



**MINUTES OF THE REGULAR JOINT MEETING  
OF THE FINANCE COMMITTEE  
May 21, 2019**

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Minutes of the regular joint meeting of the New York Power Authority and Canal Corporation's Finance Committee held at the Clarence D. Rappleyea Building at 123 Main Street, White Plains, New York at approximately 9:00 a.m.

**Members of the Finance Committee present were:**

Tracy B. McKibben - Chair  
John R. Koelmel  
Anne M. Kress  
Dennis Trainor  
Michael Balboni

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**Also in attendance were:**

Eugene L. Nicandri	Vice Chairman - NYPA
Gil Quinones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Joseph Kessler	Executive Vice President and Chief Operations Officer
Sarah Salati	Executive Vice President and Chief Commercial Officer
Lee Garza	Senior Vice President – Financial Operations
Soubhagya Parija	Senior Vice President & Chief Risk Officer
Karen Delince	Vice President and Corporate Secretary
Daniella Piper	Vice President – Digital Transformation / Chief of Staff
John Canale	Vice President – Strategic Supply Management
Thakur Sundeep	Controller
Mary Cahill	Manager – Executive Office
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Associate Corporate Secretary

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

**Introduction**

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

1. **Adoption of the May 21, 2019 Proposed Meeting Agenda**

Upon motion made by member Michael Balboni and seconded by member John Koelmel the agenda for the meeting was adopted.

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

*I move that the Finance Committee conduct an executive session to discuss the financial and credit history of a particular corporation pursuant to §105f of the Public Officers Law.* Upon motion made by member Michael Balboni and seconded by member John Koelmel an Executive Session was held.

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

*I move to resume the meeting in Open Session.* Upon motion made by member Michael Balboni and seconded by member John Koelmel, the meeting resumed in Open Session.

Chairperson McKibben said no votes were taken during the Executive Session.

**4. CONSENT AGENDA**

Upon motion made by member Michael Balboni and seconded by member John Koelmel, the Consent Agenda was adopted.

a. **Approval of the Minutes of the Regular  
Joint Meeting held on January 24, 2019**

The Minutes of the Regular joint Meeting of the New York Power Authority and Canal Corporation's Finance Committee held on January 24, 2019 were unanimously approved.



**5. DISCUSSION AGENDA**

**a. Infrastructure Investment –  
Large Capital Program Update / AC Transmission Project**

Mr. Joseph Kessler, Executive Vice President and Chief Operations Officer and Mr. Lee Garza, Senior Vice President of Financial Operations provided highlights of the Authority's Large-Scale Capital Program / AC Transmission Project to the committee. (Exhibit "5a-A")

Mr. Kessler said that NYPA makes significant investments in its utility operations to ensure grid performance and reliability and provided an update on Utility Operations' major capital programs. He said Utility Operations continues to invest in the major core assets of its capital portfolio. Utility Operations' major programs investments total \$3.6 billion with Generation 52% and Transmission 48% of that total. Generation Projects include the LPGP LEM Project to extend the life of the Authority's assets in order for the Authority to continue the reliable and resilient operation of its assets and provide low-cost hydropower to its customers, going forward.

NYPA's overall capital budget includes Utility Operations' top 10 projects over a 10-year period. There is an increase in spending for the newer transmission projects e.g. MA 1 and 2, Smart Path, T-LEM and the AC Proceeding projects. Utility Operations' largest capital projects represent approximately 60% of Utility Operations' total capital spending. This includes spending for Energy Efficiency projects and Canal Corporation's projects.

The Trustees have approved spending associated with these projects.

Mr. Lee Garza provided highlights on the financing of the Authority's top ten investments. He said the Authority's credit metrics remains strong as it finances a robust capital program. These capital projects will span a decade in construction and implementation; therefore, this is an extended period of capital deployment.

