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

September 23, 2008

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September 23, 2008

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

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

Members of the Board were present at the following locations:

Michael J. Townsend, Acting Chairman (White Plains, NY)
James A. Besha, Sr., Trustee (White Plains, NY)
D. Patrick Curley, Trustee (White Plains, NY)
Elise M. Cusack, Trustee (Lewiston, NY)
Jonathan F. Foster, Trustee (White Plains, NY)
Eugene L. Nicandri, Trustee (White Plains, NY)

Gil C. Quiniones	Acting Chief Operating Officer
Arthur T. Cambouris	Acting Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Joan Tursi	Acting Executive Vice President – Corporate Services and Administration
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
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 – Power Supply
Arnold M. Bellis	Vice President and Controller
Joseph W. Gryzlo	Vice President – Ethics and Employee Resources
John M. Kahabka	Vice President – Environment, Health and Safety
Lesly Y. Pardo	Vice President – Internal Audit
Donald A. Russak	Vice President – Finance
Thomas Warmath	Vice President and Chief Risk Officer
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Wendy M. Lane	Assistant General Counsel – Human Resources and Labor Relations
Dennis T. Eccleston	Chief Information Officer
Albert Swansen	First Deputy Inspector General
Brian McElroy	Treasurer
Anne B. Cahill	Corporate Secretary
Lisa A. Cole	Deputy Treasurer
Angela D. Graves	Deputy Corporate Secretary
Paul Tartaglia	Regional Manager – Southeastern New York
Russ Bahm	Director of Operations – Richard M. Flynn Power Plant
Thomas A. Davis	Director – Financial Planning
Joseph Leary	Director – Corporate Community Affairs
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
Marilyn J. Brown	Manager – Market Pricing Analysis
Michael J. Huvane	Manager – Business Marketing and Economic Development
Michael J. Mitchell	Project Manager – Power Supply
Lou Paonessa	Community Relations Manager – Niagara Power Project
Dayton Richardson	Facility Manager – HR/Security Supervisor – Charles Poletti Power Project
Maribel Cruz	Business Development and Engineering Facilitator

Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Philip S. Astuto	Sr. Business Planner – Controller
Oksana Karaczewsky	Sr. Procurement Compliance Coordinator
Stephen P. Shoenholz	Public Affairs Consultant
Sheila Baughman	Senior Secretary – Corporate Secretary's Office

Acting Chairman Townsend presided over the meeting. Corporate Secretary Cahill kept the Minutes.

1. Consent Agenda:

a. Approval of the Minutes

The Minutes of the Regular Meeting held on July 29, 2008 and the Special Meeting held on August 12, 2008 were unanimously adopted.

b. **Power for Jobs Program – Extended Benefits**

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve extended benefits for 39 Power for Jobs ('PFJ') customers as listed in Exhibit '1b-A.' 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 and was to be phased in over three years. 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 additional power to be allocated under the 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. 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. Additional one-year extensions were included in Chapter 645 of the Laws of 2006 (to June 30, 2007) and Chapter 89 of the Laws of 2007 (to June 30, 2008). Chapter 59 of the Laws of 2008 extended 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 notify customers of the process, send them a short-form application and evaluate reconsideration requests based on the approved criteria.

DISCUSSION

"At its meeting on September 16, 2008, EDPAB recommended that the Authority's Trustees approve electricity savings rebates to the 39 businesses listed in Exhibit '1b-A,' which have agreed to retain a total of more than 30,000 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.

"The Trustees are requested to approve the funding and payment of rebates to the companies in Exhibit '1b-A' in a total amount currently not expected to exceed $5.9 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 rebate funding for these companies in the future for other rebate months.

FISCAL INFORMATION

"Rebate funding for the companies in Exhibit '1b-A' is not expected to exceed \$5.9 million and will be paid from the Operating Fund. To date, the Trustees have approved \$137.6 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 to the Power for Jobs customers listed in Exhibit '1b-A.'

"The Acting Executive Vice President and General Counsel, the Senior Vice President – Energy Marketing and Business Development and I concur in the recommendation."

The following resolution, as submitted by the Acting Chief Operating 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 "1b-A";

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 "1b-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 Acting Chief Operating Officer in the aggregate amount of up to \$5.9 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 – Energy Marketing and Business 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 Acting Executive Vice President and General Counsel; and be it further

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

Exhibit "1b-A"
September 23, 2008

New York Power Authority
Power for Jobs - Extended Benefits
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	New York Presbyterian Hospital	New York	New York	Con Ed	5,000	8540	8423	-117	-1%	Yes	5,000	1,685	NFP	Medical Care
2	NYU Medical Center	New York	New York	Con Ed	4,000	11414	10924	-490	-4%	Yes	4,000	2,731	NFP	Medical Center
3	S. R. Guggenheim Museum	New York	New York	Con Ed	475	380	390	10	3%	Yes	475	821	NFP	Art Museum
	Total Con Ed		**Subtotal**	**3**	**9,475**	**20,334**	**19,737**				**9,475**			
4	Ultimate Precision Metal	Farmingdale	Suffolk	LIPA	250	123	120	-3	-2%	Yes	250	480	Small	Manufactures controlled enclosures
	Total LIPA		**Subtotal**	**1**	**250**	**123**	**120**				**250**			
5	C. R. Bard, Inc.	Queensbury	Warren	N. Grid	800	845	923	78	9%	Yes	800	1,154	Large	Manufacturer of Medical devices
6	Cascades Tissue Group	Waterford	Saratoga	N. Grid	600	160	142	-18	-11%	No	530	268	Large	Large Industrial towel manufacturer
7	Clarkson University	Potsdam	St. Lawrence	N. Grid	1,500	665	664	-1	0%	Yes	1,500	443	NFP	Higher education
8	Cooper Industries	Syracuse	Onondaga	N. Grid	2,350	579	592	13	2%	Yes	2,350	252	Large	Manufacturer of electrical equipment
9	CWM Chemical Services, LLC	Model City	Niagara	N. Grid	330	80	78	-2	-3%	Yes	330	236	Small	Treatment, storage & disposal of Industrial Waste
10	Dal Tile Corporation	Olean	Cattaraugus	N. Grid	1,000	204	204	0	0%	Yes	1,000	204	Large	Ceramic tile
11	Diemolding Corporation	Canastota	Madison	N. Grid	200	269	238	-31	-12%	Yes*	200	1,190	Small	Thermoset plastic forming
12	Dodge-Graphic Press Inc	Utica	Oneida	N. Grid	300	72	67	-5	-7%	Yes	300	223	Small	Printing Company
13	Edward John Noble Hospital	Gouverneur	St. Lawrence	N. Grid	100	247	241	-6	-2%	Yes	100	2,410	NFP	Healthcare center
14	Fiber Glass Industries Inc.	Amsterdam	Montgomery	N. Grid	700	139	138	-1	-1%	Yes	700	197	Large	Produces high strength woven fabrics
15	Ford Motor Company	Buffalo	Erie	N. Grid	5,000	1610	1462	-148	-9%	Yes	5,000	292	Large	Automotive components stamping
16	Higbee Inc.	Syracuse	Onondaga	N. Grid	100	48	47	-1	-2%	Yes	100	470	Small	Mfr. of gaskets, and sealing products
17	Intertek Testing Services	Cortland	Cortland	N. Grid	600	303	306	3	1%	Yes	600	510	Large	Independent test lab
18	Kilian Manufacturing Corporation	Syracuse	Onondaga	N. Grid	400	166	154	-12	-7%	Yes	400	385	Large	Mfr. ball bearings
19	Lewis County General Hospital	Lowville	Lewis	N. Grid	200	379	382	3	1%	Yes	200	1,910	NFP	Medical Center
20	Lydall Manning	Green Island	Albany	N. Grid	1,100	115	113	-2	-2%	Yes	1,100	103	Large	Specialty Paper Manufacturer
21	McLane Eastern	Baldwinsville	Onondaga	N. Grid	875	823	945	122	15%	Yes	875	1,080	Large	Wholesale grocery distributor
22	Mohawk Paper Mills	Cohoes	Albany	N. Grid	2,250	424	488	64	15%	Yes	2,250	217	Large	Manufacturer of text and cover papers
23	Oldcastle Precast Inc	South Bethlehem	Albany	N. Grid	160	64	64	0	0%	Yes	160	400	Small	Precast products and installation
24	Organichem, Inc.	Rensselaer	Rensselaer	N. Grid	1,000	310	256	-54	-17%	Yes*	1,000	256	Large	Manufacturing of pharmaceutical ingredients
25	PCI Paper Conversions, Inc.	Syracuse	Onondaga	N. Grid	400	223	214	-9	-4%	Yes	400	535	Large	Printed materials & adhesive manufacturing
26	Pepsi Bottling Group LLC	Latham	Albany	N. Grid	1,200	346	356	10	3%	Yes	1,200	297	Large	Manufacturer/ distributor soft drinks, water & juices
27	Quad Graphics, Inc.	Saratoga Springs	Saratoga	N. Grid	4,000	958	1068	110	11%	Yes	4,000	267	Large	Printing services
28	Robison & Smith, Inc.	Gloversville	Fulton	N. Grid	384	193	200	7	4%	Yes	384	521	Small	Linen & Laundry Supply
29	Specialized Packaging Radisson, Inc	Baldwinsville	Onondaga	N. Grid	180	153	173	20	13%	Yes	180	961	Small	Produces printed folding cartons
30	Standard Manufacturing Co., Inc.	Troy	Rensselaer	N. Grid	30	41	67	26	63%	Yes	30	2,233	Small	Apparel
31	Syracuse Plastics, Inc.	Liverpool	Onondaga	N. Grid	400	55	38	-17	-31%	Yes*	400	95	Large	Maker of plastic parts and components
32	Vicks Lithograph & Printing	Yorkville	Oneida	N. Grid	750	153	137	-16	-10%	Yes	750	183	Large	Book printer & distribution
	Total National Grid		**Subtotal**	**28**	**26,909**	**9,624**	**9,757**				**26,839**			
33	Corning, Inc. (Big Flats)	Big Flats	Chemung	NYSEG	500	117	122	5	4%	Yes	500	244	Large	Optical fiber, glass and ceramic products
34	Corning, Inc. (Sullivan Park)	Corning	Steuben	NYSEG	3,000	1448	1495	47	3%	Yes	3,000	498	Large	Optical fiber, glass and ceramic products
35	IEC Electronics Corp.	Newark	Wayne	NYSEG	590	120	167	47	39%	Yes	590	283	Large	Assembly of printed circuit boards
36	Manitoba Corporation	Lancaster	Erie	NYSEG	250	44	41	-3	-7%	Yes	250	164	Small	Metal Recycling for non-ferrous metals
	Total NYSEG		**Subtotal**	**4**	**4,340**						**4,340**			
37	IBM	Sterling Forest	Orange	O&R	700	558	523	-35	-6%	Yes	700	747	Large	Computer Manufacturer
	Total Orange and Rockland		**Subtotal**	**1**	**700**	**558**	**523**				**700**			
38	Gorbel Corp.	Fishers	Ontario	RGE	350	18	153	135	750%	Yes	350	437	Small	Produces jibs, overhead workstations & cranes
39	IBM - Rochester	Rochester	Monroe	RGE	1,150	613	583	-30	-5%	Yes	1,150	507	Large	Computer Manufacturer
	Total RG&E		**Subtotal**	**2**	**1,500**	**631**	**736**				**1,500**			
			Total	**39**	**43,174**	**31,270**	**30,873**				**43,104**			

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

c. Power for Jobs Program and Energy Cost Savings Benefits – Compliance Review

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve modifications to the benefits for 22 Power for Jobs ('PFJ') customers and 6 Energy Cost Savings Benefit ('ECSB') customers that have reported actual job numbers below their contractual commitments (see Exhibits '1c-A' and '1c-B'). The Trustees are requested to approve reductions to their allocations proportionately to their job shortfalls, where appropriate. In addition, the Trustees are requested to approve that no modifications be made to the benefits for 26 PFJ customers and 2 ECSB customers that, after having reported actual job numbers below their contractual commitments, have met the criteria to have their benefits reinstated in full through the reconsideration process.

BACKGROUND

"PFJ provides either power or electricity savings reimbursements to businesses and not-for-profit corporations that have agreed to retain or create jobs in New York State. Businesses may have their benefits reduced if they fail to meet their contractual commitments.

"ECSBs protect certain Authority power program customers from bill increases that resulted from higher market prices. These businesses may also have their benefits reduced if they fail to meet their contractual commitments.

"In 2008, a new law (Chapter 59 of the Laws of 2008) included provisions extending program benefits for both programs until June 30, 2009.

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

DISCUSSION

"At its meeting on June 30, 2008, EDPAB recommended that the Authority's Trustees approve the extension of benefits for 482 PFJ and 102 ECSB program customers through June 30, 2009. A blanket extension was given, subject to staff review of the customers' applications to determine if they are in compliance with their prior contractual commitments.

"In the past, EDPAB would recommend that the Trustees reduce allocations before the customers had an opportunity to apply for reconsideration. To facilitate a more efficient process, due in part to the short period of time left before the programs expired, staff sent the reconsideration criteria mentioned above to those customers that had reported job numbers below their contractual commitments.

"Staff has completed their review of letters from 48 PFJ customers and 8 ESCB customers whose applications indicated job commitment shortfalls as listed in Exhibits '1c-A' and '1c-B.' All of these customers made the case to keep their full benefits.

"A total of 26 PFJ and 2 ECSB customers have met the criteria in full; therefore staff recommends that these customers have no modification made to their benefits.

"Staff has determined that 6 PFJ customers have partially met the criteria and therefore should have their allocations reduced in part based on their job shortfalls.

"In addition, staff has determined that one ECSB customer has partially met the criteria and therefore should have its allocation reduced in part based on its job shortfall.

"Finally, staff is recommending that 16 PFJ customers and five ECSB customers that have either not submitted a request for reconsideration or have not met the criteria have their allocations reduced proportionately to their job shortfalls.

"At their meeting on September 16, 2008, EDPAB recommended that the Trustees approve the above recommendations.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees approve modifications to the benefits for 22 PFJ customers and six ESCB customers to have their benefits reduced proportionately to their job commitment shortfalls, where appropriate. In addition, the Trustees are requested to approve that no modifications be made to the benefits for 26 PFJ customers and two ECSB customers that, after having reported actual job numbers below their contractual commitments, have applied for and met criteria to have their benefits reinstated in full through the reconsideration process. The above recommendations are detailed in Exhibits '1c-A' and '1c-B.'

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

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

WHEREAS, the Economic Development Power Allocation Board ("EDPAB") has recommended that the Authority approve modifications, where appropriate, to 22 allocations for Power for Jobs ("PFJ") customers and six allocations for Energy Cost Savings Benefit ("ECSB") customers that have applied to have their benefits extended and reported actual job numbers below their contractual commitments, as detailed in Exhibits "1c-A" and "1c-B"; and

WHEREAS, EDPAB has recommended that the Authority approve that no modifications be made to the benefits for 26 PFJ customers and two ECSB customers that have applied to have their benefits reinstated after having applied for and met the approved reconsideration criteria in full, as detailed in Exhibit "1c-A" and "1c-B";

NOW THEREFORE BE IT RESOLVED, That the Senior Vice President – Energy Marketing and Business 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 Acting Executive Vice President and General Counsel; and be it further

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

Exhibit "1c-A"
September 23, 2008

New York Power Authority
Power for Jobs - Extended Benefits
Compliance Review

Line	Company	City	KW	Job Committed	Jobs in Application 2008	Over (under)	% Over (under)	Selection	Reduced Allocation KW	Reconsideration Full/Partial/None	Reconsideration Final Allocation KW	Service
1	A. Stein Meat Products, Inc.	Brooklyn	120	38	28	-10	-26%	Rebate	88	Full	120	Meat wholesale/fabrication
2	Albany International Corp.	Albany	1,000	267	200	-67	-25%	Rebate	749	None	750	Production of paper machine clothing and textiles
3	Amsterdam Printing & Litho	Amsterdam	500	790	683	-107	-14%	Power	432	None	430	Personalized imprinting technology
4	Broadridge Financial Solutions, Inc	Edgewood	1,000	1,298	1,100	-198	-15%	Power	847	Full	1,000	Processing and mailing for the financial industry
5	Burt Rigid Box, Inc.	Oneonta	350	42	33	-9	-21%	Rebate	275	Partial	300	Makes custom made set-up boxes
6	Cecilware Corp.	Long Island City	300	216	178	-38	-18%	Rebate	247	Full	300	Manufacturer of restaurant equipment
7	Chloe Foods	Brooklyn	800	514	448	-66	-13%	Power	697	Full	800	Food Manufacturing
8	Commercial Envelope Manufacturing Corp.	Deer Park	700	174	154	-20	-11%	Rebate	620	None	620	Manufacturer of envelopes
9	CWM Chemical Services, LLC	Model City	330	78	65	-13	-17%	Rebate	275	Full	330	Treatment, storage & disposal of Industrial Waste
10	CWR Manufacturing, Co.	Syracuse	150	58	44	-14	-24%	Power	114	Partial	130	Manufacturers metal fasteners
11	Delphi Automotive Systems	Amherst	150	166	135	-31	-19%	Rebate	122	Full	150	Automotive components
12	Di Highway Sign & Structure Corp.	New York Mills	170	88	37	-51	-58%	Power	71	None	70	Maker of bridge and guide railing and sign structures.
13	Diemolding Corporation	Canastota	200	238	201	-37	-16%	Rebate	169	Partial	184	Thermoset plastic forming
14	Display Producers, Inc.	Bronx	340	311	197	-114	-37%	Rebate	215	None	215	Display cases
15	Edison Price Lighting, Inc.	New York	400	158	102	-56	-35%	Rebate	258	None	260	Manufacturer and sales of lighting fixtures
16	Elmira Stamping and Manufacturing	Elmira	80	55	41	-14	-25%	Rebate	60	None	60	Stamping
17	Faxton Hospital	Utica	350	553	473	-80	-14%	Power	299	Full	350	Hospital
18	Ford Motor Company	Buffalo	5,000	1,462	1,140	-322	-22%	Rebate	3,899	Full	5,000	Automotive components stamping
19	Intrepid Museum Foundation	New York	450	88	65	-23	-26%	Rebate	332	Full	450	Museum
20	Kintz Plastics, Inc.	Howes Cave	275	99	88	-11	-11%	Power	244	Full	275	Manufacturer of Thermoformed/ machined plastic parts
21	Kruysman, Inc.	Long Island City	270	168	104	-64	-38%	Rebate	167	None	170	Manufacturer of Filing Supplies
22	LB Furniture Industries, LLC	Hudson	500	162	119	-43	-27%	Rebate	367	None	370	Mfr of restaurant seating
23	Madelaine Chocolates	Rockaway Beach	575	518	415	-103	-20%	Rebate	461	Full	575	Manufactures chocolate
24	Manth-Brownell, Inc.	Kirkville	700	179	135	-44	-25%	Rebate	528	Full	700	Produces precision-turned machined parts
25	Marlette National Corporation	Buffalo	300	64	38	-26	-41%	Power	178	None	180	Electroplating and metal finishing
26	Marymount College	Tarrytown	400	187	50	-137	-73%	Rebate	107	Full	400	Independent liberal arts college
27	McLane Eastern	Baldwinsville	875	945	801	-144	-15%	Rebate	742	Partial	800	Wholesale grocery distributor
28	Merritt Plywood Machinery, Inc.	Lockport	75	18	9	-9	-50%	Rebate	38	Full	75	Makes machinery for hardwood, veneer and plywood
29	Met Weld Inc.	Altamont	100	71	60	-11	-15%	Rebate	85	Full	100	Industrial equipment
30	Milazzo Wholesale Meats	Brooklyn	75	28	17	-11	-39%	Power	46	None	50	Distributor of wholesale meats
31	Mohawk LTD.	Chadwicks	100	69	59	-10	-14%	Power	86	Full	100	Sales and service of electrical equipment
32	Mold-A-Matic Corp.	Oneonta	175	92	67	-25	-27%	Power	127	Full	175	Makes electric connectors and sub assemblies.
33	Newcut, Inc.	Newark	75	29	23	-6	-21%	Power	59	Full	75	Metal coating & allied services
34	North Hudson Woodcraft Corp.	Dolgeville	300	80	62	-18	-23%	Power	233	None	230	Manufacturer of wood parts and dried lumber
35	Oehler Industries	Buffalo	100	27	16	-11	-41%	Power	59	Partial	80	Steel fabrications
36	Par Foam Products, Inc.	Buffalo	150	116	62	-54	-47%	Power	80	Full	150	Plastics, sponge, and rubber products manufacturer
37	Paul Bunyan Products, Inc.	Preble	150	28	24	-4	-14%	Rebate	129	Full	150	Manufacturer of hardwood lumber and pallets
38	Paul T. Freund Corp	Palmyra	500	109	82	-27	-25%	Power	376	None	375	Manufacturer of corrugated folding boxes
39	Racemark International, Inc.	Malta	150	152	134	-18	-12%	Power	132	Full	150	Luxury auto floor mats and seat covers
40	Rich Plan Food Service, Inc.	Clark Mills	25	7	4	-3	-43%	Rebate	14	Full	25	Meat processing & frozen food storage
41	Schenectady International, Inc.	Schenectady	1,500	373	175	-198	-53%	Rebate	704	Full	1,500	Produces & sells electrical insulating varnishes
42	School House Companies	Gloversville	200	101	78	-23	-23%	Power	154	Full	200	Trucking & transportation
43	Seneca Foods Corporation	Leicester	720	132	115	-17	-13%	Rebate	627	Full	720	Canned fruits & vegetables
44	South Street Seaport Museum	New York	150	67	42	-25	-37%	Rebate	94	None	95	Museum of historic ships, maritime art and artifacts
45	Standard Manufacturing Co., Inc.	Troy	30	67	32	-35	-52%	Rebate	14	None	15	Apparel
46	The Penn Traffic Company	Syracuse	900	323	257	-66	-20%	Power	716	Partial	800	Wholesale food distribution
47	Thermold Corp	Canastota	200	56	36	-20	-36%	Rebate	129	None	130	Complete thermoplastic molding services
48	Vicks Lithograph & Printing	Yorkville	750	137	112	-25	-18%	Rebate	613	Full	750	Book printer & distribution
		Total	**22,710**	**10,998**	**8,540**				**17,080**		**20,934**	

New York Power Authority
Economic Development Power Programs
Energy Cost Savings Benefits
Compliance Review

Exhibit "1c-B"
September 23 2008

Line	Company	Program	City	Allocation kw	Job Commitment	Jobs in 2008 Application	Over/ Under	Percentage Over/ Under	Amount Full Reduction KW	Reduced Allocation KW	Reconsideration Full/Partial/None	Reconsideration Allocation KW	Service
1	Alcan Packaging	EDP	New Hyde Park	850	163	142	-21	-13%	-110	740	Full	850	Manufacturer of packaging materials
2	Columbia University - Audubon Business & Technology	MDA	New York	1,000	145	123	-22	-15%	-152	848	None	850	Biotechnology research & development
3	Diemolding Corporation	EDP	Canastota	800	238	201	-37	-16%	-124	676	Partial	675	Thermoset plastic forming
4	Fiber Conversion, Inc.	EDP	Brodalbin	650	32	21	-11	-34%	-223	427	None	425	Recycles textile waste into fibers
5	Mele Manufacturing Co., Inc.	EDP	Utica	650	60	51	-9	-15%	-98	553	None	300	Makes jewelry cases
6	Pfizer, Inc.	MDA	Brooklyn	4,400	6,415	5,358	-1,057	-16%	-725	3,675	None	3,675	Manufactures pharmaceutical products
7	Racemark International, Inc.	EDP	Malta	800	152	134	-18	-12%	-95	705	Full	800	Luxury auto floor mats and seat covers
8	World Class Film Corp.	MDA	Yonkers	1,190	57	40	-17	-30%	-355	835	None	835	Produces polyethylene film rolls products
			Total	**10,340**	**7,262**	**6,070**				8,459		8,410	

Note: At the request of Mele their allocation was reduced great then their job shortfall
as a result of their revised power requirements.

d. Neighboring States – Service Tariff Amendments – Notice of Adoption

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve amendments to the Authority's current production service tariffs applicable to its Neighboring States customers. Staff recommends that changes to the Authority's tariffs from the Niagara Power Project for firm, firm peaking and non-firm power (NS-1, NS-2, and NS-3) and to the Authority's tariffs from the St. Lawrence/FDR Power Project for firm and non-firm power (SL-1 and SL-2), each attached as Exhibits '1d-A' through '1d-E,' respectively, become effective on October 1, 2008.

BACKGROUND

"At their May 20, 2008 meeting, the Trustees authorized the Corporate Secretary to file a Notice of Proposed Rulemaking ('NOPR') with the New York State Department of State for publication in the *New York State Register* that the Authority proposed to amend service tariffs applicable to its Neighboring States customers. These amendments were needed to include necessary new provisions and updated terminology, remove obsolete sections and improve the organization and formatting.

"The NOPR was published in the *New York State Register* on June 4, 2008. In addition, Neighboring States customers were notified of the proposed service tariff amendments and invited to review the materials and submit comments. In accordance with the State Administrative Procedure Act ('SAPA'), interested parties were afforded a 45-day comment period. The public comment period closed on July 21, 2008.

DISCUSSION

"No written comments were received during the statutory comment period. Staff recommends that the amended service tariffs become effective at the start of the first billing period subsequent to the Trustees' approval, which is October 1, 2008.

FISCAL INFORMATION

"Adoption of the proposed Neighboring States service tariffs will have no financial impact. The changes proposed are administrative in nature and have no effect on current production rates.

