

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

**May 19, 2009**

**Table of Contents**

<b><u>Subject</u></b>	<b><u>Page No.</u></b>	<b><u>Exhibit</u></b>
1. Introduction	3	
2. Motion to Conduct an Executive Session	4	
3. Motion to Resume Meeting in Open Session	5	
4. Allocation of 15,000 kW of Hydropower Resolution	6	“4-A;” “4-A-1”
5. <b>Consent Agenda:</b>	9	
a. Minutes of the Annual Meeting held on March 31, 2009	10	
b. Power for Jobs Program – Extended Benefits	11	“5b-A;” “5b-B-1” & “5b-B-2”
c. Utilities Customers – Service Tariff Amendment – Notice of Proposed Rulemaking	14	“5c-A”
d. Enterprise Risk Management Program	16	“5d-A”
e. Energy Services – Incremental Customer-Implemented New Construction	19	
f. Procurement (Services) Contract – SourceOne and PB Americas – Energy Services Implementation Contractors	22	
g. Procurement (Services) Contract – St. Lawrence/FDR Power Project – Independent FERC Consultant – Safety Inspection and Follow-up Service	27	
h. Procurement (Services) Contract – Blenheim-Gilboa Power Project – Installation of Circuit Breakers	29	
i. Procurement (Services) Contract – Blenheim-Gilboa Power Project – Refurbishment and Grout Repair of Tainter Gates	31	
j. Procurement (Services) Contract – Law Department – Sole-Source Contract – Award	33	

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
k. Long-Term Supply Agreement for New York City Governmental Customers: Authorization to Execute Agreements to Perfect NYPA Liens  Resolution	35	
<b>Discussion Agenda:</b>		
6. Q&A on Reports from:		
a. President and Chief Executive Officer	38	
b. Chief Operating Officer	40	
c. Chief Financial Officer	52	“6c-A”
7. Request to Approve Extensions to the Terms of Service for 12 Existing Expansion Power Customers Resolution	53	“7-A”
8. Temporary Distribution of Net Margins Derived from the Sale of Hydropower Formerly Used by Businesses Resolution	61	
9. Economic Development Plan – Use of Net Revenues Produced by Sale of Expansion Power as Industrial Incentive Awards Resolution	64	“9-A”
10. Other Business	66	
11. Motion to Conduct an Executive Session	67	
12. Motion to Resume Meeting in Open Session	68	
13. Next Meeting	69	
Closing	70	

Minutes of the Regular Meeting of the Power Authority of the State of New York held at the St. Lawrence Power Project, Hawkins Point Visitors' Center, Massena, New York at 11:05 a.m.

Members of the Board present were:

Michael J. Townsend, Chairman  
Jonathan F. Foster, Vice Chairman  
D. Patrick Curley, Trustee  
Elise M. Cusack, Trustee  
Eugene L. Nicandri, Trustee

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Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Terryl Brown Clemons	Executive Vice President and General Counsel
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer (White Plains)
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply (White Plains)
Bert J. Cunningham	Senior Vice President – Corporate Communications
Steven J. DeCarlo	Senior Vice President – Transmission – (White Plains)
Angelo S. Esposito	Senior Vice President – Energy Services and Technology (White Plains)
Paul F. Finnegan	Senior Vice President – Public and Governmental Affairs
William J. Nadeau	Senior Vice President – Energy Resource Management and Strategic Planning (White Plains)
Donald A. Russak	Senior Vice President – Corporate Planning and Finance (White Plains)
Joan Tursi	Acting Executive Vice President – Corporate Support and Administration (White Plains)
James H. Yates	Senior Vice President – Marketing and Economic Development
Thomas P. Antenucci	Vice President – Project Management (White Plains)
Arnold M. Bellis	Vice President and Controller (White Plains)
Jordan Brandeis	Vice President – Power Resource Planning and Acquisition (White Plains)
Thomas A. Davis	Vice President – Energy Risk Assessment and Control (White Plains)
John Kahabka	Vice President – Environment, Health and Safety (White Plains)
Bradford Van Auken	Vice President – Engineering (White Plains)
Richard Turner	Regional Manager – Northern New York
Dennis T. Eccleston	Chief Information Officer (White Plains)
Francine Evans	Special Advisor to the President and Chief Executive Officer (White Plains)
Karen Delince	Corporate Secretary
Christine Pritchard	Director – Intergovernmental and Community Affairs
Benjamin Wong	Project Manager – Project Management (White Plains)
Marilyn J. Brown	Manager – Marketing Analysis and Tariff Administration (White Plains)
Angela D. Graves	Deputy Corporate Secretary
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Jill Chamberlain	Community Relations Specialist
Karen White	Community Relations Associate
Steven D. O'Shaughnessy	Staff Sergeant – St. Lawrence Security
Karen St. Hilaire	Administrator – St. Lawrence County
Ed Gaffney	District Director – New York State Senator Darryl Aubertine's office
Scott Dosztan	News Director – WPDM Radio, Potsdam
J. P. Turbett	Member – St. Lawrence County Legislature
Peter O'Shea	Board Member – St. Lawrence-Adirondack Audubon Society
Richard Grover	Executive Director – St. Lawrence Land Trust
Eric Gustafson	Local Government Task Force – Pease and Gustafson LLP
Shirley Robinson	Board Member – Waddington Town Board
Larry Legault	Supervisor – Town of Louisville
William Dalton	Supervisor – Town of Waddington

May 19, 2009

Gary Edwards	Supervisor – Town of Massena
Al Nicada	Deputy Supervisor – Town of Massena
Raymond Fountain	Chief Executive Officer – St. Lawrence County Industrial Development Agency
Laura Bornyea	Reporter – <i>Daily Courier-Observer</i>
Robin McCalla	Citizen
Don Lucas	St. Lawrence County Fish Advisory Board

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

1. **Introduction**

*Chairman Michael Townsend thanked Regional Manager Richard Turner for his hospitality in hosting the Trustees' Meeting at the St. Lawrence Power Project.*

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

*“Mr. Chairman, I move that the Authority conduct an executive session pursuant to Section 105(1)(f) of the Public Officers Law of the State of New York to discuss matters leading to the appointment, employment, promotion, discipline, suspension, dismissal or removal of a particular person or corporation.”* Upon motion made and seconded, an Executive Session was held.

3. **Motion to Resume Meeting in Open Session**

*“Mr. Chairman, I move to resume the meeting in Open Session.”* Upon motion made and seconded, the meeting resumed in Open Session.

**4. Allocation of 15,000 kW of Hydropower**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve an allocation of available Expansion Power (‘EP’) totaling 15,000 kW to Yahoo!, Inc. (‘Yahoo!’).

**BACKGROUND**

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

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

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

“On October 22, 2003, the Authority, National Grid, Empire State Development Corporation and the Buffalo Niagara Enterprise signed a Memorandum of Understanding (‘MOU’) that outlines the process to coordinate marketing and allocating Authority hydropower. The entities noted above have formed the Western New York Advisory Group (‘Advisory Group’) with the intent of better using the value of this resource to improve the economy of Western New York and the State of New York. Nothing in the MOU changes the legal requirements applicable to the allocation of hydropower.

**DISCUSSION**

“Yahoo! is seeking an allocation of hydropower for its proposed future East Coast Regional Datacenter. Yahoo!’s user base on the East Coast is its largest worldwide. It is the company’s plan to accommodate and manage its new growth from a location in Western New York and to migrate its other East Coast datacenters to the Regional Datacenter. The migration to and growth of this facility would be depend on the ability to serve from a low-cost power hub.

“Yahoo! would require a total of 20 MW of power to accommodate a regional facility, which would be built in two phases. The first phase, which would need 10 MW, would require an initial investment of \$150 million and would create 75 jobs. Yahoo! has committed to both the investment and employment numbers. The second phase, which would also require 10 MW, would result in the creation of 50 additional jobs. Yahoo! is willing to commit to the job creation at this time. There will also be an additional capital investment associated with phase two of an amount approximately equal to the phase-one investment. Yahoo! at this time cannot commit to that investment as it does not yet have its Board’s approval.

