MINUTES OF THE ONE HUNDRED THIRTY-SECOND MEETING OF THE
AUDIT AND FINANCE COMMITTEE
HELD ON JUNE 26, 2018

Pursuant to a notice dated June 15, 2018, a copy of which is annexed hereto, the one hundred thirty-second (132nd) meeting of the Audit and Finance Committee (the "Committee") of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the "Authority") was convened at 10:30 a.m. on Monday, June 26, 2018 at the Authority's New York City Office at 1359 Broadway, 19th floor, New York, New York, and in the Authority's Albany Office at 17 Columbia Circle, Albany, New York.

The following members of the Committee were present:

Sherburne Abbott
Kate Fish
Richard Kauffman, *Chair of the Authority*

Member Jay Koh was unable to attend.

Also present were Janet Joseph, Vice President for Technology and Strategic Planning; Noah C. Shaw, Esq., General Counsel; Peter Mahar, Controller, Assistant Treasurer; Sara L. LeCain, Esq., Senior Counsel and Secretary to the Audit and Finance Committee; Elizabeth Clague and Dean Geesler, from KPMG, LLP; and various other staff of the Authority.

Mr. Kauffman called the meeting to order and noted the presence of a quorum. The meeting notice and agenda were forwarded to the Committee members and the press on June 15, 2018. Mr. Kauffman stated that he would be leading the meeting as the Committee's Chair, Jay Koh, was unable to attend.

Mr. Kauffman indicated that the first item on the agenda concerned the approval of the minutes of the one hundred thirty-fourth (134th) meeting of the Committee, held on April 17, 2018.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the minutes of the hundred thirty-fourth (134^{th}) meeting of the Committee, held on April 17, 2018 were approved.

Mr. Kauffman indicated that the next item on the agenda was the Authority's Investment Guidelines, Operative Policy and Instructions (June 2018) ("Investment Guidelines") and the Annual Investment Report ("Investment Report"). Jeffrey Pitkin, the Authority's Treasurer explained that the Annual Investment Report summarizes the Authority's investments, and the results of its investment activities. The amount of the Authority's total investments decreased $337 million from $942 million as of March 31, 2017 to $605 million as of March 31, 2018, on a fair market value- basis. Most of the reduction was due to the reduction of cash balances under the Clean Energy Fund Bill-As-You-Go ("BAYG") funding mechanism. Regional Green House Gas Initiative ("RGGI") funds decreased consistent with the approved RGGI operating plan. For the programs subject to the BAYG funding mechanism, cash and investment balances at March 31, 2018 were about $146 million, representing about 2.8 months of projected future expenses. The decreases in these balances were partially offset from an increase in the Clean Energy Standard reflecting the commencement of the Zero-Emission Credit program, and from an increase in NY Green Bank's balance from an increase in its funded capitalization and repayments received.

Mr. Pitkin reported that investment income increased from $6.6 million in fiscal year 2016-17 to $7.6 million for fiscal year 2017-18 primarily due to higher average yields and higher investment balances as compared to the prior year. The average annual rate of return was 1.0% for fiscal year 2017-18, compared to .5% in the prior year.

Mr. Pitkin stated that the Investment Report includes a report from the independent auditors, KPMG, LLP ("KPMG"), noting that the Authority has complied with the New York Office of the State Comptroller's ("OSC") Investment Guidelines for Public Authorities and relevant sections of the Public Authorities Law.

Lastly, Mr. Pitkin explained that the Investment Guidelines set forth the policies and procedures for the investing, monitoring and reporting of the Authority's investments. The

Authority is required to review and approve its investment policies annually, pursuant to Public Authorities Law Section 2925. No substantive changes are recommended to the Investment Guidelines.

In response to an inquiry from Mr. Kauffman, Mr. Pitkin indicated that the Members are required to review and approve the Investment Guidelines annually under the New York State Public Authorities Law. Management has considered changes; however, the Authority's Investment Guidelines follow guidance from OSC. In addition, staff work with the Authority's fiscal agent, New York State Department of Taxation and Finance to ensure that the maturity of funds is appropriate. As a result of the decrease in investments, the Authority has focused on short maturities, which yield quick turn arounds in funds.

