



**MINUTES OF THE JOINT MEETING
OF THE FINANCE and RISK COMMITTEE
January 12, 2022**

Table of Contents

<u>Subject</u>	<u>Page No.</u>
Introduction	2
1. Adoption of the January 12, 2022 Proposed Meeting Agenda	2
2. Motion to Conduct an Executive Session	2
3. Motion to Resume Meeting in Open Session	2
4. DISCUSSION AGENDA:	3
a. Financial Operations	3
i. Chief Risk & Resilience Officer Report	3
ii. Issuance of Bond and Funding for Separately Financed Projects	5
1. Proposed Issuance of Transmission Project Revenue Bonds Resolution	5
2. Release of Additional Funds in Support of Separately Financed Projects Resolution	6
b. Utility Operations	7
i. Smart Path Connect Project – Steel Pole Structures and Anchor Bolt Cages – Contract Award Resolution	7
ii. Y49 Transmission Line – Engineer Procure and Construct Reconductoring – Contract Award Resolution	7
5. CONSENT AGENDA:	8
a. Enterprise Risk & Resilience	8
i. Enterprise Risk and Resilience Consulting Services – Contract Award Resolution	8

<u>Subject</u>	<u>Page No.</u>
b. Strategic Supply Management	8
i. Beechcraft King Air B350 - Transfer of Ownership to New York State Police Resolution	8
c. Approval of the Joint Committee Minutes of Meeting held on November 16, 2021	9
6. Next Meeting	9
7. Closing	9

Minutes of the joint meeting of the New York Power Authority and Canal Corporation's Finance and Risk Committee held via videoconference at approximately 8:30 a.m.

Members of the Finance Committee present were:

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

Also in attendance were:

Justin E. Driscoll	Interim President and Chief Executive Officer
Philip Toia	President – NYPA Development
Lori Alesio	Interim Executive Vice President and General Counsel
Adam Barsky	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Kristine Pizzo	Executive Vice President and Chief Human Resources & Administrative Officer
Sarah Salati	Executive Vice President and Chief Commercial Officer
Daniella Piper	Regional Manager and CTO
Patricia Lombardi	Senior Vice President – Project Delivery
Yves Noel	Senior Vice President and Chief Strategy Officer
Robert Piascik	Senior Vice President and Chief Information & Technology Officer
Scott Tetenman	Senior Vice President – Finance
Karen Delince	Vice President and Corporate Secretary
Adrienne Lotto Walker	Vice President and Chief Risk & Resilience Officer
Andrew Boulais	Vice President – Project & Construction Management
John Canale	Vice President – Strategic Supply Management
Shirley Marine	Vice President – Enterprise Shared Services
Thakur Sundeep	Controller
Javier Bucobo	Assistant General Counsel – Power Transmission & Regulatory
James Levine	Assistant General Counsel – Finance and Bonds
Earl Faunlagui	Senior Director – Market & Commodities Risk
Fernando Granitto	Senior Director – Power Trading
Bryan Chan	Director – Market Analysis & Hedging
Carley Hume	Chief of Staff – President's Office
Christopher Vitale	Finance Performance & Reporting Manager
Mary Cahill	Manager – Executive Office
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Associate Corporate Secretary
Andrea Kelli Higgs	Associate Corporate Secretary
Michele Stockwell	Project Coordinator – Executive Office

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

Introduction

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

1. Adoption of the January 12, 2022 Proposed Meeting Agenda

On motion made by member John Koelmel and seconded by member Eugene Nicandri, the agenda for the meeting was adopted.

Conflicts of Interest

Chairperson McKibben and members Koelmel, Nicandri, Picente, Trainor and Gonzalez declared no conflicts of interest based on the list of entities previously provided for their review. Member Balboni declared a conflict of interest as it relates to Deloitte & Touche, item #5a i.

2. Motion to Conduct and Executive Session

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

3. Motion to Resume Motion in Open Session

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

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

4. DISCUSSION AGENDA:

a. Financial Operations

i. Chief Risk & Resilience Officer Report

Ms. Adrienne Lotto Walker, Vice President and Chief Risk & Resilience Officer, provided an update on, and requested the committee's recommendation to the full board for the approval of the Risk Appetite Statement. She also provided an update on the Risk and Resilience Maturity Roadmap and the 2022 Merchant Gross Margin Multi-Year Hedging Strategy.