RECOMMENDATION

"The Manager – Market Analysis and Tariff Administration recommends that the attached amended service tariffs for the Authority's Neighboring States customers be approved and 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* in accordance with the State Administrative Procedure Act. The requested effective date of these tariffs is October 1, 2008.

"It is also recommended that the Senior Vice President – Energy Marketing and Business Development, or his designee, be authorized to issue a notice of final action to the affected customers.

"The Acting Executive Vice President and General Counsel, the Senior Vice President – Energy Marketing and Business Development and I concur in the recommendation."

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, That the Trustees adopt the amendments to the service tariffs applicable to the Authority's Neighboring States customers, as set forth in the foregoing report of the Acting Chief Operating Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file a Notice of Adoption for publication in the *New York State Register* in accordance with the State Administrative Procedure Act; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to submit such other notice(s) as may be required by statute or regulation concerning the adoption of the service tariff amendments; and be it further

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

e. Upstate Investor-Owned Utilities –
Service Tariff Amendments –
<u>Notice of Proposed Rule Making</u>

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Corporate Secretary to publish a Notice of Proposed Rulemaking ('NOPR') in the *New York State Register*, in accordance with the requirements of the State Administrative Procedure Act ('SAPA'), to amend the Authority's current production service tariffs applicable to the upstate investor-owned utility ('IOU') customers. Authority staff will address any comments received during the 45-day public comment period and return to the Trustees at a later date to seek final action on the IOU service tariffs.

"A comprehensive review of the Authority's current IOU production service tariffs was performed by Authority staff in an effort to update them and make them consistent with those of other utilities. The amended tariffs, as proposed, would:

- be reformatted for easier reading;
- group provisions that relate to each other;
- include certain standard provisions that are applicable to all Authority service tariffs; and
- add frequently used abbreviations and terms.

BACKGROUND

"The IOU customers are National Grid, New York State Electric & Gas Corporation and Rochester Gas & Electric Corporation.

"IOU customers receiving electricity from the Authority's Niagara and St. Lawrence-FDR Power Projects are served under Service Tariff Nos. ST-41 for firm power and energy, ST-42 for firm peaking power and energy and ST-43 for interruptible energy. Currently, electricity for these customers is sold under the Application for Electric Service between the Authority and the IOU customers for resale to their residential customers.

DISCUSSION

"The amended IOU service tariffs will be an improvement over the existing tariffs, since they will include updated terminology and more streamlined organization and formatting.

"In addition, the proposed changes will make the tariffs more consistent with other utilities' tariffs and more readable and understandable for the Authority and its IOU customers.

"The proposed revised IOU service tariffs for firm, firm peaking and interruptible power from the Niagara and St. Lawrence/FDR Power Projects are attached as Exhibits '1e-A', '1e-B' and '1e-C,' respectively.

FISCAL INFORMATION

"Adoption of the proposed IOU service tariffs will have no financial impact. The changes proposed are administrative in nature and have no effect on current production rates.

RECOMMENDATION

"The Manager – Market Analysis and Tariff Administration recommends that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the *New York State Register* for the revision of service tariffs for the Authority's upstate investor-owned utility customers.

"The Acting Executive Vice President and General Counsel, the Senior Vice President – Energy Marketing and Business Development and I concur in the recommendation."

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file a Notice of Proposed Rulemaking for publication in the *New York State Register* in accordance with the State Administrative Procedure Act to amend the Authority's current production service tariffs applicable to its upstate investor-owned utility customers, as set forth in the foregoing report of the Acting Chief Operating Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such other notice(s) as may be required by statute or regulation concerning the proposed tariff amendments; and be it further

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

f. Procurement (Services) Contracts –
Business Groups/Units/Departments and Facilities –
Awards and Extension with Additional Funding

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit '1f-A,' as well as the continuation and funding of the procurement contract listed in Exhibit '1f-B,' in support of projects and programs for the Authority's Business Groups/Units/ Departments and Facilities. Detailed explanations of the recommended awards and extension with additional funding, including the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts, are set forth in the discussion below.

BACKGROUND

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

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

"The Authority's EAPs also require the Trustees' approval when the cumulative change order value of a personal services contract exceeds the greater of $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.

DISCUSSION

Awards

"The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $50,000 to $7.5 million (aggregate total). Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Extension

"Although the firm identified in Exhibit '1f-B' has provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing this contract. The Trustees' approval is required because the term of this contract will exceed one year. The subject contract contains provisions allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. This contract extension does not obligate the Authority to a specific level of personnel resources or expenditures.

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

"The following is a detailed summary of each recommended contract award and the extension with additional funding.

Contract Awards in Support of Business Groups/Units/Departments and Facilities:

Business Services

Information Technology

"In the past five years, the Authority's Information Technology division ('IT') has undertaken major initiatives involving the upgrade of its White Plains Office Data Center, establishment of a 'Hot-Site' for Disaster Recovery, replacement of its legacy Billing Systems and expansion of its SAP R/3 environment. During the next three years, IT will launch new initiatives in Customer Relationship Management ('CRM'), Enhanced Data Management Business Warehouse and NERC CIP compliance. IT will also continue to support and maintain the Authority's current investment in its computer and network infrastructure, as well as its existing computer applications portfolio. In order to meet the needs of this plan, the Authority uses contractors to augment its technical staff on a short-term basis, as necessary.

"Since the existing contracts are expiring and the need for such services is ongoing, bid documents were prepared and downloaded electronically from the Authority's Procurement website by 89 firms, including those that may have responded to a notice in the New York State Contract Reporter. Thirty proposals were received and evaluated to identify a 'short list' of prequalified firms providing temporary programming personnel. The following 14 firms were the lowest-priced bidders that meet the bid requirements: **Carlyle Consulting Services, Inc., Computer Generated Solutions, Inc., Contract Specialties Group, Ltd., Delphi Strategic Staffing LLC dba Rohn Rogers Associates, Eclaro International, Inc., Garrett Sayer Group, LLC, Infotech Global, Inc.,* L. J. Gonzer Associates, Inc., Marlabs, Inc., Qualified Resources International, LLC dba Monroe Staffing Services, Neotecra, Inc.,* RCG Information Technology, Inc., System Edge (USA), LLC*** and **Unique Comp Inc.* (Q08-4300; PO#s TBA)**. (Some of these firms have provided such services to the Authority under previous contracts in a timely and satisfactory manner.) As specific positions are required, the Authority will request résumés of candidates based on the requirements and experience required for each position from all 14 prequalified firms. Contracts would only be awarded to the successful firms, as each required position is bid among the entire prequalified group. Competition among the group is expected to provide qualified talent from a wide variety of firms. The new contracts would become effective on or about October 1, 2008 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. All contracts will expire on September 30, 2011, regardless of their duration. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $7.5 million. Commitments will be made through individual purchase order releases against master outline agreements with the successful firms, as positions are required; total commitments and expenditures for all awarded contracts will also be tracked against the approved total. (An asterisk following the name of a firm indicates that it is a New York State-certified Minority/Woman-owned Business Enterprise, 'M/WBE.')

"The Authority also has a need to augment its specialized SAP programming staff to support various IT efforts and initiatives related to the SAP enterprisewide financial/business management system at the Authority. In an effort to prequalify firms to provide the services of temporary programming personnel to support specialized SAP-related tasks and initiatives, bid documents were prepared and downloaded electronically from the Authority's Procurement website by 61 firms, including those that may have responded to a notice in the New York State Contract Reporter. Twenty-one proposals were received and evaluated to identify a 'short list' of prequalified firms providing specialized SAP temporary programming personnel. The prequalification selection process included, but was not limited to, the following primary considerations: the bidder's primary focus or subspecialty being SAP, the depth of the bidder's organization and SAP recruitment staff resources, the quality of résumés submitted for each SAP job category, the bidder's experience in the tri-state area and compliance with bid requirements. The following six firms have been identified as a result of the prequalification selection process: **ACSYS, Inc., Atrinova Inc., Bayforce Technology Solutions, Inc., Cross Thread Solutions LLC, Delphi Strategic Staffing LLC dba Delphi Solutions** and **Tescra, Inc. (Q07-4186; PO#s TBA)**. These firms were the most technically qualified bidders that meet or exceed the aforementioned evaluation criteria and bid requirements. It should also be noted that the hourly billing rates submitted by these bidders are significantly lower than those of SAP. As specific positions are required, the Authority will request résumés of candidates based on the requirements and experience required for each position from all six prequalified firms. Contracts would only be awarded to the successful firms, as each required position is bid among the entire prequalified group and the best candidate is selected. Competition among the group is expected to provide qualified talent from a wide variety of firms. Contracts would become effective on or about October 1, 2008 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. All contracts will expire on September 30, 2011, regardless of their duration. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $3 million. Commitments will be made through individual purchase order releases against master outline agreements with the successful firms, as positions are required; total commitments and expenditures for all awarded contracts will also be tracked against the approved total.

"The contract with **SilkRoad technology, inc. ('SilkRoad') (Q08-4246; PO# TBA**) would provide for web-based software and services to support eRecruitment, applicant tracking and onboarding functions for the Authority's Human Capital and Development Employment Group at the Authority's White Plains Office and the Human Resources Departments at the Facilities. Services include externally hosting the software (a Software as a Service, 'SaaS,' solution) for the Authority to provide turnkey services, including requisitioning, candidate acquisition, applicant tracking and onboarding, as well as communication management, reporting/analytics, data management, application integration and application security to support these activities. Bid documents were downloaded electronically from the Authority's Procurement website by 50 firms, including those that may have responded to a notice in the New York State Contract Reporter. Eleven proposals were received and evaluated. The two lowest-cost bidders were invited to make presentations and product demonstrations to the Authority's Evaluation Committee. Staff recommends award of a contract to SilkRoad, the lowest-priced bidder that meets all the bid requirements and is qualified to perform the work. The contract would become effective on or about October 1, 2008, for an intended term of three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $150,400.

Energy Marketing and Business Development

Energy Services and Technology – Energy Services

"The contract with **Whitestone Construction Corp. ('Whitestone') (Q08-4302; PO# TBA)** would provide for the furnishing, delivery and installation of energy-efficient replacement windows in three Westchester County Department of Public Works buildings in White Plains in compliance with all applicable codes and regulations, as part of the Authority's Energy Services Program. To this end, bid documents were downloaded electronically from the Authority's Procurement website by seven firms, including those that may have responded to a notice in the New York State Contract Reporter. One proposal was received and evaluated. Staff recommends the award of a contract to Whitestone, the sole responding bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about November 1, 2008, for a term of up to 18 months, subject to the Trustees' approval, which is hereby requested. (While staff anticipates that services will be completed within one year, an additional six months are requested to accommodate any potential delays, typically due to such factors as inclement weather and customer scheduling issues.) Approval is also requested for the total amount expected to be expended for the term of the contract, $4.65 million. It should be noted that all costs will be recovered by the Authority.

Power Supply

"Due to the need to commence services, the contract with **American Federal Crane Certification Bureau, a Division of American Crane Certification, Inc. ('American Crane') (4600001966)** became effective on July 30, 2008, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's procurement policies and EAPs. The purpose of this contract is to provide for annual inspection and certification services for cranes and other lifting devices at various Authority facilities located throughout New York State, in compliance with all applicable Occupational Safety and Health Administration ('OSHA') requirements and ANSI standards. Services include visual inspection, functional and operational testing on aerial bucket trucks, cranes, digger/derricks and self-propelled manlifts, including liquid penetrant inspection of each hook for the overhead and gantry cranes, crawler, locomotive and truck cranes. Bid documents were downloaded electronically from the Authority's Procurement website by 12 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Based on its ability to perform the work and reasonable pricing, staff recommends award of a contract to American Crane, the lower-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under an existing contract for such work. The intended term of the contract is up to 3.4 years, subject to the Trustees' ratification and approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $163,639.

"The contract with **Carrier Corporation ('Carrier') (Q08-4321; PO# TBA)** would provide for heating, ventilation and air-conditioning ('HVAC') maintenance services for the Authority's Charles Poletti, 500 MW Combined Cycle and Small Clean Power Plants (excluding Brentwood, which is serviced by another contractor). Services include HVAC equipment and system preventative maintenance (including annual maintenance, seasonal start-up, shutdown, service call work and preventative maintenance of the equipment, as recommended by the equipment manufacturer and common industry practice), as well as on-call equipment maintenance and repairs, on an 'as needed' basis. Bid documents were downloaded electronically from the Authority's Procurement website by 17 firms, including those that may have responded to a notice in the New York State Contract Reporter. One proposal was received and evaluated. Based on its ability to perform the work and reasonable pricing, staff recommends award of a contract to Carrier, the sole responding bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on October 1, 2008 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1.5 million.

"The contract with **Eaton Electrical Services & Systems ('Eaton') (Q08-4340; PO# TBA)** would provide for the installation of two SF6 generator breakers and related equipment for Units 3 and 4 at the Blenheim-Gilboa Project ('B-G') as part of the Life Extension and Modernization upgrades at B-G. To this end, bid documents were downloaded electronically from the Authority's Procurement website by 15 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of a contract to Eaton, the lower-priced bidder, which is qualified to perform the work, meets the bid requirements and has provided satisfactory service under a prior contract for work at B-G. The contract would become effective on or about October 1, 2008, for an intended term of up to two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $550,688.

"The contract with **Hi Tech Air Conditioning Service, Inc. ('Hi Tech') (Q08-4350; PO# TBA)** would provide for HVAC maintenance services for the Authority's Richard M. Flynn Plant and Brentwood Small Clean Power Plant. Services include HVAC equipment and system preventative maintenance (including annual maintenance, seasonal start-up, shutdown, service call work and preventative maintenance of the equipment, as recommended by the equipment manufacturer and common industry practice), as well as on-call equipment maintenance and repairs, on an 'as needed' basis. Bid documents were downloaded electronically from the Authority's Procurement website by 20 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Based on its ability to perform the work and reasonable pricing, staff recommends award of a contract to Hi Tech, the lowest-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on October 1, 2008 for an intended term of up to 3.25 years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $120,000.

"The contract with **Modern Disposal Services, Inc. ('MDS') (4600001965)** would provide for asbestos-containing waste removal and disposal services for the St. Lawrence/FDR Power Project. Services include furnishing specialized waste containers and transportation to and disposal of such asbestos waste at its landfill, in accordance with all applicable federal, state and local codes and regulations. Bid documents were sent to two firms, including those that may have responded to a notice in the New York State Contract Reporter. One proposal was received and evaluated. Based on its experience and reasonable pricing, staff recommends award of a contract to MDS, the sole responding bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on October 1, 2008 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $50,000.

"As part of the Good Neighbor Agreement between the Authority and Niagara University, the Authority has agreed to build a new warehouse and transfer the existing warehouse to Niagara University in 2011. The contract with **Nelson Associates Architectural Engineering ('Nelson Associates') (Q08-4352; PO# TBA)** would provide for architectural/ engineering services to prepare a fully detailed design, working drawings and specifications for the construction of a new warehouse with office space at the Niagara Power Project. Such design would incorporate the U. S. Green Building Council's Leadership in Energy and Environmental Design ('LEED') certification standards and requirements. Services also include, but are not limited to, providing construction support (i.e., review of construction bids, review submittals, walk-downs, required design change notices, technical inspections, etc.) for the duration of the project, including submittal of record drawings based on as-built drawings after project completion. Bid documents were downloaded electronically from the Authority's Procurement website by 62 firms, including those that may have responded to a notice in the New York State Contract Reporter. Six proposals were received and evaluated. The two lowest-priced bidders were invited for a bid review meeting. Staff recommends award of a contract to Nelson Associates, the lowest-priced bidder, which is qualified to perform such services. The contract would become effective on or about September 24, 2008 for an intended term of approximately 2.25 years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $632,915 (which includes funding for emerging issues, such as expanding the capacity of the existing Authority sewage pump stations, additional energy modeling calculations that may be required for LEED certification and any additional environmental issues that may arise after site investigations).

"Pursuant to 19 NYCRR 1204, each State agency is charged with providing, at a minimum, an annual fire safety inspection for each building within its custody in an effort to determine compliance with the Uniform Fire Prevention and Building Code. An inspection report must also be prepared by the agency, violations corrected and a correction plan prepared and maintained for violations that remain uncorrected 60 days after their discovery. Since the need for such services is ongoing and the existing contract will expire later this year, staff recommends the award of a new contract to the **New York State Department of State - Office of Fire Prevention and Control ('OFPC') (PO# TBA)**. The contract would provide for the services of a trained, experienced and certified fire protection specialist to perform inspections and various other fire safety-related services for the Authority statewide, in compliance with all applicable State fire codes, laws and regulations. Services comprise: (1) initial inspection (consisting of fire and life safety inspections in each building/facility owned or operated by the Authority to meet the requirements for such annual inspections, issuance of certificates of compliance and assistance in devising corrective actions, as needed); (2) re-inspection of those facilities found to need corrective actions during initial inspections, as well as assistance in preparing responses to any safety complaints, as needed and (3) consultative services (including, but not limited to, a customized fire safety employee training program, fire safety and emergency response planning and evacuation drills), as may be requested by the Authority. Pursuant to Section 156 of the Executive Law, OFPC has the authority and responsibility for providing fire safety inspections at State-regulated facilities, upon the request of the State agency. OFPC has the personnel, training and equipment to assume the fire and safety inspections of State-regulated facilities and the Authority is requesting OFPC to undertake the responsibility to conduct fire safety inspections for, and at, certain facilities under the Authority's control. Based on the foregoing reasons and OFPC's reasonable pricing, as well as its satisfactory services provided under the existing contract, staff recommends award of the proposed contract to OFPC on a sole-source basis. The new contract would become effective on January 1, 2009, for an intended term of three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $105,000.

"The contract with **Occupational Health Care Division of the Niagara Falls Memorial Medical Center ('OHC') (4600001963)** would provide for on-site annual physicals and other off-site medical examinations for

Authority employees of the Niagara Power Project. Services also include, but are not limited to: pre-employment physicals, fitness-for-duty and return-to-work examinations and drug and alcohol testing, as well as specialized examinations (e.g., for users of respiratory equipment, employees who must meet Coast Guard Captain's License requirements, etc.). Bid documents were downloaded electronically from the Authority's Procurement website by 11 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Based on its qualifications, ability to perform the work and reasonable pricing, staff recommends award of a contract to OHC, the lower-priced evaluated bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on October 1, 2008 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $400,000.

"The contract with **Siemens Building Technologies, Inc. ('Siemens') (RFQ 20037388; PO# TBA)** would provide for technical support services for the proprietary building control system that monitors and controls HVAC functions at the Niagara Power Project. The award is made on a sole-source basis, since Siemens is the original equipment manufacturer and, as such, is uniquely qualified to provide such services. A notice of the Authority's intent to award a sole- source contract to Siemens for such services was published in the New York State Contract Reporter. Based on its ability to perform the work and reasonable pricing, staff recommends award of a contract to Siemens, which is qualified to perform such services and has provided satisfactory service under an existing contract for such work. The new contract would become effective on October 1, 2008 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $75,000.

"In the early 1990s, the Authority awarded a contract to Underground Systems, Inc. (now USi), with the Trustees' approval, to design, furnish, deliver, install and commission a dielectric fluid leak detection system to monitor Feeder Y-49 on the Sound Cable Project. The system's proprietary design is a complex arrangement of Remote Terminal Units and communication links that monitor cable temperature, flows and other critical parameters and perform calculations to determine if there is a leak. Over time, the original system became outdated and required updating in order to ensure the reliability and safety of Feeder Y-49 and to meet environmental licensing commitments. In 2005, the hardware and software were upgraded by USi under a new contract, which also provided for 24/7 monitoring and system maintenance for a three-year term, with the Trustees' approval, and which facilitated uprate (the ability to increase the flow of power through the cable). Since the existing contract is expiring and the need for such services is ongoing, staff recommends the award of a new contract to **USi**. The proposed contract **(Q08-4359; PO# TBA)** would provide for continuous monitoring of the leak detection and uprate system on a 24/7/365 basis, as well as maintenance and repair of the installed system, including annual calibration and leak testing, field maintenance and technical support, as needed, including an answering service that would notify the appropriate parties of calls regarding system alarms and operating issues in the event of a suspected or actual dielectric fluid leak. This award is made on a sole-source basis, since USi is the original system designer of the existing proprietary software and hardware configuration. This firm is therefore uniquely qualified to monitor and maintain the system, in order to ensure the reliability of the Y-49 Cable and to fulfill the Authority's regulatory licensing commitments. USi's proposed pricing is reasonable, representing a modest increase to the current rates; in addition, the contractor has demonstrated competency in fulfilling its obligations under the existing contract. The new contract would become effective on October 1, 2008 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1,262,500. It should be noted that all costs will be recovered by the Authority.

<u>Contract Extension with Additional Funding</u>:

<u>Business Services</u>

Corporate Finance

"The contract with **Brown, Williams, Moorhead & Quinn, Inc. (4500149315)** provides for consulting services in connection with the Authority's transmission cost-of-service and anticipated regulatory filings with the Federal Energy Regulatory Commission ('FERC'). The original award, which was competitively bid, became effective on November 1, 2007 for a term of up to one year. The consultant was to develop, with the support of Authority staff, and provide a computer model to forecast current and future transmission revenue requirements, incorporating various levels of maintenance, capital upgrades and/or expansion; develop a list of constraints and limitations on the Authority's ability to generate additional revenue to recover new transmission project costs in the New York Independent System Operator market and prepare a detailed cost-of-service study for the Authority's transmission system. The consultant and Authority staff's efforts to bring the data to a level compatible with FERC standards caused a delay in the start of the primary task. Work is currently under way to analyze 2007 transmission costs for a potential filing with FERC in 2009, to be followed by a potential second filing for a major transmission capital project. In the event these rate cases are required to proceed through the settlement or hearing process, the consultant's services would be required for an additional two-year period beyond the initially anticipated one-year term. As the original consultant, this firm is uniquely qualified to perform the additional related services and rebidding would not be practical. Staff therefore recommends a two-year extension of the subject contract. The current contract amount is $150,000; staff anticipates that an additional $150,000 may be required for the extended term. It should be noted that the rates will remain firm for the duration of the contract. The Trustees are requested to approve the extension of the subject contract through October 31, 2010, as well as the additional funding requested.

<u>FISCAL INFORMATION</u>

"Funds required to support contract services for various Business Groups/Units/ Departments and Facilities have been included in the 2008 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the project's Capital Expenditure Authorization Request. Payment for the contract in support of Energy Services Programs will be made from the Energy Conservation Effectuation and Construction Fund. All costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority consistent with other Energy Services and Technology Programs.

<u>RECOMMENDATION</u>

"The Vice President – Project Management, the Vice President – Engineering, the Vice President – Finance, the Vice President – Business Development and Asset Management, the Chief Information Officer, the Director – Energy Services, the Director – Human Capital and Development, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Southeastern New York recommend the Trustees' approval of the award of multiyear procurement contracts to the companies listed in Exhibit '1f-A,' and the extension with additional funding of the procurement contract listed in Exhibit '1f-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective Exhibits.

"The Acting Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Acting Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Energy Services and Technology, the Senior Vice President – Transmission and I concur in the recommendation."

In response to a question from Trustee Jonathan Foster, Ms. Oksana Karaczewsky said that when Authority staff followed up with potential bidders to ascertain the reasons for there being only one bid submitted for the project to furnish, deliver and install energy-efficient replacement windows in three Westchester County Department of Public Works buildings in White Plains, the reasons they were given included insufficient resources to carry out the project, discomfort with the scope of work and the prevailing wage rates.

Responding to another question from Trustee Foster, Mr. Edward Welz said that safety was one of the factors taken into consideration when evaluating the proposals for annual inspection and certification services for cranes and other lifting devices at various Authority facilities.

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

> **RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services contracts set forth in Exhibit "1f-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the Acting Chief Operating Officer; and be it further**
>
> **RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contract listed in Exhibit "1f-B," attached hereto, is hereby approved and extended for the period of time indicated, in the amount and for the purpose listed therein, as recommended in the foregoing report of the Acting Chief Operating Officer; and be it further**
>
> **RESOLVED, That the Acting Chairman, the Acting Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting Executive Vice President and General Counsel.**

g. Budget Information Pursuant to
<u>Section 2801 of the Public Authorities Law</u>

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Corporate Secretary to submit budget information to the Governor and legislative leaders pursuant to Section 2801 of the Public Authorities Law.

BACKGROUND

"In January 2006, the Public Authorities Accountability Act of 2005 ('PAAA') was signed into law, reflecting the State's commitment to maintaining public confidence in public authorities by ensuring that the essential governance principles of accountability, transparency and integrity are followed at all times. To facilitate these objectives, the PAAA established an Authority Budget Office ('ABO') that monitors and evaluates the compliance of State authorities with the requirements of the Act. Among other things, the PAAA amended Section 2801 of the Public Authorities Law to require that budget reports by a State authority be submitted to designated governmental officials 90 days, rather than 60 days, before the start of the authority's fiscal year.

DISCUSSION

"The Trustees are requested to authorize the Corporate Secretary to file the attached budget information (Exhibit '1g-A') pursuant to Section 2801(1) of the Public Authorities Law, which provides as follows:

> State authorities. Every state authority or commission heretofore or hereafter continued or created by this chapter or any other chapter of the laws of the State of New York shall submit to the governor, chairman and ranking minority member of the senate finance committee, and chairman and ranking minority member of the assembly ways and means committee, for their information, annually not less than ninety days before the commencement of its fiscal year, in the form submitted to its members or trustees, budget information on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year, and the actual receipts and expenditures for the last completed fiscal year.

As provided in Executive Order No. 173, this information will also be submitted to the State Division of the Budget. Additionally, the Section 2801 budget information will be electronically posted to the Office of the State Comptroller's and the ABO's jointly operated Public Authorities Reporting Information System ('PARIS').

