate in, the Ariba event. Thirteen proposals were received electronically via Ariba and were evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of contracts to ASC, Kivvit, Bokland, Loon, Essense, Mediagraphics, r6catalyst, Stanton, Marino, Paige and Visual which are technically and commercially qualified and meet the bid requirements on the basis of 'best value', which optimizes quality, cost and efficiency among responsive and responsible offerors. The contracts are for an intended term of five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate amount expected to be expended for the term of the contracts, \$8.5 million. It should be noted that Arch, Loon and Paige are NYS certified Women-owned Business Enterprises; Essense and r6catalyst are NYS certified Minority-and Women-owned Business Enterprises.

Utility Operations – Enterprise Resilience

Due to the need to meet and maintain the Authority's project schedule, the proposed personal services contracts with **Accenture LLP ('Accenture') (4600003855)**, **ICF Resources LLC ('ICF') (4600003854)**, and **Toffler Associates, Inc. ('Toffler') (4600003856)**, for the Enterprise Resiliency consulting services became effective December 12, 2019, for the initial interim award amount of \$250,000, subject to the Trustee's approval, in accordance with the Authority's Guidelines for Procurement Contracts and EAP's. Bid documents were developed by staff and were accessible through the NYPA.gov site. The Request for Quotations was advertised on the New York State *Contract Reporter* website and posted on the Procurement page of the Authority's website. Fourteen firms / entities were listed as having been invited to, or requested to participate in, the Ariba event. Seven proposals were received electronically via Ariba and were evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of contracts to Accenture, ICF and Toffler which are technically and commercially qualified and meet the bid requirements on the basis of 'best value', which optimizes quality, cost and efficiency among responsive and responsible offerors. The contracts are for an initial term of three years with the option for a two-year renewal, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate amount expected to be expended for the term of the contracts, \$3,350,000.

Utility Operations – Operations

Due to the need to meet and maintain the Authority's project schedule, the proposed personal services, single source contract with **Dellaverson PC ('Dellaverson')** for negotiation strategy and support services for NYPA and Canal Labor negotiations became effective October 1, 2019, with an initial interim award amount of \$30,000, subject to the Trustee's approval, in accordance with the Authority's Guidelines for Procurement Contracts and EAP's. Staff recommends the award of a contract to Dellaverson which is technically and commercially qualified and meets the bid requirements on the basis of 'best value', which optimizes quality, cost and efficiency among responsive and responsible offerors. The contract is for an intended term of one year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the amount expected to be expended for the term of the contract, \$120,000.

Utility Operations – General Maintenance

The proposed non-personal service contract with **AECOM USA, Inc. ('AECOM') (Q19-6800DKT)**, would provide Operations and Maintenance Agreement for the Eel Passage Facility at St. Lawrence Power Project. Bid documents were developed by staff and were accessible through the NYPA.gov site. Two firms / entities were listed as having been invited to, or requested to participate in, the Ariba event. One proposal was received electronically via Ariba and was evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to AECOM which is technically and commercially qualified and meets the bid requirements on the basis of 'best value', which optimizes quality, cost and efficiency among responsive and responsible offerors. The contract is for an intended term of five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the amount expected to be expended for the term of the contract, \$590,231.

Utility Operations – Project Management

Due to the need to meet and maintain the Authority's project schedule, the proposed construction services contract with **Pinto Construction Services, Inc. ('Pinto') (4500316744)** for the replacement of the potable water pipe and relocation of the fire protection pipe in association with the Niagara North Utility Corridor Upgrade Project became effective January 1, 2020, for the initial interim award amount of \$500,000, subject to the Trustee's approval, in accordance with the Authority's Guidelines for Procurement Contracts and EAP's. Bid documents were developed by staff and were accessible through the NYPA.gov site. The Request for Quotations was advertised on the New York State *Contract Reporter* website and posted on the Procurement page of the Authority's website. Seven firms / entities were listed as having been invited to, or requested to participate in, the Ariba event. One proposal was received electronically via Ariba and were evaluated, as further set forth in the Award Recommendation documents. Staff recommends the award of a contract to Pinto which is technically and commercially qualified and meets the bid requirements on the basis of 'best value', which optimizes quality, cost and efficiency among responsive and responsible offerors. The contract is for an intended term of two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the amount expected to be expended for the term of the contract, \$2,950,000.

Extensions and/or Additional Funding Requests:

Utility Operations – General Maintenance

On February 25, 2019, the Authority issued a one-year construction services contract to **BVR Construction Company, Inc. ('BVR') (4500306488)** in the amount of \$3,939,995 for construction services for the Massena Intake Roadway Deck Reconstruction project. This contract extension is requested to accommodate the hydro-demolition schedule for the roadway deck and sidewalks. Staff requests Trustee approval for the extension of the BVR contract for ten-months, through December 31, 2020 to provide continuation of construction services. No additional funding is requested.

Utility Operations – Project Management

At their July 26, 2016 meeting, the Trustees approved a five-year personal services contract with **Walker Parking Consultants / Engineers, Inc. dba Walker Consultants ('Walker') (4500275227)** in the amount of \$746,839 for engineering services associated with the Authority's White Plains Office Centroplex Garage Project ('the Project'). Due to the complex and ongoing nature of the Project, subsequent change orders for additional engineering services were approved by Management in accordance with the EAP's increased the contract value to \$991,879. The additional funding currently requested addresses additional engineering services needed for the design of a fire suppression system, floor drains, landscaping and driveway modifications as contemplated in Project plans. Staff requests Trustee approval for additional funding in the amount of \$344,052.

Utility Operations – Project Management

On June 1, 2017, the Authority issued an eighteen-month construction services contract to **LeChase Construction Services LLC ('LeChase') (4600003318)** in the amount of \$12,532,665 for construction work on the Clark Energy Center ('CEC') Emergency Energy Control Center. For the continuation of these construction services, Staff requests Trustee approval for the extension of the LeChase contract for approximately nine months, including interim approval for the period October 1, 2019 thru January 29, 2020, with an updated end date of June 30, 2020. No additional funding is being requested at this time.

FISCAL INFORMATION

Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2019 Approved Operating or Capital Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating or Capital Fund, as applicable.

Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request, as applicable.

RECOMMENDATION

The Senior Vice President – Operations Support Services and Chief Engineer; the Senior Vice President – Power Supply; the Senior Vice President – Strategy & Corporate Development; the Vice President – Project Management; the Vice President – Head of e-Mobility & Grid Flexibility; the Vice President – Enterprise Resilience; the Vice President – Corporate Communications; the Vice President – HR & Organizational Development; the Chief of Staff for COO & Vice President – Labor; the Regional Manager of Transmission; and the Regional Manager of Northern NY recommend that the Trustees approve the award of multiyear procurement (services) and other contracts to the companies listed in Exhibit '4d i-A' and the extension and/or funding of the procurement (services) contracts listed in Exhibit '4d i-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective exhibits.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services contracts set forth in

Exhibit “4d i-A,” attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contracts listed in Exhibit “4d i-B,” attached hereto, are hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

ii. **St. Lawrence-FDR Power Project – Headgate System Upgrade Project – Capital Expenditure Authorization Request and Contract Award**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are requested to authorize capital expenditures in the amount of \$9,363,800 for the Headgate System Upgrade Project ('Project') at the St. Lawrence-FDR Power Project.

The Trustees are also requested to approve the award of a competitively bid five-year construction services contract in support of the Project, in the amount of \$3,908,700, to S&L Electric, Inc. of Colton, NY.

BACKGROUND

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

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

The upgrade to the headgate system at the St. Lawrence-FDR Power Project will create enhanced control and awareness of the generating unit headgates. In addition, the upgrade includes connections to the emergency power supply system for greater reliability in the event of a black start restoration. Further, the electrical equipment within the headgate gallery is original plant equipment and, after over 50 years of service, is showing signs of deterioration.

DISCUSSION

The scope of the Project includes the installation of new motor control centers, auto and manual transfer switches, programable headgate controllers, human-machine interface devices, and raise/lower pushbutton panels within the St. Lawrence Headgate Gallery.

A Request for Proposal ('RFP'), Inquiry No. Q19-6817BS, was issued through the Authority's Ariba system and was advertised in the New York State ('NYS') *Contract Reporter* on October 10, 2019. Eight firms were invited into the Ariba Event with forty-one firms having viewed the event notice on the Authority's website. On December 20, 2019 two proposals were received. The Authority's Fair Cost Estimate for this work is \$4,300,000.

Bidder	Evaluated Proposal
S&L Electric, Inc. Colton, NY	\$3,908,700
Perras Excavating, Inc. Massena, NY	\$8,393,270

The proposals were reviewed by an Evaluation Committee composed of staff from Engineering, Strategic Supply Management, Project Management, and Program Controls.

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

The committee concluded that S&L Electric, Inc., having extensive experience in similar construction, have demonstrated knowledge of the scope-of-work, have performed satisfactorily in previous Projects, and is capable of completing this Project in accordance with the schedule. S&L did not take any commercial or technical exceptions and took no exception to meeting the minority and women-owned business enterprise goals set forth in the contract documents.

The Project cost, inclusive of preliminary funding, and this current capital request is estimated at \$9,363,800.

Preliminary Engineering and Design	\$50,000
Engineering/Design	\$630,000
Procurement	\$2,047,500
Construction/Installation	\$4,690,400
<u>Authority Close-Out, Direct and Indirect Expenses</u>	<u>\$1,945,900</u>
TOTAL	\$9,363,800

FISCAL INFORMATION

Payment associated with this project will be made from the Authority's Capital Fund.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Regional Manager – Northern New York, the Vice President – Strategic Supply Management, the Vice President – Project Management, and the Program Director – Project Management recommend that the Trustees approve capital expenditures in the amount of \$9,363,800 and approve a five-year contract to S&L Electric, Inc., of Colton, NY, in the amount of \$3,908,700, to provide construction services for the Headgate System Upgrade Project.

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

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

RESOLVED, That pursuant to the Authority's Capital Planning and Budgeting Procedures, capital expenditures in the amount of \$9,363,800 are hereby authorized for the Headgate System Upgrade Project at the St. Lawrence-FDR Power Project in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority will use Capital Funds, which will include proceeds of debt issuances, to finance the costs for the Headgate System Upgrade Project;

<u>Capital</u>	<u>Expenditure Authorization</u>
Headgate System Upgrade Project	<u>\$9,363,800</u>

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, approval is hereby granted to award a three-year contract to S&L Electric, Inc. of Colton, NY to provide construction services to complete the aforementioned project as recommended in the foregoing report of the President and Chief Executive Officer;

<u>Contractor</u>	<u>Contract Approval</u>
S&L Electric, Inc. Colton, NY	<u>\$3,908,700</u>

(Q19-6817BS)

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

e. Collective Bargaining

i. Collective Bargaining Agreement Between the Authority and Local Union 1-2, Utility Workers Union of America – Successor Agreement

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve a contract extension agreement to the Collective Bargaining Agreement ('Agreement'), dated January 6, 2020, between the Authority and Local Union 1-2 of the Utility Workers Union of America ('UWUA'). The term of the Agreement, if approved, will have an effective date of January 1, 2020 and will expire on December 31, 2022. It covers employees at the Authority's South East New York Zeltmann facility which includes the 500 MW plant.

BACKGROUND

The Authority and the UWUA have been parties to collective bargaining agreements since 1982. This Agreement is a contract extension to the current general agreement negotiated between the parties which expires January 17, 2020.

The Authority's negotiating committee consisted of Carol Geiger-Wank, Chief of Staff and Vice President - Labor, Lori Alesio, Assistant General Counsel, Human Resources & Labor Relations, Tim Zandes, Southeast NY Regional Manager, Jim Anderson, Operations/MRM Superintendent and Galina Nisman, Facility Labor Relations Manager. The UWUA had representatives from its regional leadership team.

The parties engaged in limited negotiations for a 3-year extension to the current contract and reached agreement on terms on January 6, 2020. The Agreement was ratified by the Union membership on January 24, 2020. This new Agreement, which is pending approval of the Trustees, has an effective date of January 1, 2020.

DISCUSSION

The term of the Agreement runs from January 1, 2020 through December 31, 2022.

I. Wage Increases

The Agreement provides for a \$1,000 non-pensionable lump-sum payment to be paid to employees on payroll, upon the NYPA Board's contract ratification date, on a pro-rata basis.

The Agreement provides for a general wage increase of 2.0% effective January 1, 2020; 2.0% effective January 1, 2021; and 2.0% effective January 1, 2022.

II. Medical and Other Benefits

The parties built upon escalating employee health insurance contribution amounts to maintain the cost sharing achieved in the last contract.

Additionally, the parties agreed to legacy changes to certain elements of the pharmacy plan which resulted in greater alignment with industry standards.

III. Reclassification of Positions

The parties agreed to pilot a progression program for the Operating Technicians and Control Room Operator positions to acknowledge the necessary proficiencies needed for each classification and job family.

Changes were also made to reclassify the Metering positions reflecting changes in technology and the reinstatement of the Plant Utility Workers position to include current janitorial responsibilities. The parties agreed to continue negotiations regarding the impact of these changes to job classifications.

FISCAL INFORMATION

The 2020 - 2022 wage increase are consistent with the Authority's long-term financial forecast. The estimated incremental annual costs are:

2020	\$0.1M
2021	\$0.1M
2022	\$0.1M

Payments will be made from the Operating Fund.

RECOMMENDATION

The Executive Vice President and Chief Operating Officer – Utility Operations and the Executive Vice President – Power Supply recommend that the Trustees approve the Collective Bargaining Agreement between the Authority and Local Union 1-2 of the Utility Workers Union of America ('UWUA').

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

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

RESOLVED, that the Chief of Staff & Vice President of Labor be, and hereby is, authorized on behalf of the Authority to execute a Collective Bargaining Agreement with Local Union 1-2, Utility Workers Union of America, Local 1-2, covering specified operating and maintenance employees of the Eugene W. Zeltmann Power Project and other facilities and properties maintained by the Authority at, or in connection with such project, with changes to that Agreement as described in the foregoing report and attached summary (Exhibit '4e i-A'), subject to approval of the form thereof by the Chief Operation Officer and Executive Vice President and General Counsel; and be it further

RESOLVED, that the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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.

f. Canal Corporation

**i. Procurement (Services) Contract –
Statewide Canal Structural Inspection
Support Services – Contract Award**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Board of Directors ('Board') is requested to approve the award of personal services value contracts for Statewide Canal Structural Inspection Support Services on an 'on-call' basis as competitively bid in Inquiry No. K19-10292590NF to JMT of New York, Inc. of Syracuse, NY (4700000061); M.G. McLaren, P.C. of West Nyack, NY (4700000057); Greenman-Pedersen, Inc. of Buffalo, NY (4700000058); Collins Engineers, Inc. of Watervliet, NY (4700000059); and Bergmann Associates, Architects, Engineers, Landscape Architects & Surveyors, D.P.C. of Rochester, NY (4700000060) in the aggregate amount of \$6,000,000 for a term of up to five years. Interim approval in the amount of \$200,000 is also being requested to maintain the ability to inspect and ensure the safety of civil infrastructure.

In accordance with the New York State Canal Corporation's ('NYSCC') Procurement Guidelines and Expenditure Authorization Procedures ('EAPs'), Board approval is required when the award of service contracts and/or purchase order releases exceeds one year in term or the value of personal service contracts exceeds \$2,000,000.

BACKGROUND

Structural inspection services are required to support operations and maintenance of NYSCC facilities and are to be provided on an 'on-call' basis. Services will include, but not be limited to bridge inspections and load ratings, above and below water structural inspections of a diverse inventory of civil infrastructure, survey and mapping, as well as non-destructive testing necessary to determine the condition of infrastructure assets providing necessary in-house technical support to supplement the Corporation's internal resources. In general, the deliverable from each inspection will be in conformance with the Canal Structure Inspection Manual ('CSIM'), and an inspection report containing professional engineer certification, asset condition ratings (general condition ratings and element specific ratings), drawings, sketches of deterioration, load ratings, photos, dive videos, test reports, and repair recommendations.

DISCUSSION

In response to an advertisement issued on September 18, 2019 for Statewide Canal Structural Inspection Support Services, Request for Proposal ('RFP') Inquiry No. K19-10292590NF, seven (7) proposals ('bids') were received on the bid due date of October 18, 2019. The bids were evaluated by the Evaluation team consisting of the Canals' Asset Management & Inspection Bureau, NYPA's Strategic Supplier Management and NYPA's Environmental Health & Safety department.

The evaluation was primarily based on commercial and technical proposal content (professional qualifications and experience of key personnel and backup staff, size and depth of organization and resources, NYSCC experience, proximity to facilities, pricing, M/WBE compliance and completeness of proposals). The bidders were required to provide their team's technical qualifications and experience relative to the detailed requirements identified in the RFP Scope-of-Work. This provided the Corporation with a fair basis for evaluating the suppliers based on technical qualifications including past performance, current capabilities, and the strength of their teams including sub-consultants and contractors.

The Evaluation Committee recommended that the Statewide Canal Structural Inspection Support Services contracts be awarded to the five (5) most technically qualified, cost effective bidders.

FISCAL INFORMATION

All associated expenditures will be paid from the Canal Corporation's capital or operating fund, as appropriate.

RECOMMENDATION

The Director of Asset Management & Inspection recommends that the personal services value contracts related to Inquiry No. K19-10292590NF for Statewide Canal Structural Inspection Support Services be awarded to: JMT of New York, Inc. of Syracuse, NY (4700000061); M.G. McLaren, P.C. of West Nyack, NY (4700000057); Greenman-Pedersen, Inc. of Buffalo, NY (4700000058); Collins Engineers, Inc. of Watervliet, NY (4700000059); and Bergmann Associates, Architects, Engineers, Landscape Architects & Surveyors, D.P.C. of Rochester, NY (4700000060) in the aggregate amount of \$6,000,000, for a term of up to five years, with an interim approval in the amount of \$200,000 to maintain the ability to inspect and ensure the safety of civil infrastructure.