“Staff recommends that the Trustees approve an allocation of 15 MW of Authority hydropower to Yahoo! for a term of 15 years. The Advisory Group supports the recommendation. Exhibit ‘4-A’ shows, among other things, the amount of power requested, the recommended allocation and additional employment and capital

investment information. This project will help maintain and diversify the industrial base of Western New York and provide new employment opportunities. It is projected to result in the creation of 125 jobs.

RECOMMENDATION

“The Director – Marketing Analysis and Administration recommends that the Trustees approve the allocation of 15,000 kW of hydropower to Yahoo!

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

*President and Chief Executive Officer Richard Kessel recommended that the Trustees approve the allocation of 15,000 kW of hydropower to Yahoo!, Inc. He said that several months ago, Governor Paterson had reached out to him about Yahoo!’s interest in the possibility of opening a facility in Western New York. President Kessel said that he had met with one of Yahoo!’s founder and his team and that the Authority’s Marketing and Economic Development staff had also worked on this. He said that Yahoo! coming to Western New York would be a tremendous shot in the arm to the region, adding that the Yahoo! service center would draw talent from the universities and colleges in the Buffalo and Rochester area. President Kessel said that, in addition to 125 full-time permanent jobs, the facility would bring 250 construction jobs, possibly as soon as early summer or early fall of this year. He said that Yahoo! would also be a magnet that could bring other high-tech industries to Western New York. President Kessel then asked Mr. James Yates to brief the Trustees on the details.*

*In response to a question from Chairman Townsend, Mr. Yates said that the other members of the Western New York Advisory Group were the Empire State Development Corporation, the Buffalo-Niagara Enterprise and National Grid. Responding to a question from Vice Chairman Jonathan Foster, Mr. Yates said that the jobs per kW for this allocation were in the bottom quartile for hydropower customers. Vice Chairman Foster said that, while economic development is an important part of what the Authority does, it is not included in the Authority’s mission statement. He said that the Trustees had not been kept well informed about this allocation and asked staff to work on developing a better process for keeping them informed earlier in the consideration process. Trustee Eugene Nicandri said that he disagreed somewhat with Vice Chairman Foster and that, while economic development may not be included in the Authority’s mission statement, the Authority has been given a role in New York State’s economic development by legislation. Trustee Elise Cusack said that she and Trustee D. Patrick Curley were very hopeful that the other Trustees would soon see what a huge impact this allocation will have on Western New York. Trustee Curley added that he believed the Yahoo! allocation*

*would serve as a catalyst to help shift Western New York's economy toward high-tech industry. Vice Chairman Foster said that he wanted the record to show that the job numbers are not good for the Authority and that he thinks the Trustees should be concerned about the precedent being set here. Chairman Townsend said that Western New York's high residential and industrial energy costs require the region to transition to a different kind of economy.*

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

**RESOLVED, That the allocation of 15,000 kW of Expansion Power, as detailed in Exhibit "4-A," be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

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

New York Power Authority  
Expansion Power  
Recommendation for Allocation

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
A-1	Yahoo! Inc.	TBD*	TBD*	15,000	125	\$150,000,000	\$65,000	15,000	15 Years
	<b>Total EP Recommended</b>				<b>125</b>	<b>\$150,000,000</b>		<b>15,000</b>	

\* The company will locate within 30 miles of the Niagara Project.

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**APPLICATION SUMMARY**  
**Expansion Power**

**Company:** Yahoo!, Inc.

**Location:** Within 30 miles of the Niagara Power Project

**County:** Within 30 miles of the Niagara Power Project

**IOU:** National Grid or New York State Electric and Gas Corporation

**Business Activity:** Datacenter operations

**Project Description:** Yahoo! plans to build, own and operate a datacenter to meet the capacity needs of consumer demand. The project plan includes acquiring 30+ acres of land for the construction of a datacenter. Once constructed, the datacenter would include generators, uninterruptible power supply, electrical and mechanical infrastructure, file servers, utilities and telecom systems, as well as other related hardware and software items.

**Existing Allocation:** None

**Power Request:** 15,000 kW

**Power Recommended:** 15,000 kW

**Job Commitment:**

Existing:	0 jobs
New:	125 jobs

**New Jobs/Power Ratio:** 8 jobs/MW

**New Jobs - Avg. Wage and Benefits:** \$65,000

**Capital Investment:** \$150 million

**Capital Investment per MW:** \$10 million/MW

**Summary:** Yahoo! was started in 1995. It began as an effort to organize the thousands of pages cluttering the World Wide Web. It has grown into a web portal that half a billion users visit daily. This new datacenter will host properties, advertisements and content found on Yahoo!'s web portal. As Yahoo!'s user base grows, the content, data and properties hosted in its datacenters will grow. It is ideal to locate the new growth in a region that is in close proximity to Yahoo!'s user base while also achieving optimal operational costs. Yahoo! is working with Empire State Development Corporation and local industrial development agencies on additional incentives. Other locations that Yahoo! is considering for this expansion are in Virginia, North Carolina and South Carolina. A low-cost hydropower allocation would be an incentive for the company to build this project in western New York.

5. Consent Agenda

*Chairman Michael Townsend said that the Economic Development Power Allocation Board had recommended that the Authority's Trustees approve item 1b (Power for Jobs Program – Extended Benefits) at their meeting of May 18, 2009.*

*Vice Chairman Foster recused himself from the Consent Agenda vote as to Quebecor World Buffalo, Inc. in item 1b (Power for Jobs Program – Extended Benefits).*

a. **Approval of the Minutes**

*The Minutes of the Annual Meeting held on March 31, 2009 were unanimously adopted.*

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve electricity savings reimbursement rebates for 71 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘5b-A.’ This request is to approve rebate dollars only. The decision to allow these customers to receive extended benefits was made at past Trustee meetings. These customers have been recommended to receive such rebates by the Economic Development Power Allocation Board (‘EDPAB’). In addition, the Trustees are requested to approve payment for PFJ Restitution to the 10 companies listed in Exhibit ‘5b-B-1.’ These companies have been evaluated for Restitution and are due a payment.

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 received 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. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. Chapter 89 of the Laws of 2007 included provisions extending program benefits until June 30, 2008. Chapter 59 of the Laws of 2008 included provisions extending the program benefits until June 30, 2009.

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

“PFJ Restitution was created by Chapter 645 of the Laws of 2006 that extended the PFJ program for six months to June 2007; the law states: ‘for the period beginning January 1, 2006, for recipients who choose to elect a contract extension, and whose unit cost of electricity under the contract extension exceeds the unit cost of electricity of the electric corporation, the Power Authority shall reimburse the recipient for all dollars paid in excess of the unit cost of electricity of the electric corporation.’

“Customers now eligible to apply for restitution are those that chose to extend their PFJ electric service contract beyond January 1, 2007 but terminated their service on June 30, 2007 or on or after June 30, 2008. Customers that chose to extend through June 30, 2009 will be eligible when the program expires.

#### DISCUSSION

“At its meeting on May 18, 2009, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 71 businesses listed in Exhibit ‘5b-A.’ Collectively, these organizations have agreed to retain more than 44,000 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 payment and funding of rebates for the companies listed in Exhibit ‘5b-A’ in a total amount currently not expected to exceed \$6 million. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in the Exhibit in the future for other rebate months.

“Restitution is based on whether the net amount paid by the customer for PFJ service exceeded the ‘unit cost of electricity’ of the host utility over the measurement period for the same quantity of electricity. Under current law, the measurement period begins January 1, 2006 and ends with the date that the eligible customer ceases to be in the program.

“The host utilities, in conjunction with the Authority and the Public Service Commission, determine what the otherwise applicable full-service electric rates of the host utility would have been for service throughout the measurement period, calculate what the customer charges would have been under those rates, compare that total to the total actual charges paid by the customer for PFJ and determine whether the customer had net savings overall in the PFJ program or is due a Restitution payment.

