PROPOSED AGENDA
JOINT SPECIAL FINANCE COMMITTEE MEETING
Videoconference – January 24, 2020 at 9:00 a.m.

1. **Adoption of the January 24, 2020 Proposed Special Meeting Agenda**

2. **DISCUSSION AGENDA:**

   a. **Informational Item: Contract Award and Expenditure Authorization Guidelines - The Procurement Process** (John Canale)

   b. **Utility Operations**

      i. Moses-Adirondack Smart Path Reliability Project - Contract Award for Construction Services (Patricia Lombardi)

      ii. Transmission Life Extension & Modernization Program Central Region Tower Painting Project – Contract Award (Patricia Lombardi)

      iii. St. Lawrence-FDR Power Project - Hatch Cover Deck Grouting and Surface Rehabilitation Project (Phase2) Capital Expenditure Authorization Request and Contract Award (Patricia Lombardi)

   c. **Financial Operations**

      i. Policy for Hedging Program to Manage Cashflow Risks of Non-Energy Commodity Linked Customer Contracts (Adam Barsky)

      ii. Release of Funds in Support of the Residential Consumer Discount Program Created in Connection with the Recharge New York Power Program (Adam Barsky)

   d. **Commercial Operations**

      i. Authorization of Operational Support and Maintenance - Support Program for the Authority's Energy Efficiency Customers (Sarah Salati)

      ii. Energy Efficiency Program – Authorization to Award Contract for Street Lighting Operation and Maintenance Services (Sarah Salati)

      iii. Customer Digital Experience Program Capital Expenditure Authorization Request (CEAR) (Sarah Salati)

   e. **Canal Corporation**

      i. Funding and Budget Authorizations for the Reimagine the Canals Initiative (Yves Noel)

3. **Next Meeting**

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: January 24, 2020

To: THE FINANCE COMMITTEE

From: John Canale
Vice President Strategic Supply Management

Subject: Informational Item: Contract Award and Expenditure Authorization <u>Guidelines – The Procurement Process</u>

[ORAL PRESENTATION]

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2020**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

Subject: **Moses-Adirondack Smart Path Reliability Project**
Contract Award for Construction Services

SUMMARY

The Trustees will be requested at their January 29, 2020 meeting 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 allow the project to maintain schedule.

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

The Finance Committee is requested to recommend to the Trustees 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 with an additional $20 million for managing scope and schedule change risks for a total authorization amount of $314,274,993 to complete 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 construction services contracts exceeding $6 million requires the Trustees' approval.

The existing Moses-Adirondack 1&2 Lines ("MA 1&2 Lines") originate in the St. Lawrence Moses Substation in Massena, New York. From the Moses Substation, the lines generally traverse in a south and southwestern direction for approximately 86 miles, terminating in the Adirondack Substation in Croghan, New York. The MA 1&2 Lines are on double circuit steel lattice structures for the first eight miles, and the remaining 78 miles are supported by single- circuit wooden H-frame structures. The two circuits were originally constructed by the United States Department of Defense in 1942 and acquired by the Authority in 1953. The portion of the lines supported by the wooden H-frame structures have reached the end of their useful life, require frequent maintenance, and are at risk for catastrophic failure.

The Project will replace the 78 miles of wooden transmission structures with new single-circuit monopole structures that can support 345kV transmission, but will operate at 230kV until the full length of the transmission system is upgraded. The new structures will be located within the Authority's existing right-of-way. Construction will be sequenced to minimize outages on the MA 1&2 Lines and the 765kV Massena Substation – Utica Line ('765kV MSU Line'). Optical ground wire will also be installed along the entire transmission line over both circuits.

The Article VII application for the Project was submitted to the Public Service Commission on April 5, 2018 and was approved 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 submission 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.

DISCUSSION

Construction Contractor RFQ, RFP and Contract Awards

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 were:

- 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

It is requested that the Finance Committee recommend to the Trustees 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 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.

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

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the Finance Committee recommends that the Trustees, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, award 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;

Contractor	Contract Amount
Michels Power Neenah, WI (Q18-6654MR)	$314,274,993

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2020**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

Subject: **Transmission Life Extension & Modernization Program**
Central Region Tower Painting Project – Contract Award

SUMMARY

The Trustees will be requested at their January 29, 2020, meeting to approve a four-year contract award in the amount of $20,232,110 to Public Utilities Maintenance Inc. of Queens Village, NY for work to support the Transmission Life Extension and Modernization ("TLEM") Program, specifically the Tower Painting Project in the Central Region (the "Project").