In response to an inquiry from Ms. Abbott, Mr. Pitkin explained that for the Zero Emission Credit Program ("ZECs") the Authority has contracts with each of the nuclear facilities that are approved by the New York State Public Service Commission ("PSC") to receive these payments. The Authority then makes quarterly payments for the reported output from those facilities. The funding is from a charge that is collected from load serving entities who sell retail load, the payment of which is made in monthly increments based upon their estimated load and in advance of the quarterly payments to the nuclear facilities. Mr. Pitkin explained that for the Renewable Energy Credit Program ("RECs"), the Authority has contracts with facilities who produce RECs, to purchase the RECs as they are produced and then sell those to load serving entities to satisfy their compliance obligations. The cashflow therefore works in reverse from the ZEC Program.

In response to a request from Ms. Barton, Mr. Pitkin indicated that load serving entities may purchase RECs through other avenues. Mr. Pitkin explained that for the first year, RECs were only sold once during the year. For the second year of the program, the PSC approved the sale of RECs on a quarterly basis.

In response to an inquiry from Ms. Fish, Ms. Barton indicated that the Authority has not needed to increase its resources as a result of this specific initiative. The Authority has increased the team internally, but most of the team members have been working for the Authority in other capacities. Ms. Joseph added that the Authority has supplemented the skill sets through some outside consultants.

Wherefore, upon motion duly made and seconded, and by unanimous voice vote of the Committee members present, the following resolution was adopted.

Resolution No. 437

RESOLVED, that the “Investment Guidelines, Operative Policy and Instructions (June 2018),” as presented at this June 26, 2018 meeting are hereby recommended for approval by the Board; and

BE IT FURTHER RESOLVED, that the Authority's “2017-2018 Annual Investment Report,” for the year ended March 31, 2018, as presented at this June 26, 2018 meeting, is hereby recommended for approval by the Board to be adopted as the annual investment report of the Authority required by Section 2800 and Section 2925(6) of the Public Authorities Law.

Mr. Kauffman indicated that the next item on the agenda that the next item on the agenda concerned the NYSERDA OPEB (Other Post-Employment Benefits) Trust (“Trust”) Investment Policy Statement (“Investment Policy Statement”) and its Annual Investment Report for the fiscal year that ended March 31, 2018. Mr. Pitkin explained that the NYSERDA OPEB Trust was established in March 2010 and is used to fund payments for health insurance premiums for eligible Authority retirees and eligible dependents for the Authority’s share of retiree health insurance premiums provided through the New York State Health Insurance Program.

Mr. Pitkin indicated that the Authority has contributed $38.2 million to the Trust, has earned about $13.2 million in investment income, has expended about $6.7 million in benefit payments, and incurred about $200,000 in administrative expenses, leaving a balance of $44.4 million in the Trust.

Mr. Pitkin stated that investments have been made consistent with the Board-adopted Investment Policy Statement, which requires diversified investments in mutual funds and exchange traded funds. The market value of the Trust’s assets was $48.82 million, reflecting an appreciation of the Trust’s assets which has resulted in an average annual return of 7%.

In addition, Mr. Pitkin indicated that the Members are also requested to adopt a resolution approving the Investment Policy Statement for the NYSERDA OPEB Trust. There are three changes to the policy. First, the Trust Investment Consultant and Plan actuary, has performed an asset allocation study and provided revised ranges and targeted levels of investments by asset class which, in their professional opinion, provide for the optimization of returns and risks. The Plan Administrators have reviewed these recommendations and found them to be reasonable and appropriate.

Mr. Pitkin explained that the second change includes adding investment criteria to clarify that while the Plan Administrator's selection of Fund investments must always put the economic interests of the Plan first, the Administrator may also consider alternative investment options which minimize investments in the fossil fuel industry, where available, provided that they generally meet similar performance and risk criteria to investments considered without regard to their fossil fuel interests. Consistent with changes being implemented by other prudent investors, and in recognition of investment products that are commercially available, management recommends that reasonably prudent strategies for investment of the Trust's assets may include a consideration of fossil fuel exposure of the funds considered for investment.