“To date, staff has evaluated 13 customers. Ten customers, as listed on Exhibit ‘5b-B-1,’ are eligible for Restitution payment and are presented for approval. The three customers listed on Exhibit ‘5b-B-2’ had overall PFJ program savings; therefore, no payment is required.

#### FISCAL INFORMATION

“Funding of rebates for the companies listed on Exhibit ‘5b-A’ is not expected to exceed \$6 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$173.4 million in rebates.

“Funding of restitution payments for the companies listed in Exhibit ‘5b-B-1’ is not expected to exceed \$2 million. Payments will be made from the Operating Fund. This is the first payment request to date for PFJ Restitution. Additional requests will follow based on subsequent evaluation of other Restitution-eligible customers.

#### 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 ‘5b-A’ and payment of PFJ Restitution for the customers listed in Exhibit ‘5b-B-1.’

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

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

**WHEREAS, the Economic Development Power Allocation Board (“EDPAB”) has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs (“PFJ”) customers listed in Exhibit “5b-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 “5b-A” and that the Authority finds that such payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the PFJ program and in the public interest; and be it further**

**RESOLVED, That based on staff’s recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$6 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 based on staff’s recommendation, it is hereby authorized that payments be made for PFJ Restitution payments as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$2 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further**

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

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

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

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		Type	Service
											KW	Jobs/MW		
1	Northeast Solite Corp.	Mount Marion	Ulster	CHG&E	600	57	60	3	5%	Yes	600	100	Large	Manufactures nonmetallic mineral products
	<b>Total Central Hudson Gas &amp; electric</b>		<b>Subtotal</b>	<b>1</b>	<b>600</b>	<b>57</b>	<b>60</b>				<b>600</b>			
2	American Ballet Theater	New York	New York	Con Ed	20	175	230	55	31%	Yes	20	11,500	NFP	Performing arts organization
3	Belmont Metals, Inc.	Brooklyn	Kings	Con Ed	400	83	83	0	0%	Yes	400	208	Large	Manufacturer of non-ferrous metals
4	Continental Food Products, Inc.	Flushing	Queens	Con Ed	300	65	59	-6	-9%	Yes	300	197	Small	Frozen Pizza manufacturer and distributor
5	Display Producers, Inc.	Bronx	Bronx	Con Ed	340	311	197	-114	-37%	No	215	916	Small	Display cases
6	Edison Price Lighting, Inc.	New York	New York	Con Ed	400	158	102	-56	-35%	No	260	392	Small	Manufacturer and sales of lighting fixtures
7	IBM - Westchester	Armonk	Westchester	Con Ed	3,870	2,177	2,115	-62	-3%	Yes	3,870	547	Large	Technology products and services
8	Kingsbrook Jewish Medical Center	Brooklyn	Kings	Con Ed	1,200	1,865	1,910	45	2%	Yes	1,200	1,592	NFP	Medical and Research Institution
9	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,958	6,508	-450	-6%	Yes	2,000	3,254	NFP	Healthcare Center
10	Memorial Sloan-Kettering Cancer Center	New York	New York	Con Ed	5,000	9,286	9,840	554	6%	Yes	5,000	1,968	NFP	Medical Center
11	New York University	New York	New York	Con Ed	1,700	9,817	9,534	-283	-3%	Yes	1,700	5,608	NFP	Institution of Higher Education
12	S. R. Guggenheim Museum	New York	New York	Con Ed	475	390	418	28	7%	Yes	475	880	NFP	Art Museum
13	Streamline Plastics Co., Inc.	Bronx	Bronx	Con Ed	140	59	65	6	10%	Yes	140	464	Small	Miscellaneous plastics products
14	The Museum of Modern Art	New York	New York	Con Ed	1,000	765	766	1	0%	Yes	1,000	766	NFP	Museum
	<b>Total Con Ed</b>		<b>Subtotal</b>	<b>13</b>	<b>16,845</b>	<b>32,109</b>	<b>31,827</b>				<b>16,580</b>			
15	Ametek Hughes-Treitler	Garden City	Nassau	LIPA	500	172	164	-8	-5%	Yes	500	328	Large	Manufacturer of heat exchangers
16	Commercial Envelope Manufacturing Corp.	Deer Park	Suffolk	LIPA	700	174	154	-20	-11%	No	620	248	Large	Manufacturer of envelopes
17	Kleer-Fax Inc.	Amityville	Suffolk	LIPA	200	130	130	0	0%	Yes	200	650	Small	Mfr. paper and plastic office products
18	Silver Lake Cookie Co.	Islip	Suffolk	LIPA	400	210	195	-15	-7%	Yes	400	488	Large	Manufacturer of specialty cookies
	<b>Total LIPA</b>		<b>Subtotal</b>	<b>4</b>	<b>1,800</b>	<b>686</b>	<b>643</b>				<b>1,720</b>			
19	Applied Energy Solutions	Caledonia	Livingston	Grid	300	65	62	-3	-5%	Yes	300	207	Small	Electronics
20	Beechnut Nutrition Corp.	Canajoharie	Montgomery	Grid	1,500	359	377	18	5%	Yes	1,500	251	Large	Manufactures baby food products
21	Burrows Paper Corp.	Little Falls	Herkimer	Grid	1,000	193	178	-15	-8%	Yes	1,000	178	Large	Produces light weight specialty paper
22	Carville National Leather Corp.	Johnstown	Fulton	Grid	200	31	33	2	6%	Yes	200	165	Small	Fine Leather products
23	Climax Manufacturing Co.	Carthage	Jefferson	Grid	1,500	69	69	0	0%	Yes	1,500	46	Large	Paperboard mills
24	Cooper Industries (Cooper Crouse-Hinds)	Syracuse	Onondaga	Grid	2,350	592	678	86	15%	Yes	2,350	289	Large	Manufacturer of electrical equipment
25	Corning, Inc. (Canton)	Canton	St. Lawrence	Grid	1,500	261	238	-23	-9%	Yes	1,500	159	Large	Optical fiber, glass and ceramic products
26	Cortland Line Co., Inc.	Cortland	Cortland	Grid	450	84	83	-1	-1%	Yes	450	184	Large	Monofilament and braided fishing line
27	CWM Chemical Services, LLC	Model City	Niagara	Grid	330	78	65	-13	-17%	Yes *	330	197	Small	Treatment & disposal of industrial waste

