MINUTES OF THE REGULAR MEETING
OF THE
POWER AUTHORITY OF THE STATE OF NEW YORK

June 28, 2011

Table of Contents

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the following participating locations at approximately 11:00 a.m.

1) New York Power Authority, Niagara Power Project, 5777 Lewiston Road, Lewiston, NY
2) New York Power Authority, 123 Main Street, White Plains, NY

The Members of the Board present were:

Michael J. Townsend, Chairman
Jonathan F. Foster, Vice Chairman
D. Patrick Curley, Trustee
John S. Dyson, Trustee
R. Wayne LeChase, Trustee
Eugene L. Nicandri, Trustee
Mark O'Luck, Trustee

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Judith C. McCarthy	Acting General Counsel
Francine Evans	Executive Vice President, Chief Administrative Officer and Chief of Staff
Elizabeth McCarthy	Executive Vice President and Chief Financial Officer
Edward Welz	Executive Vice President and Chief Engineer – Power Supply
Jordan Brandeis	Senior Vice President – Power Resource Planning and Acquisition
Thomas Antenucci	Senior Vice President – Power Supply Support Services
Steve DeCarlo	Senior Vice President – Transmission
Thomas DeJesu	Senior Vice President – Public and Governmental Affairs
Paul Finnegan	Senior Vice President – Public, Governmental and Regulatory Affairs
James Pasquale	Senior Vice President – Marketing and Economic Development
Donald Russak	Senior Vice President – Corporate Planning and Finance
Joan Tursi	Senior Vice President – Corporate Support Services
Paul Belnick	Acting Senior Vice President – Energy Services and Technology
John Canale	Vice President – Project Management
Thomas Davis	Vice President – Financial Planning and Budgets
Dennis Eccleston	Vice President – Information Technology/Chief Information Officer
Michael Huvane	Vice President – Marketing
John Kahabka	Vice President – Environmental, Health and Safety
Joseph Leary	Vice President – Community and Government Relations
Patricia Leto	Vice President – Procurement
Christine Pritchard	Vice President – Media Relations and Corporate Communications
Frank Ryan	Vice President – Emergency Management
Karen Delince	Corporate Secretary
Brian McElroy	Treasurer
Denise Ellison	Director – Media Communications
Mike Lupo	Director – Marketing Analysis and Administration
Helle Maide	Director – Key Accounts and Business Development
Lou Paonessa	Director – Community Affairs
Joseph Kessler	Regional Manager, Western NY – Site Administration Niagara
Kevin O'Keeffe	Manager – Video Production Services
Paul Pascarello	Photography Services Supervisor – Video and Photographic Services
Chris Isca	Contractor – President's Office
Elise Cusack	Community Liaison, Erie Harbor and Special Project – President's Office
Lorna Johnson	Assistant Corporate Secretary
Sheila Baughman	Senior Secretary – Corporate Secretary's Office
Egel Travis	Pricing and Power Contract Analyst II, Marketing Analysis & Administration

Maciej Przybylowski	Pricing and Power Contract Analyst, Marketing Analysis & Administration
Bert Cunningham	NYPA Retiree
Tom Prohaska	Reporter – Buffalo News
Mark Scheer	Reporter – Niagara Gazette
Tony Modaffferi	MEUA Representative
Elizabeth Modafferi	Visitor

Chairman Townsend presided over the meeting. Corporate Secretary Delince kept the Minutes.

Introduction

Chairman Michael Townsend welcomed new Trustee, Raymond Wayne LeChase, to the meeting. He said that Mr. LeChase is well-respected in the Greater Rochester community; he can attest to his character and integrity; and he will be an asset to the Board. He also welcomed the other Trustees and staff to the meeting. Chairman Townsend said that in addition to the regular Board Meeting, the Authority will host a 50th year licensing celebration of the Niagara Power Project after the meeting.

1. ***Approval of the June 28, 2011 Meeting Agenda***

On motion made and seconded the Agenda for the Meeting was approved.

2. Consent Agenda

Chairman Townsend said the Economic Development Power Allocation Board had recommended that the Authority's Trustees approve item 2b (Transfers of Industrial Power) at their meeting held on June 27, 2011.

a. **<u>Approval of the Minutes</u>**

The Minutes of the Regular Meeting held on May 24, 2011were unanimously adopted.

b. Transfers of Industrial Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the transfer of power allocations for three existing customers, one that was granted an increase in its allocation of Municipal Distribution Agency power ('MDA'), another which is seeking to redistribute an existing allocation to another of its facilities and a company requesting to transfer their allocation to a new location.

BACKGROUND

"This is a housekeeping item brought routinely to the Trustees. Three companies have requested that the Authority grant approval of their requests regarding the transfer or modification to existing Authority power allocations to their facilities. One company has requested to transfer a portion of its Economic Development Power allocation ('EDP') to another of its facilities. An allocation of MDA power is requested to be increased using unallocated power that was returned by former customers of the Nassau County Public Utility Agency ('NCPUA'). Lastly, a customer that has officially changed its name is relocating and wishes to transfer its Power for Jobs ('PFJ') allocation to the new location. Details of the transfers requested for approval are described below.

"The Trustees have approved transfers of this nature at past meetings.

DISCUSSION

"The proposed transferees are as follows:

Brooklyn Information & Culture Inc., located in Brooklyn, New York, is a non-profit arts organization that presents and produces a wide array of quality contemporary art, encourages performing arts and provides community media programs. The company has officially changed its name to **BRIC Arts Media Bklyn, Inc.** ('BRIC'). In addition, the organization will be moving from its existing facility at 647 Fulton Street to a new location at 242 3rd Street. BRIC wishes to transfer its 50 kW PFJ allocation to the new location. After reporting its employment for last year the company is in compliance with its commitment. The customer agrees to continue honoring all of the terms and conditions of the existing contract. At their June 27, 2011 meeting, the Economic Development Power Allocation Board ('EDPAB') approved and recommended that the Authority approve the transfer as requested by BRIC.

Cold Spring Harbor Laboratory ('CSHL'), in Cold Spring Harbor, Nassau County, is a world-leading laboratory in the fields of molecular biology and genetics. The Authority sells MDA power to NCPUA for resale to customers. CSHL receives a 2,200 kW allocation of MDA power that was recently extended, including associated Energy Cost Savings Benefits ('ECSB') through June 30, 2012. On May 18, 2011, NCPUA approved, contingent upon Authority approval, allocation of an additional 800 kW of NCPUA's unallocated block of MDA power to CSHL. NCPUA has requested that the Authority approve the increase, which would bring CSHL's total allocation to 3,000 kW. CSHL is job compliant, having reported 945 jobs in its most recent application for 2011 extended benefits, nine percent above the contract commitment of 864. The company agrees to continue meeting its commitments through June 30, 2012, the sunset of ECSB program.

J.P. Morgan-Chase ('JPMC'), a large bank and financial services company, has multiple facilities in New York City. The company has requested reallocating a portion of its total allocation amount from its 277 Park Avenue facility to its 383 Madison Avenue location. The company has relocated some of its operations into the former Bear Stearns facility and therefore wishes to redistribute 2,300 kW of its 24,200 kW EDP allocation to its Madison Avenue facility. JPMC recently reported employment of 2,290 jobs which is compliant with the company's job commitment of 2,296 jobs. The company agrees to continue meeting its commitments through June 30, 2012, the sunset of the ECSB program. At their June 27, 2011 meeting, EDPAB approved and recommended that the Authority approve the transfer as requested by JPMC.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the name change and transfer of a Power for Jobs allocation to a new location and the transfer of a portion of an existing Economic Development Program allocation to another of the customer's facilities. Additionally, it is recommended that the Trustees approve the addition of 800 kW of unallocated Municipal Distribution Agency power and associated Energy Cost Savings Benefits to Cold Spring Harbor Laboratory for a total allocation of 3,000 kW, as requested and approved by the Nassau County Public Utility Agency.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Authority hereby authorizes the transfers of three industrial power allocations in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

c. Niagara Power Project – Roadway Bridges Expansion Joint Replacement – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a three-year contract in the amount of $2.171 million to EdBauer Construction ('EdBauer'), of Blasdell, NY, to replace the existing expansion joints on Lewiston Road and on the Robert Moses Parkway Bridges at the Niagara Power Project.

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services contracts exceeding a one-year term require the Trustees' approval.

"As part of the 2008 biennial bridge inspection, an assessment of the expansion joints located on Route 104/Lewiston Road and the Robert Moses Parkway, southbound and northbound, was performed. The inspection revealed that of the 78 expansion joints located over the three bridges, 33 were experiencing excessive leaking. Salt-laden water from deicing road salts is leaking through the failed expansion joints onto the reinforced concrete load-bearing bridge piers below the joints, causing the concrete to spall and deteriorate. Therefore, it is recommended that all expansions joints be replaced to prevent further deterioration.

DISCUSSION

"The scope of work under this contract includes the removal, disposal and replacement of the existing expansion joints in the roadways and associated sidewalks. The work will be performed in three phases as follows:

Phase 1	Robert Moses Southbound Parkway	July 1, 2011 – Nov. 23, 2011
Phase 2	Route 104 / Lewiston Road	April 1, 2012 – Nov. 23, 2012
Phase 3	Robert Moses Northbound Parkway	April 1, 2013 – Nov. 23, 2013

"The Authority issued an advertisement to procure bids in the New York State *Contract Reporter* and bid packages were available as of February 28, 2011. The bid documents were downloaded by 48 potential bidders and 8 potential bidders participated in a site visit on March 10, 2011.

"The following five proposals were received on March 29, 2011:

Bidder	**Location**	**Base Bid**	**With Selected Options**
EdBauer Construction	Blasdell, NY	$2,111,978.00	$2,170,828.00
BVR Construction Co., Inc.	Rochester, NY	$2,310,659.50	$2,351,929.50
Scrufari Construction Co., Inc.	Niagara Falls, NY	$2,491,924.00	$2,621,884.00
Crane-Hogan Structural Systems	Spencerport, NY	$3,073,400.00	$3,132,410.00
Nichols Long and Moore Construction	Lancaster, NY	$4,035,113.00	$4,058,338.00

"The proposals were reviewed by an evaluation committee comprising staff from Engineering, Procurement and Project Management.

"EdBauer's bid was the lowest in price and was also technically acceptable. EdBauer, which has extensive experience in roadway construction and projects of this magnitude and demonstrated knowledge of the scope-of-work, is capable of completing this project in a timely manner. Edbauer has performed satisfactory work on previous Authority Projects, including the construction of the Niagara University Wall and Berm Project, completed in 2009.

"The Authority requested 27 option prices within the Request for Proposal for which the costs are noted above. These include additional concrete patch repairs, sidewalk demolition and replacement, installation of rebar, additional traffic control resources and the disposal of demolished materials containing asbestos and PCBs in excess of 50 ppm which will require alternate disposal methods in accordance with environmental regulations. The cost for this work will only be released to the bidder if the need arises and will not be reflected in the total dollar amount of the Purchase Order.

"Funding in the amount of $537,000 has been included in the 2011 approved O&M Budget. Future funding will be included in the O&M Budget requests for that year.

FISCAL INFORMATION

"Payment associated with this project will be made from the Authority's O&M Fund.

RECOMMENDATION

"The Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees approve the award of a multi-year contract to EdBauer Construction of Blasdell, NY, in the amount of $2.171 million, to replace the existing expansion joints for the roadway bridges located at the Niagara Power Project.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a three-year contract to EdBauer Construction of Blasdell, NY, in the amount of $2.171 million to replace the existing expansion joints on Lewiston Road and the Robert Moses Parkway Bridges located at the Niagara Power Project, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
EdBauer Construction Blasdell, NY	**$2.171 million**

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

d. Procurement (Services) Contracts –
Business Units and Facilities –
<u>Awards, Extensions and/or Additional Funding</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multiyear procurement (services) contracts listed in Exhibits '2d-A-1' and '2d-A-2,' as well as the continuation and funding of the procurement (services) contracts listed in Exhibit '2d-B,' in support of projects and programs for the Authority's Business Units/Departments and Facilities. Detailed explanations of the recommended awards and extensions, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, or the reasons for extension, the additional funding required and the projected expiration dates, are set forth in the discussion below.

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.

"The Authority's Expenditure Authorization Procedures ('EAPs') require the Trustees' approval for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of $3 million, as well as personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder.

"The Authority's EAPs also require the Trustees' approval when the cumulative change- order value of a personal services contract exceeds the greater of $500,000 or 25% of the originally approved contract amount not to exceed $500,000, or when the cumulative change-order value of a non-personal services, construction, equipment purchase or non-procurement contract exceeds the greater of $1 million or 25% of the originally approved contract amount not to exceed $3 million.

DISCUSSION

Awards

"The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $11,558 to $11.4 million. Except as noted, these contract awards do <u>not</u> obligate the Authority to a specific level of personnel resources or expenditures.

"The issuance of multiyear contracts is recommended from both cost and efficiency standpoints. In many cases, reduced prices can be negotiated for these long-term contracts. Since these services are typically required on a continuous basis, it is more efficient to award long-term contracts than to rebid these services annually.

Extensions

"Although the firms identified in Exhibit '2d-B' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. The Trustees' approval is required because the terms of these contracts will exceed one year including the extension, the term of extension of these contracts will exceed one year and/or because the cumulative change-order limits will exceed the levels authorized by the EAPs in forthcoming change orders. The subject contracts contain provisions allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do <u>not</u> obligate the Authority to a specific level of personnel resources or expenditures.

"Extension of the contracts identified in Exhibit '2d-B' is requested for one or more of the following reasons: (1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; (2) to accommodate an Authority or external regulatory agency schedule change that has delayed, reprioritized or otherwise suspended required services; (3) the original consultant is uniquely qualified to perform services and/or continue its presence and rebidding would not be practical or (4) the contractor provides a proprietary technology or specialized equipment, at reasonable negotiated rates, that the Authority needs to continue until a permanent system is put in place.

"The following is a detailed summary of each recommended contract award and extension.

<u>Contract Awards in Support of Business Units/Departments and Facilities</u>:

<u>Human Resources</u>

Employee Benefits

"In late 2010, the Authority's Employee Benefits Unit, assisted by its benefits consultant, Deloitte Consulting, sought proposals (Q10-4883) from providers of Third Party Administrative ('TPA') services for its self-insured major medical, hospitalization, prescription drug, dental, vision care, flexible spending accounts and short-term disability. Prospective bidders were invited to submit proposals for one or more categories of the aforementioned services for the Authority's various employee groups and retirees, with eligible participants including active and retired Salaried employees, members of the International Brotherhood of Electrical Workers ('IBEW') and the Utility Workers' Union of America ('UWUA'), as well as retired members of Teamsters' Local 887. The potential number of enrollees offered such coverage is approximately 3,235 (active employees and retirees). To that end, bid documents were downloaded electronically from the Authority's Procurement website by 40 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Proposals were received from six firms for one or more service categories in the Authority's Request for Proposals ('RPF'). Deloitte Consulting assisted Authority staff in collecting and sorting the data submitted in the proposals. Since no stand-alone proposal/s for optional vision care services were received in response to the original RFP, a second RFP (Q11-4929) was issued to solicit bids for this service category. Of the 21 firms that downloaded the second RFP, four firms submitted proposals. After an initial review of all bids received in response to both RFPs, five firms were selected to attend finalists' meetings. Bidders were invited to present their proposals in detail and to provide any additional data that were requested during the meetings. Such meetings also afforded Authority staff the opportunity to meet the respective account representatives and to clarify any outstanding questions or issues. A more detailed evaluation and analysis of the proposals and clarifications provided during the finalists' meetings were subsequently performed based on the following evaluation criteria: financial competitiveness, plan design, prescription drug tier status, network analysis, and other considerations, such as, account management, member services capabilities, claims management and agency financial ratings of all the bidders.

"Based on the aforementioned detailed evaluation and analysis of all the proposals, clarifications and evaluation criteria, staff recommends the award of contracts to the following four firms: UnitedHealthcare Services, LLC ('UHC'), Delta Dental of New York, Inc. ('Delta Dental'), Davis Vision, Inc. ('Davis Vision') and POMCO, Inc. (PO#s TBA) to provide for TPA services for the Authority's health and benefits programs on a self-insured basis. Services would be provided as follows: (1) UHC would continue to provide TPA services for the major medical program for the Authority's active and retired Salaried and UWUA employees, the prescription drug program for active and retired employees, and the flexible spending account program for active Salaried, IBEW and UWUA employees, as well as for hospitalization under the 'NYPA Choice Plan' for active and retired Salaried employees; under the new contract, UHC would also provide TPA services for major medical and hospitalization for active and retired IBEW employees and Teamsters retirees; (2) Delta Dental would continue to provide TPA services for the dental program for all active employees; (3) Davis Vision would provide TPA services for the optional vision care program for active Salaried employees only; and (4) POMCO would continue to provide TPA services for short-term disability for active IBEW and UWUA employees. UHC, Delta Dental and Davis Vision are the lowest-priced qualified bidders in the respective service categories, with wide-ranging network access / options and top-quality account management, customer service and claims processing. Additionally, it was decided that the current arrangement for the hospitalization program with Empire HealthChoice Assurance, Inc. (Empire BlueCross BlueShield) would be continued on a fully-insured basis and that the HMO programs (which were not included in this RFP) would also continue to be offered. Since some of these proposed contracts will cover additional employee / retiree groups and/or will not be awarded to the incumbent provider, a transition period is required to set up plans and program files prior to the commencement of actual TPA services on January 1, 2012. In order to allow sufficient lead time for the vendor/s to prepare for the January 1 implementation date, the contracts would become effective on or about July 1, 2011, for an intended term of up to five and one-half years (including the preparatory / transition period commencing at the time of vendor notification), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contracts: $6,613,816 for UHC, $357,490 for Delta Dental, $11,558 for Davis Vision and $33,000 for POMCO, as further set forth on Exhibit '2d-A-1.' It should be noted that these amounts do not include actual claims funding.

Business Services

Corporate Finance

"The contract with **Nexant, Inc. (Q11-5012; PO# TBA)** would provide for consulting services in connection with the Authority's transmission cost-of-service and anticipated regulatory filings with the Federal Energy Regulatory Commission ('FERC'). Services include, but are not limited to, preparing a detailed cost-of-service study for the Authority's integrated transmission system, including all supporting work papers, as well as developing and maintaining a computer model to forecast current and future transmission revenue requirements incorporating various levels of maintenance, capital upgrades and/or expansion to assure system reliability; developing strategies that allow for transmission system upgrades or new construction, which would take into account the Authority's need to generate additional revenues to recover transmission project costs in the NYISO market, while considering any constraints and limitations on such recovery; and preparing various reports, updates and presentations for the Authority. To that end, bid documents were downloaded electronically from the Authority's Procurement website by 42 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; five proposals were received and evaluated. Based on an evaluation of each firm's experience in the areas of transmission cost-of-service, FERC filings, public power and the NYISO market, as well as projected costs (including number of hours, average cost per hour, etc.), staff recommends award of a contract to Nexant, the lowest-priced technically qualified bidder, as further set forth in the Award Recommendation memorandum. The contract would become effective on or about July 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $500,000.

Corporate Support Services

Corporate Support Services - Facility Management

"The contract with **Clean Air Quality Service, Inc. ('CAQS') (Q11-4956; PO# TBA)** would provide for maintenance and upgrade of the existing Energy Management System ('EMS'), which controls and monitors the HVAC system at the Authority's Clarence D. Rappleyea Building in White Plains. Services include, but are not limited to, preventive maintenance (comprising database backup and verification, hardware system support and application software support); emergency services, repairs and 24-hour technical support; repair/ replacement of worn parts; firmware and software upgrades; documentation and system training. Bid documents were downloaded electronically from the Authority's Procurement website by 23 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; two proposals were received and evaluated. Staff recommends award of a contract to CAQS, the lower-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about July 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $37,500.

Energy Services and Technology ('ES&T')

Engineering and Design

"The Authority provides engineering, design, procurement and project management services to many of its customers to promote cost savings through efficient energy usage. Such services include, but are not limited to, various mechanical, electrical and lighting improvements, as well as energy audits, boiler and chiller replacements, and other energy-related projects in the customers' facilities. The two contracts with **Camp Dresser & McKee ('CDM') and L.J. Gonzer Associates ('Gonzer') (Q11-4992; PO#s TBA)** would provide for computer-assisted drafting ('CAD') and design support services to supplement the Authority's in-house staff in connection with such Energy Services projects. Bid documents were downloaded electronically from the Authority's Procurement website by 145 firms and one additional firm that obtained the bid documents from an alternate source, including those that may have responded to a notice in the New York State *Contract Reporter.* Eight proposals were received and evaluated. The bids were reviewed in detail and the cost of a typical project was also calculated by Authority staff using each bidder's unit pricing per drawing and hourly rates, based on estimated quantities of hours (per job classification, drawing preparation time, typical field survey time and drafting time) reflecting historical usage. Based on the foregoing, as well as their experience and facilities, staff recommends award of contracts to two firms: CDM and Gonzer, the lowest-priced evaluated bidders, which are qualified to perform such services and meet the bid requirements. Two contracts are recommended in order to provide flexibility and sufficient resources to accommodate the potential volume and/or scheduling of work that may be requested by the Authority. The contracts would become effective on or about July 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $100,000. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. It should also be noted that all costs will be recovered by the Authority.

Power Supply

"The contract with **Bristol Harbor Group, Inc. ('Bristol Harbor') (6000121236; PO# TBA)** would provide for the professional services of a naval architect to inspect and evaluate the Authority's marine vessels (including two ice breakers, one tug and one barge) in support of the Niagara Power Project. Services also include the preparation of a comprehensive written report, which includes, but is not limited to, research on the applicable codes, regulations and policy guidelines; a determination regarding each vessel's compliance and recommendations for correcting non-conformance items, where deficiencies are encountered; other tasks, such as updating or developing operating manuals for one or more marine vessels and performing marine engineering design of proposed structural changes to the vessels, may be required on an 'as needed' basis. Bid documents were downloaded electronically from the Authority's Procurement website by 62 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; five proposals were received and evaluated. Staff recommends award of a contract to Bristol Harbor, the lowest-priced evaluated bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about July 1, 2011 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $375,000.

"Due to the need to commence services, the contract with **Brosnan Risk Consultants, Inc. ('Brosnan') (Q11-4941; PO# TBA)**, which would provide for security personnel services for the Authority's White Plains Office, 500 MW, Flynn and Small Clean Power Plant sites, became effective on June 1, 2011, in accordance with the Authority's Guidelines for Procurement Contracts and EAPs, and subject to the Trustees' ratification and approval at their next scheduled meeting. Such action was necessary in order to provide a one-month transition period for the new provider of such services to identify and train prospective staff to be assigned under the subject contract, with actual security guard services to commence on July 1, 2011. An initial amount of $100,000 was authorized to fund the transition period. Bid documents were downloaded electronically from the Authority's Procurement website by 69 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 19 proposals were received and evaluated. Pricing clarifications with the seven apparent low bidders were conducted via telephone interviews; of this group, one firm withdrew its proposal from further consideration and the other six proposals were evaluated further and deemed incomplete, unacceptable or not qualified, as further set forth in the Award Recommendation documents. Based on the foregoing, staff recommends award of a contract to Brosnan, the lowest-priced qualified bidder that meets the bid requirements. Brosnan's presentation during a bid clarification meeting with Authority staff resolved all questions and demonstrated the firm's experience, capabilities, resources, training and internal security requirements; its references were also thoroughly checked. The intended term of the contract is up to five years and one month, subject to the Trustees' ratification and approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $11.4 million.

"The contract with **Coverco, Inc. ('Coverco') (6000121318; PO# TBA)** would provide for plumbing pipe insulation services for the Niagara Power Project. Services include all labor, supervision, equipment and materials to perform duct plumbing pipe and fittings insulation, as directed by Authority personnel. Work shall consist of small projects to retrofit equipment or re-insulate deteriorated piping and valves, on an 'as needed' basis. Bid documents were downloaded electronically from the Authority's Procurement website by 14 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one proposal was received and evaluated. Reasons for the lack of other responses include, but are not limited to: the work was not in their scope of services, lack of geographic proximity or the bid documents were downloaded for information purposes only. Staff recommends award of a contract to Coverco, the sole responding bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about July 1, 2011 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $50,000.

"The contract with **Gomez and Sullivan Engineers, P.C. ('Gomez & Sullivan') (Q11-5018; PO# TBA)** would provide for the services of an independent consultant to perform a Federal Energy Regulatory Commission ('FERC') Part 12 mandated dam safety inspection of the Crescent and Vischer Ferry Hydroelectric Projects and prepare reports. Services also include follow-up work to respond to FERC questions, as may be required. FERC regulations also require that the Authority obtain FERC approval of its proposed independent consultant/s prior to the initiation of the inspection. To that end, bid documents were downloaded electronically from the Authority's Procurement website by 35 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; additionally, three firms obtained the bid documents from an alternate source. Six proposals were received and evaluated. Staff recommends award of a contract to Gomez & Sullivan, the lowest-priced evaluated bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under previous contracts for such work at these and other Projects. The Gomez and Sullivan proposal was complete, competitive and fully responsive to the scope of work. The firm has a proven record of experience in such services and demonstrated the necessary resources, expertise and qualifications to perform all such required work in accordance with FERC requirements. The contract would become effective on or about July 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $206,000.

"The contract with **Haverfield Aviation, Inc. ('Haverfield') (C11-60028; PO# TBA)** would provide for comprehensive aerial / infrared / corona inspections via helicopter, maintenance and repair of designated sections of the Authority's transmission lines and associated structures located throughout New York State. Inspection services also include preparation of digital reports containing descriptions and pictures of all conditions found during the inspection. Such aerial inspections will be conducted at the rate of approximately 20% of the lines per year over a five-year cycle; infrared and corona inspections will be performed on a two-year cycle. The maintenance is performed from a helicopter platform on energized lines owned and maintained by the Authority in 23 counties in New York State and is scheduled, as necessary, throughout the year. Bid documents were downloaded electronically from the Authority's Procurement website by nine firms, including those that may have responded to a notice in the New York State *Contract Reporter*; four proposals were received and evaluated. Staff recommends award of a contract to Haverfield, the lowest-priced evaluated bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about July 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1.9 million.

"The contract with **Konecranes, Inc. ('Konecranes') (Q11-5015; PO# TBA)** would provide for inspection and certification services for various cranes and related equipment at Authority projects and facilities located throughout New York State, in compliance with Occupational Safety and Health Administration ('OSHA') and other applicable codes, standards and requirements. Services also include, but are not limited to, developing various required hard copy and secure website reports, as well as manuals and related documentation, on an 'as needed' basis. To that end, bid documents were downloaded electronically from the Authority's Procurement website by 15 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one proposal was received and evaluated. The principal reasons for the lack of other responses include, but are not limited to: the work was not in their scope of services, they were unable to meet certain requirements set forth in the bid specifications, their current workload was too heavy or they downloaded the bid documents for information purposes only. Staff recommends award of a contract to Konecranes, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under a previous contract for such work. The firm has a proven record of experience in such services and demonstrated the necessary resources, training and qualifications to ensure that the required work is performed in accordance with all specified requirements. The new contract would become effective on or about July 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $375,000.

"The contract with **Universal Office Cleaning ('Universal') (Q11-4972; PO# TBA)** would provide for janitorial and other cleaning services for the Authority's Richard M. Flynn Plant and the Small Clean Power Plant at Brentwood. Bid documents were downloaded electronically from the Authority's Procurement website by 37 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; nine proposals were received and evaluated. The initial apparent low bidder requested that its proposal be withdrawn from consideration. Staff therefore recommends award of a contract to Universal, the lowest-priced of the 8 remaining bidders, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about July 1, 2011 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $160,000. While not presently certified, Universal is a Woman-owned Business Enterprise and is in the process of applying for New York State certification as such.

Contract Extensions and/or Additional Funding:

Energy Services & Technology

Energy Services

"The Statewide Energy Services Program ('Statewide ESP') is an energy efficiency program that provides a turnkey approach to identifying, procuring and implementing energy-saving solutions for participants outside the Southeastern New York ('SENY') service territory. At their meeting of December 14, 2004, the Trustees approved the award of contracts to three firms: DMJM + Harris (now AECOM USA Inc.), PB Power, Inc. (now PB Americas, Inc.) and Select Energy Services, Inc. (now Ameresco Select, Inc.) (4600001362, 460001364 and 4600001363, respectively) for project management and program implementation services in connection with the Statewide ESP initiative. The Trustees also approved a funding increase in the Statewide ESP in the amount of $250 million; of this amount, the Trustees approved an aggregate total of $230 million to the three aforementioned Implementation Contractors ('ICs') to assist Authority staff with the audit, design and construction of Satewide ESP projects, to be allocated as projects are assigned. The contracts, which were competitively bid, became effective on January 1, 2005 for an initial term of three years, with an option to extend for up to two additional years through December 31, 2009, which was subsequently exercised. (An additional extension through December 31, 2012 of the contracts with Ameresco and PB Power was subsequently approved by the Trustees at their meeting of September 29, 2009.) While all three aforementioned ICs performed well, one firm (AECOM) subsequently withdrew from the statewide market. Since the demand for the Statewide ESP had increased dramatically, it was necessary not only to replace the IC that withdrew from the statewide market, but also to retain a fourth IC in order to provide the resources necessary to meet the increased program demand for such services. At their meeting of June 27, 2006, the Trustees approved the award of competitively bid contracts to two additional firms: **Einhorn Yaffee Prescott Architecture & Engineering, PC (now EYP Architecture & Engineering, PC; 'EYP') (4600001644) and**

Wendel Energy Services, LLC ('Wendel') (4600001645), which are also funded from the aforementioned aggregate $230 million. While many of the projects assigned to EYP and Wendel have been completed successfully, the progress of approximately 30 other projects previously assigned to these two firms has been delayed for various reasons. They include, but are not limited to, delays in customer approvals, changes in project scope requested by customers and permitting delays by the some state entities. Additionally, several customers delayed project milestone approvals due to budget uncertainties caused by the economic crisis; such delays put many project on hold, while customers re-evaluated capital budget priorities and often resulted in extensive changes in project scopes of work. Customers have now authorized the Authority to proceed to the next steps on most of these projects and other projects are expected to receive authorization to proceed shortly. Examples of such projects that will require additional time for completion include, but are not limited to those for: Clinton and Union-Endicott Central School Districts, OGS Empire State Plaza and Harriman Campus, New York State Department of Environmental Conservation – Belleayre, SUNY - Upstate Medical, Cobleskill and Albany campuses, Cortland County and the Town of Islip. The scopes of work vary by Customer and facility; they may include, but are not limited to: replacement of boilers, chillers, HVAC systems and related controls; installation / upgrade of lighting and lighting controls; replacement of motors, pumps, water heaters; installation of photovoltaic or wind turbine generators; installation of building insulation and weatherization; recovery and re-use of building waste heat; installation of efficient snow-making equipment and installation upgrade of building energy management system controls. Since work is in progress on these projects, and these contractors have been performing very well, it would not be practical or cost-effective to rebid these services or reassign these projects to a new contractor/s. An extension of approximately four and one-half years of the contracts with **EYP and Wendel** is therefore requested to provide for the continuation of IC services through completion of all such previously assigned projects. No new projects will be assigned to these contracts. The current aggregate 'Target Value' for all five contracts totals $180 million, of which $141,092,183 has been released to date. Staff anticipates that no additional funding in excess of the previously approved aggregate $230 million will be required for the extended term. The Trustees are requested to approve the extension of the subject contracts with EYP and Wendel through December 31, 2015 and to approve the release and allocation of the $50 million remaining from the previously approved $230 million, as needed. Change Orders reflecting such allocations will be executed in accordance with the Authority's EAPs. Such expenditures will be closely monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that all costs will be recovered by the Authority.

ES&T - *Energy Services* + Power Supply – *Environment, Health & Safety*

"At their meeting of September 25, 2007, the Trustees approved the award of a contract to **Veolia ES Technical Solutions, LLC ('Veolia') (460001846)** to provide for the recycling/ disposal of lamps and light ballasts, mercury-containing equipment, batteries and small capacitors, as well as other electrical waste generated by the Authority's High Efficiency Lighting Program ('HELP'). Services include furnishing, or arranging for furnishing, all labor, supervision, material, equipment, laboratory facilities, transportation including vehicles, fuel, tolls, highway use taxes, insurance, spill prevention control and countermeasure equipment and materials and federal, state and local permits, licenses and other approvals necessary to manage the waste from its point(s) of generation within New York State to the point(s) of ultimate disposition. The contract, which was competitively bid, became effective on November 1, 2007, for a term of four years (through October 31, 2011), in the approved amount of $700,000. An additional $175,000 was subsequently authorized in accordance with the Authority's EAPs. The current 'Target Value' is $875,000, of which $736,985 has been released to date. Based on current waste generation trends and the increased number and scope of scheduled projects, as well as unanticipated regulatory costs associated with the management of new and existing waste streams, staff projects that an additional $650,000 may be required through the end of the approved contract term. Pricing shall remain firm at the current rates for the duration of the contract. The Trustees are requested to approve the additional funding requested, increasing the approved compensation ceiling to $1.525 million. Such services will be rebid and the Trustees' approval for the award and funding of a new multi-year contract will be sought later this year. It should be noted that all costs associated with this work will be recovered by the Authority.

Power Supply

"At their meeting of June 29, 2004, the Trustees approved the award of a competitively bid contract to **GE Hydro Power Inc. (4600001295)** to provide for the fabrication, delivery and field installation of motor/generator stator windings for up to 11 units at the Lewiston Pump Generating Plant ('LPGP') at the Niagara Power Project, for an estimated seven-year term and a total amount of $15 million. The subject contract established a mechanism for implementing emergency stator rewinds, necessitated by either stator winding failure or if testing, evaluation and analysis determined that such work was required, on an 'as needed' basis. To date, only two units have required a stator rewind under this contract. A spare set of stator coils was also procured and is currently stored in the Authority's warehouse, ready for immediate use if an emergency stator rewind should be required. The LPGP Life Extension and Modernization ('LEM') Program, currently scheduled to start in December 2012 and be completed in 2020, includes the replacement of all stator windings; such work will be performed under a new contract. In the interim, a four-year extension of the existing contract, which currently expires on June 30, 2011, is requested to perform any emergency stator rewind/s that may be required prior to implementation of the LEM Program. The Trustees are therefore requested to approve an extension of the subject contract through June 30, 2015, with no additional funding requested. The current 'released' amount is $4,196,746. It should be noted that the Authority is under no financial obligation to release any additional work under the subject contract.

"At their meeting of February 29, 2000, the Trustees approved the award of a competitively bid contract to **General Electric International, Inc. (now General Electric Energy Services, Inc.; 'GE Energy') (4600000395)** to provide for the removal, rehabilitation and installation of 16 sets of generator rotor poles and accessories, as part of the Life Extension and Modernization ('LEM') Program at the St. Lawrence/FDR Power Project ('Project'), in the amount of $6,285,745. At their meeting of May 23, 2006, the Trustees approved additional funding for additional required materials and work, increasing the compensation limit to $11,356,000. GE Energy has been successfully refurbishing and rehabilitating the unit rotor pole assemblies at the Project in accordance with the LEM schedule (currently expected to be completed by 2013); 14 of the 16 units have been completed to date. Recently, the Authority authorized additional site work relating to emergent issues encountered during inspection and rehabilitation of Unit 24, and will necessitate a change in scope to the subject contract. Such issues include, but are not limited to, the following: performing extensive crack repairs, moving and securing of rotor arm, preparation of welding documentation, and additional Non-Destructive Testing of the rotor pole assembly. The current 'Target Value' is $11,356,000, of which $9,869,293 has been released to date. Staff estimates that an additional $1.3 million will be required to correct as-found conditions with the rotor pole assembly for the balance of LEM and to accommodate the required change in scope. The Trustees are therefore requested to approve the additional funding requested, increasing the compensation limit and expenditure release authorization to $12,656,000. This amount has been accounted for in the total cost estimate and is within the previously approved Capital Expenditure Authorization Request ('CEAR').

"At their meeting of September 26, 2006, the Trustees approved the award of a contract to **NAES Corp. (formerly North American Energy Services) (4500133069)** to provide for the operation and maintenance ('O&M') of the New York City Department of Environmental Protection's ('NYC DEP') East Delaware and Neversink hydroelectric facilities ('Facilities'). The original award, which was competitively bid, became effective on November 29, 2006 for an initial term of 19 months, with an option to extend for two additional years. (There are provisions in the contract to extend the contract term for additional periods of time, to a maximum of nine additional years; requests to exercise any such further renewal options and approval of additional funding beyond the current levels will be presented to the Trustees for review and approval as needs arise.) Several incremental additional funding increases, as well as contract term extensions, were subsequently authorized by the Trustees, most recently at their meeting of June 29, 2010, when the contract was extended through June 30, 2012 and the approved compensation limit was increased to $12,249,957. Staff projects that an additional $1.5 million will be required to support new and/or ongoing capital projects that have been identified and agreed to by the NYC DEP for the previously approved contract term. The Trustees are requested to approve the additional funding now requested, thereby increasing the approved contract value to $13,749,957. All contract renewals between the Authority and NAES are subject to the Operating Agreement between the Authority and the NYC DEP. The City of New York, acting through the NYC DEP, will reimburse the Authority for all direct and administrative costs.

"At their meeting of March 20, 2003, the Trustees approved a contract award to **Siemens Westinghouse Power Corp. (now Siemens Energy, Inc.) ('Siemens'; 4600001092)** to provide outage support and operating plant services for the Richard M. Flynn Power Plant ('Flynn'), in the estimated amount of $24 million. This long-term Operating Plant Service Agreement ('OPSA') was approved for an intended 12-year term through April 15, 2015; the OPSA includes discounts ranging from 3.29% below Siemens' normal prices on shop repairs to 10.2% on new components. Siemens is the original equipment manufacturer ('OEM') for the Flynn gas turbine and other plant equipment and, as such, is uniquely qualified to perform such services and modifications and to provide replacement parts. At their meeting of June 26, 2007, the Trustees authorized an additional $3.2 million for a complete rotor rewind released on an emergency basis, as well as a steam turbine inspection, increasing the compensation ceiling to $27.2 million. The Flynn Plant's last Major Outage occurred in 2007; the next such Outages are scheduled for October/November of 2011 and 2015, respectively. While a significant portion of expenses in preparation for the forthcoming Outage have already been committed (e.g., for mixing elbows, compressor blades, turbine blades and vanes, valve actuators, controls upgrade, etc.), additional funding will be required for services and materials to complete the 2011 Outage. Furthermore, additional funding will also be required to refurbish or replace gas turbine parts in 2012 and 2013 that will be removed during the 2011 Outage. Staff anticipates that after planned expenditures for 2011 – 2013, there should be adequate funding to provide for unplanned events, repairs or purchases, as well as some preparation for the 2015 Major Outage. The current 'released' amount is $24,422,540 (of the approved $27.2 million). Staff estimates that an additional $8.8 million will be required to cover the aforementioned scope. Since the approved term expires on April 15, 2015, less than six months prior to the 2015 Major Outage that will be related to the Siemens (OEM) gas turbine, staff recommends that it would be prudent to extend the subject contract by 8.5 months, in order to minimize disruptions in service or flow of materials for the 2015 Outage. The Trustees are therefore requested to approve an extension of the subject contract through December 31, 2015, and also to approve the additional funding requested, thereby increasing the approved compensation ceiling to $36 million.

"At their meeting of October 26, 1999, the Trustees approved the award of a competitively bid contract to **Voith Hydro, Inc. ('Voith') (4500016211)** to provide for the delivery of 16 new Generator Control Systems ('GCS') and associated work, as part of the Life Extension and Modernization ('LEM') Program at the St. Lawrence/FDR Power Project, in the amount of $11,469,657. The Trustees also approved the initial release of $1,995,330 for the design, development, testing and furnishing of the first GCS. Several incremental releases from the originally approved amount, as well as additional funding, were subsequently authorized by the Trustees, most recently at their meeting of September 29, 2009, when the approved compensation limit and expenditure release authorization were increased to $23,004,806. Voith has been successfully furnishing and commissioning equipment to control the generation assets at the plant in accordance with the LEM schedule, currently expected to be completed by 2013; 13 of the 16 units have been completed to date. Recently, several emergent issues were identified, which will require additional work and funding. Such issues include, but are not limited to the following: (1) compliance with additional NERC/CIP regulatory requirements; (2) procurement of upgraded GCS cabinets; (3) migration of the existing panel view application; (4) reduction of the set-point limit for shutdown; and (5) upgrade of work station equipment. The current contract amount is $22,939,627 (of the approved total $23,004,806). Staff estimates that an additional $2 million will be required to accommodate the required additional scope of work. The Trustees are therefore requested to approve the additional funding requested, increasing the approved compensation ceiling and expenditure release authorization to $25,004,806. This additional amount is within the authorization limits of the St. Lawrence LEM Capital Expenditure Authorization Request ('CEAR').

<u>FISCAL INFORMATION</u>

"Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2011 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request. Payment for certain contracts in support of Energy Services Programs will be made from the Energy Conservation Effectuation and Construction Fund.

<u>RECOMMENDATION</u>

"The Deputy General Counsel, the Senior Vice President – Transmission, the Senior Vice President – Corporate Planning and Finance, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Environment, Health and Safety, the Vice President – Technical Compliance, the Vice President – Procurement, the Director – Compensation and Benefits, the Director – Engineering and Design (ES&T), the Director – Corporate Support Services, the Regional Manager – Northern New York, the Regional Manager – Central New York, the Regional Manager – Western New York, the Regional Manager – Southeastern New York and the General Manager – Clark Energy Center recommend that the Trustees approve the award of multiyear procurement (services) contracts to the companies listed in Exhibits '2d-A-1' and '2d-A-2,' and the extension and/or additional funding of the procurement (services) contracts listed in Exhibit '2d-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective exhibits.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services contracts set forth in Exhibits "2d-A-1" and "2d-A-2," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contracts listed in Exhibit "2d-B," attached hereto, are hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

e. Selection of Firms to Serve as Authority Financial Advisor and Swap Advisor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of multiyear procurement contracts each in the amount of $250,000 to Public Financial Management, Inc. ('PFM') to provide financial advisory services and to Swap Financial Group, LLC ('SFG') to provide swap advisory services in connection with the Authority's issuance of debt, interest rate exchange program or other financial issues.

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. Moreover, the Authority's Expenditure Authorization Procedures require the Trustees' approval for the award of personal services contracts in excess of $1 million if low bidder, or $500,000 if sole-source or non-low bidder. The terms of the contracts considered herein are for more than one year and, therefore, the Trustees' approval is required.

"The Authority engages the services of a financial advisor to support its capital markets activities and the issuance of bonds, notes and other forms of debt instruments. The financial advisor generally assists the Authority in the independent evaluation of financing alternatives under consideration; advising on rating agency interactions and investor relationships; providing market pricing on comparable issuers; monitoring the performance of the underwriting team; and negotiating bond pricing. The financial advisor may also be engaged to assist the Authority on other matters of financial import.

"The Authority also engages the services of a swap advisor when considering the use of financial derivative instruments with the objective of mitigating the impact of interest rate exposure on its earnings and cash flows and to minimize debt costs. The swap advisor assists the Authority in evaluating the risks and/or benefits associated with a potential derivative transaction; proper market conditions for entering into a transaction; bidding, pricing and awarding of a transaction; and providing an independent evaluation and report concerning the fairness of the price for a particular derivative transaction.

DISCUSSION

"On April 13, 2011, the Authority issued a Request for Proposal ('RFP') for firms interested in providing financial advisory and/or swap advisory services to the Authority. The RFP was advertised in the *New York State Contract Reporter*. Top ranked municipal financial advisory and swap advisory firms, based on number of transactions and dollar volume, were also invited to respond to the RFP. On or before May 4, 2011, 4 firms submitted responses to provide financial advisory services and 6 firms submitted responses to provide swap advisory services.