Risk Appetite Statement

The Risk Appetite Statement was developed to memorialize NYPA and Canals' willingness to take on risks and seek new opportunities. The members provided feedback and suggested separating the DEI and ESG categories; consider increasing willingness to take on risks as well as understanding the reward and trade-off; review reputational risks and, in alignment with VISION2030, re-examine strategic risks. Changes were made to the Risk Appetite Statement, accordingly.

Key Risk Indicators were created relative to the Risk Appetite Statement to ensure transparency into the risk appetite categories which are specifically tailored to NYPA and Canals, and which were vetted with each of the Business Unit owners.

Risk Maturity Roadmap

In November, the members were provided the results of a benchmarking that was done to ascertain and understand the level of maturity that exists within NYPA and Canals in terms of the risk management program.

NYPA scored slightly below the industry benchmark. The key areas where the organization needed to advance on maturity are integration with strategy; enhancing governance; ensuring that it has robust risk management processes such as risk escalation pathways and improving its culture; and ensuring regulatory compliance.

NYPA's Path to Maturity

NYPA undertook tasks to ensure that not only did the organization meet industry benchmark but exceeded it. The Risk & Resilience department, working across the Business Units, plans not only to meet that industry benchmark but exceed it.

2022 Merchant Gross Margin Multi-Year Hedging Strategy

Ms. Lotto said that in 2020, the Board approved a shift in the portfolio management approach from an asset optimization or revenue maximization to a volumetric hedging strategy. The purpose of that volumetric hedging strategy is to mitigate the Authority's downside risks if prices start declining. This will enable the Authority to decrease its volatility and achieve its annual budget targets.

Hedging Program

Mr. Bryan Chan, Director of Market Analysis & Hedging, provided an update on the hedging program, which includes NYPA's successes in the past year, as well as reiterating the continuing strategy going into 2022 and forward.

- Hedging Strategy is successfully reducing Merchant Risk

The Hedging Program is a tool utilized to mitigate the market volatility of the energy commodities market. NYPA is looking to manage the downside risk of exposure on the price volatility with its multi-year hedging strategy designed to layer hedges over a period of time, similar to the "dollar-cost averaging

strategy. NYPA is financially protecting the merchant portfolio at regular intervals, regardless of price, to line up to the NYPA budget-setting process.

Forecast and market conditions change on a regular basis; however, the guiding principle behind the program is risk reduction for the merchant gross margin revenues and, therefore, add a stability to the NYPA budget as a whole.

- Trading Activity and Risk Reduction

In 2019, NYPA did have a fairly naked merchant portfolio in terms of hedging. However, in 2020, a new hedging program was initiated.

In 2021, NYPA had its first year of a normalized budget where the portfolio is set up for regular hedging.

For 2022, NYPA is showing a downside risk exposure about \$50 million. If the hedges were taken out, the risk exposure would be about \$106 million; so, there is a risk reduction of about \$56 million in totality.

2023 risk exposure will be similar to 2022, because, by design the Authority is layering the hedges over the course of time.

Strategy to remain consistent moving into 2022

NYPA plans to continue its strategy from 2021 to 2022, in terms of the hedging targets that was set for the organization.

The team plans to accelerate achieving those targets by the end of August so that they can line up their goals to when the Finance department sets their budget for NYPA. This will be a very beneficial step in ensuring more stability for the budget-setting process.

In closing, Mr. Chan reaffirmed the fundamental successes and the continuation of the ongoing improvements in the hedging program and strategy. On December 21, the Executive Risk & Resilience Management Committee unanimously approved the continuation of the hedging strategy in 2022.

Governance

Mr. Earl Faunlagui, Senior Director of Market & Commodities Risk, provided an overview of the governance portfolio. He said that the Trustees authorized the Executive Risk and Resilience Committee to provide oversight on the energy and non-energy commodity hedge programs. He will discuss the governance surrounding these programs.

Policy & Procedures – Policies and procedures are in place so that each group has identified specific roles and responsibilities to ensure that there is segregation of duties when performing hedging activities and its supporting functions.

Strategy & Hedge Instrument Authorization – the allowable strategies and instruments are defined, specifically to state that the portfolio be of a non-speculative nature, in that any hedges in place would be intended to mitigate any price exposures.