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation		Type	Service
											KW	Jobs/MW		
28	Dielectric Laboratories, Inc.	Cazenovia	Madison	Grid	400	190	193	3	2%	Yes	400	483	Large	Ceramic capacitors and packaging
29	Diemolding Corporation	Canastota	Madison	Grid	200	238	201	-37	-16%	Yes *	184	1,092	Small	Thermoset plastic forming
30	Edward John Noble Hospital	Gouverneur	St. Lawrence	Grid	100	241	237	-4	-2%	Yes	100	2,370	NFP	Healthcare center
31	Finch Pruyn & Company Inc.	Glen Falls	Warren	Grid	5,000	842	834	-8	-1%	Yes	5,000	167	Large	Produces uncoated paper
32	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Grid	1,000	93	86	-7	-8%	Yes	1,000	86	Large	Lumber & wood components
33	Ford Motor Company	Buffalo	Erie	Grid	5,000	1,462	1,140	-322	-22%	Yes *	5,000	228	Large	Automotive components stamping
34	G L & V Sandy Hill Inc.	Hudson Falls	Washington	Grid	750	94	99	5	5%	Yes	750	132	Large	Full service foundry & machine shop
35	Interface Solutions, Inc.	Fulton	Oswego	Grid	940	142	139	-3	-2%	Yes	940	148	Large	Vinyl floor backing and fiber gaskets
36	Keystone Corporation	Buffalo	Erie	Grid	300	40	41	1	3%	Yes	300	137	Small	Fabricated metal products
37	Kilian Manufacturing Corporation	Syracuse	Onondaga	Grid	400	154	144	-10	-6%	Yes	400	360	Large	Mfr. ball bearings
38	Lewis County General Hospital	Lowville	Lewis	Grid	200	382	418	36	9%	Yes	200	2,090	NFP	Medical Center
39	Lydall Manning	Green Island	Albany	Grid	1,100	113	114	1	1%	Yes	1,100	104	Large	Specialty Paper Manufacturer
40	Mayer Bros. Apple Products, Inc.	Buffalo	Erie	Grid	300	90	93	3	3%	Yes	300	310	Small	Juice pressing and bottling
41	Mohawk Paper Mills	Cohoes	Albany	Grid	2,250	330	415	85	26%	Yes	2,250	184	Large	Manufacturer of text and cover papers
42	Paul Bunyan Products, Inc.	Preble	Cortland	Grid	150	28	24	-4	-14%	Yes *	150	160	Small	Manufacturer of hardwood lumbers
43	Queensboro Farm Products, Inc.	Canastota	Madison	Grid	500	81	80	-1	-1%	Yes	500	160	Large	Milk manufacturing and processing plant
44	Revere Copper Products	Rome	Oneida	Grid	2,000	424	412	-12	-3%	Yes	2,000	206	Large	Copper & brass products
45	Rich Plan Food Service, Inc.	Clark Mills	Oneida	Grid	25	7	4	-3	-43%	Yes *	25	160	Small	Meat processing & frozen food storage
46	Robison & Smith, Inc.	Gloversville	Fulton	Grid	384	200	205	5	3%	Yes	384	534	Small	Linen & Laundry Supply
47	RSA Solutions Inc.	Amherst	Erie	Grid	45	203	244	41	20%	Yes	45	5,422	Small	Vehicle remarketing and lease services
48	Schenectady International, Inc.	Schenectady	Schenectady	Grid	1,500	373	175	-198	-53%	Yes *	1,500	117	Large	Produces electrical insulating varnishes
49	Schneider Packaging Equipment	Brewerton	Onondaga	Grid	200	122	143	21	17%	Yes	200	715	Small	Makes packaging machinery
50	Sorrento Lactalis, Inc.	Buffalo	Erie	Grid	1,500	496	510	14	3%	Yes	1,500	340	Large	Produces cheese and whey products
51	Specialized Packaging Radisson, Inc	Baldwinsville	Onondaga	Grid	180	173	192	19	11%	Yes	180	1,067	Small	Produces printed folding cartons
52	Spray Nine Corporation	Johnstown	Fulton	Grid	300	119	106	-13	-11%	Yes	300	353	Small	Specialty cleaning chemical
53	Standard Manufacturing Co., Inc.	Troy	Rensselaer	Grid	30	67	32	-35	-52%	No	15	2,133	Small	Apparel manufacturer
54	Syracuse China Company	Syracuse	Onondaga	Grid	460	303	288	-15	-5%	Yes	460	626	Large	Manufactures restaurant china
55	Syracuse Label Co., Inc.	Liverpool	Onondaga	Grid	200	88	88	0	0%	Yes	200	440	Small	Printing labels
56	Vicks Lithograph & Printing	Yorkville	Oneida	Grid	750	137	112	-25	-18%	Yes *	750	149	Large	Book printer & distribution
	<b>Total National Grid</b>		<b>Subtotal</b>	<b>39</b>	<b>35,294</b>	<b>8,964</b>	<b>8,552</b>				<b>35,263</b>			
57	A. T. Reynolds & Sons, Inc.	Kiamesha Lake	Sullivan	NYSEG	250	55	54	-1	-2%	Yes	250	216	Small	Spring water and ice manufacturer
58	Agri-Mark, Inc	Chateaugay	Franklin	NYSEG	500	115	116	1	1%	Yes	500	232	Large	Cheese Manufacturer
59	Air-Flo Manufacturing	Prattsburgh	Steuben	NYSEG	130	93	113	20	22%	Yes	130	869	Small	Mfr. of ice control equipment & truck bodies
60	Bison Foods - Div. of Upstate Farms	Buffalo	Erie	NYSEG	500	136	143	7	5%	Yes	500	286	Large	Dairy Products
61	Caron Fine Wood Products, Inc.	Champlain	Clinton	NYSEG	15	2	4	2	100%	Yes	15	267	Small	Kiln drying for hardwood & softwoods
62	Corning (Erwin Plant)	Corning	Steuben	NYSEG	1,500	614	624	10	2%	Yes	1,500	416	Large	Optical fiber, glass and ceramic products
63	Corning, Inc. (Costar Plant)	Oneonta	Otsego	NYSEG	900	172	165	-7	-4%	Yes	900	183	Large	Optical fiber, glass and ceramic products

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation		Type	Service
											KW	Jobs/MW		
64	Manitoba Corporation	Lancaster	Erie	NYSEG	250	41	43	2	5%	Yes	250	172	Small	Metal Recycling for non-ferrous metals
65	Mayer Brothers Products	West Seneca	Erie	NYSEG	400	140	165	25	18%	Yes	400	413	Large	Bottled juice products
66	Merritt Machinery, LLC	Lockport	Niagara	NYSEG	75	18	9	-9	-50%	Yes *	75	120	Small	Machinery for hardwood and plywood
67	Quebecor World Buffalo, Inc.	Depew	Erie	NYSEG	650	713	759	46	6%	Yes	650	1,168	Large	Printer and publisher
68	Upstate Niagara Cooperative, Inc (Upstate Farms)	Buffalo	Erie	NYSEG	600	154	154	0	0%	Yes	600	257	Large	Processes milk into variety of milk products
69	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	<u>1,800</u>	<u>408</u>	<u>399</u>	-9	-2%	Yes	<u>1,800</u>	222	Large	Book printer and distributor
	<b>Total NYSEG</b>		<b>Subtotal</b>	<b>14</b>	<b>7,570</b>	<b>2,661</b>	<b>2,748</b>				<b>7,570</b>			
70	IBM - Sterling Forest	Sterling	Orange	O&R	<u>700</u>	<u>523</u>	<u>503</u>	-20	-4%	Yes	<u>700</u>	719	Large	Technology products and services
	<b>Total Orange &amp; Rockland</b>		<b>Subtotal</b>	<b>1</b>	<b>700</b>	<b>523</b>	<b>503</b>				<b>700</b>			
71	IBM - Rochester	Rochester	Monroe	RG&E	<u>1,150</u>	<u>583</u>	<u>592</u>	9	2%	Yes	<u>1,150</u>	515	Large	Technology products and services
	<b>Total RG&amp;E</b>		<b>Subtotal</b>	<b>1</b>	<b>1,150</b>	<b>583</b>	<b>592</b>				<b>1,150</b>			

<b>Total</b>	<b>73</b>	<b>63,959</b>	<b>45,583</b>	<b>44,925</b>
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<b>63,583</b>
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\* This company has had all or part of their allocation restored through the reconsideration process or was deemed compliant based on program procedures.

