

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

**July 29, 2008
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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York, at 11:16 a.m.:

The following Members of the Board were present:

Present: Frank S. McCullough, Jr., Chairman
Michael J. Townsend, Vice Chairman
Elise M. Cusack, Trustee
Robert E. Moses, Trustee
Thomas W. Scozzafava, Trustee
James A. Besh, Sr., Trustee
D. Patrick Curley, Trustee

Roger B. Kelley	President and Chief Executive Officer
Gil C. Quiniones	Acting Chief Operating Officer
Thomas J. Kelly	Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Edward A. Welz	Executive Vice President and Chief Engineer – Power Generation
Steven J. DeCarlo	Senior Vice President – Transmission
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
Paul F. Finnegan	Senior Vice President – Public and Governmental Affairs
William J. Nadeau	Senior Vice President – Energy Resource Management and Strategic Planning
James H. Yates	Senior Vice President – Marketing and Economic Development
Thomas P. Antenucci	Vice President – Project Management
Lesly Y. Pardo	Vice President – Internal Audit
Donald A. Russak	Vice President – Finance
Thomas Warmath	Vice President and Chief Risk Officer
Arthur T. Cambouris	Assistant General Counsel and Managing Attorney
Dennis T. Eccleston	Chief Information Officer
Richard Hackman	Chief Technology Development Officer
Albert Swansen	First Deputy Inspector General
Anne B. Cahill	Corporate Secretary
Angela D. Graves	Deputy Corporate Secretary
Thomas J. Concardo	Director – Accounting
Gerard R. Mullin	Director – Fuel Planning and Operation
James F. Pasquale	Director – Marketing Analysis and Administration
Christine Pritchard	Director – Intergovernmental and Community Affairs
Michael A. Saltzman	Director – Media Relations
Victoria Simon	Director – Business Integration and Special Projects
Joan Tursi	Director – Budgets
Marsha J. Camera	Manager – Graphic Communication
Daniel J. Cappiello	Manager – Strategy Management and Performance Planning
Anthony C. Savino	Manager – Business Power Allocation and Compliance
Carlos Gutierrez	Attorney 1 – Power and Transmission
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Jack Murphy	Temporary Public Relations Counsel
Bud Shulman	Outside Counsel – Cravath, Swaine & Moore LLP
Michael Flynn	Photographer – Corporate Support Services

Chairman McCullough presided over the meeting. Corporate Secretary Cahill kept the Minutes.

1. **Consent Agenda:**

Chairman McCullough said that item #2b (Power for Jobs Program – Extended Benefits) was being moved to the Discussion Agenda.

a. **Minutes of the Special Meeting held on June 17, 2008
and the Regular Meeting held on June 24, 2008**

The Minutes of the Special Meeting held on June 17, 2008 and the Regular Meeting held on June 24, 2008 were unanimously adopted.

**b. Village of Solvay – Increase in Retail Rates –
Notice of Adoption**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Board of the Village of Solvay (‘Village Board’) has requested the Trustees to approve revisions to the Village of Solvay’s (‘Village’) retail rates for each customer service classification. These revisions will result in additional total annual revenues of about \$1,133,000, or 5%.

BACKGROUND

“The Village Board has requested the proposed rate increase primarily to provide additional revenues to allow for sufficient working funds and to meet forecasted increases in operation and maintenance expenses and additional debt payment requirements. The current rates have been in effect since July 2000.

“The Village Board has planned upgrades to the electric system amounting to \$630,000 in order to provide reliable service to its customers. The upgrades will be directed primarily at substation distribution equipment, poles, fixtures and street lighting. The Village is planning to debt-finance 70% of its capital program by issuing a new bond.

“Under the new rates, an average residential customer that currently pays about 5.1 cents per kWh will pay about 5.3 cents per kWh after the increase; a small commercial class customer that currently pays 4.6 cents per kWh will pay 4.8 cents per kWh; a small industrial customer will see the rate increased from 4.0 cents per kWh to 4.2 cents per kWh and the large industrial customer rates will increase from 3.9 cents per kWh to 4.1 cents per kWh.

DISCUSSION

“The proposed rate revisions are based on a cost-of-service study requested by the Village and prepared by Authority staff. A public hearing was held by the Village of Solvay on April 22, 2008. No ratepayer comments were received at the public hearing. The Village Board has requested that the proposed rates be approved.

“Pursuant to the approved procedures, the Senior Vice President – Marketing and Economic Development requested that the Corporate Secretary file a notice for publication in the *New York State Register* of the Village’s proposed revision in its retail rates. Such notice was published on May 21, 2008. No comments concerning the proposed action have been received by the Authority’s Corporate Secretary.

“An expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘1b-A,’ ‘1b-B’ and ‘1b-C,’ respectively.

RECOMMENDATION

“The Director – Marketing Analysis and Administration recommends that the attached schedule of rates for the Village of Solvay be approved as requested by the Board of the Village of Solvay to take effect beginning with the first full billing period following the date this resolution is adopted.

“It is also recommended that the Trustees authorize the Corporate Secretary to file a notice of adoption with the Secretary of State for publication in the *New York State Register* and to file such other notice as may be required by statute or regulation.

“The Acting Chief Operating Officer, the Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation.”

July 29, 2008

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

RESOLVED, That the proposed rates for electric service for the Village of Solvay, as requested by the Village Board, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to file a notice of adoption with the Secretary of State for publication in the *New York State Register* and to file any other notice required by statute or regulation; and be it further

RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

**Village of Solvay
Expense and Revenue Summary**

	<u>Four-Year Average</u>	<u>2007</u>	<u>Proposed¹</u>
Purchase Power Expense (NYPA hydro and incremental)	\$14,286,450	\$18,401,909	\$19,158,967
Distribution Expense (City-owned facilities)	952,250	788,488	775,000
Depreciation Expense (On all capital facilities and equipment)	587,012	625,749	916,416
General and Administrative Expenses (Salaries, insurance, management services and administrative expenses)	<u>1,975,280</u>	<u>1,900,017</u>	<u>1,864,000</u>
Total Operating Expenses	17,800,992	21,716,163	22,714,383
Net Rate of Return – (Four-year average - 7.0%, 2007 – 3.5%, proposed - 7.2%) (Includes debt service on current and planned debt, cash reserves and contingencies)	<u>984,439</u>	<u>527,171</u>	<u>1,091,749</u>
Total Cost of Service	\$18,785,431	\$22,243,334	\$23,806,132
Revenue at Present Rates			<u>22,673,540</u>
Deficiency at Current Rates			1,132,592
Revenue at Proposed Rates			\$23,806,132
Increase % at Proposed Rates			5.0%

Village of Solvay
Comparison of Present and Proposed Annual Total Revenues

<u>SERVICE CLASSIFICATION</u>	<u>PRESENT REVENUE</u>	<u>PROPOSED REVENUE</u>	<u>% INCREASE</u>
Residential – SC1	\$ 3,296,083	\$ 3,411,965	3.5%
Small Commercial – SC2	1,580,484	1,657,344	4.9%
Small Industrial & School - SC3	5,501,555	5,790,035	5.2%
Large Industrial – SC4	12,198,641	12,846,307	5.3%
Security Lighting –SC5	32,737	34,147	4.3%
Street Lighting – SC6	<u>64,040</u>	<u>66,334</u>	3.6%
Total	<u>\$22,673,540</u>	<u>\$23,806,132</u>	5.0%

Village of Solvay
Comparison of Present and Proposed Net Monthly Rates

<u>Present ¹</u> <u>Rates</u>		<u>Proposed ¹</u> <u>Rates</u>
	<u>Residential SC 1</u>	
\$ 1.25	Customer Charge	\$1.75
\$.0498	Energy Charge, per kWh.	\$.0511
	<u>Small Commercial SC 2</u>	
\$ 1.50	Customer Charge	\$2.50
\$.0459	Energy Charge, per kWh.	\$.0480
	<u>Small Industrial & School SC 3</u>	
\$ 3.75	Demand Charge, per KW	\$4.00
\$.0305	Energy Charge, per kWh.	\$.0320
	<u>Large Industrial SC 4</u>	
\$ 4.00	Demand Charge, per KW	\$5.00
\$.0324	Energy Charge, per kWh.	\$.0329

¹ Average annual purchased power adjustment (PPA) reflected in present and proposed rates.

Village of Solvay
Comparison of Present and Proposed Net Monthly Rates

Present¹
Rates

Proposed¹
Rates

Security Lighting SC 5

Per month, per unit of:

\$ 4.00	175 Watts – Mercury Vapor	\$ 6.91
\$ 2.45	150 Watts - High Pressure Sodium	\$ 4.23
\$ 3.88	250 Watts - High Pressure Sodium	\$ 6.70
\$ 4.88	400 Watts - High Pressure Sodium	\$ 8.43
\$ 9.76	1000 Watts – Quartz Floodlights	\$16.85

Street Lighting SC 6

Per month, per unit of:

\$ 4.00	175 Watts – Mercury Vapor	\$ 6.21
\$ 2.45	150 Watts - High Pressure Sodium	\$ 3.81
\$ 3.88	250 Watts - High Pressure Sodium	\$ 6.03
\$ 4.88	400 Watts - High Pressure Sodium	\$ 7.58

¹ Average annual purchased power adjustment (PPA) reflected in present and proposed rates.

**c. PURPA Compliance with Fuel Diversity,
Fossil Fuel Efficiency and Net Metering
Standards – Notice of Adoption**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to adopt the Fuel Sources, Fossil Fuel Generation Efficiency and Net Metering standards (‘Standards’) that were established by the federal Energy Policy Act of 2005 (‘EPACT’). The Authority, as a non-regulated electric utility under the requirements of EPACT, must complete consideration of the Standards and make a determination as to whether to adopt the Standards by August 8, 2008. The Standards concern fuel diversity, fossil fuel efficiency and net metering service. Staff recommends that the Trustees adopt the Standards to the extent that the Authority already has done so.

BACKGROUND

“The Public Utility Regulatory Policies Act (‘PURPA’) is a federal statute first enacted in 1978 for the purposes of encouraging: (1) conservation of energy supplied by electric utilities; (2) optimization of the efficient use of facilities and resources by electric utilities and (3) equitable rates to electric consumers. The Authority is a non-regulated electric utility with respect to the Federal Energy Regulatory Commission (‘FERC’), the agency that implements PURPA.

“In August 2005, PURPA was amended by the Energy Policy Act of 2005. Pursuant to this new legislation, the Authority is required to provide public notice and conduct a hearing with respect to the consideration of the Standards which relate to Fuel Sources, Fossil Fuel Generation Efficiency and Net Metering. While not required to adopt the Standards, the Authority must consider them in good faith and issue a determination as to whether the Authority will adopt any or all of them. The law required the Authority to publicly announce the date of the hearing before August 8, 2007, and to make its consideration and determination by August 8, 2008.

“Accordingly, at their meeting on July 31, 2007, the Authority’s Trustees announced the Authority’s commencement of the consideration of the Standards and authorized a public hearing whereby customers and the public could make oral statements and/or submit written comments. As directed by the Trustees, notice of the public hearing was published in the *New York State Register* on April 9, 2008 and the public hearing was held on May 8, 2008. The public hearing transcript is attached as Exhibit ‘1c-D.’ The Authority did not receive any comments regarding the Standards.