In terms of the budget and capital spending, the Authority has forecasted \$8 – \$9 million in capital investments each year for these projects. This is consistent with the forecasted budget that the Trustees approved in December 2018. The Authority's budget and 4-year forecast goes out through 2022. During that time, staff anticipates, and have forecasted to invest about 40% of the \$3.6 billion to the cost of the 10 top projects and staff will be coming to the Committee and the Board to request the members' approval for capital expenditures against those projects.

He continued that these projects are a part of the Authority's financial profile – adding value and cash flow to the company; and benefiting in terms of Net Income and quality of earnings. In addition, these investments forward the Governor's Energy Policy; serve the Authority's customers well and increase the amount of products and services the Authority is able to provide to its customers.

Financing Plan for Utility Operations' Major Programs

The Authority plans to finance Utility Operations' major projects with both debt and cash equity on its Balance Sheet. The Authority intends to finance these investments on a 50/50 basis, i.e., for every dollar that the Authority spends, half of it will come from new debt raised in the marketplace and half will come from cash pulled off the Balance Sheet over time. This financing mix, and financing these assets in this way, given the high quality and the nature of those individual cash flows, is consistent with the Authority's strong credit rating.

### Credit Metrics

The Authority uses a technical financial metrics, the “Fixed Charge Coverage Ratio,” which means that for approximately every \$1 of debt that it has to service or interest cost that it has to pay every year, the Authority has approximately \$2 of revenues to service that debt. The Authority has strong debt service coverage ratio or fixed charge coverage ratio. That is, the Authority has the ability to finance its interest payment under different financial scenarios, which provides a level of surety to the Authority’s credit investors that they are going to get a return on the funds that they lend to the Authority.

These amounts are similar to what the members approved as part of the Authority’s budget and four-year financial plan and as a result of the fact that the Authority is financing on a 50/50 basis. It is also consistent with the types of revenues that staff is anticipating for the ten top projects Joe Kessler highlighted earlier as part of the Authority’s capital plan with the exception of the AC Transmission Project.

### The AC Transmission Project

#### Net Income

The NYISO recently awarded NYPA the approval to build a new transmission project that will stretch from parts of Northern New York to Albany. From a financial perspective, the Authority anticipates investing approximately \$281 million on this project. NYPA will own and control 37.5% of the project. NYPA is also partnering with a financial investor on this project. The Authority expects to see the incremental earnings from this project starting as soon as next year. The Project is expected to go into service in 2023. Under the rate proposal that the Authority has put forward, which is still under review, a mechanism is in place, which will allow the Authority to earn a return on invested capital. Net Income Contribution increases over time; it is anticipated that by 2022, the Authority will be earning \$11.5 million, first, as a result of the capital that it has invested and, on a run rate basis, after the project is fully operational, it is anticipated that Net Income will be \$15 million.

#### Transmission Revenue

With regard to Transmission revenues and the contribution of the AC Transmission project to the Authority’s transmission revenues, the Authority anticipates transmission revenues of \$313.9 million in 2022. The AC Transmission Project will be contributing about \$11.5 million. On a run rate basis, after the project is fully operational, this would be \$15 million, incrementally, adding about 5% to the Authority’s transmission revenues.

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

The President and Chief Executive Officer submitted the following report:

“SUMMARY

The Trustees will be requested at their May 21, 2019 meeting to authorize the release of up to an additional \$21.6 million in funding to the New York State Canal Corporation (“Canal Corporation”) to support the operations of the Canal Corporation in calendar year 2019. The amount requested is 25% of the Canal Corporation’s 2019 O&M Budget as presented to the Canal Corporation Board of Directors at its December 2018 meeting. The amount requested is in addition to the \$43.2 million that the Trustees authorized through March 2019 to be released to support the operations of the Canal Corporation in calendar year 2019.

The Finance Committee is requested to recommend to the Trustees the authorization of the release of up to an additional \$21.6 million in funding to the Canal Corporation to support the operations of the Canal Corporation in calendar year 2019.

