OFFICE OF THE STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Public Authorities by the Numbers: Power Authority of the State of New York

August 2013

Executive Summary

The Power Authority of the State of New York is the largest public power utility in the United States, and its operating expenditures ranked third among New York State authorities in 2012. The Authority, also known as the New York Power Authority (NYPA), is a major generator of electricity and plays a particularly important role in providing low-cost, clean, renewable power to residents, businesses, not-for-profits and municipal customers throughout the State. In addition, NYPA owns and operates more than 1,400 miles of transmission facilities, and is a key player in efforts to enhance the State's electrical infrastructure. The Authority's mission also includes promoting economic development, which it pursues in part by providing low-cost power to selected employers in every region of the State.

With more than $2.6 billion reported in annual revenue and expenditures, NYPA is among the largest of the State's public authorities. In NYPA's 2012 fiscal year, the Authority's debt outstanding totaled $1.75 billion, including $1.32 billion in long-term debt and $431 million in short-term debt. NYPA reported total compensation for more than 1,600 employees of $146.3 million, with 35 percent of its staff receiving $100,000 or more. NYPA also reported more than 2,000 active procurement contracts with a total value in excess of $6.3 billion.

NYPA's responsibility for delivering low-cost power and promoting economic development may be hindered by the State's repeated use of authority resources for budget relief and other purposes. Over the past decade, NYPA has remitted more than $1.16 billion to the State's General Fund – an average of more than $115 million a year – pursuant to budget legislation. On an average annual basis for the past 10 years, such transfers represented 4.2 percent of NYPA's total revenues, or almost $1 in every $24 the Authority received from power sales, transmission charges and other sources. While it is difficult to establish clear links between given revenue sources and particular uses of resources, NYPA has requested and received approval from the Federal Energy Regulatory Commission (FERC) to increase certain transmission services charges, citing the need to recover the costs of operating, maintaining and financing its current transmission system. All

electricity customers in New York State pay for this particular NYPA cost as part of a New York Independent System Operator (ISO) charge on their monthly electric bills. While the cost of the increase on a typical residential customer's bill was projected by NYPA to be between five and eight cents per month, the request may be indicative of a certain degree of fiscal pressure on the Authority. Transfers from the Authority to the State may diminish NYPA's capacity to provide low-cost power to businesses and nonprofit organizations, and could be considered a hidden tax on utility customers who pay NYPA charges.

The State Fiscal Year (SFY) 2013-14 Enacted Budget includes authorization for a $90 million payment from NYPA. This year's transfer language appears intended to suggest an attempt to conform with NYPA's mission by directing such funds to the General Fund, or as otherwise directed in writing by the Director of the Budget, and states that the proceeds will be utilized for energy-related or economic development purposes. However, resources received in the General Fund are not reserved for specific purposes and are available for use as determined by the Division of the Budget.

During the course of nearly a century, New York's public authorities have performed essential functions, while also sparking controversy over issues related to transparency and accountability. The State's reliance on these entities emphasizes the need for greater transparency and improved accountability in their decision making and operations. Both the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009 established additional accountability and transparency requirements for public authorities as State policy.

This profile – focusing on NYPA – is part of Comptroller DiNapoli's continuing effort to improve the accountability and transparency of New York's public authorities. The Office of the State Comptroller will continue to provide periodic profiles on individual authorities and report on related issues to keep the public and State policy makers informed.

Power Authority of the State of New York – Background

The Power Authority of the State of New York, more commonly referred to as the New York Power Authority (NYPA), was established in 1931 by the Power Authority Act.[1] One objective of the Act was to provide for the most beneficial use of the Niagara and St. Lawrence rivers in the development of hydroelectric power, while maintaining and preserving these natural resources of the State.

Additional goals included utilizing new energy technologies to maximize the public benefit of the hydroelectric developments, providing low-cost power to attract and expand industry, providing an adequate supply of power and energy to the State's municipal and rural electric systems, and further developing hydropower or other technologies to reduce electricity production costs.[2] The Act also directed the Authority to help address the

[1] See Chapter 772 of the Laws of 1931.
[2] See Section 1000 of the Public Authorities Law.

energy needs of downstate regions and entities including the City of New York, the Metropolitan Transportation Authority and the Port Authority of New York and New Jersey.

Since its inception, NYPA has grown to become the largest public power utility in the United States, based on megawatt-hour sales and net generation.[3] NYPA operates 16 generating facilities. These include the Niagara Power Project in Niagara County, the St. Lawrence-Franklin D. Roosevelt Power Project in St. Lawrence County, the Blenheim-Gilboa Pumped Storage Power Project in Schoharie County and the Richard M. Flynn Power Plant in Suffolk County, as well as smaller generating facilities located throughout the State, including New York City. NYPA also has 1,400 circuit-miles of transmission lines.

In addition to its energy generation and transmission functions, NYPA participates in further developing the State's energy infrastructure, administers numerous economic development low-cost power allocation programs, and promotes energy efficiency and sustainability projects. However, NYPA has also been called upon by the State to provide financial or other support for projects and programs that are not central to the Authority's core mission.