DISCUSSION

“The Fuel Sources standard requires each electric utility to develop a plan to minimize its dependence on one fuel source and ensure that the energy it sells to consumers is generated by a diverse range of fuels and technologies, such as renewables.

“The Fossil Fuel Generation Efficiency standard requires each electric utility to develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.

“The Net Metering standard requires each electric utility to make available upon request net metering service to any electric consumer that the electric utility serves. Net metering service is defined by the statute as ‘service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period.’

“Staff prepared a report detailing the complete analysis of each of the three Standards (attached as Exhibits ‘1c-A,’ ‘1c-B’ and ‘1c-C’) and its findings relative to the Authority’s compliance. The staff reports conclude that the Authority is in compliance with the intent of the Standards and therefore staff recommends that the Trustees adopt the Standards, to the extent that the Authority has already done so.

FISCAL INFORMATION

“There are no anticipated fiscal impacts.

RECOMMENDATION

“The Executive Vice President and General Counsel 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 Standards to the extent that the Authority already has done so.

“The Acting Chief Operating Officer, the Executive Vice President and Chief Engineer – Power Generation, the Senior Vice President – Marketing and Economic Development, the Senior Vice President – Energy Resource Management and Strategic Planning and I concur in the recommendation.”

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

WHEREAS, by August 8, 2008, the Authority must make a determination as to whether it should adopt the following Standards under the Public Utility Regulatory Policies Act:

**Fuel Sources
Fossil Fuel Generation Efficiency
Net Metering**

NOW THEREFORE BE IT RESOLVED, That the Trustees adopt the Standards to the extent that the Authority already has done so; and be it further

RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

d. Gas Transportation and Balancing Service Agreement with Consolidated Edison Company of New York, Inc.

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize execution of a Gas Transportation and Balancing Service Agreement (‘Agreement’) between Consolidated Edison Company of New York, Inc. (‘Con Edison’) and the Authority. The Agreement would provide transportation and balancing services for Authority-owned gas to the 500 MW unit, the Poletti unit and the six Small Clean Power Plants (‘SCPPs’) located in the Con Edison gas service territory.

BACKGROUND

“On August 1, 2004, the Authority entered into an agreement with Con Edison for local gas transportation and balancing services for the 500 MW unit, the Poletti unit and the six SCPPs. With the expiration of this agreement scheduled for July 31, 2008, and the need to provide for continued gas transportation and balancing services, it is necessary that a new Agreement be secured with Con Edison. Con Edison is the Authority’s only source of local gas transportation and balancing services, which are required on an ongoing basis in support of the Authority’s generating assets.

DISCUSSION

“Under the proposed Agreement, Con Edison would be obligated to provide an expanded level of transportation service as compared to the level of service currently provided under the existing agreement in order to more effectively accommodate the Authority’s requirements. When the current agreement was negotiated four years ago, the 500 MW unit was not yet in commercial operation, requiring that estimated data be used for determining the maximum daily transportation quantities (‘MDQ’). Since then, more accurate information based on actual operating experience has required an increase in the MDQ.

“Although the nature of Con Edison’s transportation service is ‘off-peak firm,’ Con Edison would retain the right, in its sole discretion, to interrupt or curtail transportation service to the Authority, in whole or in part, for up to 720 hours each year in accordance with Public Service Commission (‘PSC’)-approved tariff provisions for electric generators. In the unlikely event such interruptions or curtailments should occur, the Authority would have a maximum of two hours within which to reduce or discontinue gas usage.

“In addition to local transportation, the proposed Agreement would also provide the Authority with balancing services that accommodate differences in the amount of daily gas scheduled versus the amount of gas consumed (‘imbalances’). Daily and monthly imbalances would be reconciled (or ‘cashed-out’) through the sale or purchase of imbalance gas by the Authority under pricing provisions corresponding to specific imbalance threshold levels set forth in the proposed Agreement.

“A continuing benefit of the proposed Agreement is that it would allow for aggregation of the Authority’s daily scheduled gas supplies for all of the generating units. The ability to aggregate supplies and use gas interchangeably among units provides improved operating flexibility to the Authority, helping to mitigate against costly imbalance penalties incurred on Con Edison’s system.

“The term of the Agreement would commence on August 1, 2008 and would expire on January 31, 2010, coinciding with the retirement of the Poletti unit. The Authority would have the option of extending the Agreement for an additional year through January 31, 2011, and in yearly increments thereafter, subject to: (1) two months’ prior written notice to Con Edison requesting an extension and (2) Con Edison’s written acceptance of such request(s).

“The prices, quantities and other relevant commercial terms and conditions of the Agreement have been summarized in a Term Sheet provided under separate cover to the Trustees.

FISCAL INFORMATION

“Expenditures under the Agreement are estimated at \$6 million per year and will be made from the Operating Fund. Actual expenditures incurred will vary based on quantities of gas delivered and balanced.

RECOMMENDATION

“The Senior Vice President – Energy Resource Management and Strategic Planning and the Director – Fuel Planning and Operations recommend that the Trustees authorize the execution of the proposed Gas Transportation and Balancing Service Agreement between the Authority and Consolidated Edison Company of New York, Inc., having terms and conditions substantially consistent with those set forth in the Term Sheet provided to the Trustees and the discussion above.

“The Acting Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer and I concur in the recommendation.”

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

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and the Senior Vice President – Energy Resource Management and Strategic Planning are, and each hereby is, authorized on behalf of the Authority to execute the Gas Transportation and Balancing Service Agreement with Consolidated Edison Company of New York, Inc. and the Authority having terms and conditions which are substantially consistent with those set forth in the Term Sheet provided to the Trustees with such modifications, additions, and deletions as he or she may deem necessary or desirable and as are consistent with the foregoing report of the President and Chief Executive Officer, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and the Senior Vice President – Energy Resource Management and Strategic Planning 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 Executive Vice President and General Counsel.

e. **Procurement (Services) Contracts -
Recruitment Services – Award**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of contracts for terms of five years commencing August 1, 2008 for recruitment services with the firms of Aerotek, Alexander Associates Executive Search LLC, Larkin Enterprises, Inc. and Recourse Communications Inc. for an aggregate amount of \$1 million.

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 (‘EAP’s’) require the Trustees’ approval for the award of non-personal services, construction or equipment purchase 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.

DISCUSSION

“In recent years, it has become increasingly difficult to identify and attract qualified personnel for certain engineering, analytical and technical positions at the Authority due to increased competition for and the decreased number of capable, experienced potential candidates. In order to reach qualified candidates for mission-critical positions and in order to remain competitive, Authority staff in 2006 recommended augmenting its approach to recruiting (which consisted of print ads, web postings, employee referrals and college outreach) to include the use of external recruitment firms in order to attract such technical personnel. The use of such firms has provided needed support during a surge in the Authority’s talent turnover, and shortened the time needed to fill such positions with a diverse, on-target pool of applicants. To this continued end, the Authority solicited proposals for services of recruitment firms to assist the Authority in filling certain important difficult-to-fill positions, when necessary. On June 16, 2008, four proposals were received out of 14 solicited. The four bids were evaluated based on a number of criteria as well as cost. Based on a review of their qualifications, experience and compensation terms, staff recommends award of contracts to all four firms: **Aerotek, Alexander Associates Executive Search LLC, Larkin Enterprises, Inc. and Recourse Communications Inc. (Q-08-4311jb; PO#s TBA)**. The award of contracts to all four firms would provide for more flexibility and a larger pool of qualified potential candidates. The subject contracts would become effective on August 1, 2008, for intended terms of five years, subject to the Trustees’ approval, which is hereby requested. Funding and assignments will be based on the assessment of each firm’s performance and ability to meet the Authority’s needs. Approval is requested for the combined total estimated amount expected to be expended for the term of the contracts, \$1 million.

FISCAL INFORMATION

“Funds required to support contract recruitment services will be included in the 2009 O&M budget request. Funds for subsequent years will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Director – Human Capital and Development recommends that the Trustees approve the award of the recruitment services contracts discussed above for \$1 million over the course of five years.

“The Acting Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President – Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Engineer – Power Generation and I concur in the recommendation.”

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 recruitment services contracts set forth are hereby approved for \$1million for five years, as recommended in the foregoing report of the President and Chief Executive Officer, and be it further

RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

f. Amendment of the Deferred Compensation Plan for Employees of the Power Authority of the State of New York (Section 457 Deferred Compensation Plan)

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to adopt and approve the attached amended and restated version of the Section 457 Deferred Compensation Plan (‘Plan’) (Exhibit ‘1f-A’), which will retain the effective date of January 1, 2002, and include amendments through December 7, 2007, subject to receipt of an acknowledgment from the New York State Deferred Compensation Board (‘NYSDCB’). The Plan amendments are related to a number of different regulations pertaining to administration of certain features available under Section 457 of the Internal Revenue Code.

BACKGROUND

“The Plan has been maintained by the Authority since 1989. It was established primarily to provide those Authority employees covered by a collective bargaining agreement with a means of saving through a tax-deferred compensation program, although the plan is also available to salaried employees.

“The Authority has maintained the Plan as a model plan in accordance with the procedures of and pursuant to the regulations of the NYSDCB. The NYSDCB amended the model plan to adopt provisions expanding the eligibility for unforeseeable emergency withdrawals, permitting a beneficiary who is not a spouse of the deceased participant to transfer Plan assets directly to an IRA, permitting a participant who is eligible for a distribution to rollover all or a portion of their account to a Roth IRA and permitting retired law enforcement officers, firefighters, members of rescue squads and ambulance crews to withdraw up to \$3,000 annually to pay for health insurance or qualified long-term care premiums for themselves, their spouse or dependents. (While all of these amendments may not specifically apply to Authority employees, the Authority is required to adopt all changes to the model plan.) (A summary of the changes to the model plan is included in Exhibit ‘1f-B.’)

DISCUSSION

“The Plan has been reviewed by staff of the Human Resources and Law Departments, as well as by the Deferred Compensation Committee. They have found that the Plan, as amended and restated and as submitted for approval, complies with all of the rules and regulations imposed by the Internal Revenue Code, the State Finance Law, the regulations of the NYSDCB and applicable agreements.

FISCAL INFORMATION

“Amending and restating the Plan is a cost-neutral action.

RECOMMENDATION

“The Executive Vice President – Corporate Services and Administration and the Deferred Compensation Committee recommend that the Trustees adopt and approve the attached amended and restated Section 457 Deferred Compensation Plan, to be effective January 1, 2002 and include amendments through December 7, 2007, subject to receipt of acknowledgment as specified in the regulations of the New York State Deferred Compensation Board.

“I concur in the recommendation.”

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

RESOLVED, That the provisions of the Section 457 Deferred Compensation Plan be amended and restated in order to conform with the text of the model plan, attached as Exhibit “1f-A” and summarized in Exhibit “1f-B”; and be it further

RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

Summary of Changes to the Model Plan Document

The New York State Deferred Compensation Board voted to amend the Plan Document for the Deferred Compensation Plan of the Power Authority of the State of New York, commonly referred to as the Model Plan Document, on December 7, 2007. The following is a summary of those amendments.