Transaction Limits – thresholds are set to govern activities, such as transaction limits, so that the volumes that each trader engages in, i.e., how far in the future they are engaging, is limited based on their hierarchy within the organization and also for awareness.

Monitoring and Reporting

The team monitors and report on portfolios on a daily basis to ensure that the activities that the Commercial Operations team is performing is in conformance with the approved strategies of the Executive Risk and Resilience Management Committee.

The team monitors the valuation of the market in terms of the energy that is in NYPA's portfolio and market conditions and provides valuations to the NYPA management team. The team reports potential price movements using statistical analysis. This helps the group to identify evolving market risks, e.g., an increased risk to natural gas due to weather or to energy prices because of constraints in the market. The team also reviews executed trades for adherence to the approved strategy.

The team also performs hedge effectiveness testing every quarter and report the results to the Controller's office to independently demonstrate that these hedges are indeed mitigating the price exposure.

Models are used to inform decisions, and, as part of their role, the team monitors model inputs and have continual discussions with the Commercial Operations team to ensure that the model is reflecting market conditions as best as possible to have an informed tool to guide further business decisions.

Most importantly, as part of this program, there are continuous communications between the teams and they have an escalation path to the Chief Risk and Resiliency Officer, the Chief Financial Officer, and also the Trustees, in order to report any activities for transparency.

In closing, Mr. Faunlagui said that with the strategy being reaffirmed, the team is confident that this is the right path, that it is mitigating price volatility and is able to bring greater price certainty to NYPA's merchant revenue portfolio.

ii. **Issuance of Bond and Funding for Separately Financed Projects**

Mr. Adam Barsky, Executive Vice President and Chief Financial Officer, provided highlights of the issuance of Bond and Funding for Separately Financed Projects. He said that at the December meeting, the members approved a separate credit for certain priority transmission projects that have certain FERC Orders and cost recovery mechanisms in place. The members also approved \$300 million for the Central East Energy Connect project. The rating agencies affirmed NYPA's views in terms of the separateness of the financing by NYPA and that NYPA's credit is strong and can stand on its own.

He continued that, given the Authority's financing needs, as well as its efforts to optimize efficiency around its issuances, staff is requesting that the Finance and Risk Committee recommend to the full Board of Trustees the inclusion of the Smart Path Project, which has already been approved and has all the FERC Orders in place, to the first financing, up to \$500 million, for a term not to exceed 40 years, interest rate not to exceed five percent; as well as release \$65 million from the Trust Estate in order to represent NYPA's equity in that project, and allow NYPA to move forward with financing that will be achieved by the end of the first quarter.

1. **Proposed Issuance of Transmission Project Revenue Bonds**

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

RESOLVED, that the Finance and Risk Committee hereby recommends that the Trustees approve and adopt the resolution authorizing the Proposed Issuance of One or More Series of Transmission Project Revenue Bonds and Related Actions and Approvals, with such amendments, supplements, changes, insertions and omissions thereto as may be approved by the Chairman or the Interim President and Chief Executive Officer, which amendments, supplements, insertions and omissions shall be deemed to be part of such resolution as approved and adopted hereby, to provide for

the issuance of special obligations of the Authority for the purpose of financing transmission projects and related costs; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Chairman, the Interim President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer, or Treasurer be authorized and directed by the Trustees, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution, subject to approval as to the form thereof by the Interim Executive Vice President and General Counsel.

2. **Release of Additional Funds in Support of Separately Financed Projects**

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

RESOLVED, That the Finance and Risk Committee hereby recommends that the Trustees authorize the release of an additional amount of up to \$65 million in funding to support Separately Financed Projects of the Authority, as discussed in the report of the Interim President and Chief Executive Officer; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Trustees affirm 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 General Bond Resolution, that the amount of up to \$65 million in funding as described in the report is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Bond Resolution, and that the release of such amount is feasible and advisable; and be it further

RESOLVED, That Finance and Risk Committee recommends that the Trustees affirm that as a condition to making the payments specified in the report, on the day of such payments, the Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Bond Resolution; and be it further

RESOLVED, That the Finance and Risk Committee recommends that the Trustees affirm that the Chairman, the Vice Chairman, the Interim President and Chief Executive Officer, the Chief Operating Officer, the Interim 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 authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution, subject to approval as to the form thereof by the Interim Executive Vice President and General Counsel. Without limiting the generality of the foregoing, any amount released from the General Bond Resolution may, at the direction of any such officer, be transferred to any account or fund established pursuant to a bond resolution authorizing the issuance of bonds for any Separately Financed Project.

b. Utility Operations

i. Smart Path Connect Project – Steel Pole Structures and Anchor Bolt Cages – Recommendation for Contract Award

Mr. Andrew Boulais, Vice President of Project and Construction Management, provided highlights of staff's recommendation to the members.