The diversion of NYPA resources for various other purposes may have contributed to the need for NYPA's recent request to increase certain service-related charges. In July 2012, NYPA submitted an application to FERC to increase the $165 million NYPA Transmission Adjustment Charge, first approved by FERC in 1999, by 10.7 percent, citing the need to recover the costs of operating, maintaining and financing its current transmission system.[4] All electricity customers in New York State pay for this particular NYPA cost as part of a New York ISO charge on their monthly electric bills.[5] This was the first such increase requested by the Authority since 1999, with an estimated impact to a typical residential customer of between five and eight cents per month. The request was approved by FERC in September 2012.[6]

Power Authority of the State of New York by the Numbers

The data in this report have been submitted by NYPA to the Office of the State Comptroller, primarily through the Public Authorities Reporting Information System (PARIS) maintained by the Office of the State Comptroller. PARIS was created in response to a need for greater accountability and transparency through more timely data collection and analysis. The system was fully implemented in November 2007 and is jointly managed by the Office of the State Comptroller and the Authorities Budget Office.

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[3] American Public Power Association, 2013-14 Annual Directory and Statistical Report.

[4] See NYPA's application under Section 205 of the Federal Power Act to increase its annual revenue requirement used to develop the charges for transmission services provided by NYPA under the New York Independent System Operator, Inc.'s Open Access Transmission Tariff, available at www.nypa.gov/TransmissionFiling/NYPATransmRRFilingLetter.pdf.

[5] See www.nypa.gov/NYPAPressCenter/PressRelease/News/NYPA%20to%20Provide%20Continued%20Reliability%20to%20State%20Power%20Grid.html.

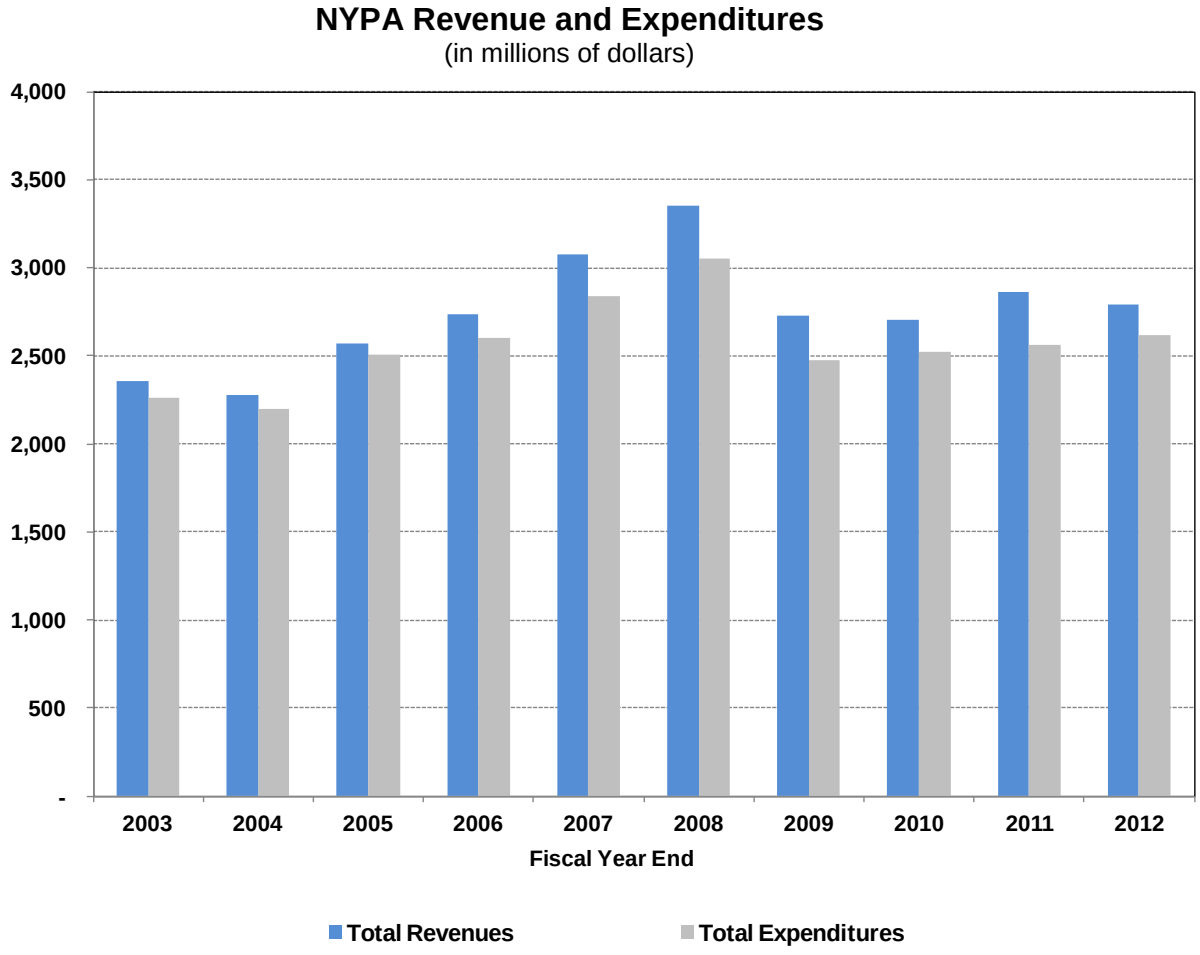
[6] See FERC Order accepting proposed transmission revenue requirement and establishing hearing and settlement judge procedures, Docket No. ER12-2317-000, issued September 25, 2012, available at www.ferc.gov/EventCalendar/Files/20120925165517-ER12-2317-000.pdf.