"The Authority's evaluation of responses took into consideration several qualitative characteristics, as well as overall pricing. In reviewing the proposals received for financial advisory services, staff considered the breadth and depth of experience advising municipal clients on debt issuance; knowledge of the business issues surrounding the public power sector; past experience with the Authority or clients similar in size and scope; success in negotiating and re-pricing bond transactions on behalf of the issuer; professional experience including support personnel; and the ability to provide advice and guidance on other financial issues that may arise during the term of the agreement. Similarly, with the review of proposals received for swap advisory services, staff considered the proposers' technical expertise in pricing, bidding and terminating various types of derivative products; ability to provide support in evaluating the effectiveness of hedging transactions as required under Governmental Accounting Standards Board Statement No.53, *Accounting and Financial Reporting for Derivative Instruments*; professional experience including support personnel; and quantitative analysis and reporting.

"Based on staff's evaluation, it is recommending the award of multiyear contracts to PFM to provide financial advisory services and to SFG to provide swap advisory services. Both firms were rated the highest in the qualitative and quantitative evaluations noted above, are the leading independent advisors in their respective fields and have a proven record of success in advising municipal clients. In addition, both firms' proposals were competitively priced for their experience and quality of services that will be provided.

"PFM is the only municipal financial advisor with a dedicated Public Power team, consisting of eleven professionals. They have served as financial advisor on over $25 billion of public power financings over the last five years and they were ranked as the number one municipal financial advisor for long-term new money issuance in terms of number of transactions and dollar volume in 2010.

"SFG is an independent swap advisory firm whose sole business is providing advice on swaps and related derivative products. They have completed over 700 transactions representing $29 billion in notional amount over the past three years on behalf of their clients and serve as a member on the Governmental Accounting Standards Board Derivatives Task Force.

FISCAL INFORMATION

"Expenses for advisory services provided in connection with the issuance of Authority debt will be paid from proceeds of the sale. Non-debt related advisory services will be paid from the Authority's Operating Fund.

RECOMMENDATION

"The Treasurer recommends the Trustees' approval of the award of multiyear service contracts to Public Financial Management, Inc. to provide financial advisory services and Swap Financial Group, LLC to provide swap advisory services.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award of the multiyear contracts to Public Financial Management, Inc. to provide financial advisory services and Swap Financial Products, LLC to provide swap advisory services, is hereby approved and the execution of such contracts by the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance or the Treasurer, subject to the approval of the form thereof by the Acting General Counsel, on behalf of the Authority, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

3. a. <u>Report of the President and Chief Executive Officer</u>

President Richard Kessel also welcomed new Trustee, Wayne LeChase, to the meeting and said that he looked forward to working with him. He also welcomed Elise Cusack, former Trustee, to the meeting. President Kessel continued that the Authority's 50th Anniversary of the Niagara facility is an important milestone in energy history and for the Authority and said that the project is the center for economic activity in Lewiston and Niagara County.

President Kessel said that the Authority will be reaching another milestone with the formal handing over of the Astoria II Power Plant to the Authority on Friday, July 1st for commercial operation. Astoria Energy II will own and operate the plant while the Authority will own the substation and be responsible for the marketing and sale of the electricity from the plant. He ended by stating that this asset will enable the Authority to produce additional megawatts of power, and that, combined with the Astoria I plant, will produce approximately 15% of electricity in New York. He encouraged the Trustees to visit the facility.

<u>Energy Services</u>

President Kessel reported that as of May 2011, the Authority completed energy services projects at more than 3,800 facilities around the state, saving the program participants $1.3 billion over the life of the programs. The Authority hopes to generate $180 million in project initiatives in 2011; this amount will exceed what the projects generated in 2010. President Kessel mentioned some of the initiatives being undertaken around the state such as the solar roofs in a number of schools and municipalities. Other initiatives include LED lighting on the George Washington and Verrazano Bridges; railroad compressed air systems; swimming pool lighting; micro-hydro turbines, sewage and waste treatment facilities, He said that the Authority's energy services program is one of the best in the state, with businesses saving on their energy bills, while, at the same time, helping the environment. A full report on the energy services and technology program update was provided to the Trustees.

President Kessel then introduced Bert Cunningham, the Authority's former Senior Vice President of Corporate Communications, who had recently retired. He said that Mr. Cunningham, a top communications person, did an outstanding job at the Authority. Chairman Townsend added that Mr. Cunningham was a great asset to the Authority and wished him the best of luck in his future endeavors. In response, Mr. Cunningham thanked Chairman Townsend and President Kessel for the honor and recognition. He said that his two years at the Authority were some of the most challenging and rewarding of his 41 years in communications. He said that

it was a pleasure working with the Authority, Board and staff and offered special thanks to Ms. Christine Pritchard and the Corporate Communications and Public Affairs staff and also the Human Relations staff for their outstanding work.

b. <u>Report of the Chief Operating Officer</u>

Mr. Gil Quiniones provided highlights of the report to the Trustees. He said that during the first half of the year the Authority's generation and transmission assets were running well. He added that in June and July the Authority was going to be audited by the North American Electric Reliability Corporation ("NERC"), the entity that monitors the reliability and preparedness of utilities across the country; Authority staff is prepared for the Audit. Mr. Quiniones ended by stating that the summer months, when higher loads are anticipated, are the busiest time of year for Authority staff, however, staff is prepared for any challenge and looks forward to a good summer this year.

In response to a question from Trustee LeChase, Mr. Quiniones said that the audits are mandated by the Federal Government and conducted on a regular basis on utilities across the country.

In response to a question from Trustee Nicandri, Mr. Quiniones said that the loss of institutional knowledge is an issue for the Authority and the entire utility industry as many employees prepare to retire within the next 5 – 7 years. The Authority realizes that this is critical and is working on this human capital issue.

In response to a question from Vice Chairman Foster, Mr. Quiniones said that the Authority is making progress with regards to this human capital issue. The Authority has identified where it is vulnerable in its operations and will actively recruit for the necessary skill-set through training and co-op programs and have relationships with colleges and universities. He added that some engineering positions are very difficult to recruit and the Authority has to compete with large engineering firms and Investor-Owned Utilities ("IOUs") for potential employees from the same pool of potential employees.

In response to a question from Trustee O'Luck, Mr. Quiniones said that he will provide the Board with a detailed report of the Authority's staffing plan regarding human capital and diversity issues. President Kessel added one way to alleviate the problem is to quickly back-fill the technical positions in the critical areas of operations with the goal of making sure that the Authority has the right number of employees to operate its facilities. He also added that he has instructed Mr. Randy Crissman to provide the Trustees with staff reports on the Authority's compliance issues on a quarterly basis beginning in September.

In response to a question from Trustee Curley, Mr. Quiniones said that the Audit is a two-part audit, one on the Authority's cyber security compliance and the other on the physical reliability of the Authority's systems. In response to further question from Trustee Curley, Mr. Quiniones said that the Authority will receive a report

of the Audit. Ms. Judith McCarthy added that the Trustees would not be affected by confidentiality issues and will be provided with a copy of the report.

c. <u>Report of the Chief Financial Officer</u>

Ms. Elizabeth McCarthy provided highlights of the financial report to the Trustees. She said that the Authority continues to be in a strong financial position. Its net income at the end of the reporting period was $86.8 million, which is $7.1 million higher than budgeted. She continued that, at the end of the reporting period, the Authority had approximately $1.1 billion in cash and liquidity, which has been invested in a variety of instruments with a variety of maturity dates. Ms. McCarthy also said that hydro flows and precipitation are higher than normal; therefore, it is predicted that at the end of the year net income will be $197 million, which would be $17 million above the 2011 budget. In terms of the Authority's capital program, energy services programs are ahead of the budget and programs for the facilities and transmission systems are below budget. Ms. McCarthy concluded that the energy derivatives have a negative mark-to-market of $180 million, an unrealized loss. These derivatives were entered into on behalf of the Authority's customers, in consultation with them. Also, any gains or losses as a result of those derivatives will be recovered from the customers.

4. **Allocation of 1,200 kW of Hydropower**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of 1,200 kW of available Expansion Power ('EP') to Buffalo Shredding and Recovery LLC ('Buffalo Shredding') as described herein and in Exhibit '4-A.' The allocation of hydropower will support capital expansion of $12.5 million and the creation of 22 jobs in Western New York.

BACKGROUND

"Under Section 1005(13) of the Power Authority Act, as amended by Chapter 313 of the Laws of 2005, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as EP and up to 445 MW of Replacement Power ('RP') to businesses in the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

"Each application for an allocation of EP or RP must be evaluated under criteria that include, but need not be limited to, those set forth in Public Authorities Law Section 1005(13) (a), which sets forth general eligibility requirements.

"Among the factors to be considered when evaluating a request for an allocation of hydropower are the number of jobs created as a result of the allocation; the business' long-term commitment to the region as evidenced by the current and/or planned capital investment in the business' facilities in the region; the ratio of the number of jobs to be created to the amount of power requested; the types of jobs created, as measured by wage and benefit levels, security and stability of employment and the type and cost of buildings, equipment and facilities to be constructed, enlarged or installed.

"The Authority works closely with business associations, local distribution companies, and economic development entities to garner support for the projects to be recommended for allocations of Authority hydropower. Discussions routinely occur with National Grid, Empire State Development Corporation ('ESD'), the Buffalo Niagara Enterprise ('BNE'), Niagara County Center for Economic Development ('NCCED') and Erie County Industrial Development Agency ('ECIDA') to coordinate other economic development incentives that may help bring projects to New York State. Staff confers with these entities to help maximize the value of hydropower to improve the economy of Western New York and the State of New York.

DISCUSSION

"At this time, there is 13,925 kW of unallocated EP available to be awarded to businesses under the criteria set forth in PAL Section 1005(13)(a). Staff recommends an EP allocation of 1,200 kW be awarded to Buffalo Shredding, as set forth in Exhibit '4-A.' The exhibit shows, among other things, the amount of power requested by the applicant, the recommended allocation amount and the applicant's commitment to job creation and capital investment. Additional information on the project is contained in the application summary attached as Exhibit '4-A-1' as well as in the individual expansion project description below.

"Buffalo Shredding has submitted an application requesting 4,600 kW for building a metals recycling facility in the town of Hamburg, Erie County. The company is a newly formed subsidiary of Metalico, Inc., a company with multiple New York State facilities and statewide employment of over 200 employees. Metalico also owns and operates several out-of-state facilities in Pennsylvania, Ohio and New Jersey. The company is proposing to build a metals recycling facility within a vacant industrial facility, the former Arcelor-Mittal steel galvanizing mill. The existing facility would be refurbished to accommodate the purchase and installation of a 4,000 horsepower shredder and metal separation processing system. The raw materials – scrap cars, appliances and sheet metal, etc. – would be sourced locally from the company's existing operations in Buffalo, Rochester and Syracuse. The recycled material would be sold mainly to New York and Ohio customers.

"Currently, Metalico sends much of its scrap feedstock to its Pittsburgh shredder operations. Building the facility in Western New York would allow the company to reduce costs associated with transporting raw materials to be processed out-of-state. If the company moves forward with this project, the equivalent of 22 jobs currently in Pennsylvania would be 'in-sourced' to New York State. Additionally, the company and its affiliates plan to acquire and maintain a private fleet of railcars to supplement local rail traffic through South Buffalo Railroad. This will create additional indirect jobs and increased local business along with $1.5 million in new freight business.

"Metals recycling is a commodities business characterized by thin margins and volatile raw material costs. The cost of electricity is estimated to be about 1% to 3% of the cost of production, depending on the cost of scrap metal feedstock, by far, the most significant cost of production. An allocation of hydropower would help reduce operational costs providing a significant incentive for the company to move forward with this project. The company is also in the process of obtaining incentives from the Hamburg Industrial Development Agency.

"In discussions with other members of the economic development community regarding this project, specifically, ESD, BNE, National Grid, NCCED and ECIDA, several concerns were raised. The group raised the issue of whether incentives should be directed to this industry without other extraordinary circumstances, such as brownfield redevelopment. The group expressed concerns regarding the large field of competitors in this industry and the need to incentivize this specific project. There was also concern whether this project represents the best use of hydropower resources. Overall, while there was support for the allocation, the group was unable to reach consensus on supporting this recommended allocation.

"Buffalo Shredding commits to create 22 new jobs with an average total compensation of $43,000 per job. The jobs ratio for a recommended 1,200 kW allocation is 18.3 new jobs per MW, which is above the two-year historic average of 14.5 new jobs per MW. The capital investment ratio for the allocation is $10.4 million per MW, which is below the two-year historic average of $25.3 million per MW. If Buffalo Shredding moves forward, this project has the added benefit of bringing a vacant manufacturing site back to productive use.

"Based upon a review and evaluation of the company's application for hydropower as detailed above, staff recommends a 1,200 kW EP allocation be awarded to Buffalo Shredding, as set forth in Exhibit '4-A.' In total, the company will commit to $12.5 million of capital investment and to create 22 new jobs. The recommended allocation will help Buffalo Shredding and Recovery decide to move forward with expansion plans in the Buffalo region, thus improving and diversifying the economy of Western New York.

<u>RECOMMENDATION</u>

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve an allocation of 1,200 of unallocated Expansion Power to Buffalo Shredding and Recovery LLC, as set forth in Exhibit '4-A.'

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the allocation of 1,200 kW of Expansion Power to Buffalo Shredding and Recovery LLC, as detailed in Exhibit "4-A," be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements,

certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

5. NYPA's Governmental Customer Production Rate and <u>Delivery Rate Structure Redesign – Notice of Adoption</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to take final action to approve a redesign of the currently effective production and delivery rate structures for NYPA's New York City ('NYC') and Westchester County ('Westchester') Governmental Customers (collectively, 'Customers'). This rate redesign, which is revenue neutral to the Authority, would properly align costs with rates, and ultimately eliminate cross-subsidization among Customers. The rate redesign changes would commence with the July 2011 service period.

"This final action would conclude NYPA's rulemaking process performed under the State Administrative Procedure Act ('SAPA'). This memorandum addresses the comments made by Customers under SAPA in response to NYPA's original notice of proposed rulemaking ('NOPR'). The Trustees are further requested to authorize the Corporate Secretary to publish a Notice of Adoption in the *New York State Register* ('*State Register*') regarding the final proposed rate design.

"The final proposed rate design is embodied in a comprehensive update to the Authority's Service Tariff No. 100 applicable to the NYC Governmental Customers and to Service Tariff No. 200 applicable to Westchester Governmental Customers, which are attached as Exhibit 'A.' These revised tariffs were made by Authority staff to reflect the results of the proposed rate structure redesign and improve the tariffs' format and organization.

"Finally, NYPA staff will process lump-sum refunds to the Customers related to accumulated delivery service over-collections that were identified during the rate redesign process. As explained below, NYPA staff determined that it would augment the refund to include interest in the amount of $6.7 million.

<u>BACKGROUND</u>

"At their March 29, 2011 meeting, the Trustees directed the publication in the *State Register* of a NOPR concerning the Authority's proposal to redesign rates for production and delivery services charged to Customers. The *State Register* notice was published on April 13, 2011 in accordance with SAPA. The public comment period for the NOPR ended on May 31, 2011.

"As explained in the March 29th Memorandum to the Trustees, in accordance with contractual commitments, the Authority completed an evaluation of the production (*i.e.* demand and energy) and delivery charges related to serving the Customers, and recommended a redesign of the production and delivery service structure. NYPA staff engaged the consulting firm Black & Veatch and solicited the input of the Customers over the last two years, which resulted in numerous meetings and discussions to help facilitate the rate redesign studies.

"The March 29th memorandum explained that the proposed production rate design and delivery rate design are based on sound ratemaking principles that are widely accepted by public utility commissions throughout the United States. Using the principle of cost causation, NYPA's production revenue requirement is allocated to each service class by identifying appropriate linkages between elements of cost and particular customer service classes. The recommended delivery rate structure also uses cost-causation principles and is designed to match the delivery rates that NYPA charges to Customers to the rates Consolidated Edison Company of New York, Inc. ('Con Ed') charges NYPA, including minimum delivery bill provisions.

"NYPA also proposed to include new tariff provisions applicable to standby and net metering services, which represent an improvement over the existing services provided under the tariffs. Further proposed tariff changes include necessary updated terminology and information and improvements to the organization and formatting of the current tariffs.

"On April 12, 2011, NYPA staff conducted a conference call to gather the views of Customer representatives regarding the proposed rate redesign changes contained in the NOPR. NYPA staff responded in verbal and written form to the concerns and questions raised, and provided written answers to five data requests received from the City of New York ('City').

"In accordance with the SAPA-prescribed deadline, timely written comments were filed by the City, the County of Westchester ('County') and the Port Authority of New York and New Jersey ('Port Authority'). The Metropolitan Transportation Authority ('MTA') filed comments out of time. In the interest of having a complete record that includes the views of all affected Customers, the Authority will accept the MTA's comments into the record. All written comments are included in the record of this proceeding and attached as Exhibit 'B.'

DISCUSSION

"Based on the Customer comments, NYPA staff recommends the adoption of the rate redesign as originally proposed, except for certain changes discussed below pertaining to the Port Authority's production rates. The production rates would become effective with the July billing period for both the NYC and Westchester Governmental Customers. In their comments, all Customers, overall, either strongly support or raise no objection to the proposed production rate redesign plan.

"Further, the proposed implementation of production minimum billing will be delayed to 2012 rate year, because, in staff's judgment, Customers will likely need more time to understand the impacts of these provisions. It is staff's plan to work with Customers through the 2012 cost-of-service preparation process in the remaining months of 2011 to explain the production minimum billing provision and any estimated impacts on their bills.

"As originally proposed, staff recommends immediate implementation of the delivery rate structure change for the Westchester Governmental Customers and a four-year phase-in plan for the NYC Governmental Customers, with an immediate removal of the NYPA declining block rate structure. Although the implementation of the delivery minimum bill provisions will be similarly delayed until 2012 to ensure proper functioning within NYPA's billing system, such minimum bill costs or credits will be reconciled until then via the delivery charge true-up mechanism, which no Customer opposed. All are necessary to eliminate the current annual delivery service over-collection and to manage Customer impacts.

"Below is NYPA staff's review and analysis of the comments received from the Customers on NYPA's original rate redesign proposal.

A. Staff Analysis of Customer Comments and Recommendations.

Issue 1: Requests for 'Full Year 1' Mitigation

"Customer Comments: The City comments that for both the production and delivery rate redesigns, the estimated bill impacts that NYPA indicated on its Schedule 1 for 'Year 1' would not be fully realized in light of the July 1, 2011 implementation date because NYPA revises its production cost of service each January and new Con Ed delivery rates are scheduled to take effect next April. The City requests that NYPA 'clarify' that the rate redesigns will result in 'full mitigation' of existing interclass subsidies amongst the NYC Governmental Customers by ensuring that the Year 1 rates are in effect for a full twelve months. The Port Authority makes the same clarification request with respect to the delivery rate redesign only, basing its claim on the fact that the July 1, 2011 implementation date would not allow 'full realization' of each Customer's estimated first year delivery bill impact.

"Staff Analysis: NYPA staff declines to make the clarifications requested by the City and the Port Authority. The estimated Customer bill impacts shown on Schedule 1 of the NOPR were made for the purpose of illustrating the effects of the revised rates on an annualized basis. However, these estimates did not and could not represent actual Customer bill reductions (or increases) that would result because it was uncertain when the new rate designs would take effect. Any date of implementation that does not coincide with calendar year 2011 would have the effect of altering the estimated outcomes shown on Schedule 1.[1]

"To grant the City's and Port Authority's clarifications would result in compressing twelve months of estimated bill impacts into six months for production and nine months for delivery and would represent an abandonment of cost-of-service principles. Put another way, accelerating twelve months of estimated impacts into a compressed time period will exaggerate short-term impacts, and unduly hurt some Customers. The City and the Port Authority would likely benefit from a 'full Year 1' mitigation because Schedule 1 indicates for the City a $4 million reduction in production charges and a $7.3 million reduction in delivery charges, and for the Port Authority a $4.1 million reduction in delivery charges. However, the Port Authority is silent with respect to production rate redesign, probably because Schedule 1 estimates $2.2 million *increase* to the Port on an annualized basis. The Port Authority surely knows that its production charge increase would be diminished under anything less than 'full Year 1' mitigation.

"As expected, NYPA's proposed rate redesign produces some 'winners' and some 'losers,' as virtually all rate redesigns do. NYPA staff has developed, as it should, estimated bill impacts on an annualized basis to assist the Customers acquiring a better understanding of how the rate redesign will likely affect them. However, it is simply unrealistic for NYPA to devise a plan that accelerates supposed year-long impacts for certain charges of certain Customers and not for others. To do so would decouple the redesigned rates from their cost basis.

"NYPA understands the City's and the Port Authority's desire to enjoy the estimated impacts of the newly designed rates as soon as possible. However, NYPA could never guarantee that a full twelve months of impacts would be realized by the end of 2011. During 2010, staff moved as expeditiously as possible to develop consensus with Customers regarding the plan with an eye towards implementing redesigned production and delivery rates as soon as practically feasible in 2011. Despite the best efforts of all parties involved, it was not possible for the rate redesign to coincide with calendar year 2011. While the benefits flowing from the redesigned production and delivery rates will begin mid-year 2011, their full value will be realized in subsequent years.

Issue 2: Delivery Rate Phase-In for NYC Governmental Customers

"Customer Comments: The Port Authority opposes the four-year phase-in of the redesigned delivery rates, claiming instead that immediate implementation is the 'best option' because it provides the quickest transition to 'true cost-based rates.' The Port Authority then concedes that a longer transition is necessary: 75% implementation in 2011 (as NYPA has proposed), with the remaining 25% in 2012. The Port Authority also states that 'separate phase-in schedules' for certain Customers may be needed.

"The City and the MTA, however, comment that the four-year phase in is appropriate. Both the City and the MTA recognize that an immediate implementation of Con Ed-based delivery rates would produce a nearly 200% increase for the MTA and the City's Department of Environmental Protection. MTA explains that disproportionate rate impacts on certain customers compel the need for a reasonable phase-in period and that four years is the 'minimum reasonable period' in this case.

"Staff Analysis: NYPA staff recommends adopting the four-year delivery rate phase-in for NYC Governmental Customers as originally proposed. While staff understands the desire to move to cost-based rates as quickly as possible, the principle of gradualism in ratemaking, which is well-established throughout the United States, is applicable here. This principle is reinforced by the rate design provisions in the 2005 Long-Term Agreements ('LTA') executed by NYPA and each of the NYC Governmental Customers, which says 'the goal of the Parties [is] to . . . redesign rates so that the rates charged . . . *recognize[] individual customer impacts and ameliorate[] such impacts*.' LTA, Art. VI (emphasis added).

[1] There are myriad assumptions in Schedule 1 that would have made it impossible, even in the best of circumstances, for such bill impacts to be realized during 2011: (1) the production rate redesign would have had to take effect on January 1, 2011, the effective date of NYPA's last production rate increase; (2) the 2009 billing determinants used in the estimate would need to be repeated in 2011; and (3) the delivery rate redesign would have had to take effect on April 1, 2011 and employ the Con Ed rates in effect for the April 1, 2010 through March 31, 2011 period despite the fact that new Con Ed delivery rates took effect on April 1, 2011.

"Based on the need to ensure that the impacts of the rate redesign do not impose an undue burden on any single Customer, NYPA staff does not agree with either an immediate phase-in or the two-year phase-in proposed by the Port Authority. There appears to be substantial agreement among the Customers that a four-year phase-in for the NYC Governmental Customers is appropriate in these circumstances.

"In addition, staff does not believe there should be any Customer-specific phase-ins of cost-based delivery rates, as suggested by the Port Authority. One of the benefits of utility ratemaking is the efficiencies gained by designing rates for an entire class, and there has been no demonstration that any individual NYC Governmental Customer should have a phase-in schedule that deviates from the rest of the class. Furthermore, implementation of the Port Authority's suggestion would not be revenue neutral to NYPA.

Issue 3: Rate Redesign and Consistency with LTA

"Customer Comments: The MTA contends that NYPA's rate redesign study violates Article V of the LTA because the concurrence of the NYC Governmental Customers representing at least 80% of the total annual energy usage supplied by NYPA is needed for a group decision of the NYC Governmental Customers. Without its concurrence, the MTA maintains, the 80% threshold was not met and the 'entire rate design study . . . could be considered invalid.'

"Staff Analysis: The suggestion by the MTA that the rate redesign study could be deemed invalid is based on a faulty interpretation of the LTA and should be rejected. The '80% rule' of LTA Art. V simply does not apply to rate design decisions made by NYPA.

Article VI of the LTA ('Rate Design Study, New Tariffs') patently permits NYPA to make the rate design decisions at issue in the instant proceeding. After the rate design study results are shared with the Customers, 'the NYC Governmental Customers *agree* that, as provided below, the appropriate tariff changes shall be implemented.' *Id.* (emphasis added). The provision continues: 'After the studies are completed, and in cooperation with the NYC Governmental Customers, *NYPA will initiate the public comment and approval process under SAPA to adopt appropriate tariff changes.*' *Id.* (emphasis added). If 80% concurrence were needed to adopt a final rate redesign, the drafters of the LTA would not have directed that the rate redesign study process be subject to a SAPA proceeding.

"MTA has informed NYPA of various concerns it has regarding the proposed delivery service rate redesign in the course of two years of work on this subject. NYPA has attempted to address those concerns in a manner that balances the needs and interests of all Customers. LTA Art. VI does indicate that at the outset of the rate redesign study process, the Customer's 'input and concurrence' is needed related to the 'scope, design, data collection and cost allocation method.' But NYPA proceeded to use the final rate redesign that came from this study process to issue its rate redesign proposal under SAPA in accordance with the LTA Art. VI. This is a procedure to which the Customers have explicitly agreed.

"At its core, the MTA's objections to NYPA's delivery rate redesign relate solely to its disagreement with the delivery rates assessed by Con Ed to NYPA under the Con Ed's conventional high tension rate which is used to serve a majority of the MTA load. The MTA has provided no data to NYPA to support its contention that Con Ed is charging NYPA incorrect delivery rates for service to the MTA, even though the MTA has voiced its concerns about this issue numerous times. In its comments, MTA attempts to relitigate the rates that were determined in the last Con Ed delivery rate case before the New York Public Service Commission ('PSC'). This is not the forum to contest those rates.[2]

[2] NYPA need not address the MTA's separate and mistaken claim that NYPA's proposed rate redesign should not be implemented because the MTA believes it "does not align with Con Ed's unbundled cost of service," except to point out that (a) MTA's argument is a collateral attack on a Con Ed's PSC-authorized delivery rates which NYPA has no jurisdiction to change, and (b) NYPA cannot lawfully be directed to "trap" costs, *i.e.* charge its Customers less than what NYPA itself incurs in paying Con Ed delivery rates which have been authorized by a valid regulatory authority.

"The MTA's misinterpretation of the LTA merely underscores its dissatisfaction with the PSC's approval of the current three-year rate plan for Con Ed. NYPA's rate redesign properly aligns its own delivery rates with the PSC-approved delivery rates of Con Ed, all in accordance with a contractually-authorized SAPA process. Any suggestion that NYPA has violated the LTA should be rejected by the Trustees.[3]

Issue 4: Production Rate Allocator

"Customer Comments: The Port Authority argues that NYPA should use a 4-month coincident peak demand allocator (or 4 CP) for production rates rather than a 1-month coincident peak demand allocator (or 1 CP). The Port Authority states that a 4 CP allocator, which averages the customer peaks over the four summer months, would result in more stable rates from year to year. In contrast, the City supports NYPA's proposed 1 CP demand allocator as the most appropriate because the New York Independent System Operator ('NYISO') also uses this method (*i.e.* the system peak) to allocate costs. The County also supports the 1 CP allocator, but states that this could impose unfavorable rates on school districts and that it may be appropriate for NYPA to modify its production cost allocator if the NYISO system peak occurs in either June or September.

"Staff Analysis: NYPA staff decided to adopt the 1 CP production cost allocator because it sends the most accurate price signal to Customers. This issue was examined thoroughly in the rate design study process, and ultimately, staff determined that because NYISO-administered capacity markets are set by the NYISO system peak, 1 CP is the most appropriate allocator. In addition, Customers implement their demand reduction measures during the time of the system peak.

"The Port Authority's proposal to adopt the 4 CP allocator is currently unsupported. However, if the NYISO system peak were to shift from July and August to the outer summer months of June or September, the points raised by the Port Authority, as well as County, are well-taken. NYPA agrees that if the date of system peak changes significantly, it may be appropriate for NYPA revisit this issue and consider a change in production cost allocator.

Issue 5: Customer-Specific Rates in Future Con Ed Rate Proceedings

"Customer Comments: The City and the Port Authority object to NYPA's proposal concerning a re-examination of Con Ed delivery rates in subsequent PSC proceedings to support the development of a specific MTA rate. The City states that it is 'premature' for NYPA to commit now to support such a rate 'without any basis for believing that Con Edison's cost of service will support such a new rate.' The Port Authority requests that the Trustees 'clarify that NYPA reserves prejudgment' regarding any Customer-specific rate design in the next Con Ed rate case.

"Staff Analysis: As stated in NYPA's recommended plan, NYPA intends to 'initiate communication with Con Edison regarding the cost basis' of current rates for the purpose of examining whether Con Ed should develop a 'specific MTA rate.' The plan further states that NYPA and the Customers will 'conduct an investigation to better understand Con Edison delivery rates to NYPA.' NYPA staff believes that there is a credible basis to develop a better understanding of the Con Ed delivery rates as they pertain to the MTA and to initiate communications to this end. NYPA has not prejudged the outcome of this analysis. If, in the judgment of NYPA staff, there is a well-reasoned basis to support the development of a MTA-specific rate, NYPA would be justified in supporting such a rate development in the next Con Ed rate proceeding.

Issue 6: Port Authority Production Rate Design Issues

"Customer Comments: The Port Authority comments that the proposed merger of Service Classes 64 and 69 will uniquely impact the Port Authority due to its production service contracts for the purchase of electricity from the John F. Kennedy ('JFK') International Airport Cogeneration plant used to serve JFK International Airport. The Port Authority requests to specify a Service Class 64 Time-of-Day ('TOD') successor rate in NYPA's service tariffs and to adjust the JFK International Airport rate for the NYISO charges that Port Authority pays for in a separate

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[3] As noted in the Staff Analysis of Issue 2, *supra*, the MTA supports the four-year phase-in associated with the delivery rate redesign even if the MTA claims to oppose the delivery rate redesign itself.

charge of the bill. Further, the Port Authority asks for the standby service provision to be applied to the back-up and maintenance power service.

"Staff Analysis: Based on Port Authority's comments received in regards to the JFK International Airport's backup and maintenance service rates, further NYPA staff analysis was performed. Staff concurs with Port Authority and proposes a new SC 69 TOD rate (successor to ST 15 TOD and Service Class 64) applicable to power sales made to the airport only. The new production rates would exclude those NYISO costs and revenues that are being recovered in a separate charge of the direct bill from NYPA to the Port Authority, thus ensuring that the Port Authority will not be double-billed.

"Further, staff agrees that the power provided for back-up and maintenance purposes qualifies to be treated as standby service. Once the Port Authority's production contract pertaining to the airport's backup and maintenance service is modified to include the standby service tariff provision and NYPA's billing process is adjusted to accommodate this new billing, NYPA will employ the new standby service provision for Port Authority's back-up and maintenance billing.

B. For Trustees Information - Refund of Over-collections

"As indicated in the March 29th memorandum, NYPA and the Customers reached agreement on the need to refund NYPA's accumulated over-collections of delivery service charges, a matter that is outside the NOPR process. NYPA had planned to refund those amounts over twelve months commencing no later than the date of the implementation of redesigned delivery rates, but committed to inform the Trustees of any change to its refund plan. NYPA staff solicited informal comments from the Customers regarding the refunds which elicited numerous opinions on the refund issue including their timing, the inclusion of interest and the allocation methodology. NYPA staff also committed to update the total accumulated over-collections, which was last reported as $39.1 million through January 2011. Through the end of March 2011, the accumulated over-collection balance stood at $35.1 million.

"Based on its review of the refund-related comments, NYPA staff recommends the addition of interest in the amount of $6.7 million, for an accumulated over-collection total of approximately $41.8 million. The interest amount was calculated by applying the Federal Energy Regulatory Commission ('FERC') interest rate provision (which includes quarterly compounding)[4] to (a) all cumulative monthly over- or under-collection balances from January 2005 through December 2009 and (b) the accumulated over-collection balance that existed at the end of 2009 for each month from January 2010 through June 2011. However, such refunds will be provided net of an estimated $12.1 million in increased delivery charges to account for the Con Ed delivery rate increase covering the period April-June 2011, which NYPA has not passed through to Customers. The $12.1 million estimate will be subject to NYPA's delivery service true-up provisions explained in its rate redesign proposal.

"The accumulated total over-collection (net of the increase in the Con Ed delivery charges for April-June 2011) generally will be refunded in a lump-sum in the form of a credit on the July bills to those Customers whose delivery charges exceeded Con Edison's delivery charges to NYPA. Two Customers (the New York City Housing Authority and Port Authority of New York and New Jersey) requested their refunds via check or wire transfer and NYPA has agreed to accommodate these requests. All refunds will be determined on a customer-by-customer basis, based upon the percentage allocations set forth in Schedule 2 of the original rate redesign study.

FISCAL INFORMATION

"The adoption of the proposed production rate structure change is intended to be revenue neutral to the Authority.

"The adoption of the proposed delivery rate structure (including the described phase-in elements) is intended to be revenue neutral to the Authority, is consistent with accepted ratemaking principles and makes the necessary cost-of-service based correction to the current annual over-collection of delivery revenues by Authority.

[4] FERC's interest rate methodology is set forth in 18 C.F.R. § 35.19a(a)(2)(iii) (2011).

"The amounts to be refunded to Customers are based on the accumulated over-collections of Authority delivery revenues. Though not revenue-neutral, staff has regarded the accumulated over-collections as a NYPA obligation and such amounts have not been included in NYPA's prior year net revenues. The estimated impact on net revenues is $1.2 million.

RECOMMENDATION

"The Director – Market Analysis and Administration recommends that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the *New York State Register* for the adoption of the new production and delivery rate structure for the NYC Governmental Customers and the Westchester Governmental Customers.

"It is also recommended that the Senior Vice President – Marketing and Economic Development, or his designee, be authorized to issue written notice of the proposed action to the affected Customers under the provisions of the Authority's tariffs.

"For the reasons stated, I recommend the approval of the above requested actions by adoption of a resolution in the form of the attached draft resolution."

Mr. Mike Lupo presented highlights of staff's recommendation to the Trustees.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees adopt the Authority's production and delivery rate redesign plan for the New York City and Westchester County Governmental Customers as described in the foregoing report to the Trustees, inclusive of the service tariff modifications consistent with the rate redesign plan; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file a Notice of Adoption concerning this final rule on redesigned rates for publication in the *New York State Register* in accordance with the State Administrative Procedure Act and to submit such other notice as may be required by statute or regulation; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development, or his designee, be, and hereby is, authorized to issue written notice of this proposed action by the Trustees to the affected Customers; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

A motion was made and seconded to reopen discussion on the item.

On motion made and seconded the item was amended to include the addition of the following information.

Mr. James Pasquale said that two sections in the item needed to be updated. First, in the "Fiscal Information" section, it states that the rate change is revenue neutral to the Authority; however, after calculation of the interest payment, which is slightly more than contemplated, there will be a net income impact of $1.2 million. Second, as to the timing of the refunds to the customers, the item indicates that they would receive the refunds in June; however, the customers will actually receive their refunds in July or August.

On motion made and seconded, the item, as amended, was reapproved by the Trustees.

**6. Robert Moses Niagara Power Project –
Units 2 and 13 Standardization – Capital
<u>Expenditure Authorization and Contract Award</u>**

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize capital expenditures in the amounts of $10.4 million and $9.8 million for the standardization of Units 2 and 13 (the 'Project'), respectively, at the Robert Moses Niagara Power Project ('RMNPP'). The standardization work will result in Units 2 and 13 conforming to the remaining 11 upgraded units at RMNPP and will allow these units to perform their function as regulating units in the New York Independent System Operator ('NYISO') market and maintain a reliable and competitive power production facility.

"The Trustees are also requested to approve the award of a two-year contract to Alstom Power, Inc. ('Alstom') of Littleton, CO, in the amount of $8.2 million ($4.7 million, Unit 2 and $3.5 million,Unit 13) to perform this work in conjunction with the Authority's site craft labor.

<u>BACKGROUND</u>

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services contracts in excess of $3 million and contracts exceeding a one-year term requires the Trustees' approval.

"Based on economic analyses, the Authority adopted a plan in 1991 to rehabilitate and upgrade the generating units to increase the Project's use of available water, improve operating efficiency of each unit, allow additional operating flexibility and provide for life extension and modernization of the facilities. The completed upgrade program involved an upgrade of each of the 13 generating units at the Project from a nominal output of 175 MVA to 215 MVA; work included replacement of the turbine, modifications to the generator, replacement of the transformer and other associated equipment modifications and replacement.

"After receiving Federal Energy Regulatory Commission's ('FERC') approval in 1989, the upgrade program of the Project units began in 1991. Installation of the prototype turbine-generator on Unit 4 was completed in 1993 without some of the technological advancements made on the later upgraded units. Upgrade work on the remaining units was completed at a rate of one per year, with the program completed in December 2006 when the last (13th) unit was upgraded. The overall upgrade program was completed on schedule and under budget.

"At the December 2006 Trustee Meeting, the Trustees authorized capital expenditures to standardize the prototype turbine-generator on Unit 4 and the Trustees were informed that some level of standardization would also be required for no more than two additional units completed in the early stages of the RMNPP Upgrade Program. The Unit 4 standardization work was completed in April, 2010.

"Units 13 and 2 were the second and third units, respectively, in the series to be upgraded beginning in 1991 at the start of the upgrade program. For this reason the units that were upgraded earlier in the program required modification to current standards and technology as the units that were later upgraded. The standardization work for Units 2 and 13 will be similar to the work performed on Unit 4. In addition, Units 2 and 13 will be used as regulating units to maintain required outputs, as needed, by NYISO. By using the Units outside of their normal operating parameters for 'best gate' operation, the Units experience rough operating zones that can cause severe cavitation and extreme forces, pressures and stresses that were not accounted for in the original design. Some of the effects of running the units outside of their normal operating parameters have been cracking of the draft tube hatch, severe cavitation in the seal edges of the wicket gates and cavitation on the stainless steel runner blades in Unit 4 (which has previously been used as a regulating unit).

DISCUSSION

"The completed RMNPP upgrade program, included rebuilding the existing wicket gates, installing new greaseless bushings and line-boring of the lower wicket gate journal sockets. The first two units that were upgraded (4 and 13) were provided with Teflon-lined type bushings, while the later units used a Teflon-epoxy plug design in the bushings. The Teflon-lined bushings have experienced higher-than-expected failure rates at other facilities.

"The standardization work will include replacement of Teflon-lined bushings with plug-type greaseless bushings, which have a proven record of performance. Additional work required from the technology advancements made during progression of the upgrade program will include:

- Replacement of the obsolete rotating excitation system with solid-state excitation systems.
- Rotor rim re-shrink for Unit 2 to maintain the rotor centerline, minimize generator vibrations and improve performance and extend the life-cycle of the rotor and rotor poles.
- Operating ring modifications.
- Stationary wear rings evaluation and replacement if excessive wear is determined.
- Installation of stainless steel facing plates on the new head-cover. Repair or replacement of existing upper and lower facing plates on the existing head covers and repair of the lower facing plates on the discharge ring.
- Head-cover evaluation, repair and replacement. A new spare head-cover was purchased to be installed in Unit 2. The original head-cover of Unit 2 will be inspected, repaired and installed in Unit 13; the original head-cover of Unit 13 will be inspected, repaired and stored as a spare.

"The above items are included in the scope of the Overall Standardization contract that is requested to be awarded to Alstom with Authority site support for some items. It is anticipated that both Units 2 and 13 will need similar upgrades due their role as regulating units and to maintain commonality between the Units. With this authorization and completion of the above work, all RMNPP Units will be common and standardized.

"The Authority placed a notice to procure bids in the New York State *Contract Reporter* and bid packages were available as of November 30, 2010. The bid documents were downloaded by 188 potential bidders and 12 potential bidders participated in a site visit on December 21, 2010.

"Two proposals were originally received on February 28, 2011 and after several bid addenda and clarification meetings to the vendors' bids, the following revised bids were evaluated:

Bidder	**Location**	**Lump Sum**
Alstom Power, Inc.	Littleton, CO	$8,242,597
Voith Hydro	York, PA	$13,648,428

"The proposals were reviewed by an evaluation committee comprising staff from Engineering, Procurement and Project Management.

"Alstom's bid was the lowest in price and was also technically acceptable. Alstom, which has extensive experience in hydro mechanical construction and projects of this magnitude and demonstrated knowledge of the scope-of-work, is capable of completing this project in a timely manner. The Authority's prior experience with Alstom at Niagara and St. Lawrence has been satisfactory and Alstom has been able to provide acceptable results in the past.

"Funding in the amount of $9.2 million (Unit 2 – capital), $1.4 million (Unit 2 – O&M) and $503,000 (Unit 13 – capital) has been included in the 2011 approved Capital and O&M Budgets, of which $2.4 million has been previously authorized by the President and Chief Executive Officer for procurement of long-lead items in order to meet the outage schedule. Future years' expenditures will be included in the Capital and O&M Budget requests for those years.

The total project capital costs are estimated as follows:

UNIT 2 (000's)

Description	Previous Authorized Amount	Current Request	Total Authorized Amount
Engineering	$ 0	$ 200	$ 200
Procurement	1,140	1,160	2,300
Construction/Installation	0	7,440	7,440
Authority Direct/Indirect	60	1,600	1,660
Total	$1,200	$10,400	$11,600

UNIT 13 (000's)

Description	Previous Authorized Amount	Current Request	Total Authorized Amount
Engineering	$ 0	$ 500	$ 500
Procurement	1,140	400	1,540
Construction/Installation	0	7,300	7,300
Authority Direct/Indirect	60	1,600	1,660
Total	$1,200	$9,800	$11,000

FISCAL INFORMATION

"Payments associated with this project will be made from the Authority's Capital and O&M Funds.

RECOMMENDATION

"The Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees authorize capital expenditures in the amount of $10.4 million (Unit 2) and $9.8 million (Unit 13) and approve award of a contract to Alstom Power Inc. in the amount of $8.2 million ($4.7 million, Unit 2 and $3.5 million, Unit 13) to perform the standardization of Units 2 and 13 at the Robert Moses Niagara Power Project.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That in accordance with the Authority's Expenditure Authorization Procedures program, capital expenditures of $20.2 million are hereby approved for the standardization of Units 2 and 13 at the Robert Moses Niagara Power Project, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a two-year contract to Alstom Power, Inc., in the amount of $8.2 million to perform the Standardization of Units 2 and 13 at the Robert Moses Niagara Power Project, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
Alstom Power, Inc., Littleton, CO	**$8.2 million**

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

7. 765 kV Substations Motor-Operated Disconnect Replacements –
<u>Capital Expenditure Authorization Request and Contract Award</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize a Capital Expenditure Authorization Request ('CEAR') in the amount of $13.5 million for the replacement of obsolete, degraded, motor-operated disconnect ('MOD') switches at the Clark Energy Center ('CEC') 765 kV and Massena 765 kV Substations. The Trustees also are requested to approve the award of a contract to Alstom Grid, Inc. ('Alstom') (formerly Areva) of Charleroi, PA,in the amount of $3.08 million to procure 28 horizontal motor-operated disconnect switches. This work is scheduled to commence in 2011 and continue through 2017.

<u>BACKGROUND</u>

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require Trustees' approval for 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-personal services or equipment purchase contracts in excess of $3 million require Trustees' approval.

"The CEC and Massena Substations serve the 765 kV transmission lines that originate near the St. Lawrence/FDR Power Project, in Chateauguay, NY and terminate at the Authority's CEC, Marcy Substation. The lines were put into service in 1978. There are 14 horizontal and 3 vertical switches at CEC and 14 horizontal and 10 vertical switches at the Massena Substation. The MOD switches have become increasingly less reliable and more difficult to maintain. This has led to increased maintenance and replacement equipment costs. Parts are also becoming more difficult to find as these MOD switches are obsolete and no longer available.