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

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

RESOLVED, That pursuant to the New York State Canal Corporation's Procurement Guidelines and Expenditure Authorization Procedures, approval is hereby granted to award personal services contracts to JMT of New York, Inc. of Syracuse, NY (4700000061); M.G. McLaren, P.C. of West Nyack, NY (4700000057); Greenman-Pedersen, Inc. of Buffalo, NY (4700000058); Collins Engineers, Inc. of Watervliet, NY (4700000059); and Bergmann Associates, Architects, Engineers, Landscape Architects & Surveyors, D.P.C. of Rochester, NY (4700000060), in the aggregate amount of \$6,000,000, for a duration of five years, including interim funding in the amount of \$200,000, for Statewide Canal Structural Inspection Support Services, as recommended in the foregoing report of the President and Chief Executive Officer;

<u>Contractor</u>	<u>Location</u>	<u>Aggregate Contract Award</u>
JMT of New York, Inc.	Syracuse, NY	
M.G. McLaren, P.C.	West Nyack, NY	
Greenman-Pedersen, Inc.	Buffalo, NY	
Collins Engineers, Inc.	Watervliet, NY	
Bergmann Associates, Architects, Engineers, Landscape Architects & Surveyors, D.P.C.	Rochester, NY	
K19-10292590NF		<u>\$6,000,000.00</u>

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, and all other officers of the New York State Canal Corporation are, and each of them hereby is, authorized on behalf of the Canal Corporation to do any and all things, 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.

5. DISCUSSION AGENDA:

a. Strategic Initiatives

i. President and Chief Executive Officer's Report

President Quiniones provided highlights of the Authority's performance, to date, to the Board, (Exhibit 5a i-A).

Performance Scorecard

NYPA's Overall Performance

For the period through December 2019, NYPA met its key performance targets. The O&M budget was over budget, less than one percent. This was due to the Pension and Other Post-Employment benefit costs which were not within NYPA's control, but subject to the performance of the previous years, and the stock market.

NYPA's 2019 Accomplishments include:

- ISO 55001 Certification
- New Asset Investments
- Cyber Security Investments
- Infrastructure Modernization
- 50-Year Relicensing of Blenheim-Gilboa Pumped-Storage Power Project
- Improved Customer Experience (CDEx)
- Expanded Customer Offerings
- Expanded Legislative Authority

• NYPA 2020 Strategic Plan

NYPA's 2020 Strategic Plan was established in 2014 with six strategic initiatives which the Authority executed against up to date. The Authority has achieved the goals set forth in each of those strategic initiatives.

• Reimagine the Canals

NYPA assumed ownership of the NYS Canal System in January 2017. The Reimagine the Canals Design Competition, the largest adaptive reuse of an iconic and historic infrastructure, was launched in October 2017 and the winners announced October 2018. The Reimagine the Canals Vision Task Force was announced in May 2019.

Mr. Yves Noel will provide an update on the initial steps that the Authority has taken to launch this initiative.

• Climate Leadership and Community Protection Act

Last year, the state government passed into law the Climate Leadership and Community Protection Act ("CLCPA"), a nation-leading, climate change legislation; NYPA is well-positioned to meet the mandates of the Act. To that end, NYPA refreshed its 2020 Strategic Plan, introducing its Moonshot initiatives and digital strategy consistent with the mandates of the CLCPA.

With its Vision 2030 Strategic themes, NYPA will be a leading entity, not just in the state, in terms of confronting, challenging, and meeting the demands of the climate change crisis.

NYPA's Vision2030 Strategic Themes include:

- Energy Efficiency
- Electrification
- Demand Flexibility
- Carbon Free Generation and Transmission

- Enterprise Digitization and
- Workforce and Communities

- **Financial Performance**

NYPA had a strong financial performance in terms of Net Income, Fixed Cost Coverage Ratio and Credit Rating, meeting its financial metrics and exceeding its financial goals. NYPA's Balance Sheet and cash flow from operations is strong; therefore, from a financial perspective, NYPA has the capacity to deploy and meet its 2030 Strategic Plan.

- **Mutual Aid – US Virgin Island and Puerto Rico**

While not a part of its Strategic Plan, NYPA provided mutual assistance to Puerto Rico and the U.S. Virgin Islands due to damages to the islands from hurricanes and earthquakes. To that end, NYPA provided assistance to the Puerto Rican Electric Power Authority ("PREPA"), and U.S. Virgin Islands Water & Power Authority ("USVI WAPA") providing direction and roadmaps similar to what is done at NYPA. This includes assistance with Grid stabilization, technical expertise to secure federal funding from FEMA and the Housing & Urban Development to modernize, strengthen and integrate renewable energy into their grids. In addition, NYPA is helping the leadership of both utilities and their Boards to put their own PREPA 2030 and USVI WAPA 2030 Strategic Plans in place.

President Quiniones ended by saying that, overall, the year 2019 was productive for NYPA. In most cases, NYPA exceeded its key performance indicators and metrics, the culmination of the NYPA 2020 Strategic Plan. He said the team finished strong and achieved the goals of those strategic initiatives. NYPA is now well-positioned, coming from a position of strength, to launch and implement the NYPA Vision2030 Strategic Plan.

b. Risk Management

i. Chief Risk Officer's Report

Mr. Soubhagya Parija, Senior Vice President and Chief Risk Officer, provided highlights of the report to the Board. (Exhibit 5b i-A).

Total Risk Scores

Risk Management recently completed a deep-dive assessment of NYPA's risks to evaluate how the Authority is progressing with regard to its risk mitigation strategies and controls. Risk Rating scores for 2018 and 2019 were plotted using Total Risk Score (TRS) to determine compliance and safety impacts.

Evolving Risks

Data Governance – Delivers a world-class “Data and Analytics Service” that will allow NYPA to manage its data as an asset and further its Business Intelligence and Analytics capabilities.

Key Mitigation Activities:

- Developed Data Governance and Management Risk Framework
- Enterprise Data Governance Committee (DGC) formed
- Executing Implementation Plan
- Applying Data Quality (DQI) Management Process to support ISO 55001
- Building Business Rules to assess and validate data quality
- Risk Management is a key participant on the Data Governance Committee

Third-Party Risks – Ensure understanding of risks when dealing with third parties and develop appropriate mitigation strategies.

Key Mitigation Activities:

- Developed Third Party Risk Management Framework
 - Steering Committee and Working Group formed to implement recommendations
- Implementation of Ariba Vendor Risk Management Module
 - Information from Ariba module will be utilized/imported into eGRC tool
- Risk Management is a key participant on the Third-Party Risk Management Steering Committee

Enterprise Governance Risk and Compliance (EGRC) Implementation

NYPA has selected the Archer GRC System platform that will allow for full integration of Governance, Risk, Audit and Compliance Teams.

The GRC System:

- Enhances visibility into and quantification of risk exposures
- Improves organizational risk culture and maturity, and supports ISO 55001
- Improves leadership and dashboard reporting
- Aligns to best practices in ISO 31000 and COSO ERM
- Completion of Enterprise Risk Management Module implementation

Enterprise Risk Change Management

- Develop NYPA Wide Risk Education Campaign
- Digital Transformation Office / Asset Performance
- Management / Project Management
- Controls Assurance & Monitoring
- Business Resiliency

NYPA plans to build-out a risk culture throughout the organization so that its employees have responsibility for risk, looking at risk in the same way and understanding the scoring mechanism.

c. Financial Operations

i. Chief Financial Officer's Report

Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided highlights of the report to the Board. (Exhibit 5c i-A). He said that the Authority is going through the audit process with KPMG and, at the March meeting, he will be requesting the Board's acceptance of the full audited financials. To date, the Authority is operating within its forecast.

Transmission & Customer margins

Generation - Driven primarily by lower than budgeted energy prices at Niagara and St. Lawrence and lower customer margins, partially offset by higher hydro generation. Energy margins from generation were underperforming.

Transmission - Primarily driven by Annual Transmission Revenue Requirement increases in effect beginning July 1st. Because of the energy price compression in the market, transmission revenue outperformed its target.

Non-Utility - Driven by higher than budgeted Customer Energy Solutions revenue. Non-utility outperformed its revenue target by approximately \$7 million.

Operating Expenses – higher than budgeted – mostly driven by the performance of the pension and Other Post-Employment Benefits ("OPEB") funds.

Non-Operating Expenses

- Interest Expense, Net - Favorable mark-to-market gain on the Authority's investment portfolio due to lower interest rates.
- Positive margins on commercial paper financing compared to budget.
- Debt issuance budgeted has been postponed to later periods.

d. Utility Operations

i. Chief Operations Officer's Report

Mr. Joseph Kessler, Executive Vice President and Chief Operations Officer, provided highlights of Utility Operations' performance to the Board. (Exhibit "5d i-A"). He said that, for the reporting period, Utility Operations exceeded all of its performance metrics.

Performance Measures – Year-to-Date

Generation Market Readiness

- Generation Market Readiness factor was at 99.76%. This is above the target of 97.40%.

Transmission System Reliability

- Transmission System Reliability factor was 96.21%. This is above the target of 95.41%.

Environmental Incidents

- Year-to-date, there were 19 incidents. The Target is not to exceed 28 incidents.

Safety

DART (Days Away, Restricted or Transferred) is the Authority's safety metrics.

- The year-to-date DART Rate is 0.76. The target is 0.78.

e. Commercial Operations

i. Chief Commercial Operations Officer's Report

Ms. Sarah Salati, Executive Vice President and Chief Commercial Operations Officer, provided highlights of the report to the Board. (Exhibit "5e i-A")

Wholesale

- Customer Usage is within the forecast.
- Generation is within the forecast.
- Electric prices remain depressed and was below the forecast.
- Fuel Prices is within the forecast.
- Merchant Gross Margin is below the target but is expected to stay within the target range. NYPA sets an aggressive target for the Merchant Gross Margin. To that end, staff works closely with the Finance and Risk departments to determine what is needed to support the Authority, not only to maintain its AA credit rating, but also the financial investments that are needed to support the Climate Leadership & Community Protection Act, as well the Authority's Vision2030 Strategy.

- **Economic Development**

NYPA's fundamental mission is to support the economic growth and competitiveness of New York State. NYPA continues to actively provide its low-cost hydropower to various customers across the state in exchange for commitments in capital and jobs and is working closely with large industrial companies, along with the Empire State Development Corporation, in order to attract those companies to set up operations in the state.

- **Energy Efficiency**

The Energy Efficiency team continues to accelerate the Authority's revenues, maintaining its cost structure well above budget.

- Customer Investments is within the target.
- Non-Utility Revenues is within the target.
- Operating Expenses slightly exceeded the target.

1. NYISO Public Policy AC Transmission Proceeding – Execution of the Development Agreement

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are hereby requested to approve the execution of the NYISO Development Agreement ('DA') for the transmission project awarded to NYPA ('Authority') and LS Power Grid New York Corporation 1 ('LS')^{*} in connection with the AC Transmission Public Policy Requirements proceeding ('Project'). The DA, required to be executed by the NYISO tariff, is a three-party agreement to be executed by the Authority, LS, and New York Independent System Operator ('NYISO'). As a result, the Authority and LS will be defined as the 'Developers' placing full responsibility to construct the AC Transmission Project per the terms of the DA. The enforcement of the executed agreement is the responsibility of the NYISO as stated under its Federal Energy Regulatory Commission ('FERC') approved Tariff. The Trustees' approval for the execution of the DA is being sought based on the substantial obligation the Authority will accept once the agreement is executed.

BACKGROUND

On February 29, 2016, in accordance with the New York Public Service Commission's ('PSC') order identifying transmission needs associated with the Central East and UPNY/SENY corridors, the NYISO issued the AC Transmission Public Policy Transmission Needs Project Solicitation ('Solicitation') granting a 60-day period for developers to submit proposals.

On March 16, 2016, the Authority executed a Memorandum of Understanding ('MOU') with LS to develop and submit proposals in response to the Solicitation. LS assumed the lead role and developed thorough proposals including transmission planning, engineering design, preparation of competitive cost estimates and construction schedules followed by formal submission and remittance of all NYISO required deposits and fees. The Authority provided technical assistance, comments, advice and participation in all meetings with the NYISO, PSC, and regulatory agencies throughout the process. At their December 15, 2016 meeting, the Trustees authorized funding of the Authority's share of expenses pursuant to the MOU.

On June 7, 2018, the Authority and LS entered into a definitive participation agreement ('PA'), as contemplated in, and in replacement of, the MOU in anticipation of the final NYISO decision.[†] The PA grants the Authority an option to purchase an ownership interest up to 37.5% of the total Project.

On April 8, 2019, the NYISO Board of Directors selected the Project as the winning proposal for segment A of the Transmission Need. In consideration of maintaining its purchase option under the PA, the Authority continues to fund its allocation of Project development costs until such time as the Authority decides to exercise its option.

DISCUSSION

The NYISO tariff, as governed by FERC, requires NYPA and LS to execute a three-party agreement with the NYISO. The DA provides a detailed project description, the planned scope-of-work, a schedule identifying critical milestones in the Project, provisions addressing default, transfer rights, liability and indemnification, and assignment are included to provide protections to the Authority as well as an opportunity to continue development of the Project in the event LS defaults. The DA was drafted, reviewed, and edited by the three parties through the second half of 2019. The NYISO tendered the final

^{*} PA is with LS Power Grid NY LLC. Before the DA is signed it will be assigned to LS Power Grid New York Corporation 1.

[†] The MOU and PA were signed by North American Power. Subsequently, North American Power changed its name to LS Power Grid New York LLC.

draft in the 4th Quarter of 2019 which must be executed by the all parties, including the Authority, by February 5, 2020.

Previously, capital expenditures for this project were approved by the Trustees on May 21, 2019 and on December 11, 2019, as part of the 2020-2023 Approved Budget and Financial Plan for a cumulative spend of \$ \$275.1M.

Rate recovery of Project costs was authorized by FERC in November 2019 in response to a NYPA petition requesting the following rate incentives: construction work in progress, abandonment, and a return on equity adder of 50 basis points.

The execution of the DA will not require any additional funding authorizations above the previously approved requests.

FISCAL INFORMATION

None.

RECOMMENDATION

The Executive Vice President – Commercial Operations recommends that the Trustees approve the execution of the New York Independent System Operator Development ('NYISO') Agreement for the transmission project awarded to NYPA ('Authority') and LS Power Grid New York Corporation 1 in connection with the AC Transmission Public Policy Requirements proceeding. The Trustees' approval to execute the Development Agreement with LS Power Grid New York Corporation 1 and NYISO by February 5, 2020 is also requested.

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

Ms. Sarah Salati, Executive Vice President and Chief Commercial Officer provided highlights of staff's recommendation to the Board. She said that over the last several years, New York State did an analysis into the aging transmission infrastructure and the need for investment to relieve congestion which started with the STAR's report in 2008 and then accelerated under Governor Cuomo's leadership with the 2012 Energy Highway Blueprint.

As a result, in late 2015, the New York Public Service Commission ordered, through a NYISO Public Policy Transmission Need, a request to relieve congestion in the UPNY/SENY and Central East Transmission Interfaces, the AC Transmission Proceeding.

Partnering with LS Power, NYPA submitted a proposal and, in 2019, were selected by the NYISO Board for Segment A of the project; Segment B was awarded to New York Transco. The project awarded to NYPA and LS Power costs approximately \$750 million, in aggregate. This is an example of strong partnerships bringing together the best of public and private entities to support the State.

Additionally, this is an example of NYPA's growth focus on transmission. NYPA is responsible for a third of the transmission grid in New York State and plans to continue to diversify its revenue sources with stable and significant contributions which this project supports. With this project, NYPA retains the right of an option for a 37.5 percent investment, which equates to approximately, \$280 million. The request for approval to execute this option will be formally presented to the Board in mid-to-late 2020. The Board previously approved the funding for this investment through 2023 and it has been included in the approved budget and financial plan.

Some of the progress made over the last several months include filing of the Article VII certification by Utility Operations and the Licensing Development group. In addition, with support from the Legal Department filing of the rate recovery through FERC, where NYPA received rate incentives and an approved rate for 9.95 percent return, which includes a risk adder.

The projected revenue that NYPA is anticipating for this project when it is completed is \$25 million at the gross revenue level and \$15 million at the net income level.

As part of NYPA's obligation under the NYISO tariff, it has to enter into a Development Agreement, along with LS Power and the NYISO, that imposes additional obligations on NYPA related to the pursuit of this project which specifically outlines a detailed project description, schedule of key milestones, and other provisions, obligating the Authority to execute on this project.

Today, staff is requesting that the Board approve NYPA's entering into the three-party joint development agreement between the NYISO, LS Power and NYPA.

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

RESOLVED, That the Chief Commercial Officer or her designee, be, and hereby is, authorized to execute, by February 5, 2020, the New York Independent System Operator ("NYISO") Development Agreement for the transmission project awarded to the Authority and LS Power Grid New York Corporation 1 in connection with the AC Transmission Public Policy Requirements proceeding as identified in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Executive Vice President and General Counsel, or his designee, of the Authority be, and hereby is, directed to submit the executed agreement to the NYISO; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

6. Board Committee Report

a. Finance Committee Report

Finance Committee Chair, Tracy McKibben, reported that the Finance Committee met on January 24th and received reports from staff.

Committee Chair McKibben invited Mr. Eves Noel, Senior Vice President of Strategy and Corporate Development to make a presentation to the Board on the Reimagine the Canals Initiative and Ms. Patricia Lombardi, Vice President of Project Management, on the Moses-Adirondack Smart Path Reliability Project.

Chair McKibben continued that, regarding Financial Operations, the Finance Committee recommends that the Trustees adopt the resolution for a policy for a hedging program to manage cashflow risks of non-energy commodity linked customer contracts, and also to release \$30 million in funds during 2020 in support of the Residential Consumer Discount Program created in connection with the Recharge New York Power Program.

Regarding Commercial Operations, the Finance Committee recommends that the Trustees authorize the inclusion of the Operational Support and Maintenance Support Program for energy efficiency customers.

As part of the Authority's Energy Efficiency Program, the committee recommends the Board's approval of the award of a contract to E-J Electric T&D, LLC, in the amount of \$15 million, for a term of up to five years, for maintenance of streetlights owned by municipalities, statewide, participating in the Authority's Operation and Maintenance Program for outdoor lighting.

