

**MINUTES OF THE REGULAR MEETING  
OF THE  
FINANCE COMMITTEE  
July 29, 2014**

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July 29, 2014

Minutes of the regular meeting of the New York Power Authority's Finance Committee held at the Authority's offices at 123 Main Street, White Plains, New York at approximately 9:45 a.m.

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

Jonathan F. Foster, Chairperson  
John R. Koelmel

Terrance P. Flynn - Excused

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**Also in attendance were:**

Eugene L. Nicandri	Trustee
Joanne Mahoney	Trustee
Dr. Anne M. Kress	Trustee
Gil Quiniones	President and Chief Executive Officer
James Pasquale	Senior Vice President – Economic Development and Energy Efficiency
Justin Driscoll	Executive Vice President and General Counsel
Arthur Cambouris	Deputy General Counsel
Robert Lurie	Executive Vice President and Chief Financial Officer
Jill C. Anderson	Vice President – Public & Regulatory Affairs and Chief of Staff
Karen Delince	Corporate Secretary
Gerard Vincitore	Vice President – Finance
Brian McElroy	Treasurer
Lorna Johnson	Associate Corporate Secretary
Sheila Baughman	Assistant Corporate Secretary

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Chairman Jonathan Foster presided over the meeting. Corporate Secretary Delince kept the Minutes.

**Introduction**

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

1. **Adoption of the Proposed Meeting Agenda**

Upon motion made and seconded the agenda for the meeting was adopted.

2. **Approval of the Minutes**

The Minutes of the Committee's Regular Meeting held on December 17, 2013, were approved.

### **3. Upstate New York Strategic Fuel Reserve Program**

The Vice President of Finance submitted the following report:

#### **“SUMMARY**

The Finance Committee is requested to recommend that the Authority's Trustees authorize the payment of up to \$10 million in funds to the New York State Energy Research and Development Authority ('NYSERDA') to support the State's Upstate Fuel Reserve initiative which NYSEDA will implement.

#### **BACKGROUND**

Super storm Sandy, in 2012, damaged fuel terminals and shut down gasoline suppliers and stations, creating gaps in the supply of gasoline for use by first responders, utility repair crews (including NYPA crews), and victims of the storm, and hampered rescue and recovery efforts. The storm and associated flooding left large areas of the State without power.

In October 2013, Governor Andrew M. Cuomo launched the first State-based strategic gasoline reserve initiative, known as the "Fuel NY" initiative ('Fuel NY'). The Fuel NY initiative, which includes a Downstate Strategic Gasoline Reserve and backup generator programs for strategic retail motor fuel stations ('DSGR'), is designed to mitigate fuel distribution disruptions in the region.

The State has determined to expand Fuel NY to establish an Upstate Strategic Fuel Reserve ('USFR') of refined products including gasoline and diesel, focused on ensuring fuel availability to emergency responder communities during a declared State energy emergency. The USFR will be designed to create physical fuel reserves in various regions of Upstate NY for the purpose of serving local emergency responders as a supplement to market deliveries that are maintained during emergency rescue and recovery efforts. At this time, it is anticipated that the geographic locations include the following Upstate New York economic regions: Capital District, Central New York, Finger Lakes, Mid-Hudson, Mohawk Valley, North Country, Southern Tier, and Western New York. Given its experience with the DSGR Initiative, NYSEDA will implement the USFR Initiative.

NYSERDA is currently seeking proposals from terminal owners and operators, wholesale fuel marketers, or any other entities that may be able to provide some or all of the following services: fuel purchase, transportation to designated storage facilities, and storage, for both regular grade finished motor gasoline (including ethanol) and diesel fuel. Additional services are expected to include, but are not limited to, wholesale fuel procurement and delivery to storage, fuel management, sales and distribution, product insurance, and any other ancillary services.

#### **DISCUSSION**

NYPA has been asked to provide up to \$10 million to support the USFR Initiative. Staff anticipates that such funding would be made available to NYSEDA during the Authority's 2014 fiscal year. NYSEDA would need to secure additional funding after NYPA funding is exhausted.

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. Any such contribution or transfer of funds must: (1) be authorized by law; (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"). 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 payments or transfers.

