



March 1, 2017

Mr. John F. Buyce
Audit Director
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. Buyce:

Please consider this letter as a supplement to the 30-day response of the Thruway Authority to your January 12, 2017 follow up report on the Canal Corporation inspection practices. In light of the fact that as of January 1, 2017 the Canal Corporation is a subsidiary of the New York Power Authority (“NYPA”) we thought it appropriate to inform you of our intentions going forward in terms of inspections.

In May 2015, you released a report on “whether the New York State Canal Corporation’s (Corporation) inspection scheduling procedures ensure that all high- and intermediate-importance structures are periodically inspected and whether inspection results are considered when maintenance activities are prioritized.” The audit covered the period from January 2012 through October 2014.

NYPA began to perform initial due diligence on the operations and asset condition of the Canal Corporation when it first learned that legislation was being considered to transfer Canal Corporation from the New York State Thruway Authority to NYPA. Detailed due diligence began once legislation was enacted in April, 2016, to transfer Canal Corporation to NYPA.

NYPA’s due diligence and integration effort included:

- Visits to many Canal Corporation facilities to understand operations and generally assess asset condition.
- Undertaking a comprehensive review of Canal Corporation structures and facilities that impound water or control canal system water levels.
- Examining the maturity and comprehensiveness of Canal Corporation’s asset management processes, systems, and records.
- Monitoring canal system events that occurred between April 1, 2016 and December 31, 2016 – a period during which Thruway still managed Canal Corporation, but NYPA was obligated to bear all operation and maintenance (O&M) and capital expenditures.
- Attending a portion of the Fall 2016 Inspection Tour on the Champlain Canal.
- Reviewing existing Canal Corporation inspection practices such as the bank walker program.
- Reviewing various dam safety reviews and recommendations.
- Interviewing and meeting with Canal Corporation and Thruway technical staff, as well as outside Canal engineering contractors such as Bergmann Associates.

The NYPA Operations Team agrees with the key findings of the State Comptroller regarding Canal Corporation's inspection and maintenance programs and concurs generally with the recommendations.

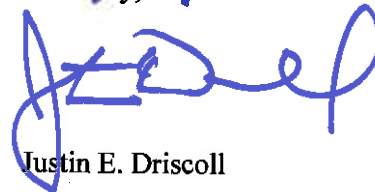
During the Fall of 2016, NYPA identified new O&M programs and capital expenditures to address Canal Corporation employee safety and public safety needs. Funding for these new programs was approved by the Canal Corporation's Board of Trustees on January 31, 2017.

The list below summarizes Canal Corporation's 2017 and beyond planned initiatives to improve infrastructure inspection and maintenance practices.

- Implement a work order process and system to help ensure that preventive and corrective maintenance work is initiated, executed, and recorded properly. A simpler version of NYPA's own asset and work management system will be used.
- Mount a program to clear reservoir dams and canal embankments that impound water of trees and shrubs. This vegetation management program will improve the safety of existing structures and facilitate periodic inspection by registered professional engineers.
- Augment Canal Corporation's existing dam safety program. Several engineers from Rizzo Associates are already under contract while a concerted search continues to hire permanent dam safety employees. The positions have proven to be difficult to fill because there is a limited supply of qualified individuals, and private sector salaries for equivalent experience levels is generally higher.
- Improve the existing bank walker program to ensure that critical embankments get inspected more frequently and by staff with technical qualifications.
- Overhaul the Fall inspection tour to include more thorough inspection by qualified personnel. Instead of focusing on just locks, the program will be broadened to embankments, dive culverts, etc.
- Focus engineering and construction attention on structures that represent the largest threat to public and employee safety.
- Shift available resources in the non-navigation season from locks to maintenance of other important facilities.

Thank you for considering this supplemental response.

Sincerely,



Justin E. Driscoll