The committee also recommends approval of additional capital expenditures in the amount of \$10,223,400 for the Customer Digital Experience Program. This funding will be used for the procurement of software and the development of digital solutions for the Authority's customers.

i. **Canal Corporation**

1. **Funding and Budget Authorizations
for the Reimagine the Canals Initiative**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are hereby requested to: (a) authorize an investment of \$300 million over five years for the Reimagine the Canals Initiative ('Initiative') and (b) approve an increase of \$30 million to the Authority's 2020 Capital Budget to fund the Initiative in 2020. The Initiative encompasses three prongs: (1) \$100 million of funding for projects in communities along the Canal system, (2) \$65 million of funding for projects that will help prevent ice jams and related flooding, and (3) \$135 million of funding for projects recommended by the Reimagine Task Force and approved by the Authority or projects related to mitigation of drought impacts on agriculture, expansion of fishing opportunities, flood mitigation, invasive species prevention, and ecosystem restoration.

Staff will obtain authorization to make specific drawdowns and submit spending requests for projects per the Authority's Expenditure Authorization Policy.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees take the aforementioned actions.

BACKGROUND

The Authority assumed operation and ownership of the New York State Canal System (Canal) in 2017. Shortly thereafter, the Authority launched the Reimagine the Canals Design Competition to take a 200-year-old asset and re-imagine it for the next hundred years. Under the competition guidelines, the Authority could pick only two winners from the 145 applicants, leaving many great ideas unselected. Therefore, in May 2019, Governor Andrew M. Cuomo announced the creation of the Reimagine the Erie Canal Task Force to continue work on reimagining the canals and to identify ideas/solutions that promote economic development, recreation, and resiliency, starting with, but not limited to, all 145 proposals for the Reimagine competition.

The Task Force engaged with municipal leaders, stakeholders, local business owners, scientists and other experts, along with community members, to identify opportunities and solutions that support a new vision for future investments in the waterway. SUNY's Rockefeller Institute of Government, on behalf of the Task Force, conducted a series of outreach sessions during the summer in five canal communities - Lockport, Brockport, Schenectady, Utica and Syracuse - to solicit new ideas from the public at large. Ideas were also solicited on a Reimagine the Canals website, offering more distant canal users an opportunity to provide their views to the Task Force.

Additionally, the Task Force oversaw technical analysis (including analysis from Authority experts), plan development; and the assembling of a strategic plan and vision. Their work culminated in the publication in January 2020 of the Reimagine the Canals Task Force Report ('Task Force Report').

DISCUSSION

Governor Cuomo's 29th proposal of his 2020 State-of-the-State address included a recommendation that the Authority's Board of Trustees and the Canal Board of Directors approve \$300 million in funding for the Initiative. This investment would produce a return for New York State residents

along and near the Canal and will also set the Canal on a path where efficiencies could be achieved to reduce long-term Canal capital and operating costs.

The first phase of funding is expected to start this year and will have two parts: a \$100 million of funding for projects in communities along the Canal and a separate \$65 million of funding for projects that will help prevent ice jams and related flooding.

The \$100 million of funding will be used to support projects that adaptively reuse canal infrastructure to enhance water recreation, tie the Canal's new recreational improvements to the Empire State Trail, celebrate historic canal structures, and develop unique canal-side attractions and activities. Roughly \$25 million of that funding will be for a set of initial projects:

- The 'Brockport Loop' project in Monroe County will connect SUNY College at Brockport to the Empire State Trail and the village of Brockport through the transformation of a canal guard-gate into a pedestrian bridge and overlook, with a supporting grant of \$2 million from the Ralph Wilson Foundation.
- Interactive, hydro-powered illumination of Canal 'movable dams' – initially in Amsterdam and Canajoharie in the Mohawk River valley – will celebrate the Canal's heritage and its history as an engineering marvel.
- A new whitewater destination, at the north end of Cayuga Lake near Seneca Falls, will rely on existing water control infrastructure to construct an active water sports course adjacent to the Montezuma National Wildlife Refuge, to increase eco-tourism and sport visitors to the region.
- One of the winners of the original Reimagine the Canals competition, a canal-side pocket neighborhood, will be developed by Madison County in Central New York at a former industrial property in Canastota along the Old Erie Canal - demonstrating a new model for 21st century canal-side living.
- The historic Guy Park Manor, on the Mohawk River in Amsterdam, will be reborn as a hospitality destination and a pedestrian bridge constructed across the already-existing Canal lock will provide access to additional overnight accommodation along the Empire State Trail on the opposite side of the river.

The \$65 million of funding for projects along the lower Mohawk River Valley focuses on flooding resiliency improvements and incorporates various recommendations from the Task Force Report, including the development of an Ice Jam Monitoring and Early Warning System to better alert communities to potential flooding, further assessments of potential river channel modifications, use of icebreakers/cutters, and possible retrofits to the Vischer Ferry Dam to mitigate ice jams and summer flooding on the Mohawk River.

The remaining \$135 million of funding will be allocated to projects recommended by the Reimagine Task Force and approved by the Authority or projects related to mitigation of drought impacts on agriculture, expansion of fishing opportunities, flood mitigation, invasive species prevention, and ecosystem restoration. Staff will develop a process for evaluating such projects.

In December 2019, the Trustees approved the Authority's 2020 Budget, including the 2020 Capital Budget, and approved the Four-Year Budget and Financial Plan for 2020-2023. Staff is requesting that the Trustees approve an increase of \$30 million to the 2020 Capital Budget to fund the Initiative in 2020. For future years, the Initiative will be included in the annual budgeting process and the Four-Year Budgets and Financial Plans.

Expenditure of funds authorized by the Trustees as part of the Initiative will be subject to compliance with applicable laws and regulations, including the New York State Environmental Quality Review Act and any license and permit requirements.

All expenditures and releases of funds shall be in compliance with the Authority's General Resolution Authorizing Revenue Obligations, dated February 24, 1998, as amended and supplemented.

FISCAL INFORMATION

The \$300 million Initiative will be funded from the Authority's Capital Fund and internally generated funds.

RECOMMENDATION

The Senior Vice President of Strategy and Corporate Development requests that the Trustees (a) authorize an investment of \$300 million over five years for the Reimagine the Canals Initiative as described above and (b) approve an increase of \$30 million to the Authority's 2020 Capital Budget to fund the Initiative in 2020.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees take the aforementioned actions.

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

Mr. Yves Noel, Senior Vice President of Strategy and Corporate Development, provided highlights of staff's request to the Board. He said, the Governor formally announced this initiative in his 2020 State-of-the-State address. He continued, 'stretching from Albany to Buffalo, it is arguable that no infrastructure project over the last two centuries is more responsible for New York's rise as a state, and New York City's rise as a global capital, than the Erie Canal.'

The goal is to Reimagine the Canal in a variety of 21st Century purposes. To that end, staff is asking the Board of Trustees to approve an investment of \$300 million over five years for the Reimagine the Canals Initiative, and an increase of \$30 million to the Authority's 2020 capital budget to fund the initiative. In keeping with long-standing policy, staff will come back to the Board for specific project authorizations.

Mr. Noel then provided a brief overview of the Reimagine the Canals activities. He said NYPA assumed responsibility for management of the New York State Canal System in 2017. Shortly after that turnover of control, the Authority launched its Reimagine the Canals competition to solicit ideas as to how this iconic asset could serve new audiences in the wake of a demise in commercial shipping.

After receiving 145 applications from 9 countries, the Authority announced two competition winners in October 2018 - the Erie Armada, a festival and boat race in the Finger Lakes region, and a Canal-side Pocket neighborhood, also on the historic Erie Canal.

To further examine ideas expressed in the shortlisted submission, Governor Cuomo formed a Task Force to focus both on ideas to promote economic development and ideas relating to increasing resilience along the Erie spine.

The Task Force studied a wide array of challenges and opportunities facing the canal communities including ecologic restoration, economic regeneration, agricultural irrigation, and flood mitigation. Their report served as the foundation for the Governor's recommendation in his 2020 State-of-

the-State address that the NYPA Board approve a \$300 million over the next five years. The plan is to reimagine the Erie Canal by adaptively reusing the canal system's water control infrastructure to not only create more recreational and tourist activities along the canal, but also to mitigate flooding, enhance irrigation and restore compromised wetlands. Today, the Erie Canal is operated in a way that is suitable for large vessels. Tomorrow, it should be operated to benefit a variety of end-users, including small boaters, farmers, floodplain residents and businesses, local communities, and the broader ecosystem of Upstate New York.

More specifically, NYPA's plan is to:

- Invest \$100 million in economic development funding for the reuse of infrastructure in communities along the canal.*
- Invest \$65 million in measures to help prevent ice jams and related flooding in the Mohawk Valley; this effort includes deploying icebreaker, developing an ice jam monitoring system and retrofitting the Vischer Ferry Power Dam breaker.*
- allocate the remaining \$135 million to study and address resilience issues as recommended by the Reimagine Task Force including measures to mitigate the spread of invasive species, irrigate Western New York and reduce summer flooding and ecosystem restoration.*

Within the \$100 million for economic development, an initial \$25 million will be allocated to 5 projects:

- 1. The "Brockport Loop" project in Monroe County will connect SUNY College at Brockport to the Empire State Trail and the village of Brockport through the transformation of a canal guard-gate into the pedestrian bridge and overlook, with a supporting grant of \$2 million from the Ralph Wilson Foundation.*
- 2. Celebrating Iconic Infrastructure will involve the interactive illumination of the canal's movable dams – initially in the Mohawk River valley – which will celebrate the Canals' heritage and its history as an engineering marvel.*
- 3. A new whitewater destination at the north end of Cayuga Lake near Seneca Falls will rely on existing water control infrastructure to construct an active water sports course.*
- 4. The fourth project, and winner of the Reimagine the Canals competition, a canal-side pocket neighborhood, will be developed by Madison County in Central New York.*
- 5. The fifth project, the historic Guy Park Manor, on the Mohawk River in Amsterdam, will be reborn as a hospitality destination and a pedestrian bridge constructed across the canal.*

Reimagine the Canals' initiatives next steps will include Mobilizing the team, including creating a new unit within NYPA to lead the initiative forward. Specifically, the unit will direct planning, provide technical oversight, and engage in public outreach. It will leverage the expertise of other state agencies, such as the Department of Environment & Conservation, Parks & Recreation, agricultural and markets, Empire State Development and the Department of State.

NYPA will continue outreach, education and discussions with key stakeholders and also initiate project management activities within NYPA.

Mr. Noel ended by saying that NYPA is excited about this new, third iteration of the Erie Canal. The canal system will be repurposed to benefit communities along the waterway. NYPA's goal is to use this asset in a new and exciting way to support future generations of New Yorkers as well as visitors to this great state."

On motion made by Vice Chair Nicandri and seconded by member Michael Balboni, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby (a) authorize an investment of \$300 million over five years for the Reimagine the Canals Initiative, which encompasses three prongs: (1) \$100 million of funding for projects in communities along the Canal system, (2) \$65 million of funding for projects that will help prevent ice jams and related flooding, and (3) \$135 million of funding for projects recommended by the Reimagine Task Force and approved by the Authority or projects related to mitigation of drought impacts on agriculture, expansion of fishing opportunities, flood mitigation, invasive species prevention, and ecosystem restoration; and (b) approve an increase of \$30 million to the Authority's 2020 Capital Budget to fund the Reimagine the Canals Initiative in 2020; and be it further

RESOLVED, That the Authority shall use Capital Funds, which are intended to include proceeds of debt issuances in the amount of up to \$100 million to reimburse (in accordance with the applicable provisions of section 1.150-2 of the Treasury Regulations) revenues applied on an interim basis in anticipation of a bond issue for capitalized or capitalizable costs, to fund up to \$300 million for the Reimagine the Canals Initiative; and be it further

RESOLVED, That all expenditures and releases of funds by the Authority for the Reimagine the Canals Initiative shall be in compliance with the Authority's General Resolution Authorizing Revenue Obligations, dated February 24, 1998, as amended and supplemented; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel, and subject to compliance with all applicable federal and state laws and regulations, including satisfaction of the Authority's New York State Environmental Quality Review Act obligations.

ii. **Utility Operations**

**1. Moses-Adirondack Smart Path Reliability Project –
Construction Services Contract Award**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are requested to approve the award of a five-year, competitively bid contract to Michels Power, a Division of Michels Corporation ('MICHELS') of Neenah, Wisconsin, in the amount of \$294,274,993 to construct the Moses-Adirondack Smart Path Reliability Project ('Project'). An additional \$20,000,000 is requested for managing scope and schedule change risks over the five-year period, for a total authorization amount of \$314,274,993. Interim funding in the amount of \$6,000,000 was previously approved by the Chief Operating Officer to mobilize resources and equipment and procure long-lead time materials to maintain the project schedule.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the award of the five-year, competitively bid contract to MICHELS, in the amount of \$294,274,993 to construct the Project with an additional \$20,000,000 for managing scope and schedule change risks over the five-year period, for a total authorization amount of \$314,274,993.

BACKGROUND

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

The Project will replace 78 miles of single-circuit wooden transmission structures with new single-circuit, steel pole structures that can support 345kV transmission, but will operate at 230kV until the full length of the transmission system is upgraded.

The Article VII application for the Project was submitted to the Public Service Commission on April 5, 2018 and was approved on November 14, 2019. The Environmental Management and Construction Plan ('EM&CP') for the first segment of the Project was submitted on December 20, 2019 and approval is anticipated by the first quarter of 2020. EM&CP submissions for the other segments of the Project are anticipated in the first quarter of 2020. The Project is estimated to be in-service mid-2023.

The total estimated cost of the Project is \$483.8 million, which has been authorized by the Trustees, to date. This construction contract is within the approved capital expenditure authorization.

DISCUSSION

A Request for Qualification ('RFQ') No. Q18-6416MR was issued on April 2, 2018 to solicit information from qualified construction contractors, enabling the Authority to evaluate the capabilities and capacity of each Contractor to support the Project. Fifteen companies submitted qualifications in response to the RFQ. The proposals were thoroughly reviewed by an evaluation committee comprised of Authority staff from Strategic Supply Management, Quality Assurance, Environmental Health and Safety, Project Development and Licensing, Engineering Transmission and Project Management. The suppliers were evaluated based on safety program and performance, financials, organization stability, engagement approach, team structure, technical qualifications and experience, successful execution of projects with similar scope and scale, and organization capacity and capabilities. Six contractors were deemed Qualified Contractors, and these six were issued the Request for Proposal ('RFP') for the Project.

RFP No. Q18-6544MR was issued on September 29, 2018 to the six Qualified Contractors. On November 30, 2018, five proposals were received, and, after evaluation, three contractors were shortlisted and selected for personal services contracts to support the Authority in the development of the Project's EM&CP. The three shortlisted Contractors are:

- Kiewit, Henkels & McCoy and Aldridge Joint Venture (KHMA)
- Michels Power, a Division of Michels Corporation (MICHELS)
- PAR Electrical Contractors, Inc. (PAR)

In accordance with the RFP, upon completion of the EM&CP development support services and further development of engineering design, the Authority issued a Post-Bid Addendum (PBA-2) to the RFP on August 13, 2019 to the three shortlisted contractors. The PBA-2 requirements included, but were not limited to: pricing; the bidders' plans to execute the civil, foundation and structure erection works; furnish supervision, labor, materials and/or equipment; and perform all operations required for safe and environmentally compliant demolition, reconstruction and restoration of the Project. On October 10, 2019, three proposals were received in response to the PBA-2. The bidders' evaluated prices were: MICHELS - \$313,752,416; KHMA - \$474,422,877; and PAR - \$434,313,346.

The Authority requires an experienced supplier with proven capability and capacity to demolish over 1,600 wooden H-frame structures and install over seven hundred and seventy, 345kV steel pole structures with drilled shaft or directly embedded foundations, double bundled conductor and all associated appurtenances for a properly functioning transmission line. Additionally, there are significant schedule constraints on the Project including permitting and outages, which minimizes the available work time and require a skilled and knowledgeable contractor to reduce risk to the Project. The proposal submitted by KHMA was found to be overly conservative with a cumbersome approach to the work in addition to a significantly higher price. The proposal submitted by PAR had a significantly higher price.

Following evaluation, clarifications and negotiations, the evaluation committee recommends awarding a contract to MICHELS as they were evaluated to be technically capable, experienced, safe and the best value. Additionally, after successful negotiations with MICHELS, their proposed price was reduced to \$294 million. Therefore, the evaluation committee recommends awarding a contract to MICHELS for the reasons stated above.

On December 18, 2019, the Authority issued a Limited Notice to Proceed to MICHELS to support initial construction activities.

FISCAL INFORMATION

Payment associated with this Project will be made from the Authority's Capital Fund and will be recovered under the Authority's FERC approved formula rate. Amounts in excess may require approvals in accordance with the New York Independent Service Operator ('NYISO') tariff.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Senior Vice President – Power Supply, the Vice President – Project Management, and the Project Manager recommend that the Trustees approve the award of a five-year contract to Michels Power, a Division of Michels Corporation ('MICHELS') of Neenah, Wisconsin, in the amount of \$294,274,993 with an additional \$20,000,000 for managing scope and schedule change risks over the five-year period, for a total authorization amount of \$314,274,993, to construct the Moses-Adirondack Smart Path Reliability Project.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees take the aforementioned actions.

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

Ms. Patricia Lombardi, Vice President of Project Management, provided highlights of staff's request to the Board. She said that Utility Operations is requesting the Board of Trustees' approval of a construction services contract in the amount of \$314 million to Michels Power. On January 24th, the Finance Committee adopted a recommendation for the Board to approve this award.

The scope of the project includes replacing approximately 78 miles of wooden structures on the Moses-Adirondack one and two transmission lines with new, single-circuit monopoles capable of supporting 345kV transmission, but will operate at 230kV.

In November 2019, the Finance Committee adopted a recommendation that the Board approve the remaining capital expenditures to complete this project and it was subsequently approved by the Board in December. At that time the Finance Committee was briefed on the status of the bid evaluation for that contract award, which culminates today.

The total project estimate remains at \$483.8 million as previously communicated. To date, the Board has approved all the capital expenditures to complete this job and staff has spent approximately \$52 million.