"Records show increased maintenance on the MOD switches since 1998. Recently, in 2009 and 2010, MOD 7303 at CEC failed, causing damage to Current Transformer 7304 and requiring reconfiguration of the existing south bus to provide a temporary repair and operation of the 765 kV yard.

<u>DISCUSSION</u>

"In response to the Authority's request for proposals advertised in the New York State *Contract Reporter*, two firms submitted proposals as follows:

Bidder	**Location**	**Original Proposal**	**Total (with options)**
Alstom Grid, Inc.	Charleroi, PA	$2,947,460.00	$3,079,112
Southern States, LLC	Hampton, GA	$1,924,871.00	Non-Responsive

"Authority staff recommends an award to Alstom for furnishing and delivering horizontal MOD switches at the CEC and Massena Substations over a period of four years (2011 – 2014). Additional engineering is required to purchase the remaining vertical switches at the substations and address bus work modifications. This work will extend the project duration through 2017.

"The award amount of $3.08 million includes procurement of equipment as well as technical support from Alstom at each facility during installation.

"Alstom is a supplier of 765 kV MOD switches throughout North America and the rest of the world, with its primary manufacturing facility for horizontal switches in La Prairie, Quebec, Canada and a new facility in Charleroi, PA. Alstom has supplied more than 1000, 3-phase, 765 kV vertical break switches to Hydro Quebec and American Electric Power ('AEP'). Additional switches have been sold to Commonwealth Edison, the Authority and

Churchill Falls. Alstom supplied a 765 kV switch to the Authority at CEC in 2010. This was done as part of a pilot project for replacement of an existing HK Porter Switch.

"Southern States, LLC submitted an incomplete proposal. The proposal was not accepted because it took exception to the terms and conditions of the contract and failed to furnish the required commercial information. Staff deemed the company commercially non-responsive and not subject to further evaluation.

"The work will be performed over a seven-year period with an initial delivery of seven horizontal MOD switches beginning in 2011.

"Funding has been included in the 2011 approved Capital Budget in the amount of $3.313 million. Actual expenditures for the year are expected be less as a result of lower cost of equipment and reduced scope-of-work associated with delays resulting from contract negotiations. Funding for future years will be included in the Capital Budget request for that year.

"The total CEAR amount over the seven-year period is estimated at $13.5 million, as follows:

Engineering/Design	$ 1,396,000
Procurement	$ 5,964,000
Construction/Installation	$ 5,101,000
Authority Direct Expenses	$ 406,000
Authority Indirect Expenses	$ 633,000
TOTAL	$13,500,000

"The CEAR includes amounts in excess of the contract award to cover engineering and construction support, contingency and overheard costs.

FISCAL INFORMATION

"Payments will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Transmission, the Vice President – Engineering and the Vice President – Procurement, recommend that the Trustees authorize capital expenditures in the amount of $13.5 million and approve the award of a contract to Alstom Grid, Inc. of Charleroi, PA, in the amount of $3.08 million to replace the motor-operated disconnect switches at the Clark Energy Center 765kV Substation and the Massena 765kV Substation.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

Mr. John Canale presented highlights of staff's recommendation to the Trustees. In response to a question from Vice Chairman Foster, Mr. Canale said that the bid proposal from Southern States, LLC was deemed non-responsive as it did not meet the commercial and technical terms. In response to a question from Trustee LeChase, Mr. Canale said that the project is for specialty equipment and not many companies are able to perform this type of work. In response to a question from Trustee Nicandri, Mr. Canale said that the work to be performed is because of the "end-of-useful-life" of the switches. In response to a comment by Chairman

Townsend, Mr. Welz added that Alstom Power, Inc. has been responsive to the Authority's needs in the past and that staff feels very comfortable awarding the contract to them. In response to a question from Chairman Townsend, Mr. Quiniones said that surety bond was not required for this project.

"The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, for capital expenditures in the amount of $13.5 million for the replacement of the motor-operated disconnect switches at the Clark Energy Center 765 kV Substation and the Massena 765 kV substation.

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Alstom Grid, Inc. of Charleroi, PA, as recommended in the foregoing report of the President and Chief Executive Officer, in the amount listed below:

Contractor	**Contract Approval**
Alstom Grid, Inc. **Charleroi, PA**	**$3.08 million**

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

8. New Astoria Infrastructure Program –
<u>Capital Expenditure Authorization Request</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the New Astoria Infrastructure Program for the total estimated cost of $7.55 million. The program will provide critical infrastructure to the 500 MW Combine Cycle Power Plant and Administration Building that is currently installed or routed through the Charles Poletti Power Plant.

"The Trustees are further requested to authorize capital expenditures in the amount of $4.9 million to complete Phase I of the infrastructure work. Phase I will include a new fire pump-house and associated electrical work, completion of the Administration Building's gas line, Information Technology ('IT') Infrastructure and construction oversight. This work will be awarded in accordance with the Authority's Expenditure Authorization Procedures and will be completed by the end of the first quarter of 2012. Expenditure authorization for Phase II of the work, with an estimated cost of $2.54 million, will be requested in late 2011 or early 2012 when final project costs are clarified.

BACKGROUND

"As a result of the Charles Poletti Power Plant ceasing operation on January 31, 2010, new infrastructure is required to support services for the 500 MW Power Plant as well as the overall Astoria Site. These services include, but are not limited to, gas service for the Administration Building's boiler; a new electric fire pump-house and protection system; new 500 MW communication and control systems; new security infrastructure; new electrical feeds and substation equipment to support power loads previously energized from the Poletti substation (security booth, Fuel Oil Yard ('FOY') panels, auxiliary buildings, etc.); the Kensico, In-City and Y-49 Remote Terminal Unit ('RTU') and communications; new sewer ejection pump power feeds. These projects will be designed using the Authority's engineers as well as consultant engineers. Phase I installations will be completed in the first quarter of 2012 and include completion of the gas line and IT Infrastructure, the new fire pump-house and the electrical work. Phase II will include the balance of the projects and will be completed in 2012.

"The costs for all these services are presented in the Capital Expenditure Authorization Request ('CEAR'). Funding in the amount of $2.9 million has been included in the 2011 approved Capital Budget, of which $395,000 has been previously authorized by the President and Chief Executive Officer to proceed with engineering and design services for Phase I. Future funding will be included in the Capital Budget request for those years.

"The total project cost over a two-year period is estimated at $7.55 million, as follows:

	Preliminary Funding	Phase I	Phase II
Preliminary Engineering	$ 95,000	$ 0	$ 304,000
Engineering	$ 281,000	$ 220,000	$ 330,000
Procurement	$ 0	$ 96,000	$ 64,000
Construction/Installation	$ 0	$ 4,140,000	$1,323,000
Authority Direct/ Indirect	$ 19,000	$ 233,000	$ 232,000
	$ 395,000	$4,900,000	$2,254,000
TOTAL: $7,550,000			

<u>FISCAL INFORMATION</u>

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

<u>RECOMMENDATION</u>

"The Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services, the Vice President – Project Management, the Vice President – Procurement and the Regional Manager – SENY recommend that the Trustees approve a capital program estimated at $7.55 million and authorize capital expenditures of $4.9 million for the installation of new infrastructure at the Astoria site.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, for the estimated cost of $7.55 million and capital expenditures in the amount of $4.9 million for the installation of new infrastructure at the Astoria site; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

9. Energy Efficiency and Clean Energy
<u>Improvements – Authority Facilities Program</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures in the amount of $9.58 million for the implementation of energy efficiency and clean energy improvements at various Authority facilities. This amount will be in addition to $15.7 million in funding previously approved by the Trustees for this program.

BACKGROUND

"The Authority has been implementing energy services programs since the 1990s as part of its overall mission to provide clean, economic and reliable energy for the benefit of its customers and the people of New York State. In 1992, the Authority determined that, given the success of its High Efficiency Lighting Program ('HELP') for its governmental customers, it should 'practice what it preaches' and implement energy efficiency measures at the Authority's facilities and headquarters building. At their meeting held on March 31, 1992, the Trustees authorized capital expenditures in the amount of $4.7 million, over a two-year period, for the installation of energy-efficient lighting measures at the Authority facilities, including the corporate headquarters offices in White Plains. At their February 26, 2002 meeting, the Trustees authorized additional capital expenditures of $3.5 million for the installation of energy efficiency improvements at the Authority's Clarence D. Rappleyea Office Building ('Rappleyea Building') (White Plains headquarters). At their February 27, 2007 and March 31, 2009 meetings, the Trustees authorized $2.5million and $5 million, respectively, for energy efficiency improvements at various Authority facilities.

"Thus far, almost $12 million in energy efficiency projects have been completed at the Authority's facilities and headquarters sites under the Authority Facilities Program, with annual savings of $700,000.

"To date, the Trustees have approved almost $3.3 billion in financing for energy services programs throughout the State. In 2010 alone, the Authority invested a record of $175 million in projects throughout the state. Since the Authority began its energy services work, its programs have reduced the demand for electricity by approximately 231 MW, resulting in savings of $132 million annually.

DISCUSSION

"Projects already implemented under the Authority's Facilities Program include energy efficiency upgrades at the Poletti, Blenheim-Gilboa ('B-G'), St. Lawrence and Niagara Power Projects. The new fuel cell at the Rappleyea Building has been completed as well.

"If approved by the Trustees, the additional funding will be used to implement the energy efficiency measures that were recommended in the completed audit and feasibility studies at the St. Lawrence and Niagara, Power Project facilities. The total projected cost for work at these two facility projects is $9.58 million.

"At the St. Lawrence Power Project facility, ES&T is currently in the design phase with the recommended energy efficiency measures of interior and exterior lighting upgrade and controls, HVAC upgrades including motors and heating controls, upgrades to various ventilation systems, and water tower freeze protection system upgrades that save energy. The projected cost for work at this project is $3.98 million.

"The Niagara Power Project facility completed feasibility study includes the recommended energy efficiency measures of lighting, energy management system upgrades, HVAC upgrades, motors, and chilled water system retro-commissioning. The total projected cost for work at this facility is $5.6 million.

FISCAL INFORMATION

"Funding for this program will be paid from the Capital Fund.

RECOMMENDATION

"The Acting Senior Vice President – Energy Services and Technology recommends that the Trustees authorize additional funding of $9.58 million for the Authority Facilities Program to complete energy efficiency upgrades and improvements at the various Authority facilities.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

Mr. Paul Belnick presented highlights of staff's recommendation to the Trustees. In response to a question from Vice Chairman Foster, Mr. Belnick said that although the payback for this project seems long, the Project makes financial sense. The Authority considers the life cycle cost of its projects; therefore, all of the Authority's projects are implemented where the savings would pay for the project over its life.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, approval is hereby granted for the expenditures of up to $9.58 million to finance the cost of energy efficiency and clean energy measures at the various Authority's facilities as recommended in the foregoing report of the President and Chief Executive Officer, in the amounts and for the purposes listed below:

Capital Funds	**Expenditure**
Previously authorized	**$15.7 million**
Additional funding	**$ 9.58 million**
Total amount authorized	**$25.28 million**

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.

10. Release of Funds in Support of the Residential Consumer Discount Program Incorporated in the Recharge New York Power Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the release of funds in support of the first six months of the Residential Consumer Discount Program incorporated in the Recharge New York ('Recharge NY') Power Program as set forth in Chapter 60 of the Laws of 2011.

BACKGROUND

"In March 2011, Governor Cuomo signed into law the Recharge NY Power Program that will utilize 455 megawatts ('MW') of the firm power from the Authority's Niagara and St. Lawrence hydroelectric facilities, combined with market-based power purchases, to form 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 program, the Authority is directed to withdraw all 455 MW of firm hydroelectric power presently sold to certain utility companies for the benefit of their residential consumers. The withdrawals are anticipated to be effective August 1, 2011. To mitigate the price impacts of this withdrawal on the residential consumers, the Authority has been authorized, 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.

"Upon the withdrawal of this power from the utilities, the Authority is authorized to use the revenues from the sale of this power into the wholesale market, together with any other funds of the Authority as the Trustees may deem feasible and advisable, to support the Residential Consumer Discount Program. The Department of Public Service staff reported that during 2010 the 455 MW of hydropower used for the benefit of the utilities' residential consumers provided $102 million in net value for residential consumers. Because the 455 MW of withdrawn hydropower is not scheduled to be allocated to eligible Recharge NY program customers until July 1, 2012, it is presently estimated that the sale of this power into the wholesale market will produce approximately the $100 million required on an annualized basis to fund the Residential Consumer Discount Program for the first year. Given the volatility in market prices, however, there is no assurance that the sale of this power will produce sufficient net revenues to cover the full amount of the residential discount. Therefore, Authority funds may be needed to supplement the market revenues.

"Following the July 1, 2012 start of business customer allocations under the Recharge NY program, the source of funding for the residential discount is expected to shift over time to other Authority funds, as deemed feasible and advisable by the Trustees. It should be noted, however, that during the same period, the requests for funds to support the PFJ customer rebates and the ECSB Program will decline or be eliminated as those programs are replaced by Recharge NY.

DISCUSSION

"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 rebates to customers of the PFJ program, the provision of below-cost energy to the beneficiaries of the State's ECSB program and 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,' (3) satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution') and (4) 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.

"Staff has reviewed the effects of the anticipated payments during the first six months of the Residential Consumer Discount Program, August 2011 through January 2012. Based on current market rates, the up to $50 million in residential discounts is estimated to be off-set nearly in its entirety by the sale of the withdrawn power into the wholesale market.

"In a related item being brought for the Trustees' consideration today, staff is recommending the release of $47.5 million in voluntary contributions to the State as authorized pursuant to state Budget legislation. These transfer amounts, combined with the $50 million in Residential Consumer Discount Program payments requested herein, would not result in the Authority going below the reference point debt service coverage ratio of 2.0 as set forth in the Board's Policy guidance (see Exhibit '10-A'). Accordingly, 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 up to $50 million in Residential Consumer Discount Program payments in support of the Recharge NY program over the first six months of the program. Staff intends to return to the Trustees with a recommendation as to the release of any future amounts based on the financial circumstances of the Authority at the time such payments are to be considered.

FISCAL INFORMATION

"Staff has determined that sufficient funds are available to provide up to $50 million in support for the Residential Consumer Discount Program authorized by the Recharge NY program 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. While the contemplated release of up to $50 million associated with the first six months of the program was not reflected in the Power Authority's 2011 Operating Budget, this amount is estimated to be offset by the sale of the withdrawn power into the wholesale market. With the exception of some small timing differences, it is not expected to affect overall earnings or net cash flow.

RECOMMENDATION

"The Senior Vice President – Corporate Planning and Finance recommends that the Trustees affirm the release of up to $50 million for the first six months of the residential consumer discount program authorized by the Recharge New York program is feasible and advisable and to authorize such payments.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

Mr. Donald Russak presented highlights of staff recommendation to the Trustees. In response to a question from Vice Chairman Foster, Mr. Russak said that in 2009, the block of power used for the Power for Jobs and Energy Cost Savings Benefits programs produced about $80 million in value and in 2010 it produced

about $102 million in value. Therefore, the risk to the Authority was manageable given our financial condition. In response to further question from Vice Chairman Foster, Mr. Russak said that approximately 2.5 million residential customers serviced by the three upstate utilities, National Grid, New York State Gas and Electric Corporation and Rochester Gas and Electric Corporation, are the beneficiaries of that block of power.

In response to a question from Trustee Nicandri, Mr. Russak said that a decision with regard to the scheduled time-frame for Trustee approvals has not been finalized as yet. In response to further question from Trustee Nicandri, Mr. Russak said that as of July 1, 2012, the effective date of the Recharge New York Program and the end of the Power for Jobs and Energy Cost Savings Benefit Programs, the hydropower from those programs will be allocated to business customers and the monies currently used to support those programs will be available for the residential discounts of the Recharge New York Program. Mr. Russak also said that as part of the Recharge New York legislation, the amount of subsidies required will decline over time. In response to a question from Vice Chairman Foster, Mr. Russak said that the law authorizes payment of $100 million for the first 3 years; $70 million for the fourth year; $50 million for the fifth year; and $30 million for the sixth year and thereafter; however, this is subject to the amounts being deemed feasible and advisable by the Trustees. He ended by stating that in the end, the Recharge New York Program will be positive for the Authority financially and be a sound economic development prospect for the state.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby authorize the release of up to $50 million from the Operating Fund to support the first six months of the Residential Consumer Discount Program as authorized by the Recharge New York Power Program as set forth in Chapter 60 of the Laws of 2011 as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the amount of $50 million to be used for the Residential Consumer Discount Program described in the foregoing resolution is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That as a condition to making the payments specified in the foregoing resolutions, on the day of such payment the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Acting General Counsel, the Executive Vice President – Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution, subject to approval as to the form thereof by the Acting General Counsel.

June 28, 2011
Exhibit "10-A"

Debt Service Coverage Calculation
Pursuant to the May 24, 2011 Board Policy Statement

Sources of Cash Flow:		($ million)
(i)	Net Cash from Operating Activities	$ 396
(ii)	Cash Flow from Entergy Value Sharing Agreement	72
(iii)	Cash Flow from Entergy Notes Receivable	30
(iv)	Earnings Received on Investments	26
(v)	Interest Portion of Energy Conservation Program Payments	2
Subtotal:		$ 526
Less:	Prior Contributions to the State (not included above)	$ 65
Total Cash Flow (Before current request)		$ 461
Debt Service:		$ 170
Debt Service Coverage Ratio (before current request):		2.7X

Pending Request(s) for Withdrawal:	
Voluntary Contributions to the State	$ 47.5 [1]
Residential Consumer Discount Program (RNY)	50.0
Subtotal:	$ 97.5
Total Cash Flow (after current request)	$ 363.5
Debt Service:	$ 170.0
Debt Service Coverage Ratio (after current request):	2.1X

[1] – Considered under separate Trustee item.

11. Contribution of Funds to the State Treasury

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a contribution in the amount of $40 million to the State's general fund as authorized by legislation approving the 2011-12 Budget of the State of New York (Chapter 58 of the Laws of 2011). In addition, the Trustees are requested to approve a second contribution in the amount of $7.5 million related to the extension of the Power for Jobs ('PFJ') Program, as provided in Chapter 60 of the Laws of 2011.

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. This financial support has come in the form of direct transfers to the State's general fund, rebates to customers of the PFJ program, the provision of below-cost energy to the beneficiaries of the State's Energy Cost Savings Benefits ('ECSB') Program and other such contributions. Further, as noted in a related item under consideration at this meeting, the Authority is requested to make Residential Customer Discount Program payments, starting in August 2011, related to the Recharge New York Power Program.

"Any such contribution or transfer of funds must (1) be authorized by the Legislature; (2) be approved by the Trustees 'as feasible and advisable,' (3) satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ('Bond Resolution'), and (4) 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

"The State's fiscal year ('SFY') 2011-12 Budget legislation authorizes the Authority as deemed 'feasible and advisable by its trustees' to provide $100 million in contributions to the State, with $40 million to be considered for payment by June 2011 and the remaining $60 million considered for payment by January 2012.

"In January 2011, the Trustees approved a contribution to the State in the amount of $25 million, pursuant to the SFY 2010-11 Budget legislation, which was paid at that time. This $25 million amount, together with the $40 million considered herein, totals to $65 million for the Authority's calendar year 2011 operations, which is the amount the Authority budgeted for in its 2011 Operating Budget. In regards to the second amount ($60 million) contemplated in the SFY 2011-12 Budget, staff is not recommending any action at this time, but will return to the Board with a recommendation as to that contribution based on the financial circumstances of the Authority at the time such contribution is to be considered for payment.

"Under the PFJ Program, distributors of the power are allowed to take a tax credit against their gross receipts tax ('GRT') to offset lost revenues that may result from the Program. The Authority has traditionally been authorized to make a voluntary contribution to the State Treasury 'as deemed feasible and advisable by the trustees' equal to amount of the GRT credit to offset the foregone revenue of the State resulting from the GRT credit. In extending the PFJ Program for the final time to June 30, 2012 as part of the Recharge New York Power Program legislation, the legislation authorized the Authority to provide a $7.5 million GRT-related contribution, retroactively, for SFY 2010-11 and a second GRT-related contribution in the amount of $6.0 million associated with SFY 2011-12. Under consideration today, is the $7.5 million amount related to SFY 2010-11. The $6.0 million amount related to SFY 2011-12 is due for consideration in the first quarter of 2012.

"Staff has reviewed the effects of the two transfer amounts, totaling $47.5 million, on the Authority's expected financial position and reserve requirements. In addition, in accordance with the Board's Policy Statement, staff calculated the impact of these transfer amounts on the Authority's debt service coverage ratio and determined it would not fall below the 2.0 reference point level as shown in Exhibit '11-A' attached hereto. 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 make the contribution of $47.5 million at this time.

FISCAL INFORMATION

"Staff has determined that sufficient funds are available in the Operating Fund to transfer $47.5 million to the State's general fund 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 contemplated transfer of $40 million associated with the SFY 2011-12 Budget legislation was anticipated and reflected in the Power Authority's 2011 Operating Budget approved by the Trustees at their December 13, 2010 meeting. The GRT-related $7.5 million amount was not included in the Authority's Operating Budget. Both amounts will be recorded as an expense at the time of payment.

RECOMMENDATION

The Senior Vice President – Corporate Planning and Finance recommends that the Trustees affirm that the transfer to the State Treasury of $47.5 million is feasible and advisable and authorize such transfer.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

Mr. Donald Russak provided highlights of staff's recommendation to the Trustees. In response to a comment by Trustee Curley, Mr. Russak said that authority staff has periodically held discussions with the state with regard to the contributions to the state treasury. However, no conclusion has yet been reached as to an agreed-upon form of payment. In response to further comment by Trustee Curley, Mr. Russak said that he would expect discussions to continue with the state in this regard. Mr. Russak added that the January 2009 temporary asset transfer was posted as a long-term receivable.

Trustee Nicandri stated that based on assurances made to the Trustees at a prior meeting regarding the HTP Project, in particular the assurance that other entities will be participating in the project, he wanted the record to show that he is prepared to vote "yes" on staff's recommendation today. However, he reserves his right to vote "no" for future voluntary contributions to the state if those obligations are not fulfilled. Trustee O'Luck opined that the Authority's voluntary contributions to the state should be reevaluated, giving consideration to other projects to be undertaken by the Authority. He added that he, too, is prepared to vote "yes" on staff's recommendation today, but reserves the right to vote "no" for future voluntary contributions.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby authorize a payment to the State Treasury in the amount of $40 million from the Operating Fund as authorized by Chapter 58 of the Laws of 2011 as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Trustees hereby authorize a second payment to the State Treasury in the amount of $7.5 million from the Operating Fund as authorized by Chapter 60 of the Laws of 2011 as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the amount of $47.5 million to be used for the contributions to the State Treasury described in the foregoing resolution is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That as a condition to making the payments specified in the foregoing resolution, on the day of such payment the Treasurer or the Deputy Treasurer shall certify that such monies are not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Chairman, the Vice Chairman, President and Chief Executive Officer, the Chief Operating Officer, the Acting General Counsel, the Executive Vice President – Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance, the Corporate Secretary, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolutions, subject to approval as to the form thereof by the Acting General Counsel.

June 28, 2011
Exhibit "11-A"

Debt Service Coverage Calculation
Pursuant to the May 24, 2011 Board Policy Statement

Sources of Cash Flow:		($ million)
(i)	Net Cash from Operating Activities	$ 396
(ii)	Cash Flow from Entergy Value Sharing Agreement	72
(iii)	Cash Flow from Entergy Notes Receivable	30
(iv)	Earnings Received on Investments	26
(v)	Interest Portion of Energy Conservation Program Payments	2
Subtotal:		$ 526
Less:	Prior Contributions to the State (not included above)	$ 65
Total Cash Flow (Before current request)		$ 461
Debt Service:		$ 170
Debt Service Coverage Ratio (before current request):		2.7X

Pending Request(s) for Withdrawal:	
Voluntary Contributions to the State	$ 47.5
Residential Consumer Discount Program (RNY)	50.0 [1]
Subtotal:	$ 97.5
Total Cash Flow (after current request)	$ 363.5
Debt Service:	$ 170.0
Debt Service Coverage Ratio (after current request):	2.1X

[1] – Considered under separate Trustee item.

12. <u>Motion to Conduct an Executive Session</u>

Mr. Chairman, I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 to discuss matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or corporation. On motion made and seconded, an Executive Session was held.

13. Motion to Resume Meeting in Open Session

Mr. Chairman, I move to resume the meeting in Open Session. On motion made and seconded, the meeting resumed in Open Session.

14. <u>Next Meeting</u>

The next regular meeting of the Trustees will be held on **Tuesday, July 26, 2011, at 11:00 a.m., at the Clarence D. Rappleyea Building, White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 1:45 p.m.

Karen Delince
Corporate Secretary

June 28, 2011

EXHIBITS

Proc Awards Exh A-1 final

Procurement (Services) Contracts – Awards
(For Description of Contracts See "Discussion")

EXHIBIT "2d-A-1"
June 28, 2011

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Expected Expenditures For Life Of Contract
HUMAN RESOURCES - EMPLOYEE BENEFITS	Q10-4883 and Q11-4929 4 awards (PO#s TBA)	On or about **07/01/11** (eff. date; vend- or notification) **01/01/12** (start of actual TPA services)	Provide **T**hird **P**arty **A**dministrative ("TPA") services for the Authority's Health and Benefits Programs	12/31/16	B/S			

Total projected TPA cost per vendor for up to 5-1/2 year term:
(does <u>not</u> include actual claims funding)

1. UNITEDHEALTHCARE SERVICES, LLC ("UHC") (Minnetonka, MN – HQ and New York, NY – Local Office)	**$6,613,816**
2. DELTA DENTAL OF NEW YORK, INC. (Mechanicsburg, PA)	**$357,490**
3. DAVIS VISION, INC. (Plainview, NY)	**$11,558**
4. POMCO, INC. (Syracuse, NY)	**$33,000**

	Salaried (active & retired)	IBEW (active & retired)	UWUA (active & retired)	Teamsters (retired)
MAJOR MEDICAL	UHC	UHC	UHC	UHC
HOSPITALIZATION	** (or UHC***)	UHC	**	UHC
PRESCRIPTION DRUGS	UHC - MEDCO	UHC – MEDCO	UHC – MEDCO	UHC – MEDCO
DENTAL	DELTA DENTAL (active only)	DELTA DENTAL (active only)	DELTA DENTAL (active only)	N/A
VISION CARE	DAVIS VISION (active only)	N/A	N/A	N/A
FLEXIBLE SPENDING ACCOUNTS	UHC (active only)	UHC (active only)	UHC (active only)	N/A
SHORT-TERM DISABILITY	N/A	POMCO (active only)	POMCO (active only)	N/A

******Note: **Hospitalization** for active and retired Salaried and UWUA employees will continue to be provided under the current fully-insured **Empire BlueCross/Blue Shield** program. In addition, HMO programs, which were not part of this Request for Proposals, will also continue to be offered.

*******Note: for the UHC NYPA Choice Plan

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search

2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

Procurement (Services) Contracts – Awards
(For Description of Contracts See "Discussion")

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
BUSINESS SERVICES - CORP FINANCE	**NEXANT, INC.** San Francisco, CA (HQ) Chandler, AZ and White Plains, NY (Branch Offices) (Q11-5012; PO# TBA)	07/01/11 (on or about)	Provide for consulting services in connection with the Authority's trans-mission cost-of-service and anticipated regulatory filings to FERC	06/30/16	B/P	*Note: represents total for up to 5-year term		**$500,000***
CORPORATE SUPPORT SERVICES	**CLEAN AIR QUALITY SERVICE, INC.** Hawthorne, NY (Q11-4956; PO# TBA)	07/01/11 (on or about)	Provide for maintenance of the Energy Management System at the Rappleyea Building	06/30/16	B/S	*Note: represents total for up to 5-year term		**$37,500***
ENERGY SERV. & TECHNOLOGY-ENG & DESIGN	**Q11-4992; 2 awards:** **1. CAMP DRESSER & MCKEE** Woodbury, NY **2. L.J. GONZER ASSOCIATES** Cranford, NJ (PO#s TBA) (PO#s TBA)	07/01/11 (on or about)	Provide for design and drafting services for Energy Services projects	06/30/16	B/P	*Note: represents aggregate total for up to 5-year term **All costs will be recovered by the Authority.**		**$100,000***
POWER SUPPLY-NIAGARA	**BRISTOL HARBOR GROUP, INC**. Bristol, RI (6000121236; PO# TBA)	07/01/11 (on or about)	Provide for professional services of naval architect to inspect and evaluate NYPA marine vessels	06/30/15	B/A	*Note: represents total for up to 4-year term		**$375,000***

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service

Procurement (Services) Contracts – Awards
(For Description of Contracts See "Discussion")

EXHIBIT "A-2"
June 28, 2011

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER SUPPLY-TECHNICAL COMPLIANCE / SECURITY - WPO & SENY	**BROSNAN RISK CONSULTANTS, INC**. New York, NY (Q11-4941; PO# TBA)	06/01/11	Provide for security guard/ personnel services for WPO, 500 MW, Flynn and SCPP sites	06/30/16	B/S	$100,000 *Note: represents total for up to 5-year and 1 month term		**$11,400,000***
POWER SUPPLY-NIAGARA	**COVERCO, INC.** Grand Island, NY (6000121318; PO# TBA)	07/01/11 (on or about)	Provide for plumbing pipe insulation services at NIA, as needed	06/30/15	B/S	*Note: represents total for up to 4-year term		**$50,000***
POWER SUPPLY-ENGINEERING	**GOMEZ AND SULLIVAN ENGINEERS, P.C.** Utica, NY (Q11-5018; PO# TBA)	07/01/11 (on or about)	Provide for independent consultant to perform FERC Part 12 dam safety inspection, prepare reports and follow-up services, as needed, for the Crescent and Vischer Ferry Projects	06/30/16	B/A	*Note: represents total for up to 5-year term		**$206,000***
POWER SUPPLY-CEC	**HAVERFIELD AVIATION, INC.** Gettysburg. PA (C11-60028; PO# TBA)	07/01/11 (on or about)	Provide for aerial inspection, maintenance / repair services for high voltage transmission lines	06/30/16	B/S	*Note: represents total for up to 5-year term		**$1,900,000***
POWER SUPPLY-TECHNICAL COMPLIANCE	**KONECRANES. INC.** Henrietta, NY (Q11-5015; PO# TBA)	07/01/11 (on or about)	Provide for OSHA crane inspection and/ certification services	06/30/16	B/P	*Note: represents total for up to 5-year term		**$375,000***
POWER SUPPLY-FLYNN and BRENTWOOD	**UNIVERSAL OFFICE CLEANING** Syosset, NY (Q11-4972; PO# TBA)	07/01/11 (on or about)	Provide for janitorial and other cleaning services for the Flynn Plant and Brentwood SCPP	06/30/14	B/S	*Note: represents total for up to 3-year term		**$160,000***

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service

Procurement (Services) Contracts – Extensions and/or Additional Funding
(For Description of Contracts See "Discussion")

EXHIBIT "2d-B"
June 28, 2011

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
ENERGY SERV. & TECHNOLOGY- ENERGY SERV.	**2 contracts:** **1. EYP ARCHITECTURE & ENGINEERING, PC** Albany, NY **4600001644** **2. WENDEL ENERGY SERVICES, LLC** Amherst, NY **4600001645**	05/23/06	Provide for program management and implementation services for the Authority's State-wide Energy Services Program	12/31/15	B/C	**$180,000,000** (aggregate "Target Value") ***Note: represents aggregate amount previously approved by the Trustees and includes contracts with 5 firms: Ameresco, PB Americas, DMJM (closed), Einhorn Yaffee & Prescott and Wendel.** **THE REMAINING $50 million BALANCE WILL BE RELEASED and ALLOCATED AS NEEDED during the extended term. NO additional funding requested.** **All costs will be recovered by the Authority.**	**$141,092,183** ("Released Amt")	**$230,000,000***
ENERGY SERV. & TECHNOLOGY- ENERGY SERV. + POWER SUPPLY- EH&S	**VEOLIA ES TECHNICAL SOLUTIONS, LLC** Port Washington, WI (HQ) and Stoughton, MA (Facility) **4600001846**	11/01/07	Provide for recycling / disposal of lamps, light ballasts and other electrical waste in connection with the High Efficiency Lighting Program	10/31/11	B/S	**$875,000** ("Target Value") ***Note: includes originally approved amount of $700,000 + an additional $175,000 authorized per the EAPs + **CURRENT INCREASE OF $650,000.** **All costs will be recovered by the Authority.**	**$736,985** ("Released Amt")	**$1,525,000***
POWER SUPPLY- PROJ MGMT / NIAGARA	**GE HYDRO POWER INC.** Pleasanton, CA **4600001295**	07/12/04	Provide for F/D/I of motor / generator stator windings at LPGP	06/30/15	B/C	**$15,000,000** ("Target Value") ***Note: includes previously approved amount of $15 million + **NO ADDITIONAL FUNDING REQUESTED**	**$4,196,746** ("Released Amt")	**$15,000,000***
POWER SUPPLY- PROJ MGMT / STL	**GENERAL ELECTRIC ENERGY SERVICES INC.** Medford, MA **4600000395**	04/06/00	Provide for refurbishment of Generator Rotor Poles and associated work for the STL LEM	09/30/13	B/S	**$11,356,000** ("Target Value") ***Note: includes previously approved amount of $11,356,000 + **CURRENT INCREASE OF $1.3 million**	**$9,869,293** ("Released Amt")	**$12,656,000***

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service, C= Construction; E= Equipment; N= Non-Procurement

Procurement (Services) Contracts – Extensions and/or Additional Funding
(For Description of Contracts See "Discussion")

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER SUPPLY- PROJECT MANAGEMENT	**NAES CORP.** Issaquah, WA **4500133069**	11/29/06	Provide for the operation and maintenance of the NYC DEP's East Delaware and Neversink hydroelectric facilities	06/30/12	B/S	**$12,249,956** *****Note: includes previously approved amount of **$12,249,957** + **CURRENT INCREASE OF $1.5 million** **All direct and administrative overhead costs will be reimbursed to the Authority by the City of New York, acting through the NYC DEP.**	**$8,955,475**	**$13,749,957***
POWER SUPPLY- FLYNN	**SIEMENS ENERGY INC.** Braintree, MA **4600001092**	05/05/03	Provide for a long-term Operating Plant Service Agreement ("OPSA") for outage support and operat-Ing plant services for the Flynn Plant	12/31/15	S/S	**$27,200,000** ("Target Value") *Note: includes previously approved amount of $27.2 million + **CURRENT INCREASE OF $8.8 million**	**$24,422,540** ("Released Amount")	**$36,000,000***
POWER SUPPLY- PROJ MGMT + STL	**VOITH HYDRO, INC.** York, PA **4500016211**	10/27/99	Provide for design and F / D / I of 16 Generation Control Systems and associated work, as part of the STL LEM Program	12/31/13	B/S	**$22,939,627** *****Note: includes previously approved amount of $23,004,806 + **CURRENT INCREASE OF $2 million**	**$20,951,093**	**$25,004,806***

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service, C= Construction; E= Equipment; N= Non-Procurement

Trustees’ Meeting

June 28, 2011

New York Power Authority

2a. Monthly Report

Richard M. Kessel

President & Chief Executive Officer

Key Issues

- Report on Energy Services & Technology Program Update – *prepared by Paul Belnick, Vice President, Energy Services & Technology*

  (Exhibit "A")

Key Issues

Community Outreach – Upstate/Downstate

May

- 26 – Hauppauge Industrial Association panel discussion with NYSERDA and LIPA
- 27 – Cooperstown NYSEDC speech

June

- 1 – NYPA Emergency Drill – NYPA's Niagara 50th Anniversary meeting
- 7 – CleanTech Conference
- June 8 – Lake Placid - MEUA speech
- June 9 – Lake Placid – meeting Mayor Randall, Tour Camp Treetop Solar Installation

Key Activities

Community Outreach – Upstate/Downstate

June – continued

- 14 – EAC meeting
- 15 – Executive Management Committee meeting
- 16 – New York City Solar Summit
- 17 – HiTech Pharmacal Tour, Vision Long Island meeting/lunch
- 21 – Tour of Astoria Energy II plant, Senior Staff meeting
- 22 – Massena/Watertown, meeting with Clarkson College, meeting on Nature Center
- 23 – Utica – meeting at Homeland Security, Visit to Clark Energy Center

Energy Services & Technology

Program Update

As of May 2011, the New York Power Authority has completed $1.4 billion in Energy Service projects at over 3,800 customer facilities statewide, representing an annual recurring savings to program participants of $133 million or $1.3 billion over the life of the programs at current energy costs. Electricity use was reduced by over 1,100 gigawatt-hours (GWH) annually, which in turn reduces greenhouse gases by 816,000 tons per year.

In 2010, we set a one-year record for Energy Service projects with $175 million worth of initiatives completed, which constituted a 20 percent increase over 2009 initiatives.

For 2011, some $180 million worth of initiatives are on track to be completed.

In addition, there are $1.8 billion in new projects either identified or already in construction that will result in annual savings of $73 million by reducing electricity use by 429,000 MWH, fossil fuel use by an equivalent of 14 million Therms of natural gas, which in turn will reduce greenhouse gases by an estimated 355,000 tons annually.

In addition to the typical measures implemented via NYPA's ESP projects there are a variety of new measures being incorporated into projects over the past two years. These include: LED Lighting for Bridge Necklace Lighting, Ice Storage for Air Conditioning, Rail Road Track Third Rail Heating Controls, Micro Hydro turbines, Rail Road Signal Compressed Air Systems, Swimming Pool Lighting, College Dormitory Room Heating Controls, Lighting and Heating Controls in Public Housing Apartments, Solar Thermal Systems, T5 Wide Area Bay Lighting, Escalator Motor Controls, Co-generation Systems, Micro Steam Turbines, Biomass Boilers, Rapid Roll Up Doors, Laundry Facility Upgrades, Water Conservation and Data Center Upgrades.

Other NYPA initiatives, such as the Business Customer and Renewable Energy programs, have also been enhanced over the past two years either as a result of actions taken by the Board of Trustees or state legislative initiatives supported by NYPA. They have also increased the Authority's effectiveness in highlighting energy efficiency across the state while helping to meet the State Energy Policy goals of increasing the efficient use of New York's energy resources and reducing the dependency on fossil fuels.

NYPA's Research and Development endeavors have also been increased, again as a way to meet the state's goal of reducing New York's use of fossil fuels by 45 percent by 2015 either through energy efficiency, increased use of renewable energy resources, and more efficient operation of our power generating assets and transmission facilities.

Program Results Highlights

100 MW Statewide Solar Photovoltaic
NYPA issued a Request For Proposals (RFP) in January, 2010 based on the overwhelming responses from the solar Photovoltaic industry to the Authority's Request For Expressions of Interest (RFEI) to install 100 megawatts of PV systems on municipal, school and university and other buildings around the state. A prospective bidders conference was convened that attracted over 400 attendees. By the April 22 deadline, 44 proposals were received representing most of the national and international solar development corporations. An extensive evaluation process was put in place which resulted in the preparation of a list of potential recommended awards. Installing 100 MWs of solar power systems around the state will triple the amount of solar power generated in New York.

NYC – Board Of Education
Energy Services & Technology Staff is working with NYC Schools to implement lighting and comprehensive energy efficiency projects at various locations throughout the 5 Boroughs of NYC. Many of these schools are a subset of the ones mentioned in the media recently that were said to contain PCBs within the lighting ballasts. Due to the age of these ballasts, significant energy savings can be obtained by their replacement with new energy efficient electronic ballasts. In partnership with NYC, the Board of Education and the SCA (School Construction Authority), NYPA is retrofitting 11 schools to determine the cost benefit of these projects and to develop standard operating procedures for the removal of the hazmat ballasts from the sites. The outcome of this evaluation will determine if additional projects can be implemented in this manner.

NYC Department of Environmental Protection Program
In 2008, the first direct energy services program agreement with the Department of Environmental Protection (DEP) was executed to support a $300M multi-year program. Since the execution of this agreement, there has been major growth in this program, two significant projects have been completed, including North River Wastewater Treatment and Owl's Head totaling $42M. An additional 14 projects are in various stages of development or construction. Owl's Head WWTP and ADG I projects will start construction this year and will re-use digester gas to fuel engines, boilers, and fuel cells thereby reducing greenhouse gas emissions and fossil fuel consumption.

City University of New York
In 2008, an energy services program agreement with the City University of New York (CUNY) was executed to support a multi-year program. Since the execution of this agreement, 24 projects have been completed, are currently in construction or have been identified. This includes

ES&T's two largest projects, Bronx Community College Infrastructure Upgrade and New York City College of Technology Central Plant.

New York City Housing Authority

Over the past few years, this program has averaged $25 million per year, which includes 23 projects either completed, in progress, or identified. Notable projects include NYCHA Castle Hill Houses Heating Plant, Lighting, and Climate Controls Upgrade and NYCHA Rutgers Houses Heating System Installation. In addition, we are in the 11th phase of the NYCHA Hot Water Storage Tank Replacement Program, installing approximately 800 instantaneous hot water heaters.

MTA

Our partnership with the MTA in project and program activities has increased significantly with the MTA and its Agencies over the past several years. We have made significant progress with program participation from Metro North and LIRR, which had very little involvement / participation in the past. We also increased project activity with Bridges and Tunnels and greatly expanded our program offerings to NYCT to include larger and more comprehensive and complex projects. Overall, we expanded and grew MTA's Program activities from about $2 to $4 million per year to $15 million in 2011 and looking to grow this even further to over $20 million by year 2015 (over a 500% increase).

Energy Services Program Statewide

This program was expanded by $400 million (via Trustee action) in response to an increased volume of work bringing total authorized funding to $833 million. In addition, new implementation services contracts with six contractors were issued, which doubled the number of contractors implementing statewide Energy Services programs.

NYPA LEED Initiatives at Authority Visitors Centers & Facilities

NYPA initiated a project that will pursue a minimum of LEED Certification at the Blenheim Gilboa, Hawkins Point, and Niagara Visitors Centers. Site visits were completed at St. Lawrence, Blenheim-Gilboa, and Niagara visitor centers to compete Task 1, the production of the LEED checklist. Task 2, the energy star analysis have been completed at St. Lawrence and Blenheim-Gilboa visitor centers. In addition, NYPA initiated energy audits at other NYPA facilities located at the Niagara, Blenheim-Gilboa, Saint Lawrence, and Flynn power projects, Clark Energy Center, and the Poletti 500 megawatt and Flynn power plants. The design for energy conservation measures that were recommended at St. Lawrence has been initiated. Construction has begun on Blenheim-Gilboa upgrades.

Fuel Cells

Over the past two years, NYPA has completed and commissioned two fuel cells that include installations at the Bronx Zoo and NYPA's White Plains Office. Three 400kw fuels cells have also been delivered to Tower 1 at the World Trade Center. Six more fuel cells are scheduled to be delivered to Towers 3 and 4 later this month. Three fuel cells for Tower 2 will be delivered when construction of that tower proceeds. The fuel cells will eventually supplement the electricity supplied to the Trade Center when construction is completed and the fuel cells are placed into service.

Energy Efficiency Weatherization Program

NYPA focused on low income assistance through the distribution of energy savings kits to over 38,000 lower income residents who reside in areas served by the 51 Municipal Electric Systems and Cooperatives around the state that receive NYPA power, and also in Westchester County Housing Authority units and utility paying residents of NYCHA. It is projected that the energy saving kits could help save these consumers some $200 in energy costs annually.

Municipal and Cooperative Village Insulation Program

Nineteen Municipal and Cooperative Systems elected to participate in insulating attic and crawl spaces in close to 1,300 residential homes to be completed through April of 2011. Total annual kWh savings translates close to 4.7Mkwh, saving each home approximately $185 and 3,600kwh annually. Total NYPA expenditure in 2010 amounted to $1.5M to be supplemented with an additional $1.5M in 2011.