FISCAL INFORMATION

"There is no anticipated fiscal impact.

RECOMMENDATION

"The Vice President – Controller recommends that the Trustees authorize submittal of the attached budget information (Exhibit '1g-A') as discussed herein.

"The Acting Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer and I concur in this recommendation."

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, That pursuant to Section 2801 of the Public Authorities Law, the Corporate Secretary be, and hereby is, authorized to submit to the Governor, the Chairman and Ranking Minority Member of the Senate Finance Committee, the Chairman and Ranking Minority Member of the Assembly Ways and Means Committee, the Division of the Budget and the Authority Budget Office the attached budget information on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year, and the actual receipts and expenditures for the last completed fiscal year in accordance with the foregoing report of the Acting Chief Operating Officer; and be it further

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

Exhibit "1g-A"
September 23, 2008

Power Authority of the State of New York
Estimated Receipts and Expenditures 2008 and 2009
Actual Receipts and Expenditures 2007

(in millions)

	Actuals 2007	Forecast 2008	Estimated 2009
Revenue Receipts :			
Sale of Power, Use of Transmission Lines, Wheeling Charges and other receipts	$2,938.4	$3,274.7	$3,391.0
Earnings on Investments and Time Deposits	$48.1	$50.8	$60.6
Total Revenues	**$2,986.5**	**$3,325.5**	**$3,451.6**
Expenses:			
Operation and Maintenance, including Transmission of Electricity by others, Purchased Power and Fuel Purchases	**($2,712.6)**	**($2,814.8)**	**($3,006.7)**
Debt Service :			
Interest on Bonds and Notes / Commercial Paper Paydown	($97.3)	($108.3)	($95.3)
General Purpose Bonds Retired	($384.8)	($166.0)	($103.6)
Notes Retired	($6.1)	($6.0)	($6.5)
Total Debt Service	**($488.2)**	**($280.3)**	**($205.4)**
Total Requirements	**($3,200.8)**	**($3,095.1)**	**($3,212.1)**
Net Operations	**($214.3)**	**$230.4**	**$239.5**
Capital Receipts :			
Sale of Bonds, Promissory Notes & Commercial Paper	$720.4	$169.5	$105.5
Less : Repayments / Commercial Paper Paydown	($208.6)	($51.8)	($112.3)
Earnings on Construction Funds	$5.4	$8.5	$5.8
DSM Recovery Receipts	$84.3	$60.7	$35.8
Other	$93.7	$42.0	$102.0
Total Capital Receipts	**$695.2**	**$228.9**	**$136.8**
Capital Additions & Refunds :			
Additions to Electric Plant in Service and Construction Work in Progress, and Other costs	($225.2)	($255.8)	($272.0)
Construction Escrow	($164.9)	$49.8	$60.0
Total Capital Additions & Refunds	**($390.1)**	**($206.0)**	**($212.0)**
Net Capital	**$305.1**	**$22.9**	**($75.2)**
Net Increase/(Decrease)	**$90.8**	**$253.3**	**$164.3**

h. Budget and Financial Plan Information Pursuant to Regulations of the Office of the State Comptroller

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"In accordance with regulations of the Office of the State Comptroller ('OSC'), the Trustees are requested to approve for public release a proposed 2009 budget and four-year financial plan; authorize making the proposed budget and four-year financial plan available for public inspection at not less than five convenient public places throughout New York State and authorize posting the proposed budget and four-year financial plan on the Authority's website.

BACKGROUND

"OSC implemented new regulations in March 2006 that address the preparation of annual budgets and four-year financial plans by 'covered' public authorities, including the Authority. (See 2 NYCRR Part 203 ('Part 203'), attached as Exhibit '1h-A.') These regulations establish various procedural and substantive requirements, discussed below, relating to the budgets and financial plans of public authorities.

DISCUSSION

"Part 203 sets forth specific requirements in connection with submitting, formatting, preparing supporting documentation for and monitoring annual budgets and financial plans of public authorities.

"Under Part 203, the Authority's proposed budget and four-year financial plan (Exhibit '1h-B') must be made available for public inspection at least 30 days before approval by the Trustees of a final budget and financial plan and not less than 60 days before commencement of the next fiscal year. The availability for public inspection must be for a period of not less than 45 days and in not less than five convenient public places throughout the State. The regulations also require the Authority to post the proposed budget and four-year financial plan on its website.

"Under Part 203, each proposed budget and four-year financial plan must be shown on both an accrual and cash basis and be prepared in accordance with generally accepted accounting principles; be based on reasonable assumptions and methods of estimation; be organized in a manner consistent with the public authority's programmatic and functional activities; include detailed estimates of projected operating revenues and sources of funding; contain detailed estimates of personal service expenses related to employees and outside contractors; list detailed estimates of non-personal service operating expenses and include estimates of projected debt service and capital project expenditures.

"Other key elements that must be incorporated in each proposed budget and four-year financial plan are a description of the budget process and the principal assumptions, as well as a self-assessment of risks to the budget and financial plan. Additionally, the proposed budget and financial plan must include a certification (Exhibit '1h-C') by the chief operating officer (defined as the executive officer responsible for overseeing the day-to-day activities of an authority) that, to the best of his or her knowledge and belief after reasonable inquiry, the proposed budget and financial plan are based on reasonable assumptions and methods of estimation and that the Part 203 regulations have been satisfied.

"The Trustees will be asked to approve the Authority's final budget and four-year financial plan, including any modifications and amendments thereto, at their meeting of December 16, 2008.

FISCAL INFORMATION

"There is no anticipated fiscal impact.

<u>RECOMMENDATION</u>

"The Vice President – Controller recommends that the Trustees approve for public release the proposed 2009 budget and four-year financial plan; authorize making the proposed budget and four-year financial plan available for public inspection at no less than five convenient public locations and authorize posting the proposed budget and four-year financial plan on the Authority's website.

"The Acting Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer and I concur in this recommendation."

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

> **RESOLVED, That pursuant to 2 NYCRR Part 203, the proposed budget and four-year financial plan, including its certification by the Acting Chief Operating Officer, is approved for public release in accordance with the foregoing report of the Acting Chief Operating Officer; and be it further**
>
> **RESOLVED, That pursuant to 2 NYCRR Part 203, the Corporate Secretary be, and hereby is, authorized to make the proposed budget and four-year financial plan available for public inspection at not less than five convenient public places throughout New York State, notify the Office of the State Comptroller of said locations and post the proposed budget and four-year financial plan on the Authority's website; and be it further**
>
> **RESOLVED, That the Acting Chairman, the Acting Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting Executive Vice President and General Counsel.**

2. Financial Reports for the Eight Months Ended August 31, 2008

Mr. Bellis presented the highlights of the Financial Reports to the Trustees.

3. Report from the Acting Chief Operating Officer

Mr. Gil Quiniones welcomed the Authority's two new Trustees – Mr. Jonathan Foster and Judge Eugene Nicandri – on behalf of Authority staff. Mr. Quiniones said that he wanted to touch on a few highlights of the busy and productive period since the Trustees' last regular meeting in July. Mr. Quiniones provided the following details:

Financial Market Turbulence: Staff is closely monitoring the ongoing turbulence in the financial markets. Even before Lehman Brothers' bankruptcy filing, staff had taken a number of precautionary actions, since Lehman is a major dealer for the Authority's commercial paper program. Staff will continue to implement such actions in a prudent and measured fashion. In recent weeks, staff began to put the Lehman-marketed commercial paper out with longer maturities to allow for an orderly transition to other dealers should that become necessary. That transition is now being carried out, with Lehman having indicated that it is unable to market paper at this time. With the acquisition by Barclays Capital of Lehman's North American businesses and operating assets, staff expects the firm to resume remarketing capabilities within the next week. In addition to the transition to other dealers, a portion of the outstanding paper is being paid down with Authority operating funds and an item on today's agenda seeks the Trustees' authorization to expand the Authority's ability to use such funds for that purpose, helping the Authority remain well positioned and well protected, with sufficient flexibility to weather the current financial crisis.

Alcoa Contract: Staff successfully completed negotiation of a proposed long-term power supply contract with Alcoa, based on the agreement in principle signed last December. Another item on today's agenda seeks the Trustees' authorization for staff to hold a public hearing on the proposed contract in line with Section 1009 of the Power Authority Act.

RFP #5/Astoria Energy Contract: As authorized by the Trustees at their April meeting, staff has also completed negotiation of a 20-year power supply agreement with Astoria Energy, the winner in the Authority's RFP #5 solicitation to help meet the long-term needs of the Authority's New York City governmental customers. This will result in construction of a new state-of-the-art 500 megawatt combined-cycle power plant in Astoria, Queens.

Entergy Value-Sharing Agreements: In another successful outcome, the Authority reached a settlement in August in which Entergy agreed that the proposed spin-off of its nuclear assets into Enexus, a newly formed entity, will not result in it terminating its Value-Sharing Agreements ("VSAs") with the Authority. The VSAs

stem from the sale of the Authority's Indian Point 3 and FitzPatrick nuclear plants to Entergy in November 2000 and provide that the Authority receive an equal share of annual profits from the plants beyond specified levels from 2008 through 2015. The VSAs could provide the Authority with up to $72 million a year, for a total of $504 million. The Authority received the 2008 payment prior to the settlement.

Generating Assets: All of the Authority's generating assets are operating well and meeting their commitments. In addition, the Authority continues to make progress on the Life Extension and Modernization ("LEM") programs at the St. Lawrence-FDR and Blenheim-Gilboa ("B-G") projects. The 10th of the 16 units at St. Lawrence has resumed operation after completion of its upgrade, with the 11th unit removed from service so that the LEM work can proceed. At B-G, the 3rd of the 4 units was removed from service as scheduled on September 15.

Priority Initiatives: At the request of the Governor's Office – and based on comments and guidance from the Trustees – we submitted a memo in mid-August on the Authority's priority programs, policies and legislation that we recommend the Governor support or pursue in 2009. These recommendations included ways the Authority can help meet the State's transmission needs, measures to expand the Authority's energy services offerings and options for improving Authority economic development programs.

> ***Transmission - The Authority is participating in the Transmission Owners Collaborative established recently by the New York Independent System Operator to examine the condition of New York State's existing transmission infrastructure and identify options for bringing new renewable power sources on line. In addition, the Authority is exploring opportunities to upgrade its own system to enable transmission of renewable energy from upstate sources and hydropower from Quebec to the rest of the State. The current focus is on the Authority's Moses-Adirondack lines, but the Authority also wants to be prepared to license and build new transmission facilities if it is called upon to do so.***
>
> ***Energy Services – The Authority has executed cost-recovery agreements with the New York City Department of Environmental Protection ("DEP") and the City University of New York ("CUNY") to enable it to carry out projects directly with those entities. Previous Authority energy services projects with DEP and CUNY have been implemented under the Authority's overall agreement with the City of New York. The new DEP agreement provides for up to $300 million worth of Authority energy services projects over the next five years. The Authority anticipates undertaking about $50 million worth of projects in the first phase of its program with CUNY.***

<u>Renewable Energy</u> - The Authority responded last week to the New York City Economic Development Corporation's Request for Expressions of Interest in working with the City to increase renewable energy services and supply. The Authority proposed an expanded partnership with the City to implement renewable energy projects and secure additional renewable energy resources. These efforts could include support of offshore wind projects, expanded solar power purchase agreements and increased use of anaerobic digester gas at DEP sites.

In response to a question from Trustee Nicandri, Mr. Joseph Del Sindaco said that the Authority did not see any downside to paying down its debt and in fact looked for such opportunities when the cost of money was high. Responding to a question from Trustee D. Patrick Curley, Mr. Del Sindaco said that the Authority would not incur any prepayment penalties for paying down its debt. Trustee Foster said that he had engaged in a long phone conversation the previous day with Mr. Del Sindaco and that he was very impressed with the Authority's handling of its commercial paper program. Acting Chairman Townsend said that the Authority would benefit from Mr. Foster's financial expertise.

4. Proposed Preservation Power Contract
<u>with Alcoa, Inc. – Notice of Public Hearing</u>

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a public hearing, pursuant to Section 1009 of the Public Authorities Law, on a new contract for the sale of 478 MW (374 MW firm and 104 MW interruptible) of Preservation Power ('Contract') to Alcoa, Inc. ('Alcoa'), and the accompanying Service Tariff No. 22 ('Tariff').

BACKGROUND

"The existing contracts for the Sale of Firm and Interruptible Power and Energy, dated August 24, 1981, between the Authority and Alcoa and Reynolds Metals Company for their respective Massena operations are slated to terminate on June 30, 2013. The parties have been in discussions for a number of years concerning a possible new power supply agreement. At their meeting of January 29, 2008, the Trustees ratified an Agreement in Principle ('Agreement') signed on December 21, 2007 by the Authority's then-President and Chief Executive Officer and a representative of Alcoa. The Agreement was subject to negotiation and approval of a formal power contract between the parties. Alcoa and Authority staff have completed their negotiations and the proposed Contract is attached as Exhibit '4-A.' The Tariff is appended to the Contract.

"Alcoa currently has about 1,285 employees at its Massena plant and is the largest manufacturing employer in the North Country. It has two contracts for the purchase of hydropower from the Authority comprising a total of 374 MW of firm and 104 MW of interruptible power. In 2005, the New York State Legislature enacted, and the Governor signed, Chapter 313 of the Laws of 2005, which established the Preservation Power program set forth in Section 1005(13) of the Public Authorities Law to govern the allocation of 490 MW of firm and interruptible power from the St. Lawrence/FDR Project that is currently allocated to Alcoa and General Motors Powertrain.

DISCUSSION

"The proposed Contract[1] is consistent with the Agreement approved by the Trustees at their January 29, 2008 meeting. The allocation of Preservation Power is in consideration of Alcoa's agreement to invest at least $600 million in a new East Plant, the former Reynolds facility, and to retain 900 smelting jobs between a West Plant and the new East Plant, plus cold-finished fabrication jobs. The other key elements of the Contract are as follows:

1. **Power Allocation Quantity**

   The current allocation to Alcoa of 374 MW firm hydropower and 104 MW interruptible hydropower will continue when the term of the new Contract begins on July 1, 2013. The current allocation of firm and interruptible hydropower between the East and West Plants will stay the same as long as the existing East Plant operates. Once the new East Plant is operational, the allocation of firm and interruptible hydropower may change, as agreed to by the Authority and Alcoa.

   a. The firm service will be equivalent to that provided to all other Authority firm hydropower customers and subject to pro-rata curtailment when there is insufficient generation at the Niagara and St. Lawrence/FDR facilities to meet the energy requirements of the firm hydropower customers.

   b. The current arrangement for managing the availability of interruptible hydropower (a special class of hydropower sold only to Alcoa) will stay the same, with interruptions triggered by daily measurement of seven-day rolling average net generation at the Niagara and St. Lawrence/FDR Projects.

[1] For purposes of this Discussion, the Contract includes various provisions of the Tariff, which works in concert with the Contract to establish all applicable terms and conditions of service.

c. The total amount of hydropower will be subject to an enforceable employment commitment of 1,065 Alcoa employees beginning in 2008 and trending to no less than 900 over the term of the Contract that includes an annual job report to be submitted by Alcoa to the Authority. A job compliance threshold of no less than 95% will apply. Should Alcoa's actual jobs reported fall below the compliance percentage, the Authority may reduce the amount of hydropower on a pro-rata percentage basis, with a proviso relating to decreases in employment resulting from production curtailment due to prolonged firm and/or interruptible power curtailment by the Authority.

2. Pricing

a. The Authority's base production charges (demand and energy) will be set at a new effective base rate beginning July 1, 2013, with such initial rate subject to both an annual escalator based on the indices in the current contracts and an adjustment based on increases in the market price of aluminum as reported on the London Metal Exchange ('LME').

b. The firm and interruptible rates shall be no lower than the cost-based 'Preference' rate charged by the Authority to its Preference customers.

c. In addition to the above base production charges, Alcoa will pay all New York Independent System Operator charges imposed on the Authority with respect to its service to Alcoa.

d. The Contract will provide for a pass-through to Alcoa of all taxes, assessments and other charges or costs imposed by third parties relating to provision of service to Alcoa, including, for example, costs incurred by the Authority to comply with any renewable portfolio standards, carbon regulation regimes or New York State programs requiring the construction of reliability or infrastructure upgrades.

e. The Authority's standard contract provisions concerning rate increases necessary to meet bond covenant requirements will apply.

f. The rate provisions will be subject to reopening in the event that currently unforeseen major capital expenditures are required at the St. Lawrence/FDR Project during the life of the contract.

3. Term

The Contract will have an effective date of July 1, 2013 with a Base Term of 30 years (2013 to 2043), with one 10-year option to extend under certain defined circumstances relating to availability of power and aluminum prices over the initial term.

4. Economic Development Fund

Alcoa will capitalize a $10 million North Country Economic Development Fund ('NCEDF') within 90 days of the date on which its Board of Directors approves the rebuilding of its Massena East smelter. The NCEDF will be used exclusively for economic development purposes in the counties of St. Lawrence, Franklin, Essex, Jefferson, Lewis, Hamilton and Herkimer and on the Akwesasne Mohawk Reservation. The NCEDF will be jointly administered by the Authority and an entity of or specified by the State of New York.

<u>FISCAL INFORMATION</u>

"The proposed Contract provides for an increase in the base production rates beginning in 2013 to a level above the cost-based production rates. Moreover, the rates will continue to be subject to annual adjustment based on the same escalators used in the current contract. It is expected that the 2013 base production rate increase of about $5 per MWh will result in approximately $20 million in additional annual revenues for the Authority. In addition, the Authority will share in the value of higher aluminum prices in a further adjustment to the charges under the proposed Contract. This quarterly adjustment will provide additional revenue to the Authority in the event the market price of aluminum as reported on the LME exceeds $2,000 per ton on an inflation-adjusted basis. (There will be no reduction in revenues in the event aluminum prices fall below this threshold.)

"The proposed Contract also provides for a number of other fiscal safeguards, including the direct pass-through of all third-party costs, charges, assessments or taxes the Authority may incur in serving Alcoa. The production rates will not fall below the Authority's cost-based production rates for the hydroelectric facilities and the rate provisions are subject to reopening in the event that currently unforeseen major capital expenditures are required at the St. Lawrence/FDR Project during the life of the Contract. Finally, other standard contract terms apply, including provisions relating to hydroelectric curtailments and to rate increases necessary to meet bond covenant requirements.

RECOMMENDATION

"The Manager – Business Marketing and Economic Development and the Director – Marketing Analysis and Administration recommend that the Trustees authorize a public hearing on the Preservation Power Contract with Alcoa to be held at the Frank S. McCullough, Jr. Hawkins Point Visitors' Center at the St. Lawrence/FDR Project in Massena, New York on Thursday, November 6, 2008 at 10 a.m. It is further recommended that, pursuant to Section 1009 of the Public Authorities Law, the Corporate Secretary be authorized to transmit copies of the proposed contract to the Governor and legislative leaders, and to arrange for the publication of a notice of public hearing in six newspapers throughout the State in accordance with the Public Authorities Law.

"The Acting Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Energy Marketing and Business Development, the Vice President – Finance and I concur in the recommendation."

Mr. Michael Huvane presented an overview of staff's recommendations to the Trustees. In response to a question from Trustee Curley, Mr. Huvane said that the 95% job threshold would still be in effect even if Alcoa didn't use all of the Authority's power allocation. Responding to a question from Acting Chairman Townsend, Mr. Huvane said that the North Country Economic Development Fund would be similar to the Authority's existing revolving loan funds and that staff would begin to develop the structure of the fund once Alcoa's Board of Trustees has approved the power contract. Trustee Nicandri said that the fund was going to be very important to the North Country and its economic survival.

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby authorize a public hearing on the terms of the proposed contract for the sale of Preservation Power to Alcoa, Inc. to be held at the Frank S. McCullough, Jr. Hawkins Point Visitors' Center at the St. Lawrence/FDR Project in Massena, New York on Thursday, November 6, 2008 at 10 a.m.; and be it further

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit copies of the proposed contract to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee pursuant to Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to arrange for the publication of a notice of public hearing in six newspapers throughout the State, all done in accordance with the provisions of Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That the Acting Chief Operating Officer or his designee be, and hereby is, authorized, subject to the approval of the form thereof by the Acting Executive Vice President and General Counsel, to enter into such agreements, and to do such other things, as may be necessary or desirable to implement the contract with Alcoa, Inc. as set forth in the foregoing report of the Acting Chief Operating Officer; and be it further

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

5. Municipal and Rural Electric Cooperatives - Residential Customers – Funding for Home Heating Kits

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize up to $5 million to fund a Winter Home Heating Tune-Up Project ('Project') for the Municipal and Rural Electric Cooperative Utility Systems' ('Munis and Co-ops') low-income residential customers. The Project would be implemented under the existing Statewide Energy Services Program ('Statewide ESP') and would include the Authority's purchase and free distribution (via the Munis and Co-ops) of home heating tune-up kits ('kits') to eligible customers to help mitigate anticipated significant increases in home heating costs for the winter of 2008-09.

BACKGROUND

"On July 1, 2008, Governor David A. Paterson held a Winter Fuels Summit for representatives of all relevant New York State agencies and public authorities to look at strategies and policies that could make home heating costs more affordable for the upcoming winter. Each agency and authority head was asked to discuss current programs and identify new or enhanced initiatives that could assist New Yorkers in managing their home heating bills this winter.

"In response to the Governor's directive, the Authority has developed the Project, which would be offered to low-income residential customers served by the Munis and Co-ops. The Project would involve the Authority purchasing kits that would be made available at no cost to eligible participants through the Munis and Co-ops. Each kit would include an assortment of items to help improve heating, lighting and water efficiency in the home, as well as several tips for installation.

DISCUSSION

"Since the 1980s, the Authority has offered energy services programs (most notably, the Watt Busters home energy audit and weatherization program completed in the mid-1990s) to the customers of its Munis and Co-ops to help reduce energy usage in homes and businesses.

"At their meeting of May 23, 2006, the Trustees authorized the inclusion of the Authority's 51 Muni and Co-op customers in the Statewide ESP program with the goal of each Muni and Co-op launching and administering programs within its own system.

"Staff is now proposing to expand the Statewide ESP to allow for the purchase and free distribution of kits to the Munis and Co-ops' low-income residential customers to help reduce overall home heating costs and improve efficiency in the home.

"An estimated 20,000 homes would be eligible for the kit, with 10,000-15,000 homes participating in the Project. Each kit, which would cost up to $150, would include self-adhesive door sweeps; weather-stripping for doors and windows; tubes of caulking; a hot water thermometer; a refrigerator thermometer; wall switches and outlet gaskets; window insulation film; a low-flow shower head; a faucet aerator; an LED night light; a radon gas testing kit and an energy conservation guide on 'How to Save Around the House.'

"All of these items provide simple and effective ways to help reduce heating and electric costs. The Authority will work with the Munis and Co-ops to develop a distribution plan that ensures the kits are available to eligible project participants.

FISCAL INFORMATION

"Funding for the Project will be provided primarily from the Operating Fund. The total cost of the Project is not expected to exceed $5 million.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology and the Senior Vice President – Energy Marketing and Business Development recommend that the Trustees approve the implementation of a project to purchase and arrange for free distribution of home heating tune-up kits for low-income residential customers of New York State's Municipal and Rural Electric Cooperative Utility Systems as part of the Statewide Energy Services Program and authorize up to $5 million for program funding.

"The Acting Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Acting Executive Vice President – Corporate Services and Administration, the Executive Vice President and Chief Engineer – Power Generation, the Senior Vice President – Intergovernmental and Community Affairs and I concur in the recommendation."

Ms. Maribel Cruz presented the highlights of staff's recommendations to the Trustees. Trustee Foster said that he thought the program was a terrific idea, but suggested that more thought be given to the funding allocation. Ms. Cruz said that the exact cost of the program has not yet been determined, but that all of the money spent on it would be accounted for. In response to a question from Trustee Foster, Ms. Cruz said that staff would report back to the Trustees next month with more details on the program costs. Acting Chairman Townsend stated that the viability of the program should be monitored. Responding to a question from Trustee Nicandri, Mr. Quiniones said that the target audience for this program would be low-income (as defined by the New York State Office of Temporary and Disability Assistance) customers of the municipal and rural electric cooperatives. Acting Chairman Townsend commended staff for working with the Governor's Office on its home heating assistance initiative and encouraged them to pursue similar initiatives. Trustee Curley said that it would be a good idea to let the Governor's Office know if the program ends up costing more than initially estimated. Trustee James Besha recused himself from voting on this item.

The following resolution, as submitted by the Acting Chief Operating Officer, was adopted by a vote of 5-1 with Trustee Besha recusing himself.

RESOLVED, That the Trustees hereby authorize the inclusion of the home heating tune-up kit project in the Statewide Energy Services Program as described in the foregoing report of the Acting Chief Operating Officer; and be it further

RESOLVED, That Operating Fund monies be used to fund the project costs in the amount and for the purpose listed below:

Operating Funds	**Expenditure Authorization (not to exceed)**
Purchase and distribution of home heating tune-up kits	**$5 million**
TOTAL	**$5 million**

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

6. Procurement (Services) Contract – St. Lawrence/FDR Power Project – Life Extension and Modernization Program – Increase in Expenditure Authorization and Contract Compensation Limit

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures of $56.415 million to complete the St. Lawrence/FDR Power Project ('St. Lawrence') Life Extension and Modernization ('LEM') Program. This would bring the total expenditures for the program to the $281.4 million previously approved by the Trustees. The $56.415 million is for the rehabilitation of the remaining five Allis-Chalmers ('AC') type units, which will allow for complete rehabilitation of all 16 units by 2013, as planned.