New York Power Authority  
Power for Jobs - Extended Benefits  
Recommendation for Restitution Payments

Line	Company	City	County	IOU	KW	Type	Restitution Period		Program Status	Restitution Payments	Service
							Time Frame	Months			
1	Gibraltar Metals	Buffalo	Erie	Grid	600	Large	Jan '06-June '07	18-months	Exited	\$5,037	Steel processing - including slitting, rolling & annealing
2	Pall Trinity Micro	Cortland	Cortland	Grid	2,750	Large	Jan '06-June '07	18-months	Exited	\$278,925	Mfr. & assembly of filter elements
3	St. Peter's Hospital	Albany	Albany	Grid	1,000	Large	Jan '06-June '07	18-months	Exited	\$81,185	Hospital
<b>National Grid Subtotal</b>					<b>4,350</b>					<b>\$365,148</b>	
4	American Pipe & Plastics, Inc.	Binghamton	Broome	NYSEG	450	Large	Jan '06-June '07	18-months	Exited	\$32,588	Manufacturing and marketing of Polyvinyl Chloride (PVC) pipe and related products
5	Indian Country Inc.	Deposit	Delaware	NYSEG	250	Small	Jan '06-June '07	18-months	Exited	\$42,397	Supplier of custom wood components to furniture manufacturers
6	National Pipe and Plastics	Vestal	Broome	NYSEG	1,300	Large	Jan '06 - June '08	30-months	Rebate	\$243,588	One of the largest PVC pipe producers in North America
7	Trayer Products, Inc.	Elmira	Chemung	NYSEG	1,000	Large	Jan '06-June '07	18-months	Exited	\$47,412	Supplier of machined parts for the automotive, construction and agricultural industries
<b>NYSEG Subtotal</b>					<b>3,000</b>					<b>\$365,985</b>	
8	Frontier Corporation	Rochester	Monroe	RGE	2,600	Large	Jan '06-June '07	18-months	Exited	\$934,164	Leading provider of telecommunications service in NYS
9	Hammer Packaging Corp (Hammer Lithograph)	Rochester	Monroe	RGE	900	Large	Jan '06-June '07	18-months	Exited	\$214,369	Labels, box wraps, displays
10	Printer Components (PCI)	Victor	Ontario	RGE	250	Small	Jan '06-June '07	18-months	Exited	\$42,077	Large manufacturer of sub-assembly components for printers
<b>RGE Subtotal</b>					<b>3,750</b>					<b>\$1,190,610</b>	

Grand Total

11,100

\$1,921,743

**New York Power Authority  
 Power for Jobs - Extended Benefits  
 Restitution Savings - No Payment Required**

Line	Company	City	County	IOU	KW	Type	Restitution Period		Program Status	PFJ Savings	Service
							Time Frame	Months			
1	ITT Standard	Cheektowaga	Erie	Grid	875	Large	Jan '06-June '07	18-months	Exited	\$5,609	Heat exchange
2	Knowlton Specialty Paper	Watertown	Jefferson	Grid	600	Large	Jan '06-June '07	18-months	Exited	\$48,119	Specialty paper manufacturer & converting
3	Rome Memorial Hospital	Rome	Oneida	Grid	250	Small	Jan '06-June '07	18-months	Exited	\$10,675	Hospital

**Grand Total**

**1,725**

**\$64,402**

**c. Utilities Customers – Service Tariff Amendment –  
Notice of Proposed Rulemaking**

The President and Chief Executive 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 tariff applicable to utilities customers (‘Customers’) receiving service from the Authority’s Blenheim-Gilboa Pumped Storage Power Project (‘B-G’). 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 this service tariff.

“A comprehensive review of the Authority’s current production tariff was performed by Authority staff in an effort to update it and make it consistent with those of other utilities. The proposed amendment would:

- reformat the current tariff for easier reading and improved organization;
- clarify the nature of the production service offered by deleting obsolete provisions and including certain contractual provisions;
- include certain standard provisions now applicable to all Authority service tariffs; and
- add abbreviations and terms.

**BACKGROUND**

“Currently, the only Customer receiving firm pumped-storage power service from B-G under Service Tariff No. 40 (‘ST-40’) is the Long Island Power Authority (‘LIPA’), which purchases electric capacity and receives energy and ancillary services credits in accordance with its contract with the Authority.

**DISCUSSION**

“The amended service tariff, as proposed, will include updated terminology and more streamlined organization and formatting. With respect to the electric service provided by ST-40, staff recommends that it be updated to reflect the energy crediting mechanism that the Authority and its tariff customers agreed should replace the previous regime of energy sales in light of the restructured energy marketplace administered by the New York Independent System Operator, Inc.

“In addition, the proposed changes will make the tariff more consistent with other utilities’ tariffs and more readable and understandable for the Authority and its Customers receiving service from B-G.

“The proposed revised ST-40 for firm pumped-storage power service is attached as Exhibit ‘5c-A.’

**FISCAL INFORMATION**

“Adoption of the proposed service tariff 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 the service tariff for the Authority’s utilities customers.

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

The following resolution, as submitted by the President and Chief Executive 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 tariff applicable to its utilities customers, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

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

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



POWER AUTHORITY OF THE STATE OF NEW YORK  
30 SOUTH PEARL STREET  
ALBANY, NY 12207

Blenheim-Gilboa Firm Pumped-Storage  
Power Service

Service Tariff No. 40

Date of Issue: XXXXXXXXXXXXXXXXXXXX

Date Effective: XXXXXXXXXXXXX

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

## Table of Contents

**To be completed with final version**

<b>Blenheim-Gilboa Firm Pumped-Storage Power Service</b>		<b>Leaf No.</b>
I.	Applicability	x
II.	Abbreviations and Terms	x
III.	Monthly Rate, Charges and Credits	
	A. Monthly Demand Rate	x
	B. Energy Revenue Credit or Charge	x
	C. Minimum Monthly Charge	x
	D. Billing Period	x
	E. Contract Demand	x
	F. NYISO Transmission and Related Charges	x
	G. Taxes and Other Charges	x
IV.	General Provisions	
	A. Character of Service	x
	B. Adjustment of Rates	x
	C. Adjustment for Generator Outages	x
	D. Payment by Customer for Firm Pumped-Storage Power Service	x
	E. Conflicts	x

Date of Issue: XXXXXXXXXXXXXXXXXXXX

Date Effective: XXXXXXXXXXXX

## Schedule of Rates for Firm Pumped-Storage Power and Energy Service

### I. Applicability

To sale of Blenheim-Gilboa firm Pumped-Storage Power Service (as defined below) to customers served under this Service Tariff.

### II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kWh	kilowatt-hour(s)
NYPA	New York Power Authority
NYISO	New York Independent System Operator

B. The term “Authority” means New York Power Authority, an alternative name for the Power Authority of the State of New York.

C. The term “Contract” means an executed application for electric service between Authority and Customer (as defined below), inclusive of all amendments, extensions or other agreements.

D. The term “Customer” means any purchaser of Project Power (defined below) under Service Tariff No. 40 pursuant to an approved Contract.

E. The term “Firm Pumped-Storage Power” means capacity (kW) from Project, intended to be available at all times except for limitations provided in the Contract(s), the Rules or this Service Tariff.

F. The term “Firm Pumped-Storage Energy” means energy (kWh) associated with Firm Pumped-Storage Power.

G. The term “NYISO” also refers to any successor organization.

H. The term “Project” means the Authority’s Blenheim-Gilboa pumped-storage facility including four pump-generating units.

- I. The term “Project Power” means power net of station use and losses to the low side of the Project's 345 kV/16.2 kV transformers, which is produced by Project with water drawn from the Project's upper reservoir, or power supplied from other sources in lieu thereof.
  
- J. The term “Rules” means Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York, 21 NYCRR § 454) as now in effect and as may be later amended from time to time by Authority.
  
- K. The term “Service Tariff” means this Service Tariff No. 40.

Date of Issue: XXXXXXXXXXXXXXXXXXXX

Date Effective: XXXXXXXXXXXXX

### **III. Monthly Rate, Charges and Credits**

#### **A. Monthly Demand Rate**

The monthly demand rate paid by Customer to Authority shall be \$3.92 per kW of contract demand.

#### **B. Energy Revenue Credit or Charge**

Consistent with its contract, Customer will receive a pro rata share of the energy revenues (net of purchases) and NYISO ancillary service revenues (whether positive or negative), based on the ratio of a Customer’s contract demand to the capacity of the Project.

#### **C. Minimum Monthly Charge**

The product of the monthly demand rate set forth above and the contract demand.

#### **D. Billing Period**

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month.

#### **E. Contract Demand**

The amount of kW of Project Power allocated to Customer.