- Expansion of Unforeseeable Emergency Withdrawal Provision – An Unforeseeable Emergency relating to a Participant’s Plan beneficiary, even if the beneficiary is not a spouse or dependent, will be included for purposes of determining eligibility. (Section 6.2(a))
- Withdrawals for Law Enforcement Officers – Permits law enforcement officers, firefighters and members of rescue squads or ambulance crews who have retired for service or disability to request a distribution of up to \$3,000 annually to pay for health insurance or qualified long-term care premiums for themselves, their spouse or their dependents. The distribution must be paid directly to the insurance provider. (Section 7.3(a)(iv))
- Transfer Assets to Non-spousal Beneficiary – A beneficiary of a deceased Participant who is not the spouse of the deceased Participant may transfer assets directly to an IRA. Under previous law, only a surviving spouse could transfer a deceased Participant’s assets to an IRA. (Section 7.5(a)(ii))
- Direct Rollover to a Roth IRA – A participant who is eligible to receive a distribution may rollover all or a portion of their Plan account to a Roth IRA. The participant’s modified adjusted gross income cannot exceed \$100,000. The income limit applies to both single Participants and joint income of married Participants. Beginning in 2010, the income limit will no longer apply. Participants who are married but file “married filing separately” are not eligible. The participant will be required to pay income taxes on the rollover in the year of the rollover. (Section 7.5(a)(iii))

2. **Financial Reports for the Six Months Ended June 30, 2008**

Mr. Thomas Concadoro presented the highlights of the reports to the Trustees.

3. Report from the President and Chief Executive Officer

President Roger Kelley said that since this was his last Trustees' Meeting as President and Chief Executive Officer, he wanted to thank everyone for their support. He said that he was happy to report that as he leaves the Authority, it is in excellent financial condition, with strong bond ratings and the financial ability to carry out future expansion projects.

President Kelley said that when he came to the Authority, he worked with the Trustees and senior management to set a path with the long-term goal of helping the people of New York State. The accomplishments in furtherance of that goal include:

- *Awarding a contract to Astoria Energy to construct a much-needed 500 MW plant to serve the Authority's New York City customers.*
- *Executing a Memorandum of Agreement with Alcoa to provide a long-term guarantee of 900 jobs to the North Country.*
- *Moving aggressively to fund \$1.4 billion in energy efficiency projects with governmental entities and not-for-profit organizations over the next seven years, in addition to committing \$21 million to alternative energy projects.*
- *Executing a Value-Sharing Agreement with Entergy that will provide long-term stable cash flow through the remainder of the contract with Entergy.*
- *Settling a major lawsuit with General Electric in connection with the 500 MW project at Poletti.*
- *Studying the transmission system to move power more effectively throughout New York State.*
- *Developing a solid strategic plan and working toward a sustainable future.*

President Kelley said that, in short, as he leaves, the Authority is ready to be the force for major generation and transmission projects that will help the people of this State achieve a strong, reliable and environmentally sound energy future. He said that he could not have achieved these goals without the help of everyone in the room and the support of the Trustees. In closing, President Kelley wished everyone the very best in the future.

Chairman McCullough, speaking on behalf of all the Trustees, said that President Kelley had done a great job and that the Authority had never had a better year than the one in which President Kelley was at the helm. He said that, on a personal note, he thought President Kelley was a terrific guy who had put the Authority on the right course. Chairman McCullough wished President Kelley and his family the very best for the future.

**4. Authorization to Fund Statewide Energy Services
Program Implementation Contractors – Contract Awards**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize increased funding of \$200 million for the Authority’s Statewide Energy Services Program (‘Statewide ESP’), with an emphasis on projects in upstate communities, in support of wide-ranging energy efficiency measures that have resulted in substantial savings for public facilities from reduced electricity use and enhanced air quality. The increased funding would be in addition to the \$433 million previously approved by the Trustees at their meeting of December 14, 2004. In addition, the Trustees are requested to approve contracts with the firms of PRES Energy and Parsons Brinckerhoff Americas, Inc. (‘PB Americas’) in the amount of \$180 million, in aggregate, for Implementation Contractor services and Master Planning in connection with the Statewide ESP. The terms for these contracts would be five years. All costs would be recovered from the program participants.

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.

“In accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services or equipment contracts in excess of \$3 million, as well as personnel services contracts in excess of \$1 million if low bidder, or \$500,000 if sole source or non-low bidder, requires the Trustees’ approval.

“The Authority’s mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, since the late 1980s, the Authority has provided energy services programs throughout New York State. In aggregate, the Authority’s energy services programs have been very successful and, to date, the Authority has achieved nearly \$105 million in annual customer savings at about 2,700 public facilities, including schools, hospitals and municipal buildings, for a reduction of annual greenhouse gas emissions of more than 833,000 tons.

“More than \$35 million of the recurring savings from the Statewide ESP have gone to participants outside of New York City and Westchester County that obtain their electricity from other utilities. The remaining savings have accrued to the Authority’s New York City and Westchester (Southeastern New York) governmental customers and their essential facilities and services. In April 2007, plans were announced for a reduction in overall electricity usage and greenhouse gas emissions in New York State (‘State’) and New York City (‘City’), respectively. Due to the renewed focus on energy efficiency initiatives as set forth by the Governor (15% X 2015), the Authority is planning to implement an expanded energy efficiency program to help the State achieve the aggressive goals outlined in its plans. It is estimated that an investment of \$1.4 billion by the Authority will be required to help attain a 15% reduction in energy use from forecasted levels by 2015, with about \$700 million of that amount to be invested in the Statewide ESP.

“As a comprehensive energy efficiency and clean energy provider to its Statewide ESP participants, the Authority meets these customers’ needs by offering flexible energy services specific to their individual needs. Customer-tailored, project-specific offerings complement the Authority’s existing menu of programs and allow flexibility in the design of services that reduce customers’ energy costs while providing them with infrastructure improvements.

“The Authority provides services that include feasibility studies and energy master plans, engineering designs, life-cycle cost analyses, procuring equipment, contractor labor, hazardous waste disposal, managing projects/construction and financing projects. Measures include, but are not limited to: energy-efficient lighting and

controls; building envelope-related improvements; heating ventilation and air-conditioning modernization, including energy-efficient chillers, boilers and controls; high-efficiency motors; variable-speed drives; energy management systems ('EMS'); process controls and distributed generation and a variety of beneficial electrification technologies.

DISCUSSION

"As the general contractor for the Statewide ESP, the Authority contracts for the installation of ESP measures with Implementation Contractors ('ICs'). The services provided by the ICs complement the Authority's headquarters and field office resources. The IC's scope of work generally consists of the following:

- On-site screenings of customers' facilities to determine which ones are likely candidates for realizing significant energy and operational cost savings from energy efficiency measures.
- On-site surveys, energy audits, technical feasibility studies and energy master plans to identify potential applications for energy efficiency measures approved for the Statewide ESP.
- Detailed engineering studies and analyses of specific energy efficiency measures or systems.
- Design of proposed systems and/or measures.
- Preparation of project proposal documents and solicitation of competitive bids.
- Procurement of equipment and installation services.
- Construction management and oversight of proposed system and/or equipment installation and project closeout (including waste management).

"In addition, ICs are required to work directly with the customer/program participant, from facility audit to final acceptance of equipment installation. Procurement of materials and installation of the recommended energy efficiency measures are competitively bid by the ICs. ICs are required to guarantee the quality of all work performed.

"In March 2008, the Authority advertised a Request for Proposals ('RFP') in the New York State Contract Reporter soliciting firms interested in providing implementation services for the Statewide ESP. As a result of that advertisement and invitation to bid, 53 firms received the RFP packages. A mandatory pre-bid conference was held on April 2, 2008 to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. Representatives of nine firms attended the pre-bid conference. By Addendum, a second mandatory pre-bid conference was offered on May 13, 2008 for those who were unable to attend the first conference; representatives of 13 firms attended. The RFP was divided into two required all-inclusive solicitations: (i) Engineering Design and Construction Services and (ii) Comprehensive Audit/Energy Master Planning.

"On June 16, 2008, eight firms submitted bids for the aforementioned services. Four of these bidders were considered non-competitive due to high fees required for projects of greater than \$1 million in value. The bid evaluation committee reviewed the remaining four proposals. Based on the evaluation of the firms' relevant experience and fees, staff recommends that contracts for Engineering Design Construction Services and Comprehensive Audit/Energy Master Planning be awarded to the two overall lowest-cost bidders: PRES Energy and PB Americas. Two contracts are recommended based on the anticipated level of program activity and to ensure the availability of qualified resources in the event that the performance of a contractor does not meet the Authority's expectations.

PRES Energy

"PRES Energy, a new contractor to the Authority's ESP programs, is a New York-based firm with offices in Getzville (a suburb of Buffalo), Rochester and Syracuse. Its proposal demonstrated relevant experience in design and construction management of energy measures for Engineering, Design and Implementation Services, with strengths in complex design-build implementation systems and the ability to identify/evaluate potential energy efficiency projects during the initial 'discovery' phase of a project.

"PRES Energy has diverse experience with all facility types (schools, municipal water treatment, courthouses, hospitals, universities, government buildings, etc.). It has clearly demonstrated the expertise necessary to satisfy the requirements of the Statewide ESP.

PB Americas

“PB Americas is a New York-based firm with offices in New York City and Buffalo. Its proposal demonstrated relevant experience in design and construction management of energy efficiency measures. PB Americas is currently under contract for Statewide ESP design and implementation services and is very familiar with the expectations and strategic goals of the Authority and its customers. Staff took the company’s previous record of service to the Statewide ESP into consideration in evaluating the competing bids.

FISCAL INFORMATION

“Additional funding of \$200 million is requested to implement the Authority’s energy services offered under the Statewide ESP. The funding will be provided from the proceeds of the Authority’s Commercial Paper Notes and/or the Operating Fund. In addition, projects may be funded, in part, with monies from Petroleum Overcharge Restitution (‘POCR’) funds. An initial allocation of \$20 million will be made to each of the two firms being recommended. Additional allocations will be made based on each firm’s performance and subject to the approval limits for execution of commitments in the Authority’s then-current Expenditure Authorization Procedures (or equivalent limits set forth in any successor procedures). All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR grants, will be recovered consistent with other Energy Services and Technology programs.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology and the Director – Energy Services recommend that the authorized funding for the Statewide Energy Services Program be increased by \$200 million and that implementation contracts for Statewide ESP services be awarded to PRES Energy and Parsons Brinckerhoff Americas, Inc. for \$180 million, in aggregate.

“The Acting Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Administration and I concur in the recommendation.”

Mr. Angelo Esposito presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Esposito said that staff was asking for the Trustees’ approval of the total \$200 million to be spent on the Statewide Energy Services Program and would not be coming back to the Trustees for approval of individual projects under the program.