Unless otherwise stated, the data in this report are for the fiscal year (FY) ended December 31, 2012. The information and numbers are self-reported by NYPA and have not been verified by the Office of the State Comptroller. Competitive and noncompetitive bid contract data includes all active contracts, regardless of contract award date or contract end date, and reflects the total value over the life of the contract.

Revenue and Expenditures

Self-reported revenues for NYPA for FY 2012 totaled $2.8 billion. The primary source of NYPA's revenues is derived from power sales, with smaller amounts derived from transmission and charges for "wheeling," which is the process of moving power over transmission lines owned by other utilities.

Figure 1



Total expenditures reported for the same period were $2.6 billion. NYPA's major expenditure categories include: purchased power, which represents 28 percent of the total; wheeling, the cost of which is recovered from customers and represents 23 percent

of the total; and operations and maintenance, which represents 21 percent of total expenditures.

NYPA is among the largest of the State's public authorities in terms of total revenues and expenditures, ranking third behind the Metropolitan Transportation Authority and the Long Island Power Authority.

Debt

NYPA's debt outstanding totaled $1.75 billion for FY 2012, a decline of $38 million, or 2.1 percent, from the previous year's total. The Authority's debt outstanding includes $1.32 billion in long-term debt and $431 million in short-term debt.[7]

Figure 2

NYPA Debt Outstanding
(in millions of dollars)

	2012	2011	Change	Percentage Change
Long-Term Debt				
Senior Debt:				
Revenue Debt - Tax-Exempt	592	630	(38)	-6.0%
Revenue Debt - Taxable	448	453	(5)	-1.1%
Subtotal Revenue Debt	**1,040**	**1,083**	**(43)**	**-4.0%**
Adjustable Rate Tender Notes	115	123	(8)	-6.5%
Total Senior Debt	**1,155**	**1,206**	**(51)**	**-4.2%**
Subordinate Debt:				
Subordinated Notes	25	-	25	100%
Commercial Paper Notes	135	204	(69)	-33.8%
Total Subordinate Debt	**160**	**204**	**(44)**	**-21.6%**
Total Long-Term Debt	**1,315**	**1,410**	**(95)**	**-6.7%**
Short-Term Debt				
Commercial Paper Notes	431	374	57	15.2%
Total Debt Outstanding	**1,746**	**1,784**	**(38)**	**-2.1%**

[7] This discussion of NYPA's debt derives from PARIS filings and the New York Power Authority, December 31, 2012 and 2011 Financial Statements.

NYPA's long-term debt is composed of nearly $1.2 billion of Senior Debt, including $1.04 billion of Authority Revenue Bonds and $115 million of Adjustable Rate Tender Notes. The Authority's long-term debt also includes $160 million of Subordinate Debt composed of $25 million in Subordinate Notes and $135 million in Commercial Paper.

Overall, long-term debt of the Authority declined by $95 million, or 6.7 percent, from the previous year's total of $1.41 billion. This net decline reflects decreases in each of the categories of long-term debt referenced above with the exception of the Subordinate Notes. The Authority did not have any Subordinate Notes outstanding in 2011.

The $25.2 million in outstanding Subordinate Notes as of December 31, 2012 was issued on December 18, 2012 for the purpose of "accelerating funding for the State Parks Greenway Fund, which was established pursuant to the Niagara Relicensing Settlement entered into by the Authority and the New York State Office of Parks, Recreation & Historic Preservation."[8] NYPA's issuance of these notes is discussed further in the section of this report titled *NYPA Spending for Other Purposes*.

The Authority's short-term debt of $431 million represents an increase of $57 million or 15.2 percent over the previous year's total. The Authority's short-term debt is in Commercial Paper. According to the Authority's Notes to the Financial Statements for December 31, 2012 and 2011, "It had been and shall be the intent of the Authority to use the proceeds of the Series 1 CP Notes and certain Series 2 and Series 3 CP Notes to finance the Authority's current and future energy services programs and for other corporate purposes."

Employment

For FY 2012, NYPA reported over 1,600 full- and part-time employees, including 31 vice presidents of varying levels, 49 directors and 123 managers. Total employee compensation reported was $146.3 million, with no bonuses reported.