BACKGROUND

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

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

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

DISCUSSION

With this authorization, the Trustees will approve the release of \$21.6 million, an amount equal to 25% of the Canal Corporation’s 2019 O&M Budget. With regard to Canal Corporation’s operating expenses in excess of \$64.8 million in calendar year 2019, staff is not requesting any action at this time, but will return to the Board to request additional releases as needed.

Staff has reviewed the effect of releasing up to an additional \$21.6 million in funding at this time on the Authority's expected financial position and reserve requirements. In accordance with the Board's Policy Statement adopted May 24, 2011, staff calculated the impact of this release, together with the last 12 months releases including (i) the release of \$54 million in Canal related operating expenses for 2018 previously authorized at the August and October 2018 meetings, (ii) the release of \$30 million in Recharge New York Discounts for 2019, (iii) the release of \$43.2 million in Canal related operating expenses for 2019 previously authorized at the December 2018 and March 2019 meetings, (iii) the release of up to \$1 million in Western NY Power Proceeds net earnings, and (iv) the release of up to \$2 million in Northern NY Power proceeds net earnings on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference level. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release such amounts from the trust estate created by the Bond Resolution consistent with the terms thereof.

#### FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to release an additional up to \$21.6 million in funding to support the operation of the Canal Corporation in calendar year 2019. Staff has further determined that the amounts presently held in reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority's Bond Resolution and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution.

The expenses associated with the operations of the Canal Corporation for calendar year 2019 are included in the Canal Corporation's 2019 O&M Budget.

#### RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees authorize the release of up to an additional \$21.6 million in funding to the Canal Corporation to support the operations of the Canal Corporation in calendar year 2019. It is further requested that the Finance Committee recommend that the Trustees affirm that such release is feasible and advisable, that the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority's Bond Resolution, and that such funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution.

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

*Mr. Lee Garza provided highlights of staff's recommendation to the Committee.*

On motion made by member John Koelmel and seconded by member Michael Balboni, the following resolution was unanimously approved.

RESOLVED, That the Finance Committee hereby recommends that the Trustees authorize the release of up to an additional \$21.6 million in funding to the Canal Corporation to support operations of the Canal Corporation in calendar year 2019, as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance Committee further recommends that the Trustees affirm that amounts presently set aside as reserves in the Operating Fund are adequate for the

purposes specified in Section 503.2 of the Authority's Bond Resolution, that the amount of up to \$21.6 million in funding as described in the foregoing report is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented, and that the release of such amount is feasible and advisable.

6. **Next Meeting**

Chairperson McKibben said that the next regular meeting of the Finance Committee would be held on November 20, 2019 at a time to be determined.

**Closing**

Upon motion made by member John Koelmel and seconded by member Michael Balboni, the meeting was adjourned by Chairperson McKibben at approximately 9:48 a.m.