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

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Acting Chief Operating Officer, the Senior Vice President – Energy Services and Technology or such other officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and Statewide Energy Services Program (“Statewide ESP”) participants and to execute agreements and other documents with implementation contractors, such agreements having such terms and conditions as the executing officer may approve, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to facilitate the development of the Statewide ESP, and that the authorized funding level for the Statewide ESP be raised to \$633 million from the \$433 million previously authorized, as listed below:

<u>Commercial Paper Program/ Operating Fund/ POCR</u>	<u>Statewide ESP Authorization</u>
Previously Authorized	\$ 433 million
Additional Funding	<u>\$ 200 million</u>
Total Amount Authorized	<u>\$ 633 million</u>

AND BE IT FURTHER RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the approved limits for execution of commitments in the Authority's then-current Expenditure Authorization Procedures (or equivalent limits set forth in any successor procedures), \$180 million of the foregoing amount be allocated in aggregate to the approved contracts with PRES Energy and Parsons Brinckerhoff Americas, Inc. in the amount and for the purpose listed below:

<u>Commercial Paper Program/ Operating Fund/ POCR</u>	<u>Ceiling</u>	<u>Date</u>
PRES Energy Parsons Brinckerhoff Americas, Inc.	Up to <u>\$180 million</u> (aggregate)* *Funds will be allocated based on contractor performance and areas of specialization. Initial allocation of \$20 million per contractor.	<u>7/31/2013</u>

AND BE IT FURTHER RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, may be issued and Operating Fund monies may be used to finance Statewide ESP costs; and be it further

RESOLVED, That the Senior Vice President – Energy Services and Technology is authorized to determine which projects in the Statewide ESP will be deemed to be energy services projects within the meaning of Section (7) of Part P of Chapter 84 of the Laws of 2002 (the "Section (7) POCR Legislation") to be funded in part with Petroleum Overcharge Restitution Funds allocated pursuant to the Section (7) POCR Legislation; and be it further

RESOLVED, That POCR funds allocated to the Authority by the Section (7) POCR Legislation may be used to the extent authorized by such legislation, in such amounts as may be deemed necessary or desirable by the Senior Vice President – Energy Services and Technology to finance Statewide ESP projects; and be it further

RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

5. **Renewable Energy Program – Approval and Funding**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize \$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, which will be provided over five years, will be in support of the recommendations of Governor Paterson’s Renewable Energy Task Force (‘RETF’) to ensure that 25% of New York State’s electricity is obtained from renewables by 2013. Projects that require Authority financing may be implemented under the Authority’s existing Energy Services Programs (‘ESP’), perhaps coupled with incentives offered under the Research and Technology Development (‘R&TD’) Program. Staff will seek co-funding and grants from federal, State and local sources to reduce overall project costs for participating customers.

BACKGROUND

“The Authority has been a leader in renewable energy in New York State for more than 50 years, with its large hydroelectric projects on the Niagara and St. Lawrence Rivers the most prominent examples. The Authority’s eight large and small hydropower facilities account for approximately 12% of the electric energy used in the State, and will help anchor efforts for meeting the 25% target of the State’s Renewable Portfolio Standard (‘RPS’).

“Since the early 1990s, the Authority has invested in the development of renewable energy technologies beyond hydropower. This has included joining together with various State agencies, local governments and public school districts throughout the State to bring about the use of such technologies. The New York State Energy Research and Development Authority (‘NYSERDA’), the Long Island Power Authority (‘LIPA’) and other utilities in the State have been partners in these initiatives.

“To date, the Authority has invested more than \$20 million in renewable energy projects, including 27 solar photovoltaic (‘PV’) systems and 15 fuel cells at sites throughout the State. The Authority also has a program to purchase green power and renewable energy credits (‘RECs’) for resale to its governmental customers in New York City and Westchester County and for use by its administrative office building in White Plains. These green power purchases supported the development of approximately 72 MW of wind capacity in the State and enable the Authority’s customers to meet a portion of their supply needs with renewable power, in compliance with New York State Executive Order 111.

DISCUSSION

“In June 2007, then-Lieutenant Governor Paterson convened the first meeting of the RETF, which was charged with making recommendations on policy and financial matters to overcome potential barriers to increased use of renewable power in the State.

“In February 2008, the RETF released its first report, entitled *Clean, Secure Energy and Economic Growth: A Commitment to Renewable Energy and Enhanced Energy Independence*. The report provides a blueprint for transitioning the State toward a clean energy economy and making it a world-class leader in sustainable alternative energy technologies.

“The report called for additional funding to meet the 25% target, for 2013, of the state’s RPS. Other elements included renewed commitment to Executive Order 111; expansion of the net metering law to additional categories of customers for on-site renewable power generation; installation of 100 MW of solar power by 2011 and strategies for expanding wind power development. The report also recommended that agencies subject to Executive Order 111 work with the Authority to incorporate renewable energy as part of their diversified energy supply portfolios.

“As a pioneer in both renewable energy and energy efficiency services, the Authority is well positioned to help execute such a strategy, and has developed a comprehensive renewable energy plan to promote commercialization of emerging technologies.

“The diverse programs outlined in this plan will address the many opportunities available throughout the State to build a sustainable renewable energy market. The Authority will also work with various agencies and county and municipal government facilities in Western New York and other upstate areas where there has been strong interest in renewable energy opportunities. This will be done through the initiatives outlined below:

- Solar Energy – develop solar PV and thermal energy demonstration projects.
- Fuel Cells – develop projects to use renewable fuels in combined heat-and-power applications.
- Wind Power – develop distributed wind projects for wind power generation behind the meter, and improved wind integration through energy storage and expanded access to Authority transmission assets.
- Anaerobic Digester Gas (‘ADG’) – develop technology and applications for the increased use of ADG at sewage treatment facilities for renewable energy generation and reduction of carbon emissions.
- Electric Transportation – implement infrastructure upgrades, incentives and expertise for the adoption of fleet electric and hybrid electric vehicles, and demonstrate advanced technology in support of efficiency improvements in mass transportation, such as increased subway regenerative braking.
- Support other renewable energy technologies such as geothermal, biomass, etc., as well as continue to provide RECs to interested customers to enable them to meet renewable energy goals.

“The Authority will partner with State agencies, local governments and public school districts throughout the State to develop and implement these initiatives. It will also leverage the resources of NYSERDA, LIPA and other utilities in the State to support this effort. Project costs will be offset by incentives provided under the RT&D Program for emerging technology initiatives considered demonstration projects. Any other projects that require Authority financing could be implemented under the Authority’s existing ESP. In instances where a project qualifies for an incentive as an RT&D project and also as a project under the ESP, the Authority may link the two programs for the customer’s benefit (i.e., where the customer requires financing, the project may be implemented and financed under the ESP, and an incentive may be provided under the RT&D Program).

FISCAL INFORMATION

“Funding for this initiative will be provided primarily from the Operating Fund. The total cost of the Renewable Energy Program is not expected to exceed \$21 million. A portion of the costs may be recovered from the participating partners and through federal, State and local grants and co-funding. For those projects that require Authority financing, the funding will be provided from the proceeds of the Authority’s Commercial Paper Notes consistent with the guidelines and legal requirements governing the use of such financing. Some program costs may be recovered through a surcharge on participating customers’ monthly electric bills, if applicable.

RECOMMENDATION

“The Chief Technology Development Officer and the Senior Vice President - Energy Services and Technology recommend that the Trustees approve the expansion of the Renewable Energy Program and authorize up to \$21 million for program funding.

“The Acting Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President - Corporate Services and Administration, the Executive Vice President and Chief Engineer - Power Generation, the Senior Vice President - Marketing and

Economic Development, the Vice President - Intergovernmental and Community Affairs and I concur in the recommendation.”

Mr. Richard Hackman presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Hackman said that the Long Island Power Authority, the New York State Energy Research and Development Authority and the State’s other utilities would be helping to co-fund this program, and that the Authority would seek additional funding from the U. S. Department of Energy. Responding to a question from Trustee Curley, Mr. Hackman said that staff would report back to the Trustees as to the status of the Authority’s efforts to secure co-funding. In response to a question from Trustee Scozzafava, Mr. Hackman said that staff would obtain the co-funding on a project-by-project basis. Trustee Besha said that this program was a good start, but that the Authority needed to do much more work – by a magnitude of 10 – on renewable energy going forward, pointing out that oilman T. Boone Pickens was now an active proponent of alternative energy.

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

RESOLVED, That the Trustees hereby authorize the expansion of the Renewable Energy Program encompassing the implementation of renewable energy projects and programs throughout New York State as described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That Operating Fund monies will be used to finance program costs in the amounts and for the purposes listed below:

<u>Commercial Paper/ Operating Funds</u>	<u>Expenditure Authorization (not to exceed)</u>
Renewable Energy Program implementation	<u>\$21.0 million</u>
TOTAL	<u>\$21.0 million</u>

AND BE IT FURTHER RESOLVED, That the Authority’s Commercial Paper Notes, Series 1, Series 2 and Series 3, may be issued to finance program costs in the amounts listed above; and be it further

RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

6. Procurement (Services) Contract - Generator Testing and Modeling Validation Program – Project Authorization and Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a contract in the amount of \$176,000 to Kestrel Power Engineering LLC for work on Generator Testing and Model Derivation and Validation. The purpose of this project is to obtain accurate dynamic model structure and model parameters for a set of chosen Authority generators, including their excitation systems and the governor controls. The developed computer models will be used by the Authority’s System Planning department and the New York Independent System Operator (‘NYISO’) to establish safe system operating limits. Over the course of two years, it is expected that eight generating units and their associated controls will be tested and the appropriate computer simulation models will be developed and validated.

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.

“In today’s highly competitive power market environment, power systems are often operated close to their operating limits. To obtain accurate operating limits, system engineers rely on computer simulations. Equipment modeling is the first step in computer simulations. Equipment models for generators, excitation systems and turbine governors have been developed in sufficient detail, and techniques for modeling such equipment in simulation programs are well established.

“Accurate simulation models for generators and their associated controls are key factors for predicting generating plant and system performance under various conditions and contingencies. These models are critical to identifying operational problems and establishing secure limits for system operations. In addition, these models are used extensively in planning power system enhancements and designing protection systems. Recent power system blackouts have highlighted the need for accurate models and, as a result, many utilities and system reliability bodies, including the North American Electric Reliability Corporation (‘NERC’), are planning to implement mandatory generator testing programs that would require field testing of generating units to confirm their dynamic performance and to develop and validate the corresponding simulation models and parameters.

“The Authority is in the process of establishing a generator testing program that would test eight generator units. The validated models will be used by the Authority and the NYISO. The project covers three Poletti 500 units, two St. Lawrence units, two Niagara units (including one Lewiston Pumped Storage Generating Plant unit) and one Small Clean Power Plant unit. The project will take two years from start to completion. The plan is to test the units during the shoulder seasons of 2008 and 2009 and possibly at night and on weekends.

DISCUSSION

Program Benefits

“In addition to improving the predictability of system performance, a significant economic benefit can also be achieved by using the derived models for accurately determining system security limits. System operating security limits are generally determined based on simulation studies. If the simulation models produce pessimistic results (simulated system is less stable than the actual system), transfers or load-serving capability may have to be restrained unnecessarily. Unnecessary generation or load shedding during a disturbance may also be invoked. If, on the other hand, models produce optimistic results (simulated system is more stable than the actual system), system disturbances or even costly system blackouts could occur under conditions shown to be secure in simulations.

“Other benefits of generator testing include identifying and correcting equipment problems and tuning controls and protection equipment, both of which can increase the generating unit’s ability to withstand disturbances.

Procurement

“The Authority issued a request for proposals (‘RFP’) on May 26, 2008. On June 17, 2008, two firms -- Power Tech Labs of Vancouver, BC and Kestrel Power Engineering LLC (‘Kestrel’) of Toronto, Ontario -- submitted responses to the Authority’s RFP. Kestrel is the lower-priced qualified bidder and has been selected to perform the tasks related to this project.