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 Finance Committee is requested to recommend to the Trustees the approval of four-year construction services contract to Public Utilities Maintenance Inc. of Queens Village, NY in the amount of $20,232,110 for the Project.

BACKGROUND

In 2012, the Trustees approved a $726 million TLEM Program for the Authority's transmission system through 2025. As of November 30, 2019, the Authority has spent approximately $343 million on the TLEM Program. The TLEM Program is currently on time and on budget.

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 of the Central Region transmission line 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 effected 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. All work is expected to be completed by the end of 2023.

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

Payment associated with this Project will be made from the Authority's Operating Fund. Costs associated with this Project, which is a component of the TLEM Program, were included in the Authority's 2020 Operating Budget and the Authority's Approved Four-Year Budget and Financial Plan for 2020-2023. Costs associated with the TLEM Program are recoverable through tariff or other rate-based cost-recovery mechanisms.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve a four-year contract award in the amount of $20,232,110 to Public Utilities Maintenance Inc. for work to support the Transmission Life Extension and Modernization Program, specifically the Tower Painting Project in the Central Region.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the Finance Committee recommends that the Trustees approve a four-year contract award in the amount of $20,232,110 to Public Utilities Maintenance Inc. of Queens Village, NY for work to support the Transmission Life Extension and Modernization Program, specifically the Tower Painting Project in the Central Region;

Contractor	Contract Amount
Public Utilities Maintenance Inc. Queens Village, NY (Q18-6786DK)	$20,232,110

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2020**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

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

SUMMARY

The Trustees will be requested at their January 29, 2020 meeting to approve capital expenditures in the amount of $9,331,800 for Phase 2 of the St. Lawrence–FDR Power Project Hatch Cover Deck Grouting and Surface Rehabilitation Project ("Project") and approve the award of a three-year contract to Perras Excavating, Inc. in the amount of $7,339,000 to provide construction services to complete the 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 CEO. Approval of this request will release the final balance of the capital expenditures expected for the Project.

The Finance Committee is requested to recommend to the Trustees the approval of capital expenditures in the amount of $9,331,800 for Phase 2 of the Project and the approval of the award of a three-year contract to Perras Excavating, Inc. in the amount of $7,339,000 to provide construction services to complete the Project.

BACKGROUND

Phase 2 of the Project 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.

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.

DISCUSSION

Phase 1 of the Project, which was completed in 2019 on time and on budget, 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 Excavating, Inc., having extensive experience in similar construction, have demonstrated knowledge of the scope-of-work, and have performed satisfactorily under the earlier phase of the Project, are 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 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
Authority Close-Out, Direct and Indirect Expenses	$1,208,900
TOTAL	$9,331,800

FISCAL INFORMATION

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

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve capital expenditures in the amount of $9,331,800 for Phase 2 of the St. Lawrence–FDR Power Project Hatch Cover Deck Grouting and Surface Rehabilitation Project and approve the award of a three-year contract to Perras Excavating, Inc. in the amount of $7,339,000 to provide construction services to complete the Project. For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

R E S O L U T I O N

RESOLVED, That the Finance Committee recommends that the Trustees authorize capital expenditures in the amount of $9,331,800 for Phase 2 of the St. Lawrence-FDR Power Project Hatch Cover Deck Rehabilitation Project;

Capital	**Expenditure Authorization**
Hatch Cover Deck Rehabilitation Project (Phase 2)	$9,331,800

AND BE IT FURTHER RESOLVED, That the Finance Committee recommends that the Trustees, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, award a three-year contract to Perras Excavating, Inc. of Massena, NY, in the amount of $7,339,000 to provide construction services to complete the aforementioned project;

Contractor	**Contract Approval**
Perras Excavating, Inc. Massena, NY (Q19-6803DK)	$7,339,000

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2020**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

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

SUMMARY

The Trustees will be requested, at their January 29, 2020 meeting, 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 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 described below on the Authority's earnings and cashflow.

The Finance Committee is requested to recommend 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 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 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. Transaction 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 out of the Authority's Operating Fund.

RECOMMENDATION

The Executive Vice President and Chief Financial Officer recommends that the Finance Committee recommend that the Trustees approve the Policy for the Hedging Program to Manage Cashflow Risks of Non-Energy Commodity Linked Customer Contracts attached as "Exhibit A" and discussed above.

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

Gil C. Quiniones
President and Chief Executive Officer

R E S O L U T I O N

RESOLVED, That the Finance Committee has reviewed the Policy for the Hedging Program to Manage Cashflow Risks of Non-Energy Commodity Linked Customer Contracts (the "Policy") and recommends that the Trustees approve the Policy.