*Karen Delince*

Karen Delince  
Corporate Secretary

May 21, 2019

NYPA-CANAL FINANCE COMMITTEE

**EXHIBITS**

**For**

**May 21, 2019**

**Meeting Minutes**





**NY Power  
Authority**

**Canal  
Corporation**

Exhibit 5a-A  
May 21, 2019

# **Finance Committee Update**

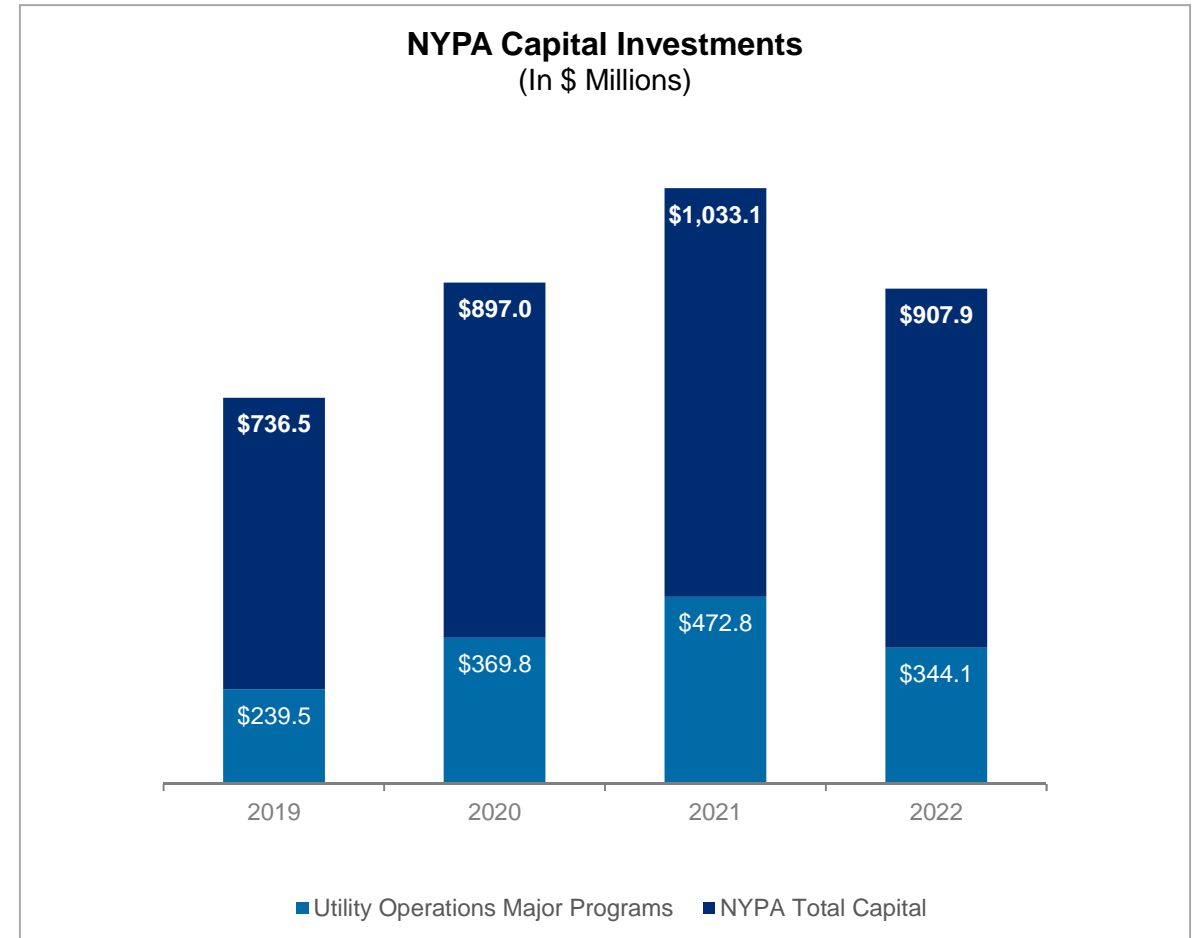
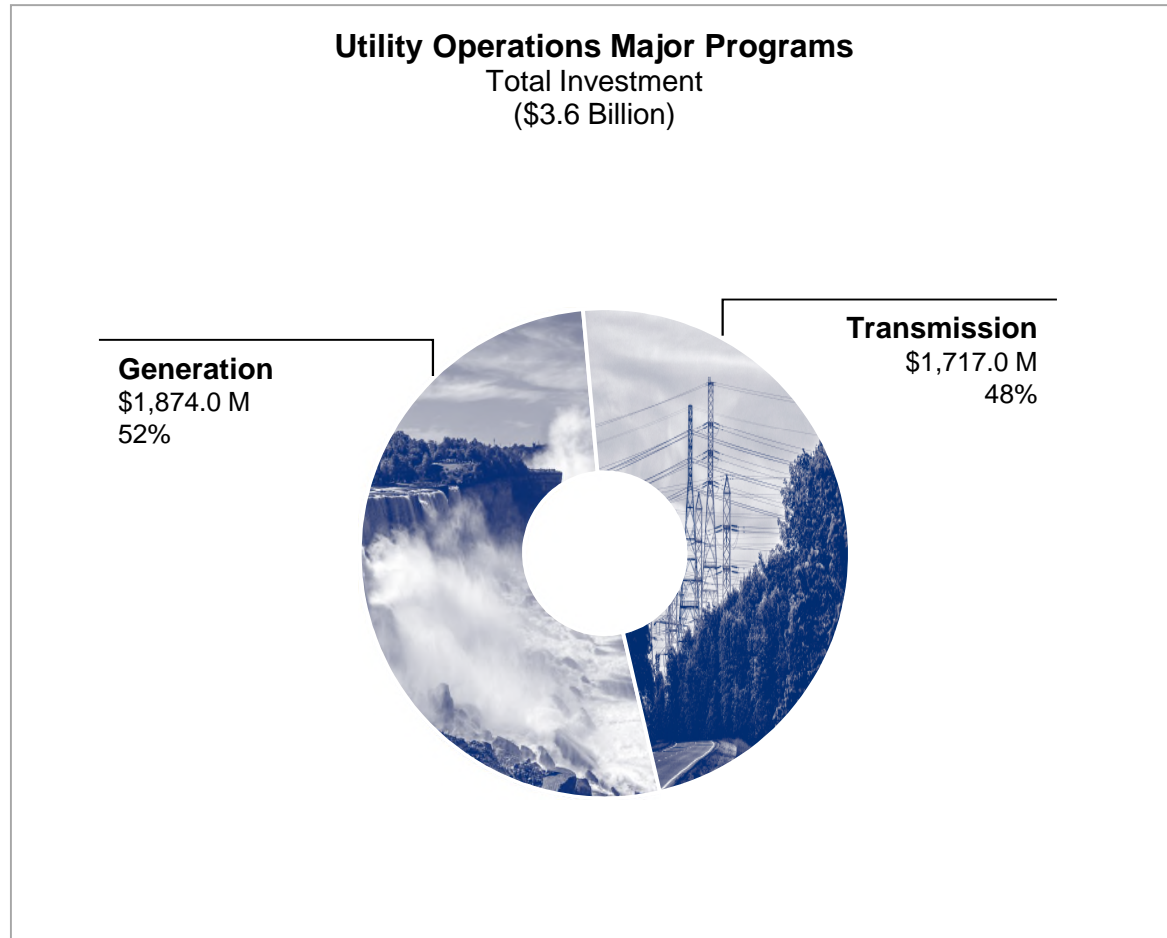
## **Infrastructure Investment**