Mr. Pitkin indicated that if these changes are approved, the Plan Administrators anticipate proceeding with making changes in certain Fund investments, in accordance with their roles and responsibilities in the Investment Policy Statement, based on a preliminary analysis and recommendations provided by the Investment Consultant regarding consideration of Fund fossil fuel interests. The memorandum summarizes analysis the Authority performed with the Investment Consultant, Milliman, which identified highly rated mutual funds with low or no fossil fuel investments that have produce a higher weighted average five-year rate of return of 7.33%, as compared to the current portfolio return of 5.88%, and as compared to Fund selections originally offered by the Investment Consultant without regard to their fossil fuel investments of 6.01%. This alternative set of fund investments has higher Morningstar ratings than the current portfolio and results in lowering the weighted average percentage of the OPEB Trust's Fund investments that have fossil fuel involvement from 6.3% to .06%. Upon approval of the policy change, the Authority will re-evaluate these Fund recommendations with the Investment Consultant and make Fund investment changes deemed to be prudent.

Mr. Pitkin stated that management has reviewed the proposed investment policy changes and the criteria and methodology used to identify low/no fossil fuel investments with outside counsel, and they have advised that the proposed amendments and investment decisions meet all applicable fiduciary requirements under the U.S. Employee Retirement Income Security Act of 1974 (ERISA), as amended, which does not strictly apply but which NYSERDA considers as a matter of policy, U.S Department of Labor guidance regarding environmental, social and governance (ESG) investment decision-making, and the common law of trusts.

Lastly, Mr. Pitkin indicated certain clarifying changes were made as summarized in the memorandum.

In response to an inquiry from Ms. Fish, Mr. Shaw indicated that this change is based on the analysis as discussed and not as a result of a directive. It is a separate fiduciary matter.

In response to an inquiry from Ms. Abbott, Mr. Pitkin explained that the divestment recommendation is based upon information reported by Morningstar, Inc., an investment research and management firm. Specifically, Morningstar reports the portfolio's percentage of involvement in fossil fuels averaged over a twelve-month period. Mr. Shaw added that the Members will not be asked to make decisions on individual investments and instead are asked to approve the overall methodology.

In response to an inquiry from Mr. Kauffman, Ms. Barton confirmed that the Members are being asked to approve a change that would allow the Plan Admisntirators to make changes to the asset allocation targets. With respect to the second change, Mr. Pitkin confirmed that the Plan Administrators are still in the process of analyzing the appropriate changes to be made to the portfolio's exposure.

Mr. Kauffman indicated that the Committee's Chair, Jay Koh provided a statement that he asked be read in to the record. Specifically, Mr. Koh apologized for not being able to attend the meeting and to express his support for the change in investment policy.

Mr. Koh also wanted to note that based on the evaluation of counsel and with management's recommendation, the investment policy amendment permitting the consideration of these factors is consistent with the exercise of fiduciary duties.

In addition to being permitted as consistent with fiduciary duties, Mr. Koh wanted to know as a factual matter that consideration of these factors is being recognized by an increasing number of other fiduciaries and jurisdictions as being not only permitted but recommended if not required. The Task Force on Climate Related Financial Disclosure recommends consideration and disclosure of transition and physical climate risks, and a related policy has been made mandatory in France. Increasing numbers of investors have concluded that continued investment in carbon-intense assets may create substantial financial risk from stranded assets.

Lastly, Mr. Koh noted for avoidance of doubt that this decision is to amend the investment policy and not to select specific investments—management will remain responsible for implementation of the policy.

Mr. Koh thanked management and the Authority's external advisors for their hard work. He believes that this recommendation should be supported.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members present, the following resolution was adopted.

Resolution No. 438

> RESOLVED, that the "NYSERDA OPEB Trust Investment Report" for the year ended March 31, 2018, as presented at this June 26, 2018 meeting is hereby recommended for approval by the Board as the annual investment report of the NYSERDA OPEB Trust required by Section 2800 and Section 2925(6) of the Public Authorities Law; and
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> BE IT FURTHER RESOLVED, that the "Policy Statement for the NYSERDA OPEB Trust (Retiree Health Insurance Benefits Trust)" as presented at this June 26, 2018 meeting, is hereby recommended for approval by the Board.