Business Customers

Legislative authorization enhancing NYPA's energy efficiency programs in 2008 allowed the Authority to expand its energy efficiency program, which resulted in the completion of energy audits for 54 business customers. Combined, the audits identified energy efficiency strategies that could save these businesses some $6.3M in energy costs, which in turn can help save numerous jobs. NYPA will be offering training courses to its Business Customers in the Fall of 2011 focusing on improvements in technologies with high electric consumption. These will be regional trainings open to all of our customers.

ARRA – Funded Energy Efficiency Projects

NYPA assisted in bringing ARRA-related funds to New York State resulting in 43 projects receiving $54 million in Federal Stimulus funding that are being implemented statewide.

NYPA Renewable Energy Program

In 2008, the Board of Trustees approved $21 million in funding to expand the Power Authority's statewide Renewable Energy Program for introducing new clean and sustainable energy technologies, particularly in upstate regions. The funding, to be provided over five years, was approved in support of New York State's Renewable Energy Task Force. Over the last two years numerous renewable energy projects have been initiated throughout New York State including over 2.5 megawatts of solar PV projects, distributed wind projects, energy storage projects focused on better renewable energy integration into the grid, fuel cells fueled by renewable energy sources, and biomass projects.

Municipal/Cooperative Solar PV Incentive Program
As part of the Trustee approved 2008 Renewable Energy Plan above, NYPA implemented a pilot solar photovoltaic (PV) incentive program for its Municipal and Cooperative Electric System customers who are generally not eligible to receive a solar incentive through the New York State Energy Research Development Authority. The program provided a NYPA incentive of $4 per Watt of installed PV system capacity (approximately 50% of system costs), for systems up to 10 kW. The Muni/Coop passed this incentive along to their residential, commercial or municipal electricity customers who elected to install a PV system. NYPA pays the incentive in two installments, 20% upon system design and 80% upon system commissioning. The deadline for new applications was April 29, 2011 and the deadline for all incentive payments is December 30, 2011. The budget for this pilot program was initially set at $2,000,000. The program was offered to all 51 of NYPA's Municipal or Rural Electric Cooperative customers. Ultimately, twelve utilities signed on to participate in the program: Skaneateles, Solvay, Delaware County Electric Cooperative, Tupper Lake, Otsego Electric Cooperative, Lake Placid, Massena, Steuben, Boonville, Freeport, Ilion and Sherburne.

Electric Transportation
Solar Carport Project
NYPA has launched a program to design, build and test proof of concept electric vehicle charging stations that utilize renewable energy. The Village of Tarrytown and the Village of Skaneateles will participate in the first phase of the project. EPRI is a program partner. NYPA will issue an RFP for design/construction third quarter 2011. Once completed, the solar carports will be owned, operated and maintained by the Villages of Tarrytown and Skaneateles.

Hybrid School Bus Evaluation Program
In 2010 NYPA was awarded DOE Clean Cities "Stimulus" funding for the second phase of this program, the evaluation of a new charge-sustaining (no plug) hybrid school bus manufactured by Thomas Built Corporation. The bus will be placed in service with Gates Chili Central School District this fall. NYPA continues to evaluate the performance of a plug-in hybrid and charge-sustaining (no plug) hybrid manufactured by IC Bus Corporation. Those buses are currently in service with the Greater Amsterdam Central School. The evaluation has spurred the bus manufacturer to improve hybrid drive system efficiency.

Hybrid and Plug-in Hybrid Yard Tractor Demonstration
NYPA has put together a project to demonstrate and evaluate prototype hybrid and plug-in hybrid yard tractors with the New York Container Terminal. Other project partners include EPRI and the Port Authority of New York and New Jersey. The tractors, which were built by Kalmar,

a leading yard tractor manufacturer, and equipped with hybrid drive systems by US Hybrid, were placed in service in January 2011.

Trucks and Buses Plug-Hybrid Vehicle Demonstration & Evaluation Program
NYPA continues to work with EPRI on a national USDOE ARRA funded program to accelerate the development and commercialization of medium-duty plug-in hybrid trucks and buses. NYPA enlisted customers from around the state to participate in the program – NYPA and its customers make up 10 of the 50 participating fleets. Vehicle deliveries will start fall 2011.

Light Duty Plug-in Vehicle Demonstration
NYPA is supporting the demonstration of new light-duty plug-in all-electric vehicles and extended range electric vehicles in New York City and other customer fleets. NYPA will work with customers to evaluate the performance of the Ford Transit Connect electric van and the GM Volt extended range electric vehicle in a wide range of fleet applications. Fourteen fleets are participating in the program in 2011.

NYPA Green Fleet Study
As part of the Sustainability Plan, NYPA is conducting a study to evaluate fleet procurement and maintenance practices and is developing recommendations for the "greening" of the fleet. NYPA will identify opportunities to introduce electric-drive vehicles and other more efficient vehicles into the fleet.

RESEARCH AND TECHNOLOGY DEVELOPMENT

Niagara Acoustic Doppler Flow Measurement and Plant Optimization (ongoing)
NYPA has installed a new flow measurement technique to more accurately and frequently measure the water flow into the forebay area which enables the Niagara Power Project to optimize power generation and water usage. The technology utilized is Acoustic Doppler flow measurement system. Currently, all diversion-based calculations at the Niagara project rely on hourly measurements by elevation gauges. In practice, there could be significant volume errors depending on captured elevations for beginning / ending of the hour. These inaccuracies result in large tolerances for diversion of water that may generate control action in a wrong direction. This project helps alleviate this problem and improve the overall performance of the Niagara operations. Plant optimization projects include finding the best operation and ancillary service requirements, installation of proper water level management system for LPGP, developing real-time performance indicators, and quantifying and maximizing the benefits provided by conventional and pumped-storage hydroelectric projects to transmission grids.

Y49 Cathodic Protection System for Long Island Sound Cable
The Self Contained Fluid Filled (SCFF) Y-49 power cables represent a $300 million NYPA investment (today a $2 billion asset) and are very important to NYPA's operations and transmission of power to Long Island. A Cathodic Protection system is required to prevent damage to the cable due to stray DC currents due to trains, etc. Without the Cathodic Protection system, it is anticipated that the life expectancy of the power cables would be reduced by at least

15 years. NYPA R&TD successfully installed this automatic Cathodic Protection System on the power cables in Long Island Sound. This system automatically adjusts itself to mitigate the effects of the stray DC currents, which could corrode the return conductor and ultimately cause the cables to fail.

Network-based Automated Transmission Line Fault Analysis System
This computer network-based system provides system fault data quickly to authorized personnel for analysis and decision making and restoration of service. In the event of a permanent transmission line fault, speedy restoration of service is imperative to maintain transmission availability as high as possible and to avoid having dispatch of energy in a less economic mode. This system automatically collects the fault data from the digital fault recorders located in the substations and generating stations using secure protocols. The data is then processed and converted to a standard format on a central computer. The fault analysis software automatically puts the analysis report on the web-page to instantaneously allow sites operators and engineers to view the fault report and waveforms and enable them to take quick corrective action.

Non-intrusive Assessment of Transmission Tower Grillages (ongoing)
In order to determine the condition of NYPA’s transmission towers, this project has developed and implemented a non-intrusive method for testing of transmission tower lattice structures to accurately determine the actual physical condition and the integrity of the structure. The leg of the transmission tower showing the worst condition is excavated completely to a depth of 10 feet to validate the report of the non-invasive system. Repairs (steel splices and coating) are performed if the loss of the cross section due to corrosion is more than 20 percent. Confirmation that this non-intrusive system provides reliable results will allow NYPA to inspect all its towers using this technology and save O&M costs and increase reliability.

Antenna Array System for Monitoring Substations
Partial discharge (arcing) inside power equipment can lead to equipment failures and long outages. Early identification of partial discharges allows system operators to take remedial action to prevent the catastrophic failure of equipment. This project developed a non-invasive technique for monitoring partial discharge activity at NYPA substations and pinpointing the location of equipment (transformers, reactors, breakers, etc.) that generate partial discharge. Four antenna arrays have been installed at Massena substation to monitor the partial discharge activity throughout the substation. Similar systems have been installed Marcy and Niagara.

Hydro Generator Monitoring (ongoing)
Partial discharge (arcing) inside hydrogenerators can lead to equipment failures and long outages. Early identification of partial discharges allows system operators to take remedial action to prevent the catastrophic failure of generators. NYPA has installed HydroTrac (continuously acquires data from existing sensors installed on the generators and provides plant operators with meaningful diagnoses of the stator winding condition) and FluxTrac (records rotor air gap magnetic flux and partial discharge) on most of its hydro units. Vibration monitoring

systems have also been installed on these units to detect excessive vibration and potential damage.

Smart Grid Related R&TD (ongoing)
NYPA has been a pioneer in the area of Smart Grid technologies. These technologies are expected to improve the operation and control of the power grids and enhance their efficiency, reliability, and safety. GPS-based precise measurement devices called the Phasor Measurement Units (PMU) have been installed at NYPA substations and have been providing valuable system data or 20 years. NYPA is working closely with the NYISO as a partner in the DOE SGIG Stimulus project to deploy additional PMUs as well as the required communication links to securely send this data to NYPA energy control center and the NYISO.

Maintenance and Upgrade of the CSC at Marcy (ongoing)
NYPA operates the world's most advanced high power electronics controller installed at Marcy substation called the Convertible Static Compensator (CSC). This device has unique capabilities in controlling the system voltage and if necessary transmission line power flows. NYPA system operators as well as the NYISO operators rely on the CSC for reliable and secure operation of the NYS transmission system. NYPA R&TD is currently working to ensure longevity and continuous availability of this device. Work is on-going to prepare the upgrade of the CSC's computer-based Controls. The CSC project helps relieve congestion in the NYS transmission system and allows nearly 200 MWs more power to be transferred from north and west to NYC area while increasing the system reliability and resiliency. The CSC project has fully recovered its cost and is a source of income for NYPA during transmission congestion periods.

Astoria 500-MW Performance Enhancement (ongoing)
NYPA is implementing several studies at the Astoria 500-MW plant to help increase its performance and efficiency. Among them, the Desuperheater Performance Tuning and Optimization to optimize the performance of the existing high pressure and reheat desuperheating systems, the <u>Thermal Energy Storage for Combustion Turbine Inlet Cooling (</u>study of the operational and economic benefits of installing a thermal energy storage system for cooling combustion turbine inlet air), and <u>Combustion Dynamics Monitoring and Auto-Tuning Algorithm Development (</u>installation of high temperature acoustic sensors on each of the fourteen combustion cans) on the 7FA CT to tune the Dry Low NOX combustion system much more accurately and provide continuous data acquisition.

Real Time Transmission Line Monitoring (ongoing)
NYPA is working with EPRI and NYSERDA on two projects which will install dynamic line rating equipment with real-time monitoring capabilities on a number of transmission lines to send data on real-time loading capability of these lines to the system operator for enhanced operations of the New York State power grid and maximum utilization of transmission assets.

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Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES

FROM: GIL C. QUINIONES, CHIEF OPERATING OFFICER

DATE: JUNE 28, 2011

SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

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This report covers the performance of the Operations group in May. This month was highlighted by the performance of NYPA's generating facilities. There were no unscheduled outages, no missed generation revenues, and net generation exceeded expectations. Transmission reliability, despite two forced outages in May, continues to exceed year-to-date expectations.

Power Supply

Plant Performance

Systemwide net generation[1] was 2,282,721 megawatt-hours[2] (MWh) in May, compared to projected net generation of 2,022,905 MWh. Year-to-date net generation is 10,378,305 MWh, compared to the net generation target of 10,133,429 MWh.

The fleet availability factor[3] was 93.4 percent in May and is 95.7 percent for the year. Generation market readiness factor[4] was 100 percent, compared with the monthly target of 99.4 percent. Year-to-date generation market readiness factor is 99.9 percent.

There were no significant unplanned generation events[5] in May.

Generation revenue in May was $152.1 million, with no revenue lost from unscheduled outages. Year-to-date lost opportunity cost remains at $1.28 million, about 0.17 percent of year-to-date generation revenue of $729.1 million.

River flows at the Niagara project were above forecast in May and are now forecast to be normal in 2011 and above average in the beginning of 2012. At the St. Lawrence-FDR project, flows were above forecast and are expected to be above average through 2011 before returning to historical average in 2012.

Transmission Performance

Transmission reliability[6] in May was 99.61 percent, which was below the target of 99.66 percent. Two forced outages – one of the Marcy Capacitor Bank[7] #2 and one of the Flexible Alternating Current Transmission Systems (FACTS)[8] device – affected the measure. Year-to-date transmission reliability is 99.00 percent, above the target of 98.16 percent.

There were no significant unplanned transmission events[9] in May. Overall, in 2011 there have been 111 hours of emergency outages[10] affecting transmission reliability, compared to a projected year-to-date target of 444 hours, and no transmission line forced outage[11] hours, compared to a projected year-to-date target of 770 hours.

Life Extension and Modernization Program

Work on Unit 24 at the St. Lawrence-FDR Power Project, the 14th of the 16 units, continues as part of the project's Life Extension and Modernization[12] (LEM) program. At the time of this writing, the return to service date was scheduled for June 23, 2011, with the outage for the next unit to follow on the next day. More information will be available in the next COO Report. The 2013 scheduled completion date for the LEM project remains unchanged.

Environmental

There were seven reportable events in May.

Three events took place within the Southeast New York region. At the Kent Gas Turbine facility in Brooklyn, a failed turbine lube oil line resulted in two separate releases of turbine oil, each approximately 80 gallons. Both releases were contained inside the unit. At the 500-MW Combined Cycle Plant, a failed compression fitting on an air conditioning unit resulted in the release of 50 gallons of compressor oil.

NYPA reported three events at the Niagara Power Project: a leak of approximately three gallons of oil from an electrical transformer; a violation of a State Pollution Discharge Elimination System (SPDES)[13] permit for suspended solids based on sampling at one of the plant's outfalls[14]; and the loss of approximately 9.5 pounds of refrigerant from an air conditioning unit at the General Maintenance Building.

On the transmission system, the failure of a metering current transformer[15] at the Village of Fairport Municipal Light District resulted in the loss of two to three gallons of transformer oil.

Year-to-date number of recordable environmental incidents is 18; the 2011 target is 25.

Transmission Initiative

NYPA continues to work with National Grid, Con Edison, and the Long Island Power Authority (LIPA) regarding a proposed transmission line that would deliver power from Canada and upstate renewable energy projects to New York City. Since June 2010, PA Consulting has conducted a series of economic analyses for the project, including a comparison of the load-weighted zonal electricity prices, production costs, generators' costs, and emissions under the Base Case and the Transmission Initiative Case. In addition, PA Consulting analyzed several scenarios: one that includes the transmission line between New York City and New Jersey proposed by Hudson Transmission Partners, one that assumes high natural gas prices and one that assumes low prices, and one with 400 MW of offshore wind. The results of these analyses indicate that there is a net benefit in statewide production costs and a reduction in emissions with the construction of the Transmission Initiative. National Grid, NYPA and PA Consulting continue working with Con Edison and LIPA to address their concerns about assumptions in the economic analyses.

Technical Compliance – NERC Reliability Standards

In May, NYPA Compliance Evidence Managers approved the evidence that will be submitted to the Northeast Power Coordinating Council (NPCC)[16] as part of NYPA's two scheduled audits of North American Electric Reliability Corporation[17] (NERC) Mandatory Reliability Standards. As previously reported, NYPA will be audited for its compliance with Reliability Standards for the Bulk Electric System pursuant to Federal Energy Regulatory Commission[18] (FERC) Order No. 693 in June, and in July it will be audited for Critical Infrastructure Protection[19] (CIP) standards, pursuant to FERC Order No. 704.

NYPA submitted comments to NERC on the draft revised definition of the Bulk Electric System (BES), issued in April pursuant to FERC Order No. 743. In June, NERC's BES Definition Standard Drafting Team (which includes one representative from NYPA) will consider the industry's comments on the draft definition. NYPA's comments were shared with NPCC staff and Large Public Power Council (LPPC)[20] members.

NYPA Technical Compliance staff continues to work with the New York Independent System Operator[21] (NYISO) and the New York Transmission Owners to discuss and develop an action plan for addressing the statewide impacts of the implementation of the new BES definition. The team met on May 24 at the NYISO and completed a review of the Transmission Operator (TOP) compliance requirements that will apply to assets that will be newly designated as part of the BES. At the meeting, the team agreed to estimate resource impacts for three different TOP compliance management models and select the most cost-effective approach for New York State. Also, the NYISO plans to initiate discussions with the New York Transmission Owners on Transmission Planning registration impacts. The next meeting of the team will be in late June and will include representatives from NPCC for the purpose of discussing NPCC's views on the proposed TOP compliance management models.

NYPA has a responsibility to implement its assessment plan developed in response to NERC's Alert Recommendation to Industry regarding overhead transmission line ground clearances pursuant to the NERC Facility Ratings Standards. NYPA must report progress on the implementation of its plan every six months beginning on July 15, 2011. NYPA participated in a May 12 teleconference of the technical staffs of the New York Transmission Owners to discuss the methods being used to assess potential clearance violations and the management of any mitigation actions. A second meeting of the New York Transmission Owners' technical staffs was planned for late June.

Energy Resource Management

NYISO Markets

In May, ERM bid over 2.2 million MWh of NYPA's generation into the NYISO markets, netting $37.5 million in power supplier payments to the Authority. Year-to-date net power supplier payments are $171.5 million.

Fuel Planning & Operations

In May, NYPA's Fuels Group transacted $14 million in natural gas and oil purchases, compared with $12.2 million in May 2010. Year-to-date natural gas and oil purchases are $98.6 million, compared with $100.1 million at this point in 2010. The total year-to-date $1.5 million reduction is mainly attributed to cessation of operations at the Poletti Power Project (-$12.6 million, the last day of operations was January 31, 2010), which was offset by increased fuel cost at the 500-MW Combined Cycle Plant (+$2.5 million) and increased generation at the Small Clean Power Plants (+$7.0 million) and the Richard M. Flynn Power Plant (+$1.6 million).

Office of the Chief Operating Officer

Large Public Power Council Quarterly Meeting

In May, the LPPC held its quarterly meeting in Washington D.C. LPPC Task Force leaders briefed member representative executives on their activities covering legislative, regulatory, and policy developments that will affect public power, as well as the outlook for developing regulations that address utility operational issues ranging from air emissions to cyber security. Some highlights included improved NERC balloting participation by the LPPC members, and action on proposed rulemakings by FERC and the U.S. Environmental Protection Agency. In addition, LPPC invited several industry and regulatory leaders to give informational briefings to member executive representatives, and facilitated meetings between executives and FERC commissioners. The next LPPC Quarterly Meeting will be held in Napa, CA, in September.

GLOSSARY

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[1] **Net Generation** – The energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped storage facility. Preliminary data in the COO report is provided by Accounting and subject to revision.

[2] **Megawatt-hour (MWh)** – The amount of electricity needed to light ten thousand l00-watt light bulbs for one hour. A megawatt is equal to 1,000 kilowatts and can power about 800 homes, based on national averages.

[3] **Availability Factor** – The Available Hours of a generating unit over the Period Hours (hours in a reporting period when the unit was in an active state). Available Hours are the sum of Service Hours (hours of generation), Reserve Shutdown Hours (hours a unit was not running but was available) and Pump Hours (hours a pumped storage unit was pumping water instead of generating power).

[4] **Generation Market Readiness Factor** – The availability of generating facilities for bidding into the New York Independent System Operator (NYISO) market. It factors in available hours and forced outage hours that drive the results.

[5] **Significant Unplanned Generation Events** – Forced or emergency outages of individual generator units of duration greater than 72 hours, or with a total repair cost of greater than $75,000, or resulting in greater than $50,000 of lost revenues.

[6] **Transmission Reliability** – A measurement of the impact of forced and scheduled outages on the statewide system's ability to transmit power.

[7] **Capacitor bank—**A collection of individual capacitor units, which can store an electrical charge and are used to support system voltage.

[8] **Flexible Alternating Current Transmission Systems (FACTS) –**Sophisticated devices for controlling voltage and power flows on transmission lines to increase the capability of an existing transmission system. In a pioneering effort, NYPA completed installation of the $54 million convertible static compensator in 2004 at the Clark Energy Center's Marcy Substation as the most advanced of a series of FACTS technologies. The project, which also included the addition of conventional equipment at other substations, boosted the capability of the New York State system by nearly 200 megawatts without the need to build new lines. NYPA's convertible static compensator was the first transmission control device in the world to permit the instantaneous transfer of power between two lines in the same substation.

[9] **Significant Unplanned Transmission Events –**Forced or emergency outages of individual transmission lines that directly affect the reliability of the state's transmission network, or affect the availability of any component of the state's transmission network for greater than eight hours, or have a repair cost greater than $75,000.

[10] **Emergency outage –** An outage that requires immediate removal of a unit from service, under an operator's control. This outage is considered Unplanned and Unscheduled.

[11] **Forced outage**– An outage that requires immediate removal of a unit from service, automatically. This outage is considered Unplanned and Unscheduled. For Transmission Line Forced Outages, the outage is measured as hours that occur, except for those caused by severe weather events, on all NYPA-owned transmission lines where the cause is assigned to NYPA equipment or personnel.

[12] **Life Extension and Modernization Program —** A major undertaking in which all the turbines at the St. Lawrence-Franklin D. Roosevelt project are being replaced and the generators and other components significantly refurbished. The program is intended to ensure that the project operates at maximum efficiency far into the future.

[13] **State Pollution Discharge Elimination System (SPDES) Permit –** A permit required by the New York State Department of Environmental Conservation to regulate the point source discharge of pollutants contained in process water and storm water to surface water and ground water in New York State.

[14] **Outfall –** The discharge point of a waste stream into a body of water; alternatively it may be the outlet of a river, drain or sewer where it discharges into the sea, a lake or the like.

[15] **Current Transformer -** A current transformer is used to measure line current for metering and protective relaying, and is designed to step the transmission system flows down to a level that is safe to bring into a relay building where one can measure a scaled down current.

[16] **Northeast Power Coordinating Council (NPCC) –** The Northeast Power Coordinating Council, Inc. (NPCC) is the cross-border regional entity and criteria services corporation for Northeastern North America. NPCC's mission is to promote and enhance the reliable and efficient operation of the international, interconnected bulk power system in Northeastern North America pursuant to an agreement with the Electric Reliability Organization (ERO) which designates NPCC as a regional entity and delegates authority from the U.S. Federal Energy Regulatory Commission (FERC), and by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities. The ERO to which NPCC reports is the North American Electric Reliability Corporation (NERC).

[17] **North American Electric Reliability Corporation (NERC) –** The organization that develops and enforces mandatory reliability standards for the bulk power system in the United States, issues long-term and seasonal reliability forecasts and monitors the power system. (NERC standards are also mandatory and enforceable in parts of Canada.)

[18] **Federal Energy Regulatory Commission (FERC) –** An independent agency that regulates the interstate transmission of electricity, natural gas, and oil. FERC also reviews proposals to build liquefied natural gas (LNG) terminals and interstate natural gas pipelines as well as licensing hydropower projects.

[19] **Critical Infrastructure Protection (CIP) –** The Critical Infrastructure Protection (CIP) program coordinates all of the North American Electric Reliability Corporation's (NERC) efforts to improve physical and cyber security for the bulk power system of North America, as it relates to reliability. These efforts include standards development, compliance enforcement, assessments of risk and preparedness, disseminating critical information via alerts to industry, and raising awareness of key issues.

[20] **Large Public Power Council (LPPC) –** An organization comprised of 23 of the nation's largest locally owned and controlled, not-for-profit power systems. LPPC works to develop and advance consumer-oriented positions on national energy issues.

[21] **New York Independent System Operator –** A not-for-profit organization that operates New York State's transmission system, administers the state's wholesale electricity markets and engages in planning to ensure the future reliability of the statewide power system.

New York Power Authority

Report of the Chief Financial Officer

For the Five Months Ended May 31, 2011

Report of the Chief Financial Officer
For the Five Months Ended May 31, 2011
Executive Summary

Results of Operations

Net income for the five months ended May 31, 2011 was $86.8 million which was $7.1 million higher than budgeted as a result of higher non-operating income ($12.7 million) partially offset by lower net margins on sales ($4.7 million). Non-operating income reflected the positive effect of lower interest costs and a mark-to-market gain on the Authority's investment portfolio resulting from a decrease in market interest rates. Net margins on sales were lower at Niagara ($12.2 million) due to higher purchased power costs and at Blenheim-Gilboa ($3.1 million) due to lower prices on capacity sales into the market. Higher than anticipated purchased power costs were incurred at Niagara to support customer loads due to an extended transmission line outage early in the year. These negative variances were partially offset by a higher net margin on sales at St. Lawrence ($13.6 million) due to higher generation and higher prices on market-based sales.

Net income through May 2011 ($86.8 million) was $47.4 million higher than the comparable period in 2010 ($39.4 million). The positive impact of lower voluntary contributions to New York State during the period ($82 million) was partially offset by lower net margins on sales ($21.3 million), lower investment income ($3.7 million) and higher other operating expenses ($5.2 million). Year-to-date voluntary contributions were $25 million in 2011 compared to $107 million through May 2010. Net margins on sales were lower primarily due to higher purchased power costs at Niagara incurred in early 2011 to support customer loads due to an extended transmission line outage. In addition, capacity sales were lower at Blenheim-Gilboa and the Small Clean Power Plants in 2011 due to lower prices.

Year-end Projection

The recent trend of increased precipitation over the Great Lakes continues to benefit generation at the Niagara and St. Lawrence plants. May was the fourth consecutive month with precipitation well above average. Precipitation levels for March 2011 through May 2011 were approximately 142% of average, as compared to the last quarter of 2010 recorded at 67% of average. As a result, year-end net income is currently projected at $197 million, which is $17 million above the 2011 budget, and $24 million above last month’s year-end forecast.

The current annual hydro generation forecast of 20.6 TWh is 1.5 TWh above budget, with the net change in generation resulting in a positive variance of $39 million. Lower capacity prices, most notably for rest-of-state capacity, result in a $20 million dollar negative impact on projected year-end net income, principally at the Blenheim-Gilboa and Niagara plants. The lower capacity prices are partially mitigated by higher energy prices that have a $10 million positive impact on net income, most of this at Niagara and the SCPPs.

The recently approved Recharge NY Power Program legislation includes authorization for voluntary contributions associated with GRT credits for the Power for Jobs Program for the years 2010 ($7.5 million) and 2011 ($6.0 million). The combined amount ($13.5 million), which will be recognized in 2011 business, exceeds the budgeted amount by $8.5 million. These contributions are subject to Board authorization as deemed feasible and advisable before payment.

Cash & Liquidity

The Authority ended the month of May with total operating funds of $1,105 million as compared to $1,069 million at the end of 2010. The increase of $36 million was primarily attributable to net cash by operations and the Value Sharing payment received from Entergy in January partially offset by a voluntary contribution to New York State and scheduled debt service payments. Looking forward, we are anticipating the operating fund balance to increase to $1,198 million at the end of the year.

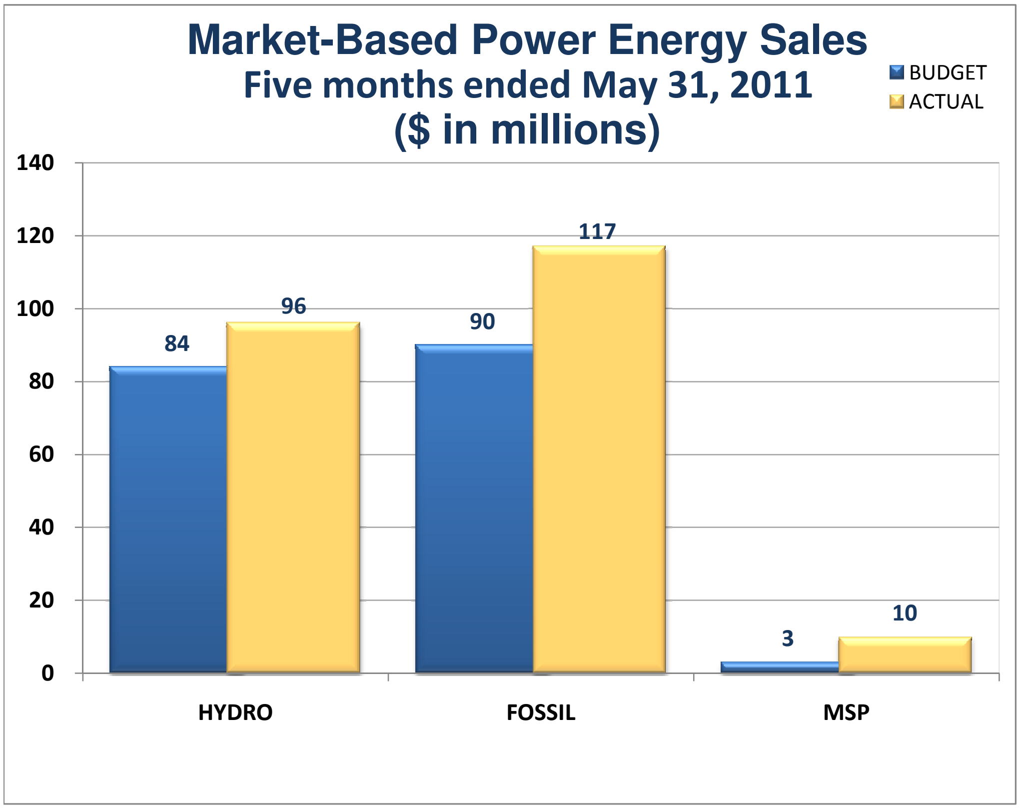
Energy Risk

At May 31, 2011, the fair market value of outstanding energy derivatives was an unrealized loss of $180 million for contracts extending through 2017. Year to date, energy derivative settlements resulted in a realized net loss of $28 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are recovered through customer rates.

Net Income
Five Months ended May 31, 2011
($ in millions)

	Actual	Budget	Variance
Niagara	$34.9	$45.1	($10.2)
St. Lawrence	19.3	5.6	13.7
Blenheim-Gilboa	(7.2)	(4.2)	(3.0)
SENY	11.7	11.8	(0.1)
SCPP	0.2	0.8	(0.6)
Market Supply Power	(17.8)	(14.2)	(3.6)
Flynn	5.5	3.3	2.2
Transmission	16.8	16.9	(0.1)
Non-facility*	23.4	14.6	8.8
Total	**$86.8**	**$79.7**	**$7.1**

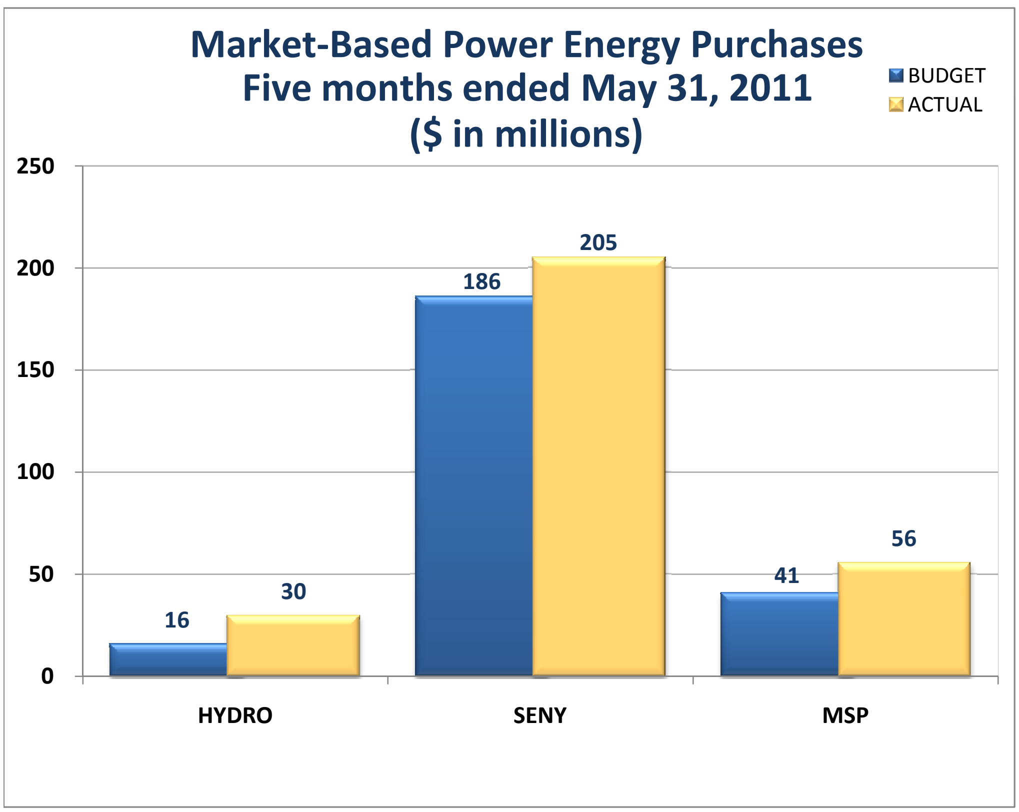
Major Factors	**Better (Worse)**
Niagara Lower net margin on sales due primarily to higher purchased power costs to support customer loads. Purchased power costs were higher due to an extended outage at an upstate transmission line.	($10.2)
St. Lawrence Higher net margin ($13.6) resulting from 10% higher generation and higher prices on market sales ($39/mwh vs $36/mwh).	13.7
Blenheim-Gilboa Lower prices on capacity sales into the market.	(3.0)
Market Supply Power Higher purchased power costs (due to higher prices), combined with accrual of higher voluntary contribution (extension of Power for Jobs program).	(3.6)
Other facilities	1.4
Non-facility (including investment income) Primarily mark-to-market gain on the Authority's investment portfolio due to an decrease in market interest rates during the period.	8.8
Total	**$7.1**



REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	1,883,667	2,241,998
Fossil	1,392,666	1,623,670
MSP	92,055	222,727
TOTAL	3,368,388	4,088,395
PRICES ($/MWH)		
Hydro*	$44.52	$42.90
Fossil	$64.94	$72.07
MSP	$34.53	$44.52
AVERAGE	$52.69	$54.57

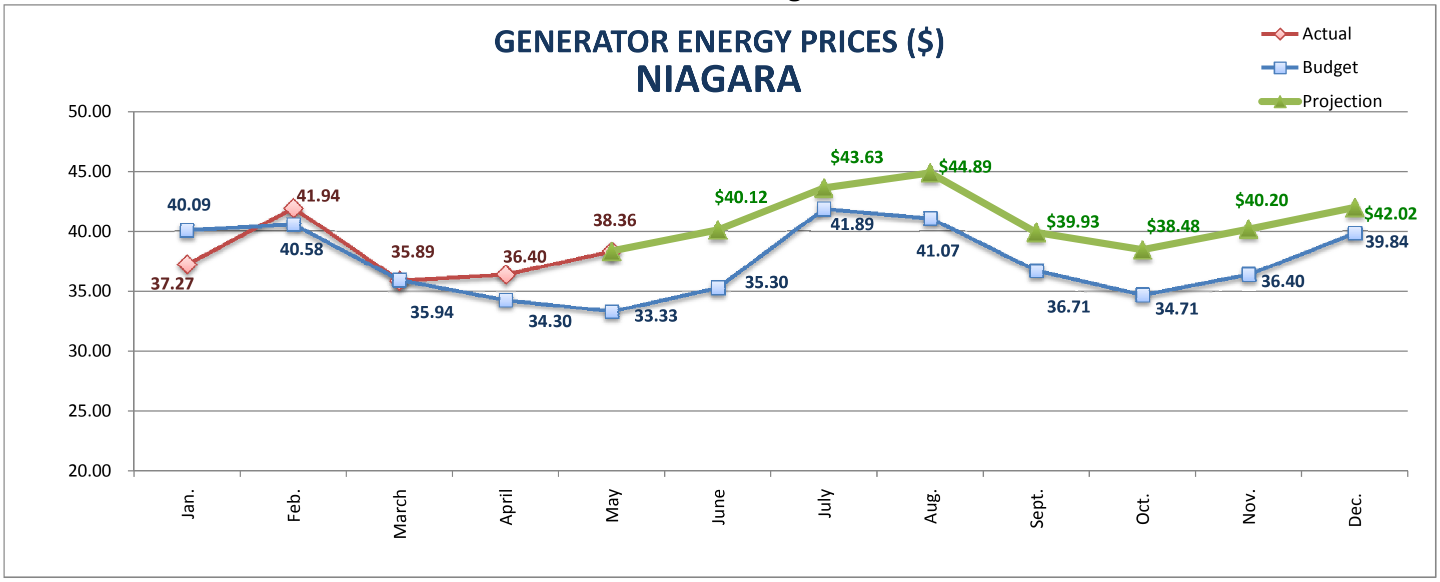
** Includes Niagara, St. Lawrence, B-G, and Small Hydro.*

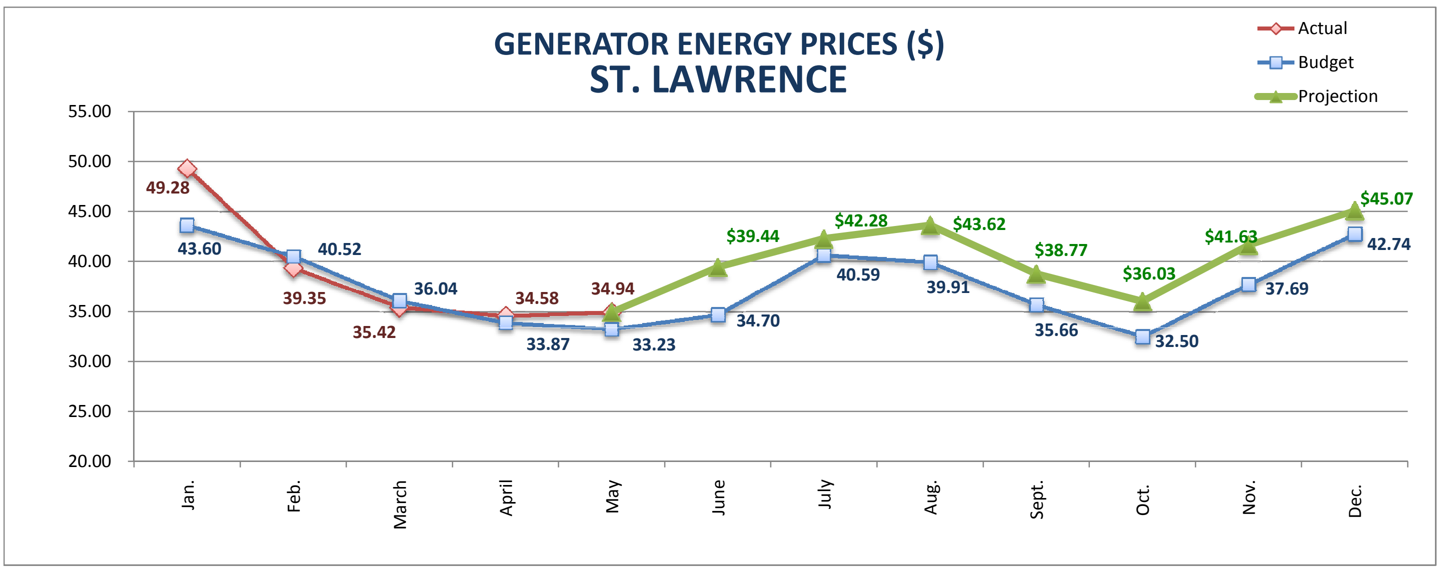
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,050,572	1,256,794
St. Law.	512,754	799,337
PRICES ($/MWH)		
Niagara	$37.65	$38.40
St. Law.	$36.13	$39.14

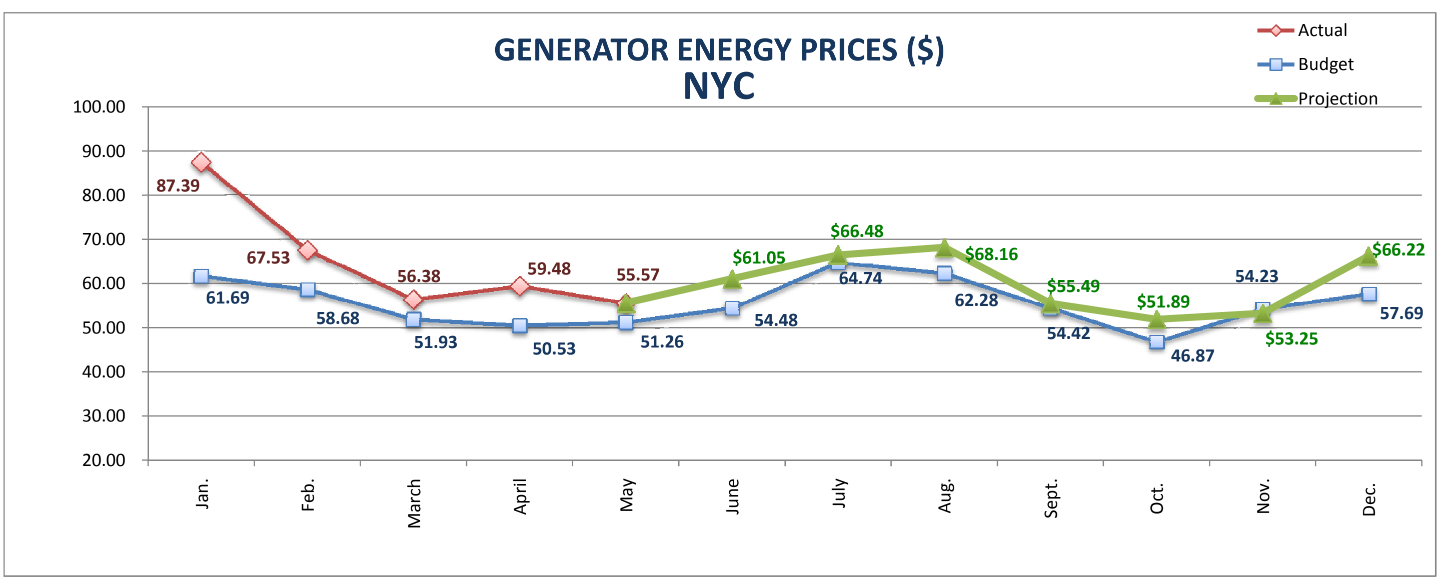


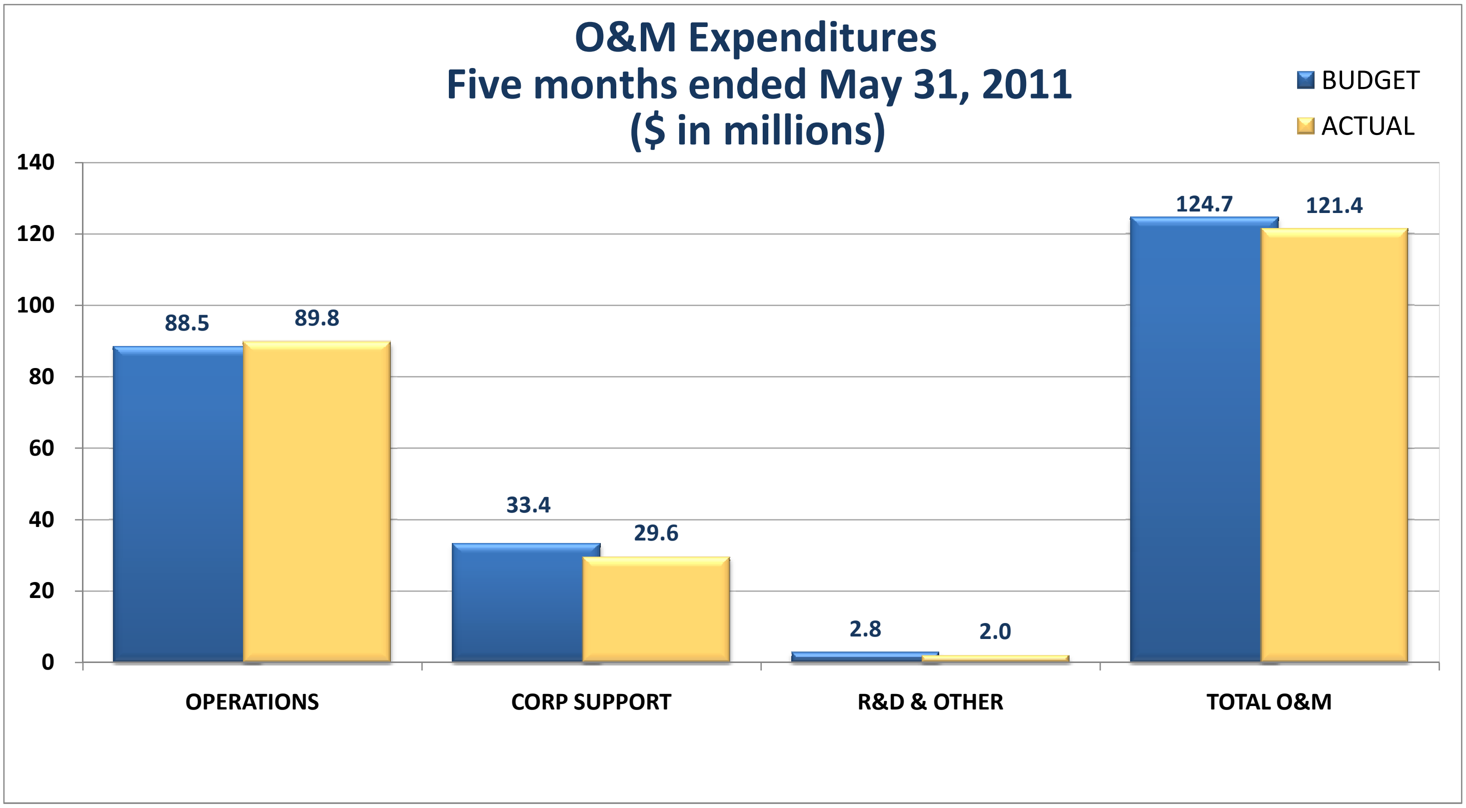
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	683,385	814,177
SENY	3,586,577	3,820,263
MSP	1,138,719	1,260,729
TOTAL	5,408,681	5,895,169
COSTS ($/MWH)		
Hydro	$23.66	$37.33
SENY	$51.59	$53.77
MSP	$36.41	$44.06
AVERAGE	$44.86	$49.42

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget





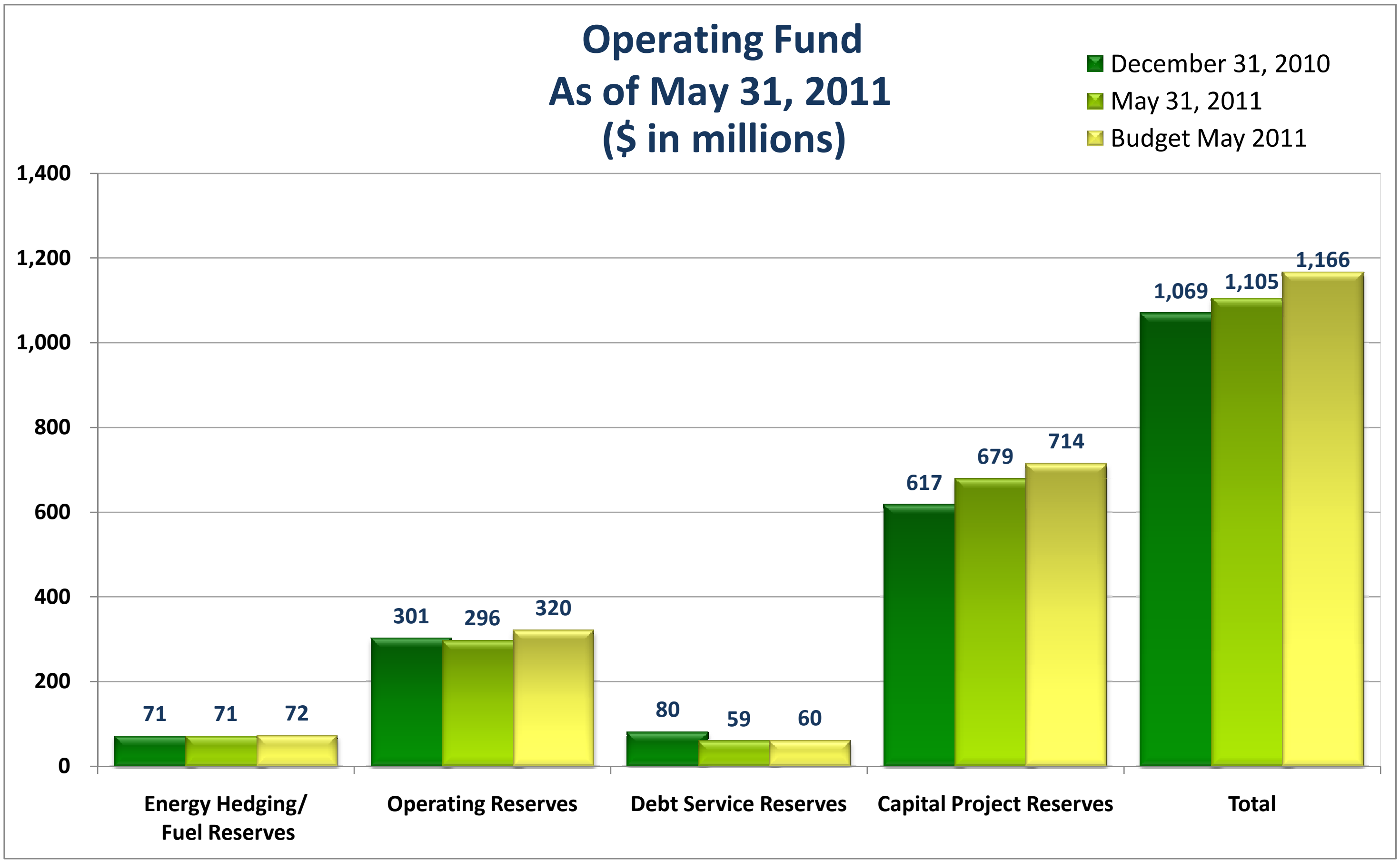




• Through May, O&M expenses were $3.3 lower than the budget.