FISCAL INFORMATION

“Funding for the project will be provided from the 2008 approved O&M Budget. Funds for 2009 will be included in that year’s budget submittal. Payment will be made from the Operating Fund. The total cost to the Authority is not to exceed \$176,000. This will cover rental of test equipment, engineering time for testing, model derivation and validation, travel costs and a 10% contingency.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology and the Chief Technology Development Officer recommend that the Trustees authorize \$176,000 in funding for the Generator Testing and Modeling Validation Program and the award of a contract to Kestrel Power Engineering LLC for the aforementioned services.

“The Acting Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Engineer – Power Generation, the Vice President – Controller and I concur in the recommendation.”

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 competitive procurement of a multiyear procurement (services) contract to the winning bidder is hereby approved as recommended in the foregoing report of the President and Chief Executive Officer, for the period of time indicated, in the amount and for the purpose listed below:

<u>Contractor</u>	<u>Contract Approval</u>
Kestrel Power Engineering LLC	<u>\$176,000</u>

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

7. Procurement (Services) Contract – Blenheim-Gilboa Power Project Life Extension and Modernization Program – Increase in Expenditure Authorization and Contract Compensation Limit

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize remaining capital expenditures of \$32,076,000 for engineering, procurement and construction to complete the last unit of the Blenheim-Gilboa Life Extension and Modernization (‘BG-LEM’) Program by 2010. This additional request will bring the total authorization to \$135,495,000 as approved by the Trustees at their meeting of November 25, 2003.

“The Trustees are further requested to approve an increase of \$2 million in the contract value and expenditure authorization for Hitachi America Limited (‘Hitachi’) from \$22,540,919 to \$24,540,919 for additional work associated with the units 3 and 4 turbine installation work.

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 revised Expenditure Authorization Procedures (‘EAPs’) require the Trustees’ approval when the cumulative change-order value of a personal services contract exceeds the greater of \$250,000 or 35% 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 \$500,000 or 35% of the originally approved contract amount, not to exceed \$1 million.

“At their meeting of November 25, 2003, the Trustees approved the initiation of the LEM Program and authorized capital expenditures of \$26,320,000 to begin engineering, procurement and construction of long-lead components. This, together with \$1 million authorized earlier for preliminary engineering and design, raised the total authorized funding to \$27,320,000. At their meeting of January 30, 2007, the Trustees authorized capital expenditures of \$76,099,000 for the first three units and approved the \$2 million contract increase for Hitachi for additional work necessitated by as-found conditions with the first two units.

DISCUSSION

“Work on the first unit to undergo overhaul under the BG-LEM Program was successfully completed on May 24, 2007 and work on the second unit was successfully completed on May 31, 2008. Milestones reached to date include: dewatering of the upper reservoir, twice; installation of the new pump turbine spherical valves; new power transformers; power circuit breakers and exciters and repair of the liquid rheostat tank.

“The total estimated cost of the BG-LEM Program is unchanged at \$135,495,000. The current BG-LEM expenditures are consistent with the approved expenditure limits.

“In order to allow for completion of the BG-LEM Program within the current four-year schedule, it is necessary at this time to authorize the remaining funding for engineering, procurement and construction services to support the Program’s completion through 2010.

“The request to authorize the remaining expenditures from the Capital Estimate Authorization Request (‘CEAR’) is as follows:

Prel. Engineering	\$ (220,000)
Engineering	\$ 1,022,000
Procurement	\$ 3,518,000
Construction	\$23,924,000
Authority Direct and Indirect	<u>\$ 3,832,000</u>
Total	<u>\$32,076,000</u>

“After disassembly and inspection of the first two units’ components, it was necessary to carry out additional work to correct unforeseeable, as-found deficiencies. This additional work, which falls under the Hitachi contract, included additional field machining, removing head cover weldments placed over the years to reduce leakage, removing thrust bearings and reassembling and providing additional shop repair of removed components that had excessive corrosion.

“The cost for the additional materials and extra work due to as-found site conditions is approximately \$2.4 million for the first two units; therefore, this request is to increase the compensation ceiling for Hitachi by \$2 million to allow for the work noted above to be completed for units 3 and 4. This additional material and construction cost is within the contingency allowances included in the BG-LEM Program CEAR.

FISCAL INFORMATION

“Payment will be made from the Capital Fund.

RECOMMENDATION

“The Vice President – Project Management, the Vice President Engineering – Power Generation, the Regional Manager – Central New York and the Project Manager recommend that the Trustees authorize: (i) capital expenditures in the amount of \$32,076,000 for the unit 4 rehabilitation portion of the Blenheim-Gilboa Life Extension and Modernization Program and (ii) an increase in the compensation limit of \$2 million for additional material and work required for the contract with Hitachi American Limited (Contract #4600001252) for removing, rehabilitating and installing four new pump turbines and accessories at the Blenheim-Gilboa Power Project, bringing the total contract amount to \$24,540,919.

“The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Engineer – Power Generation, the Vice President – Controller and I concur in the recommendation.”

Mr. Thomas Antenucci presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, Mr. Antenucci said that the Blenheim-Gilboa Life Extension and Modernization Program was on time and under budget. Responding to a question from Trustee Besha, Mr. Antenucci said that the increase being sought for turbines 3 and 4 installation was based on the experience with the installation of turbines 1 and 2.

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

RESOLVED, That additional capital expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report of the President and Chief Executive Officer, in the amounts and for the purposes listed below:

<u>Current Description</u>	<u>Previous CEAR Estimate</u>	<u>Current Authorization</u>	<u>New Authorized Request</u>	<u>Total</u>
Prel. Eng.	\$ 280,000	\$ 500,000	\$ (220,000)	\$ 280,000
Engineering	11,000,000	9,978,000	1,022,000	11,000,000
Procurement	14,800,000	11,282,000	3,518,000	14,800,000
Construction	91,863,000	67,939,000	23,924,000	91,863,000
Direct/Indirect	<u>17,552,000</u>	<u>13,720,000</u>	<u>3,832,000</u>	<u>17,552,000</u>
	<u>\$135,495,000</u>	<u>\$103,419,000</u>	<u>\$32,076,000</u>	<u>\$135,495,000</u>

AND BE IT FURTHER RESOLVED, That approval is hereby granted under the existing contract with Hitachi America Limited to increase the contract value and commit capital funds for refurbishing the pump turbines (contract #4600001252) and associated work for the Blenheim-Gilboa Power Project Life Extension and Modernization Program, in the amounts and for the purposes listed below:

Current authorized	\$22,540,919
Additional increase amount requested	\$ 2,000,000
New total authorized amount	<u>\$24,540,919</u>

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

8. Poletti 500 MW Combined Cycle Project – Plant Modifications

The President and Chief Executive Office submitted the following report:

SUMMARY

“The Trustees are requested to authorize the capital expenditure of \$5.2 million for modifications to the liquid fuel recirculating and gas compressor systems at the 500 MW Combined Cycle Project. These modifications were agreed upon as part of a settlement with General Electric Company (‘GE’).

BACKGROUND

“At their meeting of October 30, 2007, the Trustees approved a settlement of disputes between the Authority and GE stemming from the construction of the 500 MW Project. Among other provisions, the settlement contemplated that the Authority would: (1) install a liquid fuel recirculating system that will provide for the continuous recirculation of the liquid fuel to ensure that all fuel lines remain primed and coke free, and (2) make modifications to the pressure control functions of the gas compressors to better control the fuel gas pressure delivered to the combustion turbine generators, thus preventing unit trips when shifting to fuel oil.

DISCUSSION

“In accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services or equipment purchase 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, requires Trustees’ approval.

“The Authority and GE have been working together to implement the terms of the settlement. The implementation schedule has been met and the Trustees are requested to approve the expenditures to install the liquid fuel recirculation system and gas compressor system modifications, supplied at a discount by GE, as well as other associated work.

“This work, as summarized below, is expected to be completed by the spring of 2009:

<u>Description</u>	<u>Total</u>
Engineering	\$ 200,000
Construction Management	\$ 200,000
Procurement	\$ 2,662,000
Construction	\$ 1,890,000
Authority Direct/Indirect	<u>\$ 248,000</u>
Total	<u>\$ 5,200,000</u>

FISCAL INFORMATION

“Payment will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Engineering and the Regional Manager – Southeastern New York recommend that the Trustees authorize capital expenditures of \$5.2 million, in accordance with the Authority’s Expenditure Authorization Procedures, to perform modifications to the gas compression and liquid fuel recirculation systems at the 500 MW Combined Cycle Project.

“The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Engineer – Power Generation, the Vice President – Controller and I concur in the recommendation.”

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

RESOLVED, That capital expenditures are hereby approved in accordance with the Authority’s Expenditure Authorization Procedures, as recommended in the foregoing report of the President and Chief Executive Officer, in the amount of \$5.2 million to perform modifications to the gas compression and liquid fuel recirculation systems at the 500 MW Combined Cycle Project; and be it further

RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

9. Informational Item: New York Power Authority's Annual Strategic Plan

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are presented with the 2009-13 Strategic Plan as set forth in Exhibit ‘9-A,’ attached hereto.

BACKGROUND

“Article VII – Fiscal Management of the Authority’s By-Laws states in Section 2 – Strategic Plan that ‘the Trustees shall annually review a Strategic Plan which shall become the basis for the development of departmental plans, the annual budget and the capital expenditure plan.’ As part of the Authority’s annual review and planning process, the content of the Strategic Plan was expanded to make clear and specific the Authority’s role and intentions so that all stakeholders have a clear understanding of the driving forces behind the Authority’s direction and decisions. In addition, the strategic planning process itself is in the midst of a significant change, going from a short-term tactical work plan to a long-term Strategic Plan providing guidance and purpose to each organization and employee as directed by the Trustees.

DISCUSSION

“Before work could begin on the Strategic Plan itself, it was necessary to define the strategic planning process, its scope and the detailed work plan necessary to ensure its acceptance in a timeframe that would allow for the resource allocation process to benefit from it.

“Once the structure of this new process was completed, work began in earnest in January 2007 with the formation of an 11-member Core Team of mid-level Authority staff members, chosen for their experience, expertise, perspective and knowledge of the Authority and its business environment. Their assignment was to assess the Authority as it is and the industry influences affecting it and define a vision of the future that would suggest how to do things better and add greater value.

“In order to keep the Authority’s leadership engaged, the approach required that Authority executives be kept involved as each milestone was completed. The Executive Management Committee (‘EMC’) reviewed the approach and selection of the Core Team.

“The first assignment for the Core Team was to describe the ‘current state’ of the Authority, or the way things are now, and then describe the ‘future state,’ aspiration or the way things would look if done ideally. The Core Team completed the analysis for five categories of external industry trends and eight internal Authority processes. Once completed, the results were presented to the EMC in March to confirm agreement as to the current and future state of the Authority as presented by the Core Team.

“With the aspirations confirmed, Core Team members went on to identify the issues that needed to be addressed in order to achieve the now agreed-to future. Through consultations with colleagues and senior managers, a detailed listing of issues was prepared, followed by extensive meetings that included far-ranging discussions in specific categories on what specific actions or strategies the Authority needed over the planning horizon to resolve those issues and achieve the desired future.

“The Core Team refined its list to 40 key strategies, and met over a two-day period in May with the EMC to finalize and prioritize those strategies to be presented to the Trustees for concurrence. Guidance from the EMC resulted in the reduction and consolidation of the initial list to a group of 30 Strategic Initiatives in support of the Authority’s mission. A Strategy Leader was assigned to assume responsibility for each strategy’s implementation.