Mr. Kauffman indicated that the next agenda item concerned Financial Statements of the Authority and NY Green Bank for fiscal year 2017-2018. Peter Mahar, the Authority's Assistant

Treasurer and Controller explained that the Members are requested to adopt a resolution approving the annual audited financial statements for the fiscal year ended March 31, 2018 for the Authority and NY Green Bank. The financial statements include an unmodified, clean opinion from the independent auditors, KPMG. A separate audit of the NY Green Bank was conducted in order to provide stand-alone financial statements to NY Green Bank counter parties.

Mr. Mahar detailed three significant changes made to the financial statements during the fiscal year. First, legacy programs in wind-down status have been moved to the “Other” program/function on the Statement of Activities. These include NY Energy $mart, Energy Efficiency Portfolio Standard (“EEPS”), Technology and Market Development (“T&MD”), and Renewable Portfolio Standard (“RPS”).

Second, the NYSERDA OPEB Trust fiscal year end was changed from December 31 to March 31 to coincide with the Authority’s fiscal year end.

Lastly, during the year the Authority implemented Governmental Accounting Standards Board (“GASB”) 74 (Financial Reporting for Postemployment Benefit Plans Other than Pension Plans). The standard requires the NYSERDA OPEB Trust to disclose its unfunded actuarially determined liability under a revised actuarial methodology that will become effective next year. Under the current methodology, as of April 1, 2017 the NYSERDA OPEB Trust had an actuarially determined liability of $51 million and had $43 million in assets, resulting in the NSYERDA OPEB Trust being 84% funded and an unfunded liability of about $8 million. Under the revised methodology, as of the same date, the NYSERDA OPEB Trust had a liability of $49 million, and the $43 million in assets results in the NYSERDA OPEB Trust being 88% funded and about $6 million being unfunded. The actuary has preliminarily estimated that the unfunded liability is about $4 million as of April 1, 2017. An updated actuarial valuation will be performed as of April 1, 2017 that will be used to calculate any unfunded liability to be recorded in the fiscal year 2018-2019 financial statements. Staff is also working with the Authority’s actuary to establish a funding policy prospectively, given the current funded status of the NYSERDA OPEB Trust.

With regard to significant Balance Sheet fluctuations, cash and investments decreased from the prior year by $323.0 million principally due to expenditures made from funds already on hand, pursuant to the Clean Energy Fund ("CEF") Order "Bill-As-You-Go" approach establishing a two month working capital balance, offset in party by an increase in the Clean Energy Standard program which reflects timing differences between the collection of monthly installments from Load Serving Entities and the lag in the quarterly payment due to the nuclear generation facilities.

Other Assets increased by $72.7 million principally due to an increase in NY Green Bank net loan activity, from an increase in Accounts Receivable for the ZEC monthly installment payments not yet paid, and from reimbursable expenses billed under certain New York State grants not received at year end.

Accrued Liabilities increased by $104.5 million primarily due to the accrual of ZEC program payments due to nuclear generating facilities but not paid at year end.

Restricted Net Position, which is the cumulative difference between revenues and expenses, decreased from $370 million to $847 million primarily from the "Bill-As-You-Go" approach.

Unrestricted net position increased from $2.8 million to $3.6 million, $600,000 higher than the Budget, primarily from a reclassification between Net invested capital assets and Unrestricted net position for certain fixed assets.

With regard to significant profits and liabilities fluctuations from Budget, there were several changes. State appropriation revenues were less than budgeted by $5.6 million principally due to lower than anticipated expenses for the Cleaner Greener Communities Program funded by State appropriations. Utility Surcharge assessment revenues were less than budgeted by $273 million due to lower than anticipated spending for CEF and the NY-Sun programs and for lower than anticipated committed capital for NY Green Bank. RGGI Allowance auction proceeds were less than budget by $11.2 million principally due to significantly lower clearing prices for allowances sold than had been estimated. Salaries and benefit expenses were $395k higher than budgeted due to budgetary assumptions of filled and vacant positions. Program expenditures were less than budgeted by $212 million primarily due to timing of expenditures for the CEF, NY-Sun, RPS, and EEPS programs being lower than anticipated in the budget. Program operating costs were less than budgeted primarily due to lower Computer and Software costs as a result of certain software license costs being directly charge to Program Expenditures rather than program operating costs as originally budgeted, and due to lower than anticipated costs incurred for professional services related to NY Green Bank due to the timing of certain projects. Lastly, general and administrative costs were less than budgeted primarily due to lower temporary service costs as they were directly charged to Program Expenditures rather than General and Administrative costs, as originally budgeted, and from lower than expected computer & software and professional service costs.