#### **F. NYISO Transmission and Related Charges (“NYISO Charges”)**

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority, if any, for services provided by the NYISO or any successor organization pursuant to its Open Access Transmission Tariff ("OATT") or other tariffs (as the provisions of those tariffs maybe amended and in effect from time to time);

1. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
2. Marginal losses;
3. The New York Power Authority Transmission Adjustment Charge ("NTAC");

4. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;
5. Any and all other charges, assessments or other amounts associated with deliveries to the Customer that are assessed on the Authority by the NYISO or any successor organization under the provisions of its OATT or under other applicable tariffs; and
6. Any charges assessed on the Authority with respect to service to any Customer under this Service Tariff for facilities needed to meet deliverability requirements, maintain reliability or incurred in connection with the NYISO's Comprehensive System Planning Process (including both economic projects and reliability backstop projects), applicable tariffs or required to be paid by the Authority in accordance with law, whether charged by the NYISO or other third party.

The NYISO Charges in this section, if any, incurred by Authority on behalf of Customer, are in addition to the Authority production charges that are charged to the Customer in accordance with other provisions of this Service Tariff.

**G. Taxes and Other Charges**

The charges under this Service Tariff shall be subject to adjustment as Authority deems necessary to recover from Customer any rates, taxes, assessments charged to Authority or any other charges mandated by federal, state and local agencies that are levied on the Authority or that the Authority is required to collect from Customer if and to the extent such rates, charges, taxes or assessments are not recovered by Authority pursuant to another provision of this Service Tariff.

#### **IV. General Provisions**

General Provisions for service supplementing or modifying the Rules are as follows:

A. Character of Service

Alternating current, 60 hertz, three-phase.

B. Adjustment of Rates

The monthly demand rate contained in this Service Tariff may be revised by Authority from time to time on not less than 30 days written notice to Customer.

C. Adjustment for Generator Outages

If more than one pump-generating unit is out of service in any month, Customer shall receive a credit against the demand charge for the month representing a fraction of the total demand charge determined by (i) the sum of the hours in which more than one pump-generating unit was out of service multiplied by the number of pump-generating units (greater than one) out of service to (ii) the number of hours in the month multiplied by four.

D. Payment by Customer for Firm Pumped-Storage Power Service

Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to J P Morgan Chase NY, NY / ABA021000021 / NYPA A/C # 008-030383, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill in full. If necessary, any adjustments will be made thereafter.

E. Conflicts

In the event of any inconsistencies, conflicts or differences between the provisions of this Service Tariff and the Rules, the provisions of this Service Tariff shall govern.

**d. Enterprise Risk Management Program**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“Enterprise Risk (‘ER’) management is a strategic process involving an entity’s Board of Trustees, management and employees that is designed to identify and proactively deal with potential risks in order to achieve the entity’s goals and objectives. The Trustees are requested to approve the Authority’s ER Management Program and authorize associated program implementation.

BACKGROUND

“Organizations such as the Authority have long engaged in practices to minimize organizational risk. In the past decade, however, a holistic approach to managing organizational risk that takes the entire organization into consideration has been recognized as being the most effective way to deal with risks. This holistic approach, known as ER management, provides organizations with an all-inclusive and accurate perspective on the magnitude, importance and correlative nature of different risks they face.

“ER management is a coordinated approach to identifying, assessing and managing risks across the enterprise. The coordination of risk management initiatives greatly enhances the quality and completeness of risk analysis. ER management identifies risk concentrations and analyzes correlations to other risks that may be overlooked in a compartmentalized risk management framework. ER management helps an organization make informed decisions in a top-down, risk-based corporate planning process, aligning an organization’s approach to risk with its strategy in a systematic, structured way.

“During the latter part of 2008, ER management became a higher priority for corporate America, since Standard & Poor’s (‘S&P’) began incorporating ER management analysis into its credit rating process for non-financial companies. Under the new S&P approach, companies that fail to seriously implement ER management may suffer a ratings downgrade.

DISCUSSION

“To date, the Authority’s approach to risk management has been relatively compartmentalized, with an emphasis on the impacts of specific risks (interest rate, energy and fuel market fluctuations) on net income and cash flow. While this approach has been successful, emerging challenges require a more robust process to identify, categorize, measure, mitigate and monitor risks consistently across the Authority.

“This memorandum outlines the program for ER management for the Authority and the charge from the Trustees to the President and Chief Executive Officer (‘CEO’), the Chief Operating Officer (‘COO’), the Executive Leadership Team (‘ELT’) and the Enterprise Risk Management Committee (‘ERMC’) to develop and implement policies and procedures that will create an ER decision-making process. The ER organizational structure consists of the ELT, the ERMC, Energy Risk Assessment and Control (‘ERAC’), Risk Owners (‘RO’) and Risk Identifiers (‘RI’), as described and set forth in Exhibit ‘5d-A.’ The ER program uses existing Authority resources as well as the existing ELT structure. The ER governance structure provides risk policy direction and oversight by the existing ELT with periodic status reporting on Authority critical risks to the Audit Committee. Risk policy management, implementation and monitoring will be the focus of the newly formed ERMC. Any subsequent changes to this program will be in accordance with Corporate Policy 1, ‘Corporate Policy Program Administration.’

May 19, 2009

“Unless otherwise provided, amended or modified, this program will apply to and encompass the objectives and activities of all business groups, units and departments of the Authority. Key benefits of this ER program include:

- Establishing a corporate risk profile and overall risk tolerance supported by a robust, repeatable and transparent process that ensures alignment with existing key processes such as Strategic Planning, Budget and Internal Audit.
- Improved ability to identify and manage current and future major risks on an enterprise basis.
- Strengthened reputation with various stakeholders and credit rating agencies (Fitch, Moody’s and S&P) that are placing greater emphasis on corporate ER management programs and associated governance.
- Clear communication of Authority critical risks and associated mitigation plans to the Trustees so that they can be assured that all significant risks are being addressed and that the right ones are being tested.

“The expansion of ER scope at the Authority is supported by various reports, audits and observations of the Authority’s activities. Each also highlights the need to further and formally expand risk management activities to an enterprise-wide level on a coordinated basis, with direction being provided by the ERM. With the growing volatility of all segments of energy markets, and the effects that energy markets have on other market segments, it seems especially prudent to formally create a mechanism by which to examine, review and develop risk mitigation plans (where feasible or appropriate) across the full spectrum of the Authority’s activities and business.

#### FISCAL INFORMATION

“There is no fiscal impact associated with this action, as the Authority will be using existing resources to implement the program.

#### RECOMMENDATION

“The Vice President – Energy Risk Assessment and Control recommends that the Trustees approve an Enterprise Risk management program consistent with that set forth in Exhibit ‘5d-A,’ including the associated implementation of supporting Enterprise Risk program policies, as necessary, to create an Enterprise Risk decision-making process at the Authority. It is further recommended that the Trustees delegate to the President and Chief Executive Officer the authority to modify this program and supporting policies, as necessary, except in the event that any powers, duties or obligations of the Trustees would be affected by such modification.

“The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance and I concur in the recommendation.”

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

**RESOLVED, That the Authority adopt an Enterprise Risk (“ER”) Management Program substantively consistent with that provided for in Exhibit “5d-A,” including ER program implementation policies, as necessary, to support the program; and be it further**

May 19, 2009

**RESOLVED, That the President and Chief Executive Officer, or a duly authorized designee, is hereby authorized to modify the ER Management Program and supporting policies, as necessary, except in the event that any powers, duties or obligations of the Trustees would be affected by such modification; and be it further**

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

**Enterprise Risk Management  
Program**

New York Power Authority  
Energy Risk Assessment & Control - Business Services Unit

**New York Power Authority  
Enterprise Risk Management Program**

**Table of Contents**

	<u>Page</u>
1.0 Purpose	3
2.0 Implementation	3
3.0 General Responsibilities	4
4.0 Organization	4
5.0 ERMC Membership	4
6.0 Communications	5

# **New York Power Authority Enterprise Risk Management Program**

## **1.0 Purpose**

An enterprise program for risk informed decision making will establish business processes which promote continuous improvement in risk identification and assessment and enhance the Authority's capacity to fulfill its strategic and organizational goals. Comprehensive risk-informed decision making is critical to the success of the Authority's mission. This Enterprise Risk (ER) management program (the Program) provides the Authority's philosophy and framework for effective identification, assessment and management of its strategic, operational, marketing, legal, compliance, regulatory, and financial risks. For the purpose of this Program, a "risk" is any uncertain future event or condition that could adversely impact the Authority's operational or financial performance.