NYPA reported 570 employees, or 35 percent of total staff, with total compensation of $100,000 or more. Of those, NYPA reported 512 employees with total compensation of between $100,000 and $150,000 and 58 employees with total compensation exceeding $150,000. By comparison, State public authorities as a whole reported that nearly 14 percent of their staffs earned total compensation over $100,000 during the most recently reported fiscal year, while 8.1 percent of State employees and 14.1 percent of New York residents earned as much.[9]

[8] New York Power Authority, December 31, 2012 and 2011 Financial Statements.
[9] U.S. Census Bureau, 2009-2011 American Community Survey Three-Year Estimates, Table S2001. Earnings in the Past 12 Months (in 2011 Inflation-Adjusted Dollars), Office of the State Comptroller.

Figure 3

NYPA Employee Data

Compensation Category	Number of Employees	Percentage of Total Employees	Total Compensation *(in millions of dollars)*	Percentage of Total Compensation
Less than $50,000	161	9.84%	4.82	3.29%
Between $50,000 and $100,000	905	55.32%	70.64	48.30%
Over $100,000	570	34.84%	70.81	48.41%
Total	**1,636**		**146.27**	

Note: Totals may not add due to rounding

NYPA participates in the New York State and Local Employees' Retirement System. NYPA also offers its employees the opportunity to participate in retirement programs that provide tax advantages, including a deferred compensation program, where participating employees may defer a portion of their salaries. Additionally, NYPA offers employees a 401(k) program, which includes an employer match at a cost of approximately $2.4 million in 2012.[10] Further, NYPA provides certain health and life insurance benefits for eligible retired employees and their dependents through a noncontributory health care plan.[11]

Contracts

In FY 2012, NYPA reported 2,225 active procurement contracts with a total value in excess of $6.3 billion. Of those, 1,469, or 66 percent, with a total value of $6.1 billion, were entered into through a competitive bidding process. While contracts awarded through noncompetitive and other processes represented nearly 34 percent of the total number of NYPA's procurements, these contracts represented only 3.4 percent of the total value of the Authority's reported procurements.

Figure 4

NYPA Procurement Data

Award Process	Number of Contracts	Value of Contracts (in millions of dollars)
Competitive Bid	1,469	6,127
Noncompetitive Bid	352	197
Non-Contract Procurements	16	5
Purchased Under State Contract	388	12
Total	**2,225**	**6,341**

[10] New York Power Authority, December 31, 2012 and 2011 Financial Statements.
[11] *Ibid.*

Contracts for Commodities/Supplies represented nearly 54 percent of the total value of contracts reported by NYPA for FY 2012, while Design and Construction/Maintenance contracts represented 34 percent. NYPA reported nearly 9 percent of the total value of contracts as Other and less than 1 percent as contracts for Legal Services.

Contracts for consulting services represented nearly 3 percent of the total value of contracts reported in FY 2012, including more than $7 million in contracts with Navigant Consulting Inc. for various purposes, including: to perform feasibility analysis, cost estimates, and system studies for generation, transmission, and fuel supplies ($3.97 million); consultant services to assist NYPA's Reliability Standards and Compliance group in North American Electricity Reliability Corporation (NERC) reliability standards ($2.1 million); management consulting services for the Executive Offices ($330,000); solar market acceleration program technical support services ($250,000); and consulting services for generation, transmission, fuel supplies and energy policy and regulatory activities ($82,605). In June 2013, NYPA announced it was suspending all work with Navigant pending an internal review of Navigant's contracts. NYPA referenced the recently announced findings of the Moreland Commission review of the Long Island Power Authority and its contracts with Navigant.

Unlike State agency contracts, few of these public authority transactions are subject to prior review and approval by the Office of the State Comptroller. However, the Public Authorities Reform Act of 2009 gives the Comptroller the discretion to review contracts in excess of $1.0 million that were either awarded noncompetitively or were paid in whole or in part from State-appropriated funds, with certain exceptions.[12]

Some of the categories exempted from the Comptroller's discretionary review are specific to energy-related contracts and thus are particularly relevant for NYPA. The exclusions include: contracts for the purchase or sale of energy, electricity or ancillary services; contracts for the purchase, sale or delivery of power or energy, fuel, costs and related ancillary and financial products with a term of less than five years; and contracts for the sale or delivery of power or energy for economic development purposes.[13]

Audits

Audits of NYPA by the Office of the State Comptroller in recent years have looked at selected management and operating practices, and controlling overtime. These audits set forth several recommendations including limiting or eliminating non-essential spending (for office parties, gifts, and memberships in organizations not directly related to the authority), and assessing staffing levels in order to minimize overtime spending. According to NYPA, the authority significantly reduced its discretionary spending and has worked towards maintaining adequate staffing levels in order to reduce overtime costs.