Due to the magnitude and complexity of this project, and NYPA recognizing the need to partner with the top contractors in the industry, a Request for Qualification was issued in April 2015. Fifteen (15) submissions were received and thoroughly reviewed by a cross-functional team. Six suppliers were deemed qualified and a Request for Proposals (“RFP”) was issued in December 2015.

Subsequently, five proposals were received in November 2018, and, of those five, three qualified contractors were awarded personal services contracts in accordance with the Authority's procurement guidelines and Expenditure Authorization Procedures to support the development of the Environmental Management and Construction Plan, which is part of the Article VII permitting process.

In June 2019, an addendum to the RFP was issued to the three vendors previously mentioned, and in October 2019, NYPA received their proposals. The evaluation team again review the proposals based on, among other criteria, cost, M/WBE and SDVOB participation, technical and commercial requirements, as well as relevant work experience, including safety records.

Due to the large spread in pricing that was received from the vendors, the evaluation team spent an extensive amount of time with the two lowest-priced vendors to review their overall proposals in detail including the team that they put together and the risk models that are built into the pricing.

At the end of that evaluation, the committee selected Michels, the lowest-priced and best-value vendor. The company submitted a well-defined, detailed, efficient proposal. Michels is a full-service infrastructure contractor with more than 6,000 employees and revenues of approximately \$3 billion annually. In addition, Michels is a well-established company with extensive experience in site work and Article VII projects in New York State. The company will be self-performing most of the work, including most of the foundation work, and this set them apart from the other suppliers. The company received the highest score from the evaluation committee for all aspects of their proposals including the project execution plan, work management plans, QA/QC schedules, and this made them the clear choice for the award.

Following this extensive evaluation process, staff recommends approval of a contract in the amount of \$294 million, with an additional \$20 million, to manage scope and schedule risk over the five-year period for a total authorization of \$314 million.

Also, in accordance with the Authority's policies and procedures, a limited notice to proceed in the amount of \$6 million was issued in December to Michel's to procure long-lead materials in order to keep

this project on schedule. At this time, the project is still on target. Construction is scheduled to start in March.

On motion made by member Tracy McKibben and seconded by Vice Chair Nicandri, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, that pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, approval is hereby granted to award a five-year contract to Michels Power, a Division of Michels Corporation ("MICHELS") of Neenah, Wisconsin, in the amount of \$294,274,993 to construct the Moses-Adirondack Smart Path Reliability Project with an additional \$20,000,000 for managing scope and schedule change risks over the five-year period, for a total authorization amount of \$314,274,993, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority will use Capital Funds, which will include proceeds of debt issuances, to finance the costs of this Project.

<u>Contractor</u>	<u>Contract Amount</u>
Michels Power Neenah, WI	<u>\$314,274,993</u>
(Q18-6654MR)	

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

2. Transmission Life Extension & Modernization Program – Central Region Tower Painting Project – Contract Award

The President and Chief Executive Officer submitted the following report:

"SUMMARY"

The Trustees are requested to approve the award of a competitively bid, four-year construction services contract to Public Utilities Maintenance Inc. of Queens Village, NY in the amount of \$20,232,110 for the Central Region Tower Painting Project ('Project') as part of the Transmission Life Extension & Modernization Program ('TLEM').

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the award of the four-year construction services contract to Public Utilities Maintenance Inc. in the amount of \$20,232,110 for the Project.

BACKGROUND

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

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

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

DISCUSSION

The Authority's Request for Proposal (Q19-6786DK), was advertised via Ariba e-sourcing and in the New York State *Contract Reporter* on August 29, 2019. Two site walk-downs were held, and two bidders were in attendance. One proposal was received on October 3, 2019.

Bidder	Base Proposal	Evaluated Proposal
Public Utilities Maintenance, Inc. (Queens Village, NY)	\$ 20,232,110	\$ 20,232,110

The fair cost estimate ('FCE') for this project is \$16,356,300. The FCE was prepared as a class 4 estimate. The proposal received is within the expected accuracy range for the FCE.

The proposal was reviewed by an Evaluation Committee consisting of staff from Transmission, Engineering, Strategic Supply Management and Project Management.

Public Utilities Maintenance Inc. is technically qualified and has demonstrated an understanding of the Request for Proposal requirements and are currently conducting similar work in the Western Region. There are no outstanding exceptions to the Authority's commercial terms and conditions for the work.

FISCAL INFORMATION

Payments associated with this project will be made from the Authority's Operating Fund.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Strategic Supply Management, the Vice President – Project Management and the Sr. Program Director – Transmission recommend that the Trustees approve the award of a four-year contract to Public Utilities Maintenance Inc. of Queens Village, NY in the amount of \$20,232,110 for construction services for the Tower Painting Project in the Central Region.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the award of the four-year construction services contract to Public Utilities Maintenance Inc. in the amount of \$20,232,110 for the Project.

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

Ms. Patricia Lombardi, Vice President of Project Management, provided highlights of staff's request to the Board.

On motion made by member Tracy McKibben and seconded by Vice Chair Nicandri, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, a four-year contract award to Public Utilities Maintenance Inc., of Queens Village, NY, in the amount of \$20,232,110 is hereby authorized for the Transmission Life Extension & Modernization Tower Painting Project for the Central Region, as recommended in the foregoing report of the President and Chief Executive Officer;

<u>Contractor</u>	<u>Contract Approval</u>
Public Utilities Maintenance Inc. Queens Village, NY	<u>\$20,232,110</u>

(Q19-6786DK)

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

**3. St. Lawrence-FDR Power Project – Hatch Cover Deck
Grouting and Surface Rehabilitation Project (Phase 2) –
Capital Expenditure Authorization Request and Contract Award**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are requested to authorize capital expenditures in the amount of \$9,331,800 for Phase 2 of the Hatch Cover Deck Grouting and Surface Rehabilitation Project ('Project') at the St. Lawrence-FDR Power Project. The total estimated Project cost is \$15,007,800. Capital Expenditures for Phase 1, in the amount of \$5,676,000, were previously approved by the President and Chief Executive Officer. Approval of this request will release the final balance of the capital expenditures expected for the Project.

The Trustees are also requested to approve the award of a competitively bid, three-year construction services contract in support of the Project in the amount of \$7,339,000 to Perras Excavating, Inc., ('Perras') of Massena, NY.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the aforementioned actions.

BACKGROUND

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

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

Phase 2 supports the continuation of the Hatch Cover Deck and Grouting Rehabilitation Project for the refurbishment of the decking surfaces at the Robert Moses Power Dam. The structure has been in existence for over 50 years and shows signs of excessive wear and tear. Water is penetrating the decking and infiltrating the equipment galleries below.

DISCUSSION

Phase 1 of the Project, which was completed in 2019, included the refurbishment of eight of the eighteen hatch cover deck blocks affected. Phase 2 of the Project is for the refurbishment of the remaining ten deck blocks.

The projected spending for Phase 2, which is anticipated to be completed in 2022, is included in the Four-Year Budget and Financial Plan approved by the Trustees in December 2019.

The Authority issued a Request for Proposal (Q19-6803DK) through the Ariba system, which was advertised in the New York State *Contract Reporter* on October 2, 2019. One proposal was received on October 31, 2019. The Authority's Fair Cost Estimate for this work is \$7,810,000.

Bidder	Evaluated Proposal
Perras Excavating, Inc. Massena, NY	\$7,339,000

The proposals were reviewed by an Evaluation Committee composed of staff from Engineering, Strategic Supply Management, Project Management, and Program Controls.

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

The committee concluded that Perras, having extensive experience in similar construction, have demonstrated knowledge of the scope-of-work, have performed satisfactorily under the earlier phase of the Project, and is capable of completing this Project in accordance with the schedule. Perras did not take any technical exceptions and took no exception to meeting the minority and women-owned business enterprise goals; however, Perras requested a waiver of the Service-Disabled Veterans-Owned Business ('SDVOB') goal requirement set forth in the contract documents.

Capital funding in the amount of \$5,676,000 was previously approved to perform the engineering, design and for the rehabilitation of the first eight hatch cover deck blocks.

The total cost for Phase 2 of the Project is estimated at \$9,331,800, and is summarized as follows:

Preliminary Engineering and Design	\$0
Engineering/Design	\$50,000
Procurement	\$0
Construction/Installation	\$8,072,900
<u>Authority Close-Out, Direct and Indirect Expenses</u>	<u>\$1,208,900</u>
TOTAL	\$9,331,800

FISCAL INFORMATION

Payment associated with this project will be made from the Authority's Capital Fund.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Regional Manager – Northern New York, the Vice President – Strategic Supply Management, the Vice President – Project Management, and the Program Director – Project Management recommend that the Trustees approve capital expenditures in the amount of \$9,331,800 and approve a three-year contract to Perras Excavating, Inc., of Massena, NY, in the amount of \$7,339,000, to support the work associated with Phase 2 of the Hatch Cover Deck Rehabilitation Project.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the aforementioned action.

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

Ms. Patricia Lombardi, Vice President of Project Management, provided highlights of staff's request to the Board.

On motion made by member Tracy McKibben and seconded by Vice Chair Nicandri, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Authority's Capital Planning and Budgeting Procedures, capital expenditures in the amount of \$9,331,800 are hereby authorized for Phase 2 of the Hatch Cover Deck Rehabilitation Project at the St. Lawrence-FDR Power Project in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority will use Capital Funds, which will include proceeds of debt issuances, to finance the costs for Phase 2 of the Hatch Cover Deck Rehabilitation Project;

<u>Capital</u>	<u>Expenditure Authorization</u>
Hatch Cover Deck Rehabilitation Project (Phase 2)	\$9,331,800

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, approval is hereby granted to award a three-year contract to Perras Excavating, Inc. of Massena, NY, to provide construction services to complete the aforementioned project as recommended in the foregoing report of the President and Chief Executive Officer;

<u>Contractor</u>	<u>Contract Approval</u>
Perras Excavating, Inc. Massena, NY (Q19-6803DK)	\$7,339,000

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

iii. **Financial Operations**

**1. Policy for Hedging Program to Manage Cashflow Risks
of Non-Energy Commodity Linked Customer Contracts**

The President and Chief Executive Officer submitted the following report:

"SUMMARY"

The Trustees are requested to approve the Policy for the Hedging Program to Manage Cashflow Risks of Non-Energy Commodity Linked Customer Contracts (the 'Policy'), attached hereto as 'Exhibit 6a iii-1-A.' The Policy establishes the objectives and framework for the hedging program (the 'Program') to use financial derivative instruments to mitigate the impact of price volatility of the commodities on the Authority's earnings and cashflow as described below.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the Policy.

BACKGROUND

From time to time, the Authority enters into contracts with customers in which the Authority's revenue receipts are based, in part, on the price of a commodity that does not relate to the Authority's generation and transmission assets (each such commodity, a 'Non-Energy Commodity'). To effectively manage its cashflow budget and forecast, the Authority is developing a hedging program (the 'Program') to use financial derivative instruments to mitigate the impact of price volatility of Non-Energy Commodities on the Authority's earnings and cashflow.

DISCUSSION

The Policy sets forth the objective of the Program and provides the overall framework for:

1. Delegation of Authority – The Finance Committee reviews and recommends the Policy before the Board may approve the Policy. The Chief Executive Officer and the Chief Financial Officer ('CFO') each have authority to approve a transaction after making a determination that the transaction meets the criteria established by the Policy. The CFO must approve all procedures developed to implement the Program. The Treasury Department is responsible for the day-to-day management of the Program.
2. Separation of Duties – Front office (strategy, execution, etc.), middle office (risk, credit and collateral monitoring), and back office (recording and financial reporting) functions are assigned to the Treasury Department, Risk Management Department, and the Controller's Department, respectively.
3. Hedging Agreements, Instruments, and Counterparties – Transactions must be executed using confirmations under the industry-standard International Swaps and Derivatives Association's Master Agreement, confirmations for exchange-traded derivatives, or other forms approved by the General Counsel. Hedging instruments must take the form of swaps, futures, caps, floors, collars, forward rate agreements or other exchange-traded products. Transactions may only be executed with counterparties that have been approved after a credit review conducted in accordance with the Authority's credit risk guidelines.
4. Other Limitations –
 - a. Non-speculative – All hedging activities must be non-speculative, i.e., based on an identified, underlying risk which is correlated to a quantifiable exposure.

- b. Term: Transactions must have a term of no greater than 4 years.
 - c. Maximum notional amount: Total notional amount under the Program must be no greater than \$100 million.
- 5. Reporting: On an annual basis to the Finance Committee and Board, and on a quarterly basis to the Executive Risk Management Committee, the CFO and/or Treasury staff will report on the Program with information such as the exposure of the Authority to Non-Energy Commodities and the effectiveness of the Program.
 - 6. Policy Review– The CFO and Chief Risk Officer will review and update the policy on no less than an annual basis. Any material changes to the Policy will be subject to Finance Committee review and Board approval.

The Policy, as well as the procedures to be established subject to the approval of the CFO, will be coordinated with the Authority's policies and procedures for enterprise risk management and energy commodity risk management to manage overall credit, collateral, and liquidity risk at an enterprise level.

FISCAL INFORMATION

The costs of implementing the Program under the Policy will be funded from the Authority's Operating Fund.

RECOMMENDATION

The Executive Vice President and Chief Financial Officer requests that the Trustees approve the Policy for the Hedging Program to Manage Cashflow Risks of Non-Energy Commodity Linked Customer Contracts attached as 'Exhibit 6a iii-1-A' and discussed above.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the Policy.

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

Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided highlights of staff's request to the Board.

On motion made by member Tracy McKibben and seconded by Vice Chair Nicandri, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby approve the Policy for the Hedging Program to Manage Cashflow Risks of Non-Energy Commodity Linked Customer Contracts (the "Policy"); and be it further

RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer, the Executive Vice President and Chief Financial 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, 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.

2. Release of Funds in Support of the Residential Consumer Discount Program

The President and Chief Executive Officer submitted the following report:

"SUMMARY"

The Trustees are requested to approve the release of \$30.0 million in funds during 2020 in support of the monthly Residential Consumer Discount Program created in connection with the Recharge New York ('Recharge NY') Power Program, as authorized by Chapter 60 of the Laws of 2011 ('Chapter 60'). The funds are to be released monthly at a level of \$2.5 million per month. It is estimated that the \$30.0 million authorized for the Residential Discounts in 2020 will be entirely offset from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve release of the \$30 million in funds during 2020 in support of the Residential Consumer Discount Program.

BACKGROUND

The Authority is requested, from time to time, to make financial contributions and transfers of funds to the State or to otherwise provide financial support for various State programs including the Residential Consumer Discount Program related to Recharge NY.

Any such contribution or transfer of funds must (1) be authorized by the Legislature; (2) be approved by the Trustees 'as feasible and advisable,' and (3) satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution'). Further, as set forth in the Trustees' Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 shall be used as a reference point in considering any such payments or transfers.

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

DISCUSSION

In March 2011, Governor Cuomo signed into law legislation creating the Recharge NY Power Program. The Program utilizes 455 megawatts ('MW') of the firm power from the Authority's Niagara and St. Lawrence hydroelectric facilities, combined with market-based power purchases, forming a new, 910-megawatt economic development power program to replace and expand upon the Power For Jobs ('PFJ') and Energy Cost Savings Benefits ('ECSB') economic development programs.

As part of the Recharge NY Power Program, the Authority, on August 1, 2011, withdrew all 455 MW of the firm hydroelectric power previously sold to certain utility companies for the benefit of their residential consumers. To mitigate the price impacts of this withdrawal on the residential consumers, the Authority was authorized by Chapter 60, as deemed feasible and advisable by the Trustees, to fund monthly 'Residential Consumer Discount Program' payments for the benefit of such consumers on a declining schedule. For each of the first three years following the withdrawal, the Authority is authorized

to provide \$100 million per year to fund the discounts. In years four and five following the withdrawal, the Authority is authorized to fund discounts of \$70 million and \$50 million, respectively. Beginning in year six following the withdrawal, and for each year thereafter, the Authority is authorized to fund discounts of \$30 million per year.

The Authority is authorized to use the revenues from the sale of the withdrawn power, together with any other funds of the Authority as the Trustees may deem feasible and advisable, to support the Residential Consumer Discount Program. The net cost to the Authority of the Residential Discounts after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market during 2020. Given the volatility in market prices, however, there is no assurance that the sale of this power will produce sufficient revenues to cover this amount of the residential discounts.

The Trustees have previously approved the release of funds in support of the Residential Consumer Discount Program, the most recent action being taken at the January 2019 meeting. Under consideration today are payments for 2020. Staff intends to return to the Trustees with a recommendation as to the release of any future amounts related to the Residential Consumer Discount Program based on how the overall program is progressing as well as the financial circumstances of the Authority at the time such payments are to be considered.

Staff has reviewed the effects of the \$30.0 million in anticipated payments of the Residential Consumer Discount Program on the Authority's projected financial position and reserve requirements. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of this release, together with the last 12 months' releases, including (i) the release of up to \$86.2 million in Canal-related operating expenses for 2019 (\$21.6million authorized December 2018, \$21.6 million in March 2019, \$21.6 million in May 2019, and \$21.6 million in September 2019), (ii) the release of up to \$21.6 million in Canal-related operating expenses for 2020 authorized in December 2019; (iii) the release of up to \$2 million in Northern NY Power Proceeds net earnings authorized in March 2019, and (iii) the release of up to \$1 million in Western NY Power Proceeds net earnings authorized in March 2019, on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference level. Based on the Authority's Four-Year Budget and Financial Plan, the 2.0 reference point level is forecasted to be met for each year-end of the forecast period 2020-2023. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to provide \$30.0 million of the Residential Consumer Discount Program at this time.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to provide \$30.0 million in support for the Residential Consumer Discount Program authorized by Chapter 60 at this time, and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. The release of \$30.0 million associated with the Residential Consumer Discount Program payments was anticipated and reflected in the Power Authority's 2020 Operating Budget approved by the Trustees at their December 2019 meeting. The net cost to the Authority of the Residential Consumer Discounts, after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from Recharge NY hydropower allocated and sold to Recharge NY customers and unallocated Recharge NY hydropower sold into the wholesale market during 2020. These monthly payments will be recorded as an expense at the time of payment.