"The Trustees are further requested to approve a total increase of $8.1 million to the compensation ceiling for contracts with Alstom Hydro US, Inc. ('Alstom'), Littleton, Colorado (Contracts # 4600001236 and #4600001237). This increase is for additional rehabilitation work and changes to the contracts' terms and conditions related to necessary repairs, cost escalation, liquidated damages and other administrative issues related to turbine overhaul and runner replacement for the AC-type units. This requested increase will bring the total value of the Alstom contracts to $33.3 million, which is within the limits of the previously approved Capital Estimate Authorization Request ('CEAR').

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 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, 1997, the Trustees approved initiation of a St. Lawrence LEM program, estimated to cost $254.139 million, aimed at renewing St. Lawrence's generation assets from 1998 through 2013. The Trustees also approved funding of $2.211 million to enable staff to begin engineering tasks leading to the purchase of the 'prototype' turbine runner and two new transformers, overhaul of the gantry cranes and refurbishment of the intake gate and associated seals.

"At their meeting of July 28, 1998, the Trustees authorized additional expenditures of $16.3 million and approved the award of a contract to Alstom for modernization of the first set of eight turbines and replacements for the Baldwin Lima Hamilton ('BLH') machines.

"At their meeting of February 29, 2000, the Trustees authorized award of a contract in the amount of $6,285,745 to General Electric International, Inc. ('GE') (Contract #4600000395) to furnish materials and refurbish 16 generator rotor poles and approved the release of $1,091,470 for materials and refurbishing the first rotor.

"At subsequent meetings in March 2001, January 2002, June 2002, April 2003 and October 2003, additional expenditure authorizations were approved for miscellaneous materials and services, bringing the total expenditure authorization limit to $82.7 million.

"At their meeting of February 24, 2004, the Trustees approved an increase in the LEM Program's estimate to $281.4 million, in order to correct as-found conditions with the turbine components caused by excessive wear. In addition, the Trustees approved an increase in the expenditure authorization limit to $158.8 million and the award of a second contract to Alstom to provide the second set of eight turbines and replacements for the AC machines, including fabrication of the prototype.

"At their meeting of September 20, 2005, the Trustees approved increases in compensation limits for previously awarded contracts to: (i) Alstom to provide the second set of eight turbines for the AC machines for $25.2 million; (ii) GE for rehabilitation of the remaining Generator Rotor Poles for $6.856 million and (iii) Voith Siemens Power Generation, Inc. ('VSY') for the design and manufacture of the remaining eight sets of the Generation Control System ('GCS') for $21.5 million.

"At their meeting of May 23, 2006, the Trustees authorized additional expenditures of $66.185 million for the St. Lawrence LEM Program, bringing the total authorized amount to $224.985 million from the previously authorized capital expenditure amount of $158.8 million. This increase in the authorized capital expenditures was for the rehabilitation of three additional units at the St. Lawrence facility and releases for fabrication the remaining seven AC turbine runners. This would bring the total number of rehabilitated units at St. Lawrence to 11. In addition, the Trustees approved an increase in the compensation limit for a previously awarded contract to GE for the removal, rehabilitation and installation of 16 sets of generator rotor poles and accessories. This additional compensation brought the total GE contract amount for this Program to $11.356 million.

DISCUSSION

"The total estimated cost of the St. Lawrence LEM Program is unchanged at $281.4 million and is proceeding on schedule, with three units completed every two years, as planned. All eight BLH-type units and two AC-type units have been successfully rehabilitated and returned to service. Rehabilitation of the third AC-type unit and manufacture of the last five AC replacement turbines are under way. The third AC-type unit outage is scheduled to last eight months, with a return-to-service date of March 31, 2009.

"The requested increase in capital expenditures is for rehabilitation of the last five AC-type units, including generator rotor poles, unit automation, additional rehabilitation work, AC turbine contract changes and associated auxiliary equipment, in order to maintain the existing schedule.

"The current additional expenditure request for the CEAR is:

Engineering and Construction Management	$ 4,142,000
Procurement	$ 1,542,000
Construction	$ 30,621,000
Auxiliary Facility Equipment/Materials	$ 14,167,000
Authority Direct and Indirect	$ 5,943,000
Total	$ 56,415,000

"The St. Lawrence LEM Program services being provided by Alstom were separated into two contracts for the AC-type unit work. Contract #4600001236 is for procurement of 'major components,' such as fabrication of the new turbine runners and rehabilitation of head covers at Alstom's facility. Contract #4600001237 is for labor performed at the St. Lawrence facility by Alstom, such as machining the discharge ring. Several conditions emerged following the initial contract award with Alstom necessitating an increase in the compensation ceiling for services and materials as described below.

"During the rehabilitation and inspections of the first AC-type unit components at Alstom's facility, it became apparent that additional repairs would be necessary to correct as-found conditions with the turbine components caused by excessive wear. In addition, during the second-unit rehabilitation work, unforeseen cracks were detected in the unit's stay ring, thus requiring immediate repairs to maintain unit integrity. It is anticipated that the last six AC-type units will require similar repairs. The total cost for this additional work is approximately $4.8 million for all eight units; contract #4600001236 will be increased by $2.8 million and contract #4600001237 will be increased by $2 million, accordingly.

"In order to more effectively manage the AC turbine contract (#4600001236), terms and conditions were revisited and a 'settlement agreement' was reached that: (i) eliminated the escalation clause, (ii) increased the turbine warranty from one year to five years and (iii) changed the liquidated damages clause that was limited to 1% of that portion of the equipment price attributable to the delay per week to $5,000 per day for time exceeding the schedule. The additional cost of $2.7 million for these three items will be divided into eight equal payments triggered by turbine deliveries.

"In accordance with the Authority's standard contract terms, Alstom is also entitled to reimbursement for the costs of 'letters of credit' ('LOC') and performance bonds. The LOCs for Contract #4600001236 will cost approximately $525,000. The performance bonds for Contract #4600001237 will cost approximately $75,000. The total contract value will be increased by an additional $600,000.

"In summary, the total requested increase in the compensation ceiling for the Alstom contracts is $8.1 million.

Additional work	$ 4,800,000
Settlement agreement	$ 2,700,000
LOC & performance bonds	$ 600,000
Total additional funds requested	$ 8,100,000

This requested increase in the compensation ceiling for the Alstom contracts will bring the total value of the contracts to $33.3 million. This amount has been accounted for in the total cost estimate and is within the previously approved CEAR.

FISCAL INFORMATION

"Payments will be made from the Capital Fund and will be funded with bond proceeds.

RECOMMENDATION

"The Vice President – Project Management, the Vice President – Engineering, the Regional Manager – Northern New York and the Project Manager – Power Supply recommend that the Trustees authorize: (i) remaining capital expenditures in the amount of $56.415 million for rehabilitation of the last five units for the St. Lawrence/FDR Power Project Life Extension and Modernization Program and (ii) an increase in the compensation limit of $8.1 million for additional work, escalation, extended warranty, letters of credit and performance bonds for the contracts with Alstom Hydro US, Inc. (Contracts #4600001236 and #4600001237) for the eight Allis-Chalmers-type units at the St. Lawrence/FDR Power Project.

"The Acting Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Engineer – Power Supply, the Vice President – Controller and I concur in the recommendation."

Mr. Michael Mitchell presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Nicandri, Mr. Mitchell said that the new design of the blades was aimed at increasing efficiency.

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, That in accordance with the Authority's Expenditure Authorization Procedures, capital expenditures are hereby approved to be committed for the Life Extension and Modernization of the St. Lawrence/ FDR Power Project, in the amounts and for the purposes listed below:

Description	**Previously Current Estimate**	**Authorized Amount**	**New Current Request**	**Authorized Totals**
Engineering & Construction Management	**$ 28,700,000**	**$ 24,558,000**	**$ 4,142,000**	**$ 28,700,000**
Procurement	**$ 82,581,000**	**$ 81,039,000**	**$ 1,542,000**	**$ 82,581,000**
Construction	**$ 82,124,000**	**$ 51,503,000**	**$30,621,000**	**$ 82,124,000**
Auxiliary Facility Equipment/ Materials	**$ 60,765,000**	**$ 46,598,000**	**$14,167,000**	**$ 60,765,000**
Authority Direct/ Indirect	**$ 27,230,000**	**$ 21,287,000**	**$ 5,943,000**	**$ 27,230,000**
Totals	**$281,400,000**	**$224,985,000**	**$ 56,415,000**	**$281,400,000**

AND BE IT FURTHER RESOLVED, That approval is hereby granted under the existing contract with Alstom Hydro US, Inc. to increase the contract value and commit capital funds for Contracts #4600001236 and #4600001237 pertaining to turbine overhaul and associated work for the Life Extension and Modernization of the St. Lawrence/FDR Power Project, in the amounts and for the purposes listed below:

Current total contract authorized amount	**$ 25,200,000**
Additional increase in contract amount	**$ 8,100,000**
New contract amount	**$ 33,300,000**

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

7. Flynn Capacity Supply Agreement – Energy Pricing Modification, Amendment No. 7

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Vice President and Controller to execute an amendment to the Capacity Supply Agreement ('CSA') between the Authority and the Long Island Lighting Company ('LILCO'), a subsidiary of the Long Island Power Authority, d/b/a 'LIPA,' hereinafter referred to as 'LIPA,' providing for: (1) new energy pricing terms and conditions associated with the sale of electricity from the Richard M. Flynn Power Plant ('Flynn') and (2) reimbursement of capital expenditures. The new energy pricing arrangements would ensure savings to Long Island ratepayers and provide the Authority with positive net revenues for the Flynn plant.

BACKGROUND

"On May 10, 1991, the Trustees approved the CSA with LILCO. In May 1998, LIPA acquired LILCO, along with its electric transmission and distribution system, as well as other assets associated with electric operations. The CSA runs through May 2020, although there is provision for either party to terminate the extension upon notice given no later than April 30, 2012.

"The Authority has entered into six Amendments with both LILCO and LIPA since the CSA was approved in 1991, and is about to enter into Amendment No. 7 subject to the Trustees' approval. Amendment Nos. 5 and 6 dealt primarily with the price aspects of the sale of Flynn power and energy to LIPA. Similarly, proposed Amendment No. 7 deals with pricing provisions for the period January 1, 2009 through December 31, 2014.

DISCUSSION

"The Authority's formal notice to LIPA to terminate Amendment No. 6 in June 2008 prompted the parties to enter into a new amendment that would improve and stabilize future payment streams from LIPA. This new amendment will allow for a more stable net revenue stream over the next six years.

"The major terms of Amendment No. 7 are set forth in Exhibit '7-A,' attached hereto. The following is a brief overview of the key elements of the terms of the amendment.

"The Monthly Capacity Payment, which in the past had varied from year to year, will now be a levelized amount per month and will, subject to operating performance requirements contained in the CSA, remain fixed for the amendment term. The payments have been reduced to reflect the impact of the Authority's debt refinancing.

"The monthly fixed O&M formula previously contained in the CSA will be discontinued and replaced by a monthly fixed amount of $1,237,101 for the next 72 months starting on January 1, 2009. This new recovery amount reflects actual site O&M and administrative expenses for the Flynn plant. The new fixed O&M amount is based on forecasted estimates of O&M and administrative expenses for Flynn over the next six years.

"LIPA will now pay for all planned capital expenditures at an amortized rate of 5% annually. The Authority will provide a list of planned capital expenditures to LIPA. Any capital expenditures that occur at the Flynn plant that are not on the 'planned' list will automatically require a review process by both LIPA and the Authority. Both parties will make a good-faith effort to review all the information concerning the unplanned expenditure. LIPA will review all the data with the Authority and then make a determination as to whether it will approve or reject the payment for the capital expenditure.

"The energy pricing provisions of Amendment No. 7 will remain unchanged from Amendment No. 6, except for the shared-savings provision. LIPA will now keep only the first 17% of the daily energy shared-savings amount, which is a reduction from 20%. This amount was reduced to reflect the increasingly competitive nature of the Long Island electric market. The remaining shared savings above 17% will still be split on a 50/50 basis, with the Authority's total benefit from this provision being capped, as it currently is in Amendment No. 6, at $5 million. The shared savings will be calculated daily. It should be noted that the Authority will continue to bear the risk associated with natural gas purchases under Amendment No. 7, but this additional shared-savings amount should help offset those losses when they do occur.

"Under Amendment No.7, LIPA will continue to be obligated to ensure that the Flynn plant is bid into the New York Independent System Operator ('NYISO') market as a 'must-run' unit for all hours of the day. This 'must-run' provision will prevent the wear and tear on the plant that would occur if it were required to cycle on and off. In addition, gas-balancing expenses that were provided for under Amendment No. 6 will continue to be recovered under Amendment No. 7, but the $750,000 annual cap will be eliminated. LIPA will pay for all CO_2 allowance expenses incurred by the Authority.

"Once the Authority's spare transformer (120 MVA GSA) has been procured, the Authority at its option will lend it to LIPA if it is required. The Authority must be notified beforehand of the date the transformer will be returned and will incur no availability or performance penalties if one of the two remaining transformers should fail while the spare is on loan to LIPA. A new transformer will be returned to the Authority once LIPA procures one.

FISCAL INFORMATION

"The changes to the pricing arrangements embodied in Amendment No. 7 are designed to provide continued savings to Long Island ratepayers and positive and stable net revenues from operation of the Flynn plant to the Authority.

RECOMMENDATION

"The Senior Business Planner, the Director – Financial Planning and the Director – Fuel Planning recommend that the Trustees authorize the Vice President and Controller to execute Amendment No. 7 to the Capacity Supply Agreement with Long Island Lighting Company, a subsidiary of the Long Island Power Authority, having such terms and conditions as he deems necessary or advisable and as are consistent with the terms set forth in Exhibit '7-A' attached hereto, provided that any such terms and conditions are subject to the approval of the form thereof by the Acting Executive Vice President and General Counsel or his designee.

"The Acting Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Energy Resources Management and Strategic Planning and I concur in the recommendation."

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, that the Vice President – Controller be, and hereby is, authorized to execute an amendment to the Capacity Supply Agreement ("Amendment No. 7") between the Authority and the Long Island Lighting Company, Inc., d/b/a "LIPA," having such terms and conditions as he deems necessary or advisable and as are consistent with the terms set forth in Exhibit "7-A" hereto, subject to the approval of the form thereof by the Acting Executive Vice President and General Counsel.

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

Exhibit “7-A”
September 23, 2008

Amendment No. 7 to Capacity Supply Agreement
Term Sheet

- The Capacity Supply Agreement (“CSA”) will remain extended to April 20, 2020. Both the Authority and the Long Island Power Authority (“LIPA”) will have the option of terminating the extension upon notice given no later than April 30, 2012.

- The Amendment No. 7 pricing provisions, described below, will be in effect from January 1, 2009 until and including December 31, 2014 unless terminated by either party on January 1, 2015 with at least six months’ prior written notice to the other party.

- During the term of Amendment No. 7, the pricing provisions will be as follows.

    - LIPA will bid the output of the Flynn plant, when running in the combined cycle mode, into the markets administered by the New York Independent System Operator (“NYISO”), and it will be dispatched as a “must-run” unit for all available hours of every day in accordance with NYISO rules. The bidding strategy will make every attempt to reduce the number of plant starts and stops. If the plant is running in the simple cycle due to the loan of a transformer or equipment constraints, the Authority will have the option of it either require Flynn to be dispatched as a must run unit or be economically dispatched.

    - The heat-rate calculation will be capped at 8,000 Btus, but will be eliminated if the Flynn plant has to run in simple-cycle mode.

    - All performance incentives and penalties relating to Flynn’s availability factor will remain at the levels currently specified in the CSA and Amendment No 6.

    - LIPA will continue to pay for one-half of all gas-balancing expenses for the Flynn plant, with the $750,000 cap removed.

    - LIPA will pay for 100% of all CO_2 allowance charges or other CO_2 gas initiatives incurred by the Authority related to operation of the plant based on Regional Greenhouse Gas Initiative regulations or any other applicable regulations.

    - The gross monthly capacity payment will become a levelized monthly payment of $1,462,010 based on the payment schedule contained in Table 1 of Appendix “D” of the CSA. The monthly capacity payment will be reduced by $583,333 per month ($7 million on an annual basis) to reflect lower debt-service expenses, resulting in a net monthly capacity payment of $ 876,677.

    - The monthly fixed O&M formula contained in the CSA will be eliminated and replaced by a fixed monthly amount of $1,237,101. This payment will remain fixed during the Amendment No. 7 term for a period of 72 months with no inflation adjustment and will cover all site O&M and administrative expenditures.

    - The Authority will now be reimbursed for all “planned” capital expenditures with an annual amortization rate of 5 % using an interest rate of 5.5%. Attachment No. 5 of Amendment No. 7 contains a list capital projects with estimated expenditure schedules that have been approved by LIPA and the Authority. LIPA will reimburse the Authority for the actual amount of the expenditures once they occur and documentation is provided by the Authority. The capital reimbursements will terminate once LIPA no longer takes electrical output from the Flynn plant.

    - “Unplanned” capital expenditures will be reimbursed by LIPA only after being reviewed by both the Authority and LIPA. During the review process, the Authority will provide backup data and documentation justifying the need for the capital expenditure. Both LIPA and the Authority will make a good-faith effort to approve payment for the unplanned capital expenditures. LIPA will make the final decision on reimbursing the Authority for the capital expenditure.

- The Gas Price Formula set forth in Appendix D of the CSA, which was amended by Amendment No. 6, will remain unchanged. The tiered pricing markup will remain at 10% of the commodity price. Other provisions of the pricing formula, including fuel retention, variable transportation, tariff surcharges and local transportation, will remain in effect to develop the Authority's Cost of Gas and the NYPA Locational-Based Marginal Price ("LBMP") Bid Price.

- While the Authority would continue to bear the risks associated with natural gas purchasing under Amendment No. 7, it would be compensated for its gas costs based on a comparison of: (1) a market-based gas cost, as translated into a dollars-per-megawatt-hour ($/MWH) figure derived from the Flynn plant's operating characteristics; and (2) the 24-hour average NYISO DAM prices of the Long Island zone (the Daily Average NYISO Price). The market-based gas cost for a particular month would be equal to an average of certain specified gas market prices, plus a 10% markup (the Marked-Up Gas Price). The Marked-Up Gas Price would then be translated into a $/MWH amount, and a surcharge of $0.80 per MWH would be added to produce the NYPA LBMP Bid Price. If, on a particular day, the NYPA LBMP Bid Price is lower than the Daily Average NYISO Price, the Authority would receive the NYPA LBMP Bid Price. If, however, the NYPA LBMP Bid Price is greater than the Daily Average NYISO Price, the Authority would receive 95% of the Daily Average NYISO Price.

- The shared-savings provision of Amendment No. 6 will continue under Amendment No. 7, but the shared-savings percentage that LIPA is allowed to keep will be lowered from 20% to 17% to reflect the more competitive pricing on Long Island due to imported purchases and new generation. An annual cap of $5 million will continue to remain in effect.

- Authority staff will continue to purchase natural gas for the Flynn plant. The Authority will have the option of executing its own hedging strategies based on its financial strategies and parameters.

- The land on which the Flynn plant is sited was purchased by the Authority in 2007 under the provisions of Amendment No. 6.

8. Annual Review of Hydropower Allocation Job Commitments

The Acting Chief Operating Officer submitted the following report:

SUMMARY

It is recommended that the Trustees take no action on 28 customers with 45 contracts, as set forth in Exhibit '8-A' attached hereto. Also, set forth in Exhibit '8-A,' is information on one customer that relinquished two allocations (this customer is also part of the automotive section).

BACKGROUND

Authority staff reviewed all business hydropower allocations and the customers' performance against agreed-upon job commitments. In 2007, the Authority had 182 contracts with 95 business customers. This year's review covers a total of 90 customers with 172 contracts that required the customers to report job levels for 2007. The contracts reviewed by staff represent overall power allocations of 578,932 kW and total employment commitments of 36,675 jobs. In the aggregate, these customers reported actual employment of 34,741.48 jobs. This represents 94.73% of the total job commitment for business hydropower customers reporting in 2007. Nevertheless, 28 customers with 45 contracts have actual job levels below the minimum threshold.

The contracts contain a customer commitment to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, (80% for 'vintage' customers, i.e., those having contract allocations prior to 1988) the Authority may reduce that customer's power allocation proportionately. Provided contract language allows for it, a company may request a productivity review to have its job commitment reduced if the reduction in employment is due to increased efficiency or improved technology.

DISCUSSION

This annual review of business power allocation job commitments, with a focus on hydropower allocations, covers the period from January through December 2007. Staff recommends that the Trustees take no action on 28 companies with 45 contracts not meeting their commitments, as detailed in Section I of Exhibit '8-A.'

Section I
Allocations to Continue with No Change
(Staff recommends that the Trustees take no action at this time on these allocations.)

American Axle and Manufacturing Inc., Tonawanda, Erie County

Allocation:	1,300 kW and 2,600 kW of Replacement Power ('RP') and 3,250 kW of Expansion Power ('EP')
Jobs Commitment:	668 jobs for each allocation

Background: American Axle – Tonawanda Facility manufactures automobile driveline and chassis systems and components, including axles and drive-shafts for light trucks and SUVs. For the past year, American Axle – Tonawanda averaged 542.33 jobs, i.e., 81.19% of its commitments. The company is in the process of closing down this facility.

American Axle and Manufacturing Inc., Buffalo, Erie County

Allocation:	500kW and 2,200 kW of EP
Jobs Commitment:	1,720 jobs for both allocations

Background: American Axle – Buffalo Gear & Axle Facility manufactures automobile driveline and chassis systems and components, including axles and drive-shafts for light trucks and SUVs. For the past year, American

Axle – Buffalo averaged 666.66 jobs, i.e., 38.76% of its commitment**.** The company is in the process of closing down this facility.

<u>Brunner International, Inc.</u>, Medina, Orleans County

Allocation: 1,200 kW of RP
Jobs Commitment: 291 jobs

Background: Brunner, located at this site since 1992, manufactures parts for the heavy-duty truck industry. For the past year, Brunner averaged 245.50 jobs, i.e., 84.36% of its contractual commitment. In 2007, the company experienced lay-offs due to unique circumstances, in that federal regulation aimed at reducing truck engine emissions resulted in significant cost penalties to trucking companies. The new engines required to meet the regulations are considerably more expensive and, consequently, trucking companies either stopped or severely reduced purchases of new trucks. Brunner was hit with a 50% drop in demand for its products. The company recognizes that business will rebound, since eventually new trucks will have to be bought. Brunner took advantage of the downtime by completely rebuilding key equipment, performing further preventative maintenance and purchasing some new equipment. In addition, Brunner performed a complete examination of the its wage structure. Currently, the company is actively recruiting for 30 open positions and foresees employment levels increasing to a level where it will be in compliance.

<u>C & S Wholesale Grocers, Inc.</u>, Lancaster, Erie County

Allocation: 550 kW of EP
Jobs Commitment: 682 jobs

Background: CSWG has been providing warehousing and distribution services to supermarket chains, independent grocers and military facilities across the nation for more than 85 years. CSWG entered western New York in 2002, when it entered into an agreement with Tops Markets, Martins and other local grocery stores. For the past year, CSWG averaged 592.00 jobs, i.e., 86.80% of its contractual commitment. CSWG was below its commitment in 2007 because its largest customer, Tops Markets, since being sold, has gone through some restructuring, closing underperforming stores and rebuilding its brand. The company believes that Tops Markets' efforts will pay off this year and, as that occurs, employment levels should increase to a level where it will be in compliance.

<u>Contract Pharmaceuticals Limited Niagara</u>, Buffalo, Erie County

Allocation: 250 kW of RP
Jobs Commitment: 329 jobs

Background: CPL, a Canadian company, purchased Bristol-Myers Squibb's facility in 2005 and manufactures dry skin, anti-inflammatory and anti-fungal dermatological products, in addition to various cold medicines under contract for other companies. For the past year, CPL averaged 286.90 jobs, i.e., 87.20% of its contractual commitment. CPL experienced major growth in 2007 to nearly 20% more than its 2006 employment level. The company is optimistic about its continued growth and expects to be in compliance this year.

<u>Curtis Screw Co., Inc.,</u> Buffalo, Erie County

Allocation: 1,450 kW, 350kW and 300 kW of RP
Jobs Commitment: 260 base jobs plus16 created jobs, and 260 jobs each, respectively

Background: Curtis Screw, founded in 1905, is an industry leader in precision machined components and assemblies for the automotive market. For the past year, Curtis Screw averaged 229.50 jobs, i.e., 88.27% of its commitments (the 16 created jobs are not due yet for reporting). The company is just two jobs short of its commitment.

Delphi Automotive Systems, Lockport, Niagara County

Allocation: 14,300 kW of EP
Jobs Commitment: 4,881 jobs

Background: Delphi, formerly a division of GM, manufactures radiators, condensers and heaters, mainly for GM autos, but has diversified to other car makers as well. For the past year, Delphi averaged 3,029.83 jobs. The EP allocation is a 'vintage' contract, meaning that it has an 80% job ratio and two-year job average. The two-year average is 3,278.50 jobs, i.e., 67.17% of the company's commitment. Early in 2006, Delphi was awarded an additional 10 MW revitalization allocation. Delphi has been in bankruptcy and is in the midst of restructuring. In order to remain competitive, Delphi needs to take a number of steps, including completely streamlining its manufacturing operations, implementing innovative technology and completing a competitive operating agreement plan with its union. Delphi is working hard at all of these steps. According to Delphi, the reason management has kept this plant open is its hydropower allocations. Delphi's restructuring will result in further declines in its employment levels.