NYPA supplies power to hundreds of public and private entities throughout Upstate NY, and therefore has a vital interest in seeing that safe and reliable electric service in the State is restored and

maintained in the event of a storm or other emergency. In an emergency, first responders and utility crews, including those who repair NYPA assets and other electricity assets, must have ready access to fuels which power the equipment needed for both rescue and recovery efforts as well as power restoration. Accordingly, in staff's view, the USFR Initiative supports NYPA's overall mission and is consistent with its legal authority to supply and, when necessary, restore power to its customers statewide.

Staff has reviewed the effects of the release of up to \$10 million at this time on the Authority's expected financial position and reserve requirements. These funds are not needed for any of the purposes set forth in the Bond Resolution. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of this transfer amount on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference point 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 \$10 million at this time.

If the Trustees approve the funding request, staff anticipates that NYPA and NYSERDA would enter into a memorandum of understanding relating to the USFR Initiative.

#### FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to transfer up to \$10 million to NYSERDA 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.

#### RECOMMENDATION

The Vice President of Finance recommends that the Finance Committee recommend that the Trustees authorize, as feasible and advisable, the payment of up to \$10 million to the New York State Energy Research and Development Authority ('NYSERDA').

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

***Mr. Gerard Vincitore provided highlights of staff's recommendation to the Committee. In response to a question from Chairman Foster, Mr. Vincitore said the Authority supplies power to many customers and businesses upstate therefore it's in the Authority's best interest to assist the state during emergencies in its efforts to restore the system by having access to those fuel reserves.***

***President Quiniones added that the fuel reserve will be dedicated primarily to first responders, including utility workers, to restore power during power outages due to severe weather events. He added that fuel reserve has been established on Long Island to serve the downstate area and this reserve will be located upstate to serve first responders including utility workers in the upstate area.***

***In response to questioning from Trustee Nicandri Mr. Lurie said the agreement to support the Upstate Fuel Reserve Initiative was a separate part of the negotiations with the state budget office that resulted in the agreement of the \$90 million voluntary contribution to the state and repayment of the temporary asset transfer.***

***President Quiniones said that NYSERDA, not the Authority, funded the downstate fuel reserve on Long Island. He also reiterated that the fuel reserve was for power restoration in upstate New York, especially after the effects of Hurricane Irene and Lee. He opined that, from that perspective, this funding request is a clear nexus to the Authority's mission.***

***By motion made and seconded, it was agreed that staff's recommendation not be adopted by the Finance Committee.***

The following resolution, as submitted by the Vice President of Finance, was not adopted.

**RESOLVED, That the Finance Committee recommends that Trustees authorize a payment of up to \$10 million from the Operating Fund to New York State Energy Research and Development Authority ("NYSERDA") as discussed in the foregoing memorandum of the Vice President of Finance.**



**4. Selection of Firms to Serve as Authority Underwriters**

The Treasurer submitted the following report:

“SUMMARY

The Finance Committee is requested to recommend that the Authority’s Trustees approve the appointment of a prequalified underwriting pool of Senior Managers, Co-Managers and Selling Group members to originate, underwrite and sell the Authority’s Debt Obligations for a period of three years.

BACKGROUND

The Authority’s 2014 – 2017 Approved Budget and Financial Plan includes approximately \$1 billion in expenditures for various infrastructure initiatives, such as the Transmission and Lewiston Pump Generating Plant life extension and modernization programs. Additionally, the four-year plan includes approximately \$1 billion in investments in Energy Efficiency measures, bringing average annual total demand for capital funding resources to about \$500 million per year. These initiatives, in part, are expected to be financed via the sale of Debt Obligations (‘debt’) in the capital markets. Opportunities also exist to refund certain series of the Authority’s Revenue Bonds beginning on their first call date of November 15, 2015. To be able to enter the capital markets as conditions and needs arise, the Authority issued a Request for Qualifications (‘RFQ’) (Q-14-5577MR) to pre-qualify firms to assist in originating, underwriting and selling the Authority’s debt.

DISCUSSION

Earlier this year, the Authority issued a RFQ for firms interested in providing underwriting services for Authority debt issuances. The RFQ was advertised in the *New York State Contract Reporter*. Banks, brokers and dealers that have expressed an interest in providing such services to the Authority were invited to respond to the RFQ. In consideration of the recommendations of a State Task Force established to increase the use of Minority and Women-Owned Business Enterprise (‘MWBE’) underwriters, firms certified with the New York State Department of Economic Development were also invited to respond to the RFQ. In total, thirty-one firms responded to the RFQ either individually or as joint partnerships, of which thirteen were MWBEs and two were Disabled Veteran Enterprises (‘DVE’).