RECOMMENDATION

The Senior Vice President – Clean Energy Solutions requests that the Trustees approve the release of \$30.0 million during 2020 to support the Residential Consumer Discount Program.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the release.

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

Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided highlights of staff's request to the Board.

On motion made by member Tracy McKibben and seconded by Vice Chair Nicandri, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees authorize the release of \$30.0 million from the Operating Fund during 2020 to support the monthly Residential Consumer Discount Program as authorized by Chapter 60 of the Laws of 2011 and as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the amount \$30.0 million to be used for the Residential Consumer Discount Program described herein is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That as a condition to making the payments specified in the foregoing resolutions, on the day of such payment the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Executive Vice President and General Counsel.

iv. **Commercial Operations**

1. Authorization of Operational Support and Maintenance Support Program for the Authority's Energy Efficiency Customers

The President and Chief Executive Officer submitted the following report:

"SUMMARY"

The Trustees are requested to authorize the inclusion of an Operational Support and Maintenance Support Program for Energy Efficiency Customers ('O&M Program') as part of the Authority's Energy Efficiency Program ('EEP'), consistent with Public Authorities Law §1005 (17). The O&M Program is an energy-related service to support equipment so that the Authority's customers can maximize equipment life and continue to benefit from the energy savings on equipment installed through the EEP. The O&M Program will be available to the Authority's governmental customers and Statewide Energy Efficiency Program customers participating in the EEP. The costs will be recovered directly from the Authority's customers. Customers will also be charged a fee to participate in the O&M Program. The O&M Program will be funded from amounts authorized by the Trustees for the Authority's EEP.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees authorize the inclusion of the O&M Program as part of the Authority's EEP, consistent with Public Authorities Law §1005 (17).

BACKGROUND

Public Authorities Law §1005 (17) authorizes the Authority to finance and design, develop, construct, implement, provide, and administer energy-related projects, programs and services. 'Energy-related projects, programs and services' means energy efficiency projects and services, clean energy technology projects and services, and high performance and sustainable building programs and services, and the construction, installation and/or operation of facilities or equipment done in connection with any such projects, programs or services.

Since 1990, the Authority has completed over \$3 billion of energy-related projects throughout the State. The Authority and its customers have benefited from energy and greenhouse savings while meeting the State's ambitious goals of a 40 percent reduction in emissions by 2030. Once a project is completed, the Authority's customers are responsible to operate and maintain the newly installed systems. The proposed program gives customers an option for maintenance and operational support for these newly installed energy efficient projects.

DISCUSSION

After a project is completed, EEP customers often face challenges in obtaining the resources and expertise required to operate and maintain new systems. Therefore, customers are expressing a demand for the O&M Program. Through the O&M Program, customers would be able to maintain energy savings, maximize the life of the equipment, ensure reliable operation with skilled staff, and transition out of the construction phase by continuing to work with the Authority.

Through the O&M Program, the Authority would offer preventative and unscheduled maintenance support services only on equipment that NYPA has installed through the EEP. Maintenance support includes extended training, spare parts, inspections, major equipment service contracts, calibration, testing, and preventative measures. The Authority would offer operational support only by providing qualified staff, but the customer will be fully responsible to approve, supervise and direct the staff. In addition, the care, custody and control of the equipment will remain with the customer and the Authority is not taking over nor becoming responsible for operating the customers' systems.

Prior to entering the O&M Program, each project will be required to undergo a risk evaluation in order to limit and mitigate the Authority's exposure. Such evaluations may preclude certain systems and limit the scope of services provided. In addition, the O&M Program would be implemented through the Authority's consultants that designed, installed, and commissioned the system, and preferably include an extension to the warranty. For each project, the duration of the O&M Program will last no more than five (5) years.

Through the EEP, the Authority has completed over 2300 turnkey projects from audit to construction, and this O&M Program would beneficially complement such projects and provide additional value to the customer.

The O&M Program, including the operation and maintenance program for outdoor lighting that was authorized by the Trustees at their March 26, 2019 meeting, will be funded from the amounts authorized for the Authority's EEP. At the Trustees' December 11, 2019 meeting, the Trustees approved an increase of \$1.5 billion in funding for the Authority's Governmental EEP and Statewide EEP for a total of \$5.38 billion in approved funding, to date.

FISCAL INFORMATION

The O&M Program will be made available to customers participating in the Authority's EEP and will be funded from the amounts authorized for the Authority's EEP. Funding for the Authority's EEP is provided from the Authority's operating funds and/or from the proceeds of the Authority's Commercial Paper Notes or other financing instruments, as deemed appropriate. All Authority costs, including Authority overheads, for the O&M Program will be recovered from the customers.

RECOMMENDATION

The Chief Commercial Officer, the Senior Vice President – Clean Energy Solutions, the Vice President – Engineering & Construction Management, and the Vice President – Business Development recommend that the Trustees approve the inclusion of the Operational Support and Maintenance Program as part of the Authority's Energy Efficiency Program, consistent with Public Authorities Law §1005 (17).

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the inclusion of the Operational Support and Maintenance Program as part of the Authority's Energy Efficiency Program.

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

Ms. Sarah Salati, Senior Vice President and Chief Commercial Officer, provided highlights of staff's request to the Board.

On motion made by member Tracy McKibben and seconded by member Michael Balboni, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby approve the inclusion of the Operational Support and Maintenance Program as part of the Authority's Energy Efficiency Program, consistent with Public Authorities Law §1005 (17); and be it further

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Chief Operating Officer, the Chief Commercial Officer, the Senior Vice President of Clean Energy

Solutions, the Vice President – Engineering & Construction Management, and the Vice President for Clean Energy Business Development, and or such officer designated by the President and Chief Executive Officer, to execute agreements and other documents between the Authority, the Governmental Customers EE Program (“GCEEP”) and the Statewide EE Program (“Statewide EEP”) participants and to execute agreements and other documents with contractors, such agreements having such terms and conditions as the executing officer may approve, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to facilitate the implementation of the GCEEP and Statewide EEP; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

**2. Energy Efficiency Program –
Authorization to Award Contract for Street
Lighting Operation and Maintenance Services**

The President and Chief Executive Officer submitted the following report:

SUMMARY

The Trustees are requested to approve the award of a contract to E-J Electric T&D LLC in the amount of \$15 million for a term of up to five years for maintenance of street lights owned by municipalities statewide who are participating in the Authority's operation and maintenance program for outdoor lighting ('Smart Street Lighting NY Maintenance Services Program') that the Trustees authorized in March 2019. Funding will be allocated from the amounts authorized by the Trustees for the Governmental Customer and Statewide Energy Efficiency Programs (respectively, the 'GCEEP' and 'Statewide EEP').

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the award of the aforementioned contract.

BACKGROUND

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

To meet the goal of increasing energy efficiency set forth in Executive Order 88, Governor Andrew Cuomo launched 'Build Smart NY,' emphasizing cost-effective improvements for energy savings. Build Smart NY also supports the Governor's economic development goals to accelerate energy efficient projects that will create jobs and improve infrastructure within the State. Governor Cuomo also launched the Smart Street Lighting NY Program which aims to replace at least 500,000 street lights statewide with energy-saving LED technology by 2025. The award of this contract will enhance the Authority's GCEEP and Statewide EEP and further support the Governor's initiatives.

DISCUSSION

The GCEEP and Statewide EEP provide energy efficiency and renewable energy services to customers meeting the eligibility criteria under the Public Authorities Law. The Authority has engaged with customers statewide, including cities and towns, for the implementation of streetlights. The Authority is looking to establish a strategic relationship with contractors to provide ongoing maintenance of street lighting systems.

Municipalities converting their streetlights to LED technology must first buy the lighting systems from the utility. When the municipality purchases the equipment it also assumes responsibility for equipment maintenance. Street lighting system ownership is new to most municipalities. Typically, they do not have the staff or expertise to maintain the systems. The Authority created the Smart Street Lighting NY Maintenance Services Program to fill this gap. Through the Program, the Authority can enter into term maintenance agreements with public entities to provide these needed services.

On March 25, 2019, the Trustees authorized the Smart Street Lighting NY Maintenance Services Program as part the Authority's energy efficiency program. At the Trustees' January 29, 2019 meeting, staff is requesting that the Trustees authorize the inclusion of an operation and maintenance program in the Authority's energy efficiency program. The Smart Street Lighting NY Maintenance Services Program will be a component of the larger operation and maintenance program.

On June 12, 2019, the Authority issued a Request for Proposal ('RFP') through the Authority's Ariba system. Twenty-one suppliers were initially invited to bid on the RFP with ten firms expressing interest. On July 3, 2019 three proposals were received from Northline Utilities ('Northline'), Candela Electric ('Candela'), and E-J Electric T&D LLC ('E-J'). The RFP was divided into ten regions statewide with bidders having the option to bid on any or all regions.

Based upon a thorough technical evaluation of the proposals for experience and capacity, as well as reference checks, and pricing, the Authority staff recommends the award of a contract to E-J Electric T&D LLC.

FISCAL INFORMATION

The funding for this contract award and the Smart Street Lighting NY Maintenance Services Program will be provided from the amounts authorized by the Trustees for the Authority's GCEEP and Statewide EEP. Funding for the Authority's GCEEP and Statewide EEP is provided from the Authority's operating funds and/or from the proceeds of the Authority's Commercial Paper Notes or other financing instruments, as deemed appropriate. All Authority costs, including Authority overheads, will be recovered from the customers.

RECOMMENDATION

The Chief Commercial Officer, the Senior Vice President – Clean Energy Solutions and the Vice President – Business Development request that the Trustees approve a contract award to E-J Electric T&D LLC in the aggregate amount of \$15 million for a term of up to five years for maintenance of street lights owned by municipalities statewide that are participating in the Authority's Smart Street Lighting NY Maintenance Services Program.

The Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve Contract for Street Lighting Operation and Maintenance Service as part of the Authority's Energy Efficiency Program, consistent with Public Authorities Law 1005 (17).

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

Ms. Sarah Salati, Senior Vice President and Chief Commercial Officer, provided highlights of staff's request to the Board.

On motion made by member Tracy McKibben and seconded by member Michael Balboni, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Senior Vice President – Commercial Operations, Vice President – Clean Energy Business and Market Development and or such officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and participants of the Governmental Customers ("GCEEP") and the Statewide ("Statewide EEP") Energy Efficiency Programs as well as execute agreements and other documents with contractors, whereby such agreements have terms and conditions approved in the form thereof by the Executive Vice President and General Counsel, to facilitate the implementation of the GCEEP and Statewide EEP; and be it further

RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures that an aggregate amount of \$15 million be allocated between the two programs, GCEEP and Statewide EEP, to provide energy efficient street lighting to program participants statewide;

<u>Commercial Paper Program/ Operating Fund</u>	<u>Ceiling</u>	<u>Termination Date</u>
E-J Electric T&D LLC	\$15 million	December 11, 2024

AND BE IT FURTHER RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, and Operating Fund monies may be used to finance GCEEP and Statewide EEP cost; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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, 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.

3. Customer Digital Experience Program – Capital Expenditure Authorization Request

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees are requested to approve additional capital expenditures of \$10,223,400 for the Customer Digital Experience ('CDEx') program ('Program'). This Program is customer focused and will allow the Authority to provide its customers with the solutions they need and establishes the Authority as a digital leader in the energy industry. The funding will be used for the procurement of software and the development of digital solutions.

Initial funding for CDEx was approved by the President and Chief Executive Officer in 2019 in the amount of \$5,769,200. The current request of \$10,223,400 will bring the current Program cost to \$15,992,600. These additional funds will support the continued development and delivery of customer features in 2020. It is anticipated that CDEx will require additional capital funding of \$19,577,000 for a total of \$35,569,600 through 2022. Using the Agile process and incorporating customer feedback, additional features will be developed on an on-going basis, the costs of which will be presented to the Trustees in a future Capital Expenditure Authorization Request ('CEAR').

Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the aforementioned action.

BACKGROUND

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

CDEx was established with the goal of creating exceptional customer experiences in the digital space. It is a critical step in helping the Authority achieve its strategic vision of becoming the nation's leading end-to-end digital utility. Supporting the 2020 Vision, CDEx will enable the Authority to efficiently deliver innovative digital value-added information and services to support its customers' and employees' success. The CDEx program will produce benefits that will be measured in four areas: customer experience, employee empowerment, operational efficiency and financial outcomes.

DISCUSSION

The Authority's customers require more sophisticated solutions to help solve their energy challenges. The CDEx Program will be instrumental in delivering these solutions. CDEx will evaluate the customer's current experience interacting with the Authority and identify ways to improve upon it. This includes, but will not be limited to, viewing and paying bills, contract management, tracking carbon emission reduction and tracking status of energy efficiency projects conducted with the Authority. By improving upon the digital processes, the Authority's customers will have real-time access to information maintained by NYPA.

These improvements will take many forms - from establishing new communication channels with customers to creating a portal through which customers can access their information. These priorities will evolve based on customer requirements. It is critical to the success of the Program to be fluid but also to establish a process to define priorities.

As customers' expectations have shifted, the Authority is evolving to meet those expectations. Customers are not just benchmarking their experiences by comparing similar industries – every organization is now being compared to those seen as best-in-class. From banking applications that

create an ease of use that was unthinkable just a few years ago, to e-commerce 'one-click' purchases, every organization, regardless of category, needs to meet the challenges those expectations create.

With the original funding of \$5.8 million, the CDEx Program developed an online account center which is a critical milestone for the Authority and its customers. In addition to its current functionality, the account center acts as a foundation on which to build future capabilities and will provide a mechanism for timely releases of new products and improvements to existing products. These additional capabilities will enhance the Authority's ability to communicate with its customers, provide opportunities for customers to access relevant information and streamline processes for customers and employees. The Program is currently on time and on budget.

Staff is seeking authorization in the amount of an additional \$10,223,400 for the next year of the Program. This funding is expected to cover continued design and development of digital solutions that provide value to the Authority's customers and employees, and procurement of software required to develop and deliver additional customer solutions

FISCAL INFORMATION

Payment associated with this project will be made from the Authority's Capital Fund. CDEx is part of headquarters' costs and will be partially recovered through various Authority cost recovery mechanisms.

RECOMMENDATION

The Senior Vice President – Clean Energy Solutions recommend that the Trustees approve the funding for the Customer Digital Experience program in the amount of \$10,223,400.

Finance Committee, at its January 24, 2020 meeting, adopted a resolution recommending that the Trustees approve the aforementioned action.

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

Ms. Sarah Salati, Senior Vice President and Chief Commercial Officer, provided highlights of staff's request to the Board.

On motion made by member Tracy McKibben and seconded by member Michael Balboni, the following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Authority's Capital Planning and Budgeting Procedures, capital expenditures in the amount of \$10,223,400 are hereby authorized for the advancement of the Customer Digital Experience Program in accordance with, and as recommended in, the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, that the Authority shall use Capital Funds, which will include the proceeds of debt issuances, to finance the Customer Digital Experience Program; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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,

January 29, 2020

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.

b. Cyber & Physical Security Committee Report

Cyber & Physical Security Committee Chair, Michael Balboni, reported that the Cyber & Physical Security Committee held an executive session to discuss the security posture and profile of NYPA, specifically as it relates to the on-going threats against electric grids.

He said that no votes were taken during the executive session.

In open session, Mr. Kenneth Carnes, the Authority's Chief Information Security Officer, provided a security briefing and explained that, based on a recent report, cyber security remains a top risk, and explained how NYPA is keenly focused on grid reliability. He also discussed NYPA's participation in the GridEx V exercise that was conducted last fall and provided a summary of how the security team is integrating with a variety of different partners and objectives to further integrate cyber security into all aspects of the enterprise.

C. Governance Committee Report

Governance Committee Chair, Dennis Trainor, reported that the Governance Committee met this morning and adopted a motion to recommend that the Board adopt new committee appointments as set forth below and the appointment of Christina M. Reynolds as Treasurer.

Chair Dennis Trainor then asked for a motion to adopt the Governance Committee's recommendations regarding the Committee's appointments and the appointment of the Treasurer.

i. **Committee Appointments**

The Chairman submitted the following report:

"SUMMARY

The Authority's Board of Trustees and the Canal Corporation's Board of Directors are requested to adopt the committee appointments as indicated below. These appointments were reviewed by the Governance Committee at its January 29, 2020 meeting.

BACKGROUND and DISCUSSION

The following changes in committee composition are recommended in order to achieve an even distribution of assignments for each member. (Change indicated in **bold**.)

Audit Committee

John R. Koelmel, Eugene L. Nicandri (Chair), Tracy B. McKibben, Anthony J. Picente, Jr., **Michael A.L. Balboni**, Dennis G. Trainor

Finance Committee

John R. Koelmel, **Eugene L. Nicandri**, Tracy B. McKibben (Chair), **Anthony J. Picente**, Jr., Michael A.L. Balboni, Dennis G. Trainor

Governance Committee

John R. Koelmel, Eugene L. Nicandri, **Tracy B. McKibben**, **Anthony J. Picente**, Jr., Michael A.L. Balboni, **Dennis G. Trainor (Chair)**

Cyber and Physical Security Committee

John R. Koelmel, Eugene L. Nicandri, Tracy B. McKibben, Anthony J. Picente, Jr., Michael A.L. Balboni (Chair), **Dennis G. Trainor**

RECOMMENDATION

I recommend the approval of the above-requested action by adoption of the resolution below."

On motion made by member Michael Balboni and seconded by member Tracy McKibben, the following resolution, as submitted by the Chairman, was unanimously adopted.