“The final step in the process called for the creation of ‘charters,’ or tactical plans, for each of the Strategic Initiatives. The Strategy Leader was responsible for the Charter’s development, which consisted of a work plan, the team members who would be assisting and an order-of-magnitude estimate of the resource requirements necessary

to implement and the benefits that could be expected. An EMC 'Sponsor' was named to provide guidance and assistance on an ongoing basis.

“Work during 2008 built on that foundation. Issues identified during the year by senior management and as a result of initiative implementation were incorporated into the existing strategies and, if necessary, new strategies were added. The Strategies are included within the Strategic Result Areas section of the Strategic Plan.

“Concurrently, the Strategic Plan document is being updated to reflect any changes resulting from the planning process and related discussions to the Authority’s Mission and Decision Drivers. The Strategic Plan is presented in the format delineated below:

- **MISSION STATEMENT** - A Mission Statement is a clear definition of the Authority’s aims, focus and emphasis for a specified timeframe.
- **DECISION DRIVERS** - Underlying this Mission Statement is a set of core values that define the priorities for the Authority. Values determine how we make decisions, perform our work and deal with others. By understanding the driving forces behind what we want to be, we will make decisions that will support the Authority’s goals.
- **STRATEGIC RESULT AREAS** - If we are to succeed in our Mission, there are specific areas where we need to articulate our vision and make clear our intentions. In order to do that for both internal and external stakeholders, we need to define our goals and objectives, as well as identify the specific Strategies we are undertaking that support that vision. (The Balanced Scorecard then translates Mission and Strategies into objectives and measures with specific targeted levels of performance quantifying success.)

“The attached Strategic Plan reflects the results of the planning process.”

Mr. Daniel Cappiello presented an overview of the Authority’s 2009-13 Strategic Plan. Chairman McCullough said that the new plan was much more concise and clear and had more measurable goals than previous versions. He commended Mr. Cappiello and everyone else who had worked on the Strategic Plan.



Generating More Than Electricity

Overall NYPA Strategic Plan 2009-2013

<i>MISSION STATEMENT</i>	<i>Page 2</i>
<i>DECISION DRIVERS – CORE VALUES</i>	<i>Page 3</i>
<i>STRATEGIC RESULT AREAS</i>	<i>Page 7</i>
<i>BALANCED SCORECARD</i>	<i>Page 12</i>

MISSION STATEMENT

A mission statement is a clear definition of the aims, focus and emphasis of an organization over a specified time frame. Following is a statement of NYPA's mission:

O*ur Mission is...*

to provide clean, economical and reliable energy consistent with our commitment to the environment and safety, while promoting energy efficiency, renewables and innovation, for the benefit of our customers and all New Yorkers.

DECISION DRIVERS

Underlying this Mission Statement is a set of core values that define the priorities for the organization. Values determine how we will make decisions, perform our work and deal with others. By understanding the driving forces behind what we want to be, we will make decisions that will support our company's goals.

PUBLIC BENEFIT

The Authority's history demonstrates that its underlying purpose is to help shape and support the State's energy policy in the public interest as such policy and interests are determined by the Governor and/or the Legislature and approved by the Board of Trustees.

We will utilize, our resources, people and expertise to provide a crucial public service in the State's energy sector by optimizing our current assets and being prepared, if necessary, to supplement them with new generation and/or transmission facilities.

OPERATING EXCELLENCE

Reliable operation of our generation and transmission assets is essential to carry out our mission.

We will achieve operating excellence through focused O&M practices, life extensions, development and continuous improvements to our business processes including succession preparedness and planning.

NYPA STRATEGIC PLAN 2009-2013

ENERGY EFFICIENCY SERVICES & TECHNOLOGIES

NYPA's role is to be a leader in delivering energy efficiency programs, promoting energy conservation and by stimulating new energy technologies and renewables throughout New York State.

The Authority will demonstrate the commercial viability of available technologies to encourage public and private investment. We will work to expand energy-service technologies benefiting the people of New York State.

ETHICS

NYPA, as a public entity, has an obligation to operate at the highest level of honesty, ethical conduct, and public trust in all of its activities. Authority employees are entitled to privacy in their personal affairs; however as employees of a public entity, they must conduct Authority business solely in the public interest and in an ethical manner.

We will develop and deliver ethics and compliance training to all NYPA officials and employees that reaffirm awareness and compliance with the laws, regulations and policies that govern our behavior and articulates our commitment to ethical business conduct.

FINANCIAL

NYPA must have the financial resources necessary to successfully carry out its mission, to maximize opportunities to serve our customers, and to preserve its strong credit rating.

We commit to utilizing the Authority's assets in a responsible manner consistent with our mission for our customers and the benefit of the people of New York State.

NYPA STRATEGIC PLAN 2009-2013

BUSINESS GROWTH in NEW YORK STATE

We will be the provider of low cost power to support economic growth in New York State.

To the extent allowed by law, NYPA will support economic development in New York State by using its low-cost power to create and retain jobs.

CUSTOMER LOYALTY

True customer loyalty is defined as the selection of NYPA as the supplier of choice and the support of NYPA politically and publicly. To achieve this we must listen to our customers and provide the highest quality customer service.

We will win customer loyalty by providing competitively priced power, those value-added services that we are authorized to deliver, and are responsive to customer needs. We will aggressively communicate the benefits and services that NYPA provides.

STAKEHOLDER SUPPORT

The electric utility industry is changing at a rapid and accelerating pace. We must maximize our efforts to establish and maintain among our key stakeholders an awareness of our unique value and range of contributions

We will aggressively build awareness of NYPA's Mission and purpose by cultivating better relationships with all our customers, public officials, regulatory agencies, community representatives and other opinion leaders to ensure they support us and share in our commitment.

NYPA STRATEGIC PLAN 2009-2013

PERFORMANCE COMMITMENT

In today's competitive world, efforts alone will not be enough; the effectiveness of our efforts will be judged by our results.

We will hold ourselves and each other accountable, recognize and reward successful contributors, and actively confront non-performers.

We will set clear performance goals and behavior expectations and provide continuous feedback.

We will continually examine all our processes and practices to attain high levels of performance.

SUSTAINABILITY

We believe that a company's ability to manage its extra-financial aspects, such as those related to the environment, our employees, and social impact, through the lens of sustainability, is a powerful proxy and an indicator for its overall management quality.

We will make choices at NYPA utilizing sustainability principles in our operations. We will monitor and report on our progress in meeting the sustainability goals we have set for ourselves.

STRATEGIC RESULT AREAS

If we are to succeed in our Mission, there are specific areas where we need to articulate our goals and make clear our intentions. In order to do that for both internal & external stakeholders, we need to define the specific actions we are taking that support that vision. We have identified specific strategies intended to help us achieve our vision of the future.

Goal 1: To Provide Value to Our Customers and the People of New York State. - Create more value through low cost power and energy services.

Strategic Initiatives:

- ✚ 08-01 ENERGY EFFICIENCY- Enhance energy efficiency programs to support the goals of the Governor's "15 x 15" Plan.
- ✚ 08-02 RENEWABLE TECHNOLOGIES - Encourage use of renewable technologies to help decrease demand for fossil generation. Facilitate commercial demonstration of emerging energy technologies, to reduce environmental impact.
- ✚ 08-06 ECONOMIC DEVELOPMENT PLAN IMPLEMENTATION - Optimize existing and catalyze the process for the creation of new statewide economic development programs.
- ✚ 08-30 ALIGN NYPA CUSTOMER AND STAKEHOLDER RESOURCES – Re-align and integrate the departments within Energy Marketing & Corporate Affairs to more effectively and efficiently advance NYPA's Mission to all customers and stakeholders.
- ✚ 08-31A/B ENSURES ADEQUATE ENERGY SUPPLY – Plan, acquire and develop cost effective power supply to meet our customer requirements.
- ✚ 08-33 CUSTOMER PRODUCT/SERVICE DEVELOPMENT & KEY ACCOUNT MANAGEMENT – Creates new product/service development and key account management capabilities and processes.

Goal 2: To Optimize and Potentially Expand Generation

Assets. Prepare us to get the most from existing generation assets and build capacity to ensure that the future energy needs of customers and the people of NYS are met.

Strategic Initiatives:

- ✚ 08-07A NYS AND NYC NEEDS – Evaluate and be prepared to implement plans to address the energy generation needs of New York State and New York City.
- ✚ 08-08 OPTIMIZATION OF GENERATION – Identify and implement opportunities for increased generation, output, and enhancement of reliability for all projects.
- ✚ 08-11 ENVIRONMENTAL COMPLIANCE – Ensures that NYPA complies with all applicable environmental regulations and demonstrates that we are a sustainability leader in the industry.
- ✚ 08-13 LEGAL & REGULATORY COMPLIANCE PROCESS - Institute a process to monitor and report applicable legal and regulatory compliance risks and issues.

Goal 3: To Optimize and Upgrade Transmission Assets.

Prepare us to get the most from existing transmission assets and upgrade where necessary to ensure that future energy needs of customers and the people of NYS are met.

Strategic Initiatives:

- ✚ 08-07B NYS AND NYC NEEDS – Evaluate and be prepared to implement plans to address the energy transmission needs of New York State and New York City.
- ✚ 08-09 TRANSMISSION OPTIMIZATION OPTIONS – Evaluate and be prepared to implement plans to operate and maintain the reliability of NYPA's transmission assets in the most cost effective manner.
- ✚ 08-10 NERC COMPLIANCE – Develop and implement a process to ensure compliance with all federally mandated reliability regulations

Goal 4: To Develop Employee Readiness. Provide a skilled, motivated and diverse workforce prepared to confront the challenges necessary to fulfill our Mission.

Strategic Initiatives:

- ✚ 08-14 EMPLOYEE DEVELOPMENT PROCESSES - Enhance the skills and strengthen the knowledge and diversity of our workforce.
- ✚ 08-15 COMPENSATION PROGRAM – Provide appropriate total compensation practices that are competitive and support NYPA’s Mission.
- ✚ 08-16 DESIGN AND DEPLOY WORKFORCE PLAN - Develop and implement a workforce plan that optimizes our existing structure and provides for Power Generation and Transmission future needs and succession plans.
- ✚ 08-17 PERFORMANCE MANAGEMENT - Aligns Performance Management Process to reflect individual contribution with the achievement of organizational goals.
- ✚ 08-18 ESTABLISH SAFETY LEADERSHIP – Establish processes and procedures to ensure NYPA strives for a “zero” accident rate and is a top leader in the industry.
- ✚ 08-12 SUPPORT SERVICE BUSINESS STAFFING AND ORGANIZATION REVIEW - Identify, select and implement the best alternative work organization and staffing model for NYPA Support Services.

Goal 5: To Support New York State Energy Policy. Meet the Energy Policy Goals as outlined by the Governor and/or the Legislature and approved by the Board of Trustees.

Strategic Initiatives:

- ✚ 08-19 INFLUENCE NEW YORK STATE ENERGY POLICY - Collaborate with the Governor's office, State legislature and relevant state agencies, authorities and commissions in developing state energy policies and in defining NYPA's role.
- ✚ 08-20A/B/C ENHANCE EXTERNAL RELATIONS - Strengthen the organization and process for managing external communications with all NYPA stakeholders.
- ✚ 08-21 STRENGTHEN NYPA INFLUENCE IN REGIONAL ISO MARKETS – Develop and implement a plan that enhances and improves the effectiveness of NYPA in influencing NYISO, ISO-NE and PJM market designs and regulatory decisions impacting the wholesale energy and capacity markets in the Northeast.