Mr. Mahar indicated that the Members were provided separate, stand-alone financial statements for NY Green bank. The two most significant changes on the Balance Sheet is an increase in cash and investments of $85.6 million and a $36.8 million increase in loans and financing receivables. The increase in cash and investments was primarily a result of transfers from NYSERDA Clean Energy Funds, pursuant to the BAYG approach to provide NY Green Bank's remaining funded capitalization based on additional commitments, less deployed capital plus any repayments made on current investment transactions. The increase in loans and financing receivables is due to an increase in net loan activity, new loans issued less payments received. Included in loans and financing receivable is a provision for losses of $844,000 for an impaired loan transaction.

On March 31, 2018, a provision for losses on loans and financing receivables was recorded in the amount of $844,000 representing .2% of outstanding loan balances. Management developed a specific identification method for asset impairment and in consultation with KPMG they were satisfied with our methodology used and the amount recorded. All other portfolio loans and financing receivables are current on obligations.

Operating revenues were $600,000 higher than budgeted. Under the BAYG approach, NY Green Bank received $111 million in capitalization for committed capital - $102.0 million through cash transfers and $9.5 million through utility billings.

Operating expenses were $1.6 million less than budgeted primarily due to lower than anticipated costs for program operating costs, general and administrative expenses, and investment related expenses. NY Green Bank ended the year with a net income of $11.2 million, which was

$3.3 million higher than budgeted. This represents the second consecutive year of surplus operating income since its inception.

Mr. Mahar indicated that the meeting packet included some additional reports issued by the independent auditors under governmental auditing standards. Management is pleased to report that the auditors disclosed no instances of noncompliance or material weaknesses, found reasonable management's estimates and financial disclosures, no uncorrected misstatements in the financial statements, noted no disagreements with management, and offered no management letter comments to address control weaknesses or suggestions for improvement.

Mr. Mahar provided a follow-up to comments raised at the April 2018 Board meeting regarding the Authority's GASB/Government based financial statement presentation and how to better present the financial statements that would reflect a private sector "FASB" industry view. Staff prepared a supplement to the financial statements to provide a cross walk comparison between the "GASB" based statements as compared to what they would have been under a "FASB" based presentation, which is included in your board package.

This document should help certain readers of NY Green Bank's financials with being able to better understand and analyze the financial statements. Specifically, the changes on the Balance Sheet include differences in the title of the statement and changes in the presentation of Equity rather than Net position. The changes on the income statement include differences in the title of the report and the FASB based statements do not report transfers and billings for NY Green Bank's funded capitalization as revenues and do not report beginning and ending equity positions. NY Green Bank will be formalizing this presentation to share with its counterparties in an effort to better present its results of operations in a private sector industry view.

In response to an inquiry from Mr. Kauffman, Mr. Mahar explained that there will be one last review of the new NY Green Bank financial statements before publishing it.

Mr. Kauffman stated that a resolution considering approval of the Financial Statements would be considered after the Committee members meet in executive session with the independent auditors.

Mr. Kauffman indicated that the next item on the agenda concerned a resolution to convene in executive session pursuant to Section 105(a) of the Public Officers Law to discuss the financial statements, investment report and related matters with the auditors.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Member present, the following resolution was passed.

Resolution No. 439

> RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Members of the Audit and Finance Committee of the New York State Energy Research and Development Authority shall convene in executive session on June 26, 2017 for the purpose of reviewing the financial condition of the Authority.

The Committee members then met with only the independent auditors in executive session.

Mr. Kauffman reconvened the meeting in open session and announced that no formal action was taken during the executive session. He said the Committee members had a complete and thorough discussion with the independent auditors and that the independent auditors stated that Authority staff was responsive to their requests for information.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members present, the following resolution was adopted.

Resolution No. 440

> RESOLVED, that the Authority's Financial Statements and the Financial Statements of NY Green Bank as of March 31, 2018, as presented at this June 26, 2018 meeting is hereby recommended for approval by the Board as the financial reports required by Sections 1867(1) and 2800 of the Public Authorities Law.