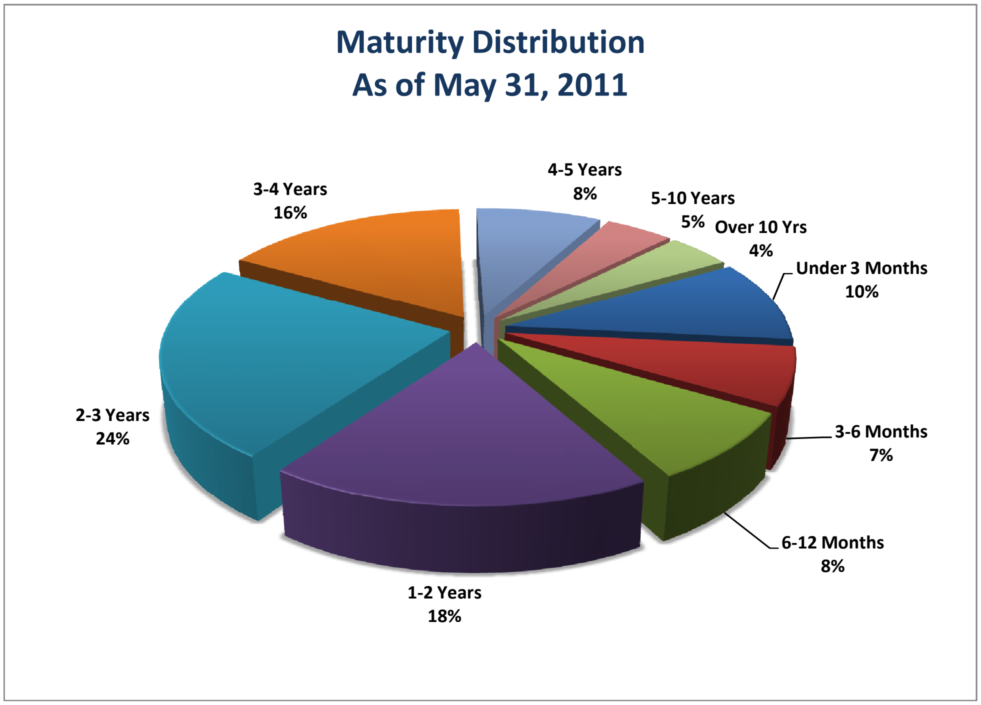
• HQ Corporate Support was under budget by $3.8 due to lower than expected expenses for outside legal counsel, WPO building operations, computer software, hardware and services, and books and publications

• Operations expenditures were $1.3 higher than budgeted primarily due to emergent work at the Small Clean Power Plants (Pouch terminal, Harlem River and Kent) and an overrun in Operations Shared Services due to less than anticipated labor charged to capital projects.

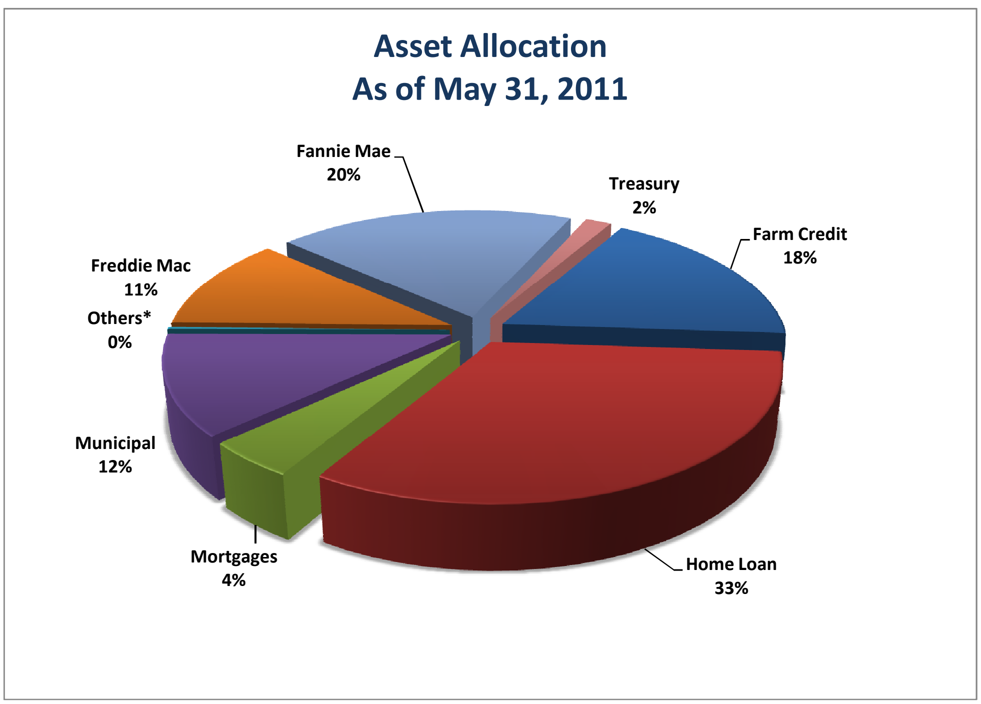


The increase of $36 in the Operating Fund (from $1,069 to $1,105) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of $72 received from Entergy, substantially offset by voluntary contributions to New York State ($25) and repayments on commercial paper ($50) and ART Notes ($8). The variance from budget is primarily attributable to the receipt of a customer payment ($19) on June 1st (which was due on May 27th) and the timing of cash payments related to prior year accruals.

CASH AND LIQUIDITY INVESTMENT PORTFOLIO

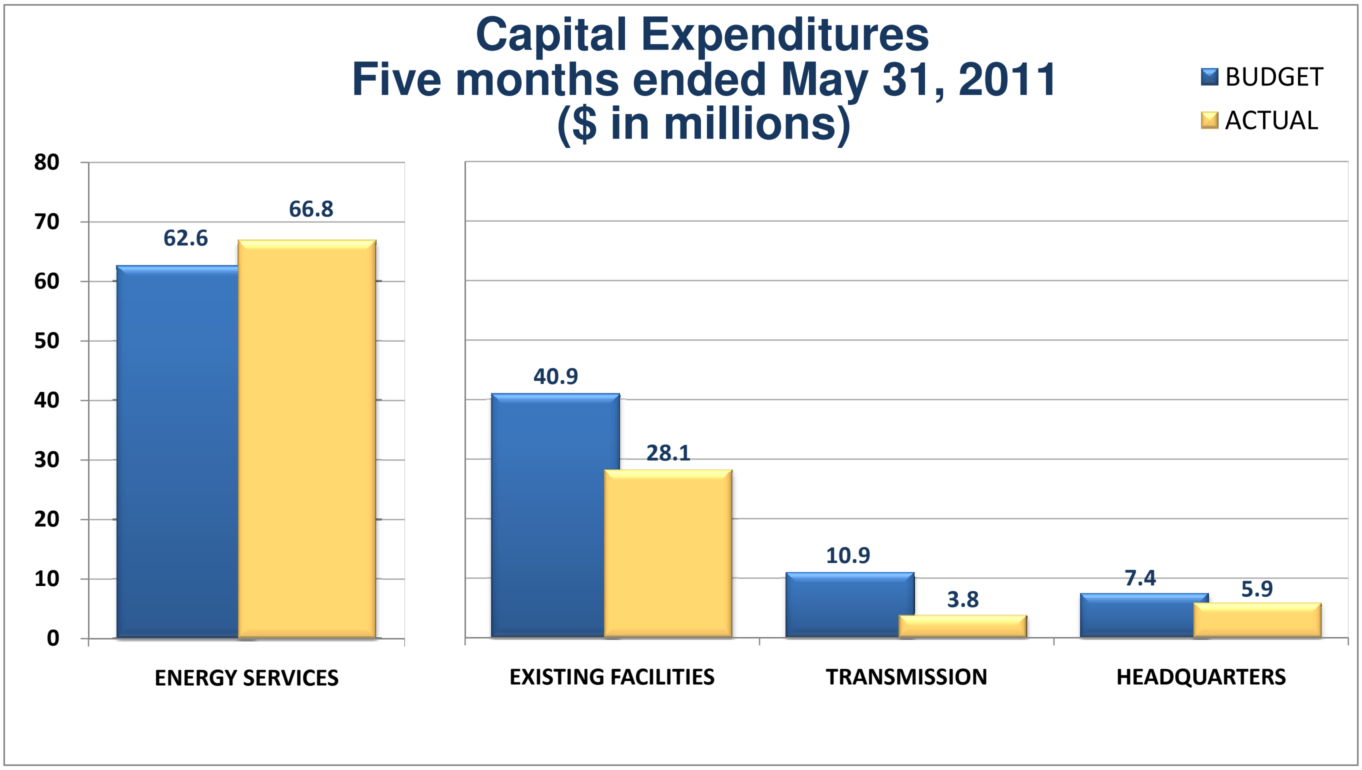


MATURITY DISTRIBUTION ($ in millions)	
Under 3 Months	$117.0
3-6 Months	81.8
6-12 Months	97.5
1-2 Years	213.8
2-3 Years	275.6
3-4 Years	192.1
4-5 Years	98.5
5-10 Years	53.4
Over 10 Yrs	50.1
Total	**$1,179.8**

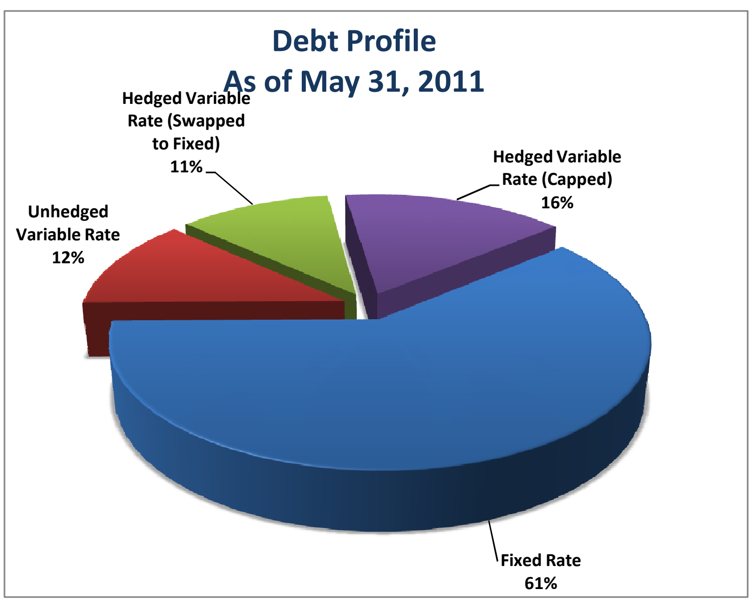


ASSET ALLOCATION ($ in millions)	
Farm Credit	$209.8
Home Loan	384.0
Mortgages	51.9
Municipal	142.3
Others*	2.8
Freddie Mac	133.6
Fannie Mae	235.4
Treasury	20.0
Total	**$1,179.8**

*Includes CDs and Repos



- Energy Services expenditures were over budget primarily due to accelerated construction activity in the Governmental Services Program (primarily Queens Supreme Court-Chiller).
- Existing facilities expenditures were under budget by $12.8 primarily due to the delays in permitting for projects related to the Niagara and St. Lawrence Relicensing Implementation and Compliance.
- Transmission expenditures were less than anticipated due to timing for several projects, primarily the ISO Metering Upgrade.
- Headquarters expenditures were less than budgeted due to timing for several IT projects.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $12.6 for 2011. In May, the President authorized $1.5 for the Lewiston Pump Generating Plant 100 Ton Crane Upgrade.



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,134.4
Unhedged Variable Rate	223.0
Hedged Variable Rate (Swapped to Fixed)	204.8
Hedged Variable Rate (Capped) **(1)**	300.0
Total	**$1,862.2**

(1) ***In*** *January 2011 the Authority purchased a SIFMA based interest rate cap on a $300 notional amount of Commercial Paper Series 1 Notes.*

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of $28.2 million by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. Gains and losses on these positions are substantially passed through to customers as resulting hedge settlements are incorporated into and recovered through customer rates.

Year-to-Date 2011 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions

($ in Millions)

	Settlements	Fair Market Value			
	YTD[1]	2011	2012	>=2013	Total
NYPA	$ 0.01	$ 1.61	$ -	$ -	$ 1.61
Customer Contracts	$ (28.17)	$ (40.16)	$ (72.07)	$ (69.33)	$ (181.56)
Total	**$ (28.16)**	**$ (38.55)**	**$ (72.07)**	**$ (69.33)**	**$ (179.95)**

[1]*Reflects May 2011 preliminary settlements.*

At the end of May, the fair market value of outstanding positions was valued at an unrealized loss of $180 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of July to December 2011 futures contracts and how they have traded since the beginning of 2010, while Exhibit 2 illustrates the average price of futures contracts for entire year 2012.

Exhibit 1: Average May to December 2011 Forward Price

Exhibit 2: Average January to December 2012 Forward Price

STATEMENT OF NET INCOME
For the Five Months Ended May 31, 2011
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,070.5	Customer	**750.2**	**782.4**	**(32.2)**
463.4	Market-based power sales	188.4	139.9	48.5
30.6	Ancillary services	12.8	12.1	0.7
114.9	NTAC and other	47.9	49.1	(1.2)
608.9	Total	**249.1**	**201.1**	**48.0**
2,679.4	**Total Operating Revenues**	**999.3**	**983.5**	**15.8**
	Operating Expenses			
804.7	Purchased power	367.7	326.6	(41.1)
295.6	Fuel consumed - oil & gas	98.5	97.2	(1.3)
108.2	Ancillary services	22.9	43.3	20.4
543.4	Wheeling	176.7	178.3	1.6
327.1	Operations and maintenance	121.4	124.7	3.3
194.9	Depreciation and amortization	66.9	67.6	0.7
135.5	Other expenses	61.3	57.7	(3.6)
(10.9)	Allocation to capital	(2.4)	(3.8)	(1.4)
2,398.5	**Total Operating Expenses**	**913.0**	**891.6**	**21.4**
280.90	**Net Operating Income**	**86.3**	**91.9**	**(5.6)**
	Nonoperating Revenues			
88.0	Post nuclear sale income	42.7	42.7	-
39.9	Investment income	16.4	16.0	0.4
(7.0)	Mark to market - investments	5.9	(1.8)	7.7
120.9	**Total Nonoperating Revenues**	**65.0**	**56.9**	**8.1**
	Nonoperating Expenses			
65.0	Contributions to New York State	25.0	25.0	-
157.5	Interest and other expenses	39.5	44.1	4.6
222.5	**Total Nonoperating Expenses**	**64.5**	**69.1**	**4.6**
(101.6)	**Net Nonoperating Income (Loss)**	**0.5**	**(12.2)**	**12.7**
$179.3	**Net Income**	**86.8**	**79.7**	**7.1**

COMPARATIVE BALANCE SHEETS
May 31, 2011
($ in millions)

Assets		May 2011	May 2010	December 2010
Current Assets				
	Cash	0.1	0.1	0.1
	Investments in government securities	1,132.9	919.8	1,091.1
	Interest receivable on investments	5.6	5.3	5.5
	Accounts receivable - customers	251.3	214.0	204.0
	Materials and supplies, at average cost:			
	Plant and general	76.9	85.0	75.1
	Fuel	14.9	17.6	15.3
	Prepayments and other	150.9	138.6	190.5
	Total Current Assets	**1,632.6**	**1,380.4**	**1,581.6**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,081.8	959.4	1,032.4
	Other	82.5	93.3	83.3
	Total Restricted Funds	**1,164.3**	**1,052.7**	**1,115.7**
Capital Funds	Investment in securities and cash	115.5	180.2	144.8
	Total Capital Funds	**115.5**	**180.2**	**144.8**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,316.4	3,290.6	3,344.1
	Construction work in progress	121.9	174.8	123.3
	Net Utility Plant	**3,438.3**	**3,465.4**	**3,467.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	577.7	655.7	604.6
	Notes receivable - nuclear plant sale	127.8	141.2	157.1
	Total other noncurrent assets	**1,023.5**	**1,114.9**	**1,079.7**
	Total Noncurrent Assets	**5,741.6**	**5,813.2**	**5,807.6**
	Total Assets	**7,374.2**	**7,193.6**	**7,389.2**

Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	842.6	826.3	880.4
	Short-term debt	316.1	294.7	323.2
	Total Current Liabilities	**1,158.7**	**1,121.0**	**1,203.6**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,150.1	1,191.8	1,151.2
	Adjustable rate tender notes	122.9	130.5	130.5
	Commercial paper	288.7	341.8	336.5
	Total Long-term Debt	**1,561.7**	**1,664.1**	**1,618.2**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,081.9	959.4	1,032.4
	Disposal of spent nuclear fuel	216.2	215.9	216.1
	Deferred revenues and other	267.8	373.4	316.5
	Total Other Noncurrent Liabilities	**1,565.9**	**1,548.7**	**1,565.0**
	Total Noncurrent Liabilities	**3,127.6**	**3,212.8**	**3,183.2**
	Total Liabilities	**4,286.3**	**4,333.8**	**4,386.8**
Net Assets	Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
	Net Income	86.8	39.4	182.0
	Total Net Assets	**3,087.9**	**2,859.8**	**3,002.4**
	Total Liabilities and Net Assets	**7,374.2**	**7,193.6**	**7,389.2**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Five Months Ended May 31, 2011
($ in millions)

Operating Fund	
Opening	1,069.2
Closing	1,104.7
Increase/(Decrease)	**35.5**
Cash Generated	
Net Operating Income	86.3
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	66.9
Net Change in Receivables, Payables & Inventory	(87.4)
Other	(2.4)
Net Cash Generated from Operations	**63.4**
(Uses)/Sources	
Utility Plant Additions	(26.5)
Debt Service	
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(4.7)
ART Notes	(7.6)
Investment Income	10.2
Entergy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(25.0)
Other	(1.5)
Total (Uses)/Sources	**(27.9)**
Net Increase in Operating Fund	**35.5**

New York Power Authority
Expansion Power
Recommendation for Allocation

Exhibit "4-A"
June 28, 2011

	Company Name	Program	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
1	Bufffalo Shredding and Recovery LLC	EP	Hamburg	Erie	4,600	22	$12,500,000	$43,000	**1,200**	5 Years
	Total EP Recommended					**22**	**$12,500,000**		**1,200**	

June 28, 2011
Exhibit "4-A-1"

APPLICATION SUMMARY
Expansion Power

Company: Buffalo Shredding and Recovery LLC

Location: Hamburg

County: Erie

IOU: National Grid

Business Activity: Metals Recycling

Project Description: The project consists of refurbishing a vacant steel mill and purchasing and installing a large shredder system and metals processing and separation equipment. The primary use of the power is for operating a 4,000- horsepower shredder motor. The project includes a processing and separation system, and renovation of the facility with lighting, pumps and motors and air handling equipment. The projected capital investment is $12.5 million.

Existing Allocation(s): None

Power Request: 4,600 kW

Power Recommended: 1,200 kW

Job Commitment:
- **Existing:** 0 jobs
- **New:** 22 jobs

New Jobs/Power Ratio: 18.3 jobs/MW

New Jobs - Avg. Wage and Benefits: $43,000

Capital Investment: $12.5 million

Capital Investment/MW: $10.4 million/MW

Other ED Incentives: Working with Hamburg IDA for tax incentives

Summary: Buffalo Shredding and Recovery is a newly formed subsidiary of Metalico, Inc., a privately held corporation with multiple New York State and out-of-state recycling facilities. The company has over 200 NYS employees located at its Rochester, Syracuse, and Buffalo facilities. This project, to be undertaken in the shutdown Arcelor-Mittal steel mill, would enable the company to create 22 jobs, including 18 within the first year of operations. The 22 jobs would effectively be "in-sourced" from its Pittsburgh, PA, operations, where the company currently ships much of its raw feedstock for processing. The project would positively impact the Southern Buffalo Railroad, creating $1.5 million in rail freight business that has declined since the closure of the steel mill. An allocation of hydropower would be an incentive for Buffalo Shredding and Recovery to move forward, improving its operational cost structure and efficiencies. The project's $12.5 million investment, 22 new jobs, and indirect economic effects will have a positive impact on the Buffalo area.

NYPA's Governmental Customer Production Rate and Delivery Rate Structure Redesign – Notice of Adoption

Exhibit A

Revised Service Tariff No. 100 and Service Tariff No. 200

POWER AUTHORITY OF THE STATE OF NEW YORK

30 SOUTH PEARL STREET

ALBANY, NY 12207

Electric Service Tariff for New York City Governmental Customers

Service Tariff No. 100

TABLE OF CONTENTS

General Information **Leaf No.**

(Table of Contents – Continued on Leaf No. 3)

TABLE OF CONTENTS (continued)

General Information - Continued **Leaf No.**

(Table of Contents – Continued on Leaf No. 4)

TABLE OF CONTENTS (continued)

General Information - Continued **Leaf No.**

Electric Service Tariff for New York City

Governmental Customers

I. Applicability

To sale of firm power and energy by Authority to public Customers (and associated Accounts) located within the City of New York in accordance with the third unnumbered paragraph of Section 1005 of the Power Authority Act (Public Authorities Law § 1005) who receive Delivery Service through the Utility in whose franchise area such Customers' facilities are located.

II. Frequently used Abbreviations and Terms

Abbreviations:

- kW kilowatt(s)
- kWh kilowatt-hour(s)
- kVa kilovolt-amperes
- kVar kilovolt-amperes reactive
- NYPA New York Power Authority
- NYISO New York Independent System Operator
- mo. Month
- TOD Time-of-Day
- GRT Gross Receipts Tax

Account(s): A metered or billed location based on Customer billing characteristics.

Authority: New York Power Authority, an alternative name for the Power Authority of the State of New York.

Customer: A governmental customer in the metropolitan area of the City of New York served under this Service Tariff by the Authority in accordance with the third unnumbered paragraph of Section 1005 of the Power Authority Act. For the purposes of this Service Tariff, the term Customer does not include a governmental customer in the County of Westchester but includes facilities in Westchester belonging to Customer.

Customer Supply Contract: An agreement between Authority and Customer containing the terms and conditions under which Authority provides Customer with a supply of electricity. The term Customer Supply Contract includes the original Application for Electric Service between the Authority and Customer and the agreement entered into in 2005 between Authority and Customer containing supplemental terms and conditions (“2005 Long Term Agreement”).

Delivery Service: The service that Authority procures from Utility on behalf of Authority's governmental customers.

<u>High Tension</u>: High Tension Alternating Current – 60 cycles (Frequency and voltages shown are approximate):

- Three phase at 2,400/4,150 volts
- Three phase at 3,000/7,800 volts
- Three phase at 6,900 volts
- Three phase at 13,200 volts
- Three phase at 26,400 volts
- Three phase at 33,000 volts
- Single phase and three phase at 2,400 volts
- Three phase at 69,000 volts
- Three phase at 138,000 volts

<u>Low Tension:</u> Low Tension Alternating Current – 60 cycles (Frequencies and voltages shown are approximate):

- Three phase at 120/208 volts
- Single phase at 120/240 volts
- Three phase at 265/460 volts
- Three phase at 240 volts
- Two phase at 120/240 or 230 or 240 volts

<u>Production:</u> Authority supply of power and energy, excluding Delivery Service and Third-Party Supplier power and energy.

<u>Rules:</u> Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York, 21 NYCRR § 454) as now in effect and as may be later amended from time to time by Authority.

<u>Service Tariff:</u> This Service Tariff No. 100

<u>Third-Party Supplier:</u> A supplier of power and energy other than Authority.

<u>Utility:</u> Consolidated Edison Company of New York, Inc. which provides Delivery Service to any Customer purchasing firm power and energy under this Service Tariff.

III. Calculation of the Bill

A. Components of the Bill

The bill may be composed of the following components, as applicable:

Types of Chargers	Bill Components	Charge Units	Billing Determinants
Production	Demand	$/kW-month	kW
	Base Energy	¢/kWh	kWh
	Energy Charge Adjustment	¢/kWh	kWh
Delivery Service	Customer or Delivery Point	$ per month	# of Accounts
	Demand	$/kW-month	kW
	Energy	¢/kWh	kWh
	Other	various	various
	Taxes	% or percent	on pre-tax bill
Other	Surcharges or Credits	various	n/a
	Adjustments/Reconciliations	various	n/a

B. Bill Computation

For each Customer Account, the bill shall be equal to the sum of the product of the unit charge for each applicable Bill Component and its respective Billing Determinant. The total Customer bill shall be the aggregate of all Customer Accounts and shall have both Production and Delivery Service charges. If a Minimum Bill applies (see Section VI, Special Provision Applicable to Production B and Section VII Special Provision Applicable to Delivery Service E) the Customer bill shall be computed accordingly.

C. Defined Billing Terms of Production and Delivery

The following type of rates and conditions are applicable to Production and Delivery Service.

1. Conventional Monthly Rates shall apply to all Accounts except those billed under Time-of-Day ("TOD") Rates.
2. TOD Rates shall apply to:
   - Any Account whose maximum demand exceeds 1,500 kW in any annual period ending September 30;
   - Any new Account whose monthly maximum demand in the Authority's estimate will exceed 1,500 kW during the first year of service; and
   - Successors of Accounts referred to above if eligible for Authority service.

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3. Any Account billed under TOD Rates shall be transferred to and billed under Conventional Rates when the Account's monthly maximum demand does not exceed 900 kW for 12 consecutive months, provided however, that TOD Rates shall apply to any Account with multiple meters whose demand meter registrations, when added together for billing purposes, would qualify for these TOD Rates under any of the criteria listed in this Section and at least one of the Customer's meters registers 500 kW or more in any month in any annual period ending September 30.

4. For Accounts transferring from Conventional Rates to TOD Rates, the first bill under TOD Rates shall be rendered when an Account's entire usage for the billing period is subsequent to December 31 of the annual period ending September 30 in which the Account becomes subject to TOD Rates.

IV. Rates and Charges

Service Classification No. 62

General Small

Applicability:

- To use of service for light, heat and power used for general uses where the Account's requirements do not exceed 10 kW.

CONVENTIONAL

		PRODUCTION	DELIVERY
Energy (¢/kWh)	Summer	8.717	16.750
	Winter	7.641	16.750

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 62 – Continued on Leaf No. 10)

Service Classification No. 62 (Continued)

General Small

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A. These ECA charges are reported in the "Statement of ECA Factor" which is attached to this Service Tariff.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:
    1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
    2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
    3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
    4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
    5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
- The current Special Provisions (2.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Service Classification No. 64

Commercial & Industrial Redistribution

(Discontinued)

Notes:

- Service Classification No. 64 is discontinued. Customer Accounts previously served under Service Classification No. 64 are subject to Rates and Charges published under Service Classification No. 69.

Service Classification No. 65

Electric Traction Systems and Platform Lighting

Applicability:

- To use of service for light, heat and power for electric traction purposes and miscellaneous uses in connection with the operation of a railroad or rapid transit system, where the Account's requirements are in excess of 10 kW.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		5.13	20.85	18.78
Energy (¢/kWh)	Summer	7.765		
	Winter	6.708		
Reactive Power ($/kVar)	Billable reactive power demand		1.10	
	Induction-generation exception		0.43	

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 65 – Continued on Leaf No. 13)

Service Classification No. 65 (continued)

Electric Traction Systems and Platform Lighting

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

    1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
    2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
    3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
    4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
    5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
    6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.

- The current Special Provisions (4.A and 4.B) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

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Service Classification No. 66

New York City Public Street Lighting

(Except for service provided under Service Classification No. 80)

Applicability:

- To use of service for lighting of public streets, thoroughfares, parks and parkways; operation of traffic control signals, fire alarm signals, warning and directional signs, with the exception of the service provided under Service Classification No. 80.

CONVENTIONAL

		PRODUCTION	DELIVERY
Energy (¢/kWh)	Summer	6.440	15.570
	Winter	6.440	15.570

FACILITIES CHARGE

For each point of service termination, where the Utility's electrical system is connected to the City's lighting unit or to a lighting circuit owned by the City	($ per month)	9.35

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 66 – Continued on Leaf No. 15)

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30 South Pearl Street, Albany, NY 12207

Service Classification No. 66 (continued)

New York City Public Street Lighting

(Except for service provided under Service Classification No. 80)

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.

- The current Special Provisions (6.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Service Classification No. 68

Multiple Dwellings - Redistribution

Applicability:

- To use of service for light, heat and power for multiple dwellings where the Account's requirements are in excess of 10 kW.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		8.68	23.76	21.42
Energy (¢/kWh)	Summer	7.744		
	Winter	6.668		
Reactive Power ($/kVar)	Billable reactive power demand		1.10	
	Induction-generation exception		0.43	

TOD

		PRODUCTION		DELIVERY	
				Low Tension	High Tension
Demand ($/kW)	Summer	9.77		49.72	22.72
	Winter	9.77		13.20	9.70
		On Peak	Off Peak		
Energy (¢/kWh)	Summer	8.960	6.692		
	Winter	7.517	6.229		
Reactive Power ($/kVar)	Billable reactive power demand			1.10	
	Induction-generation exception			0.43	

Time Period Conventional:

- All hours, all days

Time Period TOD:

- Demand Charge:

  On-Peak: 8:00 a.m. to 6:00 p.m. weekdays (including holidays)
  Off-Peak: All other times

- Energy Charge:

  On-Peak: 8:00 a.m. to 10 p.m. weekdays (including holidays)
  Off-Peak: All other times

(SC 68 – Continued on Leaf No. 17)

Service Classification No. 68 (continued)

Multiple Dwellings - Redistribution

Season:

- Summer – June through September
- Winter – October through May

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
  6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.

- The current Special Provisions (8.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Standby Service:

- If Rider A applies under this Service Classification, the Rates and Charges under Rider A will replace the above production rates.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Service Classification No. 69

General Large

Applicability:

- To use of service for light, heat and power for general uses where the Account's requirements are in excess of 10 kW.

CONVENTIONAL

		PRODUCTION		DELIVERY	
				Low Tension	High Tension
Demand ($/kW)		7.43		23.99	21.66
Energy (¢/kWh)	Summer	7.806			
	Winter	6.732			
Reactive Power ($/kVar)		Billable reactive power demand		1.10	
		Induction-generation exception		0.43	

TOD

		PRODUCTION		DELIVERY	
				Low Tension	High Tension
Demand ($/kW)	Summer	9.10		50.14	31.29
	Winter	9.10		13.18	8.90
		On Peak	Off Peak		
Energy (¢/kWh)	Summer	8.787	6.568		
	Winter	7.375	6.115		
Reactive Power ($/kVar)		Billable reactive power demand		1.10	
		Induction-generation exception		0.43	

TOD – John F. Kennedy Airport Only

		PRODUCTION		DELIVERY	
				Low Tension	High Tension
Demand ($/kW)	Summer	9.10		41.06	22.72
	Winter	9.10		15.50	9.70
		On Peak	Off Peak		
Energy (¢/kWh)	Summer	6.730	4.511		
	Winter	5.318	4.058		
Reactive Power ($/kVar)		Billable reactive power demand		1.10	
		Induction-generation exception		0.43	

(SC 69 – Continued on Leaf No. 19)

Service Classification No. 69 (continued)

General Large

Time Period Conventional:

- All hours, all days

Time Period TOD:

- <u>Demand Charge:</u>

  On-Peak: 8:00 a.m. to 6:00 p.m. weekdays (including holidays)
  Off-Peak: All other times

- <u>Energy Charge:</u>

  On-Peak: 8:00 a.m. to 10 p.m. weekdays (including holidays)
  Off-Peak: All other times

Season:

- Summer – June through September
- Winter – October through May

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
  6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.

- The current Special Provisions (9.A and 9.B) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

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Service Classification No. 69 (continued)

General Large

Standby Service:

- If Rider A applies under this Service Classification, the Rates and Charges under Rider A will replace the above production rates.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

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Service Classification No. 80

New York City Public Street Lighting

Applicability:

- To use of service for lighting of public streets, thoroughfares, parks and parkways; operation of traffic control signals, fire alarm signals, warning and directional signs for all service supplied to the City of New York for public purposes.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		1.04	23.36	18.78
Energy (¢/kWh)	Summer	6.072		
	Winter	6.072		

FACILITIES CHARGE

For each point of service termination, where the Utility's electrical system is connected to the City's lighting unit or to a lighting circuit owned by the City	($ per month)	9.35

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 80 – Continued on Leaf No. 22)

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Service Classification No. 80 (continued)

New York City Public Street Lighting

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.

- The current Special Provisions (6.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

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30 South Pearl Street, Albany, NY 12207

Service Classification No. 82

Multiple Dwellings Space Heating

Applicability:

- To use of service for light, heat and power used in a multiple dwelling in which the entire space heating requirements of the residential tenants are supplied by the use of electricity as determined by the Utility providing Delivery Service.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		6.84	20.52	18.78
Energy (¢/kWh)	Summer	7.517		
	Winter	6.441		
Reactive Power ($/kVar)	Billable reactive power demand		1.10	
	Induction-generation exception		0.43	

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 82 – Continued on Leaf No. 24)

Service Classification No. 82 (continued)

Multiple Dwellings Space Heating

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:
  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
  6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.
- The current Special Provisions (12.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Service Classification No. 85

Transit Substation

Applicability:

- To use of service for light, heat and power for general uses at MTA-New York City Transit Accounts where Account's requirements are in excess of 10 kW.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		7.39	16.26	14.49
Energy (¢/kWh)	Summer	8.050		
	Winter	7.006		
Reactive Power ($/kVar)	Billable reactive power demand		1.10	
	Induction-generation exception		0.43	

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 85 – Continued on Leaf No. 26)

Service Classification No. 85 (continued)

Transit Substation

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
  6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.

- The current Special Provisions (15.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Service Classification No. 91

New York City Public Buildings

Applicability:

- To use of service for light, heat and power for the City of New York's public buildings, offices and structures, or parts thereof, used by the City of New York for public purposes.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		6.86	22.27	20.81
Energy (¢/kWh)	Summer	8.220		
	Winter	7.145		
Reactive Power ($/kVar)		Billable reactive power demand	1.10	
		Induction-generation exception	0.43	

TOD

		PRODUCTION		DELIVERY	
				Low Tension	High Tension
Demand ($/kW)	Summer	9.32		43.78	27.44
	Winter	9.32		11.96	7.49
		On Peak	Off Peak		
Energy (¢/kWh)	Summer	9.008	6.740		
	Winter	7.565	6.277		
Reactive Power ($/kVar)		Billable reactive power demand		1.10	
		Induction-generation exception		0.43	

UNMETERED FIRE ALARM AND SIGNAL SYSTEMS

- For the operation of interior fire alarm or signal systems not connected to the metered supply for the building and where separate service is supplied

For service connection	($ per month)	110.08
For each gong or signal circuit or combination of gong or signal circuits, in which there is a continuous flow of current of not over 125 milliamperes, the voltage of the supply being approximately 120 volts or the equivalent (taken as 15 volt-amperes) at other supply voltages	($ per month)	7.56
For each additional 125 milliamperes (or equivalent) of continuous flow, or traction thereof, an additional charge of	($ per month)	7.56

(SC 91 – Continued on Leaf No. 28)

Service Classification No. 91 (continued)

New York City Public Buildings

Time Period Conventional:

- All hours, all days

Time Period TOD:

- Demand Charge:

  On-Peak: 8:00 a.m. to 6:00 p.m. weekdays (including holidays)
  Off-Peak: All other times

- Energy Charge:

  On-Peak: 8:00 a.m. to 10 p.m. weekdays (including holidays)
  Off-Peak: All other times

Season:

- Summer – June through September
- Winter – October through May

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
  6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.

- The current Special Provisions (11.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

(SC 91 – Continued on Leaf No. 29)

Service Classification No. 91 (continued)

New York City Public Buildings

Standby Service:

- If Rider A applies under this Service Classification, the Rates and Charges under Rider A will replace the above production rates.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

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30 South Pearl Street, Albany, NY 12207

Service Classification No. 93

New York City Public Buildings – Schools

Applicability:

- To furnish electrical energy for all the light, heat and power requirements of a City of New York school.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		6.18	16.09	18.78
Energy (¢/kWh)	Summer	8.202		
	Winter	7.138		
Reactive Power ($/kVar)		Billable reactive power demand	1.10	
		Induction-generation exception	0.43	

TOD

		PRODUCTION		DELIVERY	
				Low Tension	High Tension
Demand ($/kW)	Summer	3.09		43.73	22.72
	Winter	3.09		11.96	9.70
		On Peak	Off Peak		
Energy (¢/kWh)	Summer	8.606	6.362		
	Winter	7.178	5.904		
Reactive Power ($/kVar)		Billable reactive power demand		1.10	
		Induction-generation exception		0.43	

Time Period Conventional:

- All hours, all days

Time Period TOD:

- <u>Demand Charge:</u>

  On-Peak: 8:00 a.m. to 6:00 p.m. weekdays (including holidays)
  Off-Peak: All other times

- <u>Energy Charge:</u>

  On-Peak: 8:00 a.m. to 10 p.m. weekdays (including holidays)
  Off-Peak: All other times

(SC 93 – Continued on Leaf No. 31)

Service Classification No. 93 (continued)

New York City Public Buildings – Schools

Season:

- Summer – June through September
- Winter – October through May

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
  6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.