RESOLVED, That the members of the Audit Committee shall be: John R. Koelmel, Eugene L. Nicandri (Chair), Tracy B. McKibben, Anthony J. Picente, Jr., Michael A.L. Balboni, Dennis G. Trainor; and be it further

RESOLVED, That the members of the Finance Committee shall be: John R. Koelmel, Eugene L. Nicandri, Tracy B. McKibben (Chair), Anthony J. Picente, Jr., Michael A.L. Balboni, Dennis G. Trainor; and be it further

RESOLVED, That the members of the Governance Committee shall be: John R. Koelmel, Eugene L. Nicandri, Tracy B. McKibben, Anthony J. Picente, Jr., Michael A.L. Balboni, Dennis G. Trainor (Chair); and be it further

RESOLVED, That the members of the Cyber and Physical Security Committee shall be: John R. Koelmel, Eugene L. Nicandri, Tracy B. McKibben, Anthony J. Picente, Jr., Michael A.L. Balboni (Chair), Dennis G. Trainor

ii. **Appointment of Treasurer**

The Chair of the Governance Committee submitted the following report:

"SUMMARY

The Trustees and Canal Corporation Board of Directors are requested to appoint Christina M. Reynolds to serve as Treasurer of the Authority and Canal Corporation, at an annual salary of \$210,000, effective immediately.

BACKGROUND AND DISCUSSION

The appointment of officers is governed by Article IV of the Authority Bylaws, which provides that the officers shall be appointed by formal resolution adopted by the Trustees upon the recommendation of the Governance Committee at any annual, regular or special meeting of the Trustees. The Authority Governance Committee Charter further provides that the Committee shall review and make recommendations to the Board of Trustees concerning the election and compensation of all officers, consistent with the By-laws, the needs of the Authority, good organizational management practices and such other criteria the Committee deems appropriate.

The Canal Corporation Bylaws, Article IV, provides that officers shall be appointed by formal resolution adopted by the Board at any regular or special meeting.

RECOMMENDATION

Pursuant to the Authority and Canal Corporation Bylaws and the Authority Governance Committee Charter, I hereby request that the Governance Committee recommends to the Authority Board of Trustees and the Canal Board of Directors, the appointment of Christina M. Reynolds as Treasurer, with an annual salary of \$210,000, effective immediately.

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

On motion made by member Michael Balboni and seconded by member Tracy McKibben, the following resolution, as submitted by the Chair of the Governance Committee, was unanimously adopted.

RESOLVED, That pursuant to Article IV of the Authority and Canal Corporation Bylaws, Christine M. Reynolds is hereby appointed as Treasurer, at an annual salary of \$210,000, effective immediately, to hold such office until his successor is chosen and qualified or until his earlier removal, resignation or death.

7. Board Resolution – Sue Kelly (APPA)

President Quiniones said that Ms. Sue Kelly is retiring from the position of President of the American Power Public Association after a long tenure. He said that Ms. Kelly was a great leader of this trade association, of which NYPA is a long-time member, representing the interest of municipal and state-owned utilities in Washington D.C. NYPA worked closely with her on emergencies when it needed mutual aid from other public power utilities in New York and when it provided mutual aid assistance to other states, including Puerto Rico and the U.S. Virgin Islands. He said the resolution below is to honor and to thank her for her service.

WHEREAS, Sue Kelly, President and Chief Executive Officer of the American Public Power Association, a national service organization representing the interests of public power utilities, retired at the end of December after an illustrious 35-year career in the energy industry, including the last 15 years at APPA, which she joined in 2004 as its General Counsel, before being promoted in 2014 to be its head; and

WHEREAS, Ms. Kelly led the APPA during a period of extensive technological, social and culture changes affecting the electric power sector, which includes more than 2,000 community-owned, not-for-profit electric utilities represented by the association, from state public power agencies such as the New York Power Authority to municipal electric utilities and special utility districts, with those systems together serving more than 49 million people across the country; and

WHEREAS, Ms. Kelly was an exemplary standard-bearer for public power utilities leading the way, as NYPA is doing, in integrating new clean technologies, including renewable energy sources, microgrids, battery storage and other clean energy applications, for their optimizing of reliable, economic power service and addressing the unprecedented challenges of climate change and the existential threats it poses; and

WHEREAS, Ms. Kelly, the first woman to lead the APPA in its 76-year history, served as a trailblazer for women in her championing of diversity and inclusion at APPA and by member-system organizations through her leveraging of strategic initiatives and communications platforms for advancing and promoting more women into senior management and boardroom positions; and

WHEREAS, the effective messaging of Ms. Kelly communicated the importance of correcting gender imbalance in the utility industry because it is the right thing to do and because diverse leadership teams, with different backgrounds and experiences, make better decisions and outperform their homogeneous peers. This has become an article of faith at NYPA, which has increased the percentage of women with titles of vice president or higher by 50 percent over the past few years and raised the visibility of women throughout the organization through its Women in Power employee resource group, a type of career development group advocated by Ms. Kelly; and

WHEREAS, Ms. Kelly was also a strong voice for member systems embracing robust cyber and physical security practices for maximizing preparedness and hardening defenses against rapidly evolving threats to critical infrastructure from malevolent parties, including rogue states. Her leadership was marked by initiatives for instilling member systems with

thorough knowledge of the threats and promoting close partnerships with governments, law enforcement and cyber-security experts; and

WHEREAS, the APPA under Ms. Kelly's leadership has been integral to facilitating mutual-aid arrangements for restoring electricity service to public power systems disrupted by extreme weather events, with recent examples including NYPA's essential role in assisting the Puerto Rico Electric Power Authority following Hurricane Maria, in September 2017, and the support it is continuing to provide the government-owned utility, in the midst of a recent spate of earthquakes, to modernize and harden its electric power system, along with that of the U.S. Virgin Islands Water and Power Authority, whose electric power infrastructure also sustained significant damage from Maria; and

WHEREAS, the APPA's encouragement of best operating practices by member systems includes competitive awards of excellence that are consistent with the high standards promoted by Ms. Kelly for the benchmarks that the public power sector regularly sets in it providing of low-cost, clean and reliable electricity.

NOW THEREFORE BE IT RESOLVED that the joint board of the New York Power Authority and the New York State Canal Corporation extends its gratitude and appreciation to Sue Kelly for her dedicated and distinguished service at APPA. She has made a crucial difference for a vibrant, evolving public power sector for meeting the 21st century needs of the diverse and multifaceted communities and customers that it serves. We wish her all the best in the next chapter of her life.

January 29, 2020

8. **Next Meeting**

The joint Annual meeting of the New York Power Authority's Trustees and the Canal Corporation's Board of Directors will be held on March 31, 2020 **at the Clarence D. Rappleyea Building, White Plains, New York**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made by member Dennis Trainor and seconded by member Tracy McKibben, the meeting was adjourned at approximately 12:21 p.m.

Karen Delince

Karen Delince
Corporate Secretary

POWER AUTHORITY OF THE STATE OF NEW YORK
AND
NEW YORK STATE CANAL CORPORATION

EXHIBITS

For

January 29, 2020

**Regular Joint Meeting
Minutes**

ORIGINAL

Exhibit A

PUBLIC FORUM

PROPOSED INCREASE IN THE FIXED COSTS
COMPONENT OF THE PRODUCTION RATES FOR
WESTCHESTER COUNTY GOVERNMENTAL CUSTOMERS

November 22, 2019
11:00 A.M. - 3:00 P.M.

123 Main Street

White Plains, New York 10601

PRESENT:

Karen Delince

Evie Davis

Lorna Johnson

1
2 MS. DELINCE: Good morning. This
3 public forum on the proposed increase
4 in the fixed cost component of the
5 production rates of the Authority's
6 Westchester County governmental
7 customers is being conducted pursuant
8 to a Power Authority policy adopted by
9 the trustees in 1990. My name is
10 Karen Delince. I am the Authority's
11 corporate secretary.

12 This public forum is not required
13 by law and is being held in addition
14 to the State Administrative Procedure
15 Act process. The SAPA process, which
16 provides for a 60-day public comment
17 period, began on October 16th and is
18 scheduled to end on December 16th.

19 The purpose of this forum is to
20 offer affected customers and the
21 general public an opportunity to
22 present data, views and positions to
23 the Authority's trustees to consider
24 prior to taking final action on the
25 proposed rate change.

1
2 If you plan to make an oral
3 statement at this forum, I ask that
4 you so indicate on the sign-in sheet.
5 Also, if you have a written statement,
6 please give a copy to Lorna Johnson
7 and one to the court reporter. Both
8 oral and written statements will be
9 included in the official record. The
10 record will remain open for additional
11 comments through close of business
12 Monday, December 16, 2019. Additional
13 comments should be mailed, faxed or
14 e-mailed to the corporate secretary at
15 123 Main Street, 9B, White Plains, New
16 York 10601 or 914-390-8040 or
17 secretaries.office@nypa.gov.

18 At this point I would like to
19 introduce Evie Davis, the Authority's
20 manager of revenue and pricing
21 analysis who will provide additional
22 details on the proposed rate change
23 for the Westchester County
24 governmental customers. Thank you,
25 Ms. Davis.

1
2 MS. DAVIS: Thank you,
3 Ms. Delince.

4 Good afternoon. My name is Evie
5 Davis and I'm the manager of revenue
6 and pricing analysis at the New York
7 Power Authority. I'm here today to
8 present an overview of the proposed
9 decrease in the energy production
10 rates that NYPA charges to its
11 Westchester County governmental
12 customers.

13 It is important to note that the
14 energy delivery rates and service for
15 these customers is provided by
16 Consolidated Edison of New York and
17 not NYPA. The Authority provides
18 electricity to governmental customers
19 in Westchester County, which includes
20 the County of Westchester school
21 districts, housing authorities,
22 cities, towns and villages. The
23 basis for providing service is
24 contained in the supplemental
25 electricity agreements with the

1
2 Westchester customers. Under the
3 supplemental agreements, the Authority
4 is permitted to smodify the customer
5 rates for years subsequent to 2007 at
6 any time based on a fully supported
7 pro forma cost of service subject to
8 customer review, comment and
9 compliance with the State
10 Administrative Procedure Act
11 processes. These agreements also
12 allow the authority to apply an energy
13 charge adjustment mechanism to the
14 customer's bills each month. For
15 Westchester customers, the current
16 2019 base production rates were
17 adopted by the trustees at their
18 January 30, 2019 meeting when they
19 approved a 0.95 percent decrease over
20 2018 production rates.

21 The Authority's policy and
22 procedures call for a public forum if
23 the fixed cost of the proposed rate
24 change exceeds a two percent increase.
25 The fixed cost component is expected

1
2 to increase 80,000 or 6.8 percent from
3 1.23 million in 2019 to 1.32 million
4 in 2020. This is primarily due to an
5 increase in operations and maintenance
6 expenses, which is mainly driven by an
7 increase in non-recurring projects.
8 Although the fixed cost component is
9 increasing for 2020, variable costs
10 are expected to decrease, as compared
11 to the 2019 cost of service. As
12 such, staff is now proposing another
13 decrease in production rates of 9.32
14 percent largely due to expected
15 decreases in energy and capacity
16 purchases over 2019 rates which are
17 part of the variable cost component on
18 the cost of service. The total
19 preliminary 2020 cost of service for
20 the Westchester customers is
21 26.16 million as compared to
22 29.55 million in 2019.

23 Consistent with the Authority's
24 past rate making practices, and with
25 the rate setting process set forth in

1
2 the supplemental agreements for
3 Westchester customers, the proposed
4 rate decrease is based on a pro forma
5 cost of service for next year.

6 As Ms. Delince stated earlier,
7 the Authority will accept your
8 comments on the notice of proposed
9 Rulemaking until December 16, 2019. I
10 will now turn the forum back to
11 Ms. Delince.

12 MS. DELINCE: Thank you,
13 Ms. Davis.

14 At this point, since no one has
15 signed up to speak at the forum, we
16 will recess and reconvene as speakers
17 arrive.

18 (Off the record.)

19 MS. DELINCE: It is now 3:00 P.M.
20 As previously stated, the record of
21 the forum will remain open for
22 additional comments through close of
23 business Monday, December 16, 2019.
24 The November 22, 2019 public forum on
25 the proposed increase in the fixed

1
2 cost component of the production rates
3 for the Authority's Westchester County
4 governmental customers is now
5 officially closed. Thank you and good
6 day.

7 (Time noted: 3:00 P.M.)
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C E R T I F I C A T E

STATE OF NEW YORK)

: ss.

COUNTY OF ORANGE)

I, Sandra Noel Bartels, a
certified shorthand reporter and
Notary Public within and for the State
of New York, do hereby certify that
the foregoing record of proceedings is
a full and correct transcript of the
stenographic notes taken by me
therein.

IN WITNESS THEREOF, I have
hereunto set my hand this 5th day of
December 2019.

Sandra N. Bartels

SANDRA NOEL BARTELS

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hand 9:17 held 2:13 hereunto 9:17 housing 4:21	october 2:17 offer 2:20 official 3:9 officially 8:5 open 3:10 7:21 operations 6:5 opportunity 2:21 oral 3:2,8 orange 9:6 overview 4:8		sandra 9:8,21 sapa 2:15 scheduled 2:18 school 4:20 secretaries.office 3:17 secretary 2:11 3:14 service 4:14,23 5:7 6:11,18,19 7:5 set 6:25 9:17 setting 6:25 sheet 3:4 shorthand 9:9 sign 3:4 signature 9:20 signed 7:15
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westchester 1:5 2:6 3:23 4:11,19 4:20 5:2,15 6:20	

WESTCHESTER GOVERNMENTAL CUSTOMERS

EXHIBIT "B"

Service Tariff No. 200 Rate Comparison (Current vs. Proposed)

Service Classification	Demand (\$/kW)		ENERGY (¢/kWh)											
			SUMMER		SUMMER ON PEAK		SUMMER OFF PEAK		WINTER		WINTER ON PEAK		WINTER OFF PEAK	
	2019	2020	2019	2020	2019	2020	2018	2019	2019	2020	2019	2020	2019	2020
SC 62 Conventional	\$0.00	\$0.00	5.012	4.469					4.667	4.125				
SC 66 Conventional	\$0.00	\$0.00	4.308	3.971					4.308	3.971				
SC 68 Conventional	\$0.91	\$0.87	5.553	4.685					5.208	4.341				
SC 69 Conventional	\$0.81	\$0.80	5.672	4.864					5.328	4.521				
SC 69 TOD	\$0.93	\$1.00			6.151	5.485	4.386	3.718			5.350	4.683	4.402	3.734
SC 82 Conventional	\$0.91	\$0.87	5.553	\$4.69					5.208	\$4.34				

Service Tariff No. 200 Demand Standby Rate Comparison (Current vs. Proposed)

Service Class	CONTRACT STANDBY DEMAND (\$/KW)				AS-USED DAILY DEMAND (\$/KW-day)			
	Low Tension		High Tension		Low Tension		High Tension	
	2019	2020	2019	2020	2019	2020	2019	2020
SC 68 Conventional	\$0.027	\$0.026	\$0.025	\$0.024	\$0.029	\$0.028	\$0.027	\$0.026
SC 69 Conventional	\$0.024	\$0.024	\$0.023	\$0.022	\$0.026	\$0.026	\$0.024	\$0.024
SC 69 TOD	\$0.028	\$0.030	\$0.027	\$0.028	\$0.030	\$0.032	\$0.028	\$0.030
SC 82 Conventional	\$0.027	\$0.026	\$0.025	\$0.024	\$0.029	\$0.028	\$0.027	\$0.026

Procurement (Services) and Other Contracts – Awards
(For Description of Contracts See "Discussion")

EXHIBIT "A"
January 29, 2020

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditures For Life Of Contract</u>
COMMERCIAL OPERATIONS - E-MOBILITY STRATEGY & BUSINESS DEVELOPMENT	PLUG 'N DRIVE COALITION OF ONTARIO Ontario, Canada (4600003857)	01/08/20	Provide EV Ride & Drive services related to the EVolve Model Community Program	01/07/23	B/S	\$49,550		\$ 1.7 million*
*Note: represents total for up to 3-year term including an interim value of \$49,550								
HUMAN RESOURCES & ADMINISTRATION - DIGITAL WAREHOUSE	THE IQ BUSINESS GROUP, INC. McLean, VA (Q19-6653JW)	01/29/20 (on or about)	Provide Enterprise Content Management development and implementation services	07/28/21	B/P			\$ 682,000*
*Note: represents total for up to 18-month term								
HUMAN RESOURCES & ADMINISTRATION - INTERNAL & MARKETING COMMUNICATIONS	Q19-6691JW; 11 Awards 1. ARCH STREET COMMUNICATIONS, INC. ♦ White Plains, NY (4600003838) 2. ASGK PUBLIC STRATEGIES LLC dba KIVVIT, M PUBLIC AFFAIRS Chicago, IL (4600003839) 3. BOKLAND PHOTOGRAPHY, INC. dba BOKLAND CUSTOM VISUALS Albany, NY (4600003836) 4. CALL OF THE LOON PRODUCTIONS ♦ Liverpool, NY (4600003852)	01/01/20	Provide Public Outreach and Strategic Communications services	12/31/24	B/P	\$100,000		\$ 8.5 million*

♦ M / WBE: New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
1 Award Basis: B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service

Procurement (Services) and Other Contracts – Awards
 (For Description of Contracts See "Discussion")

EXHIBIT "A"
January 29, 2020

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditures For Life Of Contract</u>
	5. ESSENCE PARTNERS ♦ New York, NY (4600003851)							
	6. MEDIAGRAPHS, INC. Absecon, NJ (4600003837)							
	7. r6CATALYST LLC ♦ West Orange, NJ (4600003843)							
	8. STANTON COMMUNICATION, INC. Baltimore, MD (4600003853)							
	9. THE MARINO ORGANIZATION, INC. dba MARINO New York, NY (4600003844)							
	10. THE PAIGE GROUP ♦ Utica, NY (4600003841)							
	11. THE VISUAL BRAND LLC Westport, CT (4600003842)							
								*Note: represents total aggregate value for up to 5-year term including an interim value \$100,000
UTILITY OPERATIONS - ENTERPRISE RESILIENCE	Q19-6795RM; 3 Awards 1. ACCENTURE LLP Walnut Creek, CA (4600003855)	12/12/19	Provide Enterprise Resiliency consulting services	12/11/22	B/P	\$250,000		\$3,350,000*

♦ M / WBE: New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
 1 Award Basis: B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search
 2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service

Procurement (Services) and Other Contracts – Awards
(For Description of Contracts See "Discussion")