Mr. Kauffman indicated that the next item to be considered is the appointment of the Authority's independent auditors for fiscal year 2018-2019. Mr. Pitkin stated that the Members are asked to approve a resolution appointing KPMG. as the independent auditors of the Authority for the fiscal year ending March 31, 2019. Fees and expenses will not exceed $109,000 for providing an opinion on the Authority's consolidated financial statements and a separate opinion on stand-alone financial statements for the NY Green Bank.

KPMG was competitively selected under an RFP issued in 2016. NYSERDA may renew the agreement annually for four, one-year extensions, with annual adjustments to the fees. This would be the third year of the agreement.

The engagement letter from the auditors indicating the services they will provide in conjunction with the audit was provided to you and is consistent with the prior year's services.

Staff have been satisfied with the services rendered by the independent auditors and recommend their reappointment.

In response to an inquiry from Ms. Abbott, Mr. Pitkin indicated that management will meet with KPMG to determine the additional level of effort needed to provide additional guidance on NY Green Bank financial statements.

In response to an inquiry from Mr. Kauffman, Mr. Shaw provided a revised resolution for approval that allows the President and CEO to negotiate such additional terms and conditions that she deems necessary and appropriate.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Member present, the following resolution was passed.

Resolution No. 441

RESOLVED, the Audit and Finance Committee recommends approval of a resolution authorizing the President and CEO to retain the firm of KPMG, LLP as independent auditors for the Authority and for NY Green Bank for the fiscal year ending March 31, 2019, subject to such reasonable terms and conditions as the President and CEO deems appropriate and necessary.

Mr. Kauffman indicated that the next agenda item was the Annual Bond Sales Report ("Bond Sales Report"). Mr. Pitkin stated that in accordance with Public Authorities Law Section 2800 and the Authority's Financial Services Firms Guidelines, the Members are asked to adopt a resolution approving the Annual Bond Sales Report.

The report summarizes two bond issues completed during the fiscal year ended March 31, 2018.

The schedule of bonds outstanding reports information on the Authority's bonds outstanding which totaled about $2.5 billion.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members present, the following resolution was adopted.

Resolution No. 442

> RESOLVED, that the Authority's Annual Bond Sales Report for the fiscal year April 1, 2017 through March 31, 2018, and the information contained therein, as presented at this June 26, 2018 meeting is hereby recommended for approval by the Board for submission pursuant to Section 2800 of the Public Authorities Law

Mr. Kauffman indicated that the next item on the agenda was appointment of a new Director of Internal Audit. Ms. Barton explained that the Authority's former Director of Internal Audit left in April 2018 and a search was commenced for a replacement. Management recommends that Mary Peck be appointed as the Director of Internal Audit. She has served in similar roles at other entities including at other state offices including the Office of the State Comptroller. She is a member of several professional organizations.

In response to an inquiry from Mr. Kauffman, Mr. Pitkin indicated that Mr. Koh had reviewed her professional information and was pleased with the proposed appointment.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members present, the following resolution was adopted.

Resolution No. 443

RESOLVED, that pursuant to the Audit and Finance Committee Charter, the Audit and Finance Committee hereby appoints Mary Peck as Director of Internal Audit to serve at the pleasure of the Authority and to perform the duties of the Director of Internal Audit as prescribed by the Authority's system of internal controls, as it may be amended from time to time, and to perform such other duties as may be assigned by the Authority, the Chair, or the President and CEO.

Mr. Kauffman indicated that the next item on the agenda was proposed amendments to a resolution authorizing the issuance of eight series of bonds by the Authority on behalf of the Niagara Mohawk Power Corporation. Mr. Pitkin explained that the Members are requested to adopt a resolution authorizing the amendment of certain financing document provisions relating to eight auction rate interest rate bonds previously issued by the Authority on behalf of Niagara Mohawk Power Corporation (the "Company") in an aggregate principal amount of about $429 million. The amendments would permit the bonds to be converted to a fixed or term rate through a direct purchase of the Bonds by Merrill Lynch or any of its subsidiaries or affiliates at an interest rate negotiated between the Bank and the Company, provided that such interest rate does not exceed 4.95%. The Company has advised us that it will comply with the related requirements of the Public Service Commission's Order issued and effective May 19, 2016, which provided authorization for the refinancing of the Company's currently outstanding auction rate bonds; and establishes compliance filing requirements.