Ford Motor Company, Buffalo, Erie County

Allocation: 4,300 kW and 2,900 kW of EP
Jobs Commitment: 1,666 jobs and 1,666 jobs, respectively

Background: Ford opened its Buffalo Stamping Plant in 1950. Currently, Ford stamps doors, floor pans, quarter panels and some inner-body components for the Windstar, Fusion, Crown Victoria and Edge models. The components then go to other Ford assembly plants and distribution centers throughout the U. S. and Canada. For the past year, Ford averaged 1,251.08 jobs, i.e., 75.10% of its contractual commitments. In order to stay competitive, Ford is in the process of a major restructuring due to the changes in the automotive industry. According to Ford, its hydropower allocations are the reason that management decided to keep the plant open. The company invested more than $200 million in the plant in the past few years as part of this plan, bringing production of the new Edge to this facility. However, Ford must continue to streamline itself and implement further productivity improvements in order to remain viable. The company is proud of the good jobs it provides, but recognizes that over time the employment level will decrease.

General Motors Corporation - Powertrain, Buffalo, Erie County

Allocation: 13,800 kW, 1,100 kW and 800 kW of EP and 2,000 kW and 725 kW of RP
Jobs Commitment: 3,016 (13,800 kW, 1,100 kW, 800 kW and 725 kW), and 3,060 base jobs (2,000 kW)

Background: GM Powertrain manufactures engines for several of GM's automobile models, including the Chevy Colorado and Canyon pick-up. For the past year, GM - Powertrain averaged 1,992.83 jobs, i.e., 65.13% of its contractual commitment for the 2 MW RP allocation and 66.08% of its contractual commitment for the other allocations. In order to stay competitive, GM Powertrain has implemented joint union/management initiatives and technology improvements. The plant has aggressively made productivity improvements to not only sustain business but also to expand it. At their June 26, 2007 meeting, the Trustees acknowledged the new plans and agreements GM Powertrain has made by reducing its employment commitment to 3,060 jobs for 2007 and 1,600 jobs for 2008 through 2010.

Honeywell International, Buffalo, Erie County

Allocation: 300 kW of RP
Jobs Commitment: 168 jobs
Background: Honeywell, formerly Allied-Signal Inc., has been a research and development lab since the early 1900s. Honeywell develops and produces atmospherically safe fluorocarbons. For the past year, Honeywell averaged 145.93 jobs, i.e., 86.86% of its contractual commitment. Since the site is a research facility, it depends on continued funding from Honeywell's businesses. Honeywell grew steadily in 2007 and the facility is at its highest employment level in six years. While employment is expected to be level for most of 2008, the company expects to

see further growth and be in compliance with its employment commitment either at the end of 2008 or the beginning of 2009.

Ingram Micro Corporation, Williamsville, Erie County

Allocation: 900 kW of EP
Jobs Commitment: 1,525 jobs

Background: Ingram is a leading wholesale distributor of microcomputer products worldwide, including hardware, software and networking equipment. For the past year, Ingram averaged 1,255.17 jobs, i.e., 82.31% of its job commitment. In 2007, Ingram completed the expansion of its East Coast Solution Center and the success of the new center has contributed to the company's significant growth. The company's current employment level of 1,340 jobs is nearly in compliance, at 87.87% of its commitment. The company expects to continue to grow.

International Imaging Materials, Inc., Amherst, Erie County

Allocation: 1,000 kW of EP and 250 kW of RP
Jobs Commitment: 852 jobs and 472 jobs, respectively

Background: International Imaging, in business since the mid-1980s, manufactures thermal transfer ribbons. For the past year, International Imaging averaged 396.75 jobs, i.e., 46.57% and 84.06% of its contractual commitments, respectively. In 2007, the company saw employment fall with tough competition and a steep decline in the price of its core product line. International Imaging made capital investments in productivity improvements that have allowed it to remain competitive globally. To further ensure the company's health, International Imaging is diversifying and expanding its current product line and acquiring other companies. International Imaging's strategy has already had positive results in 2008 and its employment level is growing.

Lakeside Warehouse Corporation/The Carriage House Cos., Dunkirk, Chautauqua County

Allocation: 500 kW of EP
Jobs Commitment: 199 jobs

Background: Lakeside, in business since 1988, is a storage facility for both raw materials and finished products associated with syrups. In 2007, Lakeside averaged 165.42 jobs, i.e., 83.12% of its contractual commitment. The company recently changed its business from focusing on food bottling to producing foods. Lakeside is trying to expand and National Grid has recently worked with the company to help it maximize its hydropower benefit. The Lakeside facility in Dunkirk is very close to the Red Wing facility in Fredonia and Carriage House considers them one entity for employment purposes, with workers shifting from one facility to the other. As specific needs arise, the manufacturing capabilities of each facility determine their employment levels and the facility where personnel spend the majority of their time is where they are reported. So, while Dunkirk's average was 14 jobs below its commitment, Fredonia's average was 57 jobs above the commitment; the combined commitment would be 639 jobs, with the company's actual jobs at 662.

Lockheed Martin, Niagara Falls, Niagara County

Allocation: 250 kW of RP
Jobs Commitment: 45 jobs

Background: Lockheed manufactures gravity gradiometer technology for the U. S. Navy and commercial use. For the past year, Lockheed averaged 39.25 jobs, i.e., 87.22% of its contractual commitment. While Lockheed's workforce needs fluctuate, the company has not been able to hire personnel to perform the work in-house, so the work is outsourced. The company grew by more than 30% in 2006 and continued to grow another 13% in 2007. Lockheed met its commitment for the last six months reported. The company has continued growing in 2008 and foresees continued growth for years to come.

Niagara Ceramics Corporation, Buffalo, Erie County

Allocation: 250 kW and 600 kW of RP and 250 kW of EP
Jobs Commitment: 190 jobs each

Background: Founded in 2003, Niagara Ceramics purchased the majority of Buffalo China's manufacturing assets and produces dinnerware. In 2007, Niagara Ceramics averaged 136.17 jobs, i.e., 71.67% of its commitments. As part of the purchase agreement between Niagara Ceramics and Buffalo China's parent company, Oneida Ltd., Niagara Ceramics agreed to a non-competition covenant with certain exceptions, with Oneida being obligated to purchase a set amount of product from Niagara Ceramics for five years, at decreasing levels each year, at a fixed price. The company has suffered due to rising production costs, Oneida's decreasing purchase obligation and the non-competition provision. Niagara Ceramics has sued Oneida to release it from this provision, which expires in early 2009. The company is awaiting the results of arbitration. Several companies would like to do business with Niagara Ceramics but are waiting for the arbitration results before making any commitments. The company expects to expand this year, if it is released from the non-competition provision, or in 2009, when the non-competition provision expires.

Niagara LaSalle Corporation, Buffalo, Erie County

Allocation: 700 kW of RP
Jobs Commitment: 164 jobs

Background: Niagara LaSalle began operating in 1986 under the name Niagara Cold Drawn Corp. The company manufactures cold-finished steel bars and has expanded to include thermal-treated steel bars. For 2007, Niagara LaSalle averaged 143.00 jobs, i.e., 87.19% of its commitment. The company's 10% decline in production volume compared to 2006 was due to several key customers ordering less as they realigned their inventories. This resulted in an employment reduction, but the company anticipates stronger volume and expects to meet its commitment in 2008.

North American Höganäs, Inc., Niagara Falls, Niagara County

Allocation: 1,000 kW of RP and 4,000 kW of EP
Jobs Commitment: 58 jobs and 62 jobs, respectively

Background: NAHI, formerly Pyron Corporation, founded in 1940, manufactures sponge iron and atomized steel powders for powder metallurgical processes. The company's powder metals are used in the automotive parts business for anti-lock brakes, brake pads, cams, transmission parts, steering systems, etc. The EP allocation, as a 'vintage' contract, has an 80% job ratio and a two-year job average. For the past year, NAHI averaged 50.35 jobs, i.e., 86.82% of its employment commitment, and for the past two years, 44.14 jobs, i.e., 71.19% of its employment commitment. In the second half of 2007, NAHI's sales were more than 30% higher than its sales for the second half of 2006 and the company is growing due to the success of its new products. NAHI also made productivity improvements that are paramount to its global competitiveness. If its employment commitments are reduced due to the productivity improvements, the company will be in compliance.

Nuttall Gear Company, Niagara Falls, Niagara County

Allocation: 350 kW of RP
Jobs Commitment: 135 jobs

Background: Nuttall, started in 1983 from a leveraged buy-out of Westinghouse's Electric Gear division, manufactures enclosed gear drives for industrial, commercial, transportation and utility applications. In 2007, Nuttall averaged 115.50 jobs, i.e., 85.55% of its commitment. After completing a large order for a major customer; the company did not have another work order of the same magnitude to replace it, resulting in a drop in employment.

Currently, Nuttall is exploring opportunities with various customers that it hopes will result in more orders and increased employment.

PEMCO – Precision Electro Minerals Co., Inc., Niagara Falls, Niagara County

Allocation: 800 kW of RP
Jobs Commitment: 22 jobs

Background: PEMCO, incorporated in 1987, makes and sells fused silica for use in the foundry and refractory industry. For 2007, PEMCO averaged 17.00 jobs, i.e., 77.27% of its contractual commitment. During 2007, the company was not able to fully capitalize on its opportunities due to a cash-flow problem that resulted in the furnaces running a maximum of five days per week. However, PEMCO has since recovered and is running on a 24/7 schedule and meeting its commitment. The company foresees this situation continuing in 2008.

Precious Plate, Inc., Niagara Falls, Niagara County

Allocation: 800 kW of RP
Jobs Commitment: 145 jobs

Background: Precious, established in 1973, provides leading-edge electroplating services to high-tech companies, primarily for computers, cell phones and phone-switching gear. In 2007, Precious averaged 127.92 jobs, i.e., 88.22% of its commitment. The company also restructured in 2007, which resulted in the elimination of several white-collar positions but had no effect on blue-collar jobs. Currently, openings for 10 production employees have not been filled due to a lack of qualified workers in the area. If Precious could fill the positions, it would easily be in compliance. Sales are surpassing expectations this year and overtime is more than 50% above the level for the same period last year.

Quebecor World Buffalo, Inc., Depew, Erie County

Allocation: 1,000 kW of EP
Jobs Commitment: 1,075 jobs

Background: Quebecor, in business under various names and owners since the late 1800s, manufactures paperback books, magazines and tab-size inserts. For 2007, Quebecor averaged 758.92 jobs; however, the EP allocation is a 'vintage' contract with an 80% job ratio and a two-year job average. The two-year average is 793.25 jobs, i.e., 73.79% of the company's commitment. Quebecor undertook a major productivity improvement and capital investment project in 2007, replacing two photopolymer presses and one offset press with two new Timson presses. These new automated presses resulted in a reduction of 48 jobs. Additionally, the company automated several functions in its prepress plating area, which allowed for an increase in plate production without requiring increased employment. These changes allowed the company to remain competitive and cost efficient.

RHI Monofrax, Ltd., Falconer, Chautauqua County

Allocation: 2,082 kW of EP
Jobs Commitment: 380 jobs

Background: Monofrax, the only manufacturer of fused cast refractories in the Americas, uses an electric furnace ceramic foundry to manufacture the refractories, which are used primarily to line melting furnaces for glass product manufacturing. For 2007, Monofrax averaged 243.17 jobs, i.e., 63.99% of its contractual commitment. Monofrax does not ever foresee meeting its original commitments. However, Monofrax was purchased by RHI, an Austrian company that has a few other refractory sites around the world and is looking to invest in the facility with the highest rate of return. RHI's investment in this facility resulted in productivity improvements that enabled the company to be globally competitive. The productivity improvements allowed the company to reduce its workforce through attrition when people retire. Because Monofrax's process is so electricity intensive, its hydropower allocation is the driving force in keeping the company competitive. The company, which recently hired 15 new employees and is in the process of hiring 13 more, anticipates growth over the next few years.

Sherwood, A Division of Harsco Corp., Wheatfield, Niagara County

Allocation: 400 kW of EP
Jobs Commitment: 207 jobs

Background: Sherwood, founded in 1923, manufactures gas-control valves and regulators for compressed gas, refrigerants and scuba diving gear. For the past year, Sherwood averaged 158.75 jobs, i.e., 76.69% of its employment commitment. Sherwood's employment level, especially in the second half of 2007, reflects business conditions. The company's employment level dropped by 60 jobs in 2007, with 40 of those jobs lost in the second half of the year. Rebounding a bit in 2008, Sherwood has added 10 jobs back with 5 more to be filled, although 31 staff are still on lay-off. The hydropower allocation will be a major factor in the company's decision whether to embark on an expansion project at this location.

Special Metals Corporation, Dunkirk, Chautauqua County

Allocation: 1,000 kW of EP
Jobs Commitment: 81 jobs

Background: SMC, founded in 1952, is a world leader in super-alloy technology. The company pioneered the vacuum induction melting method to produce super-alloys for military and civilian use in jet engine turbines. Nearly every jet engine in the free world has some alloy in it produced by SMC. For the past year, SMC averaged 71.75 jobs, i.e., 88.58% of its commitment. SMC is only one job short of its commitment. Additionally, the company has been meeting its commitment since May of last year.

Sweeney Steel Service Corporation, Buffalo, Erie County

Allocation: 450 kW of RP
Jobs Commitment: 16 base jobs and 28 created jobs

Background: Sweeney is a metal service center specializing in flat-rolled steel products cut to customer specifications. In 2007, Sweeney averaged 37.08 jobs, i.e., 84.28% of its commitment. The company grew last year and by the fourth quarter of 2007 was less than one job short of its commitment.

TAM Ceramics, LLC/Ferro Electronic Materials Inc., Niagara Falls, Niagara County

Allocation: 1,700 kW and 600 kW of RP
Jobs Commitment: 152 jobs each

Background: Ferro supplies dielectric powder to the passive electronic component industry and zirconia-based ceramic powders to industry. For the past year, Ferro averaged 96.00 jobs, i.e., 63.16% of its commitments. At the end of 2007, TAM Ceramics, LLC ('TAM') acquired Ferro. A very large portion of the operating costs for this business is the cost of electricity, as this is a very electricity-intensive operation. The hydropower is the reason the company is competitive. At the time of purchase, only one of the two original businesses was in operation. TAM plans to grow the second business and bring employment up to historic levels within three years. The company is proud that it recently acquired a large golf club manufacturer in Taiwan as a customer. This customer is also helping TAM do business in mainland China, a noteworthy achievement for a U. S. manufacturer.

Tulip Corporation, Niagara Falls, Niagara County

Allocation: 300 kW of EP and 1,200 kW of RP
Jobs Commitment: 122 jobs each

Background: Tulip, an injection-molding company, recycles rubber and plastic and manufactures battery cases for the major battery manufacturers. For 2007, Tulip averaged 66.97 jobs, i.e., 54.89% of its commitment. The RP allocation is a 'vintage' contract, with an 80% job ratio and two-year job average. The two-year average is 73.61 jobs, i.e., 60.34% of the company's commitment. Tulip's major decline in business in mid-2005 was followed by an increase in production through much of 2006 that then declined late in the year. The company experienced another increase in activity in mid-2007. At their October 30, 2007 meeting, the Trustees extended Tulip's EP allocation for five years, while reducing its employment commitment to 110 jobs effective November 1, 2007. Tulip is aggressively pursuing expansion in its reprocessed material line and the emerging industrial jar market. Additionally, the company is seeking new business opportunities and has invested in equipment to produce plastic lumber. Tulip is optimistic that its power allocations will bring additional growth in the coming year.

Valeo Engine Cooling – Truck USA, Jamestown, Chautauqua County

Allocation: 1,000 kW of EP
Jobs Commitment: 500 jobs

Background: Valeo manufactures engine-cooling parts for the trucking industry. Last year, Valeo averaged 339.97 jobs, i.e., 67.98% of its contractual commitment. The company lost two large customers' business in late 2006 to out-of-state competitors due to the high cost of doing business in western New York. In 2007, Valeo gained new business from a major customer, which had a positive impact on sales and employment. However, the slowing economy resulted in an overall negative impact on 2007's employment level.

Washington Mills Electro Minerals Corp., Niagara Falls, Niagara County

Allocation: 9,700 kW of RP
Jobs Commitment: 171 jobs

Background: Washington Mills manufactures abrasive grains for sandpaper and grinding wheels. In 2007, Washington Mills averaged 150.33 jobs, i.e., 87.91% of its commitment. The company is only a few jobs below its commitment. Unfavorable market conditions in 2007 resulted in reduced sales volume that led to the reduction in jobs. However, commodity availability and the currency exchange rate this year are having a positive impact on business and the company expects to grow in 2008.

Section II
Allocation Relinquishment Information

American Axle and Manufacturing Inc., Buffalo, Erie County

Allocation: 300 kW of EP and 3,200 kW of RP
Jobs Commitment: 1,805 jobs and 1,720 jobs, respectively

Background: American Axle manufactures automobile driveline and chassis systems and components, including axles and drive-shafts for light trucks and SUVs. The company has returned its 300 kW EP and 3,200 kW RP allocations, as it is in the process of closing down this facility.

RECOMMENDATION

The Director – Marketing Analysis and Administration recommends that the Trustees take no action for 28 customers with 45 contracts, as described above and set forth in Exhibit '8-A.'

The Acting Executive Vice President and General Counsel, the Senior Vice President – Energy Marketing and Business Development and I concur in the recommendation."

Mr. James Pasquale presented the highlights of staff's recommendations to the Trustees. In response to Acting Chairman Townsend's request that he explain the review process for the new Trustees, Mr. Pasquale said that businesses receiving hydropower allocations commit to retaining or creating a certain number of jobs in New York State. Once a year, staff sends the businesses a form on which they report their actual job levels on a month-to-month basis for the previous year. In making their determination as to whether to cut the allocation for a business that is not meeting its job commitments, staff also looks at data from the current year to see if the previous year's job numbers are improving. Mr. Pasquale said that, due to economic conditions, staff was requesting one-year waivers for any businesses in the automotive industry that are not meeting their job commitments. Trustee Curley recused himself from the vote for Brunner International, Inc. and International Imaging Materials, Inc.

The following resolution, as submitted by the Acting Chief Operating Officer, was adopted by a vote of 6-0 with Trustee Curley recusing himself as regards Brunner International and International Imaging Materials, Inc.

RESOLVED, That the Authority hereby defers action with respect to the 28 companies described in the foregoing report of the Acting Chief Operating Officer and as set forth in Exhibit "8-A"; and be it further

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

Exhibit "8-A"
September 23, 2008

I. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Location	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment (# of jobs)	Average 2007 Jobs	Average Annual % Achieved
American Axle & Mfg Inc. – Buffalo Gear & Axle Facility	Buffalo	*May 94*	EP	500	1,720	666.66	38.76
American Axle & Mfg Inc. – Buffalo Gear & Axle Facility	Buffalo	*Feb 93*	EP	2,200	1,720	666.66	38.76
American Axle & Mfg Inc.	Tonawanda	Apr 91	RP	1,300	668	542.33	81.19
American Axle & Mfg Inc.	Tonawanda	Apr 94	RP	2,600	668	542.33	81.19
American Axle & Mfg Inc.	Tonawanda	May 94	EP	3,250	668	542.33	81.19
Brunner International, Inc.	Medina	Jun 02	RP	1,200	291	245.50	84.36
C & S Wholesale Grocers, Inc.	Lancaster	Oct 90	EP	550	682	592.00	86.80
Contract Pharmaceuticals Limited Niagara	Buffalo	Apr. 91	RP	250	329	286.90	87.20
Curtis Screw Co., Inc.	Buffalo	Dec 04	RP	1,450	276 (260)	229.50	88.27
Curtis Screw Co., Inc.	Buffalo	Apr 94	RP	350	260	229.50	88.27
Curtis Screw Co., Inc.	Buffalo	Jan 89	RP	300	260	229.50	88.27
Delphi Automotive Systems LLC	Lockport	Dec 88	EP - Vintage	14,300	4,881	3,278.50	67.17
Ford Motor Company	Buffalo	Dec. 94	EP	4,300	1,666	1,251.08	75.10
Ford Motor Company	Buffalo	Feb. 93	EP	2,900	1,666	1,251.08	75.10
G. M. Powertrain - Tonawanda Plant	Buffalo	Sep 97	EP	1,100	3,016	1,992.83	66.08
G. M. Powertrain - Tonawanda Plant	Buffalo	Jun. 96	EP	800	3,016	1,992.83	66.08
G. M. Powertrain - Tonawanda Plant	Buffalo	Aug 97	RP	725	3,016	1,992.83	66.08
G. M. Powertrain - Tonawanda Plant	Buffalo	Jan 94	EP	13,800	3,016	1,992.83	66.08
G. M. Powertrain - Tonawanda Plant	Buffalo	Jun 00	RP	2,000	3,060	1,992.83	65.13
Honeywell International	Buffalo	Apr 89	RP	300	168	145.93	86.86
Ingram Micro Corporation	Williamsville	Sep 97	EP	900	1,525	1,255	82.31
International Imaging Materials, Inc.	Amherst	Jan 89	RP	250	472	396.75	84.06
International Imaging Materials, Inc.	Amherst	Mar 95	EP	1,000	852	396.75	46.57
Lakeside Warehouse Corporation - The Carriage House Companies	Dunkirk	May 99	EP	500	199	165.42	83.12
Lockheed Martin	Niagara Falls	Feb 93	RP	250	45	39.25	87.22
Niagara Ceramics Corporation	Buffalo	Jan 89	RP	250	190	136.17	71.67
Niagara Ceramics Corporation	Buffalo	Jan 94	RP	600	190	136.17	71.67
Niagara Ceramics Corporation	Buffalo	Mar 04	EP	250	190	136.17	71.67
Niagara LaSalle Corporation	Buffalo	Jul 86	RP	700	164	143.00	87.19
North American Höganäs Corporation	Niagara Falls	Jan 89	RP	1,000	58	50.35	86.82
North American Höganäs Corporation	Niagara Falls	Oct 88	EP - Vintage	4,000	62	44.14	71.19
Nuttall Gear Company	Niagara Falls	Feb 93	RP	350	135	115.50	85.55
PEMCO – Precision Electro Minerals Co., Inc.	Niagara Falls	Aug 89	RP	800	22	17.00	77.27
Precious Plate, Inc.	Niagara Falls	Jun 02	RP	800	145	127.92	88.22
Quebecor World Buffalo, Inc.	Depew	Jul 00	EP - Vintage	1,000	1,075	793.25	73.79
RHI Monofrax, Ltd.	Falconer	Sep 97	EP	2,082	380	243.17	63.99
Sherwood, A Division of Harsco Corp.	Wheatfield	May 99	EP	400	207	158.75	76.69
Special Metals Corporation	Dunkirk	May 91	EP	1,000	81	71.75	88.58
Sweeney Steel Service Corporation	Buffalo	Jan 04	RP	450	44	37.08	84.28
TAM Ceramics, LLC/Ferro Electronic Materials Inc.	Niagara Falls	Apr 94	RP	1,700	152	96.00	63.16
TAM Ceramics, LLC/Ferro Electronic Materials Inc.	Niagara Falls	Jan 89	RP	600	152	96.00	63.16
Tulip Corporation	Niagara Falls	Oct 90	EP	300	122	66.97	54.89
Tulip Corporation	Niagara Falls	May 61	RP – Vintage	1,200	122	73.61	60.34
Valeo Engine Cooling – Truck USA	Jamestown	May 99	EP	1,000	500	339.97	67.98
Washington Mills Electro Minerals Corp.	Niagara Falls	Dec 86	RP	9,700	171	150.33	87.91

EP = Expansion Power **RP** = Replacement Power

Exhibit "8-A"
September 23, 2008

II. ALLOCATIONS RELINQUISHED

Company	Location	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment (# of jobs)	Average 2007 Jobs	Average Annual % Achieved
American Axle & Mfg Inc. – Buffalo Gear & Axle Facility	Buffalo	Mar 98	EP	300	1,805	NA	NA
American Axle & Mfg Inc. – Buffalo Gear & Axle Facility	Buffalo	Feb 93	RP	3,200	1,720	NA	NA

9. Request to Approve Extensions to the Terms of Service for Five Existing Expansion Power Customers

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve extensions to the terms of service for seven allocations of Expansion Power ('EP'), totaling 11,300 kW, to the five companies listed in Exhibit '9-A,' all of which are existing customers.

BACKGROUND

"Under Section 1005(13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as EP to businesses within the State that are located within 30 miles of the Niagara Power Project ('Project'), provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 (19,732 kW) continues to be allocated in such county.

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

DISCUSSION

C&S Wholesale Grocers Inc., Lancaster, Erie County

"C&S has been providing warehousing and distribution services to supermarket chains, independent grocers and military facilities across the nation for more than 85 years. C&S came to western New York in 2002 when it entered into an agreement with Tops Markets to purchase its distribution facilities in Lancaster and Cheektowaga, New York and Cleveland, Ohio. C&S currently supplies Tops Markets, Martins and other local grocery stores from these three locations. In addition to its western New York presence, C&S also operates more than one million square feet of warehouse space on Long Island and in the Hudson Valley. Statewide, the company employs more than 2,400 workers.

"Unlike some facilities, frozen-food warehouses have to maintain operations regardless of sales. The Lancaster facility must keep products at temperatures as low as 15 degrees below zero. C&S maintains a fleet of electric forklifts to keep products moving onto its shelves from suppliers' freezer trucks and from its shelves onto its grocery customers' waiting trucks. The battery chargers for these forklifts are in constant operation. This keeps C&S's electric demand and consumption high around the clock and throughout the year. Over the past five years, C&S has invested $1.3 million in capital improvements and upgrades to its equipment and property. After lease and property tax expenses, electricity is the highest expense at the facility, accounting for approximately 20% of the freezer's occupancy costs.