- The current Special Provisions (11.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Standby Service:

- If Rider A applies under this Service Classification, the Rates and Charges under Rider A will replace the above production rates.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Service Classification No. 98

New York City Public Buildings – Pollution Control

Applicability:

- To use of service for furnishing Production and Delivery Service to City of New York pollution control sewage treatment plants.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		3.59	16.09	18.78
Energy (¢/kWh)	Summer	7.958		
	Winter	6.885		
Reactive Power ($/kVar)		Billable reactive power demand	1.10	
		Induction-generation exception	0.43	

TOD

		PRODUCTION		DELIVERY	
				Low Tension	High Tension
Demand ($/kW)	Summer	7.56		31.68	17.53
	Winter	7.56		11.96	7.49
		On Peak	Off Peak		
Energy (¢/kWh)	Summer	8.577	6.347		
	Winter	7.158	5.892		
Reactive Power ($/kVar)		Billable reactive power demand		1.10	
		Induction-generation exception		0.43	

Time Period Conventional:

- All hours, all days

Time Period TOD:

- Demand Charge:

  On-Peak: 8:00 a.m. to 6:00 p.m. weekdays (including holidays)
  Off-Peak: All other times

- Energy Charge:

  On-Peak: 8:00 a.m. to 10 p.m. weekdays (including holidays)
  Off-Peak: All other times

(SC 98 – Continued on Leaf No. 33)

Service Classification No. 98 (continued)

New York City Public Buildings – Pollution Control

Season:

- Summer – June through September
- Winter – October through May

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
  6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.

- The current Special Provisions (11.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Standby Service:

- If Rider A applies under this Service Classification, the Rates and Charges under Rider A will replace the above production rates.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Issued in compliance with final rule adopted in I.D. No. PAS-15-11-00020-P

Issued by James F. Pasquale, Senior Vice President
Power Authority of the State of New York
30 South Pearl Street, Albany, NY 12207

Rider A – Standby Rate

A. Applicability

Applicable to Customers who would otherwise receive service under Service Classifications No. 68, 69, 91, 93 and 98 Time-of-Day rates having generating facilities on their premises that are not in excess of eighty (80) megawatts, and which are interconnected with Authority through the Utility electric system. Customer shall provide Authority with a copy of all documentation Customer provides to or receives from Utility regarding the load, generator and interconnection of the facilities.

B. Type of Service

NYPA will furnish power for standby service hereunder. The type of service supplied will depend upon the voltage available from Utility.

C. Definitions:

Total Load: The total amount of capacity in kilowatts consumed by a Customer over an interval of 30 minutes, inclusive of the capacity generated by the Customer in that interval.

Production Contract Standby Demand: The level of capacity in kilowatts that the Customer requires during instances when the Customer's on-site generation is experiencing a full or partial outage and that is not matched by a commensurate reduction in use. The Customer shall select the Contract Standby Demand. The Contract Standby Demand shall not exceed the Customer's total on-site generation capacity. This quantity may differ between summer and winter seasons.

On-Peak Period Hours: 8:00 a.m. - 10:00 p.m. Monday – Friday.

Off-Peak Period Hours: All other weekday hours and all Saturday, Sunday and Holiday hours.

Standby Demand: The level of capacity in kilowatts that is calculated as the Contract Standby Demand less the Customer's generation in an interval. In no instance will the Standby Demand be less than zero.

Supplemental Demand: level of capacity in kilowatts in any interval equal to the Total Load minus the sum of the Standby Demand and the Customer's generation in that interval.

Summer Season: June through September.

Winter Season: October through May.

Authority: New York Power Authority, and alternative name for the Power Authority of the State of New York.

Utility: Consolidated Edison Company of New York, Inc. which provides Delivery Service to any Customer purchasing firm power and energy under this Service Tariff

Delivery Service: The service that Authority procures from Utility on behalf of Authority's governmental Customers.

Rules: Authority's Rules and Regulations for Power Services (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York, 21 NYCRR § 454) as now in effect and as may be later amended from time to time by Authority.

D. Rules of Service

All Customers taking standby service shall have time of day metering and shall be billed under applicable Service Class time of day rates.

Authority power delivered under this schedule shall not be used for resale or as a substitute for power contracted for or which may be contracted for, under any other schedule of Authority tariff.

This Schedule is not available for purchase by Authority of the entire output of the Customer's generator in excess of auxiliary load.

The charges for standby service rendered under this tariff shall be subject to adjustment as Authority deems necessary pursuant to the Rules.

E. Determination of Production Demand Charges

The As-Used demand charges will be based on the maximum Standby Demand in each 24 hour day during the month for which the bill is rendered.

- Rates applicable to Standby Customers who would receive service under Service Classification No. 68 Time of Day rates.

STANDBY DEMAND SERVICE – Service Classification 68

	Low Tension	**High Tension**
Contract Standby Demand Charge ($/kW)	0.782	0.736
As-Used Standby Demand Charge ($/kW-day)	0.296	0.278

- Rates applicable to Standby Customers who would receive service under Service Classification No. 69 Time of Day rates.

STANDBY DEMAND SERVICE – Service Classification 69

	Low Tension	**High Tension**
Contract Standby Demand Charge ($/kW)	0.728	0.697
As-Used Standby Demand Charge ($/kW-day)	0.275	0.264

- Rates applicable to Standby Customers who would receive service under Service Classification No. 91 Time of Day rates.

STANDBY DEMAND SERVICE – Service Classification 91

	Low Tension	**High Tension**
Contract Standby Demand Charge ($/kW)	0.745	0.702
As-Used Standby Demand Charge ($/kW-day)	0.282	0.266

- Rates applicable to Standby Customers who would receive service under Service Classification No. 93 Time of Day rates.

STANDBY DEMAND SERVICE – Service Classification 93

	Low Tension	High Tension
Contract Standby Demand Charge ($/kW)	0.247	0.235
As-Used Standby Demand Charge ($/kW-day)	0.093	0.089

- Rates applicable to Standby Customers who would receive service under Service Classification No. 98 Time of Day rates.

STANDBY DEMAND SERVICE – Service Classification 98

	Low Tension	High Tension
Contract Standby Demand Charge ($/kW)	0.605	0.579
As-Used Standby Demand Charge ($/kW-day)	0.229	0.219

Customer shall provide Authority with 30 days advance written notice of planned maintenance outages, specifying the starting date and duration of the planned outage.

F. Supplemental Demand Service

Authority will provide supplemental service to the Customer in an amount equal to the Customer's Supplemental Demand under the production service demand rates applicable to the Customer.

The On-Peak Demand for supplemental service billing purposes shall be the maximum 30-minute Supplemental Demand during the on-peak period during the month for which the bill is rendered.

G. Production Energy Service

Authority will provide energy service to the Customer under the production service energy rates applicable to the Customer.

H. Purchase of Excess Energy

Authority will purchase excess energy from the Customer when the Customer's generation output exceeds the Customer's load in an interval at the rates shown below.

CREDITS FOR EXCESS ENERGY

		Low Tension		High Tension	
		On Peak	**Off Peak**	**On Peak**	**Off Peak**
Energy (¢/kWh)	Summer	5.594	3.752	5.886	3.948
	Winter	4.924	3.778	5.180	3.975

I. Delivery Service Charges

The rates for Delivery Service will be the currently effective Utility tariffs, including all Special Provisions, applicable to the Customer, as amended time to time by Utility. Such tariffs may include, but are not limited to, Service Classification No. 14-RA and PASNY No. 4 Tariff, Delivery Service III and IV for Contract Standby Demand and PASNY No. 4 Tariff, Delivery Service II for Supplemental Demand.

J. Metering

Separate meters may be installed for the measurement of supplemental energy provided by Authority and excess energy purchased by Authority under this Schedule. Any excess energy meter shall be equipped with compensation to reflect delivery of such energy to the high voltage side of the transformer installation.

In the event the Customer requests an additional meter for standby service, the Customer shall pay the cost of the meter and installation.

K. Power Factor Correction

When the average monthly power factor of the power required by the Customer from Authority is less than 95 percent, Authority may correct the integrated demand in kilowatts for that month by multiplying by 95 percent and dividing by the average power factor in percent for that month. When the average monthly power factor of the power supplied by the Customer to Authority is less than 90 percent or greater than 97 percent, Authority may correct the maximum integrated on-peak demand in kilowatts or the energy in kilowatt-hours, as appropriate. Authority reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of Authority.

Rider B

John F. Kennedy International Airport

Cogeneration Plant Production Services

Applicability:

- To the Port Authority of New York and New Jersey for John F. Kennedy International Airport Cogeneration Plant Production Services (JFK Airport).

Notes:

- The Port Authority of New York and New Jersey (JFK Airport) previously received service under Service Tariff No. 15 for production and Appendix D for delivery service will now be covered under the provisions of this new Service Tariff.
- Copies of Rider B are available on request.

Rider C – Net Metering

A. Applicability:

To customers served under Service Classification Nos. 62, 65, 68, 69, 82, 85, 91, 93, and 98 for service pursuant to a net metering arrangement provided that such customers meet the following conditions:

1. For a Customer with solar electric generating equipment, wind electric generating equipment, micro-combined heat and power generating equipment, and fuel cell electric generating equipment located and used at its premises, as follows:
   (a) if the Customer is served under demand rates and uses solar or wind electric generating equipment, such equipment must have a rated capacity of up to 2,000 kW;
   (b) if the Customer is served under demand rates and uses micro-combined heat and power generating equipment or fuel cell electric generating equipment, such equipment must have a rated capacity of not more than the lesser of 2,000 kW or the Customer's peak;
   (c) if the Customer is served under energy-only rates, such equipment must have a rated capacity of not more than 10 kW.
2. Service will be provided under this Rider to eligible Customers on a first come, first served basis based on the date that NYPA receives notification from Utility that the Customer has provided a complete project application in accordance with the New York State Standardized Interconnection Requirements and Application Process for New Distributed Generators 2 MW or Less Connected in Parallel with Utility Distribution Systems adopted by the New York State Public Service Commission, as modified from time to time ("SIR").
3. NYPA must also receive a completed detailed study from Utility as required under Rider R of Con Edison's Electric Tariff, P.S.C. No. 9, as amended, stating that Utility has approved the interconnection and parallel operation of such facilities in accordance with the requirements specified in Rider R.

B. Requirements for Service:

1. Service under this Rider is limited to customers who meet the SIR requirements.
2. Customers receiving service under this Rider may be required to pay for the installation and/or upgrade of equipment necessary to protect the safety or adequacy of electric service provided to other Customers, as set forth in Rider R. Customers also may be subject to additional terms, conditions and charges relative to the safe interconnection of Customer's solar electric generating equipment or wind electric generating equipment, as set forth in Rider R.

C. Metering:

Meters shall be furnished, installed, employed, and maintained as set forth in Rider R.

D. Charges and Credits:

1. Charges

(a) The Customer will pay the rates and charges of the Customer's applicable Service Classification for net energy supplied by NYPA. If the Customer is served under time-of-day ("TOD") rates, the charge for net energy supplied by NYPA will be determined for each time period.

(b) A Customer served under this Rider shall pay any customer charge or minimum charge and any other rates and charges under the Customer's applicable Service Classification regardless of whether the amount of energy produced by the generating equipment is less than, equal to, or greater than the amount of energy used by the Customer. A Customer taking service under a demand-billed Service Classification shall pay kW delivery charges and kW Demand Charges based on the maximum demand delivered by NYPA to the Customer during the billing period.

2. Credits

(a) For a Customer served under a Service Classification with energy-only rates and who supplies net energy to NYPA, any kWh of net energy provided to NYPA during the billing period will be applied as a kWh credit towards any net kWh used by the Customer during the succeeding billing period. If the Customer is billed under time-of-day ("TOD") rates, the kWh credit will be determined and applied, as appropriate, to each time period. Any remaining kWh credit will be carried forward to the succeeding monthly billing period.

(b) For a Customer served under a Service Classification with demand billing and who supplies net energy to NYPA, any kWh of net energy provided to NYPA will be converted to the equivalent monetary value at the per-kWh rate applicable to the Customer's Service Classification. The monetary credit will be applied towards any outstanding energy, customer, demand, or other charges in the billing period. Any remaining credit will be carried forward to the succeeding billing period.

3. Annual Reconciliation

Any excess kWh will be carried forward to the next year on the account of a Customer with non-residential solar electric generating equipment or non-residential wind electric generating equipment.

4. Account Closure

NYPA requires an actual reading to close an account under this Rider. NYPA will close an account on the earlier of: (a) the first cycle date on which a reading is taken following the requested turn off date, or (b) the date of a special reading, which a Customer may request for a charge. After a Customer's final bill is rendered, any remaining kWh credit will not be cashed out or transferred.

5. Future Changes

NYPA reserves the right, in any manner permitted by law and at any time, to terminate, change, or modify this Rider as deemed necessary in order to harmonize Authority's tariff with Utility's Rider R; as dictated by the Public Service Commission; or resulting from Authority's staff analysis.

Rider D (Reserved for future use)

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Rider D (Reserved for future use)

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V. General Provisions

A. Rules and Regulations

1. The Rules are hereby incorporated into this Service Tariff with the same force and effect as if herein set forth at length, except as may be noted herein. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern. Section 454.6 (d) of the Rules shall not be applicable to service hereunder.
2. The supply of service hereunder to Customer is subject to the provisions of the Service Agreement for the Delivery of Power and Energy ("Service Agreement") and the Planning and Supply Agreement ("Planning and Supply Agreement") both dated March 10, 1989, and both between Authority and Consolidated Edison Company of New York, Inc.; and the Consolidated Edison Company of New York, Inc. Delivery Service Rate Schedule Implementing and Part of the Service Agreement as filed with the Public Service Commission and the Federal Energy Regulatory Commission ("PASNY No. 4"), respectively, and as each may be amended and supplemented from time to time. In the event of any inconsistency, conflict or difference between the provisions of this Service Tariff and/or Authority's Rules on the one hand and those contained in PASNY No. 4, the Service Agreement, and/or the Planning and Supply Agreement on the other hand, the provisions of this Service Tariff and Authority's Rules shall govern.
3. In the event of any inconsistencies, conflicts or differences between any provisions of the 2005 Long Term Agreement and any of the agreements or documents referenced in Section V, General Provisions A.1 and 2, the provisions of the 2005 Long Term Agreement shall govern.

B. Character of Service

Alternating current; 60 hertz; 3 phase

C. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVA) for any given load and time. Authority may require Customer to maintain a power factor of not less than 95%, lagging or leading, at the meter, or as may otherwise be imposed upon Authority by Utility and/or NYISO.

D. Notice of Adjustments in Charges

Adjustments for NYC Governmental Customers will occur in accordance with the Annual Planning and Pricing Process (described in their 2005 Long Term Agreements with Authority) to establish new rates effective January 1 of the following year.

E. Customer Requirements for Production and Delivery Service

1. Provision of Production Service

From time to time, Authority will accept requests for Production service from existing or prospective Authority Customers. Authority will notify Utility when Authority has accepted any new Customer and its associated Accounts and when Authority accepts a new Account(s) of an existing Customer. Authority will notify Utility of the time in which it will initiate Production service to such Accounts.

(a) With respect to Accounts transferred from Utility: Utility has agreed (in the Service Agreement) to transfer service of the Accounts which are the customers of Utility to Authority, free of any limitations on termination of contract which would otherwise apply in the absence of such Agreement, except that Utility shall not be required to transfer service of any Account if such customer is not current on its payment for service from Utility, does not pay promptly its final bill for service, and has not paid its outstanding financial obligations to Utility.

(b) With respect to Accounts to be transferred from Third-Party Supplier: the prospective customer shall be responsible for arranging to terminate its service with its Third-Party Supplier and for the transfer of service to Authority, which termination shall, in the ordinary case, be in accordance with the terms of the prospective customer's service agreement with its Third-Party Supplier, and which transfer should be in accordance with the Service Agreement.

(c) Prospective customers must, to the extent practicable notify Authority in advance of any transfer of service from Utility or a Third-Party Supplier to Authority or initiation of service that it desires to be made, but in no event will such notice be less than 30 days.

(d) All Customers shall be subject to compliance with all applicable service connection and other requirements of Utility concerning initiation or modification of service as would apply to a similarly situated customer under Utility's applicable tariffs.

2. Provision of Delivery Service

Utility has agreed (in the Service Agreement) to accept power and energy from Authority, and to deliver such power and energy to Authority Customers designated by Authority at such delivery points as the Utility will specify within its franchise area, utilizing Utility's transmission and distribution facilities as available for that purpose. Under such Agreement:

(a) Utility and/or Customer may, from time to time, be required to install new or enlarged facilities within the franchise area to serve Customer;

(b) Customer is required to coordinate directly with Utility for each requirement for a new delivery point or for enlarged or altered service at any existing delivery point including reinforcement, maintenance or removal applicable thereto;

(c) any new, enlarged or altered service or facilities that Utility supplies to its own customers under its effective service schedule or schedules without compensation additional to the standard rate for service shall be similarly available to Authority Customers without payment of compensation beyond the standard rate for Delivery Service provided for that class of Authority Customers; and

(d) when the Delivery Service requires facilities for which Utility normally would make a special charge to its own customers or would require the customer to make the installation, Utility shall specify, after discussion with Authority, the additional compensation Customer shall pay to Utility which shall not exceed the compensation which would be payable by a customer of Utility in comparable circumstances; or Customer shall install the needed facilities which shall conform to Utility's specifications and Utility shall permit their connection to its system in accordance with Utility's specifications.

3. Temporary Service

Temporary service, if provided to prospective customers that may become Authority Customers, will not be the responsibility of Authority. Upon installation of the permanent service connection, service to the Account(s) shall be transferred to Authority in accordance with subsections 1 and 2 above and only then shall such Account(s) be the responsibility of Authority.

4. Initiation, Continuance and Termination of Service

(a) Unless otherwise provided in the Customer Supply Contract, the following provisions concerning continuance and termination of Service shall apply:

(1) Initiation of service will be upon approved application of Customer, under the procedures specified in the Rules.

(2) Once initiated, service will continue until cancelled or terminated by Authority pursuant to required notice as provided in the Rules.

(3) Customer may terminate service at any time after one year's service on written notice to Authority at least thirty six months in advance.

(b) Unless otherwise provided in the Customer Supply Contract, the Minimum Bill provision of this Service Tariff, as defined in Section VI, Provision B, and Section VII, Provision E, shall apply.

(c) Unless otherwise provided in the Customer Supply Contract, Customer may effect a partial termination or reduction of service if such partial termination or reduction results from (i) Account turn offs; load management; energy conservation; or Customer-supplied generation, or (ii) partial transfer of service by Account to a third party, provided that any such transfer in any given calendar year does not exceed 3 percent of the total annual sales to Customer in that calendar year. Such transfer may occur at any time after one year's service on written notice to Authority not less than 120 days in advance, or sooner, if mutually agreeable.

(d) Customer shall notify Authority and Utility in writing in advance when service is to be discontinued at an existing Account. Customer shall provide the name and address, if known, of the succeeding owner or occupant of the Account location being discontinued. If Customer desires service from Authority at another location, Customer shall file a request for such service pursuant to Authority's requirements.

5. Transfer of Service

   In the event that Customer discontinues Authority electric service in accordance with the provision of this Service Tariff entitled "Initiation, Continuance and Termination of Service", or Authority discontinues electric service to Customer, transfer of such service from Authority to a Third-Party Supplier or Utility shall be effected provided such Customer meets the Third-Party Supplier's or Utility's prerequisites for electric service as set forth in such supplier's filed schedule for electricity service.

6. Redistribution of Electric Service

   Customer may not resell, remeter (or submeter), or redistribute electric service to its tenants or occupants in the premises supplied by Authority, unless such is expressly authorized by the Authority and not violative of any statutes, laws, rules or regulations of any body having jurisdiction in the premises.

F. Billing Demand

Except as otherwise agreed upon, for metered service the billing demand shall be the maximum 30 minute integrated demand established during the billing period and for unmetered service the billing demand shall be determined by Authority.

G. Billing Period

Customer meters are generally scheduled to be read by Utility and bills rendered by Authority on a monthly basis, approximately thirty (30) days.

H. Payment

1. Bills computed under this Service Tariff are due and payable at the office of Authority within ten (10) days of the date of bill, subject to late payment in accordance with provision 454.6 (b) of the Rules. In the event that there is a dispute on any item of a bill rendered by Authority, Customer shall pay such bill in its entirety within the prescribed period and any necessary adjustments will be made thereafter.

2. Payment of Estimated Bill: Whenever Utility is unable, for whatever reason, to record Customer's meter information for any monthly billing period, Authority will render to Customer an estimated bill for service for such billing period. This bill will be due and payable in accordance with subsection (1) of this Provision H. of this Service Tariff.

Once Customer's meter is read then Authority will render to Customer an actual, final bill approximately twenty (20) days after the conclusion of the billing period in question. Any overpayment or underpayment by Customer for the previous estimated bill, as determined by the actual, final bill for such billing period, will be treated as a credit or charge towards the bill calculated for the succeeding billing period.

I. Apportionment of Charges When Customer Receives Production Service from the Authority and a Third-Party Supplier

If the total firm power and energy delivered to the Customer is provided partly by Authority and partly by a Third-Party Supplier, then the total charges to the Customer will be pro-rated accordingly (i.e., partly at Authority's rates and partly at Third-Party Supplier's rates).

J. Customer Information for Supply Planning

Unless otherwise provided in the Customer Supply Contract, Customer agrees to cooperate with Authority in providing information on future power and energy requirements as the Authority may request from time to time.

K. Bill Proration

If conditions warrant, consistent with billing system capability and information received from the Utility, the Authority may deem it necessary to apply demand bill proration.

VI. Special Provisions Applicable to Production

A. Energy Charge Adjustment

Unless alternative provisions are set forth in its Customer Supply Contract with Authority, Customer shall be subject to the following Energy Charge Adjustment (“ECA”) provision: The charges for electric service hereunder will be subject each month to an addition or a deduction when the "average cost of energy" (defined below) for the previous month increases or decreases from the “base cost of energy” (defined below).

1. The “base cost of energy” shall be equal to (a) the sum of the projected cost of fuel, purchased power, ancillary services and other NYISO-related charges and hedging costs to be incurred to serve Customer for the calendar year in question, less (b) any projected NYISO capacity, energy, or ancillary service revenues or credits to be received by Authority associated with providing service to Customer, as well as any other projected NYISO credits or revenues associated with providing service to Customer (*e.g.*, as a generator or a load serving entity), including Transmission Congestion Credits and rents associated with transmission paths determined by Authority to be used in serving Customer for the calendar year; all divided by the projected kilowatt hour sales to such Customer for the calendar year. The base cost may be amended from time to time.

   The “base cost of energy” expressed in
   dollars per kilowatt hour is $0.07185

2. The "average cost of energy" shall be equal to (a) the sum of the costs of fuel, purchased power, ancillary services and other NYISO-related charges and hedging costs actually incurred in the previous month to serve Customer, less (b) any NYISO capacity, energy, and ancillary service revenues or credits actually received in the previous month by Authority and associated with the service provided by Authority to Customer as well as any other NYISO credits or revenues actually received by Authority and associated with providing service to Customer (*e.g.*, as a generator or a load serving entity), including Transmission Congestion Credits and rents associated with transmission paths determined by Authority to be used in serving Customer; all divided by the total kilowatt hours sold to such Customer for such previous month.

   The "average cost of energy" as determined hereinabove will be adjusted from time to time as determined by Authority to permit reconciliation of revenues derived from Energy Charge Adjustments billed to Customer in prior billing periods with energy-related costs applicable to such billing periods.

3. The “ECA Factor” is the difference between the average cost of energy including adjustments, and the base cost of energy. The ECA Factor shall be added to or subtracted monthly from the charges for electric service to Customer. It will be shown monthly in the Statement of ECA Factor. A copy of the current Statement of ECA Factor will be available upon request.

B. Minimum Bill

Unless otherwise provided in the Customer Supply Contract, each Customer Account shall be responsible for a Production minimum charge as follows. Production minimum bill shall be exclusive of any minimum charges applicable to Delivery Service.

Demand Metered Service - Accounts where usage is measured by both demand and energy meters. The minimum charge shall be equal to three-quarters (75%) of the product of the demand rate applicable to the Account and the maximum metered demand from the previous twelve months for that Account.

Demand Unmetered Service - Accounts that are unmetered and billed for demand and energy. The minimum charge shall be equal to three-quarters (75%) of the product of the demand rate applicable to the Account and the maximum monthly billing demand from the previous twelve months for that Account.

Energy Metered Service – Accounts where usage is measured by energy meters alone. The minimum charge shall be equal to the product of the total energy rate, applicable to the Account and fifty (50) kWh of usage.

Energy Unmetered Service – Accounts that are unmetered and billed for energy only. The minimum charge shall be equal to the product of the total energy rate, applicable to the Account and fifty (50) kWh of usage.

Charges set forth above are effective with January 2012 bill period.

C. Effective Date of Rates and Charges

The foregoing rates and charges shall apply to any billing period that includes service on and after the effective date hereof, and are applicable for the entire billing period.

D. NYISO-Related Charges

It is intended that the mechanisms to determine the demand charge, energy charge and Energy Charge Adjustment will account for all charges imposed upon Authority by the NYISO (or its successor) to serve the Customers including charges for capacity, transmission, ancillary services, marginal losses, congestion, reliability-related charges, demand curve charges or any other charge or assessment associated with Authority’s responsibility as load serving entity to Customer. Such charges shall be net of any NYISO credits or revenues, including congestion rents, received by Authority and associated with service to Customer.

E. Distribution Losses

The determination of the demand charge, energy charge and Energy Charge Adjustment shall account for distribution losses, which losses represent the difference between the power and energy supplied by Authority to the load bus and the power and energy received by Customers.

F. Production Rate Structure Updates

The Authority shall have the right to perform and to implement production rate structure re-design update on a biennial basis in order to ensure that the production rate design remains cost-based. Such updates shall take into account changes in load profiles, cost allocators, marginal costs analyses reflecting Customer hourly load date and relevant NYISO prices, bill impacts, and Customer feedback. Furthermore, if significant changes have occurred due to modifications in the Authority's cost structure or other factors impacting rates (such as changes in Customer load profiles or market prices affecting seasonal/time-of-day price differentials), which the Authority, at its own discretion, believes requires an update to the production rate structure more frequently than biennially, the Authority shall have the right to perform and to implement such production rate structure updates. Nothing in this provision shall limit or expand the Authority's ability under the Customer Supply Contract to perform annual cost-of-service updates to the production rates.

G. Production Rate Development

To the extent that a new or existing NYPA Customer should take service under a service classification for which a rate has not been published in this Service Tariff, the Customer will be billed in accordance with the next most appropriate existing rate, determined at the discretion of the Authority, until an appropriate rate is developed. This includes service taken under Rider A Standby Rate.

VII. Special Provisions Applicable to Delivery Service

A. Rates and Charges

Delivery Service rates set forth in Section IV, Rates and Charges, of this Service Tariff are payable to Authority by Customer as reimbursement to Utility for the use of its facilities and for services rendered in conjunction with the delivery of power and energy.

Delivery Service charges, under this Service Tariff are subject, but not limited, to the following surcharges:

1. Gross Receipt Tax (GRT) Surcharge

   The charges for Delivery Service shall be increased by the applicable percentage rates set forth in the Statement of GRT Surcharge of this Service Tariff and by the applicable percentage rate of the taxes imposed by the State and/or the municipality where service is supplied on the revenues of the Utility providing Delivery Service. A copy of the current Statement of GRT Surcharge will be available upon request.

2. Madison Square Garden charge

   The charges for Delivery Service shall be subject to a charge representing Authority's share of the cost of the savings passed on to Madison Square Garden in accordance with Section 3, Chapter 459, 1982 N.Y. Laws. A copy of the current Madison Square Garden charge will be available upon request.

3. Revenue Decoupling Mechanism (“RDM”) Adjustment

   In March 2008, the New York State Public Service Commission gave approval to Utility to implement a Revenue Decoupling Mechanism, which would be applied to Utility delivery service to NYPA’s governmental customers. The RDM Adjustment is a six-month true-up between Pure Base Revenue (actual) and Allowed Pure Base Revenue (target). Annual Allowed Pure Base Revenue is revised whenever there is a change in delivery rates. Pure Base Revenue under PASNY No. 4 means revenue attributable to charges under Rates I, II, III and IV, except as specified in PASNY No.4, Special Provision Adjustments (F).

   Mechanism

   Every month Utility reconciles the difference between actual Pure Base Revenue and Allowed Pure Base Revenue under PASNY No. 4. Except as indicated below, every six months the cumulative difference is charged or credited to the Authority, with interest, over the six-month period that commences two months later. The first RDM collection/refund period was for the six-month period April 2008 through September 2008, for collection or refund to the Authority over the six months commencing November 2008.

   If the cumulative actual difference between actual Pure Base Revenue and Allowed Pure Base Revenue equals or exceeds $10 million under PASNY No. 4 plus Utility’s PSC No. 9 and PSC No.2 tariffs before the end of six months, Utility may initiate collection or refund of RDM amounts prior to the onset of a six-month RDM collection/refund period or adjust the amounts to be collected or refunded for the remaining months of a RDM collection/refund period.

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The monthly amount to be charged or credited are determined by dividing the amount to be charged or credited over the RDM collection/refund period divided by the number of months in the collection/refund period. For example, if an amount is to be charged over a six-month period, one-sixth of the amount will be billed monthly.

The Authority allocates the total RDM charge or credit, including GRT, to all governmental customers based on delivery amounts paid by governmental customers during the reconciliation period. This charge or credit excludes KIAC.

Statement

The total monetary amount, excluding GRT and KIAC, to be collected from or credited to all governmental customers is shown on the Statement of RDM Adjustment. A copy of the current Statement of RDM Adjustment will be available upon request.

4. 18-a Assessment Surcharge

On April 7, 2009, a change to Section 18-a of the Public Service Law ("PSL")was signed into law, which entails a Temporary State Energy and Utility Service Conservation Assessment applicable to public utility companies' revenues. This surcharge allows Utility to recover the 18-a Assessment on its delivery service revenues that is being passed on to the Authority.

Any difference between Section 18-a amounts to be recovered and actual amounts collected, excluding GRT, will be reflected in a subsequent period surcharge; provided, however, that any reconciliation amount required to be collected after the last year that the surcharge is in effect, will be deferred, plus working capital costs, for future disposition.

Utility allocates the 18-a Assessment Surcharge to NYPA based on the class contribution to Utility's total electric revenues, including GRT.

The Authority allocates the total 18-a Assessment Surcharge, including GRT, to all governmental customers based on the period the allocation of the 18-a Assessment Surcharge is based on. This surcharge excludes KIAC.

Statement

The total monetary amount, excluding GRT and KIAC, to be collected from all governmental customers is shown on the Statement of 18-a Assessment Surcharge. A copy of the current Statement of 18-a Assessment Surcharge will be available upon request.

18-a Assessment Surcharge shall be recovered through March 31, 2014.

5. Smart Grid Surcharge

   As directed in Case 09-E-0310, the New York State Public Service Commission gave approval to Con Edison to implement a surcharge mechanism for recovery of costs associated with Stimulus Projects that receive federal funding from U.S. Department of Energy under the American Recovery and Reinvestment Act of 2009. This surcharge is being passed on to the Authority. The initial portion of the total amount to be collected will be recovered over the five-month period commencing November 2010. Commencing April 2011 and every twelve months thereafter, the portion of the total amount to be collected will be revised.

   The Authority allocates the total Smart Grid Surcharge, including GRT, to all governmental customers based on delivery amounts paid by governmental customers (during the reconciliation period) A copy of the current Smart Grid Surcharge will be available upon request.

6. Reactive Power Demand Charge

   The Reactive Power Demand Charge qualifying criteria applicable to Customers billed under this Service Tariff are specified under the Common Provisions (Reactive Power Demand Charge) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4). Reactive Power Demand Charges apply to customers served under Service Classifications 65, 68, 69, 82, 85, 91, 93 and 98. The rate is uniform with the exception of induction-generation equipment where in specific circumstances a lower rate may apply.

   The reactive power charge will be introduced in two phases over the course of a two year period. Phase one shall begin in January 2011 for customers whose monthly demand is 1,000 kW or higher. The second phase will begin in October 2011 for customers whose monthly demand is between 500 kW and 1,000 kW. The charge will also apply to customers who have induction generators that meet 1,000 kW and 500 kW thresholds. A copy of the current Statement Reactive Demand Charge will be available upon request.

   In its Order, issued and effective February 17, 2010, in Case 08-E-0751, the PSC approved reactive-power charges as proposed by the Utility in its October 21, 2009 tariff filing, and modified by its January 25, 2010 tariff filing.

B. Delivery Service Rate Schedule

1. Delivery Service under this Service Tariff is subject to the rules, regulations, terms, Common, General and Special Provisions of the Delivery Service Rate Schedule (PASNY No. 4) of the Consolidated Edison Company of New York, Inc., on file with the New York State Public Service Commission and the Federal Energy Regulatory Commission, all as may be amended from time to time; provided, however, that service hereunder shall not be subject to either the rate provisions of said Delivery Service Rate Schedule entitled "Delivery Service Rate I" and "Delivery Service Rate II – Time-of-Day" or such other provisions thereof as shall be deemed not to apply to the service hereunder in accordance with Section V, General Provision A.2.

2. The applicable Special Provisions included in the Delivery Service Rate Schedule (PASNY No. 4) of Utility are incorporated by reference based on the service classifications in Section IV, Rates and Charges.

C. Adjustment of Charges

The charges for Delivery Service hereunder shall be subject periodically to an addition or deduction to reconcile the difference between the charges rendered to Authority by Utility for Delivery Service for Authority customers utilizing such Delivery Service and the charges billed by Authority to such customers. The amounts of any such additions or deductions will be determined and reflected in the Customer's bills for Delivery Service in a manner specified by Authority.

The charges for Delivery Service rendered under this Service Tariff shall be subject to adjustment as Authority deems necessary to recover from the Customer any rates, charges, taxes or assessments charged to Authority by Utility (including any such rates, charges, taxes or assessments lawfully charged for any period from commencement of service to Customer by Authority) if and to the extent such rates, charges, taxes or assessments are not recovered by Authority pursuant to another provision of this Service Tariff.

D. Proration of Monthly Rates and Charges

The foregoing rates and charges shall apply to service rendered hereunder on and after the effective date hereof. Where a bill includes periods before the effective date and after the effective date, the rates and charges applicable will be prorated based on the number of days of service rendered before the effective date and on and after the effective date related to the total number of days in the billing period.

E. Minimum Bill

Customers taking service under this Service Tariff are subject to Delivery Minimum Bill as specified in the Common Provisions (Minimum Monthly Charge) of Delivery Service Rate Schedule of Consolidated Edison Company of New York Inc. (PASNY No. 4)

1. Each Month the Utility will determine for each Customer served under this Service Tariff:

   (a) Monthly pure base revenue, and

   (b) The Minimum Monthly Charge

   “Monthly pure base revenue” is equal to Customer’s Demand Charge excluding reactive power demand charges, without reference to the Minimum Monthly Charge, and exclusive on any kilowatt charges applicable under Special Provisions Applicable to Delivery Service.

   “Minimum Monthly Charge” is equal to the Customer’s Contract Demand established by the Utility multiplied by 39 percent of the delivery service demand applicable to such Customer under applicable rate.

2. For any month in which the Minimum Monthly Charge exceeds the monthly pure base revenue, the Minimum Monthly Charge will be billed.

3. Where the Minimum Monthly Charge is billed, the Customer’s Demand Delivery Charge will be equal to the Minimum Monthly Charge plus reactive power demand charges and any other applicable charges.

   Minimum Monthly Charge is applicable to all Customers except those subject to Rider A or Rider C of this tariff.

F. Seasonal Proration

When a bill includes periods during both the summer billing period and the winter billing period, the rates and charges applicable will be prorated based on the number of days in the summer billing period and the number of days in the winter billing period related to the total number of days in the billing period.

G. Billing Period Proration

Where Authority renders a bill for other than a 30 day period, the rates and charges will be prorated on the basis of the number of elapsed days divided by 30; except that a Customer, who terminates service less than 30 days after the commencement of service, will be billed for a month.

H. Delivery Service Rate True-up Mechanism

Delivery charges billed by the Authority to Customers are subject to annual true-up with the delivery charges billed by Utility to Authority inclusive of any discrepancies between the estimated billing, street lighting proration and minimum billing procedures of Authority and Utility. The Authority will perform the true-up each July for the 12-month period ending the preceding April, and will make any necessary refunds or surcharges as soon as practicable. Notwithstanding the previous sentence, should the over/under recovery of the Utility's delivery charges from Customers exceed a collar of $5 million at any time, a refund or surcharge will be passed on to Customers as soon as practicable.

I. Delivery Rate Development

To the extent that a new or existing NYPA Customer should take service under a service classification for which a rate has not been published in this Service Tariff, the Customer will be billed in accordance with the next most appropriate existing rate, determined at the discretion of the Authority, until an appropriate rate is developed. This includes service taken under Rider A Standby Rate.

J. Rights

Nothing in this Service Tariff is intended to change, alter or diminish any of the rights, privileges or benefits inuring to the Customer by virtue of any heretofore or presently existing independent agreements or arrangements which may have given rise to a course of conduct or relationship as between Customer and Consolidated Edison Company of New York, Inc. and/or any other power supplier (other than Authority) which has heretofore supplied the power requirements of Customer in whole or in part; and nothing herein shall be occasion for the enlargement of wheeling charges for Delivery Service provided by Consolidated Edison Company of New York, Inc. or any other public utility by virtue of any impairment or curtailment or attempted impairment or curtailment of any privilege or service heretofore enjoyed by Customer.

POWER AUTHORITY OF THE STATE OF NEW YORK

30 SOUTH PEARL STREET

ALBANY, NY 12207

Electric Service Tariff for Westchester County Governmental Customers

Service Tariff No. 200

TABLE OF CONTENTS

General Information **Leaf No.**

(Table of Contents – Continued on Leaf No. 3)

TABLE OF CONTENTS (continued)

General Information - Continued **Leaf No.**

(Table of Contents – Continued on Leaf No. 4)

TABLE OF CONTENTS (continued)

General Information - Continued **Leaf No.**

Electric Service Tariff for Westchester County
Governmental Customers

I. Applicability

To sale of firm power and energy by Authority to public Customers (and associated Accounts) located within Westchester County in accordance with the third unnumbered paragraph of Section 1005 of the Power Authority Act (Public Authorities Law § 1005) who receive Delivery Service through the Utility in whose franchise area such Customers' facilities are located.

II. Frequently used Abbreviations and Terms

Abbreviations:

- kW kilowatt(s)
- kWh kilowatt-hour(s)
- kVa kilovolt-amperes
- kVar kilovolt-amperes reactive
- NYPA New York Power Authority
- NYISO New York Independent System Operator
- mo. Month
- TOD Time-of-Day
- GRT Gross Receipts Tax

Account(s): A metered or billed location based on Customer billing characteristics.

Authority: New York Power Authority, an alternative name for the Power Authority of the State of New York.

Customer: A governmental customer in Westchester County served under this Service Tariff by the Authority in accordance with the third unnumbered paragraph of Section 1005 of the Power Authority Act. For the purposes of this Service Tariff, the term Customer does not include a governmental customer in the City of New York.

Customer Supply Contract: An agreement between Authority and Customer containing the terms and conditions under which Authority provides Customer with a supply of electricity. The term Customer Supply Contract includes the original Application for Electric Service between the Authority and Customer and the agreement entered into in 2007 or 2008 between Authority and Customer containing supplemental terms and conditions ("2007 Supplemental Agreement").

Delivery Service: The service that Authority procures from Utility on behalf of Authority's governmental customers.

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High Tension: High Tension Alternating Current – 60 cycles (Frequency and voltages shown are approximate):

- Three phase at 2,400/4,150 volts
- Three phase at 3,000/7,800 volts
- Three phase at 6,900 volts
- Three phase at 13,200 volts
- Three phase at 26,400 volts
- Three phase at 33,000 volts
- Single phase and three phase at 2,400 volts
- Three phase at 69,000 volts
- Three phase at 138,000 volts

Low Tension: Low Tension Alternating Current – 60 cycles (Frequencies and voltages shown are approximate):

- Three phase at 120/208 volts
- Single phase at 120/240 volts
- Three phase at 265/460 volts
- Three phase at 240 volts
- Two phase at 120/240 or 230 or 240 volts

Production: Authority supply of power and energy, excluding Delivery Service and Third-Party Supplier power and energy.

Rules: Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York, 21 NYCRR § 454) as now in effect and as may be later amended from time to time by Authority.

Service Tariff: This Service Tariff No. 200

Third-Party Supplier: A supplier of power and energy other than Authority.

Utility: Consolidated Edison Company of New York, Inc. which provides Delivery Service to any Customer purchasing firm power and energy under this Service Tariff.

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III. Calculation of the Bill

A. Components of the Bill

The bill may be composed of the following components, as applicable:

Types of Chargers	Bill Components	Charge Units	Billing Determinants
Production	Demand	$/kW-month	kW
	Base Energy	¢/kWh	kWh
	Energy Charge Adjustment	¢/kWh	kWh
Delivery Service	Customer or Delivery Point	$ per month	# of Accounts
	Demand	$/kW-month	kW
	Energy	¢/kWh	kWh
	Other	various	various
	Taxes	% or percent	on pre-tax bill
Other	Surcharges or Credits	various	n/a
	Adjustments/Reconciliations	various	n/a

B. Bill Computation

For each Customer Account, the bill shall be equal to the sum of the product of the unit charge for each applicable Bill Component and its respective Billing Determinant. The total Customer bill shall be the aggregate of all Customer Accounts and shall have both Production and Delivery Service charges. If a Minimum Bill applies (see Section VI, Special Provision Applicable to Production B and Section VII Special Provision Applicable to Delivery Service E) the Customer bill shall be computed accordingly.

C. Defined Billing Terms of Production and Delivery

The following type of rates and conditions are applicable to Production and Delivery Service.

1. Conventional Monthly Rates shall apply to all Accounts except those billed under Time-of-Day (“TOD”) Rates.
2. TOD Rates shall apply to:
   - Any Account whose maximum demand exceeds 1,500 kW in any annual period ending September 30;
   - Any new Account whose monthly maximum demand in the Authority's estimate will exceed 1,500 kW during the first year of service; and
   - Successors of Accounts referred to above if eligible for Authority service.

3. Any Account billed under TOD Rates shall be transferred to and billed under Conventional Rates when the Account's monthly maximum demand does not exceed 900 kW for 12 consecutive months, provided however, that TOD Rates shall apply to any Account with multiple meters whose demand meter registrations, when added together for billing purposes, would qualify for these TOD Rates under any of the criteria listed in this Section and at least one of the Customer's meters registers 500 kW or more in any month in any annual period ending September 30.

4. For Accounts transferring from Conventional Rates to TOD Rates, the first bill under TOD Rates shall be rendered when an Account's entire usage for the billing period is subsequent to December 31 of the annual period ending September 30 in which the Account becomes subject to TOD Rates.

IV. Rates and Charges

Service Classification No. 62

General Small

Applicability:

- To use of service for light, heat and power used for general uses where the Account's requirements do not exceed 10 kW.

CONVENTIONAL

		PRODUCTION	DELIVERY
Energy (¢/kWh)	Summer	6.902	16.680
	Winter	5.826	16.680

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 62 – Continued on Leaf No. 10)

Service Classification No. 62 (Continued)

General Small

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.

- The current Special Provisions (2.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Service Classification No. 64

Commercial & Industrial Redistribution

(Discontinued)

Notes:

- Service Classification No. 64 is discontinued. Customer Accounts previously served under Service Classification No. 64 are subject to Rates and Charges published under Service Classification No. 69.

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Service Classification No. 66

Westchester Public Street Lighting

Applicability:

- To use of service for lighting of public streets, thoroughfares, parks and parkways; operation of traffic control signals, fire alarm signals, warning and directional signs in Westchester County.