A 2001 management and operations audit included recommendations regarding travel-related practices and the use of corporate aircraft. At the time, NYPA owned two

[12] For more information, see www.osc.state.ny.us/pubauth/contracts.htm.
[13] *Ibid.*

corporate aircraft, one of which was shared with the New York State Police and both of which were used for various business travel purposes such as operating and construction site visits, public hearings and trustee and relicensing meetings. While NYPA's analysis identified savings over a 10-year period from the ownership and operation of these aircraft, the audit found the analysis flawed and calculated that costs would be substantially higher than using commercial flights. As a result, the audit recommended that NYPA sell one of its aircraft. In 2006, NYPA transferred ownership of one of the aircraft to the State Police without charge. In 2007, NYPA reported the sale of the additional aircraft to a private company. In that same year, NYPA reported the acquisition of a 2007 Beechcraft King Air aircraft, with an associated reported contract value of $6.4 million.

NYPA maintains numerous ancillary procurements and personnel related to the aircraft. For example, NYPA enters into contracts for maintenance, training and fuel. NYPA employs three full-time pilots as well as a director of aviation and travel operations at a total compensation rate of $398,583 for FY 2012. In addition to owning, operating and maintaining aircraft over the years, in the past NYPA has also made use of chartered air services and contracted for temporary pilot services.

NYPA also employs three travel personnel to provide travel services, including two travel coordinators and a travel manager. In FY 2012, NYPA incurred costs for temporary staffing in its travel department and entered into a contract for placement services for a vacant position within that department. Total compensation reported for the two filled travel department positions in FY 2012 totaled $155,865.

A 2006 audit by the Office of the State Comptroller of NYPA's financial records associated with the Niagara Power Project found that NYPA's annual audited financial statements did not present financial information by individual power project, and instead combined results for the Niagara and St. Lawrence facilities. Although individual project records were maintained internally by NYPA, they were not made available publicly. The audit recommended that NYPA present expense and revenue information by power project. Disclosing the costs and revenues of NYPA's various power projects fully and completely would provide policy makers and the public with more complete information upon which to base decisions, and increase the transparency of NYPA's operations. NYPA generally agreed with the audit findings. NYPA's financial statements currently provide some data specific to the individual power projects.

Use of NYPA Resources for State Purposes

While NYPA's primary focus is on energy-related programs and purposes, certain NYPA activities and actions reveal the fine line the Authority must often walk between complying with its fiduciary duty to act in the best interest of the Authority, and implementing statutory directives that may not appear to directly comport with such duty or the statutory mission of the Authority. NYPA states its mission as follows:

> *Provide clean, low-cost and reliable energy consistent with our commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables and innovation, for the benefit of our customers and all New Yorkers.*

This language derives from the Authority's statutory mission as stated in Public Authorities Law, and a significant number of NYPA's activities reflect this focus. However, the Executive and the Legislature have enacted laws that have increasingly expanded NYPA's core-mission activities for energy and economic development purposes, and have also gone beyond such purposes, including providing budgetary relief to the State. Despite this, NYPA does not receive any State revenue or funds. It pays for its programs and operations using revenue generated through the sale of electricity, the issuance of bonds, and other NYPA-derived sources.

NYPA spending occurs off-budget and outside the checks and balances afforded most State agency spending, which is subject to appropriation, pre-audit payment review by the Office of the State Comptroller, and monitoring and reporting through the Statewide Financial System. Instead, NYPA files periodic reports through PARIS, providing summarized revenue and spending information on an annual basis. Because NYPA operates outside the State's traditional controls, it is difficult to provide a full accounting of the Authority's activities. However, a sense of the expansiveness of the Authority's programs and purposes can be provided through a review of NYPA activities.

The following sections identify areas where NYPA resources are used to provide direct fiscal relief to the State, support energy-related programs and purposes, and provide assistance and support for various other State and local purposes.

NYPA Resources for State Budget Relief

The State regularly relies on NYPA for budget relief, in particular through payments from the Authority to the General Fund. Evidence of the challenge this poses with respect to NYPA's fiduciary responsibilities is seen in the language that typically accompanies authorizations for NYPA to provide funds to the State:

> *Notwithstanding any provision of law to the contrary, the power authority of the state of New York, as deemed feasible and advisable by its trustees, is authorized and directed to make a contribution to the state treasury to the credit of the general fund in an amount of up to… .*[14]

This language appears to place ultimate control over NYPA's actions with its Trustees. However, since the majority of the Board of Trustees is appointed by the Governor, it is unclear whether this language has any practical effect. However, in May 2011, the NYPA Board adopted a policy statement related to payments to the State made after that date.

[14] For example, Chapter 59 of the Laws of 2012, Part U, Section 14.