**Joseph S. Kessler, Chief Operating Officer**  
**Lee Garza, Acting Chief Financial Officer**

May 21, 2019

# Large Capital Program Update

Continued significant investments in NYPA's utility operations to ensure grid performance & reliability



# TOP 10 INITIATIVES

Our largest projects represent ~60% of our total capital spending on utility operations \*

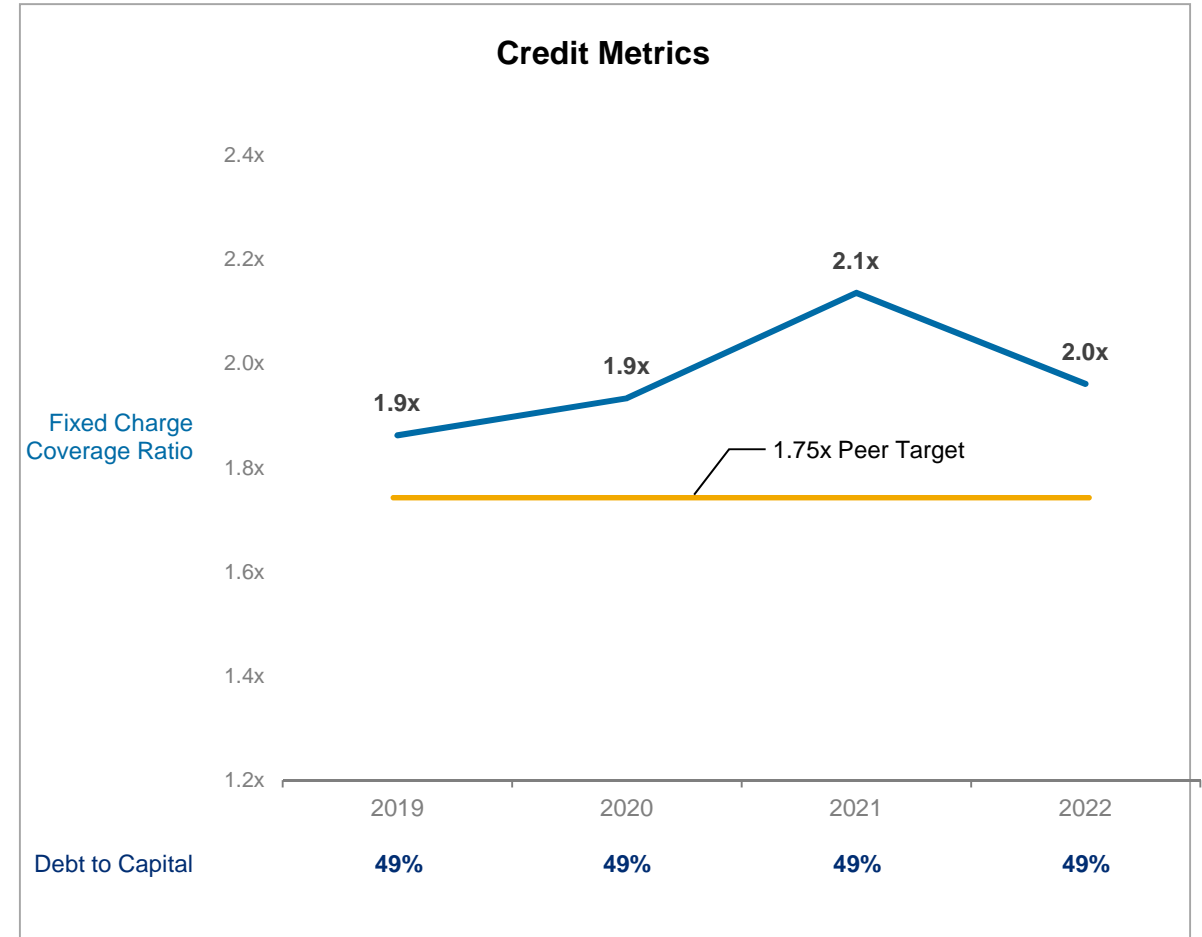
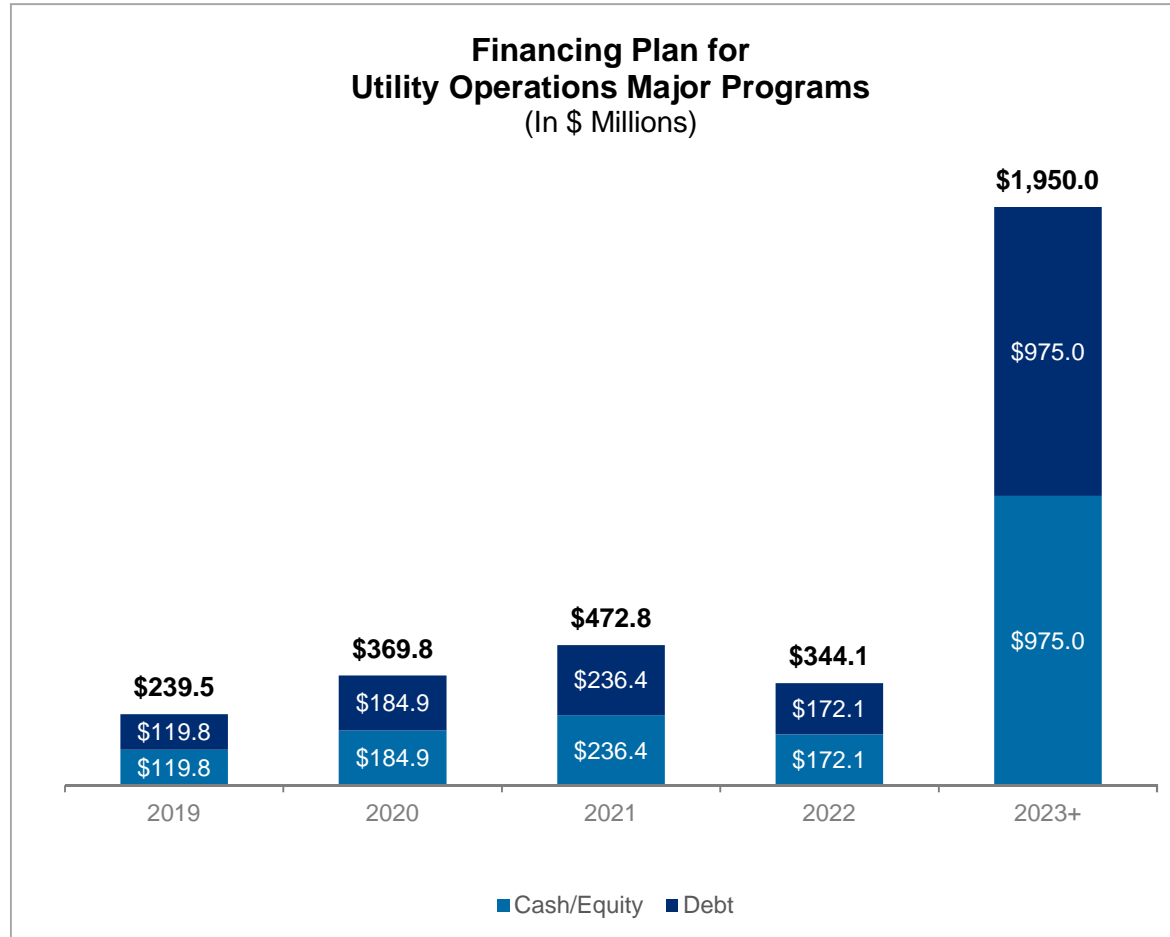
Large Major Capital Programs	Estimated (In \$ Millions)	Approved (In \$ Millions)
Robert Moses Life Extension & Modernization (LEM)	1,100.0	11.0
Transmission LEM (Capital)	726.0	726.0
Moses-Adirondack Smart Path Reliability Project	484.0	142.7
Lewiston Pump Generating Plant LEM	460.0	460.0
AC Transmission	281.6	3.0
Robert Moses Superstructure Bridge Replacement	190.0	1.7
Communications Backbone Program	153.0	100.3
Sensor Deployment Program	107.8	107.8
Niagara Power Project Fire Alarm & Safety Systems Program	37.6	37.6
Flynn Turbine Overhaul	23.8	23.8
<b>Total</b>	<b>\$3,563.8</b>	<b>\$1,613.8</b>