"In 2007, C&S had an average of 592 employees at its Lancaster location. Although the employment level has decreased since the facility's opening in 1995, the ratio of employees to allocation has increased from 682 jobs per MW to 1,240 jobs per MW. In 1999, at C&S's request, its original 1,000 kW allocation was reduced to 550 kW with no reduction in job commitments.

"The contract for C&S's 550 kW allocation of EP at its Lancaster facility, with a commitment of 682 jobs, expires on November 30, 2008. Staff recommends that the Trustees approve an extension to the term of service for the 550 kW allocation for five years, until November 30, 2013, with an employment commitment of 682 jobs.

Ford Motor Company, Buffalo, Erie County

"Ford opened its Buffalo Stamping Plant in 1950. The company currently stamps doors, floor pans, quarter panels and some inner-body components for the Windstar, Fusion and Crown Victoria models. The components then go to other Ford assembly plants and distribution centers throughout the U. S. and Canada.

"In the last few years, Ford has invested more than $200 million in the Buffalo plant. The multifaceted capital investment program was designed to modernize the Stamping Plant as part of a new stamping business development drive. The project greatly improved the plant's productivity and enhanced its ability to compete as a world-class stamping manufacturer. Addition of a new transfer press and decommissioning of four existing lines substantially improved pieces produced per line. In 2007, Ford secured the production of the new 'Edge,' which enabled Buffalo Stamping to retain more than 1,000 jobs. Ford is currently launching another new vehicle for production this year.

"Changes in the automotive sector have mandated that the plant's operations increase efficiency at every level in order to compete globally. Without the advantage of the plant's full allocation of low-priced hydropower, Ford might close the Buffalo Stamping Plant. This would have an immediate and significant negative economic impact on the western New York economy. In addition to the 1,000+ jobs Ford provides directly, it supports numerous additional jobs in the local economy. The Buffalo Stamping Plant is vital to the State and local community and continued availability of affordable power is a key factor in Ford's long-term commitment to western New York. Ford's 2,900 kW and 4,300 kW EP allocation contracts expired on June 1, 2008. Since then, the Authority has been serving Ford on a month-to-month basis.

"Staff recommends that the Trustees approve an extension of the term of service for the 2,900 kW and 4,300 kW EP allocations for five years, until June 1, 2013, with an employment commitment of 1,538 jobs.

Nestlé Purina PetCare, Dunkirk, Chautauqua County

"Nestlé, which began operations at this plant in 1972, is the only major pet food manufacturer in New York State. The company has invested $106 million in modern machinery during the past six years, including a large 200,000-square-foot expansion of its warehouse that was completed in 2007. Nestlé has also made investments in its high-voltage electric substation, two 300 HP air compressors and a new dog treat production line. Together, these investments have set the stage for a promising future at this location. The company would not have made these investments without the active involvement, commitment and support of its local utilities and economic development agencies.

"The EP contract extension is considered a necessity from Nestlé's perspective to maintain a favorable manufacturing position for its Western New York facility. With low-cost EP, the company can stabilize electricity costs and help secure the facility's future. The contracts for Nestlé's 2,000 and 900 kW EP allocations for 261 jobs expired on July 31, 2008. Since then, the Authority has been serving Nestlé on a month-to-month basis.

"Staff recommends that the Trustees approve an extension to the term of service for the 2,000 kW and 900 kW EP allocations for five years, until July 31, 2013, with an employment commitment of 261 jobs.

Nuttall Gear Company, Niagara Falls, Niagara County

"Nuttall, founded in 1887, grew, prospered and made numerous contributions to the gear industry. Nuttall developed flexible gearing for transportation applications, force-fed lubrication for large industrial enclosed gear drives and the first integral-type gear motor.

"During 2006 and 2007, Nuttall invested more than $850,000 in equipment and capital improvements. These improvements, along with its hydropower allocation, have given the company the ability to remain competitive in a global marketplace. An extension of its EP allocation will help Nuttall keep its current job base and remain in western New York. Nuttall's contract for a 350 kW EP allocation, with a commitment of 135 jobs, expired on July 1, 2008. Since then, the Authority has been serving Nuttall on a month-to-month basis.

"Staff recommends that the Trustees approve an extension to the term of service for the 350 kW allocation for five years, until July 1, 2013, with an employment commitment of 135 jobs.

Stollberg, Inc., Niagara Falls, Niagara County

"Stollberg designs, produces and provides technical services for the sale of fluxes to the steel industry. The company manufactures various mold flux powders used by the steel industry in its continuous casting of steel. A stable employer in western New York, Stollberg maintains a 55% market share. The company recently invested more than $1 million in upgrades, including $140,000 for a warehouse racking system and an additional auto packager.

"Its low-cost power has been instrumental in maintaining Stollberg's competitive position within its global industry and is even more vital today as energy and raw material costs continue to escalate. Stollberg's ability to remain competitive through lower energy costs is critical to preserving its current market position and improving its sales potential, especially with current foreign exchange rates.

"As a result of its EP allocation, Stollberg has been able to expand its facilities, increase its labor force and grow its business. The contract for Stollberg's 300 kW EP allocation for 30 jobs expires on December 31, 2008.

"Staff recommends that the Trustees approve an extension to the term of service for the 300 kW allocation for five years, until December 31, 2013, with an employment commitment of 30 jobs.

"The extensions requested above will help maintain costs and enable these five companies to compete more effectively. In addition, they will further secure employment levels in western New York.

"The request was reviewed in accordance with the applicable criteria set forth in Part 460 of the Authority's Rules and Regulations governing the Allocation of Industrial Power (21 NYCRR Part 460 (1988)).

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees approve extensions to the terms of service for seven allocations of Expansion Power totaling 11,300 kW to the five companies listed in Exhibit '9-A.'

"The Acting Executive Vice President and General Counsel, the Senior Vice President – Energy Marketing and Business Development and I concur in the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Foster as to why the job levels for a grocery distribution business had fallen, given the fact that this business sector was generally fairly stable, Mr. Pasquale said that the company in question had lost one of its biggest customers.

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, That the Trustees find that staff's review supports the extension of contracts for 11,300 kW of Expansion Power, as detailed in Exhibit "9-A," which is hereby approved on the terms set forth in the foregoing report of the Acting Chief Operating Officer; and be it further

RESOLVED, That the Senior Vice President – Energy Marketing and Business 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 Acting Executive Vice President and General Counsel; and be it further

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

10. Request for Productivity Improvement Reductions

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve reductions to the employment commitments for the eight companies listed in Exhibit '10-A,' each of which has made productivity improvements that meet the appropriate criteria for such reductions.

BACKGROUND

"Each year, Authority staff conducts a review of all business power allocations and the customers' performance against agreed-upon job commitments. In 2007, the Authority had 288 contracts with 184 business customers, excluding Power for Jobs ('PFJ') agreements. In 2007, 8 customers (with 15 contracts) requested a reduction in their base employment commitments due to productivity improvements made during the reporting period.

"The contracts contain a customer commitment to retain or add a specific number of jobs. A company may request a productivity review to have its job commitment reduced if the reduction in employment is due to increased efficiency or improved technology. Relocation of specific activities away from the facility and employment reductions made due to reduced production or sales volume will not be considered increased efficiency, improved technology or productivity improvements.

"A recommendation to lower a customer's job commitment due to productivity improvements is made when:

1. The customer submits documentation of procedural or operational change; and
2. Staff conducts a site visit to verify the improvement(s) and the resulting reduction(s) in jobs.

"The most common types of productivity improvements are automation, job consolidation, rebalancing and new process/design change.

"Automation reduces employment by increasing efficiency or improving technology. Job consolidation and rebalancing are similar improvements – job consolidation eliminates one job by assigning its duties to another job, while rebalancing redistributes work among many jobs while eliminating one or two jobs. New process/design change is a new method of doing something or a new design for a part that requires fewer workers to produce the same amount of work or product.

"Five companies (Delphi Automotive Systems, Ford Motor Company, International Imaging, Inc., North American Höganäs, Inc. and Quebecor World Buffalo, Inc.) will still have some or all of their allocations below their job commitments even after the reduction to their base employment commitments for their productivity improvements. However, three of these companies are in the automotive industry and the last company will be just below its commitment on one of its allocations.

DISCUSSION

"Staff recommends that the Trustees approve reductions in employment commitments in 15 contracts for 8 customers meeting one or more of the productivity improvement criteria. Brief descriptions of these companies are included in Section I.

"A summary of all contracts discussed in this item is provided as Exhibit '10-A.'

Section I.
Allocations to Continue with Job Commitment Changes for Productivity Improvements

Delphi Automotive Systems, Lockport, Niagara County
Allocation: 14,300 kW of Expansion Power ('EP')
Jobs Commitment: 4,881 jobs

Background: Delphi, formerly a division of General Motors ('GM'), manufactures radiators, condensers and heaters, mainly for GM automobiles but for some other car makers as well. The company requested a productivity improvement reduction of its job commitment by 246 jobs. For the past year, Delphi averaged 3,029.83 jobs. The EP allocation is a 'vintage' contract, meaning that it has an 80% job ratio and a two-year job average. The two-year average is 3,278.50 jobs, i.e., 67.17% of the company's commitment. Delphi has been in bankruptcy and is in the midst of restructuring. Early in 2006, Delphi was awarded an additional 10 MW revitalization allocation. Only 243 of the 246 job reductions qualified as actual productivity improvements. The reductions were accomplished through rebalancing job duties, job combinations, new methods of manufacturing parts, new designs for parts and restructuring of workstations.

Recommendation: Staff recommends that the Trustees reduce Delphi's 14,300 kW EP allocation employment commitment by 243 jobs to 4,638 jobs.

E. I. Du Pont De Nemours & Co., Inc., Niagara Falls, Niagara County
Allocation: 3,000 kW Replacement Power ('RP'), 790 kW EP, 31,700 kW RP
Jobs Commitment: 242 base jobs and 30 created jobs, 242 jobs and 189 jobs, respectively

Background: Du Pont has been in the chemicals business for more than 200 years and has been producing sodium chloride and lithium at this plant for more than 100 years. The 790 kW and 31.70 MW allocations are 'vintage' contracts, with an 80% job ratio and a two-year job average. For the past two years, Du Pont averaged 258.75 jobs, i.e., 106.92% and 136.90% of its contractual commitments, respectively. For the past year, the company averaged 255.00 jobs, i.e., 105.37% of its contractual commitment (the 30 created jobs are not up for review yet). Du Pont was able to reduce four jobs due to productivity improvements in 2007 through new automated equipment handling groundwater remediation.

Recommendation: Staff recommends that the Trustees reduce Du Pont's employment commitments for its 3,000 kW, 790 kW EP and 31,700 kW RP allocations by 4 jobs, to 238 base jobs and 30 created jobs, 238 jobs and 185 jobs, respectively.

Ford Motor Company, Buffalo, Erie County
Allocation: 4,300 kW and 2,900 kW of EP
Jobs Commitment: 1,666 jobs and 1,666 jobs, respectively

Background: Ford opened its Buffalo Stamping Plant in 1950. Currently, Ford stamps doors, floor pans, quarter panels and some inner-body components for the Fusion, Edge and Crown Victoria models. The components then go to other Ford assembly plants and distribution centers throughout the U. S. and Canada. For the past year, Ford averaged 1,251.08 jobs, i.e., 75.10% of its contractual commitment. The company requested a productivity improvement reduction of its job commitment by 132 jobs. Ford's reduction comes from new product design, new equipment, job rebalancing on the lines, job combinations and new manufacturing processes.

Recommendation: Staff recommends that the Trustees reduce Ford's 4,300 kW and 2,900 kW EP allocation employment commitments by 132 jobs to 1,534 jobs each.

International Imaging Materials, Inc., Amherst, Erie County
Allocation: 250 kW of RP and 1,000 kW of EP
Jobs Commitment: 472 jobs and 852 jobs, respectively

Background: International Imaging, in business since the mid-1980s, manufactures thermal transfer ribbons. For the past year, International Imaging averaged 396.75 jobs, i.e., 84.06% and 46.57%, respectively, of its contractual commitments. In 2007, the company's employment level fell due to tough competition and a steep decline in the price of its core product line. To help ensure the company's health, International Imaging's strategy is to diversify and expand its current product line and acquire other companies. International Imaging's capital investments in productivity improvements have allowed it to remain globally competitive. The company requested a productivity improvement reduction of its employment commitments by 22 jobs due to installation of new equipment (13 jobs), rebalancing job duties (5 jobs) and new processes (4 jobs).

Recommendation: Staff recommends that the Trustees reduce International Imaging's RP allocation employment commitment by 22 jobs to 450 jobs and the company's 1 MW EP allocation employment commitment by 22 jobs to 830 jobs.

Luvata Buffalo, Inc., Buffalo, Erie County
Allocation: 3,000 kW of RP
Jobs Commitment: 592 base jobs and 55 created jobs

Background: Luvata, formerly Outokumpu American Brass or OAB Holdings, Inc., in business since 1906, manufactures copper and brass sheets and rolls. The company requested a productivity improvement reduction of its job commitment by 13 jobs. Luvata's reduction comes from rebalancing job duties (11 positions) and job consolidations (2 positions). For the past year, Luvata averaged 617.54 jobs, i.e., 104.31% of its contractual commitment. (Per its contract, the company is not yet required to have added the 55 new positions.)

Recommendation: Staff recommends that the Trustees reduce Luvata's RP allocation employment commitment by 13 jobs to a base of 579 base jobs and 55 created jobs.

North American Höganäs, Inc., Niagara Falls, Niagara County
Allocation: 1,000 kW of RP and 4,000 kW of EP
Jobs Commitment: 58 jobs and 62 jobs (vintage)

Background: NAHI, formerly Pyron Corporation, founded in 1940, manufactures sponge iron and atomized steel powders for powder metallurgical processes in the auto and food additive industries. The company's powder metals are used in the automotive parts business for antilock brakes, brake pads, cams, transmission parts and steering systems, as well as iron food supplements for cereals, breads, etc. The EP allocation, as a 'vintage' contract, has an 80% job ratio and a two-year job average. For the past year, NAHI averaged 50.35 jobs, i.e., 86.82% of its employment commitment. For the past two years, the company averaged 44.14 jobs, i.e., 71.19% of its vintage employment commitment. In 2005, after NAHI restructured the organization, sustainable employment levels were reached. An upswing in business in 2006 continued into 2007, with further expected growth in employment. The company expects that a new product in development will increase sales and employment. NAHI requested a productivity improvement reduction of its employment commitments by five jobs for 2007, due to installation of new equipment.

Recommendation: Staff recommends that the Trustees reduce NAHI's RP allocation employment commitment by 5 jobs to a base of 53 jobs and the company's EP allocation employment commitment by 5 jobs to a base of 57 jobs (vintage).

Occidental Chemical Corporation , Niagara Falls, Niagara County
Allocation: 56,000 kW of RP and 38,700 kW of EP
Jobs Commitment: 218 jobs and 226 jobs, respectively

Background: Oxy is the country's largest merchant marketer of chlorine and caustic soda, which are used for the plastics, pulp and paper, water purification, bleach and sanitation industries. Both allocations are 'vintage' contracts, meaning that they have an 80% job ratio and a two-year job average. For the past two years, Oxy averaged 230.50 jobs and 227.50 jobs, i.e., 105.73% and 100.66% of its contractual commitments, respectively. The company requested a productivity improvement employment commitment reduction of 12 jobs. In 2007, Oxy reorganized its engineering department, as well as its transportation, production and maintenance processes, reducing two jobs through job rebalancing, six jobs through new equipment for monitoring systems and four jobs due to a new computer system and process.

Recommendation: Staff recommends that the Trustees reduce Oxy's 56,000 kW RP and 38,700 kW EP allocation employment commitments by 12 jobs to 206 jobs and 214 jobs, respectively.

Quebecor World Buffalo, Inc., Depew, Erie County

Allocation:	4,000 kW and 1,000 kW of EP
Jobs Commitment:	870 jobs and 1,075 jobs, respectively

Background: Quebecor has been in business under various names and owners since the late 1800s. The company manufactures paperback books, magazines and tab-size inserts. For the past year, Quebecor averaged 758.92 jobs; however, the EP allocations are 'vintage' contracts, with an 80% job ratio and a two-year job average. The two-year average is 793.25 jobs, i.e., 91.19% and 73.79% of the company's commitments, respectively. Quebecor underwent a major productivity improvement and capital investment project in 2007, replacing two photopolymer presses and one offset press with two new Timson presses. These new automated presses resulted in a reduction of 48 jobs. Additionally, the company automated several functions in its prepress plating area, which allowed for an increase in plate production without any increased employment. These changes allowed Quebecor to remain competitive and cost efficient.

Recommendation: Staff recommends that the Trustees reduce Quebecor's 4,000 kW EP and 1,000 kW EP allocation employment commitments by 48 jobs to 822 jobs and 1,027 jobs, respectively.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees adjust the job commitments for 8 customers with 15 contracts due to productivity improvements described above and set forth in Exhibit '10-A.'

"The Acting Executive Vice President and General Counsel, the Senior Vice President – Energy Marketing and Business Development and I concur in the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. Trustee Curley recused himself from the vote on International Imaging Materials, Inc.

The following resolution, as submitted by the Acting Chief Operating Officer, was adopted by a vote of 6-0 with Trustee Curley recusing himself as regards International Imaging Materials, Inc.

RESOLVED, That the Authority hereby approves adjustment of the future job commitment levels for 8 customers (with 15 contracts) that made productivity improvements as described in the foregoing report of the Acting Chief Operating Officer and as set forth in Exhibit "10-A"; and be it further

RESOLVED, That the Director – Marketing Analysis and Administration is hereby authorized to provide written notice to the companies whose job commitments are being reduced; and be it further

RESOLVED, That the Acting Chairman, the Acting Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all

things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting Executive Vice President and General Counsel.

September 23, 2008

Exhibit “10-A”

I. ALLOCATIONS TO CONTINUE WITH JOB COMMITMENT CHANGES FOR PRODUCTIVITY IMPROVEMENTS

Company	Location	Type of Power	Allocation kW	Employment Commitment	Average 2007 Jobs	Average Annual % Achieved	Revised Commitment	Revised %
Delphi Automotive Systems LLC	Lockport	EP	14,300	4,881	V 3,279	67%	4,638	71%
E.I. Du Pont De Nemours & Co., Inc.	Niagara Falls	EP	790	242	V 259	107%	238	110%
E.I. Du Pont De Nemours & Co., Inc.	Niagara Falls	RP	3,000	272 (242)	255	105%	268 (238)	107%
E.I. Du Pont De Nemours & Co., Inc.	Niagara Falls	RP	31,700	189	V 259	137%	185	139%
Ford Motor Company	Buffalo	EP	4,300	1,666	1,251	75%	1,534	81%
Ford Motor Company	Buffalo	EP	2,900	1,666	1,251	75%	1,534	81%
International Imaging Materials, Inc.	Amherst	RP	250	472	397	84%	450	88%
International Imaging Materials, Inc.	Amherst	EP	1,000	852	397	47%	830	48%
Luvata Buffalo, Inc.	Buffalo	RP	3,000	592 (647)	618	104%	579 (634)	107%
North American Höganäs Corporation	Niagara Falls	RP	1,000	58	50	87%	53	94%
North American Höganäs Corporation	Niagara Falls	EP	4,000	62	V 44	*71*%	57	*77*%
Occidental Chemical Corporation	Niagara Falls	RP	56,000	218	V 244	106%	206	118%
Occidental Chemical Corporation	Niagara Falls	EP	38,700	226	V 239	100%	214	112%
Quebecor World Buffalo, Inc.	Depew	EP	1,000	870	V 793	91%	822	97%
Quebecor World Buffalo, Inc.	Depew	EP	4,000	1,075	V 793	74%	1,027	77%

EP = Expansion Power **RP** = Replacement Power **V** = Vintage allocation – 2-year average

11. Municipal and Rural Electric Cooperatives – Revisions to Economic Development Program Guidelines

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve revisions to the guidelines used to allocate Economic Development Power to the Authority's municipal and rural electric cooperative customers ('the Systems').

BACKGROUND

"At their meeting on February 26, 1991, the Trustees set aside a block of 54,000 kW from the 752,000 kW of hydropower allocated to the Systems to be used for economic development purposes. Allocations were to be made to individual Systems to meet the increased electric load resulting from new or expanding businesses in their service area. Staff was directed to work with representatives of the Systems to develop guidelines to be used when allocating the power. The purpose of the program was to encourage economic development in the Systems' areas.

"Guidelines were drafted that addressed, among other things, eligibility, the application process, approval criteria, allocation size and job-to-power ratios. The guidelines were adopted by all 51 municipal and cooperative systems.

"As of August 31, 2008, 20,085 kW of the 54,000 kW available have been allocated, leaving 33,915 kW still available for allocation.

DISCUSSION

"The Global Settlement Agreement signed in April 2003 extended the term of the Systems' hydropower allocations and also called for the Systems to work closely with the Authority to enhance the efficiency of the existing Economic Development Program ('EDP'). It was determined that the current EDP guidelines were too restrictive, thereby limiting the number of businesses that could qualify for an allocation. A working group was formed to revise the guidelines.

"The revised guidelines, attached as Exhibit '11-A,' still have the same goal, which is to increase the number and variety of job opportunities available in the Systems. However, changes were made to allow participation by different types of businesses, as well as smaller businesses. Highlights of the changes include:

- A project must create a minimum of 100 kW of new electric load. The old guidelines required 200 kW.

- The first 100 kW will be 100% hydro. Demand above 100 kW will be 50% hydro/50% market.

- Only manufacturers were eligible under the old guidelines. The new guidelines allow participation by research and development facilities, warehousing and distribution facilities, agricultural businesses and tourism-related businesses whose purpose is to develop recreational, cultural or historical facilities likely to attract significant numbers of visitors.

- The old guidelines did not allow allocations for retention of businesses. The new guidelines allow allocations to existing businesses if they meet certain criteria. This criterion was added based on the revitalization criteria used in the Authority's hydropower programs.

- The Authority will audit the Systems' billing records and customer job information to verify usage and job creation. The existing criteria had no such audit provision.

"In accordance with the Authority's prior contracts with the Systems, the revised guidelines were approved by all 51 municipal and cooperative systems.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees approve revisions to the guidelines for allocation of economic development power to the municipal and rural electric cooperative systems.

"The Acting Executive Vice President and General Counsel, the Senior Vice President – Energy Marketing and Business Development and I concur in the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to questions from Trustee Foster, Mr. Pasquale said that the types of businesses ineligible for this program include retail businesses, for which the cost of power is not as significant as other costs, and casinos. Trustee Besha recused himself from the vote.

The following resolution, as submitted by the Acting Chief Operating Officer, was adopted by a vote of 5-1 with Trustee Besha recusing himself.

RESOLVED, That the Trustees approve revisions to the guidelines used to allocate economic development power to the Authority's municipal and rural electric cooperative customers as detailed in the above memorandum from the Acting Chief Operating Officer; and be it further

RESOLVED, That the Senior Vice President – Energy 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 Acting Executive Vice President and General Counsel; and be it further

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

12. Rural Electric Cooperatives – Self-Regulation

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a lightened form of rate regulation for the rural electric cooperatives ('Co-ops') that would allow them, upon request, to adjust rates and otherwise control their services and practices without approval from the Authority, except in certain circumstances concerning consumer protection matters.

BACKGROUND

"The Authority currently regulates the rates and practices for seven full-requirements municipal systems and four Co-ops. The Co-ops, however, are different from municipal electric systems. Co-ops are membership corporations governed in New York State by boards of directors elected by the 'members' -- the customers served by the Co-ops.

"The New York State Rural Electric Cooperative Association ('Co-op Association'), which represents all four Co-ops in New York State, has asked the Authority to consider allowing their members, upon request, to self-regulate the rates they charge their customers, as well as their services and practices. Rates include the cost of commodity electricity purchased from the Authority, wholesale delivery and the cost of local delivery from the Co-ops' distribution facilities.

"Currently, if a Co-op seeks a rate increase or a change in rate design, Authority staff assists with cost-of-service studies and financial analyses. Once a rate change is approved by Authority staff, notice is published pursuant to the State Administrative Procedure Act and the Co-op holds a public hearing on the proposal. Then, taking into consideration any public comment (there usually is none), the Authority's Trustees are asked to approve the proposal.

"In addition, the Authority has a consumer protection function, fielding questions and complaints about quantity and quality of service, billing matters and related subjects such as account turn-offs.

"The four Co-ops in New York are: Delaware County Electric Cooperative in Delhi, Oneida-Madison Electric Cooperative in Bouckville, Otsego Electric Cooperative in Hartwick and Steuben Rural Electric Cooperative in Bath.

DISCUSSION

"Neither the Power Authority Act ('Act') nor the Co-ops' power contracts requires the Authority's Trustees to approve rate increases for the Co-ops, provided the requirements concerning the resale of Authority power without profit are otherwise met. The Act intended that the rates, services and practices of the entities buying hydropower from the Authority be governed by the contract and not by the normal requirements set forth in the New York State Public Service Law. Under their contracts, the Co-ops could set their own rates and otherwise govern their services and practices, provided the Authority retains appropriate audit and reporting requirements and consumer protection oversight.

"The Public Service Commission ('PSC') has no statutory jurisdiction over the rates of the Co-ops, which from the outset have been largely self regulating through their membership rules. The governance of a Co-op in New York State is subject to the provisions of the New York Rural Electric Cooperatives Law, which vests authority in the members, acting through their board of directors.

"The Co-op Association has proposed that the Authority allow an individual Co-op, upon its request, to set its own rates and control its services and practices based on the following:

1. The request to be self regulated must be made in writing by any Co-op seeking such status. Such request must be accompanied by a certification from the Co-op's board of directors that the members of the Co-op, acting in

accordance with their By-laws, support self-regulation. The Authority must approve the text of the resolution to be put before the Co-op's board of directors.