The policy provided, among other things, parameters for the Board to use in deciding whether to make such payments.[15] Specifically, the financial statements indicate:

> *that in deciding whether to make such contributions, transfers, or payments, the Authority shall use as a reference point the maintenance of a debt service coverage ratio of at least 2.0, in addition to making the other determinations required by the Bond Resolution.*

NYPA's financial statements further describe the requirements of the Bond Resolution to withdraw moneys "free and clear of the lien and pledge created by the [Bond] Resolution":

> *(1) such withdrawal must be for a "lawful corporate purpose as determined by the Authority," and (2) 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 (a) payment of reasonable and necessary operating expenses, (b) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals, or for retirement from service, decommissioning or disposal of facilities, (c) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt, or (d) payment of interest and principal on subordinate debt.*

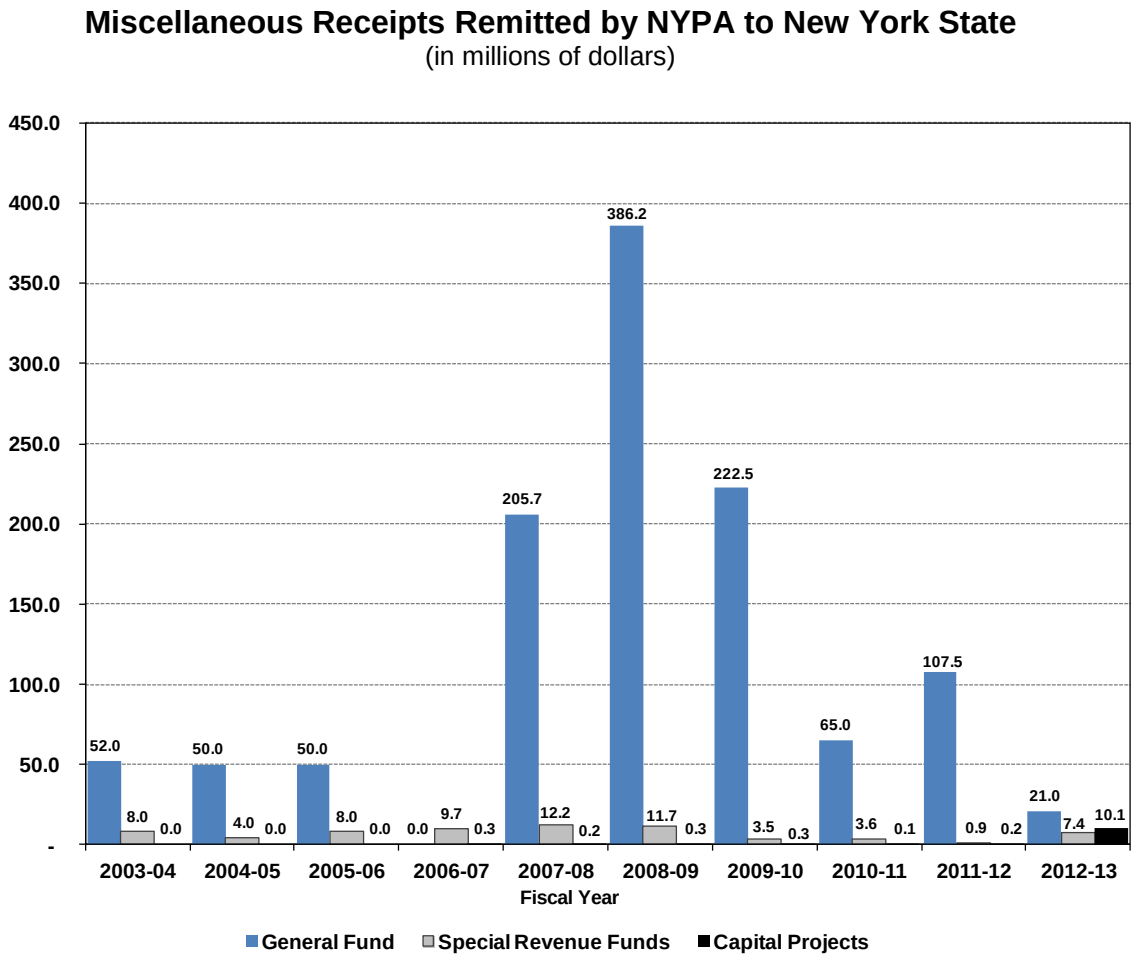
While this policy may be modified or eliminated at the discretion of the Authority's trustees, it is indicative of an effort on the part of NYPA to address these "voluntary" payments.

Since SFY 2003-04, NYPA has remitted nearly $1.24 billion to the State, including more than $1.16 billion directly to the General Fund. The largest transfers were in SFYs 2007-08, 2008-09 and 2009-10, as shown in Figure 5. At times, such payments have been associated with the Power for Jobs Program, which was separately administered and paid for by NYPA off-budget. However, the NYPA payments to the State were deposited into the General Fund for general State purposes.

The SFY 2013-14 Enacted Budget includes authorization for a $90 million payment from NYPA. This year's transfer language appears intended to suggest an attempt to conform with NYPA's mission by directing such funds to the General Fund, "or as otherwise directed in writing by the director of the budget," and states that the proceeds "will be utilized to support energy-related initiatives of the state or for economic development purposes."[16]

[15] New York Power Authority, December 31, 2012 and 2011 Financial Statements.
[16] See Chapter 57 of the Laws of 2013, Part HH, Section 17(i).