December, 2018— Breaker 1414 Disconnect at St. Lawrence Switchyard

\* Utility operations excludes Energy Efficiency & Canals

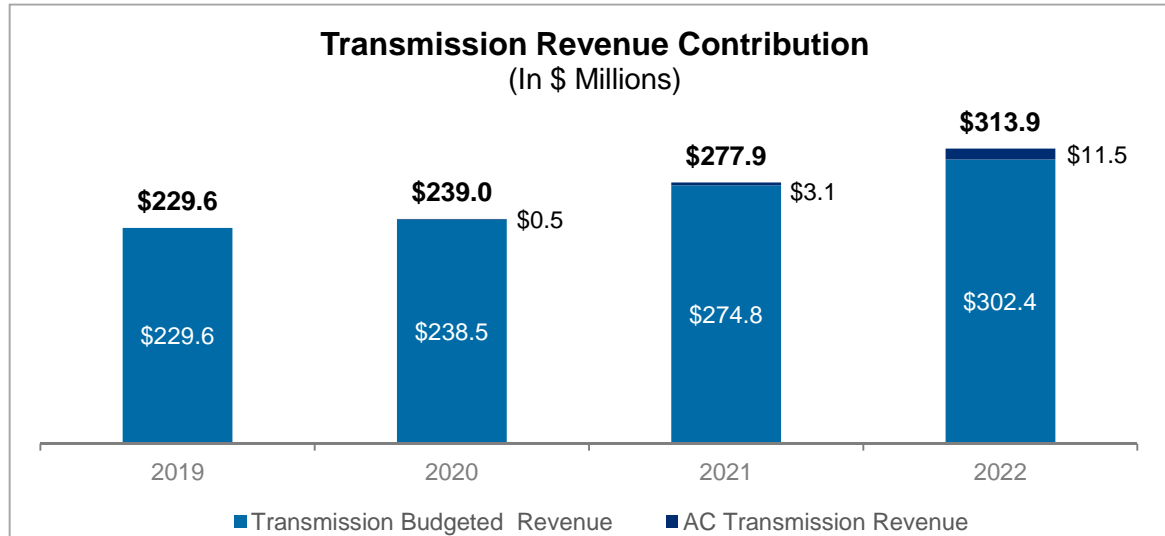
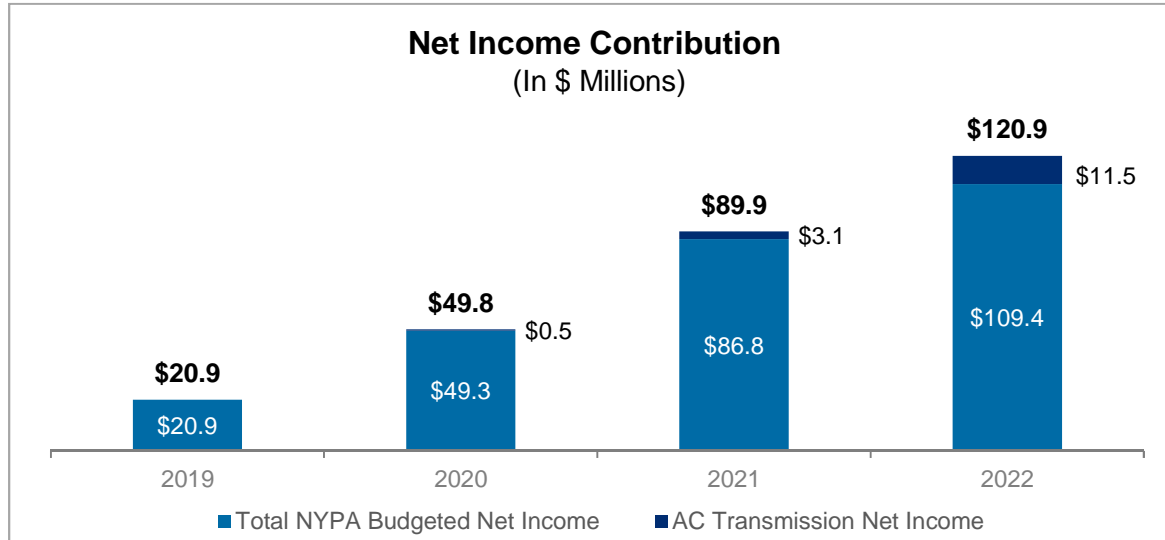
# Capital Financing

Our credit metrics remain strong as we finance a robust capital program



# AC Transmission Project

Immediately accretive under our proposed recovery mechanism



Total cost of \$281 million  
expended by Q4 2023

Projected revenue and net  
income uplift of ~\$25 million  
and ~\$15 million respectively  
per year after the line is  
energized



**NY Power  
Authority**

**Canal  
Corporation**