2. After it becomes self regulating, a Co-op at any time could submit a written request that it once again be subject to regulation by the Authority.

3. Each self-regulating Co-op would agree to a set of audit and reporting requirements to ensure that the value of Authority power purchases is being passed on to the Co-op's members.

4. Member complaints that cannot be resolved by Co-op management would be addressed by the Authority should the Authority determine that the Co-op has acted contrary to its tariffs or in a manner inconsistent with its contractual and statutory obligations.

5. Each self-regulating Co-op would execute an agreement with the Authority specifying the foregoing and any other conditions necessary to ensure that the Authority is in compliance with its own statutory and contractual obligations.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees approve, upon written request, a lightened form of rate regulation for the four rural electric cooperatives, subject to the conditions outlined above.

The Acting Executive Vice President and General Counsel, the Senior Vice President – Energy Marketing and Business Development and I concur in the recommendation."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. Trustee Besha recused himself from the vote.

The following resolution, as submitted by the Acting Chief Operating Officer, was adopted by a vote of 5-1 with Trustee Besha recusing himself.

RESOLVED, That the Trustees approve a lightened form of rate regulation for the rural electric cooperatives, subject to the conditions detailed in the foregoing report from the Acting Chief Operating Officer; and be it further

RESOLVED, That the Senior Vice President – Energy Marketing and Business 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 Acting Executive Vice President and General Counsel; and be it further

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

13. Increase in Westchester County Governmental <u>Customer Rates - Notice of Proposed Rulemaking</u>

The Acting Chief Operating Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve a Notice of Proposed Rulemaking ('NOPR') to increase the production rates to be charged to the Westchester County Governmental Customers ('Customers') in 2009. Under staff's proposal, the production rates will increase by 41.77% compared to 2008 rates. The Trustees are also requested to direct the Corporate Secretary to file the NOPR with the New York State Department of State for publication in the *New York State Register* in accordance with the requirements of the State Administrative Procedure Act ('SAPA'). Since the proposed increase is greater than 2%, a public forum will be held in accordance with Authority policy. Trustee authorization is also requested to direct the Corporate Secretary to provide all appropriate notice for such public forum.

<u>BACKGROUND</u>

"The Authority provides electricity to 104 governmental customers in Westchester County, which includes the County of Westchester, school districts, housing authorities, cities, towns and villages. The County of Westchester is the largest single customer, accounting for about 36% of revenues.

"The current 2008 rates were adopted by the Trustees at their December 18, 2007 meeting. The Trustees then approved a 15.05% increase over 2007 rates.

"The basis of providing service is contained in the Supplemental Electricity Agreements ('Agreements') with the Customers. The Agreements were approved by the Trustees at their December 19, 2006 meeting. Among other things, the Agreements permitted the Authority to modify the Customers' rates at any time based on a fully supported *pro forma* cost-of-service ('COS') subject to the SAPA process; required the Customers to be full-requirements customers of the Authority through December 31, 2008; permitted the Customers to terminate service on one year's written notice, but not earlier than January 1, 2009 and reactivated the Energy Charge Adjustment ('ECA') mechanism. All 104 Customers have signed the Agreements.

<u>DISCUSSION</u>

"Consistent with the Authority's past rate-making practices and with the rate-setting process set forth in the Agreements, the proposed increase is based on a *pro forma* COS. Under the Agreements, the Authority must provide at least 30 days' notice to the Customers of any proposed increase and the increase is subject to their review and comment. Notice was sent to all Westchester Customers on August 22, 2008.

"The *pro forma* Preliminary 2009 COS for the Westchester Customers is summarized in Exhibit '13-A.' The total COS is $67.8 million and the projected current rate revenues are $47.8 million, resulting in a revenue deficiency of $20 million. The primary cost element, energy purchases, total $61 million and accounts for 90% of the total production costs. Because the Customers have no dedicated generation facility, energy requirements are purchased on the market. The $61 million is a nearly $20 million increase from 2008 levels of $41.6 million. The higher purchased power costs reflect the termination of the Entergy agreement that supplied below-market-priced energy. In addition, the forecasted 2009 energy prices are expected to be significantly higher than 2008 prices.

"Based on these cost and revenue projections, staff is recommending that base production rates be increased by 41.77 % over 2008 rates. On a total bill basis, the proposed increase would be 25%, on average, for the Customers. Staff proposes to apply the production increase equally to both the base demand and the energy rates. The current and proposed 2009 rates are shown in Exhibit '13-B.'

"Since the new rates would increase Customer revenues by more than 2%, a public forum will be held in accordance with Authority policy. The forum will be held on November 17, 2008 at the Authority's White Plains Office.

"After the 45-day statutory comment period, Authority staff will address any concerns that have been raised by the Westchester Customers and interested parties at the public forum and in comments filed with the Authority, make any necessary changes to the proposed rate increase and return to the Trustees at their December 16, 2008 meeting to request approval of a rate modification for 2009.

FISCAL INFORMATION

"The proposed rate increase is expected to collect $20 million in additional production revenue from the Westchester Customers through the end of 2009, excluding any charges and credits through the ECA mechanism.

RECOMMENDATION

"The Manager – Market Analysis and Tariff Administration recommends that the Trustees authorize the Corporate Secretary to (1) file a Notice of Proposed Rulemaking in the *New York State Register* for the adoption of a production rate increase applicable to the Westchester County Governmental Customers, and (2) schedule, and issue appropriate notice for, a public forum on this proposed action, since the proposed new rates will increase Authority revenues by more than 2%.

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

"The Acting Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Energy Marketing and Business Development, the Vice President – Controller, the Vice President – Finance, the Assistant General Counsel – Power and Transmission and I concur in the recommendation."

Ms. Marilyn Brown presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Foster, Mr. Quiniones said that this rate increase had not been a surprise to the Westchester County Governmental Customers and that the Authority is exploring options with them on both the supply and the demand sides to mitigate the effect of the increase. In response to a question from Trustee Curley, Mr. Quiniones said that the rate increase would not affect the Authority's net revenues, but would just allow the Authority to recover its costs.

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, That the Authority proposes an increase in the production rates applicable to the Westchester County Governmental Customers as set forth in the foregoing report from the Acting Chief Operating Officer; and be it further

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

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notices as may be required with the New York State Department of State for publication in the *New York State Register* and to submit such other notice as may be required by statute or regulation concerning the proposed rate increase and proposed tariff modification; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to schedule and provide all appropriate public notice of a public forum for the purpose of obtaining the views of interested persons concerning the Authority's proposed action to adjust the rates for the Westchester County Governmental Customers; and be it further

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

Exhibit "13-A"
September 23, 2008

New York Power Authority
2009 Cost of Service
Westchester County Governmental Customers

Component	Amount (Millions)
Operations & Maintenance	0.80
Shared Services	0.51
Capital Cost	2.85
Other Expenses	0.13
Purchased Power	
Energy	61.14
Capacity	3.34
Subtotal Purchased Power	64.48
Ancillary Services	1.67
NYISO Revenue Credit	(2.64)
Ancillary Services and Other	(0.00)
Total Production Cost Of Service	67.79

Current Rate Revenues	47.82
Production Revenue Shortfall	19.98
as a percent of Current Revenues	41.77%

Exhibit "13-B"
September 23, 2008

WESTCHESTER COUNTY GOVERNMENTAL CUSTOMERS
PRODUCTION RATES

CONVENTIONAL		Demand Rates $/kW-mo.		Base Energy Rates Cents/kWh	
Service Class		Current	2009 Proposed	Current	2009 Proposed
62	General Small	n/a	n/a	9.772	13.854
64	Commercial & Industrial Redistribution	13.33	18.90	5.031	7.132
66	Westchester Street Lighting	n/a	n/a	8.215	11.646
68/82	Multiple Dwellings Redistribution	11.78	16.70	5.190	7.358
69	General Large	9.71	13.77	5.435	7.705

TIME-OF-DAY		Demand Rates $/kW-mo.		Base Energy Rates On-Peak Cents/kWh		Base Energy Rates Off-Peak Cents/kWh	
Service Class		Current	2009 Proposed	Current	2009 Proposed	Current	2009 Proposed
64	Commercial & Industrial Redistribution	10.94	15.51	7.253	10.283	4.011	5.686
68/82	Multiple Dwellings Redistribution	10.56	14.97	7.499	10.631	4.107	5.822
69	General Large	8.04	11.40	7.757	10.997	4.039	5.726
Rider A	Back-up and Maintenance power			15.449	21.902	2.806	3.978

The on-peak period for energy is weekdays from 7:00AM to 7:00PM, excluding holidays.
The off-peak period for energy is all other hours.

<u>SC Notes:</u>

In addition to the base energy rates, a monthly energy charge adjustment will apply.
The on-peak period for demand is weekdays from 8:00AM to 6:00PM, including holidays.
The on-peak period for energy is weekdays from 8:00AM to 10:00PM, including holidays.
The off-peak period for demand and energy is all other hours.

14-17. <u>Resolutions – Acting Chairman Townsend's Remarks</u>

Next on the agenda, the Trustees are asked to approve resolutions recognizing four distinguished individuals for their service to the Power Authority.

Two of the resolutions honor former Trustees Bob Moses and Tom Scozzafava, who have stepped down since our last meeting. Both had been members of the Board since March 2006.

The others cite Tom Kelly, former Executive Vice President, General Counsel and Chief of Staff, and Vinnie Vesce, who served most recently as Executive Vice President of Corporate Services and Administration. Tom was at the Power Authority for 2-l/2 years and Vinnie for nearly 11.

Each of the resolutions discusses the singular professional and personal qualities that these gentlemen brought to the Authority. Because of time constraints, I'm unable to read them this morning. But let me say that all conclude by stating that we convey our thanks to the recipients for their service and wish them the very best in their future endeavors.

I ask now for a motion and a second to approve the resolutions for Bob Moses, Tom Scozzafava, Tom Kelly and Vinnie Vesce. Framed copies will sent to each, assuming our approval.

The following resolutions were unanimously adopted.

14. <u>Resolution – Robert E. Moses</u>

WHEREAS, Robert E. Moses served with dedication and distinction as a Trustee of the New York Power Authority during a period of extraordinary accomplishment for the Authority in a wide range of vital areas; and

WHEREAS, Mr. Moses' long experience as an accomplished attorney, including extensive involvement in matters pertaining to energy, the environment and economic development, repeatedly proved its worth as the Authority acted to create and protect hundreds of thousands of jobs through allocations of low-cost power and other measures and to significantly expand its energy efficiency and clean-energy initiatives; and

WHEREAS, other pivotal developments during Mr. Moses' tenure, beginning in March 2006, ranged from the Authority's receipt of a new federal license for the Niagara Power Project to its increasing focus on meeting the future power needs of its New York City governmental customers; and

WHEREAS, Mr. Moses' broad knowledge of critical issues, his sure instincts and his impeccable preparation consistently enabled him to function as a respected voice of reason and source of wise counsel during deliberations of the Board; and

WHEREAS, as a partner in the prestigious Syracuse law firm of Bond, Schoeneck & King and a longtime member of the New York State Economic Development Council and regional business organizations, Mr. Moses played a key role in numerous economic development initiatives, with an emphasis on measures to reduce energy cost and use; and

WHEREAS, his strong concern for the environment has been demonstrated through his service on the Boards of Directors of the Audubon Society of New York and the State University of New York College of Environmental Science and Forestry; and

WHEREAS, Mr. Moses' dedication of his time and talents to these organizations, professional legal groups, educational institutions and the Authority itself typify the strong commitment to service that has been evident throughout his career; and

WHEREAS, with his term having expired, Mr. Moses has left the Power Authority Board;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York express their appreciation to Robert E. Moses for his exemplary service to the Power Authority and the people of New York State and that they wish him a future of health, happiness and fulfillment.

September 23, 2008

15. Resolution – Thomas W. Scozzafava

WHEREAS, Thomas W. Scozzafava was a valued and insightful member of the New York Power Authority's Board of Trustees at a time of considerable challenge and change for the Authority and the electric utility industry; and

WHEREAS, throughout Mr. Scozzafava's term, which began in March 2006, the Board benefited immensely from the vision and leadership that have marked his highly successful career as a business entrepreneur and executive; and

WHEREAS, as Northern New York's first representative on the Authority's Board in half a century, Mr. Scozzafava was an effective advocate for that region's needs and communicator of its concerns; and

WHEREAS, he served as a forceful and persuasive supporter of a balanced agreement with Alcoa for continued long-term supplies of low-cost hydroelectric power from the Authority's St. Lawrence-Franklin D. Roosevelt Power Project that will protect jobs and promote investment at the company's Massena facilities for years to come; and

WHEREAS, Mr. Scozzafava's commitment to the North Country's economic well-being was further demonstrated through his efforts to help ensure optimal use in the area of other St. Lawrence-FDR power and through his membership on the original Board of the Seaway Private Equity Corporation, established with Authority funding; and

WHEREAS, the North Country has also derived considerable benefit from Mr. Scozzafava's investment firm, Seaway Valley Capital Corporation, which has both founded and financed various regional businesses, such as WiseBuy Stores, Hackett's, Alteri Bakery, and Sackets Harbor Brewing Company – activities that have helped to revitalize predominantly rural areas of New York State; and

WHEREAS, Mr. Scozzafava's singular business and financial acumen, and his concern for the environment, have been evidenced through his executive positions at the GreenShift Corporation, dedicated to supporting companies and technologies that advance the efficient use of natural resources; and

WHEREAS, Mr. Scozzafava's previous experience with General Electric Capital Corporation, Lehman Brothers and the Prudential Merchant Banking Group enhanced his contributions as a member of the Authority's Board and each of its committees; and

WHEREAS, Mr. Scozzafava has stepped down from the Board following the expiration of his term;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York commend Thomas W. Scozzafava for his distinguished service to the Authority and the people of the State and that they extend to him sincere best wishes for many years of health, happiness and continued success.

September 23, 2008

16. Resolution – Thomas J. Kelly

WHEREAS, Thomas J. Kelly brought to his duties at the New York Power Authority superior legal and management skills, an unparalleled work ethic and a deep commitment to the Authority and its interests; and

WHEREAS, for much of his 2 l/2-year tenure as Executive Vice President and General Counsel, Mr. Kelly also served as the Power Authority's Chief of Staff, an unprecedented combination of responsibilities that he exercised with total professionalism, keen judgment and extraordinary success; and

WHEREAS, in the face of a heavy workload and long hours, he maintained an unfailingly calm and courteous demeanor; a leavening sense of humor and an abiding loyalty to and respect for his Law Department staff, which was amply reciprocated; and

WHEREAS, as General Counsel, Mr. Kelly brought to bear the experience and expertise he had acquired in such areas as municipal finance, infrastructure development, environmental law and labor relations during more than a decade in private practice, a highly successful tenure as President of the New York State Environmental Facilities Corporation and service as a village attorney and a state legislative aide; and

WHEREAS, this background, complemented by his insatiable curiosity and singular ability to probe and quickly master complex issues, gave him a ready grasp of the diverse legal matters confronting the Authority and enabled him to provide strong and steady leadership to its Law Department; and

WHEREAS, drawing on his professional and personal attributes, Mr. Kelly worked directly with his counterparts at Entergy and General Electric to obtain favorable settlements of major controversies, averting the need for lengthy and costly litigation, and with Albany legislators and others to win initial approval of an amendment to the State Constitution to facilitate routing of an urgently needed power line in the Adirondack Park; and

WHEREAS, he was also heavily involved in such noteworthy developments as an agreement in principle with Alcoa for a long-term power supply contract, receipt of a new 50-year federal license for the Niagara Power Project, implementation of agreements linked to relicensing of the St. Lawrence-Franklin D. Roosevelt Power Project and designation of a major new power source for the Authority's governmental customers in New York City following a competitive bidding process; and

WHEREAS, Mr. Kelly has resigned from the Authority staff, leaving a legacy of solid achievement and profound good will;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York convey their deepest thanks and appreciation to Thomas J. Kelly for his service to the Authority and the people of New York State and that they wish him and his family health, happiness and continued accomplishment.

September 23, 2008

17. <u>Resolution – Vincent C. Vesce</u>

WHEREAS, Vincent C. Vesce's extraordinary career of nearly 11 years at the New York Power Authority was marked by his singular blend of versatility and verve, of empathy and enthusiasm and of compassion and charisma; and

WHEREAS, in moving beyond his initial responsibilities for all Human Resource functions, Mr. Vesce, as an Executive Vice President, oversaw such additional areas as Corporate Support Services, Procurement, Real Estate and Public and Governmental Affairs; and

WHEREAS, to each of these assignments and numerous others that he willingly took on, Mr. Vesce brought his characteristic common sense and common touch, superb business skills, an irrepressible and irreverent style and contagious good humor; and

WHEREAS, these traits were vividly displayed in a succession of critical matters, including negotiations with Entergy on sale of the Authority's nuclear power plants, a process in which he vigorously upheld the interests of affected NYPA employees; efforts to win community support for the relicensing of the St. Lawrence-Franklin D. Roosevelt Power Project and discussions with Alcoa on a new power supply contract; and

WHEREAS, Mr. Vesce's innate ability to relate and reach out to others earned him the trust and friendship of his negotiating counterparts in the Authority's unions and the respect and gratitude of NYPA employees of all ranks and disciplines, including those whose careers he shaped by recognizing their talents and championing their professional advancement; and

WHEREAS, his genuine concern and regard for his Authority colleagues was further demonstrated in countless other situations, ranging from his leadership in the aftermath of the September 11, 2001 attacks and his aid over the years to employees confronting personal crises to his unstinting support for NYPA's annual diversity observance and his inimitable service as master of ceremonies at this and other events; and

WHEREAS, as a highly effective and influential executive at the Authority during a pivotal period in its history, Mr. Vesce drew on the skills and experience attained through his distinguished service in the private sector and as Mayor, Councilman and civic leader in his hometown of Peekskill; and

WHEREAS, Mr. Vesce has retired from the Power Authority staff, having left an indelible personal and professional stamp on the organization;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York express their gratitude and admiration to Vincent C. Vesce for his exemplary service to the Power Authority and the people of New York State and that they wish him and his family a happy, healthy and fulfilling future.

September 23, 2008

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

"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 information relating to current and future investigations; to discuss proposed, pending or current litigation and to discuss matters leading to the appointment, employment, promotion, discipline, suspension, dismissal or removal of a particular person or corporation." On motion made and seconded, an Executive Session was held.

19. 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.

20. Collective Bargaining Agreement Between the Authority and Utility Workers Union of America, Local 1-2 – Successor Agreement

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the Collective Bargaining Agreement ('Agreement') dated January 18, 2004 between the Authority and the Utility Workers Union of America, Local 1-2 ('UWUA'). This Agreement, if approved, will have an effective date of January 18, 2004 and will expire on January 17, 2009. It covers those employees represented by the UWUA at the Authority's Charles Poletti Power Project ('Poletti') and 500 MW Combined Cycle Plant ('500 MW Plant').

BACKGROUND

"The Authority and UWUA are parties to a collective bargaining agreement ('CBA') that was effective from January 18, 2000 through January 17, 2004. Negotiations for a successor agreement began in the last quarter of 2003 and continued beyond the expiration of the CBA. During this period and consistent with prevailing law, the terms and conditions of the prior agreement remained in effect while negotiations continued.

"Subsequently, the Authority and the UWUA jointly declared and submitted an impasse in the negotiations to the New York State Public Employment Relations Board ('PERB') in the first quarter of 2005. The Authority and the UWUA participated in multiple mediation sessions with a PERB mediator and additional independent negotiations in an effort to resolve the impasse during 2005 and the first three quarters of 2006. In September 2006, in accordance with PERB regulations, the Authority and the UWUA separately requested that PERB appoint a fact-finder to assist with resolving the impasse. The parties continued to negotiate with the assistance of the fact-finder during 2007 and 2008, ultimately submitting certain unresolved issues to him for his findings and recommendations, which the fact-finder issued in late June 2008. The Authority and the UWUA accepted the recommendations, which resolved the outstanding issues and completed the negotiations for the successor Agreement. The Authority was notified on August 20, 2008 that the terms and conditions of the successor Agreement were ratified by the UWUA membership by a vote of 37 in favor to 12 opposed with 5 votes not cast.

"The Authority's negotiating committee, chaired by Joseph W. Gryzlo, Vice President – Ethics and Employee Resources, included Wendy M. Lane, Assistant General Counsel – Human Resources and Labor Relations; Paul Tartaglia, Regional Manager, Southeastern Region and Dayton Richardson, Facility Manager, Human Resources, Southeastern Region. The UWUA negotiating committee, chaired by John Duffy, included representatives from its local office in New York City and an employee representative from Poletti or the 500 MW plant until 2005.

"The Stipulation describing the agreed-upon amendments to the predecessor CBA that will comprise the basis of the successor Agreement is attached as Exhibit '20-A.'

DISCUSSION

"The term of the Agreement is 60 months, with a $1,000 ratification payment effective upon Agreement approval; and with retroactive general wage increases of 2.0% effective January 18, 2004; 3.5% effective January 18, 2005; 3.5% effective January 18, 2006; 3.5% effective January 18, 2007; 3.25% effective January 18, 2008 and a prospective 3.5% general wage increase effective January 1, 2009.

"Among other negotiated benefit changes, this Agreement includes a $65 employee monthly contribution for benefits effective January 1, 2009. This is the first time the UWUA has agreed to employee contributions for its members' medical benefits coverage. In addition, active employees and future retirees who use physicians and services within the Participating Provider ('PPO') Network will be responsible for a $20 co-payment for each transaction effective January 1, 2009. Further, a three-tier formulary for prescription drugs, with co-payments of

$5/$20/$35 and 2.5 times the applicable tier co-payment for mail-order prescriptions, will also apply to active employees and future retirees effective January 1, 2009. The Agreement also contains increases in employee individual and family plan annual major medical deductibles and the annual maximum out-of-pocket expense provision. These health plan modifications will generate anticipated benefits-related cost savings of more than $126,000 in 2009 and annually thereafter for the approximately 55 employees covered by this Agreement.

"Throughout the labor impasse, the Authority maintained its negotiation strategy, while continuing to safely and reliably operate the Poletti and 500 MW plants. The dual operation of these generating facilities and the anticipated closure of the Poletti Project in January 2010 presented additional challenges in addressing the UWUA proposals. Of particular note is the wage rate established for the 500 MW Plant Operating Technician job classification (the PERB fact-finder accepted the Authority's position) and retention by the Authority of its discretion and right to staff and operate both generating facilities without compromising safety and reliability.

"This Agreement compares favorably to contracts between other generating plant operators in New York (Con Edison, Entergy, Keyspan, US Power Generation) and the unions representing employees at such plants (UWUA, IBEW). It is important to note that in most instances the employees at these other utility generating plants received general wage increases of 3-3.5% in 2004, while UWUA-represented employees at the Authority's plants will receive a 2% general wage increase under this Agreement. Generally, other generating plant operators have agreed to annual wage increases of 3.5-3.75% during the years 2004 through 2008. The wage and other economic provisions are also comparable to the CBA in effect between the Authority and the IBEW for the Authority's bargaining unit employees at its upstate generation and transmission facilities.

"The Agreement reflects adjustments in shift differential, meal payments and wage progressions. In addition, this Agreement provides an extra annual holiday and removes two personal leave days from the CBA. The Authority and the UWUA also recognized the need to maintain work productivity and seek opportunities at the plants to perform work efficiently, including establishing a standard work day for employees assigned to the 500 MW Plant differing from that worked by certain employees at the Poletti Project. A job security feature contained in prior agreements is included in this Agreement but the no-layoff pledge will expire on January 16, 2009. Any extension beyond that date will be subject to further negotiation. The no-layoff provision was also revised to include an enhanced severance payment for eligible employees who may be laid off as a result of the Poletti Project closure. A framework was established to enable qualified employees assigned to the Poletti Project to undertake training to become technically qualified to perform Operating Technician duties at the 500-MW Plant. The parties agreed to support legislation that would make Poletti Project employees eligible to retire and receive full pension benefits from the New York State Retirement System after 25 years of service, instead of 30 years, since many of them will have worked for the Authority for 25 years by January 2010, the anticipated closure date for the Poletti Project.

<u>FISCAL INFORMATION</u>

"The 2008 lump-sum ratification payments amount to $56,000. These payments, the 2004-08 retroactive general wage increases and the 2009 general wage increase are consistent with the Authority's long-term financial forecast. The estimated annual costs are:

2004 - $83,017
2005 - $148,186
2006 - $153,373
2007 - $158,741
2008 - $152,561
2009 - $169,636

"Payment will be made from the Operating Fund.

<u>RECOMMENDATION</u>

"The Executive Vice President – Power Supply, the Acting Executive Vice President – Corporate Services and Administration and I recommend that the Collective Bargaining Agreement dated January 18, 2004 between the Authority and the Utility Workers Union of America, Local 1-2 be approved by the Trustees."

The following resolution, as submitted by the Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, That the Vice President – Ethics and Employee Resources be, and hereby is, authorized on behalf of the Authority to execute a collective bargaining Agreement with the Utility Workers Union of America, Local 1-2 covering specified operating and maintenance employees of the Poletti and 500 MW generating facilities with changes to that Agreement as described in the foregoing report and attached stipulation (Exhibit "20-A"), subject to the approval of the form thereof by the Acting Executive Vice President and General Counsel; and be it further

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

21. Authorization to Use Operating Funds to Retire Authority Debt

The Acting Chief Operating Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the use of up to $150 million of additional Operating Fund monies through December 31, 2010 for the purpose of the payment, purchase, defeasance and/or redemption of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes.