EXHIBIT "A"
January 29, 2020

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditures For Life Of Contract</u>
	2. ICF RESOURCES LLC Fairfax, VA (4600003854)							
	3. TOFFLER ASSOCIATES, INC. Reston, VA (4600003856)							
								*Note: represents total aggregate value for an initial 3-year term with the option for a 2-year renewal including an interim value of \$250,000
UTILITY OPERATIONS – OPERATIONS	DELLAVERSON PC New York, NY	10/01/19	Provide strategy and support services for NYPA and Canal Labor negotiations	09/30/20	S/P	\$30,000		\$ 120,000*
								*Note: represents total for up to 1-year term including an interim value of \$30,000
UTILITY OPERATIONS – GENERAL MAINTENANCE	AECOM USA, INC. New York, NY (Q19-6800DKT)	01/29/20 (on or about)	Provide O&M Agreement for the Eel Passage Facility at St. Lawrence Power Project	01/28/25	B/S			\$ 590,231*
								*Note: represents total for up to 5-year term
UTILITY OPERATIONS – PROJECT MANAGEMENT	PINTO CONSTRUCTION SERVICES, INC. Buffab, NY (4500316744)	01/01/20	Provide construction services for the Niagara North Utility Corridor Upgrade Project	12/31/21	B/C			\$2.95 million*
								*Note: represents total for up to 2-year term

♦ M / WBE: New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
1 Award Basis: B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service

Procurement (Services) Contracts – Extensions and/or Additional Funding
(For Description of Contracts See "Discussion")

EXHIBIT "B"
January 29, 2020

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
UTILITY OPERATIONS – GENERAL MAINTENANCE	BVR CONSTRUCTION COMPANY, INC. Churchville, NY (4500306488)	02/25/19	Provide construction services for the Massena Intake Roadway Deck Reconstruction Project	12/31/20	B/C		\$2,782,239.40	\$3,939,995*
						*Note: represents total for 1-year and 10-month term, with no additional funding and a 10-month extension requested		
UTILITY OPERATIONS – PROJECT MANAGEMENT	WALKER PARKING CONSULTANTS / ENGINEERS, INC. dba WALKER CONSULTANTS Kalamazoo, MI (4500275227)	08/01/16	Provide engineering services for the WPO Garage Centroplex LEM Project	02/27/21	B/P	\$344,052	\$ 840,720.25	\$ 1,335,931*
						*Note: represents total for up to 5-year term, including additional funding request of \$344,052		
UTILITY OPERATIONS – PROJECT MANAGEMENT	LECHASE CONSTRUCTION SERVICES LLC Rochester, NY (4600003318)	06/01/17	Provide construction list for the new CEC Emergency Energy Control Center	06/30/20	B/C		\$12,281,834.95	\$12,532,665*
						*Note: represents total for up to 3-year term, with no additional funding and a 9-month extension including an interim from October 1, 2019 through January 29, 2020 requested		

♦ **M / WBE:** New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
1 **Award Basis:** B= Competitive Bid; C= Competitive Search; S= Sole Source; Si = Single Source
2 **Contract Type:** P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; L= Legal Service

MEMORANDUM OF AGREEMENT
BETWEEN
POWER AUTHORITY OF THE STATE OF NEW YORK
AND
UTILITY WORKERS UNION OF AMERICA, LOCAL 1-2

The following represents the terms for a contract extension to the current collective bargaining agreement between NYPA and the UWUA dated January 18, 2009 through December 31, 2019.

1) Term: *Date of ratification* – December 31, 2022

2) Wage Increases:

<i>January 1, 2020</i>	<i>2.00%</i>
<i>January 1, 2021</i>	<i>2.00%</i>
<i>January 1, 2022</i>	<i>2.00%</i>

A non-pensionable gross amount of a \$1000 lump sum payment shall be paid on a pro-rata basis to all employees on the payroll upon UWUA members and NYPA Board ratification.

3) Benefits Changes

	Date of Ratification	All Beginning 1/1		
Term	2019	2020	2021	2022
Contribution	\$1,400 / \$3,500	\$1,400 / \$3,500	\$1,400 / \$3,500	\$1,400 / \$3,650
Pharmacy Co Pays		Diabetic co-pay		
	\$8/25/45	\$9/27/45	\$10/30/45	\$10/30/50
Medical Co-Pays	\$30 for all	\$30 for all	\$30 for all	\$30 for all

4) Choice Plan:

	SINGLE COVERAGE Employee Contribution	FAMILY COVERAGE Employee Contribution
Current	\$780	\$780
2019	\$780	\$780
2020	\$850	\$900
2021	\$925	\$950
2022	\$1,000	\$1,100

5) To allow for greater flexibility and expanded job responsibilities, the Janitor job classification will be eliminated. The Plant Utility Worker position will be reinstated reversing #11 in the Stipulation of Understanding letter dated August 8, 2008. The current incumbent in the Janitor position will be re-classified as a Plant Utility Worker at a new wage rate of \$30.76 effective January 1, 2020.

The Meter job classifications is being re-classified and effective January 1, 2020 to better align with changes in the utility industry and the 500MW business needs. A new job family will be created consisting of three levels:

- Meter Technician I New rate: 36.51
- Meter Technician II New rate: 46.54
- Sr. Meter Technician New rate: 49.54

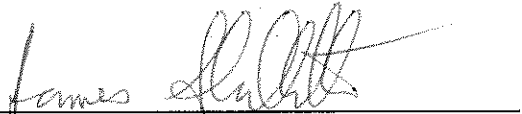
Upon ratification by NYPA's Board, current incumbents will be placed in the appropriate title at the corresponding wage rate for which they are currently qualified.

The parties will continue to negotiate the impact of the deletion of the Janitorial title and change of titles for the Meter Tester to Meter Technician by agreeing to meet 60 days after NYPA Board ratification of the Collective Bargaining Extension.

6) Housekeeping: Incorporate the July 2016 negotiated Zetlmann 500MW Operations Department Experimental Positions agreement into the contract extension and updated collective bargaining agreement.



Carol Geiger-Wank
Chief of Staff & VP Labor Relations,
Office of the COO
New York Power Authority



James Shillitto
President Local 1-2
Utility Workers Union of America

ZELTMANN 500MW OPERATIONS DEPARTMENT
EXPERIMENTAL POSITIONS
MEMORANDUM OF UNDERSTANDING

The Authority and the Union mutually agree to the implementation, on a trial basis, of experimental work classifications for Operations Department personnel.

The Authority and the Union recognize that the Control Room Operator is a highly skilled position and that it would be mutually beneficial to have the most proficient Operators perform this function. The Authority and the Union also recognize that Instrumentation and Electrical skills are also highly specialized and that both parties would benefit by having two individuals perform this function regularly, but also operate on the Control Board to maintain those skills and fill vacancies when necessary:

The implementation of these new positions is for a trial period of Eighteen (18) Months to evaluate the effectiveness and contributions. At the end of the Eighteen (18) Month term, NYPA and the Union will either agree to continue with these positions or dissolve this MOU.

The Authority and the Union agree to the following under this temporary provision.

1. The following classification will be established

- 1) CRO – Control Room Operator
- 2) Op Tech A – Equivalent to existing Op Tech, must be qualified to control drum levels during all operating conditions
- 3) Op Tech B – Inside and Outside Operations and qualified on Hold-Offs
- 4) Op Tech C – Entry Level Op Tech

2. The starting rates for these positions will be as follows effective June 1, 2019:

- 1) CRO – \$54.30
- 2) Op Tech A – \$49.93
- 3) Op Tech B – \$47.60
- 4) Op Tech C – \$44.62

3. For the purposes of this pilot MOU for Experimental positions, there shall be seven (7) CROs. Five (5) will be assigned to each of the existing 5-week rotating shift schedules and perform the Control Board Operator functions. Two (2) of the CROs will periodically perform the Control Board Operator functions, but primarily perform Instrument, Electrical and Controls Technician work. The schedule for those two individuals will be similar to the previous schedule, except their normal schedule will be days. See Appendix A for a typical schedule.

4. The Op Techs not selected for CRO or I&E Tech shall be made Op Tech A and remain at their current rate of pay.

5. All positions will receive annual increases as stated under the current Contract.

6. If this MOU is terminated at the end of the 18 month trial period, all Union employees will revert to the Op Tech classification at the current rate adjusted by any increases that occurred during the trial period. Prior to the end of the trial period, individuals will be allowed to return to their prior Op Tech position at the current Op Tech rate.

7. The Authority and the Union have mutually agreed that the following employees will be promoted to the CRO position, remain on the existing schedule and perform typical CRO duties:

- 1) Brian Odendahl
- 2) Danny Albrecht
- 3) Stanley Chen
- 4) Steve Riccobono
- 5) Mustafa Al Mahmud

9. Subsequent vacancies in the CRO classification will be filled according to the Contract with the aid of an independent test.

10. The Authority and the Union have mutually agreed the following employees will be promoted to the CRO position but will work one of the previous 5-week shift schedule, but days only. Although they will periodically perform typical CRO duties as the other five to fill vacancies and maintain proficiency, they will primarily perform duties of an Instrument, Electrical and Control Technician.

- 1) Berkin Acikgoz
- 2) Felix Vasquez

12. Subsequent vacancies in the I&E Tech classification will be filled according to the Contract with heavy emphasis on demonstrated skills and experience; possibly hiring from the outside the unit if no one is qualified to fill the position.

13. New Operators will be hired in at the Op Tech C classification, the employee will be trained to become an Op Tech B. To qualify as an Op Tech B, an Operator must qualify on the Inside and Outside positions and Hold-Offs. While each circumstance is unique, this is expected to take approximately 6 to 12 months.

15. Op Tech B's will be trained to become Op Tech A's. While each circumstance is unique, this is expected to take approximately 2 to 3 years with the goal that all Operators eventually qualify as Op Tech A's.

16. To qualify as an Op Tech A, an Op Tech B must demonstrate proficiency and qualify to control drum level during all operating conditions.

17. Once qualified on the Control Board, an Op Tech A may work, if needed, as a CRO on the board and receive addition pay in accordance with the existing contract.

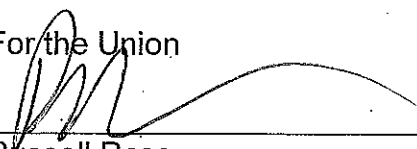
18. The intent of the I&E Techs is to have specialist to work in this capacity most of the time, but to also work as CROs to maintain proficiency and also train the other Op Techs. The intent is also to continue to train and have all Op Techs to perform I&E type work on a limited basis.

For the Authority

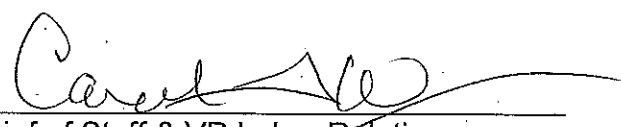


Timothy L. Zandes
Regional Manager

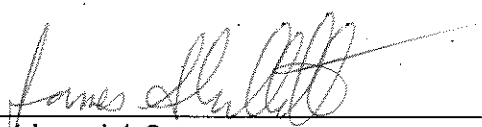
For the Union



Russell Ross
Chairman of Stewards



Chief of Staff & VP Labor Relations,
Office of the COO
New York Power Authority



President Local 1-2
Utility Workers Union of America



**NY Power
Authority**

**Canal
Corporation**

President and Chief Executive Officer's Report

Gil Quiniones

President & Chief Executive Officer

January 29, 2020

NYPA Overall Performance through December 2019

	<u>YTD Target</u>	<u>YTD Actual</u>
Maintain Infrastructure		
▲ Generation Market Readiness	97.40%	▲ 99.76%
▲ Transmission System Reliability	95.41%	▲ 96.21%
Financial Management		
▲ Debt Coverage Ratio (Q)	2.50	▲ 3.58
■ O&M Budget Performance (\$M)	\$507.50	■ \$514.74
Energy Services		
▲ Greenhouse Gas (GHG) Saved (Tons)	42,483	▲ 45,272
▲ Energy Efficiency Investment in State Facilities (\$M)	\$123.91	▲ \$138.68
Workforce Management		
▲ Skilled Workforce: Retention (Q)	1,798	▲ 2,931
Safety Leadership		
▲ DART Rate	0.78	▲ 0.76
Environmental Responsibility		
▲ Environmental Incidents	28	▲ 19

YTD Performance Measure Status	
▲	Meeting or exceeding target
■	Missing target
●	Significantly missing target
◆	No updated data

2019 Accomplishments - Strong Finish for NYPA 2020

- **ISO 55001 Certification**
- **New Asset Investments**
 - AC Transmission - Segment A
 - Offshore Wind - Sunrise Wind
 - 20MW North Country Storage
- **Cyber Security Investments**
- **Infrastructure Modernization**
 - LPGP LEM, Smart Path, Sensor Deployment, T-LEM Communications Backbone, Next Generation Niagara
- **50 Yr. Relicensing Blenheim Gilboa Pumped Storage Power Project**



- **Improved Customer Experience**
 - Customer Digital Experience (CDEx)
- **Expanded Customer Offerings**
 - New York Energy Manager (NYEM)
 - EE Program Funding Increase (\$3.88B to \$5.38B)
 - Renewable Energy, Capacity & RECs via 290MW Canisteo Wind PPA
 - Street Lighting as a Service
 - Scaling Solar
- **Expanded Legislative Authority**

- **Eureka Competition**
- **Digital Worker Program**
- **Forbes Best Mid-sized Employer**

2019 Accomplishments - Reimagine the Canals

2017

NYPA assumed ownership of the NYS Canal System

Jan 2017

2018

Reimagine the Canals Design Competition launched

Oct 2017

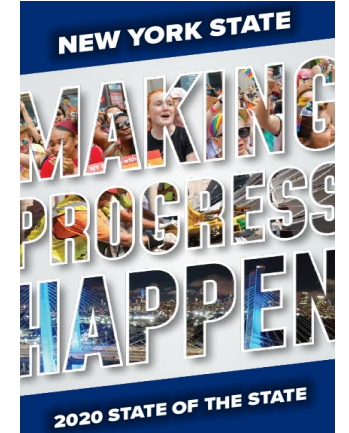
2019

Reimagine the Canals winners announced

Oct 2018

Reimagine the Canals Vision Task Force announced

May 2019



2019 Accomplishments - CLCPA



Climate Leadership and Community Protection Act

We have already acted and are well positioned to meet the mandates of the CLCPA

Moonshots



Renewable
Generation



Evolve



Flexibility

Sustainability Plan



VISION2030 will be our next step

VISION2030 Strategic Themes

- Energy Efficiency
- Electrification
- Demand Flexibility
- Enterprise Digitization
- Workforce & Communities
- Carbon Free G & T



NY Power
Authority

Canal
Corporation

2019 Accomplishments - Strong Financial Performance



Net Income



**Fixed Cost
Coverage Ratio**



Credit Rating

2019 Accomplishments - Mutual Aid

US Virgin Island & Puerto Rico



Three Key Areas of Support

1. Grid stabilization
2. Strategic planning
3. Technical expertise to secure FEMA and HUD funding, and modernize, strengthen and integrate renewable energy into the grid



Additional Areas of Support: Post Puerto Rico Earthquakes

1. Damage assessments of substations and power plants in the affected areas
2. Secure additional reserve margin to maintain reliability of the grid
3. Condition assessment of hydro facility
4. Update State Estimator





**NY Power
Authority**

**Canal
Corporation**



**NY Power
Authority**

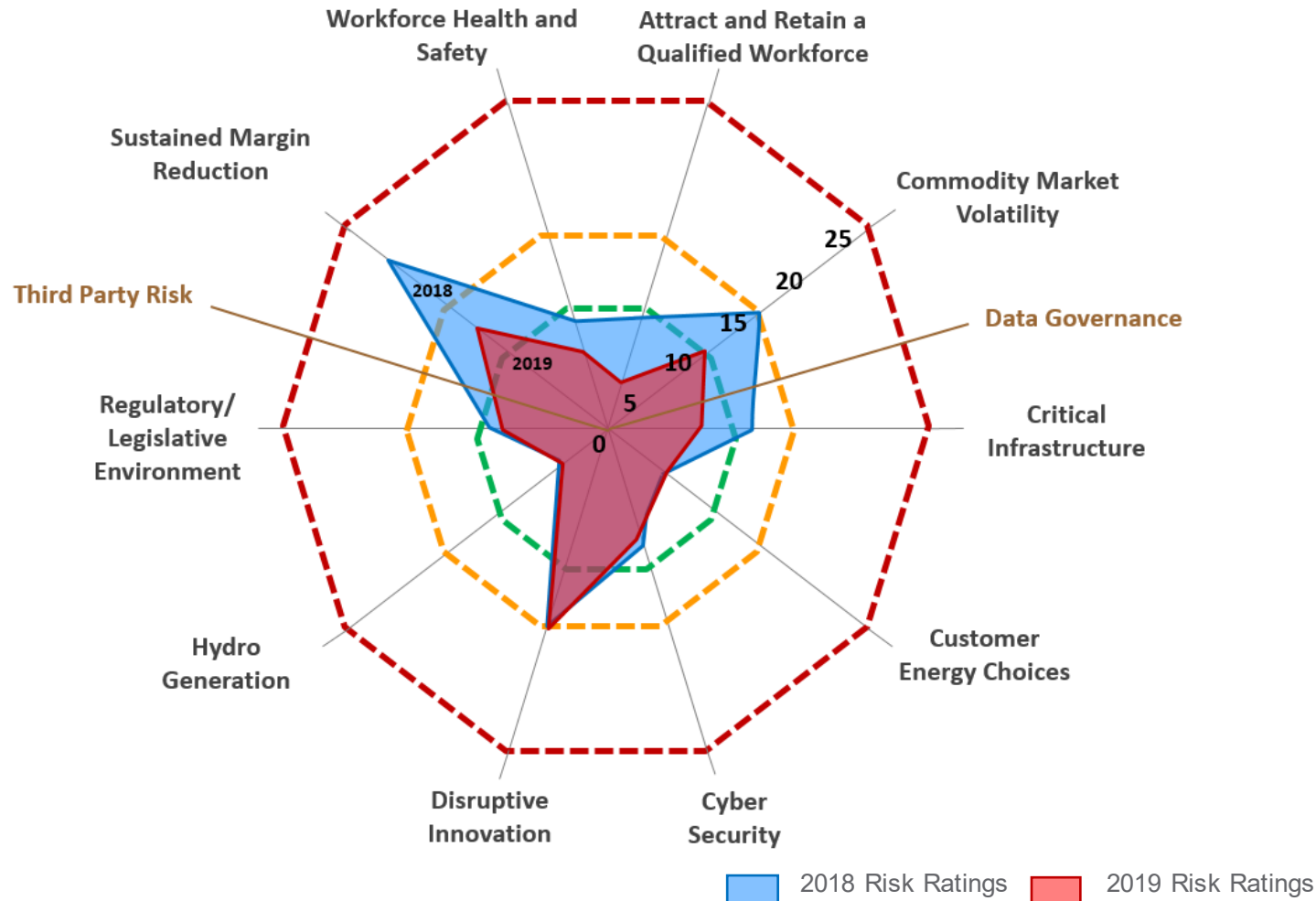
**Canal
Corporation**

Chief Risk Officer's Report

Parija, Soubhagya
SVP & Chief Risk Office

January 29, 2020

Risk Assessment: Total Risk Scores



Total Risk Score: No Change →

- Disruptive Innovation
- Workforce Health and Safety
- Regulatory/Legislative Environment
- Cyber Security
- Attract and Retain a Qualified Workforce
- Customer Energy Choices
- Hydro Generation

Total Risk Score: Decrease ↓

- Sustained Margin Reduction
- Commodity Market Volatility
- Critical Infrastructure

Evolving Risks (Not Scored):

- Data Governance
- Third Party Risk

Risk Rating scores for 2018 and 2019 were plotted using a Total Risk Score (TRS).