The Authority’s evaluation of responses took into consideration several qualitative characteristics essential for a successful underwriting team. Specifically, responses were evaluated for firm experience in structuring, underwriting and selling both tax-exempt and taxable bond and note issues; knowledge of the Authority, its business markets and the public power industry; the ability and demonstrated willingness to underwrite bonds; financial strength and capital position, including excess net capital allocated to public finance; distribution capability in the retail and institutional sectors; diversity and commitment to equal employment opportunities, including the willingness to partner with an MWBE and/or DVE; and value-added services and financing proposals aimed at cost savings or debt structuring.

Based on staff’s evaluation, the following firms exhibited the qualifications that would make them suited to serve in a Senior or Co-Senior underwriting capacity. Based on their combined experience and distribution capabilities, staff believes the team will be able to market the Authority’s debt at the lowest possible interest cost with wide investor participation.

**Senior Managers**

- Bank of America Merrill Lynch
- Barclays Capital Inc. with Rice Financial Products Company\* and Duncan-Williams, Inc.\* (joint proposal)
- Citigroup Global Markets Inc.
- Goldman, Sachs & Co.
- J.P. Morgan Securities LLC with Academy Securities\* and Estrada Hinojosa & Company, Inc.\* (joint proposal)
- Loop Capital Markets LLC \*
- Mesirow Financial, Inc. with Blaylock Beal Van LLC\* (joint proposal)
- Morgan Stanley & Co. LLC
- Ramirez & Co., Inc. \*
- Wells Fargo Bank, N.A.

In addition to the selection of Senior Managers, the following firms are being recommended to serve as Co-Managers and Selling Group Members based on their qualifications to distribute and/or underwrite bonds:

**Co -Managers**

- BMO Capital Markets
- BNY Mellon Capital Markets, LLC
- CastleOak Securities, L.P. \*
- Drexel Hamilton, LLC\*
- M&T Securities, Inc.
- RBC Capital Markets, LLC
- Roosevelt & Cross Incorporated
- Siebert Brandford Shank & Co., L.L.C. \*
- TD Securities LLC
- The Williams Capital Group, L.P.\*

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\* MWBE or DVE

**Selling Group Members**

- Robert W. Baird & Co., Incorporated
- Backstrom McCarley Berry & Co., LLC\*
- Cadwyn Point Partners LLC\*
- Great Pacific Securities\*
- NW Capital Markets Inc.
- Stern Brothers & Co. \*

Firm assignments for Senior Manager(s), Co-Manager(s) and Selling Group members from the prequalified underwriting pool will be established at the time of each financing transaction subject to selection by the Chairman, President and Chief Executive Officer or Executive Vice President and Chief Financial Officer. Firms serving as Co-Managers or Selling Group members may be considered for an elevated position within the pool based on exemplary service to the Authority or value added structuring proposals.

**FISCAL INFORMATION**

There is no fiscal impact associated with this action.

**RECOMMENDATION**

The Treasurer recommends that the Finance Committee recommend the Trustees adopt the necessary resolutions authorizing the firms referenced in Exhibit '4-A' (attached) for the purpose of providing underwriting services for a three-year period."

***Mr. Brian McElroy provided highlights of the staff's recommendation to the Committee. In response to a question from Authority Chairman Koelmel, Mr. McElroy said the Authority now utilizes a pool of eligible underwriting firms for its bond financings. He also said prior to that, the Authority assigned firms for its bond financings on an "as needed" basis.***

The following resolution, as submitted by the Treasurer, was unanimously adopted.

**RESOLVED, That the Finance Committee recommends the appointment of prequalified firms to serve as Senior Managers, Co-Managers and Selling Group members as set forth in Exhibit "4-A," attached hereto, for a period of three years, as discussed in the foregoing report of the Treasurer.**

5. **Next Meeting**

The next regular meeting of the Finance Committee is to be determined.

**July 29, 2014**

**Closing**

Upon motion made and seconded, the meeting was adjourned by the Chairman at approximately 10:00 a.m.