BACKGROUND

"Trustee Resolutions dated November 28, 2006 and May 22, 2007 were the latest in a series of Trustee approvals that authorized the use of Operating Fund monies for the payment, purchase, defeasance and/or redemption of Authority debt. Since the mid-1990s, the Authority's Trustees have provided such authorizations on seven other occasions. These prior authorizations have enabled the Authority to better align its cost structure for the rigors of the competitive market and to take advantage of other opportunities to provide savings for Authority customers and/or for the Authority in its continuing efforts to control its cost structure. During this period, the Authority reduced its debt burden by approximately one third, or $1.3 billion, reducing its fixed costs by as much as $100 million annually.

DISCUSSION

"To date, all but $36.2 million of the prior authorizations have been used. While the Authority today is well positioned in the competitive marketplace, there may be other opportunities to provide savings for Authority customers and/or for the Authority to continue to control its cost structure. More importantly, recent events in the financial markets have caused major dislocations in the functioning of certain markets that are key to the Authority's conduct of its business. The auction rate securities market has all but disappeared and the loss of confidence in money market funds has adversely affected the commercial paper program. Such additional authorization will allow the Authority to better manage its debt program given the ongoing turbulence in the financial markets.

"Accordingly, the Trustees are requested to authorize the use of up to an additional $150 million of Operating Fund monies through 2010 for the payment, purchase, defeasance and/or redemption of debt as specified above and to extend the prior authorizations through 2010. Before any withdrawal is made for such purpose, Authority staff would determine that the funds to be withdrawn are not needed to pay for operating expenses, debt service or any of the other purposes specified in Section 503(1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, as amended, and that such withdrawal will not cause the Operating Reserves to fall below the established levels. Furthermore, staff would obtain approval of such withdrawal from the President and Chief Executive Officer and the Chairman.

FISCAL INFORMATION

"There is no cost impact from the use of Operating Funds to retire debt other than the foregone investment income associated with such funds, offset by reduced interest expenses.

RECOMMENDATION

"The Vice President – Finance recommends that the Trustees approve the use of up to $150 million of additional Operating Fund monies through December 31, 2010 for the payment, purchase, defeasance and/or redemption of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes and extend through 2010 the specified prior authorizations for such use of Operating Fund monies.

"The Acting 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 Acting Chief Operating Officer, was unanimously adopted.

RESOLVED, That the Trustees hereby authorize the use of up to $150 million in Operating Fund monies through December 31, 2010 for the payment, purchase, defeasance and/or redemption of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes, and such authorization shall be in addition to the authorizations set forth in the prior resolutions adopted by the Trustees as outlined in the foregoing report of the Acting Chief Operating Officer, with such authorizations hereby being extended through 2010; and be it further

RESOLVED, That as a prerequisite to any withdrawal pursuant to the foregoing resolution, the Vice President – Finance or the Treasurer shall obtain the approval of such withdrawal from the Chairman and the President and Chief Executive Officer and shall certify that such 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 be it further

RESOLVED, That the Acting Chairman, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the Acting Executive Vice President and General Counsel, the Vice President – Finance, the Treasurer and the Deputy Treasurer are, and each of them hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts to execute and deliver or cause to be executed and delivered all other notices, requests, directions, consents, approvals, orders, applications, agreements, certificates and further documents or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolutions, subject to the approval as to the form of such certificates, agreements and other documents of the Acting Executive Vice President and General Counsel.

22. Amendments to the Authority's By-laws

Upon motion made by Trustee Nicandri and seconded by Trustee Cusack, this item was tabled.

23. **Election of President and Chief Executive Officer**

The Acting Chairman submitted the following report:

SUMMARY

"The Trustees are requested to consider the election of Richard M. Kessel of Merrick, New York as President and Chief Executive Officer of the Authority, effective October 6, 2008.

BACKGROUND AND DISCUSSION

"On August 1, 2008, Roger B. Kelley resigned from his position as President and Chief Executive Officer of the Authority. The Trustees, after due consideration, have determined that Richard M. Kessel of Merrick, New York, should succeed Mr. Kelley.

RECOMMENDATION

"Therefore, pursuant to Article IV, Section 2 of the Authority's By-Laws, "Election of Certain Non-Statutory Officers by the Trustees," adopted December 18, 1984, and last amended on October 30, 2007, the Trustees recommend that Richard M. Kessel be elected as President and Chief Executive Officer, effective October 6, 2008, to hold such office for a term expiring at the next annual meeting of the Trustees in March 2009, or until his successor is elected."

Acting Chairman Townsend said that in recognition of the importance and significance of this appointment, he was going to deviate from normal practice and take a roll-call vote. He welcomed the Trustees to articulate their rationale in connection with their vote and any issues they may have. He requested the Trustees to consider the election of Richard M. Kessel as President and Chief Executive Officer of the Authority. Upon motion made by Trustee Cusack and seconded by Trustee Nicandri, Acting Chairman Townsend then took the roll-call vote.

Trustee Nicandri said that he was going to vote in favor of electing Mr. Kessel as President and Chief Executive Officer, but that he was not entirely satisfied with the selection, nomination and approval process. Trustee Nicandri said that he had only been a member of the Board since the middle of August, but that he understood the Trustees' responsibilities as far as the selection of officers is concerned. He said that he also understood that the Governor's Office and the Attorney General have some concerns about perceived miscues on the part of the Authority in the recent past. Trustee Nicandri said that he assumed that their selection of new Trustees and putting forth Mr. Kessel's name were done with the intent of addressing these issues to the satisfaction of the Attorney General and the Governor's Office as far as the longstanding superior operation of the Power Authority and the desire to see that enhanced and to grow. Trustee Nicandri said that he has had several discussions with Mr. Kessel, who had answered his concerns about the process and about policies and

programs he hopes to bring to the Authority. And to the extent that Mr. Kessel had made assurances to him about his intentions and goals, Trustee Nicandri said that he accepted those representations on face value and that he would work with Mr. Kessel to help him achieve those goals and functions. Trustee Nicandri said that for that reason he was voting to approve Mr. Kessel's nomination as President and Chief Executive Officer of the Authority.

Trustee Foster said that he too was voting in favor of Mr. Kessel's nomination as President and Chief Executive Officer and that he had reviewed a variety of information about Mr. Kessel, including his references, résumé and background investigation report. He said that he had met with Mr. Kessel for an extended period of time and that he was aware of his long history of service to New York State and his experience in the energy business. Trustee Foster said he had been struck by Mr. Kessel's enthusiasm for the Authority and its mission. However, Trustee Foster said that he agreed with Trustee Nicandri that the selection process had been much more limited and shorter than would be ideal, whether under the Public Authorities Accountability Act or simply good governance. Trustee Foster said that he was also aware of some of the negative comments raised about Mr. Kessel in the press and in other places. He said that ultimately he received all of the information he asked for. He also said that he knew that the Authority has a number of issues to address, including the need for more power and clogged transmission pipes, as well as a number of ongoing investigations that are very troubling. Trustee Foster said that the Authority needed to regain the trust not only of the public but also of the Governor's Office and others. He said that he spent several hours with Mr. Kessel and that, notwithstanding the significantly less-than-perfect process, he was happy to vote for him as the Authority's new President and Chief Executive Officer and that he trusted this would be a successful relationship for the Authority and all of its customers.

Trustee Curley said that he shared the other Trustees' grave concern with the selection process for the President and Chief Executive Officer, saying that in the private sector he had served on more than a dozen selection committees for chief executives and chairpersons. He said that he was used to seeing multiple candidates for one position and having sufficient time to conduct the process, have in-person interviews and check references. Trustee Curley said that he had the opportunity to spend at least 40 minutes with Mr. Kessel and review the comments of his references. He said that while the whole system was less than perfect, in fact, there were no internal candidates for the job and that, to his knowledge, no outside candidates had put their names forward due to the incredible statewide pervasive media coverage surrounding former President and Chief

Executive Officer Roger Kelley. He said that in the spirit of cooperation and immediacy, he was voting yes, recognizing that there is now a geographical imbalance in the Authority's leadership, with an emphasis on downstate. But to offset that, Trustee Curley said that Mr. Kessel had assured him that he is most familiar with upstate and that he would do everything in his power to make sure that upstate is well regarded, that there are no assets removed from upstate and that he will fully cooperate not just with upstate but with the entire state.

Trustee Besha said that he had learned a lot about the Authority in the past year that he has been on the Board and that it is an interesting place. The Authority is the largest state-owned utility in the U.S., with nearly 1,600 employees, some of the largest hydroelectric plants in the world and revenues of $3 billion annually (or $350,000 per hour). However, the Authority has had about five Chief Executive Officers in the last five years, which is no way to run an enterprise of this size or any size. Trustee Besha said that these are very unsettled times in the markets and the energy business. The Authority has historically been a leader in renewable energy based on its solid financial foundation and needs to be out in front of the challenges with solid technically competent leadership that isn't being replaced because of Albany politics. Trustee Besha quoted The New York Post in saying "Politics necessarily plays a role in government, but NYPA has had more than its share in recent years." He said that one solution to this revolving door of leadership at the Authority is really quite simple: Follow the mandates of the Power Authority Act and the Public Authorities Accountability Act. The Trustees, who are independent under the law, must select the President and Chief Executive Officer, not select from a slate of one. Rather, like every competent large organization does when selecting a Chief Executive Officer, a search for candidates based on experience and other objective qualifications should have been done, with references checked and the candidates thoroughly vetted, candidates should have been interviewed and responded to questions from the Board on a formal basis and then interviews of the short list of candidates should have been conducted with the entire Board. Trustee Besha said that this was not what had occurred here. He said that his vote was not about the candidate, but the responsibility for the process under the Power Authority Act and the Public Authorities Accountability Act under which the Trustees select a President and Chief Executive Officer. Trustee Besha said that he knows very little about Mr. Kessel other than that he's had a long career in public service. He said that, in these challenging times, he needed to know more than that to select a President and Chief Executive Officer. He said that in order to understand how a candidate for this critical position would approach myriad difficult issues, he needed to understand, in order to meet his fiduciary responsibilities as a

Trustee, how they have promoted transparency and good governance and how they would do that at the Authority, which he would have been able to learn only through a carefully considered and thorough vetting process. Trustee Besha again said that this was not what had occurred here. He said that the public does not generally realize that the independent Trustees receive no salary. Whether or not the Trustees are paid, however, it is the Trustees' charge to make tough decisions based on the facts and their judgment and conscience. He said that saying "No, thank you, I'd prefer to follow the PAAA and the Power Authority Act" to the Governor was tough, very tough, and that the message to each of the Trustees if we didn't go along with that was not very subtle. Trustee Besha said that a little over a year ago when he was asked to become an independent Trustee by the former Governor, his immediate reply was "Are you sure you know who I am? I don't generally go along with things." He said that he was assured that this was what was needed to reform the Authority. For that reason, Trustee Besha said he must vote no on this motion.

Trustee Cusack said that it was no secret that the Authority's greatest assets lie in upstate New York. She said that with the worldwide effort to find alternative energy resources, clearly the Trustees would all like to see the Authority, and particularly its upstate hydro facilities, playing a key role in future energy solutions. Trustee Cusack said that she felt very strongly that the Authority's President and Chief Executive Officer should have not only an intimate working knowledge of the struggling economy upstate but also a rock-solid professional background in the energy business. She said that her comments were certainly not meant to belittle Mr. Kessel's qualifications, but rather were meant to show her disappointment in the Paterson administration pushing out the Authority's former President and Chief Executive Officer, Roger Kelley, who was not only a fellow western New Yorker but, more importantly, in her estimation, had been doing a commendable job in keeping politics out of an organization that is more often than not criticized for its lack of professionalism.

Trustee Cusack said in taking this vote today she could not support a process that had completely politicized what should have been a far more independent and professional transition in the Authority's leadership. She said that in the three-plus years she had proudly served as an Authority Trustee, she and many others had worked hard, and continued to work hard, to ensure that the Authority is positioned to be a leader in providing energy solutions that bolster the entire State's economy. Trustee Cusack said that, having witnessed the Paterson administration's recent actions, it was clear to her that she did not see eye-to-eye with them on how to address the future power needs of New York State and that she was voting no.

Acting Chairman Townsend said he was not going to reiterate all of the Board comments, but that all of them spoke with one voice in saying that they were disappointed with the process. However, he said that the fact that they didn't all come to the same conclusion wasn't surprising, since they had been appointed by three different governors, they come from upstate, the north country and downstate and are a diverse Board. Acting Chairman Townsend said that he wanted to add a little historical context and perspective. He said that this was the first Authority appointment of this magnitude in his almost five years with the Authority where he had been afforded the opportunity for any input whatsoever, to check references, to meet the proposed candidate, to have him answer his hard questions. Acting Chairman Townsend said that he had the opportunity to talk with former CEOs and chairmen of public and private utilities, including the Long Island Power Authority and that he was convinced that Richard Kessel would do a good job for the Authority. Acting Chairman Townsend also said that he was convinced that there is a problem with the public, as well as the Governor's Office's, perception of the Authority. He said that Mr. Kessel has promised that he can rehabilitate the Authority's relationship with the Governor's Office and that the Governor obviously has great confidence in Mr. Kessel. And, he said that, despite what Trustee Besha had said about the Public Authorities Accountability Act and the Board's fiduciary duties, he felt that the Board had exercised them more on this appointment than any time in the recent past. He said that he would have liked more time, but that the Trustees, despite the time crunch, made the commitment, got on the phone, did Google searches, looked at the newspaper articles and read the references. Acting Chairman Townsend said that he was convinced that Mr. Kessel, given his answers to the hard questions and his understanding and grasp of the issues that face the Authority today, can move the Authority forward to restore the luster and shine that it deserves. He said that, for that reason, he was voting yes.

The following resolution, as submitted by the Acting Chairman, was approved by a vote of 4-2, with Trustees Besha and Cusack voting "no":

> **RESOLVED, That pursuant to Article IV, Section 2 of the Authority's By-Laws, Richard M. Kessel is hereby elected as President and Chief Executive Officer, effective October 6, 2008, for a term expiring at the next annual meeting of the Trustees in March 2009, or until his successor is elected.**

24. Election of Chief Operating Officer

The Acting Chairman submitted the following report:

SUMMARY

"The Trustees are requested to consider the election of Gil C. Quiniones of New York, New York as Chief Operating Officer of the Authority, effective immediately.

BACKGROUND AND DISCUSSION

"Article IV, Section 2 of the Authority's By-laws provides for the election of certain non-statutory officers by the Trustees. Section 3 of the same Article provides that such non-statutory officers shall hold office for a term expiring at the Trustees' next Annual Meeting, or until their successors are elected.

RECOMMENDATION

"It is recommended that, pursuant to Article IV of the By-Laws, adopted December 18, 1984, and last amended on October 30, 2007, Gil C. Quiniones be elected as Chief Operating Officer, effective immediately, to hold such office for a term expiring at the next annual meeting of the Trustees in March 2009, or until his successor is elected."

Acting Chairman Townsend requested the Trustees to consider the election of Gil C. Quiniones as Chief Operating Officer of the Authority.

Trustee Foster said that over the past year – first as a potential Trustee and then as a Trustee for the past month – he had been very impressed with the work Mr. Quiniones has been doing. He said that he thought Mr. Quiniones had done a terrific job in the top position as Acting Chief Operating Officer, which essentially is the number one position at the Authority at the moment. However, he said that he was very troubled today by being asked to elect Mr. Quiniones as permanent Chief Operating Officer. Trustee Foster said that he thought an acting executive should always have the wind at his or her back when looking at the permanent person in the same position. However, he said there had been absolutely no process for selecting a permanent Chief Operating Officer for one of the State's biggest authorities. Perhaps more importantly, the current By-laws do not detail the responsibilities for the Chief Operating Officer; it's a fairly new position. In fact, there is no one who reports to the current Chief Operating Officer under the Authority's By-laws. Trustee Foster said that he felt it was inappropriate to make an acting person a permanent one before there is a job description listing his direct reports and without there being proof of a workable relationship between the President and Chief Executive Officer and the Chief Operating Officer, since, after all, the Chief Operating Officer reports to the Chief Executive Officer. He compared it to building a roof before the foundation is built. However, Trustee Foster said that in recognition of the instability at, and many issues faced by, the Authority, as well as Mr. Quiniones' excellent

work over the past year during his short tenure here, and most importantly a commitment by the Trustees to determine the specific responsibilities and reporting lines for the Chief Operating Officer, he was voting in favor of electing Mr. Quiniones as Chief Operating Officer, in spite of his grave concerns about how this Chief Operating Officer position has gone from acting to permanent.

Trustee Nicandri said that he had not known Mr. Quiniones very long but that he had been very impressed with his diligence and hard work. He said that he didn't have any trouble voting for him for this position on a permanent basis. Trustee Nicandri said that he had moved to table the By-laws amendments because he thinks, as Trustee Foster indicated, that the Board needs to iron out the lines of responsibility for both the President and Chief Executive Officer and the Chief Operating Officer positions so that there's no misunderstanding or misconception about who's responsible for what, who's responsible to whom and who's responsible to the Board of Trustees. Trustee Nicandri said that he was pleased to vote in favor of electing Mr. Quiniones as the Chief Operating Officer.

Trustee Cusack, saying she had been an Authority Trustee a little longer than some of the other Trustees, said she wanted to thank Mr. Quiniones for what he's done during this past very tumultuous year and that certainly everyone hopes that things smooth out and that she believes Mr. Quiniones will be a critical part of making that happen. Trustee Cusack said that she, too, would be voting in favor of his election as Chief Operating Officer.

Acting Chairman Townsend said that he, too, had come into a different position of responsibility at the Authority lately, and that, on a personal level, Mr. Quiniones had stepped up for him, shepherding him through some very difficult times during the recent transition and speaking on the phone with him three or four times a day. He said that Mr. Quiniones had involved him more than any predecessor, had sought his input, for what it was worth, listened to him and thoroughly involved him. Acting Chairman Townsend said that it has been demonstrated to senior management and staff that this new Board was embarking on a whole new era for the Authority and that they were going to be more actively engaged and participate to a level they've never done before and he applauded that and said that this was necessary. He said that the Trustees need to be a key part in the reform and rehabilitation of the Authority. Acting Chairman Townsend said that he was very encouraged by all of the comments today, that it had by no means been a typical meeting and that he didn't think the meetings in the months to come would be typical either. He said that while, as Trustee Foster had said, there were still some

significant procedural and operational issues to be ironed out with Mr. Quiniones' role in management, he looked forward to working with Mr. Kessel and the Board to do that very quickly. He said that these were troubling times and that there was a need for stability and continuity. Acting Chairman Townsend said that, frankly, he thought it was important to give some level of comfort to the Authority's staff that there is a team in place, that the Authority is going to try to get back on target, get away from political machinations and get back to the Authority's core mission. He told staff that they were the most professional group he'd ever worked with, that he was very proud to be associated with them and that everything that was happening at today's Trustees' Meeting was just going to make their jobs easier. Acting Chairman Townsend said he was also voting yes to Mr. Quiniones' election as Chief Operating Officer.

Trustee Curley said that he had met Mr. Quiniones when he was a member of the Governor's Commission on Power. He said that he thought Mr. Quiniones had served on that Commission with a great deal of distinction. Trustee Curley said that when the Board approached Mr. Quiniones a few months ago at Massena about being the Chief Operating Officer in an acting capacity, Mr. Quiniones, who hadn't had advance notice, was revved up in a matter of moments and to say that he hit the ground running was the understatement of the year. Trustee Curley said that, from that moment on, Mr. Quiniones was the person the Trustees looked to for guidance, courage, honesty and integrity, and the future stances of the Authority. Trustee Curley said that he was delighted to be able to vote in favor of electing Mr. Quiniones as Chief Operating Officer.

Trustee Besha said that he would certainly mirror everything that everyone else had said. He reiterated that it had been an interesting year for the Authority, with some high points and some disappointments. Trustee Besha said that one of the bright spots of the last year, especially this past month, was Mr. Quiniones' involvement with the Board. Trustee Besha said that the Board and the Authority were turning an enormous page and becoming more professional, acting more professional, being more prepared and preparing the Board more. He said that the Board was starting to act as a Board, for the first time in a long time perhaps, and that Mr. Quiniones and Acting Chairman Townsend had played a large role in that. Trustee Besha said that he supported the appointment of Mr. Quiniones as Chief Operating Officer.

The Trustees' then congratulated Mr. Quiniones on his election as Chief Operating Officer.

The following resolution, as submitted by the Acting Chairman, was unanimously adopted.

> **RESOLVED, That pursuant to Article IV, Section 2 of the Authority's By-Laws, Gil C. Quiniones is hereby elected as Chief Operating Officer, effective immediately, for a term expiring at the next annual meeting of the Trustees in March 2009, or until his successor is elected.**

25. Appointment of Trustees D. Patrick Curley and Jonathan F. Foster to the Audit Committee

The Acting Chairman submitted the following report:

SUMMARY

"In accordance with Article V, Section 2 of the By-laws of the Power Authority of the State of New York, which article was adopted by the Authority's Trustees at their meeting of December 17, 1996 and amended most recently by the Trustees at their meeting of October 30, 2007, and in accordance with the Charter of the Audit Committee, as also adopted by the Authority's Trustees at their meeting of December 17, 1996 and amended most recently by the Trustees at their meeting of October 30, 2007, the Trustees are requested to appoint Trustees D. Patrick Curley and Jonathan F. Foster as members of the Audit Committee, effective September 23, 2008, and to designate Trustee D. Patrick Curley as Chairman of the Committee.

BACKGROUND

"Section 2 of Article V of the Authority's By-laws provides for the establishment of an Audit Committee of the Board consisting of three Trustees.

"The Charter of the Audit Committee, adopted by the Trustees on December 17, 1996 and most recently amended on October 30, 2007, provides that Audit Committee members are to be selected by vote of the Trustees from among the eligible Trustees. Audit Committee members serve for a period of four years and may serve for additional periods subject to their terms of office as Trustees. In addition, the Charter requires that the membership of the Audit Committee comprise Trustees who do not serve as Chairman of the Board or in any other position of Authority management.

"Since the Audit Committee currently has only one member, Trustee Elise M. Cusack, who was appointed to the Committee on May 23, 2006, there are two vacancies to be filled. One vacancy was created by the replacement of Thomas W. Scozzafava on the Board. The second vacancy was created by the resignation from the Committee on September 22, 2008 of Michael J. Townsend, who, as Acting Chairman of the Board, can no longer serve on the Audit Committee.

DISCUSSION

"It is desirable for the Trustees to select two eligible Trustees to fill the vacancies on the Audit Committee. Trustees D. Patrick Curley and Jonathan F. Foster are both eligible to serve on the Committee, as they are independent members of the Board as defined in Public Authorities Law, Section 2825(2). Accordingly, their selection as members of the Audit Committee is recommended, as is the designation of Trustee D. Patrick Curley as Chairman of the Committee."

The following resolution, as submitted by the Acting Chairman, was unanimously adopted.

RESOLVED, That Trustees D. Patrick Curley and Jonathan F. Foster are hereby selected as members of the Audit Committee, effective September 23, 2008, to serve for terms ending September 22, 2012, with Trustee D. Patrick Curley designated as Chairman of the Audit Committee.

26. Appointment of Trustee Eugene L. Nicandri
to the Governance Committee

The Acting Chairman submitted the following report:

SUMMARY

"In accordance with Article V, Section 3 of the By-laws of the Power Authority of the State of New York, which article was adopted by the Authority's Trustees at their meeting of February 28, 2006 and amended most recently by the Trustees at their meeting of October 30, 2007, and in accordance with the Charter of the Governance Committee, as also adopted by the Authority's Trustees at their meeting of February 28, 2006 and amended most recently by the Trustees at their meeting of October 30, 2007, the Trustees are requested to appoint Eugene L. Nicandri to, and designate him as Chairman of, the Governance Committee effective September 23, 2008.

BACKGROUND

"On February 28, 2006, the Trustees, in accordance with the provisions of the Public Authorities Accountability Act, established a Governance Committee by amending the Authority's By-laws to create a new Section 3, Article V. In addition, on February 28, 2006, the Trustees adopted the Charter of the Governance Committee.

"On October 30, 2007, the Trustees amended (i) Section 3, Article V of the Authority's By-laws to increase the membership of the Governance Committee from two to three Trustees other than the Chairman of the Board and (ii) the Charter of the Governance Committee to increase the membership of the Governance Committee from two to three Trustees who do not serve as Chairman of the Board or in any other position of Authority management.

"Governance Committee members, who are selected from eligible Trustees by vote of the Trustees, serve for periods of four years and may serve for additional periods, subject to their terms of office as Trustees.

"The Governance Committee currently comprises Trustee Elise M. Cusack, who was appointed to the Committee and designated as Chairman of the Committee on March 28, 2006, and Trustee James A. Besha, Sr., who was appointed to the Committee on October 30, 2007. Therefore, there is one vacancy to be filled that was created by the replacement of Thomas W. Scozzafava on the Board.

DISCUSSION

"It is desirable for the Trustees to fill the vacancy on the Governance Committee and Trustee Eugene L. Nicandri is eligible to serve on the Committee as he is an independent member of the Board as defined in Public Authorities Law, Section 2825(2). Accordingly, his selection as a member of the Governance Committee is recommended, as is his designation as Chairman of the Committee."

The following resolution, as submitted by the Acting Chairman, was unanimously adopted.

RESOLVED, That Eugene L. Nicandri is hereby selected as a member, and designated Chairman, of the Governance Committee effective September 23, 2008, to serve for a term ending September 22, 2012.

27. <u>Next Meeting</u>

The next Regular Meeting of the Trustees will be held on **Tuesday, October 28, 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.

Closing

On motion made and seconded, the meeting was adjourned by the Acting Chairman at approximately 1:15 p.m.

Anne B. Cahill
Corporate Secretary