The TRS uses a 5 X 5 matrix for Impact and Likelihood and is equal to the Impact x Likelihood.

Total Risk Score	Risk Category	Range of Financial Impact
0-10	On-going Maintenance	\$0 - \$15M
11-15	Active Review	\$16M - \$25M
16-25	Immediate Action	> \$25M

Evolving Risks

Data Governance

Objective

- Deliver a world-class “Data and Analytics Service” that will allow NYPA to manage its data as an asset and further its Business Intelligence and Analytics capabilities

Key Mitigation Activities:

- Developed Data Governance and Management Risk Framework
- Enterprise Data Governance Committee (DGC) formed
 - Rob Piascik and Daniella Piper – Sponsors
 - All 8 BU's with 60 Data Domains and 56 Data Owners
- Executing Implementation Plan
 - Applying Data Quality (DQI) Management Process to support ISO 55001
 - Building Business Rules to assess and validate data quality
- Risk Management is a key participant on the Data Governance Committee

Third Party Risk

Objective

- Ensure understanding of risks when dealing with third parties and develop appropriate mitigation strategies

Key Mitigation Activities:

- Developed Third Party Risk Management Framework
- Kristine Pizzo – Sponsor
- John Canale – Owner
 - Steering Committee and Working Group formed to implement recommendations
- Implementation of Ariba Vendor Risk Management Module
 - Information from Ariba module will be utilized/imported into eGRC tool
- Risk Management is a key participant on the Third-Party Risk Management Steering Committee

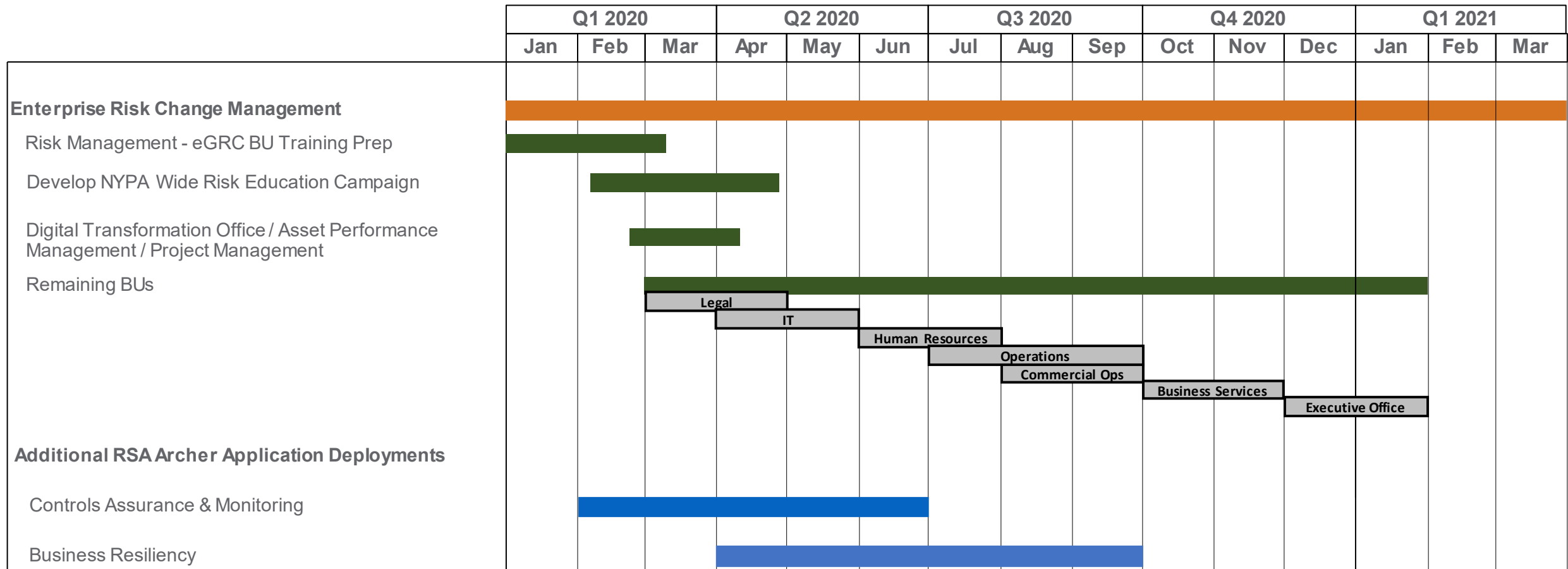
Enterprise Governance Risk and Compliance (EGRC) Implementation at NYPA

An EGRC System is a common platform that allows for full integration of Governance, Risk, Audit and Compliance Teams



- **Archer GRC System selected through robust RFP**
 - Identified as a Leader by Gartner's Magic Quadrant for Integrated Risk Management
 - Customers include leading Public and Private Energy Sector Companies as well-established government entities
- **Enhances visibility into and quantification of risk exposures**
 - Top down and bottom up perspective
 - Risk and Internal Audit connection
 - Dashboard reporting
- **Improves organizational risk culture and maturity, and supports ISO 55001**
- **Improves leadership and dashboard reporting**
- **Aligns to best practices in ISO 31000 and COSO ERM**
- **Completion of Enterprise Risk Management Module implementation**

eGRC Implementation 2020 Roadmap





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Authority**

**Canal
Corporation**



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Chief Financial Officer's Report

Adam Barsky

EVP & Chief Financial Officer

January 29, 2020

YEAR END RESULTS (JANUARY - DECEMBER 2019)

In \$ Thousands	2019 Budget (\$)	2019 Current (\$)	Variance (\$)		
Net Operating Income					
Operating Revenue					
Customer Revenue	\$1,825,208	\$1,671,164	(\$154,044)		
Market-Based Power Sales	541,805	436,183	(105,622)		
Non Utility Revenue	20,928	27,730	6,802		
Ancillary Service Revenue	43,062	43,281	219		
NTAC and Other	177,789	191,691	13,902		
Operating Revenue Total	2,608,793	2,370,049	(238,744)		
Operating Expense					
Purchase Power	(641,616)	(475,945)	165,671		
Ancillary Service Expense	(55,284)	(52,069)	3,215		
Fuel Consumed	(189,190)	(139,783)	49,407		
Wheeling	(644,117)	(647,013)	(2,896)		
Operations & Maintenance	(596,251)	(600,330)	(4,079)		
Other Expense	(117,187)	(118,960)	(1,773)		
Allocation to Capital	18,282	18,621	339		
Operating Expense Total	(2,225,363)	(2,015,479)	209,884		
EBIDA Total	383,430	354,570	(28,860)		(28,860)
EBIDA NYPA	469,640	438,219	(31,421)		
EBIDA Canals	(86,210)	(83,649)	2,561		
Non Operating					
Interest and Other Expenses					
Interest & Other Expenses	(148,988)	(128,618)	20,370		
Investment and Other Income	40,617	31,968	(8,649)		
Mark to Market Adjustments	(10,083)	15,112	25,195		
Depreciation	(244,077)	(250,062)	(5,985)		
Interest and Other Expenses Total	(362,530)	(331,600)	30,931		
NET INCOME	\$20,899	\$22,970	\$2,071		\$2,071

EBIDA: Earnings Before Interest Depreciation & Amortization
Preliminary financials are subject to Accounting audit review and adjustments



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Chief Operations Officer's Report

Joseph F. Kessler, P.E.

Executive Vice President & Chief Operating Officer

January 29, 2020

Utility Operations KPI: Year-End December 2019

KPI	Year End December 2019			
	Status	Target	Actual	Variance
Generation Market Readiness	▲	97.40%	99.76%	2.36%
Transmission System Reliability	▲	95.41%	96.21%	0.80%
Environmental Incidents (Corporate)	▲	28	19	-9
Dart Rate (Corporate)	▲	0.78	0.76	-0.02

Status

▲	Within Target
■	Outside of Target
●	Significantly Outside of Target Range



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Chief Commercial Officer's Report

Sarah Salati

Executive Vice President & Chief Commercial Officer




January 29, 2020

Commercial Operations KPI – December 2019

GOAL	KPI	YTD December 2019			
		Status	Target	Actual	Variance
Wholesale	Customer Usage (twh)		24.3	24.6	1%
	Generation (twh)		27.7	30.2	9%
	Electric Prices (\$/mwh)		\$34.36	\$26.72	-22%
	Fuel Price (\$/mmbtu)		\$4.03	\$3.12	-23%
	Merchant Gross Margin (\$M)*		\$324.3	\$308.9	-5%

* Excludes Astoria Energy II and NYPA Zeltmann Power Project as they are included in customer portfolio

Status




	Within Target
	Outside of Target
	Significantly Outside of Target Range






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Commercial Operations KPI – December 2019

GOAL	KPI	YTD December 2019			
		Status	Target	Actual	Variance
Economic Development	Recharge NY (MW) Allocated			719/910	
	All Programs - Jobs Retained			437,300	
	Capital Committed (\$B)			\$27.3	
Energy Efficiency	Customer Investments (\$M)		\$216.7	\$265.6	23%
	Non-Utility Revenues (\$M)		\$17.2	\$25.0	45%
	Operating Expenses (\$M)		\$30.4	\$32.8	8%

Status

	Within Target
	Outside of Target
	Significantly Outside of Target Range



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New York Power Authority

**Policy for Hedging Program to Manage Cashflow Risks of
Non-Energy Commodity Linked Customer Contracts**

Article I. Purpose of the Hedging Program to Manage Cashflow Risks of Non-Energy Commodity Linked Customer Contracts

Section 1.00 Acronyms and Definitions

Authorized Treasury Staff – Treasurer, Deputy Treasurer, and Senior Investments Manager

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CRO – Chief Risk Officer

ISDA Master Agreement – The International Swaps and Derivatives Association Master Agreement and its related annexes and definitions

NEC or Non-Energy Commodity – A commodity that is not: energy; capacity; renewable energy attributes; and similar commodities relating to the Authority's generation and transmission assets

NEC Hedging Activities – Hedging activities related to financial risk management of NEC-Linked Customer Contracts

NEC Hedging Agreement – Agreement by the Authority to transact NECs in connection with NEC Hedging Activities

NEC-Linked Customer Contract – Contract between the Authority and a customer in which the Authority's revenue receipts are calculated, directly or indirectly, based on the price of a NEC

Procedures – Controls and procedures developed to implement the Program and this Policy

Program – The Authority's program under this Policy to conduct NEC Hedging Activities

Qualified Counterparties – Counterparties that meet the criteria set forth in Section 2.04

Section 1.01 Introduction

The Authority, from time to time, enters into NEC-Linked Customer Contracts. The Authority seeks to manage the impact of NEC-Linked Customer Contracts on the Authority's cashflow and financial position. Management of these commodity price risks is essential in forecasting the Authority's revenue and managing future cashflow requirements. This Policy for the Hedging Program to Manage Cashflow Risks of Non-Energy Commodity Linked Energy Contracts (the "Policy") sets forth the objectives, delegation of authority and overall parameters to govern the Authority's NEC Hedging Activities.

Section 1.02 Scope and Objective

The objective of the Program is to ensure that the Authority is optimizing cashflow flexibility by managing volatility and taking into consideration the Authority's credit rating; identifying financial risks pertaining to changes in relevant NEC prices and mitigating those risks where they exceed management-determined risk appetite; and improving financial risk management for the Authority by managing its exposure to NECs through NEC-Linked Customer Contracts.

This Policy shall govern the Program and NEC Hedging Activities under the Program.

Article II. Policy

Section 2.01 Delegation of Authorities

a) Board of Trustees

This Policy has been approved by the Board of Trustees with the review and recommendation of the Finance Committee. Any amendments to this Policy must be reviewed and recommended by the Finance Committee and approved by the Board of Trustees prior to becoming effective.

b) CEO and CFO

Prior to the execution of a NEC Hedging Agreement, the CEO or the CFO shall make a written determination that, after considering the underlying risk and mitigation strategies, such NEC Hedging Agreement is reasonably expected to reduce exposure to changes in NEC prices by managing cashflow risk arising from a NEC-Linked Customer Contract.

All Procedures developed in accordance with this Policy shall be reviewed and approved by the CFO before taking effect.

c) Treasurer and Deputy Treasurer

The Treasurer and the Deputy Treasurer, in collaboration with the CFO and the CRO, shall be responsible for the following activities:

1. Ensure all NEC Hedging Activities are conducted in accordance with this Policy, and, in collaboration with the Law Department, in accordance with applicable law;
2. Establish and maintain NEC Hedging Procedures for administration of the Program, including:
 - a) Formulation of hedge strategies;

- b) Selection of prospective counterparties, subject to credit review by the Risk Management Department as set forth in Section 2.04;
- c) Counterparty diversification standards and maximum exposure;
- d) Negotiation and execution of agreements, in collaboration with the Law Department, including credit and collateral agreements;
- e) Determining bidding/negotiation procedures in accordance with the applicable policies and procedures of the Authority;
- f) As needed from time to time, select exchanges, such as the London Metals Exchange (“LME”), Chicago Mercantile Exchange (“CME”) or New York Mercantile (“NYMEX”), for the trade of exchange-traded products;
- g) As prudent from time to time, seek the services of a Swap Advisor registered under the Investment Advisor’s Act of 1940 to assist in bidding/negotiation of transactions; and
- h) Other controls and procedures for successful implementation of the Program, consistent with industry standards.

Section 2.02 Separation of Duties

The Program shall maintain a separation of duties within the following organizational functions:

1. Front Office (Treasury Department) – responsible for: development and execution of hedge strategy, collateral transfers, development and maintenance of effective hedge documentation in conjunction with the Risk Management Department and Controller’s Department, and execution and on-going evaluation of NEC Hedging Agreements.
2. Middle Office (Risk Management Department) – responsible for: identifying and monitoring risk; counterparty credit evaluation and monitoring; fair market valuation; collateral management; and compliance monitoring.

3. Back Office (Controller's Department) – responsible for: guidance regarding hedge effectiveness testing; processing Hedge Agreement confirmations; and recording transactions and financial reporting.

The Procedures shall detail governance and reporting procedures consistent with the separation of duties outlined above.

Section 2.03 NEC Hedging Agreements and Permitted Hedging Instruments

NEC Hedging Agreements shall take the form of an ISDA Master Agreement with confirmation, a confirmation relating to exchange-traded products, or any other form approved by the Authority's General Counsel.

All NEC Hedging Agreements are subject to prior review and approval by the Law Department and the Controller's Department.

Each NEC Hedging Agreement executed by the Authority shall be with a Qualified Counterparty.

Only the following hedging instruments are permitted to be transacted under the Program: swaps, futures, caps, floors, collars, forward rate agreements or any exchange-traded products.

NEC Hedging Agreements shall be entered into by the Authority only to the extent that they meet the criteria listed within this Policy and the Procedures.

Section 2.04 Qualified Counterparties

The Authority's Enterprise Risk Management Department shall conduct credit reviews of prospective counterparties. Each counterparty approved after by a credit review by the

Enterprise Risk Management Department in accordance with the Authority's credit risk guidelines shall be a Qualified Counterparty.

Section 2.05 Non-Speculative Nature; Additional Limitations

The Program and NEC Hedging Agreements shall be subject to the following limitations:

1. The Program shall be non-speculative. All NEC Hedging Activities shall be based upon an identified, underlying risk which is correlated to a quantifiable exposure.
2. Except as the Board of Trustees shall have expressly approved, the Authority shall not enter into NEC Hedging Agreement(s) having a term greater than four years.
3. Notional amount of the NEC Hedging Activities under the Program on an aggregate basis shall be no greater than \$100,000,000.

The Program and NEC Hedging Agreements shall comply with all other limitations under the Procedures.

Section 2.06 Reporting

On an annual basis to the Board of Trustees and the Finance Committee, and on a quarterly basis to the Executive Risk Management Committee, the CFO and/or Authorized Treasury Staff, working in collaboration with the Enterprise Risk Management Department and the Controller's Department, shall report on the results of the Program including:

1. NEC exposure of the Authority, net of the effects of NEC Hedging Agreements and the mitigation strategies;
2. The status of individual NEC Hedging Agreements in effect, including notional amount, rates, terms, and the rating of counterparties;

3. The marked-to-market valuations, effectiveness of net credit exposures to the Authority by individual counterparties or exchanges, and collateralization that has been provided, when deemed necessary.

Section 2.07 Policy Review; Amendments

This Policy shall be reviewed and updated as business needs require. However, a mandatory review by the CFO and CRO shall be required on annual basis. Any material changes to this Policy shall be reviewed and recommended by the Finance Committee and approved by the Board of Trustees prior to becoming effective.