CONVENTIONAL

		PRODUCTION	DELIVERY
Energy (¢/kWh)	Summer	5.604	16.680
	Winter	5.604	16.680

FURNISHING AND MAINTAINING CONTROL EQUIPMENT

For each point of service termination, where controlled period service is supplied from the circuits of the utility providing Delivery Service	($ per month)	4.35

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 66 – Continued on Leaf No. 13)

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Service Classification No. 66 (continued)

Westchester Public Street Lighting

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:
  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
- The current Special Provisions (6.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Service Classification No. 68

Multiple Dwellings - Redistribution

Applicability:

- To use of service for light, heat and power for multiple dwellings where the Account's requirements are in excess of 10 kW.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		1.80	20.85	18.78
Energy (¢/kWh)	Summer	6.901		
	Winter	5.826		
Reactive Power ($/kVar)	Billable reactive power demand		1.10	
	Induction-generation exception		0.43	

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 68 – Continued on Leaf No. 15)

Service Classification No. 68 (continued)

Multiple Dwellings - Redistribution

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:
    1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
    2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
    3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
    4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
    5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
    6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.
- The current Special Provisions (8.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Standby Service:

- If Rider A applies under this Service Classification, the Rates and Charges under Rider A will replace the above production rates.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

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Service Classification No. 69

General Large

Applicability:

- To use of service for light, heat and power for general uses where the Account's requirements are in excess of 10 kW.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		1.42	20.85	18.78
Energy (¢/kWh)	Summer	7.118		
	Winter	6.043		
Reactive Power ($/kVar)		Billable reactive power demand	1.10	
		Induction-generation exception	0.43	

TOD

		PRODUCTION		DELIVERY	
				Low Tension	High Tension
Demand ($/kW)	Summer	2.05		41.06	22.72
	Winter	2.05		15.50	9.70
		On Peak	Off Peak		
Energy (¢/kWh)	Summer	7.792	5.562		
	Winter	6.373	5.107		
Reactive Power ($/kVar)		Billable reactive power demand		1.10	
		Induction-generation exception		0.43	

Time Period Conventional:

- All hours, all days

Time Period TOD:

- <u>Demand Charge:</u>

  On-Peak: 8:00 a.m. to 6:00 p.m. weekdays (including holidays)
  Off-Peak: All other times

- <u>Energy Charge:</u>

  On-Peak: 8:00 a.m. to 10 p.m. weekdays (including holidays)
  Off-Peak: All other times

(SC 69 – Continued on Leaf No. 17)

Service Classification No. 69 (continued)

General Large

Season:

- Summer – June through September
- Winter – October through May

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
  6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.

- The current Special Provisions (9.A and 9.B) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Standby Service:

- If Rider A applies under this Service Classification, the Rates and Charges under Rider A will replace the above production rates.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

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Service Classification No. 82

Multiple Dwellings Space Heating

Applicability:

- To use of service for light, heat and power used in a multiple dwelling in which the entire space heating requirements of the residential tenants are supplied by the use of electricity as determined by the Utility providing Delivery Service.

CONVENTIONAL

		PRODUCTION	DELIVERY	
			Low Tension	High Tension
Demand ($/kW)		1.80	20.85	18.78
Energy (¢/kWh)	Summer	6.901		
	Winter	5.826		
Reactive Power ($/kVar)	Billable reactive power demand		1.10	
	Induction-generation equipment		0.43	

Time Period Conventional:

- All hours, all days

Season:

- Summer – June through September
- Winter – October through May

(SC 82 – Continued on Leaf No. 19)

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Service Classification No. 82 (continued)

Multiple Dwellings Space Heating

Production:

- The energy charges set forth above shall be subject to a monthly Energy Charge Adjustment (ECA) as described in Section VI, Special Provision A.

Delivery Service:

- Delivery Service charges set forth above shall be adjusted in accordance with certain other provisions of this Service Tariff, including but not limited to the following:

  1. Monthly Gross Receipts Tax Surcharge, as described in Section VII, Special Provision A.1.
  2. Madison Square Garden charge, as described in Section VII, Special Provision A.2.
  3. Revenue Decoupling Mechanism Adjustment, as described in Section VII, Special Provision A.3.
  4. 18-a Assessment Surcharge, as described in Section VII, Special Provision A.4.
  5. Smart Grid Surcharge, as described in Section VII, Special Provision A.5.
  6. Reactive Power Demand Charge, as described in Section VII, Special Provision A.6.

- The current Special Provisions (12.A) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4) are incorporated by reference and apply to this service classification.

Net Metering:

- If Rider C applies under this Service Classification, the Charges and Credits will be applied as stated in Rider C.

Additional provisions applicable to this service classification can be found in Section V General Provisions, Section VI Special Provisions Applicable to Production and Section VII Special Provisions Applicable to Delivery Services.

Rider A – Standby Rate

A. Applicability

Applicable to Customers who would otherwise receive service under Service Classifications No. 68, 69, Time-of-Day rates having generating facilities on their premises that are not in excess of eighty (80) megawatts, and which are interconnected with Authority through the Utility electric system. Customer shall provide Authority with a copy of all documentation Customer provides to or receives from Utility regarding the load, generator and interconnection of the facilities.

B. Type of Service

NYPA will furnish power for standby service hereunder. The type of service supplied will depend upon the voltage available from Utility.

C. Definitions:

Total Load: total amount of capacity in kilowatts consumed by a Customer over an interval of 30 minutes, inclusive of the capacity generated by the Customer in that interval.

Production Contract Standby Demand: level of capacity in kilowatts that the Customer requires during instances when the Customer's on-site generation is experiencing a full or partial outage and that is not matched by a commensurate reduction in use. The Customer shall select the Contract Standby Demand. The Contract Standby Demand shall not exceed the Customer's total on-site generation capacity. This quantity may differ between summer and winter seasons.

On-Peak Period Hours: 8:00 a.m. - 10:00 p.m. Monday – Friday.

Off-Peak Period Hours: all other weekday hours and all Saturday, Sunday and Holiday hours.

Standby Demand: level of capacity in kilowatts that is calculated as the Contract Standby Demand less the Customer's generation in an interval. In no instance will the Standby Demand be less than zero.

Supplemental Demand: level of capacity in kilowatts in any interval equal to the Total Load minus the sum of the Standby Demand and the Customer's generation in that interval.

Summer Season: June through September.

Winter Season: October through May.

Authority: New York Power Authority, and alternative name for the Power Authority of the State of New York.

Utility: Consolidated Edison Company of New York, Inc. which provides Delivery Service to any Customer purchasing firm power and energy under this Service Tariff.

Delivery Service: The service that Authority procures from Utility on behalf of Authority's governmental Customers.

Rules: Authority's Rules and Regulations for Power Services (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York, 21 NYCRR § 454) as now in effect and as may be later amended from time to time by Authority.

D. Rules of Service

All Customers taking standby service shall have time of day metering and shall be billed under applicable Service Class time of day rates.

Authority power delivered under this schedule shall not be used for resale or as a substitute for power contracted for or which may be contracted for, under any other schedule of Authority tariff.

This Schedule is not available for purchase by Authority of the entire output of the Customer's generator in excess of auxiliary load.

The charges for standby service rendered under this tariff shall be subject to adjustment as Authority deems necessary pursuant to the Rules.

E. Determination of Production Demand Charges

The As-Used demand charges will be based on the maximum Standby Demand in each 24 hour day during the month for which the bill is rendered.

- Rates applicable to Standby Customers who would receive service under Service Classification No. 69 Time of Day rates.

STANDBY DEMAND SERVICE – Service Classification 69

	Low Tension	High Tension
Contract Standby Demand Charge ($/kW)	0.164	0.157
As-Used Standby Demand Charge ($/kW-day)	0.062	0.060

Customer shall provide Authority with 30 days advance written notice of planned maintenance outages, specifying the starting date and duration of the planned outage.

F. Supplemental Demand Service

Authority will provide supplemental service to the Customer in an amount equal to the Customer's Supplemental Demand under the production service demand rates applicable to the Customer.

The On-Peak Demand for supplemental service billing purposes shall be the maximum 30-minute Supplemental Demand during the on-peak period during the month for which the bill is rendered.

G. Production Energy Service

Authority will provide energy service to the Customer under the production service energy rates applicable to the Customer.

H. Purchase of Excess Energy

Authority will purchase excess energy from the Customer when the Customer's generation output exceeds the Customer's load in an interval at the rates shown below.

CREDITS FOR EXCESS ENERGY

		Low Tension		High Tension	
		On Peak	**Off Peak**	**On Peak**	**Off Peak**
Energy (¢/kWh)	Summer	5.509	3.783	5.750	3.948
	Winter	4.963	3.809	5.180	3.975

I. Delivery Service Charges

The rates for Delivery Service will be the currently effective Utility tariffs, including all Special Provisions, applicable to the Customer, as amended time to time by Utility. Such tariffs may include, but are not limited to, Service Classification No. 14-RA and PASNY No. 4 Tariff, Delivery Service III and IV for Contract Standby Demand and PASNY No. 4 Tariff, Delivery Service II for Supplemental Demand.

J. Metering

Separate meters may be installed for the measurement of supplemental energy provided by Authority and excess energy purchased by Authority under this Schedule. Any excess energy meter shall be equipped with compensation to reflect delivery of such energy to the high voltage side of the transformer installation.

In the event the Customer requests an additional meter for standby service, the Customer shall pay the cost of the meter and installation.

K. Power Factor Correction

When the average monthly power factor of the power required by the Customer from Authority is less than 95 percent, Authority may correct the integrated demand in kilowatts for that month by multiplying by 95 percent and dividing by the average power factor in percent for that month. When the average monthly power factor of the power supplied by the Customer to Authority is less than 90 percent or greater than 97 percent, Authority may correct the maximum integrated on-peak demand in kilowatts or the energy in kilowatt-hours, as appropriate. Authority reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of Authority.

Rider B (reserved for future use)

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Rider B (reserved for future use)

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Rider C – Net Metering

A. Applicability:

To customers served under Service Classification Nos. 62, 68, 69 and 82 for service pursuant to a net metering arrangement provided that such customers meet the following conditions:

1. For a Customer with solar electric generating equipment, wind electric generating equipment, micro-combined heat and power generating equipment, and fuel cell electric generating equipment located and used at its premises, as follows:
   (a) if the Customer is served under demand rates and uses solar or wind electric generating equipment, such equipment must have a rated capacity of up to 2,000 kW;
   (b) if the Customer is served under demand rates and uses micro-combined heat and power generating equipment or fuel cell electric generating equipment, such equipment must have a rated capacity of not more than the lesser of 2,000 kW or the Customer's peak;
   (c) if the customer is served under energy-only rates, such equipment must have a rated capacity of not more than 10 kW.
2. Service will be provided under this Rider to eligible Customers on a first come, first served basis based on the date that NYPA receives notification from Utility that the Customer has provided a complete project application in accordance with the New York State Standardized Interconnection Requirements and Application Process for New Distributed Generators 2 MW or Less Connected in Parallel with Utility Distribution Systems adopted by the New York State Public Service Commission, as modified from time to time ("SIR").
3. NYPA must also receive a completed detailed study from Utility as required under Rider R of Con Edison's Electric Tariff, P.S.C. No. 9, as amended, stating that Utility has approved the interconnection and parallel operation of such facilities in accordance with the requirements specified in Rider R.

B. Requirements for Service:

1. Service under this Rider is limited to customers who meet the SIR requirements.
2. Customers receiving service under this Rider may be required to pay for the installation and/or upgrade of equipment necessary to protect the safety or adequacy of electric service provided to other Customers, as set forth in Rider R. Customers also may be subject to additional terms, conditions and charges relative to the safe interconnection of Customer's solar electric generating equipment or wind electric generating equipment, as set forth in Rider R

C. Metering:

Meters shall be furnished, installed, employed, and maintained as set forth in Rider R.

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D. Charges and Credits:

1. Charges

   (a) The Customer will pay the rates and charges of the Customer's applicable Service Classification for net energy supplied by NYPA. If the Customer is served under time-of-day ("TOD") rates, the charge for net energy supplied by NYPA will be determined for each time period.

   (b) A Customer served under this Rider shall pay any customer charge or minimum charge and any other rates and charges under the Customer's applicable Service Classification regardless of whether the amount of energy produced by the generating equipment is less than, equal to, or greater than the amount of energy used by the Customer. A Customer taking service under a demand-billed Service Classification shall pay kW delivery charges and kW Demand Charges based on the maximum demand delivered by NYPA to the Customer during the billing period.

2. Credits

   (a) For a Customer served under a Service Classification with energy-only rates and who supplies net energy to NYPA, any kWh of net energy provided to NYPA during the billing period will be applied as a kWh credit towards any net kWh used by the Customer during the succeeding billing period. If the Customer is billed under time-of-day ("TOD") rates, the kWh credit will be determined and applied, as appropriate, to each time period. Any remaining kWh credit will be carried forward to the succeeding monthly billing period.

   (b) For a Customer served under a Service Classification with demand billing and who supplies net energy to NYPA, any kWh of net energy provided to NYPA will be converted to the equivalent monetary value at the per-kWh rate applicable to the Customer's Service Classification. The monetary credit will be applied towards any outstanding energy, customer, demand, or other charges in the billing period. Any remaining credit will be carried forward to the succeeding billing period.

3. Annual Reconciliation

   Any excess kWh will be carried forward to the next year on the account of a Customer with non-residential solar electric generating equipment or non-residential wind electric generating equipment.

4. Account Closure

   NYPA requires an actual reading to close an account under this Rider. NYPA will close an account on the earlier of: (a) the first cycle date on which a reading is taken following the requested turn off date, or (b) the date of a special reading, which a Customer may request for a charge. After a Customer's final bill is rendered, any remaining kWh credit will not be cashed out or transferred.

5. Future Changes

   NYPA reserves the right, in any manner permitted by law and at any time, to terminate, change, or modify this Rider as deemed necessary in order to harmonize Authority's tariff with Utility's Rider R; as dictated by the Public Service Commission; or resulting from Authority's staff analysis.

V. General Provisions

A. Rules and Regulations

1. The Rules are hereby incorporated into this Service Tariff with the same force and effect as if herein set forth at length, except as may be noted herein. In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern. Section 454.6 (d) of the Rules shall not be applicable to service hereunder.

2. The supply of service hereunder to Customer is subject to the provisions of the Service Agreement for the Delivery of Power and Energy ("Service Agreement") and the Planning and Supply Agreement ("Planning and Supply Agreement") both dated March 10, 1989, and both between Authority and Consolidated Edison Company of New York, Inc.; and the Consolidated Edison Company of New York, Inc. Delivery Service Rate Schedule Implementing and Part of the Service Agreement as filed with the Public Service Commission and the Federal Energy Regulatory Commission ("PASNY No. 4"), respectively, and as each may be amended and supplemented from time to time. In the event of any inconsistency, conflict or difference between the provisions of this Service Tariff and/or Authority's Rules on the one hand and those contained in PASNY No. 4, the Service Agreement, and/or the Planning and Supply Agreement on the other hand, the provisions of this Service Tariff and Authority's Rules shall govern.

3. In the event of any inconsistencies, conflicts or differences between any provisions of the 2007 Supplemental Agreement (if applicable) and any of the agreements or documents referenced in Section V, General Provisions A.1 and 2, the provisions of the 2007 Supplemental Agreement shall govern.

B. Character of Service

Alternating current; 60 hertz; 3 phase

C. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVA) for any given load and time. Authority may require Customer to maintain a power factor of not less than 95%, lagging or leading, at the meter, or as may otherwise be imposed upon Authority by Utility and/or NYISO.

D. Notice of Adjustments in Charges

Power and Energy: Whenever Authority has determined that the rates for power and energy sold hereunder, exclusive of Delivery Service charges and Energy Charge Adjustment, should be revised pursuant to the Rules, it will notify Customer in writing of the revised rates not less than thirty (30) days in advance of the effective date thereof.

Delivery Service: Authority shall notify Customer in writing within thirty (30) days following the date it receives written notice of adjustments in rates, terms and conditions related to Delivery Service and shall amend this Service Tariff to incorporate such changes accordingly.

ECA: Changes in the Energy Charge Adjustment (if applicable) will be indicated on the monthly bill without prior notice.

E. Customer Requirements for Production and Delivery Service

1. Provision of Production Service

   From time to time, Authority will accept requests for Production service from existing or prospective Authority Customers. Authority will notify Utility when Authority has accepted any new Customer and its associated Accounts and when Authority accepts a new Account(s) of an existing Customer. Authority will notify Utility of the time in which it will initiate Production service to such Accounts.

   (a) With respect to Accounts transferred from Utility: Utility has agreed (in the Service Agreement) to transfer service of the Accounts which are the customers of Utility to Authority, free of any limitations on termination of contract which would otherwise apply in the absence of such Agreement, except that Utility shall not be required to transfer service of any Account if such customer is not current on its payment for service from Utility, does not pay promptly its final bill for service, and has not paid its outstanding financial obligations to Utility.

   (b) With respect to Accounts to be transferred from Third-Party Supplier: the prospective customer shall be responsible for arranging to terminate its service with its Third-Party Supplier and for the transfer of service to Authority, which termination shall, in the ordinary case, be in accordance with the terms of the prospective customer's service agreement with its Third-Party Supplier, and which transfer should be in accordance with the Service Agreement.

   (c) Prospective customers must, to the extent practicable notify Authority in advance of any transfer of service from Utility or a Third-Party Supplier to Authority or initiation of service that it desires to be made, but in no event will such notice be less than 30 days.

   (d) All Customers shall be subject to compliance with all applicable service connection and other requirements of Utility concerning initiation or modification of service as would apply to a similarly situated customer under Utility's applicable tariffs.

2. Provision of Delivery Service

   Utility has agreed (in the Service Agreement) to accept power and energy from Authority, and to deliver such power and energy to Authority Customers designated by Authority at such delivery points as the Utility will specify within its franchise area, utilizing Utility's transmission and distribution facilities as available for that purpose. Under such Agreement:

   (a) Utility and/or Customer may, from time to time, be required to install new or enlarged facilities within the franchise area to serve Customer;

   (b) Customer is required to coordinate directly with Utility for each requirement for a new delivery point or for enlarged or altered service at any existing delivery point including reinforcement, maintenance or removal applicable thereto;

   (c) any new, enlarged or altered service or facilities that Utility supplies to its own customers under its effective service schedule or schedules without compensation additional to the standard rate for service shall be similarly available to Authority Customers without payment of compensation beyond the standard rate for Delivery Service provided for that class of Authority Customers; and

(d) when the Delivery Service requires facilities for which Utility normally would make a special charge to its own customers or would require the customer to make the installation, Utility shall specify, after discussion with Authority, the additional compensation Customer shall pay to Utility which shall not exceed the compensation which would be payable by a customer of Utility in comparable circumstances; or Customer shall install the needed facilities which shall conform to Utility's specifications and Utility shall permit their connection to its system in accordance with Utility's specifications.

3. Temporary Service

Temporary service, if provided to prospective customers that may become Authority Customers, will not be the responsibility of Authority. Upon installation of the permanent service connection, service to the Account(s) shall be transferred to Authority in accordance with subsections 1 and 2 above and only then shall such Account(s) be the responsibility of Authority.

4. Initiation, Continuance and Termination of Service

(a) Unless otherwise provided in the Customer Supply Contract, the following provisions concerning continuance and termination of Service shall apply:

(1) Initiation of service will be upon approved application of Customer, under the procedures specified in the Rules.

(2) Once initiated, service will continue until cancelled or terminated by Authority pursuant to required notice as provided in the Rules.

(3) Customer may terminate service at any time after one year's service on written notice to Authority at least thirty six months in advance.

(b) Unless otherwise provided in the Customer Supply Contract, the Minimum Bill provision of this Service Tariff, as defined in Section VI, Provision B, and Section VII, Provision E, shall apply.

(c) Unless otherwise provided in the Customer Supply Contract, Customer may effect a partial termination or reduction of service if such partial termination or reduction results from (i) Account turn offs; load management; energy conservation; or Customer-supplied generation, or (ii) partial transfer of service by Account to a third party, provided that any such transfer in any given calendar year does not exceed 3 percent of the total annual sales to Customer in that calendar year. Such transfer may occur at any time after one year's service on written notice to Authority not less than 120 days in advance, or sooner, if mutually agreeable.

(d) Customer shall notify Authority and Utility in writing in advance when service is to be discontinued at an existing Account. Customer shall provide the name and address, if known, of the succeeding owner or occupant of the Account location being discontinued. If Customer desires service from Authority at another location, Customer shall file a request for such service pursuant to Authority's requirements.

5. Transfer of Service

   In the event that Customer discontinues Authority electric service in accordance with the provision of this Service Tariff entitled "Initiation, Continuance and Termination of Service", or Authority discontinues electric service to Customer, transfer of such service from Authority to a Third-Party Supplier or Utility shall be effected provided such Customer meets the Third-Party Supplier’s or Utility's prerequisites for electric service as set forth in such supplier's filed schedule for electricity service.

6. Redistribution of Electric Service

   Customer may not resell, remeter (or submeter), or redistribute electric service to its tenants or occupants in the premises supplied by Authority, unless such is expressly authorized by the Authority and not violative of any statutes, laws, rules or regulations of any body having jurisdiction in the premises.

F. Billing Demand

Except as otherwise agreed upon, for metered service the billing demand shall be the maximum 30 minute integrated demand established during the billing period and for unmetered service the billing demand shall be determined by Authority.

G. Billing Period

Customer meters are generally scheduled to be read by Utility and bills rendered by Authority on a monthly basis, approximately thirty (30) days.

H. Payment

1. Bills computed under this Service Tariff are due and payable at the office of Authority within ten (10) days of the date of bill, subject to late payment in accordance with provision 454.6 (b) of the Rules. In the event that there is a dispute on any item of a bill rendered by Authority, Customer shall pay such bill in its entirety within the prescribed period and any necessary adjustments will be made thereafter.
2. Payment of Estimated Bill: Whenever Utility is unable, for whatever reason, to record Customer’s meter information for any monthly billing period, Authority will render to Customer an estimated bill for service for such billing period. This bill will be due and payable in accordance with subsection (1) of this Provision H. of this Service Tariff.

Once Customer’s meter is read then Authority will render to Customer an actual, final bill approximately twenty (20) days after the conclusion of the billing period in question. Any overpayment or underpayment by Customer for the previous estimated bill, as determined by the actual, final bill for such billing period, will be treated as a credit or charge towards the bill calculated for the succeeding billing period.

I. Apportionment of Charges When Customer Receives Production Service from the Authority and a Third-Party Supplier

If the total firm power and energy delivered to the Customer is provided partly by Authority and partly by a Third-Party Supplier, then the total charges to the Customer will be pro-rated accordingly (i.e., partly at Authority's rates and partly at Third-Party Supplier’s rates).

J. Customer Information for Supply Planning

To assist in Authority's supply planning, Customer agrees to cooperate with Authority in providing information on future power and energy requirements as the Authority may request from time to time.

Unless otherwise provided in the Customer Supply Contract, Customer agrees to cooperate with Authority in providing information on future power and energy requirements as the Authority may request from time to time.

K. Bill Proration

If conditions warrant, consistent with billing system capability and information received from the Utility, the Authority may deem it necessary to apply demand bill proration.

VI. Special Provisions Applicable to Production

A. Energy Charge Adjustment

Unless alternative provisions are set forth in its Customer Supply Contract with Authority, Customer shall be subject to the following Energy Charge Adjustment (“ECA”) provision: The charges for electric service hereunder will be subject each month to an addition or a deduction when the "average cost of energy" (defined below) for the previous month increases or decreases from the “base cost of energy” (defined below).

1. The “base cost of energy” shall be equal to (a) the sum of the projected cost of fuel, purchased power, ancillary services and other NYISO-related charges and hedging costs to be incurred to serve Customer for the calendar year in question, less (b) any projected NYISO capacity, energy, or ancillary service revenues or credits to be received by Authority associated with providing service to Customer, as well as any other projected NYISO credits or revenues associated with providing service to Customer (*e.g.*, as a generator or a load serving entity), including Transmission Congestion Credits and rents associated with transmission paths determined by Authority to be used in serving Customer for the calendar year; all divided by the projected kilowatt hour sales to such Customer for the calendar year. The base cost may be amended from time to time.

   The “base cost of energy” expressed in
   dollars per kilowatt hour is $0.06178

2. The "average cost of energy" shall be equal to (a) the sum of the costs of fuel, purchased power, ancillary services and other NYISO-related charges and hedging costs actually incurred in the previous month to serve Customer, less (b) any NYISO capacity, energy, and ancillary service revenues or credits actually received in the previous month by Authority and associated with the service provided by Authority to Customer as well as any other NYISO credits or revenues actually received by Authority and associated with providing service to Customer (*e.g.*, as a generator or a load serving entity), including Transmission Congestion Credits and rents associated with transmission paths determined by Authority to be used in serving Customer; all divided by the total kilowatt hours sold to such Customer for such previous month.

   The "average cost of energy" as determined hereinabove will be adjusted from time to time as determined by Authority to permit reconciliation of revenues derived from Energy Charge Adjustments billed to Customer in prior billing periods with energy-related costs applicable to such billing periods.

3. The “ECA Factor” is the difference between the average cost of energy including adjustments, and the base cost of energy. The ECA Factor shall be added to or subtracted monthly from the charges for electric service to Customer. It will be shown monthly in the Statement of ECA Factor. A copy of the current Statement of ECA Factor will be available upon request.

B. Minimum Bill

Unless otherwise provided in the Customer Supply Contract, each Customer Account shall be responsible for a Production minimum charge as follows. Production minimum bill shall be exclusive of any minimum charges applicable to Delivery Service.

Demand Metered Service - Accounts where usage is measured by both demand and energy meters. The minimum charge shall be equal to three-quarters (75%) of the product of the demand rate applicable to the Account and the maximum metered demand from the previous twelve months for that Account.

Demand Unmetered Service - Accounts that are unmetered and billed for demand and energy. The minimum charge shall be equal to three-quarters (75%) of the product of the demand rate applicable to the Account and the maximum monthly billing demand from the previous twelve months for that Account.

Energy Metered Service – Accounts where usage is measured by energy meters alone. The minimum charge shall be equal to the product of the total energy rate, applicable to the Account and fifty (50) kWh of usage.

Energy Unmetered Service – Accounts that are unmetered and billed for energy only. The minimum charge shall be equal to the product of the total energy rate, applicable to the Account and fifty (50) kWh of usage.

Charges set forth above are effective with January 2012 bill period.

C. Effective Date of Rates and Charges

The foregoing rates and charges shall apply to any billing period that includes service on and after the effective date hereof, and are applicable for the entire billing period.

D. NYISO-Related Charges

It is intended that the mechanisms to determine the demand charge, energy charge and Energy Charge Adjustment will account for all charges imposed upon Authority by the NYISO (or its successor) to serve the Customers including charges for capacity, transmission, ancillary services, marginal losses, congestion, reliability-related charges, demand curve charges or any other charge or assessment associated with Authority's responsibility as load serving entity to Customer. Such charges shall be net of any NYISO credits or revenues, including congestion rents, received by Authority and associated with service to Customer.

E. Distribution Losses

The determination of the demand charge, energy charge and Energy Charge Adjustment shall account for distribution losses, which losses represent the difference between the power and energy supplied by Authority to the load bus and the power and energy received by Customers.

F. Production Rate Structure Updates

The Authority shall have the right to perform and to implement production rate structure re-design update on a biennial basis in order to ensure that the production rate design remains cost-based. Such updates shall take into account changes in load profiles, cost allocators, marginal costs analyses reflecting Customer hourly load date and relevant NYISO prices, bill impacts, and Customer feedback. Furthermore, if significant changes have occurred due to modifications in the Authority's cost structure or other factors impacting rates (such as changes in Customer load profiles or market prices affecting seasonal/time-of-day price differentials), which the Authority, at its own discretion, believes requires an update to the production rate structure more frequently than biennially, the Authority shall have the right to perform and to implement such production rate structure updates. Nothing in this provision shall limit or expand the Authority's ability under the Customer Supply Contract to perform annual cost-of-service updates to the production rates.

G. Production Rate Development

To the extent that a new or existing NYPA Customer should take service under a service classification for which a rate has not been published in this Service Tariff, the Customer will be billed in accordance with the next most appropriate existing rate, determined at the discretion of the Authority, until an appropriate rate is developed. This includes service taken under Rider A Standby Rate.

VII. Special Provisions Applicable to Delivery Service

A. Rates and Charges

Delivery Service rates set forth in Section IV, Rates and Charges, of this Service Tariff are payable to Authority by Customer as reimbursement to Utility for the use of its facilities and for services rendered in conjunction with the delivery of power and energy.

Delivery Service charges, under this Service Tariff are subject, but not limited to the following surcharges:

1. Gross Receipt Tax (GRT) Surcharge

   The charges for Delivery Service shall be increased by the applicable percentage rates set forth in the Statement of GRT Surcharge of this Service Tariff and by the applicable percentage rate of the taxes imposed by the State and/or the municipality where service is supplied on the revenues of the Utility providing Delivery Service. A copy of the current Statement of GRT Surcharge will be available upon request.

2. Madison Square Garden charge

   The charges for Delivery Service shall be subject to a charge representing Authority's share of the cost of the savings passed on to Madison Square Garden in accordance with Section 3, Chapter 459, 1982 N.Y. Laws. A copy of the current Madison Square Garden charge will be available upon request.

3. Revenue Decoupling Mechanism (“RDM”) Adjustment

   In March 2008, the New York State Public Service Commission gave approval to Utility to implement a Revenue Decoupling Mechanism, which would be applied Utility delivery service to NYPA’s governmental customers. The RDM Adjustment is a six-month true-up between Pure Base Revenue (actual) and Allowed Pure Base Revenue (target). Annual Allowed Pure Base Revenue is revised whenever there is a change in delivery rates. Pure Base Revenue under PASNY No. 4 means revenue attributable to charges under Rates I, II, III and IV, except as specified in PASNY No.4, Special Provision Adjustments (F).

   <u>Mechanism</u>

   Every month Utility reconciles the difference between actual Pure Base Revenue and Allowed Pure Base Revenue under PASNY No. 4. Except as indicated below, every six months the cumulative difference is charged or credited to the Authority, with interest, over the six-month period that commences two months later. The first RDM collection/refund period was for the six-month period April 2008 through September 2008, for collection or refund to the Authority over the six months commencing November 2008.

   If the cumulative actual difference between actual Pure Base Revenue and Allowed Pure Base Revenue equals or exceeds $10 million under PASNY No. 4 plus Utility’s PSC No. 9 and PSC No.2 tariffs before the end of six months, Utility may initiate collection or refund of RDM amounts prior to the onset of a six-month RDM collection/refund period or adjust the amounts to be collected or refunded for the remaining months of a RDM collection/refund period.

The monthly amount to be charged or credited are determined by dividing the amount to be charged or credited over the RDM collection/refund period divided by the number of months in the collection/refund period. For example, if an amount is to be charged over a six-month period, one-sixth of the amount will be billed monthly.

The Authority allocates the total RDM charge or credit, including GRT, to all governmental customers based on delivery amounts paid by governmental customers during the reconciliation period. This charge or credit excludes KIAC.

Statement

The total monetary amount, excluding GRT and KIAC, to be collected from or credited to all governmental customers is shown on the Statement of RDM Adjustment. A copy of the current Statement of RDM Adjustment will be available upon request.

4. 18-a Assessment Surcharge

On April 7, 2009, a change to Section 18-a of the Public Service Law ("PSL") was signed into law, which entails a Temporary State Energy and Utility Service Conservation Assessment applicable to public utility companies' revenues. This surcharge allows Utility to recover the 18-a Assessment on its delivery service revenues that is being passed on to the Authority.

Any difference between Section 18-a amounts to be recovered and actual amounts collected, excluding GRT, will be reflected in a subsequent period surcharge; provided, however, that any reconciliation amount required to be collected after the last year that the surcharge is in effect, will be deferred, plus working capital costs, for future disposition.

Utility allocates the 18-a Assessment Surcharge to NYPA based on the class contribution to Utility's total electric revenues, including GRT.

The Authority allocates the total 18-a Assessment Surcharge, including GRT, to all governmental customers based on the period the allocation of the 18-a Assessment Surcharge is based on. This surcharge excludes KIAC.

Statement

The total monetary amount, excluding GRT and KIAC, to be collected from all governmental customers is shown on the Statement of 18-a Assessment Surcharge. A copy of the current Statement of 18-a Assessment Surcharge will be available upon request.

18-a Assessment Surcharge shall be recovered through March 31, 2014.

5. Smart Grid Surcharge

   As directed in Case 09-E-0310, the New York State Public Service Commission gave approval to Con Edison to implement a surcharge mechanism for recovery of costs associated with Stimulus Projects that receive federal funding from U.S. Department of Energy under the American Recovery and Reinvestment Act of 2009. This surcharge is being passed on to the Authority. The initial portion of the total amount to be collected will be recovered over the five-month period commencing November 2010. Commencing April 2011 and every twelve months thereafter, the portion of the total amount to be collected will be revised.

   The Authority allocates the total Smart Grid Surcharge, including GRT, to all governmental customers based on delivery amounts paid by governmental customers (during the reconciliation period). A copy of the current Smart Grid Surcharge will be available upon request.

6. Reactive Power Demand Charge

   The Reactive Power Demand Charge qualifying criteria applicable to Customers billed under this Service Tariff are specified under the Common Provisions (Reactive Power Demand Charge) included in the Delivery Service Rate Schedule of Consolidated Edison Company of New York, Inc. (PASNY No. 4). Reactive Power Demand Charges apply to customers served under Service Classifications 65, 68, 69, 82, 85s, 91, 93 and 98. The rate is uniform with the exception of induction-generation equipment where in specific circumstances a lower rate may apply.

   The reactive power charge will be introduced in two phases over the course of a two year period. Phase one shall begin in January 2011 for customers whose monthly demand is 1,000 kW or higher. The second phase will begin in October 2011 for customers whose monthly demand is between 500 kW and 1,000 kW. The charge will also apply to customers who have induction generators that meet 1,000 kW and 500 kW thresholds. A copy of the current Statement Reactive Demand Charge will be available upon request.

   In its Order, issued and effective February 17, 2010, in Case 08-E-0751, the PSC approved reactive-power charges as proposed by the Utility in its October 21, 2009 tariff filing, and modified by its January 25, 2010 tariff filing.

B. Delivery Service Rate Schedule

1. Delivery Service under this Service Tariff is subject to the rules, regulations, terms, Common, General and Special Provisions of the Delivery Service Rate Schedule (PASNY No. 4) of the Consolidated Edison Company of New York, Inc., on file with the New York State Public Service Commission and the Federal Energy Regulatory Commission, all as may be amended from time to time; provided, however, that service hereunder shall not be subject to either the rate provisions of said Delivery Service Rate Schedule entitled "Delivery Service Rate I" and "Delivery Service Rate II – Time-of-Day" or such other provisions thereof as shall be deemed not to apply to the service hereunder in accordance with Section V, General Provisions A.2.

2. The applicable Special Provisions included in the Delivery Service Rate Schedule (PASNY No. 4) of Utility are incorporated by reference based on the service classifications in Section IV, Rates and Charges.

C. Adjustment of Charges

The charges for Delivery Service hereunder shall be subject periodically to an addition or deduction to reconcile the difference between the charges rendered to Authority by Utility for Delivery Service for Authority customers utilizing such Delivery Service and the charges billed by Authority to such customers. The amounts of any such additions or deductions will be determined and reflected in the Customer's bills for Delivery Service in a manner specified by Authority.

The charges for Delivery Service rendered under this Service Tariff shall be subject to adjustment as Authority deems necessary to recover from the Customer any rates, charges, taxes or assessments charged to Authority by Utility (including any such rates, charges, taxes or assessments lawfully charged for any period from commencement of service to Customer by Authority) if and to the extent such rates, charges, taxes or assessments are not recovered by Authority pursuant to another provision of this Service Tariff.

D. Proration of Monthly Rates and Charges

The foregoing rates and charges shall apply to service rendered hereunder on and after the effective date hereof. Where a bill includes periods before the effective date and after the effective date, the rates and charges applicable will be prorated based on the number of days of service rendered before the effective date and on and after the effective date related to the total number of days in the billing period.

E. Minimum Bill

Customers taking service under this Service Tariff are subject to Delivery Minimum Bill as specified in the Common Provisions (Minimum Monthly Charge) of Delivery Service Rate Schedule of Consolidated Edison Company of New York Inc. (PASNY No. 4)

1. Each Month the Utility will determine for each Customer served under this Service Tariff:

   (a) Monthly pure base revenue, and

   (b) The Minimum Monthly Charge

   “Monthly pure base revenue” is equal to Customer’s Demand Charge excluding reactive power demand charges, without reference to the Minimum Monthly Charge, and exclusive on any kilowatt charges applicable under Special Provisions Applicable to Delivery Service.

   “Minimum Monthly Charge” is equal to the Customer’s Contract Demand established by the Utility multiplied by 39 percent of the delivery service demand applicable to such Customer under applicable rate.

2. For any month in which the Minimum Monthly Charge exceeds the monthly pure base revenue, the Minimum Monthly Charge will be billed.

3. Where the Minimum Monthly Charge is billed, the Customer’s Demand Delivery Charge will be equal to the Minimum Monthly Charge plus reactive power demand charges and any other applicable charges.

Minimum Monthly Charge is applicable to all Customers except those subject to Rider A or Rider C of this tariff.

F. Seasonal Proration

When a bill includes periods during both the summer billing period and the winter billing period, the rates and charges applicable will be prorated based on the number of days in the summer billing period and the number of days in the winter billing period related to the total number of days in the billing period.

G. Billing Period Proration

Where Authority renders a bill for other than a 30 day period, the rates and charges will be prorated on the basis of the number of elapsed days divided by 30; except that a Customer, who terminates service less than 30 days after the commencement of service, will be billed for a month.

H. Delivery Service Rate True-up Mechanism

Delivery charges billed by the Authority to Customers are subject to annual true-up with the delivery charges billed by Utility to Authority inclusive of any discrepancies between the estimated billing, street lighting proration and minimum billing procedures of Authority and Utility. The Authority will perform the true-up each July for the 12-month period ending the preceding April, and will make any necessary refunds or surcharges as soon as practicable. Notwithstanding the previous sentence, should the over/under recovery of the Utility's delivery charges from Customers exceed a collar of $5 million at any time, a refund or surcharge will be passed on to Customers as soon as practicable.

I. Delivery Rate Development

To the extent that a new or existing NYPA Customer should take service under a service classification for which a rate has not been published in this Service Tariff, the Customer will be billed in accordance with the next most appropriate existing rate, determined at the discretion of the Authority, until an appropriate rate is developed. This includes service taken under Rider A Standby Rate.

J. Rights

Nothing in this Service Tariff is intended to change, alter or diminish any of the rights, privileges or benefits inuring to the Customer by virtue of any heretofore or presently existing independent agreements or arrangements which may have given rise to a course of conduct or relationship as between Customer and Consolidated Edison Company of New York, Inc. and/or any other power supplier (other than Authority) which has heretofore supplied the power requirements of Customer in whole or in part; and nothing herein shall be occasion for the enlargement of wheeling charges for Delivery Service provided by Consolidated Edison Company of New York, Inc. or any other public utility by virtue of any impairment or curtailment or attempted impairment or curtailment of any privilege or service heretofore enjoyed by Customer.

NYPA's Governmental Customer Production Rate and Delivery Rate Structure Redesign

– Notice of Adoption

Exhibit B

Written Comments Received

Westchester
gov.com

Robert P. Astorino
County Executive

Kevin J. Plunkett
Deputy County Executive

By: Hand
May 31, 2011

Karen Delince, Corporate Secretary
New York Power Authority
123 Main Street, 11-P
White Plains, New York 10601

Re: NYPA Rate Redesign

Dear Ms. Delince:

The Power Authority of the State of New York ("NYPA") proposes to implement a realignment of rates for production and delivery services for its Southeast New York ("SENY") Governmental customers, including its New York City Governmental Customers ("NYC Customers") and its Westchester County Governmental Customers ("Westchester Customers"). On April 13, 2011, pursuant to the provisions of the State Administrative Procedure Act, Notice was given in the New York State Register of NYPA's proposed Rule Making as it relates to the above matter.

Background:
NYPA acknowledges that over time there has developed a divergence between the Delivery Rates charged to NYPA by Con Edison and the Delivery Rates charged by NYPA to its SENY customers. This has resulted not only in a divergence between the rates but an annual over-collection by NYPA from its SENY customers of approximately $9.5 million per year. NYPA has been tracking and setting aside this over-collection in a separate fund (the "Fund") since the

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end of 2005, which Fund has an accumulated net balance of approximately $39 million as of January 2011. NYPA also reviewed its Production Rates and determined that they require realignment in order to eliminate subsidies between service classes. NYPA Staff acknowledged these problems, retained the firm of Black & Veatch to assist in the study of these issues, and met with representatives of its NYC Customers and Westchester Customers over the last twelve months to discuss these matters and attempt to seek a resolution that was satisfactory to most, if not all customers. NYPA Staff proposes to correct the above rate issues by returning the Fund to the SENY customers in 2011; realigning the Delivery Rates, so that they are consistent with the Con Edison Delivery Rates; and eliminating subsidies in its Production Rates, all as outlined in the "Memorandum to the Trustees from the President & Chief Executive Officer, Subject: NYPA's Governmental Customer Production Rate and Delivery Rate Structure Redesign – Notice of Proposed Rulemaking dated March 29, 2011" ("Memorandum").

Comments:

The County of Westchester respectfully submits the following comments in response to the Notice of Proposed Rule ("NOPR"). NYPA has stated that the purpose of the Rate Redesign is to properly align costs with rates and to comply with the terms of its respective contracts with its NYC Customers and Westchester Customers. It is understood that the proposed Rate Redesign will impact Production Rates, Delivery Rates, and will return the Fund to its customers.

Agreements:

NYPA has been serving the SENY customers since 1976. There are 104 Westchester County Governmental customers served by NYPA, consisting of the County of Westchester plus 103 cities, towns, villages, school districts, fire districts and other local governmental agencies located in the County of Westchester. The terms of the original agreements (1976 Agreements) between NYPA and the various Westchester customers were modified through the 2007 "Supplemental Agreements", all of which contain the same terms. Each of those Supplemental Agreements requires the pass-through of Con Edison Delivery Rates to each of the Westchester customers. In addition, it should be noted that other terms of the agreements between NYPA and the Westchester Customers are different from NYPA's agreements with its NYC Customers, including the factors that go into the calculation of Production Rates.

Production Rates:

The Westchester Customers each entered into an identical contract with NYPA. Those contracts with the Westchester Customers contain distinct terms, which differ in certain significant regards relevant to this discussion from the contracts with NYC Customers, including, but not limited to, the utilization of different production facilities and the utilization of hedging instruments. Westchester does not believe there is any disagreement about the fact that the adjustment in Production Rates should and must be handled separately for the customers in Westchester and those in New York City.

NYPA Staff also proposes to impose a minimum charge for Production Rates. The level has yet to be stated and may be minimal but there does not appear to be adequate explanation for the imposition of such a charge and until the amount and explanation is provided Westchester would reserve judgment.

Delivery Rates:

NYPA Staff has recommended implementing new, cost-based Delivery Rates for all customers. The recommended Delivery Rate structure is designed to match NYPA's Delivery Rates to Customers to the rates Con Edison charges NYPA, including minimum bill provisions. Staff recommends that the correlation of Con Edison and NYPA Delivery Rates be implemented in full for Westchester Customers effective July 1, 2011 concurrent with the adjustment of Production Rates, while the change in Delivery Rates for NYC Customers would be phased in over approximately four years. Westchester will attempt to limit its comments to the issue of realignment of rates for the County of Westchester.

The Supplemental Agreement between NYPA and the County of Westchester[1] effective January 1, 2007 clearly indicates that Westchester and each of the other Westchester Customers are entitled to be charged the Con Edison Delivery Rates, no more and no less. The contract provides that NYPA will use a true-up mechanism to assess to each customer individually the charges for under recovery and apply credits for over-recovery of Con Edison Delivery Rates.

> "Delivery Rates: NYPA will pass on to Customer, on a basis that is revenue neutral to NYPA, all charges related to the supply of electricity to Customer assessed by the Consolidated Edison Company of New York, Inc. ("Con Edison") or any other entity for which NYPA is required to secure transmission and delivery service. To the extent necessary and practicable, NYPA will use a true-up mechanism to assess charges for under-recovery and apply credits for over-recovery of Con Edison delivery charges. ..." (2007 Agreement, §§ II C, p. 4)

As acknowledged by NYPA, the NYC Customers contracts contain different terms. In fact, it is understood that the contract with the NYC Customers states that they are supposed to be charged, on an aggregate basis, the Con Edison Delivery Rates. On such a basis, there is now a minimal annual overpayment by the NYC Customers, according to the Black & Veatch study, of $1.06 million out of total NYC customer Delivery Rates of over $650 million. In contrast, the current annual overcharge to the Westchester customers is $8.5 million out of total Delivery Rates of about $41 million.