Goal 6: To Plan for the Future. Ensure long-term planning capability and ensure that approved plans are implemented.

Strategic Initiatives:

- ✚ 08-22 ESTABLISH THE FUTURE PROCESS FOR NYPA'S STRATEGIC PLANNING – Complete the design of a long-term Strategic Plan process that aligns NYPA with NYS policy, and becomes the blueprint for implementing departmental plans and future spending.
- ✚ 08-23 ENTERPRISE-WIDE RISK MANAGEMENT – Finalize and implement an Enterprise-wide Risk Management process and system that provides measurable benefits to NYPA.
- ✚ 08-24 BUSINESS CONTINUITY PROCESS - Develop and implement business continuity plans/processes for all essential administrative and support functions in NYPA Business Units. Ensure appropriate training, testing of the plans and readiness to execute such plans.
- ✚ 08-25 MAINTAINING FINANCIAL STRENGTH – Develop and implement measures in order to retain NYPA's financial strength and resource capability.
- ✚ 08-26 CREATE AND IMPLEMENT STRATEGIC INFORMATION SYSTEMS PLAN - Ensure that information technology resources maximize business value to the Authority by taking an integrated approach to information systems planning.
- ✚ 08-27 ENHANCE DATA MANAGEMENT – Identify key business processes and key data that are shared. Identify and minimize data redundancies and inconsistencies
- ✚ 08-32 INTEGRATED RESOURCE PLANNING AND SUPPLY PORTFOLIO OPTIMIZATION - Develop the necessary capabilities to perform integrated resource planning & analysis and supply portfolio management and optimization

NYP&A BALANCED SCORECARD 2009 Plan Year

Strategic Goals	Key Result Areas	Objectives	Performance Measures	Excellent Performance	Superior Performance
Providing Value to Our Customers and the People of New York State	Customer Value	Provide the best priced electricity, be the supplier of choice.	Customer Satisfaction (Index)	Improvement	Improvement
	Demand Reduction	Promote energy conservation through reduction of energy usage and increased efficiencies.	Clean Energy (MWhrs)	192,000	209,000
Optimization and Potential Expansion of Generation & Transmission Assets	Compliance	Transparent compliance with all laws, regulations and policies.	Compliance (Index)	705	630
	Reliable Energy Supply	Provide reliable energy generation and transmission.	Generator Reliability (%)	98.50%	99.00%
			Transmission Reliability (%)	97.60%	97.63%
Environmental Commitment	Create minimal impact from energy operations and facilities.	Environmental Incidents (#)	30	20	
Employee Development and Readiness	Employees	Effectively recruit and retain qualified employees.	Days to Fill (#)	95	90
	Safety	Make no trade-offs that endanger employee and public safety.	Recordable Incidence Rate (OSHA rate)	1.17	1.10
Supporting New York State Energy Policy	Energy Policy Implementation	Support Implementation of NYS Energy policy.	Management Initiative Deliverables (%)	95%	100%
Planning for the Future	Financial Strength	Ensure internal and external funds availability for our mission.	Net Revenues (Millions)	\$115	\$230

10. **Motion to Conduct an Executive Session**

“Mr. Chairman, I move that the Authority conduct an executive session pursuant to Section 105(1)(c), (d) and (f) of the Public Officers Law of the State of New York to discuss matters relating to pending or current litigation, current and future investigations and personnel issues.”

Chairman McCullough said that the Trustees would be in Executive Session for a short time, but that they would return after the Executive Session to consider additional action items in public session.

On motion made and seconded, an Executive Session was held.

11. **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.

12. **Motion to Provide Defense and Indemnification**

After due consideration, upon a motion duly made and seconded, and pursuant to the written request of President Roger B. Kelley dated July 23, 2008, the Trustees authorized the defense and indemnification of President Kelley in the matter of *Daniel Wiese v. Roger B. Kelley, United States District Court, Southern District of New York*.

13. Power for Jobs Program – Extended Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve electricity savings reimbursements for the 43 Power for Jobs (‘PFJ’) customers listed in Exhibit ‘13-A’ and contract extensions for the 2 PFJ customers listed in Exhibit ‘13-B.’ These customers have been recommended to receive such extended benefits by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

“In July 1997, the New York State Legislature approved a program to provide low-cost power to businesses and not-for-profit corporations that agree to retain or create jobs in New York State. In return for commitments to create or retain jobs, successful applicants receive three-year contracts for PFJ electricity.

“The PFJ program originally made 400 megawatts (‘MW’) of power available. The program was to be phased in over three years, with approximately 133 MW made available each year. In July 1998, as a result of the initial success of the program, the Legislature amended the PFJ statute to accelerate the distribution of the power and increase the size of the program to 450 MW.

“In May 2000, legislation was enacted that authorized another 300 MW of power to be allocated under the PFJ program. Legislation further amended the program in July 2002.

“Chapter 59 of the Laws of 2004 extended the benefits for PFJ customers whose contracts expired before the end of the program in 2005. Such customers had to choose to receive an ‘electricity savings reimbursement’ rebate and/or a power contract extension. The Authority was also authorized to voluntarily fund the rebates, if deemed feasible and advisable by the Trustees.

“PFJ customers whose contracts expired on or prior to November 30, 2004 were eligible for a rebate to the extent funded by the Authority from the date their contract expired through December 31, 2005.

“PFJ customers whose contracts expired after November 30, 2004 were eligible for rebate or contract extension, assuming funding by the Authority, from the date their contracts expired through December 31, 2005.

“Approved contract extensions entitled customers to receive the power from the Authority pursuant to a sale-for-resale agreement with the customer’s local utility. Separate allocation contracts between customers and the Authority contained job commitments enforceable by the Authority.

“In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. Chapter 89 of the Laws of 2007 included provisions extending program benefits until June 30, 2008. Chapter 59 of the Laws of 2008 included provisions extending the program benefits until June 30, 2009.

“At its meeting of October 18, 2005, EDPAB approved criteria under which applicants whose extended benefits EDPAB had reduced for non-compliance with their job commitments could apply to have their PFJ benefits reinstated in whole or in part. EDPAB authorized staff to create a short-form application, notify customers of the process, send customers the application and evaluate reconsideration requests based on the approved criteria.

DISCUSSION

“At its meeting on July 22, 2008, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 43 businesses listed in Exhibit ‘13-A.’ Collectively, these organizations have agreed to retain more than 46,000 jobs in New York State in exchange for the rebates. The rebate program will be in effect until June 30, 2009, the program’s sunset. In addition, EDPAB is recommending that the Trustees approve

contract extensions to the two companies listed on Exhibit '13-B' to reflect recently enacted changes in the law. These extensions will be in effect until June 30, 2009. The power will be wheeled by the investor-owned utilities as indicated in the Exhibit.

"The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit '13-A' in a total amount currently not expected to exceed \$5.5 million. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in the Exhibit in the future.

FISCAL INFORMATION

"Funding of rebates for the companies listed on Exhibit '13-A' is not expected to exceed \$5.5 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$131.5 million in rebates.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Director – Marketing Analysis and Administration recommend that the Trustees approve the payment of electricity savings reimbursements and contract extensions to the Power for Jobs customers listed in Exhibits '13-A' and '13-B.'

"The Acting Chief Operating Officer, the Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development and I concur in the recommendation."

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

WHEREAS, the Economic Development Power Allocation Board ("EDPAB") has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs ("PFJ") customers listed in Exhibit "13-A" and contract extensions for the customers listed in Exhibit "13-B";

NOW THEREFORE BE IT RESOLVED, That to implement such EDPAB recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit "13-A," and that the Authority finds that such payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the PFJ program and in the public interest; and be it further

RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$5.5 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

RESOLVED, That such monies may be withdrawn pursuant to the foregoing resolution upon the certification on the date of such withdrawal by the Vice President – Finance or the Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized to negotiate and execute any and all documents necessary or desirable to effectuate the foregoing, subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further

RESOLVED, That the Chairman, the President and Chief Executive 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 Executive Vice President and General Counsel.