Exhibit A
January 24, 2020

New York Power Authority

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

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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.

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2020**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

Subject: **Release of Funds in Support of the Residential Consumer Discount Program Created in Connection with the Recharge New York Power Program**

SUMMARY

The Trustees will be requested, at their January 29, 2020 meeting, 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 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.

The Finance Committee is requested to recommend that the Trustees approve the release of $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

It is requested that the Finance Committee recommend that the Trustees approve that the release of $30.0 million during 2020 to support the Residential Consumer Discount Program.

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

Gil C. Quiniones
President and Chief Executive Officer

R E S O L U T I O N

RESOLVED, That the Finance Committee hereby recommends 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 memorandum of the President and Chief Executive Officer.

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NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2020**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

Subject: **Authorization of Operational Support and Maintenance Support Program for the Authority's Energy Efficiency Customers**

SUMMARY

The Trustees will be requested at their January 29, 2020 meeting 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 our 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 is requested to recommend 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 and 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 of Clean Energy Solutions, the Vice President of Engineering & Construction Management, and the Vice President of Business Development recommend that the Finance Committee 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).

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

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the Finance Committee recommends 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).

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2020**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

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

SUMMARY

The Trustees will be requested at their January 29, 2020 meeting to approve the award of a contract to E-J Electric T&D LLC in an 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 is requested to recommend that the Trustees approve the award of the contract described above.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustee 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 Trustee 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 street lights. 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 an RFP through the Authority's Ariba system. Twenty-one suppliers were initially invited to bid on the Request for Proposal (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 Senior Vice President - Commercial Operations the Vice President of Strategic Supply Management and the Vice President – Business Development recommend that the Finance Committee recommends 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 who are participating in the Authority's Smart Street Lighting NY Maintenance Services Program.

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

Gil C. Quiniones
President and Chief Executive Officer

R E S O L U T I O N

RESOLVED, That the Finance Committee recommends that the Trustees approve a contract award to E-J Electric T&D LLC in an 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 Smart Street Lighting NY Maintenance Services Program.

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2019**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

Subject: **Customer Digital Experience Program**
Capital Expenditure Authorization Request (CEAR)

SUMMARY

The Trustees will be requested at their January 29, 2020 meeting to approve additional capital expenditures of $10,223,400 for the Customer Digital Experience (CDEx) program (Program). This Program 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 requested 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 CEO 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.

The Finance Committee is requested to recommend to the Trustees the authorization of additional capital expenditures in the amount of $10,223,400 to advance the CDEx Program.

BACKGROUND

In accordance with the Authority's Capital Planning and Budgeting Procedures, capital expenditures in excess of $6 million require Trustee 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, Authority 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 customer 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 ecommerce '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 be used to continue design and development of digital solutions that provide value to our customers and employees and procure 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. Capital expenditures for CDEx were included in the Authority's 2020 Budget.

RECOMMENDATION

The Senior Vice President of Clean Energy Solutions and the Chief Commercial Officer recommend that the Finance Committee recommend that the Trustees authorize additional capital expenditures in the amount of $10,223,400 to advance the Customer Digital Experience Program.

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

R E S O L U T I O N

RESOLVED, That the Finance Committee hereby recommends that the Trustees, in accordance with the Authority's Capital Planning and Budgeting Procedures, authorize capital expenditures in the amount of $10,223,400 for the advancement of the Customer Digital Experience Program in accordance with, and as recommended in, the foregoing memorandum of the President and Chief Executive Officer.

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority

Memorandum

Date: **January 24, 2019**

To: **THE FINANCE COMMITTEE**

From: **THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

Subject: **Funding and Budget Authorizations for the Reimagine the Canals Initiative**

SUMMARY

The Trustees will be requested at their January 29, 2019 meeting 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 is requested to recommend that the Trustees: (a) authorize an investment of $300 million over five years for the 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.

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 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; and 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 recommends that the Finance Committee recommend that the Trustees (a) authorize an investment of $300 million over five years for the 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.

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

Gil C. Quiniones
President and Chief Executive Officer

R E S O L U T I O N

RESOLVED, that the Finance Committee recommends that the Trustees (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.

NEW YORK STATE OF OPPORTUNITY. | NY Power Authority | Canal Corporation

January 24, 2020

<u>Next Meeting</u>

The next regular meeting of the Joint Finance Committee is scheduled for February 12, 2020.