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

RESOLVED, That the Finance and Risk Committee recommends that the Trustees approve, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, the award of a five-year equipment contract to Sabre Industries Inc. of Alvarado, Texas in the amount of \$91,518,671 for the Smart Path Connect Project - Steel Pole Structures and Anchor Bolt Cages, as recommended in the report of the Interim President and Chief Executive Officer; and be it further

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

Contractor

Contract Approval

Sabre Industries, Inc.
Alvarado, TX

\$91,518,671

RFP # Q21-7236MH

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

ii. Y49 Transmission Line – Nassau Segment Reconductoring – Recommendation for Contract Award

Mr. Andrew Boulais, Vice President of Project and Construction Management, provided highlights of staff's recommendation to the members.

On motion made by member Michael Balboni and seconded by member Dennis Trainor, the following resolution, as recommended by the Interim President and Chief Executive Officer, was unanimously adopted:

RESOLVED, That the Finance and Risk Committee recommends that the Trustees approve, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, the award of a two-year construction contract to Elecnor Hawkeye, LLC in the amount of \$37,877,000 for the reconductoring of the Nassau Segment of the Y49 Transmission Line, as recommended in the report of the Interim President and Chief Executive Officer; and be it further

RESOLVED, That the Authority will use Capital Funds, which may include proceeds of debt issuances, to finance the costs of the Y49 Nassau Segment Reconductoring project.

<u>Contractor</u>	<u>Contract Approval</u>
Elecnor Hawkeye, LLC Hauppauge, New York	<u>\$37,877,000</u>
RFP #Q21-7226BS	

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

5. CONSENT AGENDA:

On motion made by member Dennis Trainor and seconded by member Bethaida Gonzalez, the Consent Agenda was unanimously adopted.

a. Enterprise Risk & Resilience

i. **Enterprise Risk and Resilience Consulting Services – Recommendation for Award**

On motion made and seconded the following resolution, as recommended by the Interim President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance and Risk Committee recommends that the Trustees approve the award of Enterprise Risk and Resilience Consulting Services contracts to Aon Risk Services Northeast, Inc. (New York, NY); Customer Care Network, Inc. (Marietta, GA); Deloitte & Touche LLP (New York, NY); Ernst & Young LLP (New York, NY); Guidehouse Inc. (New York, NY); Marsh USA, Inc. (New York, NY) and The Brattle Group, Inc. (Boston, MA), and authorization for \$10 million over 5 years; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the Interim 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 Interim Executive Vice President and General Counsel.

b. Strategic Supply Management

i. **Beechcraft King Air B350 Transfer of Ownership to the New York State Police**

On motion made and seconded the following resolution, as recommended by the Interim President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Finance and Risk Committee recommends that the Trustees, pursuant to Title 5-A of Article 9 of the Public Authorities Law, the Authority's Guidelines for the Disposal of Personal

Property, and the Power Authority Act, approve the transfer of ownership of the Authority's King Air B350 S/N FL539, Registration Number N350NY, aircraft to the New York State Police for use by the State Police in furtherance of its mission to serve, protect and defend the people of the State of New York and in accordance with the report of the Interim President and Chief Executive Office; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the Interim President and Chief Executive Officer, 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 Interim Executive Vice President and General Counsel.

c. Approval of the Joint Committee Minutes of Meeting held on November 16, 2021

On motion made and seconded the Minutes of the New York Power Authority's and Canal Corporation's Finance Committee held on November 16, 2021 were unanimously adopted.

6. Next Meeting

Chairperson Tracy McKibben said that the next regular meeting of the Finance and Risk Committee will be held on March 18, 2022.

Closing

On motion made by member Dennis Trainor and seconded by member Anthony Picente, Jr., the meeting was adjourned by Chairperson McKibben at approximately 10:43 a.m.

Karen Delince
Karen Delince
Corporate Secretary