New York Power Authority
Power for Jobs - Extended Benefits

Exhibit "13-A"
July 29, 2008

Recommendation for Electricity Savings Reimbursements

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation KW	Jobs/MW	Type	Service
1	Northeast Solite Corp.	Mount Marion	Ulster	CHGE	600	55	57	2	4%	Yes	600	95	Large	Manufactures nonmetallic mineral products
	Total CHE&G		Subtotal	1	600	55	57				600			
2	A. Stein Meat Products, Inc.	Brooklyn	Kings	Con Ed	120	38	38	0	0%	Yes	120	317	Small	Meat wholesale/fabrication
3	Acme Architectural Products, Inc.	Brooklyn	Kings	Con Ed	620	400	469	69	17%	Yes	620	756	Large	Manufacturer of office landscape systems
4	American Cancer Society	New York	New York	Con Ed	80	83	91	8	10%	Yes	80	313	NFP	Social Services Provider
5	Greater Jamaica Development Corp.	Jamaica	Queens	Con Ed	375	139	151	12	9%	Yes	375	403	NFP	Urban & Community Development
6	Intrepid Museum Foundation	New York	New York	Con Ed	450	132	88	-44	-33%	Yes *	450	196	NFP	Museum & educational public programs
7	Lincoln Center for the Performing Arts	New York	New York	Con Ed	3,000	3,763	3,763	0	0%	Yes	3,000	1,254	NFP	Performing Arts Center
8	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,143	6,958	815	13%	Yes	2,000	3,479	NFP	Healthcare Center
9	Memorial Sloan-Kettering Cancer Center	New York	New York	Con Ed	5,000	8,801	9,286	485	6%	Yes	5,000	1,857	NFP	Medical Center
10	Mount Sinai Medical Center	New York	New York	Con Ed	2,000	11,647	11,647	0	0%	Yes	2,000	5,824	NFP	Medical Center
11	Norampac New York City, Inc	Maspeth	Queens	Con Ed	600	213	204	-9	-4%	Yes	600	340	Large	Corrugated paper packaging and displays
12	Pepsi Cola Bottling Company	College Point	Queens	Con Ed	2,200	990	1,015	25	3%	Yes	2,200	461	Large	Manufactures & distributes of soft drinks
	Total Con Edison		Subtotal	11	16,445	32,349	33,710				16,445			
13	Applied Energy Solutions	Caledonia	Livingston	Grid	300	63	65	2	3%	Yes	300	217	Small	Electronics
14	Borg Warner Morse Tech	Cortland	Cortland	Grid	1,500	236	216	-20	-8%	Yes	1,500	144	Large	Manufacturer of automotive components
15	Consumers Beverages, Inc.	Buffalo	Erie	Grid	220	70	71	1	1%	Yes	220	323	Small	Beverage Producer
16	Corning, Inc. (Canton)	Canton	St. Lawrence	Grid	1,500	245	261	16	7%	Yes	1,500	174	Large	Mfr of optical fiber, glass & ceramic products
17	Dal Tile Corporation	Olean	Cattaraugus	Grid	1,000	204	204	0	0%	Yes	1,000	204	Large	Ceramic tile
18	Dielectric Laboratories, Inc.	Cazenovia	Madison	Grid	400	190	190	0	0%	Yes	400	475	Large	Ceramic capacitors and ceramic packaging
19	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Grid	1,000	95	93	-2	-2%	Yes	1,000	93	Large	Lumber & wood components
20	Interface Solutions, Inc.	Fulton	Oswego	Grid	1,000	161	142	-19	-12%	Yes *	940	151	Large	Vinyl flooring backing & fiber gaskets
21	Kilian Manufacturing Corporation	Syracuse	Onondaga	Grid	400	166	154	-12	-7%	Yes	400	385	Large	Mfr. ball bearings
22	Natrium Products, Inc.	Cortland	Cortland	Grid	90	21	21	0	0%	Yes	90	233	Small	Mfr. of sodium bicarbonate (baking soda)
23	Oldcastle Precast Inc	South Bethlehem	Albany	Grid	160	64	64	0	0%	Yes	160	400	Small	Precast products and installation
24	Organichem, Inc.	Rensselaer	Rensselaer	Grid	1,000	310	256	-54	-17%	Yes *	1,000	256	Large	Manufacturing of pharmaceutical ingredients
25	Quad Graphics, Inc.	Saratoga Springs	Saratoga	Grid	4,000	958	1,068	110	11%	Yes	4,000	267	Large	Printing services
26	Queensboro Farm Products, Inc.	Canastota	Madison	Grid	500	79	81	2	3%	Yes	500	162	Large	Milk manufacturing and processing plant
27	Sorrento Lactalis, Inc.	Buffalo	Erie	Grid	1,500	364	496	132	36%	Yes	1,500	331	Large	Produces cheese as well as whey products
28	St. Joseph's Hospital Health Center	Syracuse	Onondaga	Grid	1,000	3,071	3,386	315	10%	Yes	1,000	3,386	NFP	Healthcare Center
29	Syracuse Label Co., Inc.	Liverpool	Onondaga	Grid	200	86	88	2	2%	Yes	200	440	Small	Printing labels for consumers and industrials
30	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	Grid	2,000	1,275	1,302	27	2%	Yes	2,000	651	Large	Medical and dental equipment manufacturer
	Total National Grid		Subtotal	18	17,770	7,658	8,158				17,710			
31	A. T. Reynolds & Sons, Inc.	Kiamesha Lake	Sullivan	NYSEG	250	56	55	-1	-2%	Yes	250	220	Small	Spring water and Ice Mfr.
32	Agri-Mark, Inc	Chateaugay	Franklin	NYSEG	500	112	115	3	3%	Yes	500	230	Large	Cheese Manufacturer
33	Air-Flo Manufacturing	Prattsburgh	Steuben	NYSEG	130	99	93	-6	-6%	Yes	130	715	Small	Mfr. of ice equipment and truck bodies
34	Borg Warner Automotive Morse TEC (Ithaca)	Ithaca	Tompkins	NYSEG	4,000	1,422	1,318	-104	-7%	Yes	4,000	330	Large	Manufacture of automotive components
35	Corning, Inc. (Costar Plant)	Oneonta	Otsego	NYSEG	900	181	172	-9	-5%	Yes	900	191	Large	Mfr of optical fiber, glass & ceramic products
36	Corning, Inc. (Northside)	Corning	Steuben	NYSEG	2,500	935	948	13	-2%	Yes	2,500	379	Large	Mfr of optical fiber, glass & ceramic products
37	Corning, Inc. (Southside)	Corning	Steuben	NYSEG	1,500	882	825	-57	-2%	Yes	1,500	550	Large	Mfr of optical fiber, glass & ceramic products
38	IEC Electronics Corp.	Newark	Wayne	NYSEG	590	167	243	76	46%	Yes	590	412	Large	Assembly of printed circuit boards
39	Merritt Plywood Machinery, Inc.	Lockport	Niagara	NYSEG	75	19	18	-1	-5%	Yes	75	240	Small	Machinery for wood veneer and plywood mfr.
40	Norwich Aero Products, Inc.	Norwich	Chenango	NYSEG	160	102	110	8	8%	Yes	160	688	Small	Manufactures auto temp sensors
41	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	412	408	-4	-1%	Yes	1,800	227	Large	Book printer and distributor
	Total NYSEG		Subtotal	11	12,405	4,387	4,305				12,405			
42	Gorbel Corp.	Fishers	Ontario	RGE	350	18	153	135	750%	Yes	350	437	Large	Produces jibs, overhead stations & cranes
43	Newport Rochester	Rochester	Monroe	RGE	190	42	44	2	5%	Yes	190	232	Large	Manufactures spectrophotometers
	Total RG&E		Subtotal	2	540	60	197				540			
				Total	43	47,760	44,509	46,427			47,700			

* This company has had all or part of their allocation restored through the the reconsideration process or was deemed compliant based on program processes.

New York Power Authority
Power for Jobs - Extended Benefits
Until June 30, 2009

Line	Company	City	County	IOU	KW	Job Committed	Jobs in		Compliance	June 2009 Benefit		Revised to Rebate	Recommended Allocation KW	Type
							Application 2008	Over (under)		% Over (under)	Power			
1	Children's Museum of Manhattan	New York	New York	Con Ed	110	56	78	22	39%	Yes		1	110	NFP
2	Chloe Foods	Brooklyn	Kings	Con Ed	800	514	448	-66	-13%	No		1	800	Large
Total					910	570	526						910	

14. **Resolution – Roger B. Kelley**

Chairman McCullough read a resolution honoring President Kelley for his service to the Authority.

President Kelley thanked Chairman McCullough and said that he would miss the Trustees and executive management, as well as his staff.

WHEREAS, Roger B. Kelley has served with dedication, vision and consummate professionalism as President and Chief Executive Officer of the New York Power Authority, setting the Authority on a course to play an essential role in meeting the State’s future energy needs; and

WHEREAS, Mr. Kelley brought to the Power Authority the technical expertise and business acumen acquired during a career of more than three decades in the electric power industry, much of it centered on the development, acquisition and operation of power plants; and

WHEREAS, Mr. Kelley’s unparalleled experience, his trademark candor, his keen analytical skills and his passionate commitment to superior performance have enabled him to provide strong leadership to the Authority at a pivotal point in the organization’s history; and

WHEREAS, recognizing both the compelling need to strengthen New York State’s electric power infrastructure and the key contributions the Power Authority can make to that process, Mr. Kelley has sought to prepare the Authority to return to its roots as a builder of major power plants and transmission lines; and

WHEREAS, he presided concurrently over a quick and efficient competitive bidding process that will result in construction of a new power plant by a private company, Astoria Energy, to supply 500 megawatts of urgently needed new capacity to the Authority’s governmental customers in New York City; and

WHEREAS, he has also moved decisively to enhance the Power Authority’s initiatives to promote energy efficiency and clean technologies, directing development of plans to invest \$1.4 billion in energy-saving projects through 2015 and to undertake an expanded \$21 million, five-year Renewable Energy Program; and

WHEREAS, Mr. Kelley has achieved notable successes with respect to economic development as the Authority under his leadership has concluded an agreement in principle with Alcoa on a new long-term power-supply contract that will protect at least 900 jobs in Massena and has helped to create or retain hundreds of thousands of jobs elsewhere in the State through power allocations and other measures; and

WHEREAS, he has brought credit to the Power Authority by serving during his Presidency on the American Public Power Association’s Board of Directors and on the State’s Renewable Energy Task Force; and

WHEREAS, Mr. Kelley is leaving office after a highly productive tenure that has positioned the Authority to meet the significant energy and environmental challenges that lie ahead;

July 29, 2008

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York convey their thanks and deepest respect to Roger B. Kelley for his outstanding service to the Power Authority and the State; commend him for his clear understanding and unremitting pursuit of vital objectives; and wish him and his family a happy, healthy and successful future.

July 29, 2008

15. Resolution – Frank S. McCullough, Jr.

Vice Chairman Townsend read a resolution honoring Chairman McCullough for his years of service to the Authority as a Trustee, Vice Chairman and Chairman. Chairman McCullough thanked Vice Chairman Townsend and said that serving at the Authority had been one of the greatest experiences of his life. He said that he had enjoyed almost every minute of his 11 years at the Authority, noting that working with the Authority's staff and enjoying the camaraderie of the Board of Trustees had been the best parts of the experience for him. Chairman McCullough said that many people don't realize just how dedicated the Authority's staff and Trustees are. He said that it had been his privilege to work with everyone in the room. Trustee Robert Moses said that he had the utmost respect for Chairman McCullough and that he'd done a great job.

President Kelley noted that Mr. Vincent Vesce was leaving the Authority in early September, saying that it had been a pleasure to work with Mr. Vesce over the past year. He said that Mr. Vesce's insight and humor were invaluable resources and that he hoped Mr. Vesce would have a very happy and successful retirement. President Kelley thanked Mr. Vesce for both his service to the Authority and his support.

WHEREAS, Frank S. McCullough, Jr. has forged a lasting legacy at the New York Power Authority through his exemplary service as a Trustee, Vice Chairman and Chairman during an 11-year period as challenging and eventful as any in the Authority's history; and

WHEREAS, he has played a central role in a series of critical decisions and actions that enabled the Power Authority to adapt to a new competitive power industry and establish the foundation for expanded service to the State; and

WHEREAS, Mr. McCullough's unswerving integrity, unflappable demeanor and unfailing commitment to the Power Authority have earned him the abiding respect of his colleagues on the Board and the members of the Authority's staff; and

WHEREAS, his deep understanding of issues affecting the Authority, and the skills honed at the prestigious White Plains law firm that bears his name, have enabled Mr. McCullough to provide indispensable guidance, direction and mediation on a broad range of vital matters; and

WHEREAS, defying the conventional description of the Chairmanship as a part-time job, he has devoted countless hours to his duties, and served as well as Chairman of the New York State Economic Development Power Allocation Board and a member of the Boards of the New York State Energy Research and Development Authority and the Seaway Private Equity Corporation; and

WHEREAS, highlights of his tenure as the Power Authority's Chairman have included a new 50-year federal license for the Niagara Power Project, agreements to obtain a large block of new capacity for the

Authority's governmental customers in New York City, an agreement in principle for a long-term power-supply contract with Alcoa, and record investments in energy efficiency and clean-energy projects; and

WHEREAS, in his previous years on the Board, Mr. McCullough was involved in such major developments as the sale of the Authority's nuclear power plants, construction of the small, clean power plants in the New York City area and the 500-megawatt plant in Queens, approval of an innovative bond resolution and receipt of a new 50-year federal license for the St. Lawrence-Franklin D. Roosevelt Power Project; and

WHEREAS, as an alumnus of St. Lawrence University, Mr. McCullough has retained a strong bond to the North Country, as recognized by this Board when it voted unanimously to name the visitors center at St. Lawrence-FDR in his honor; and

WHEREAS, his unstinting efforts at the Authority have been in keeping with Mr. McCullough's distinguished record of service to a host of community organizations in his hometown of Rye and throughout Westchester County; and

WHEREAS, Mr. McCullough is retiring from the Authority, having taken his place among a select group of leaders whose influence will be felt far into the future;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York express their gratitude and admiration to Frank S. McCullough, Jr. for his singular contributions to the Authority and the people of New York State; honor him for his service to his community; and wish him and his family many years of health, happiness and fulfillment.

July 29, 2008

16. **Next Meeting**

The next Regular Meeting of the Trustees will be held on **Tuesday, September 23, 2008, 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.

July 29, 2008

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 12:40 p.m.



Anne B. Cahill
Corporate Secretary