Figure 5



Source: Office of the State Comptroller

Bond Issuance Charge

Public authorities provide the State further budget relief each year through the Bond Issuance Charge (BIC), which represents "cost recovery" to the State in connection with the issuance of certain bonds.[17] The BIC was instituted in 1989 and is imposed on public benefit corporations created by or pursuant to State law where at least three board members are appointed by the Governor, with certain exceptions. Industrial Development Agencies and the New York City Housing Development Corporation are also subject to the BIC. NYPA has made $7.8 million in BIC payments to the State since SFY 2003-04.

Generally, issuers pay the BIC not with current resources but by building the cost of this fee into the amount that is borrowed, and then paying for this fee over time with interest. In the long term, this practice increases the cost to the issuing authority, since the issuer

[17] See Section 2976 of the Public Authorities Law.

is paying for both the cost of the fee and interest expense on the fee. Although the State receives the one-time benefit of the BIC revenues in the year they are collected, the bond issuance fees increase the State's and the authorities' annual debt service requirements – and thus the costs paid by taxpayers and users of authority services.

NYPA Spending for Energy-Related Purposes

Since its creation, NYPA has played an important role in the provision of energy and energy-related programs in the State. Its low-cost power resources and the revenue generated from the sale of such power have been utilized to promote economic development, job retention and creation, and energy efficiency across the State.

Most recently, Governor Cuomo created the New York State Energy Highway Task Force which included representatives from NYPA, the Department of Environmental Conservation, the Public Service Commission, the New York State Energy Research and Development Authority (NYSERDA), and the Empire State Development Corporation (ESDC). The goal of the Task Force was to ensure that a cost-efficient, reliable and environmentally sustainable supply of power would be available to fuel the State's economic growth through the modernization and development of the State's transmission system and generation resources, including renewable energy.

The Task Force issued two reports, in October 2012 and April 2013, identifying 13 key recommendations and outlining subsequent progress made to achieve these goals.[18] Responsibility for several of the recommendations, and presumably for a portion of the associated costs, have been assigned to NYPA as lead public partner to achieve either independently or in partnership with private entities, including up to:

- $800 million for accelerated investments in electric generation, transmission, and distribution for reliability, safety, and storm resilience (with the Department of Public Service).

- $60 million to develop an Advanced Energy Management System Control Center and pursue federal energy research grants (with NYSERDA).

- $35 million to initiate transmission upgrades in Northern New York to help facilitate renewable energy development (with NYSERDA).

In addition, NYPA is identified in the Task Force reports as a public partner in the recommendation to initiate certain transmission upgrades to increase the capacity to move power from upstate to downstate ($1 billion in estimated public and private investment), and to develop and implement reliability contingency plans to prepare for large power plant retirements ($1 to $2 billion in estimated public and private investment).

[18] New York Energy Highway Blueprint, issued in October 2012 by the New York State Energy Highway Task Force, available at www.nyenergyhighway.com/Blueprint.html and the New York Energy Highway Blueprint Update, issued in April 2013 by the New York State Energy Highway Task Force, available at www.nyenergyhighway.com/PDFs/BluePrint/EHBPPT/Blueprint_Update_April%202013.pdf.

According to the New York Energy Highway Blueprint Update released in April 2013, progress is being made in all 13 recommendations. In addition, NYPA has offered to provide $450 million in low-cost financing for New York's "Build Smart" initiative, which calls for a reduction in energy consumption across New York State, and an additional $350 million for municipalities for energy performance improvements.

It is not unusual for the State to rely on NYPA to meet its energy and economic development goals. For example, the Enacted Budget for SFY 2011-12 included a new Recharge New York Power Program. The expiration date for the Power for Jobs program, which had been established in 1997 to provide low-cost power to eligible businesses and not-for-profit corporations, was extended to June 30, 2012, after which contracts for low-cost power provided under the Recharge New York Program would go into effect. Recharge New York allocates 910 megawatts (MW) of low-cost power from NYPA hydropower stations from Niagara and St. Lawrence (up to 455 MW) and market power purchased by NYPA (up to 455 MW) to create and retain jobs. The hydroelectric power would be reallocated from domestic and rural customers of National Grid, New York State Electric & Gas (NYSEG) and Rochester Gas & Electric (RG&E).

The new program included a provision requiring bill mitigation payments to these utilities to offset increases in electric bills for their customers, called the Residential Consumer Discount Program. The program calls for NYPA to make payments of $100 million in the years 2011 through 2013. The payments would decline to $70 million, $50 million and $30 million in 2014, 2015 and 2016, respectively, and then remain at $30 million in perpetuity. Under Recharge New York, at least 350 MW was allocated for economic development in the National Grid, NYSEG and RG&E electric service territories, 200 MW was set aside to attract new investment, and 100 MW was set aside for not-for-profit institutions. Like Power for Jobs, Recharge New York is administered outside the State budget process by NYPA and is not subject to appropriation.

NYPA had initiated a 100 MW solar photovoltaic project through a Request for Proposals (RFP) in January 2010, which was subsequently closed without an award in March 2012. However the NYPA Trustees simultaneously authorized up to $30 million in funds over five years for a solar market acceleration program.[19] This project followed NYPA's September 2011 abandonment of its 2009 Great Lakes Offshore Wind (GLOW) Initiative, to construct a wind project in Lake Erie and/or Lake Ontario for which NYPA had issued an RFP in December 2009. It is unclear how much these abandoned projects ultimately cost NYPA.