The Authority, in order to achieve all aspects of its mission in a manner consistent with its risk strategic objectives, will provide for systematic sharing of risk and internal control knowledge across business functions and departments by implementing an ER management program that will

1. effectively manage and reduce financial and other liability exposure by measuring and monitoring NYPA's risks systematically,
2. increase financial performance predictability by ensuring alignment of risk tolerance with strategic and budget objectives,
3. develop and maintain an inventory of enterprise risk concerns with mitigation plans.

## **2.0 Implementation**

Unless otherwise provided, amended, or modified, this Program shall apply to and encompass the objectives and activities of all departments and business units of the Authority. All operating departments and business units must make their personnel available for enterprise risk management related activities and initiatives. In addition, all operating departments and business units must maintain the capability to identify and assess risks specific to their organizations as part of the Authority's enterprise risk assessment processes.

Implementing procedures shall be prepared as necessary. Changes to this program shall be in accord with CP1 "Corporate Policy Program Administration".

## **3.0 General Responsibilities**

The Authority will implement a Program structure that supports the involvement of executive and senior management in the review of the risks and mitigation measures identified at all levels of the organization which includes the following:

1. identification of risks to include NYPA's overall risk profile,
2. determining risk significance,
3. implementing, managing and monitoring risk mitigation plans,
4. upper level management and control.

All of the Authority's employees have an important role in identifying and managing risk across the Authority's enterprise. It is a goal of the Authority to instill in all employees enterprise risk

## **New York Power Authority Enterprise Risk Management Program**

awareness and initiative. Each employee should understand individual action has risk implications. Employees are expected to engage in risk-informed decisions making. To the extent that any employee becomes aware of what appears to be a significant risk-related issue, the employee shall enter the risk into the ER logging/reporting software to capture the risk for further processing. An employee may also identify the risk directly to any member of the ERMC or to a member of the ERAC staff.

### **4.0 Organization**

The Authority will implement and maintain a Program organizational structure consisting of the following components:

- The existing Executive Leadership Team (ELT) will provide risk policy direction and oversight; The ELT will provide periodic reporting of the Authority's critical risks to the Board of Trustees Audit Committee.
- The Enterprise Risk Management Committee (ERMC), chaired by the Vice President - Energy Risk Assessment & Control, will manage the policy and direct its implementation as well as to monitor NYPA's top risks;
- Energy Risk Assessment & Control (ERAC) will act as the facilitator of the Program, providing consultative advice and assistance on matters relating to risk and the tools and techniques supporting risk identification, assessment, measurement and reporting;
- Risk Owners (RO) will assess risks, develop and implement risk mitigation plans;
- Risk Identifiers (RI) will identify and define risks within a department, business unit, and or defined enterprise function;
- Internal Audit will verify and monitor compliance with this Program and various risk mitigation plans.

This structure supports the involvement of executive and senior management in the review of the risks and mitigation measures identified at the RO level. It also provides an opportunity for the ERMC to focus on ER infrastructure development and implementation, along with ELT support to ensure full and timely cooperation with ER management efforts throughout the enterprise.

### **5.0 ERMC Membership**

The ERMC will be a standing committee and its membership will be appointed by the Chief Operating Officer. Members will be appointed based on their leadership roles within NYPA and their unique familiarity with their area's risks. The ERMC will function in a review and recommendation role to the ELT on behalf of the entire organization.

Membership of the ERMC will consist of the following titles or their functional equivalents:

- Executive Vice President & Chief Engineer – Power Supply
- Senior Vice President Marketing & Economic Development
- Senior Vice President Energy Resource Management

**New York Power Authority  
Enterprise Risk Management Program**

- Senior Vice President Corporate Planning & Finance
- Senior Vice President Enterprise Shared Services
- Vice President Energy Risk Assessment & Control (Chair)
- Vice President & Controller
- Director Insurance Risk

Members of the ERMC may designate alternate members of their staff to attend in their absence as well as to provide additional expertise for specific risk items being addressed.

**6.0 Communications**

Communications shall be delivered on regular intervals to provide key program information to Program stakeholders. Specific communications shall consist of but not be limited to the following:

1. NYPA Risk Profile report
2. NYPA's Top Risks report
3. Performance Measures report
4. Mitigation Plan report
5. Business Unit report
6. Risk Owner report

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
                    Gil Quiniones, Chief Operating Officer

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
                    Tom Davis, VP Energy Risk Assessment & Control

e. **Energy Services – Incremental Customer-Implemented New Construction**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to authorize the inclusion of an additional service to be provided as part of the Authority’s Energy Services Programs (‘ESP’): incremental energy efficiency and renewable enhancements in customer-implemented new construction (‘Incremental CI’). Under this ESP measure, the Authority would provide design review, technical support, financing and/or other services to ESP participants to encourage the inclusion of high-efficiency and renewable enhancements into substantial renovation or new construction projects. Costs eligible for Authority Incremental CI financing will include energy efficiency and renewable enhancements of buildings that raise the building’s efficiency above the level required by the New York State Energy Code (‘Code’). If approved by the Trustees, Incremental CI would enable participants building new facilities that might otherwise opt for less efficient and less costly choices to integrate energy efficiency/renewable equipment that exceeds Code requirements. Especially with respect to new construction, Incremental CI offers decades of savings at a very low cost.

“No new program funding is being requested at this time and all financing and costs of work performed will be recovered directly from each participant in the program.

**BACKGROUND**

“The Authority’s mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, the Authority provides ESP across the State to reduce energy consumption and peak demand. To date, the Authority’s ESP has reduced the demand for electricity by 216 MW, resulting in savings of more than \$114 million annually.

“Over the years, the Trustees have approved various ESPs, including those for the Authority’s governmental customers in Southeastern New York (‘SENY’), Statewide public entities and entities served by investor-owned utilities. At their meeting of December 16, 1997, the Trustees approved the consolidation of all these Statewide programs into a single program called Statewide ESP.

“In the past, all Authority ESP work has been done only on retrofit projects. However, some ESP participants have requested the Authority’s energy efficiency expertise, technical review and financing to support and improve the efficiency of new construction or substantial renovation of existing buildings. The inclusion of Incremental CI as an eligible service provided by the Authority’s ESP would help participants make the most efficient and cost-effective equipment choices so that future energy savings can defray the costs of the energy-efficient/renewable equipment purchased under the program. Only the incremental costs for measures that exceed the Code will be eligible for the Authority’s Incremental CI financing and support services.

“The Trustees are being asked to approve customer-implemented work only for the Incremental CI financing. The SENY Customer-Implemented Work program is derived from the supplemental long-term power purchase agreements approved by the Trustees at their Special Meeting of February 9, 2005. Article IX subsection B of such agreements gives SENY customers the option of contracting with outside service providers while retaining access to the Authority’s financing. At their meeting of July 26, 2005, the Trustees approved expansion of the scope of Statewide ESP to include Customer-Implemented Work for Statewide ESP.

DISCUSSION

“Energy costs have been steadily increasing over the years. Concurrently, the buildings of many eligible ESP participants are aging, while requirements of the facilities are changing. Also, when eligible participants construct buildings, they are bound by a fixed budget for construction. In most cases, the budget is sufficient to construct the facility in accordance with the requirements of the Code; however, most eligible participants do not have sufficient funding to enhance their buildings to exceed the Code. Sometimes, when such enhancements are included in the preliminary designs, they are omitted from the final project due to budget concerns and to make allowances for building functionality. Allowing eligible ESP participants to avail themselves of Incremental CI will help them equip their facilities with enhancements that will provide maximum energy efficiency/renewable energy.