The refinancing will provide interest and other cost savings relative to the projected interest costs on the Bonds, which will accrue to the benefit of the Company's customers.

Typically, there is no need for Board action on conversion of interest rate modes under Authority bonds, as such conversions having been authorized when the bonds were initially authorized. But in this case, the fixed rate and term rates won't be effectuated through the remarketing agent rate determination process as contemplated in the existing documents, but rather set through negotiation between the Company and the Bank. We therefore are requesting the Board's approval to allow the fixed or term interest rate to be set through agreement between the Company and the Bank. The Company has represented to the Authority that it will meet the applicable requirements of the Public Service Commission's Order, which includes demonstrating that the Company anticipates realizing reasonable savings because of the refunding of existing debt.

Based upon recent index rates and preliminary analysis, the Company estimates the refinancing will provide more than $50 million in net present value savings as compared to the current interest rates, and more than $110 million in net present value savings compared to forward projected interest rates, which are subject to changes in index rates through time of pricing. The savings will accrue to the benefit of the Company's customers pursuant to the Order. The Company has presented its preliminary analysis to Department of Public Service Staff, and based on our discussions with Staff, we understand that the financing terms meet the requirements of the Order.

In response to an inquiry from Mr. Kauffman, Mr. Pitkin stated that the Members are not approving the terms and conditions of the transaction. The Company and the underwriters have already agreed to a price, which is well below the maximum interest rate allowed for in the resolution. In addition, the New York State Department of Public Service ("DPS") staff have reviewed the terms of the transaction and indicated that the terms are consistent with the prudency requirements. Mr. Shaw added that it is appropriate for the Members to rely upon the prudency standard as reviewed by DPS.

In response to an inquiry from Mr. Kauffman, Mr. Shaw indicated that the resolution was drafted in consultation with the Authority's Bond Counsel and he is comfortable that it meets the Members fiduciary duty.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members present, the following resolution was adopted.

Resolution No. 444

RESOLVED, that the Members of the Authority authorize the amendment of the Trust Indentures by and between the Authority and The Bank of New York Mellon, (collectively, the "Trust Indentures"), the Participation Agreements, by and between the Authority and Niagara Mohawk Power Corporation (collectively, the

“Participation Agreements”), and other documents relating to Pollution Control Revenue Bonds (Niagara Mohawk Power Corporation Project) 1985 Series B; Pollution Control Revenue Bonds (Niagara Mohawk Power Corporation Project) 1985 Series C; Pollution Control Revenue Bonds (Niagara Mohawk Power Corporation Project) 1986 Series A; Pollution Control Revenue Bonds (Niagara Mohawk Power Corporation Project) 1987 Series A; Pollution Control Revenue Bonds (Niagara Mohawk Power Corporation Project) 1987 Series B-1; Pollution Control Revenue Bonds (Niagara Mohawk Power Corporation Project) 1987 Series B-2; Pollution Control Revenue Bonds (Niagara Mohawk Power Corporation Project) 1988 Series A; and Pollution Control Revenue Bonds (Niagara Mohawk Power Corporation Project) 2004 Series A, (collectively, the “Bonds”), in order to permit the Bonds to be converted to a fixed or term rate established based upon an agreed upon spread over a published index rate, the 3-month LIBOR Swap Rate, which fixed or term rate shall not exceed 4.95 %, and to permit the Bonds to be directly purchased by Bank of America, or one of its affiliates (the Bank”), rather than remarketed; and

BE IT RESOLVED, that the Authorized Officers of the Authority are each hereby authorized and directed to execute and deliver any such other agreements, documents, or certificates (including, but not limited to, any agreements, documents, or certificates deemed necessary or proper to evidence or establish compliance with applicable provisions of the Internal Revenue Code of 1986, as amended), to do and cause to be done any such other acts and things and to make such other changes, omissions, insertions, revisions, or amendments to the Bond documents as they may determine necessary or proper for carrying out, giving effect to, and consummating the transactions contemplated by this resolution.

The Chair then indicated that the last item on the agenda was other business.

Thereafter, there being no other business, upon motion duly made and seconded, and by unanimous voice vote of the members, the meeting was adjourned.

Respectfully submitted,

Sara L. LeCain

Sara L. LeCain
Secretary to the Committee