Certain NYPA spending derives from its power plant relicensing requirements. The new 50-year license to operate the Niagara Power facilities was approved in 2007 by FERC, and was accompanied by improved environmental protections and recreational benefits to be provided by NYPA. For example, the Niagara Relicensing Settlement Agreement, executed in 2005 by NYPA and the New York State Office of Parks, Recreation and Historic Preservation (OPRHP), among others, established the State Parks Greenway

[19] New York Power Authority, December 31, 2012 and 2011 Financial Statements.

Fund which was to be funded by the Authority in the amount of $3 million per year for the 50-year term of the license.

In November 2012, NYPA, at the request of OPRHP, sought approval from its Board of Trustees to accelerate these payments by approving an adjustment to the payment schedule of the agreement and by issuing up to $30 million in subordinated notes. The transaction would facilitate an accelerated payment to OPRHP to fund identified projects totaling approximately $25 million. The New York State Environmental Facilities Corporation (EFC) agreed to purchase and hold the notes in its investment portfolio.

NYPA Spending for Other Purposes

NYPA has also been called upon at various times by the State to assist with other initiatives that are not directly energy-related. For example, NYPA paid ESDC $10 million in December 2012 and $40 million in January 2013 to support the New York State Open for Business economic development marketing initiative.[20]

In December 2012, the Executive announced a Memorandum of Understanding (MOU) between OPRHP, NYPA and the Maid of the Mist Corporation to allow the Maid of the Mist to continue operating its Niagara Falls scenic boat service. The MOU terms called for the Maid of the Mist to use the NYPA-owned site of the former Schoellkopf Power Station to store its boats during the winter, and established revised license payments from the Maid of the Mist to OPRHP. NYPA was designated lead agency for certain environmental-related requirements for planned development at the site. NYPA requested authorization from FERC for the intended use of the site under the Niagara license, required because the site falls within the boundary of the Niagara Power Project. Construction is underway at the site.

Another relatively new initiative, the Western New York Power Proceeds Act, was created in 2012 to support economic development efforts within a 30-mile radius of the Niagara Power Project. The Act established the Western New York Economic Development Fund to be administered by NYPA in conjunction with a new five-member Western New York Power Allocation Board. NYPA is directed to deposit net earnings from the sale of certain unallocated power from the Niagara Project to the Fund.

In June 2012, NYPA's Trustees approved the release of up to $20 million in net earnings for deposit into the Fund.[21] In July 2013, NYPA announced the approval of two grants from this program: $500,000 to 425 Michigan Avenue LLC, a workforce development corporation, to be used at the former Sheehan Memorial Hospital to support plans for classrooms, a care facility simulator and an information technology laboratory; and $300,000 for Ascension Industries of North Tonawanda, a manufacturer of industrial, filtration and separation equipment, to assist with its expansion plans associated with an initiative to produce equipment to convert post-recycled municipal waste into green power. More than $6 million has been awarded to date by NYPA under this program.

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[20] *Ibid.*
[21] New York Power Authority, December 31, 2012 and 2011 Financial Statements.

Conclusion

NYPA was established to harness the power of the Niagara and St. Lawrence rivers, to provide low-cost power for economic growth and expansion, and to supply energy to government entities and community and rural electric systems, while also working to further develop energy technologies, including hydropower, for the benefit of all New Yorkers. NYPA's statutory functions remain critically important. However, NYPA's budgets, along with those of other public authorities, have long been intertwined with the State's own finances, including the provision of significant fiscal relief to the State.

Because NYPA's activities are off-budget and outside the State's accounting system, quantifying the total impact of the various initiatives with which NYPA has been involved would be extremely difficult. It would be particularly difficult to quantify what energy cost savings are being forgone by the State's consumers by the multitude of activities in which NYPA is involved and the various purposes to which NYPA's resources are diverted.

The use of NYPA's resources to promote economic growth in the State is critical, and hundreds of businesses rely on low-cost NYPA power. However, NYPA funds are also used for less focused purposes, such as State budget relief and cross-authority purposes, such as advertising, and new initiatives are frequently introduced which increase the demand on NYPA resources and widen their allocation and use. An improved effort to better target NYPA's resources towards the specific, measurable goal of lowering the energy bills of all commercial and residential customers in New York State and bolstering job creation would help maximize the return on the State's valuable hydropower resources and promote a better outcome for all New Yorkers.

Both the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009 attempted to extend to public authorities the kind of financial and other oversight to which other government agencies are subject. However, despite these efforts, there are still aspects of public authority operations that remain relatively free of scrutiny.

This overview and additional profiles of public authorities are part of Comptroller DiNapoli's continuing effort to strengthen government accountability, improve public access to information, and provide New York's taxpayers and policy makers, along with the users of public authority facilities, with data that can serve as the basis for sound planning and policies.