Karen Delince  
Corporate Secretary

July 29, 2014

FINANCE COMMITTEE

**EXHIBITS**

**For**

**July 29, 2014**

**Meeting Minutes**

I. Underwriters for Authority Debt Issuances RFQ Q-14-5577MR

1. Senior Managers

**Academy Securities**

**One Chase Manhattan Plaza, 39<sup>th</sup> Floor**  
**New York, NY 10005**

**Bank of America Merrill Lynch**

**One Bryant Park, 12<sup>th</sup> Floor**  
**New York, NY 10036**

**Barclays Capital Inc.**

**745 Seventh Avenue**  
**New York, NY 10019**

**Blaylock Beal Van, LLC**

**600 Lexington Avenue, 3<sup>rd</sup> Floor**  
**New York, NY 10022**

**Citigroup Global Markets Inc.**

**390 Greenwich Street, 2<sup>nd</sup> Floor**  
**New York, NY 10013**

**Duncan-Williams, Inc.**

**6750 Poplar Avenue**  
**Suite 300**  
**Memphis, TN 38138**

**Estrada Hinojosa & Company, Inc.**

**230 Park Avenue, 10<sup>th</sup> Floor**  
**New York, NY 10169**

**Goldman, Sachs & Co.**

**200 West Street**  
**New York, NY 10282**

**J.P. Morgan Securities LLC**

**383 Madison Avenue, 8<sup>th</sup> Floor**  
**New York, NY 10179**

**Loop Capital Markets LLC**

**88 Pine Street, 25<sup>th</sup> Floor**  
**New York, NY 10005**

**Mesirow Financial, Inc.**

**666 Third Avenue, 14<sup>th</sup> Floor**  
**New York, NY 10017**

**Morgan Stanley & Co. LLC**  
1585 Broadway, 16<sup>th</sup> Floor  
New York, NY 10036

**Ramirez & Co., Inc.**  
61 Broadway, Suite 2924  
New York, NY 10006

**Rice Financial Products Company**  
55 Broad Street, 27<sup>th</sup> Floor  
New York, NY 10004

**Wells Fargo Bank, N.A.**  
375 Park Avenue, 6<sup>th</sup> Floor  
New York, NY 10152

2. Co-Managers

**BMO Capital Markets**  
3 Times Square, 28<sup>th</sup> floor  
New York, NY 10036

**BNY Mellon Capital Markets, LLC**  
101 Barclay Street, 3rd Floor  
New York, NY 10286

**CastleOak Securities L.P.**  
110 59<sup>th</sup> Street, 2<sup>nd</sup> Floor  
New York, NY 10022

**Drexel Hamilton, LLC**  
77 Water Street  
Suite 201  
New York, NY 10005

**M&T Securities, Inc.**  
350 Park Avenue, 5<sup>th</sup> Floor  
New York, NY 10022

**RBC Capital Markets, LLC**  
3 World Financial Center  
200 Vesey Street  
New York, NY 10281

**Roosevelt & Cross Incorporated**  
One Exchange Plaza  
55 Broadway, 22<sup>nd</sup> Floor  
New York, NY 10006



**Siebert Brandford Shank & Co., L.L.C.  
100 Wall Street, 18<sup>th</sup> floor  
New York, NY 10005**

**TD Securities LLC  
31 West 52<sup>nd</sup> Street  
New York, NY 10019**

**The Williams Capital Group, L.P.  
650 Fifth Avenue, 11<sup>th</sup> Floor  
New York, NY 10019**

3. Selling Group

**Robert W. Baird & Co., Incorporated  
380 Knollwood Street  
Suite 440  
Winston-Salem, NC 27103**

**Backstrom McCarley Berry & Co., LLC  
115 Sansome Street, Mezzanine A  
San Francisco, CA 94101**

**Cadwyn Point Partners LLC  
26 Point Road  
Norwalk, CT 06854**

**Great Pacific Securities  
151 Kalmus Drive  
Suite H8  
Costa Mesa, CA 92626**

**NW Capital Markets Inc.  
2 Hudson Place, 3<sup>rd</sup> Floor  
Hoboken, NJ 07030**

**Stern Brothers & Co.  
8000 Maryland Avenue  
Suite 800  
St. Louis, MO 63105**