Notwithstanding the above, whether the City has an agreement with similar language in it is not relevant as to the contract rights of the Westchester customers. NYPA has agreements with the Westchester Customers, and under those contracts the Westchester Customers have no more responsibility for the mitigation costs for NYC customers than any other NYPA non-SENY customer in New York State.[2]

As NYPA has acknowledged, Westchester and the other Westchester Customers that are receiving NYPA power over the Con Edison transmission and distribution system are being

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[1] Each of the other 103 municipal entities in Westchester that are NYPA SENY customers entered into a contract with the same terms.

[2] According to the NYPA website http://www.nypa.gov/services/customers.htm, there are over 750 such customers in NYS, none of which are being asked to bear any of these mitigation costs.

overcharged annually by $8.5 million for delivery service. Therefore, based on the information provided by NYPA, as recommended by NYPA Staff, to insure transparency in the future between the rates charged by Con Edison to NYPA and the rates NYPA charges to its Westchester Customers, to comply with the requirements of the Supplemental Agreements with the Westchester Customers, and to mitigate the increase in Production Rates for the County of Westchester, Delivery Rates in Westchester should be reduced by $8.5 million effective July 1, 2011.

The above referenced contract language provides a clear solution and simplifies a number of the outstanding issues. The resolution of the issue of overpayment by the Westchester Customers should be treated separately from that of the NYC Customers, as recommended in the Memorandum. This is a contractual issue between NYPA and the Westchester Customers and should be treated accordingly. Therefore, the Board of Trustees of NYPA should adjust the Delivery Rates for Westchester Customers so that they are consistent with Con Edison's Delivery Rates to NYPA effective July 1, 2011.

Historic Overpayments:
NYPA has clearly stated that "[o]f the $9.5, it is estimated that Westchester overpays $8.5 million" Exhibit A, pg. 4 of 7 to the Memorandum, thereby contributing approximately 89% to the fund. It is understood, that pursuant to a separate procedure it has been proposed that 5.15% of the over-collection will be returned to the County of Westchester and 10% of the over-collection will be returned to the other 103 governmental customers in Westchester. The County of Westchester acknowledges that it has not challenged this allocation, even though an argument could be made for a larger share of the Fund, in consideration and anticipation of the immediate realignment effective July 1, 2011, of the Delivery Rates as proposed in Rate Redesign Exhibit A – Schedule 1, Estimated Customer Bill Impacts, Ibid.

The County of Westchester provided further comments on the return of the Fund in a separate filing dated May 20, 2011.

Coincident Peak - 1CP:
Though not explicitly stated in the recommended plan, 1CP was used in the Production Cost Study. The County of Westchester does not object to the use of 1CP as the means to allocate production costs among NYPA's SENY customers. It is acknowledged that NYPA's capacity requirements are set by the NYISO based on this single hour coincident peak. However, Westchester is concerned on the impact 1CP may have on future production cost allocations for certain customers, particularly if the peak occurs outside of the months of July and August. Such an outcome may create a short lived unfavorable impact for school districts. Some mitigation technique may be required such as averaging two or more year's 1CP. It may be appropriate to defer this issue for the future, when the actual impacts of a June or September based 1CP allocation is known.

Conclusion:
For the above stated reasons, the recommendations as contained in the Memorandum to the Trustees dated March 29, 2011 should be adopted effective July 1, 2011 as it relates to the Rate Redesign for Production and Delivery Rates for Westchester County Governmental Customers.

Respectfully submitted,

Kevin Plunkett

Kevin Plunkett
Deputy County Executive

KP/SMG:me

cc: Robert P. Astorino
by e-mail
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Timothy P. Carey
Stewart M. Glass
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May 23, 2011

VIA E-MAIL AND FEDEX

Ms. Karen Delince
Corporate Secretary
New York Power Authority
123 Main Street, 11-P
White Plains, New York 10601

Re: SAPA No. PAS-15-11-00020-P – NYPA Recommended Plan for Implementation of a NYPA Governmental Customer Production Rate and Delivery Rate Redesign

Dear Ms. Delince:

Enclosed please find the Comments of the City of New York on the New York Power Authority's ("NYPA") Recommended Plan for implementation of a NYPA Governmental Customer production rate and delivery rate redesign. These comments are submitted in response to the notice published in the State Register on April 13, 2011.

If you have any questions regarding these comments, please feel free to contact me.

Sincerely,

COUCH WHITE, LLP

Adam T. Conway

ATC/glm
Enclosure
Via Email:
cc: Ms. Edna Wells Handy, Commissioner, DCAS
Mr. Mitch Gipson, Chief of Staff, DCAS
Ms. Ariella Maron, Deputy Commissioner, DCAS Energy Management
Mr. Donald Brosen, Deputy Commissioner, DCAS Fiscal Business and Management
Ms. Susan Cohen, Assistant Commissioner, DCAS Energy Management
Mr. Sergej Mahnovski, Senior Advisor and Director, DEP Office of Strategic Planning
Mr. James Pasquale
Ms. Helle Maide
Amy Levine, Esq.
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POWER AUTHORITY
OF THE STATE OF NEW YORK

NYPA Recommended Plan for Implementation of A NYPA Governmental Customer Production Rate and Delivery Rate Redesign	**SAPA No. PAS-15-11-00020-P**

<u>COMMENTS OF</u>
<u>THE CITY OF NEW YORK</u>

May 23, 2011

COUCH WHITE, LLP
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PRELIMINARY STATEMENT

On March 29, 2011, the New York Power Authority ("NYPA") distributed NYPA Staff's "Recommended Plan for Implementation of a NYPA Governmental Customer Production Rate and Delivery Rate Redesign" ("Recommended Plan") to its Governmental Customers. On April 13, 2011, NYPA published notice of the Recommended Plan in the New York State Register.

The City of New York ("City") is one of the Governmental Customers that will be affected by the proposed rate revisions. Therefore, in accordance with the notice and Section 202 of the State Administrative Procedure Act, the City hereby submits these comments on NYPA's Recommended Plan.[1]

BACKGROUND

In 1976, NYPA assumed the responsibility to provide electric service to the City. The City entered into a contract with NYPA that sets forth the terms and conditions of the parties' relationship ("1976 Agreement"). On or about March 18, 2005, NYPA and the City entered into a Long Term Agreement ("LTA"), which is the most recent amendment of the 1976 Agreement.

Pursuant to the terms of the LTA, NYPA is proposing to re-design the production and delivery components of the rates it charges the City. As part of the re-design, NYPA procured the services of the consulting firm Black & Veatch to perform cost of service studies and analyze service class and customer-specific rate impacts based on the recommended rate

[1] The Governmental Customers include customers located in New York City and Westchester County. The comments contained herein are limited to the City's position on the Recommended Plan and do not reflect the position of any other customer of NYPA.

structures. Black & Veatch's initial report was released in September 2010, and that report was supplemented and updated in a March 2011 Addendum. In addition, NYPA Staff has held several meetings and/or conference calls with the Governmental Customers regarding the rate redesign.

SUMMARY OF POSITION

In general, the City supports many aspects of the Recommended Plan. Specifically, the City supports: (1) the methodology that NYPA used to classify and allocate production-related costs in the cost of service study; (2) NYPA's proposed July 1, 2011 implementation date for new production rates and the plan for biennial production cost of service updates; (3) NYPA's initiation date for the start of the phase-in to Con Edison's delivery rates, and does not oppose NYPA's proposed four-year phase-in period; (4) NYPA's proposal to delay the impact of Con Edison's April 2011 delivery rate increase until July 1, 2011; (5) NYPA's proposed allocators for refunding, with interest, accumulated overcollections of delivery revenues;[2] and (6) NYPA's proposed July 1, 2011 implementation of a new standby tariff.

However, the Recommended Plan proposes to implement the new production and delivery rates beginning in July 2011; this will result in less than complete mitigation of the interclass subsidies identified in Rate Year 1 if one-twelfth (1/12) of the interclass subsidies identified is repaid monthly for only half a year. Accordingly, for the reasons set forth in more detail below, the City respectfully requests the NYPA Board of Trustees to modify the Recommended Plan to ensure that the Rate Year 1 interclass subsidies identified in the Black & Veatch March 2011 Addendum are fully mitigated in Rate Year 1. In addition, in response to a

[2] The City recently filed separate comments with NYPA Staff regarding the amount of interest due on the delivery service overcollections, the appropriate refund methodology, and refund timing and process.

provision to the contrary set forth in the Recommended Plan, the City requests that NYPA maintain a neutral position on any future rate design changes to Con Edison's PASNY No. 4 rate.

DISCUSSION

A. The City Supports Many Aspects of the Recommended Plan

The proposed, cost based production rates are derived from the allocation of production costs to each service class based on a 2009 NYPA load research study. Certain production related costs and revenues are allocated using customer peak demands at the time of the New York Independent System Operator ("NYISO") peak (i.e., 1 CP methodology). The City supports utilization of the 1 CP production cost allocation methodology because it is more reflective of actual cost causation principles and is the approach used by the NYISO for cost allocation purposes. Further, the 1 CP methodology provides the most accurate price signals to customers. For example, a customer is more likely to reduce its demand during the time of the system peak if it knows that its demand at that time will result in a higher allocation of costs to it.

Under the Recommended Plan, the new production rates will become effective with the July 2011 billing period. The Recommended Plan also proposes a biennial update to the production cost of service, which will incorporate and consider, among other things, updated load research, a review of all cost allocation bases, a new cost-of-service study, and a new marginal cost analysis. This process will help ensure that production rates continue to remain cost based on a forward looking basis as customer load profiles change. Accordingly, the City supports the start date for new production rates and the biennial update.

The Recommended Plan also proposes to implement delivery rates for all Governmental Customers that are based on the delivery rates charged to NYPA by the

Consolidated Edison Company of New York, Inc. ("Con Edison"). This approach is appropriate and represents a pure pass-through of the actual distribution-related costs incurred by NYPA. It further eliminates the approximately $9.6 million annual over collection of Con Edison's delivery charges by NYPA. Con Edison provides the delivery service to NYPA's customers, and the utility's delivery rates are subject to the review and approval of the Public Service Commission. Thus, utilization of Con Edison's delivery rates is appropriate.

The Recommended Plan notes that an immediate implementation of Con Edison-based delivery rates would cause delivery rates to rise by nearly 200% for two of NYPA's Governmental Customers. Based on this severe impact, NYPA has proposed a four-year transition to Con Edison delivery rates for most customers beginning in 2011.[3] (Recommended Plan at 4-6). Although it desires a more rapid phase-in, the City is willing to accept the proposed four-year plan to align NYPA's delivery rates with Con Edison's delivery rates, subject to the comments set forth herein, because the phase-in balances the need to move to the Con Edison delivery rates expeditiously with the desire to soften the impact on customers that currently are paying too little for delivery service.

Con Edison's delivery rates increased in April 2011. The Recommended Plan proposes to delay passing the impact of Con Edison's April 2011 increase to its Governmental Customers until July 2011. The City supports this deferral because it avoids an unnecessary rate hike by utilizing an existing over collection balance that NYPA has improperly accrued.[4]

In addition, the City supports the allocators from Schedule 2 of the Recommended Plan to refund the delivery over-collections (with interest) accumulated through June 30, 2011. Schedule 2 of the Recommended Plan contains a refund allocation percentage for each

[3] New delivery rates for Westchester County will be implemented immediately.

[4] NYPA has conceded that it has over-collected from its Governmental Customers for delivery services.

Governmental Customer, and each customer's delivery credit for past over-collections will be determined using the proposed refund allocation percentages applied to the total over-collection balance. In the absence of a customer-by-customer accounting of the delivery over-collection balance, the City supports the use of the NYPA allocators as a fair representation of each customer's portion of the delivery over-collection balance.

Finally, the production rate redesign under the Recommended Plan will implement new Standby and Net Metering tariff provisions in July 2011. (Id. at 2-3). The City is supportive of NYPA's proposed Standby tariff rate provisions because they: (1) follow conventional practice of basing the contract (or reservation) demand charge on a reasonable forced outage rate; (2) follow the standard format used in New York for assessing the actual standby service taken via a prorated daily demand charge; and (3) adequately distinguish actual standby service from supplemental service.

B. The Recommended Plan Should Be Modified in Several Respects

Despite the City's general support for the Recommended Plan, the City is concerned that the proposed July 2011 implementation date for the new production rates will not fully mitigate the interclass subsidies in Rate Year 1. Specifically, the Recommended Plan notes that based on the new production rates, the City's rates for production service should decrease by approximately $4 million in 2011, the first rate year under the new rate plan. (See Recommended Plan at Sch. 1). Under the Recommended Plan, NYPA is obligated to perform a redesign update at year-end 2011 for the 2012 rate year because NYPA's rate year for production charges is the same as the calendar year. Based on the July 2011 implementation date, the City is concerned that the Year 1 production rate changes will not be fully realized in the remaining months of 2011, only mitigating 50% or less of the identified Rate Year 1 interclass subsidies.

In order to ensure that the new production rates fully mitigate the existing interclass subsidies, the City respectfully requests the Board of Trustees to clarify that the approved production rate changes will result in the full realization of each rate class's Year 1 rate change, as identified in Schedule 1 of the Recommended Plan, during the remaining months of 2011.

Similarly, the City is concerned that the proposed July 2011 implementation date for the new delivery rates will not fully mitigate the interclass subsidies in Rate Year 1. The rate year for delivery service runs from April to May. If new delivery rates become effective in July 2011, the new delivery rates will only mitigate about 75% of the identified Rate Year 1 interclass subsidies. As a result, the City respectfully requests the NYPA Board of Trustees to clarify that the new delivery rates will result in the full realization of each rate class's Year 1 rate change, as identified in Schedule 1 of the Recommended Plan, during the remaining months of 2011 and the first quarter of 2012 (i.e., distribution Year 1).

Finally, the Recommended Plan notes that any future increases to Con Edison delivery rates will be "passed on to Customers by rate component directly as they are charged to NYPA by Con Edison." (Id. at 5). Additionally, the Recommended Plan includes a yearly true-up mechanism to ensure that the delivery charges billed by NYPA to its Governmental Customers match the charges billed by Con Edison to NYPA. While the City is generally supportive of the Recommended Plan's treatment of future Con Edison delivery rate increases, it is opposed to NYPA's commitment in the Plan to seek a special, customer-specific rate in the next Con Edison electric rate case. (Id. at 6). It is premature for NYPA to make such a commitment so far in advance of that rate filing, and without any basis for believing that Con Edison's cost of service study will support such a new rate. Accordingly, the City respectfully requests the NYPA Board of Trustees to clarify that NYPA is not committed at this time to advocating any particular re-design of Con Edison's delivery service rates in a future Con Edison rate proceeding.

CONCLUSION

The City respectfully requests that the Recommended Plan be adopted by the NYPA Board of Trustees in accordance with the discussion and recommendations set forth herein.

Dated: May 23, 2011
Albany, New York

Respectfully submitted,

Robert M. Loughney

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Metropolitan Transportation Authority
State of New York

May 31, 2011

Ms. Karen Delince
Corporate Secretary
Power Authority of the State of New York
123 Main Street, 11-P
White Plains, New York 10601

Re: Comments of Metropolitan Transportation Authority ("MTA") on Power Authority of New York's Proposed Rule Making Relating to Rates for Production and Delivery Services; I.D. No. PAS-15-11-00020-P

Dear Ms. Delince:

We understand that at the March 29th, 2011, meeting of the Board of the Power Authority of New York ("PASNY"), the PASNY staff presented to the Board and to the public the results of the production and delivery rate redesign study for both production and delivery services charged to its NYC Governmental Customers and its Westchester County Governmental Customer. We also understand that the Board then adopted proposed rates and has sought public comment. MTA's comments on the proposed rates and rate-making process follow.

As a threshold matter, as described below, MTA does not believe that PASNY complied with the requirements of the 2005 Long Term Agreement between MTA and PASNY ("LTA") with respect to the rate redesign study. MTA, with the assistance of an energy consultant, conducted its own review of the PASNY rate redesign study and concluded that because of misalignments between the Con Ed rate allocation methodology and the PASNY 4 rate, MTA will be significantly overpaying for its delivery services if the proposed PASNY rates are adopted. MTA made its concerns known to PASNY. MTA believes that this misalignment can be addressed through adjustments to Con Ed's rate structure, but such changes cannot be made until the next Con Ed rate case, which will begin next year. While we appreciate that PASNY has agreed to assist MTA in this regard by agreeing to request an MTA-specific delivery charge rate during the next Con Ed rate case, we do not think that is the solution to the proposed unfair rate increase on MTA. The LTA requires that the PASNY delivery service rate changes must be aligned with the costs of serving each individual customer. Passing the Con Ed rate structure through to the NYC Governmental Customers does not comply with the terms of the LTA.

Finally, if PASNY were to adopt the proposed rates and not take into account the adverse impact to MTA of the inappropriate alignment between the Con Ed rate classes and the PASNY rate classes, MTA's delivery costs for PASNY power would increase nearly 200% per year. Implementing such an increase is itself inappropriate because it will result in MTA overpayment for delivery services, but implementation in one year would result in a wholly unfair and undue financial burden to the MTA and the public transportation riders of New York, many of whom are in our most economically vulnerable populations.

1. **<u>PASNY did not comply with the requirements of the 2005 Long Term Agreement with MTA with respect to the subject rate design study.</u>**

For the past 20 years, PASNY has historically ignored the Con Ed PASNY 4 Rate I & II rate structures and has maintained and utilized the rate structure PASNY inherited from Con Ed.. As part of the negotiation of long-term supply agreements with the NYC Governmental Customers, a mechanism was agreed to for undertaking cost of service studies. Article VI of the LTA (and mirrored in the long-term supply agreements with the other NYC Governmental Customers) provides that:

> "VI. Rate Design Study, New Tariffs
>
> NYPA will complete COS studies of the demand, energy, and delivery charges in NYPA's tariffs by March 31, 2008. Any such studies shall be performed with input and concurrence from the NYC Governmental Customers on the scope, design, data collection and cost allocation method to be employed, it being the goal of the Parties to, inter alia, redesign rates so that the rates charged to the NYC Governmental Customers are aligned with costs, all on a basis that is revenue neutral to NYPA and in a manner that recognizes individual customer bill impacts and ameliorates such impacts. The results of such studies will be shared with the NYC Governmental Customers and the NYC Governmental Customers agree that, as provided below, the appropriate tariff changes shall be implemented. After the studies are completed, and in cooperation with the NYC Governmental Customers, NYPA will initiate the public comment and approval process under SAPA to adopt appropriate tariff changes. The cost of any such studies and the cost of any metering or other equipment required to provide data for such studies or to implement the results of studies shall be included in the COS and borne by the NYC Governmental Customers unless such costs can be specifically assigned to a particular NYC Governmental Customer or Customers (e.g., metering costs)."

Although PASNY provided MTA with the opportunity to comment on the RFP for the rate redesign study and to comment on the interim and final rate redesign report, PASNY did not obtain MTA's concurrence on the design, data collection and cost allocation method employed in the final Black & Veatch study. MTA repeatedly identified problems and mistakes with the methodology employed by Black & Veatch, and PASNY declined to adopt MTA's proposed revisions and corrections to such methodology.

With respect to NYC Governmental Customer concurrence, Article V of the long-term agreement provides that:

> "V. Decisions by the NYC Governmental Customers
>
> Wherever in this Agreement a decision of the NYC Governmental Customers as a group is required, such decisions shall be made binding on Customer if made by the NYC Governmental Customers representing at least 80 percent of the total actual annual energy usage supplied by NYPA by kilowatt hour during the most recent full calendar year for which such information is available."

Given MTA's percentage of energy usage, MTA concurrence, which was never formally obtained, was required on the design, data collection and cost allocation methods employed by PASNY in the rate redesign study. Without MTA concurrence, PASNY's entire rate redesign study and the enforceability of the proposed PASNY rates with respect to supply of MTA energy under the LTA could be considered invalid.

2. **The PASNY 4 Rate I rate structure does not align with Con Ed's unbundled cost of service and the PASNY rate redesign should not be implemented until the Con Ed rate plan includes a rate class that is specific to MTA's unique consumption and demand patterns.**

The State of New York Public Service Commission ("PSC") Order & Three Year Electric Rate Plan ("Con Ed Rate Plan") dated March 26, 2010 established a three year phase-in rate increase plan for Con Ed customers. Over the three year period, the Con Ed Rate Plan will result in a total overall delivery service rate increase to PASNY of 34.67% (compounded). Phase 1 is 12.42% as shown in the following table.

Annual Rate Increases

Year	Average Percentage Rate Increase	PASNY Percentage Rate Increase
1	10.607702	12.417926
2	9.526386	9.526386
3	8.647221	9.372559

The Con Ed Rate Plan was the result of a settlement agreement among parties in the case. Although the settlement agreement dictated an overall change in class cost of service and was not strictly based on cost of service results, we would expect that rate design would consider the cost of service results so that intra-class subsidies would be addressed. This was not the case, as Con Ed applied an across the board percentage rate adjustment to the existing rate structure that met the PASNY rate class revenue requirement per the settlement agreement.

Based on our review of the Con Ed rate design process, it appears that the across the board rate design methodology employed by Con Ed does not reflect the underlying cost of service as prepared by Con Ed and presented in the rate case. Specifically, we believe that the Con Ed rate structure of the PASNY 4 Rate I-Conventional rate tariff improperly reflects the cost differential between high and low tension service. Based on our analyses, the cost differential between high and low tension service is on the order of 26% rather than the 10% currently reflected in the Con Ed rate tariff. In other words, the high tension rate should be 26% lower than the low tension rate. Because MTA receives a significant amount of power at high tension, the impact of this rate design disparity significantly overcharges MTA for delivery service.

Looking at this disparity from another perspective, the PASNY 4 Rate II-Time of Day calculates high and low tension differentials for the summer and winter seasons. The differentials for the summer and winter seasons are 45% and 37% respectively. Because of the above evidence, the PASNY 4 Rate I rate design proposed by PASNY does not accurately reflect the cost of serving MTA and, if adopted, will result in substantial overpayments by MTA.

To make matters worse, the billing determinates used by Con Ed in its rate design process are suspect due to significant levels of estimated bills (nearly 40%) as mentioned in Alan Rosenberg's testimony in Docket No. 09-E-0428. In this regard, we are aware that PASNY is working with Con Ed to reconcile numerous discrepancies between PASNY customer counts and meter reads. Inaccurate billing determinates create inaccurate cost of service allocations which likely result in inaccurate rate design.

Given the above described infirmities with the current Con Ed rate structure, we believe this is not the proper time for PASNY to make significant changes to delivery service charge rate structures. Such a rate redesign should only be implemented after the proper Con Ed delivery service charge rate structure has been determined. MTA recognizes that the PASNY delivery service charge rate specific to Service Class 85 is below cost of service largely due to the declining block rate structure but that can only be fairly adjusted when it is aligned with a parallel Con Ed rate class.

3. **<u>The LTA requires that the PASNY delivery service rate changes must be aligned with the costs of serving each individual customer and the proposed PASNY rates do not meet that requirement.</u>**

Article VI of the LTA provides that the goal of the PASNY rate redesign process is "to redesign rates so that the rates charged to the NYC Governmental Customers are aligned with costs, all on a basis that is revenue neutral to NYPA and in a manner that recognizes individual customer bill impacts and ameliorates such impacts." The proposed PASNY rate redesign does not align actual delivery costs to individual customers and would result in a significant and unexpected potential rate shock that should have been addressed in the prior Con Ed rate case. Under the LTA, PASNY is required to obtain MTA's concurrence with the methodology adopted by Black & Veatch in its Production Rate Redesign, Delivery Service Rate Modifications and Production Cost of Service ("PASNY Report"). PASNY never obtained such concurrence and MTA noted its objections on numerous occasions. MTA's position is that the PASNY Report unfairly charges MTA for its delivery costs by passing through the unfair Con Ed rate structure, thus violating the provisions of the LTA and that PASNY's failure to obtain MTA's concurrence further violates the provisions of the LTA.

4. **<u>If PASNY decides to implement massive delivery rate increases on MTA, such delivery service rate changes must be phased in following industry practice to avoid an unduly burdensome financial hardship to MTA.</u>**

The PASNY Report calculates the impact on Service Class 85 related to the adoption of the PASNY rate structure as follows:

Delivery Service Charge Rate Impact on Service Class 85

	MTA Pays Under Current Rates ($)	MTA Pays Under Proposed Rates ($)	Difference ($)	Difference (%)
Delivery Service Service Class 85 (1)	24,129,488	71,313,411	47,183,923	195.5%

(1) PASNY Report page 3-2

The nearly 200% increase to this rate class is extraordinary and violates important rate setting principles related to gradualism in rate design and minimizing rate shock to customers. This 200% rate increase is partially offset by cost decreases in other MTA service classes. However, in total the delivery charge tariff is increasing by over 41% at an annual cost of $37.6 million. Importantly, this significant rate increase represents only Phase I of the Con Ed Rate Plan as approved by the PSC. The impact will only be exacerbated as later phases of the Con Ed Rate Plan become effective.

MTA and our customers cannot afford such a dramatic and immediate increase in delivery service costs. Therefore, a gradual phase-in of whatever rate increase is finally adopted and legally binding should, at the very least, take place over a four year period.

Generally, when disproportionately large rate increases are implemented with respect to particular customer classes, these increases are phased-in over time to minimize the rate shock. The phase-in periods are determined based on the economic impact of proposed rate increases on the customers and the regional economy. In this case, MTA believes that a four year phase-in period is the minimum reasonable period. In addition to smoothing the economic impact, it will give MTA the ability to properly plan and respond to the higher power costs. Additionally, the four year phase-in period provides adequate time to review and petition for adjustments during Con Ed's next rate setting process.

In conclusion, MTA believes that:

1. PASNY did not comply with the requirements of the LTA with respect to the subject rate design study and any rate redesign implemented in reliance thereon is invalid as a contractual matter as between PASNY and MTA.

2. The PASNY 4 Rate I rate structure does not align with Con Ed's unbundled cost of service and the PASNY rate redesign should not be implemented until the Con Ed rate plan includes a rate class that is specific to MTA's unique consumption and demand patterns.

3. The LTA requires that the PASNY delivery service rate changes must be aligned with the costs of serving each individual customer and the proposed PASNY rates do not meet that requirement.

4. If PASNY decides to implement massive delivery rate increases on MTA, such delivery service rate changes must be phased in following industry practice to avoid an unduly burdensome financial hardship to MTA.

Very Truly Yours,

David Keller

Senior Deputy Director, Revenue, Economics and Energy Forecasting

THE PORT AUTHORITY OF NY & NJ

Christopher R. Zeppie
Director, Office of Environmental & Energy Programs

May 31, 2011

Ms. Karen Delince
Corporate Secretary
New York Power Authority
123 Main Street, 11-P
White Plains, New York 10601

Re: NYPA's Proposed Production and Delivery Rate Redesign: NYS Register April 13, 2011

Dear Ms. Delince:

Enclosed please find the Comments of the Port Authority of New York and New Jersey on the New York Power Authority's proposed production and delivery rate redesign for the New York City Governmental Customers. These comments are submitted in response to the notice issued in the State Register on April 13, 2011.

Our comments set forth in detail our position relative to the recommended Plan and the phase-in of its full implementation, among other matters. Additionally, the Port Authority calls specific attention to the JFK International Airport and the need for a successor service class that specifically takes into consideration the cost of service for this particular facility.

If you have any questions regarding these comments, please do not hesitate to contact me.

Sincerely,

Christopher R. Zeppie
Director, Office of Environmental and Energy Programs
Port Authority of New York and New Jersey

cc: James Pasquale, NYPA
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I. Preliminary Statement

On March 29, 2011, the New York Power Authority ("NYPA") presented its Recommended Plan for a redesign of the electricity production and delivery rates for the Port Authority of New York and New Jersey ("Port Authority") and other New York City and Westchester County governmental customers ("Governmental Customers"). On April 13, 2011, NYPA published notice of the Plan in the New York State Register. Pursuant to that notice, comments on NYPA's proposal will be accepted through May 31, 2011. In accordance with Section 202 of the State Administrative Procedure Act, the Port Authority submits these comments to NYPA regarding the Recommended Plan for redesigning the Governmental Customers' electricity rates.

II. Introduction and Summary of Position

The Port Authority is one of the fifteen Governmental Customers affected by NYPA's proposed electric production and delivery rate redesign. The Port Authority has received full requirements electric service (i.e., electric production and distribution) from NYPA since the two parties first entered into a contract in 1976 ("1976 Agreement"). The 1976 Agreement has been amended various times since then, with the most recent being the Long Term Agreement ("LTA"), executed in 2005. Under the LTA, the Port Authority will continue to receive electric service from NYPA through 2017.

The electric production and delivery rates NYPA charges the Port Authority and other Governmental Customers are described in NYPA Service Tariff No. 100 (for NYC Governmental Customers) and Service Tariff No. 200 (for Westchester County Customers). On the production side, NYPA's rates are designed to recover both the fixed and variable costs NYPA incurs for generating and purchasing power on the Governmental Customers' behalf. Power purchased by NYPA for the Governmental Customers is delivered by the Consolidated Edison Company of New York, Inc. ("Con Edison"), the electric distribution utility in the New York City and Westchester areas. The terms and rates of Con Edison's delivery service to NYPA are described in its PASNY No. 4 Service Tariff. The delivery rates NYPA charges its customers under Service Tariffs Nos. 100 and 200 are intended to recover the costs NYPA incurs for delivery service from Con Edison. Ideally, these costs should be a direct pass through to the various customer classes consistent with Con Edison' charges.

Under the terms of the LTA, NYPA is proposing to redesign its production and delivery rates consistent with cost of service principles, standard practice in the electric utility industry. As part of the rate redesign, NYPA procured the services of the consulting firm Black & Veatch to undertake the necessary cost of service studies and other analysis required. Throughout 2010, the Port Authority participated in a number of meetings with NYPA staff and other Governmental Customers to review the results of the rate design studies and provide feedback. As noted in the Recommended Plan, these meetings were extensive and sought, to the greatest extent possible, to achieve consensus on a number of matters.

In November 2010, NYPA staff solicited informal comments from the Governmental Customers on a range of redesign issues, including two options for allocating certain production-related costs to customer peak demands (1 CP and 4 CP) and four different options for the phasing-in of new delivery rates that mirror PASNY No. 4 (Immediately, 3-years, 5-years and 7-years). On December 8, 2011, the Port Authority submitted comments on these issues, noting, among other things, that it believed immediate implementation of the new production and delivery rates was the most appropriate option for the customers.

The Port Authority supports many features of the Recommended Plan, including the proposal to institute the new rate design in July 2011 and conduct biennial rate reviews based on cost of service and load studies going forward. It also supports the proposed revisions to NYPA's Standby and Net Metering tariff provisions. However, the Port Authority continues to believe that implementation of Con Edison's delivery rates should occur faster than the proposed 4-year phase-in. While the Port Authority can appreciate NYPA's sensitivity to rate impacts on other affected customers, it does not believe that it should bear the financial responsibility for easing these customers to the appropriate rate levels. Finally, as the proposal to consolidate Service Classes 64 and 69 uniquely affects the Port Authority as it relates to the Kennedy International Airport, the Port Authority respectfully requests the Board of Trustees to specify that the final rate plan should include a successor service class that specifically takes into consideration the cost of service for that facility.

III. Discussion

A. The Port Authority supports many features of the Recommended Plan

The Port Authority supports many components of NYPA's Recommended Plan. The Port Authority supports NYPA's proposed July 1, 2011 implementation date for new production and delivery rates, as well as full and immediate implementation of the proposed production redesign (with the exception noted below regarding peak demand allocators for certain production costs). While the Port Authority prefers that NYPA implement Con Edison's delivery rates immediately, rather than over a four-year period, it supports the Recommended Plan's overall objective of re-aligning NYPA delivery rates with the underlying Con Edison rate structure and rate levels.

The Port Authority also supports the Recommended Plan's proposal to establish regular, scheduled updates to its rate design, informed by cost of service analysis. Under the Plan, a biennial update to the production cost of service would be instituted, incorporating new load research, a new cost of service study and a new marginal cost analysis, among other things. The two-year updates will ensure that NYPA's rates remain cost-based going forward and take into consideration changing customer load characteristics and contributions to NYPA's cost of service.

Significantly, the Recommended Plan is also proposing to implement new Standby and Net Metering tariff provisions beginning July 2011. The Port Authority welcomes these additions to NYPA production rates, as the Port Authority is currently evaluating whether clean, distributed generation can provide economic and environmental benefits to a number of its facilities. As discussed during meetings with NYPA and the other Governmental Customers, the Port Authority is supportive of the proposed Standby tariff rate provisions because they: (1) follow conventional practice of basing the contract (or reservation) demand charge on a reasonable forced outage rate; (2) follow the standard format used in New York for assessing the actual standby service taken via a prorated daily demand charge; and (3) adequately distinguish actual standby service from supplemental service.

B. The Port Authority asserts that a 4-month peak demand allocator is preferable to a 1-month peak demand allocator

Currently, NYPA's fixed production costs are allocated to each customer based on the respective customer class's contribution to NYPA's annual peak. Since NYPA's New York System Operator ("NYISO") related costs are incurred based on its demand at the time of the NYISO system peak, it has been suggested that the NYISO peak be used to allocate costs. There are two alternative methodologies:

- 1-month peak (i.e., 1 CP): an allocator that uses the contribution of each customer class to NYPA's peak coincident with the NYISO system annual peak (a single hour); or
- 4-month peak (i.e., 4 CP): an allocator that uses an average based on the four summer monthly peaks (one hour per month June-Sept).

While the Port Authority appreciates the intent behind the 1 CP methodology in linking the allocation of costs to customer rates based on those customers' contributions to the NYISO system peak, the fact is that it is difficult to foresee when the peaks will occur and modify usage accordingly. The system peak has a tendency to change across the summer months from year-to-year. This could result in rate volatility for some customers when NYPA rates are updated during a subsequent cost-of-service period (e.g., two years from now). On the other hand, the 4 CP method, which averages customer peaks across the four summer months, would provide a more stable approach to cost allocation, reducing the degree of volatility from one cost-of-service period to the next. It will also continue to send a signal to the Customers to reduce their demand during the mid-weekday summer afternoons.

C. The Port Authority respectfully requests that the NYPA Board of Trustees modify the Recommended Plan to fully align its delivery rates with Con Edison's PASNY No. 4 in less than four years and preferably in the 2012 Rate Year

The *delivery* portion of NYPA's rates is intended to recover the charges associated with Con Edison delivery services provided under Con Edison's PASNY No. 4 tariff. As the Recommended Plan notes, NYPA's delivery rates were initially designed to mirror Con Edison's, but over time these rates have diverged. The resulting misalignment has led to: 1) a significant over-collection on the delivery portion of the bill amounting to approximately $39 million as of the end of February 2011; and 2) the cross-subsidization of different NYPA rate classes.

The Port Authority believes that the best option for the Governmental Customers is an immediate implementation of the full PASNY No. 4 rates. The misalignment between NYPA delivery rates and PASNY No. 4 has occurred for too long, and delaying implementation comes at great expense to the customers that have been paying inflated rates. While the Port Authority understands that immediate implementation of the PASNY No. 4 rates will result in rate increases for some customers, this is no reason to deny or unreasonably delay rate decreases to deserving customers. Delaying implementation of true cost-based rates only perpetuates the on-going cross-subsidization and defers the reforms necessary to align budgets with true costs.

NYPA's proposal would have the Customers wait four years before delivery rates are aligned with the underlying charges from Con Edison. While the Recommended Plan purports to eliminate the approximately $9.6 million in annual NYPA over-collections in the first year, the proposed phasing results in continued inter-class subsidization for at least another four years. For example, according to Schedule 1 of the Recommended Plan, over the course of the proposed four-year phase-in, the Port Authority alone will continue to overpay in delivery rates a sum of approximately $4.1 million. This amount, which would be a transfer to other customer classes, exceeds the value of the entire principal amount the Port Authority would expect to receive in its refund of the historical over-collections (i.e., approximately $3.5 million, before interest). As a bi-state agency that is responsible to the taxpayers of *both* New York and New Jersey, the Port Authority believes it should not be subsidizing the rates of other New York State governmental agencies at the expense of its New Jersey obligations.

During meetings between NYPA staff and the Governmental Customers, some asserted that PASNY No. 4 rates do not accurately reflect Con Edison's true delivery cost of service for certain customer classes. As a result, it was argued, NYPA should not adopt the PASNY No. 4 rates. The Port Authority does not believe that this is the proper venue to make determinations regarding Con Edison's cost of service; nor is it appropriate to realign NYPA rates based on a general belief of what Con Edison's rates should be. The goal of this effort is to make NYPA rates reflect cost causality and the only way to do that is to make them consistent with Con Edison's PASNY No. 4 without further delay.

Concerns relating to the appropriateness and equitableness of the PASNY No. 4 rates should be directed to the New York State Public Service Commission, which makes these decisions. To the extent customers' believe that the underlying Con Edison rates do not reflect the utility's cost of service, this should be raised before the Public Service Commission during a Con Edison rate case. Other Governmental Customers should not be required to make up for a perceived over-collection by Con Edison for delivery services to certain customer classes. Aligning NYPA rates with Con Edison delivery rates will provide Governmental Customers with the proper signals to address delivery cost of service issues in the appropriate venues. In this regard, the Port Authority respectfully requests the Board of Trustees to clarify that NYPA reserves prejudgment regarding any particular customer-oriented rate design until evidence supporting such rates is established in the next Con Edison rate case (see "Re-Examination of Con Edison Delivery Rates" on Page 6 of Recommended Plan).

The Port Authority further asserts that anything other than immediate, full implementation of new rates would pose an undue administrative and auditing burden on customers, who must then track new annual rates, Con Edison rate increase adjustments and other related factors and impacts over the 4-

year period. As NYPA explained during a conference call with the Governmental Customers on April 12, 2011, the delivery bill impacts presented in Schedule 1 of the Plan are based on Con Edison delivery rates in effect from April 2010-March 2011. As such, these bill impacts do not reflect Con Edison rate increases put in place in April 2011, nor those expected for April 2012, requiring customers to, at best, make additional calculations and, at worst, guess at what the actual bill impacts over the phase-in period will be. In times when utility budgeting and cost containment is a key operational concern for the all the Governmental Customers, further complicating budget formulation and expense projection through a protracted phase-in would further disadvantage customers who have already shouldered a disproportionate financial burden.

While the Port Authority would prefer that PASNY No. 4 delivery rates be instituted immediately, it proposes that NYPA implement them in two-steps. The Recommended Plan currently proposes to institute 75% of the Con Edison rates beginning in July 2011 with 10% adjustments each in 2012 and 2013 and a final 5% adjustment in 2014. Instead, the Port Authority proposes that NYPA keep the 75% step in 2011 and complete the transition to PASNY No. 4 with a 25% step in 2012. This approach would eliminate the annual over-collection under existing NYPA rates in 2011 and remaining inter-class subsidies in 2012.

To the extent NYPA believes that rate relief is required for some customers during implementation of the new delivery rates, the Port Authority suggests that NYPA work with these customers to establish a separate phase-in schedule with NYPA covering the required subsidy. Especially when taken in context with the added expense to the Port Authority of supporting projects with regional energy benefits, it is of high importance to the Port Authority to ensure that other energy-related expenses are effectively managed, including advocating for accurate, fair rates that appropriately account for costs. The Port Authority does not believe that other customers should continue to subsidize the few that have benefited from erroneously low delivery rates.

D. **If the delivery rate phase-in is adopted as proposed in the Recommended Plan, the Port Authority respectfully requests that the full Year 1 mitigation of inter-class subsidies be realized before April 2012.**

Consistent with Con Edison's rate year, NYPA's rate year for delivery service runs from April to March. If new delivery rates become effective in July 2011, the new delivery rates will only mitigate about 75% of the identified Rate Year 1 interclass subsidies because new rates will be implemented commencing April 2012. If NYPA adopts the Recommended Plan as proposed, the Port Authority respectfully requests that the NYPA Board of Trustees clarify that the new delivery rates will allow the full realization of each rate class's first year rate change, as identified in Schedule 1 of the Recommended Plan, during the remaining months of 2011 and the first quarter of 2011.

E. **The Port Authority supports the Recommended Plan's proposed method for refunding historical delivery over-collections, with the caveat that the refund be made available as a one-time payment including interest.**

Schedule 2 of the Recommended Plan presents a refund allocation percentage for each of the Governmental Customers. Each Governmental Customer's refund for past delivery over-collections will be calculated by multiplying the proposed refund allocation percentages by the total over-collection balance. Since NYPA does not have customer-specific over-collection figures, the Port Authority supports the use of the proposed allocators for purposes of determining each over-paying customer's share of the delivery over-collection balance.

The Port Authority further agrees with the Recommended Plan that only customer classes that are currently over paying should receive a refund. The over-collections should not be used as a means of mitigating the impact of the rate redesign on those customers that have historically been underpaying for delivery services relative to PANSY No. 4. The result of such an approach would be yet further subsidization of rates for customers that have been underpaying relative to their cost.

The Port Authority agrees with the proposal to begin refunding the accumulated over-collection balance to customers no later than July 2011. However, the Port Authority respectfully requests the NYPA Board of Trustees to provide over paying customers with the option of receiving their share of the over-collections as a one-time payment instead of a credit on customer bills over a twelve-month period. Since the over-collected balance dates back to at least 2005, the refund calculation should also include interest payments to customers. Interest should be calculated in a consistent manner across all over-paying customers, using the monthly over-collection figures provided by NYPA on May 20, 2011.

F. The Port Authority respectfully requests that NYPA's Board of Trustees specify that the final rate plan should include a successor service class that specifically takes into consideration the cost of service for JFK International Airport

Among the recommended changes to production rates contained in the Recommended Plan is the consolidation of Service Classes 64 and 69 due to similarity of usage patterns and service. This recommendation will uniquely impact the Port Authority as it relates to the JFK International Airport ("Airport")/ Kennedy International Airport Cogeneration plant ("KIAC"). Service Tariff Rider B, which establishes the terms and conditions applicable to the sale and exchange of power between Port Authority and NYPA related to the Airport/KIAC, references Service Tariff 15 Time of Day (ST 15 TOD) or a successor tariff. The current applicable tariff to Port Authority for power fo

In addition to the consolidation of general Service Classes 64 and 69, NYPA staff's proposed Plan includes the implementation of new Standby rate provisions starting July 2011. Since the Rider B governing power purchased from NYPA (i.e., Back-Up, Maintenance, and Supplemental) references ST 15 TOD rates, the successor service class required for Airport/KIAC would also need to revise the back-up power (and other power) rates to be consistent with redesigned standby rates. Delivery rates consistent with the redesigned rates must also be applied to the Airport/KIAC successor tariff.

Given the intent of the Rate Redesign to establish cost-based production rates derived from the appropriate allocation of production costs to each service class, the Port Authority believes that the Airport/KIAC successor tariff that is developed should also be adjusted to more appropriately reflect the costs to serve the Airport load. Currently NYISO charges related to serving this load are separately charged to the Port Authority even though Service Tariff 100 – Service Class 64 (successor to ST 15 TOD already has NYISO charges embedded in it. The successor rate must rectify such issues related to the allocation of costs and benefits associated with the capacity and production from the Airport/KIAC plant and service of Airport load, and the Port Authority requests the NYPA do a stand-alone analysis of the production components of the Airport successor service class.

G. Conclusion

The Port Authority respectfully requests that the NYPA Board of Trustees adopt a Governmental Customer rate restructuring plan in accordance with the discussion and recommendations presented above.

Dated: May 31, 2011
New York, New York

Respectfully submitted,

Christopher R. Zeppie
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