“If approved by the Trustees, incremental energy efficiency and renewable enhancements in customer-implemented new construction and substantial renovation will be added as an eligible service provided by the Authority’s ESP. The previously approved funding for these programs is sufficient for these services at this time and the programs will continue to be implemented in compliance with regulatory requirements associated with supporting these types of projects.

FISCAL INFORMATION

“Funding will be provided through the previously approved funding for the Authority’s ESP, which is from the proceeds of the Authority’s Commercial Paper Notes and/or the Operating Fund. In addition, projects may be funded, in part, with monies from Petroleum Overcharge Restitution (‘POCR’) funds. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding any grant of POCR funds, will be recovered consistent with other Energy Services and Technology programs.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize the inclusion of incremental customer-implemented new construction as an eligible service provided by the Authority’s previously authorized Energy Services Programs.

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

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

**RESOLVED, That the Trustees hereby authorize the inclusion of incremental energy efficiency and renewable enhancements in customer-implemented new construction (“Incremental CI”) as an eligible service provided by the Authority’s Energy Services Programs (“ESP”). Incremental CI includes design review, technical support, financing and other services for the incremental costs of renewable and energy efficiency enhancements that exceed the New York State Energy Code for eligible participants’ new construction or substantial renovations; and be it further**

**RESOLVED, That the Authority’s Commercial Paper Notes, Series 1, Series 2 and Series 3, may be issued to finance ESP costs and Operating Fund monies may be used to finance Incremental CI; and be it further**

**RESOLVED, That the Senior Vice President – Energy Services and Technology is authorized to determine which ESP projects will be deemed to be energy services projects within the meaning of Section (7) of Part P of**

May 19, 2009

**Chapter 84 of the Laws of 2002 (“Section (7) Petroleum Overcharge Restitution (“POCR”) Legislation”) and will be funded in part with POCR funds allocated pursuant to the Section (7) POCR Legislation; and be it further**

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

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

**f. Procurement (Services) Contract –  
SourceOne and PB Americas – Energy  
Services Implementation Contractors**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“At their meeting of February 26, 2008, the Trustees authorized funding in the amount of \$250 million to finance energy efficiency and clean energy technology projects for the Authority’s Governmental Customers. Additionally, three firms (Con Edison Solutions, Applied Energy Management and SmartWatt Energy) were awarded contracts for project management and program implementation services in an aggregate amount of \$100 million. One of those companies, SmartWatt Energy, requested to opt out of its contract two months after the award, leaving two remaining service providers. Subsequent to the Trustees’ authorization of funding, the City of New York significantly increased its participation in the Authority’s energy efficiency program to meet Mayor Bloomberg’s PlaNYC goals and is releasing projects to be implemented at a very high rate.

“So that the Authority can respond to customer requests in a timely fashion, the Trustees are requested to approve the award of project management and project implementation contracts to two additional firms, SourceOne and PB Americas, each for a four-year term, to end at the same time as the contracts previously awarded to Con Edison Solutions and Applied Energy Management. The Trustees are also requested to expand the aggregate allocation to the four firms to a total of \$200 million (from the previous allocation of \$100 million allocated for project management and program implementation services). These funds will be taken from program funds previously approved by the Trustees, so no additional funding is requested at this time.

“As provided by the Long-Term Agreements (‘LTAs’) with the Authority’s Governmental Customers, these funds, along with the cost of advancing these funds, will be recovered from the customers participating in the Governmental Customers Energy Services Program (‘GCESP’).

**BACKGROUND**

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

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

“The Authority’s mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, since the late 1980s, the Authority has offered energy efficiency programs Statewide. These programs have been very successful and, to date, the Authority has achieved nearly \$114 million in customer savings. Of these savings, more than \$70 million is attributable to the Authority’s downstate Governmental Customers.

“In January 2009, Governor Paterson announced plans to reduce overall electricity usage and greenhouse gas emissions in New York State. Due to anticipated growth in connection with the energy plans set forth by Governor Paterson (45% X 2015) and Mayor Bloomberg (PlaNYC 2030), the Authority is planning to implement an expanded energy efficiency program to help the State and the City achieve the aggressive goals outlined in these plans. It is estimated that an investment of \$1.3 billion Statewide will be required to help the State realize a 45%

reduction in energy usage by 2015, with about \$700 million invested for the Authority's Governmental Customers as part of the GCESP.

"Since the early 1990s, the Authority has offered 'in-house' energy services for its downstate Governmental Customers. These energy efficiency projects provide a turnkey approach to identifying, procuring and implementing energy-saving solutions for technologies that require little to no capital funding, such as lighting, motors and occupancy sensors. For these projects, the Authority not only serves as the general contractor but also provides its own staff to perform all engineering and construction management required to implement the project.

"Due to the continuing expansion of the GCESP, the Authority will need to further augment its capabilities with additional outside firms (Implementation Contractors, or 'ICs'). This allows the Authority to expand its capabilities without increasing its number of full-time staff.

## DISCUSSION

"With the introduction of federal stimulus funding for energy efficiency projects and the increased focus on energy efficiency by both Governor Paterson and Mayor Bloomberg, the Authority's customers and governmental stakeholders are again turning to the Authority to increase their participation in the Authority's energy efficiency programs in an effort to reduce costs and make maximum use of the federal funding. In order to meet the requests of Authority customers, it is necessary to award contracts to two additional firms and to allocate an additional \$100 million of the approved \$250 million in funding to support this effort.

### Contractor Selection

"In implementing GCESP work, the Authority may either elect to have the work performed in house or contract for the installation of GCESP measures with third-party ICs. The services provided by the ICs complement the Authority's staff resources in implementing the GCESP. The scope of work required of the ICs generally consists of the following:

- On-site screenings of participants' facilities to determine likely candidates for significant energy and operational cost savings realized by installing energy efficiency measures.
- On-site surveys, energy audits and technical feasibility studies to identify potential applications for energy efficiency measures approved for the GCESP.
- Detailed engineering studies and analyses of specific energy efficiency measures or systems.
- Design of proposed systems and/or measures.
- Preparation of project proposal documents and solicitation of competitive bids.
- Construction management and oversight of proposed system and/or measure installation and project closeout (including waste management).

May 19, 2009

“In addition, the IC, under Authority staff supervision, is required to work directly with the participant from facility audit to final acceptance of the equipment installed. The IC, which competitively bids procurement of materials and installation of the recommended energy efficiency measures, is required to warrant the quality of all work.

“On January 20, 2009, the Authority advertised a Request for Proposals (‘RFP’) in the New York State *Contract Reporter* soliciting firms interested in providing IC services for the GCESP. As a result of that advertisement and invitations to bid, 41 firms downloaded the RFP from the Authority’s website. Nine firms attended the mandatory bidders’ conference held on February 4, 2009 to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification.

“On February 18, 2009, four firms submitted bids for the program. The bids were evaluated based on a number of technical criteria and cost by a team of six staff members. These criteria included the firm’s relevant technical experience in conducting audits and preparing energy analysis reports; fee percentages; general knowledge of energy efficiency measures; office location; quality of materials used; contractor list; safety and OSHA procedures and manuals and hazardous waste and recycling program and procedures. As a result, staff recommends awarding contracts to the following two firms, which offered the best services at the lowest cost: SourceOne and PB Americas. The contracts would cover a four-year period, starting in March 2009 and ending in February 2013, to run coterminous with the existing contracts. Since there was no April Trustees’ Meeting, the President and Chief Executive Officer approved an interim contract award in the amount of \$3 million on April 15, 2009. This action allowed staff to start assigning projects to SourceOne and PB Americas from New York City’s PlaNYC project list.

#### SourceOne

“Headquartered in New York City and Boston, SourceOne, the best evaluated bidder, is a full-service company that provides turnkey energy conservation services, including development, design, construction and implementation of lighting and comprehensive energy efficiency projects. SourceOne has extensive experience working in the public sector and has conducted energy services projects for many governmental agencies and institutions, including several relevant projects in the New York City area.

#### PB Americas

“Headquartered in New York City, PB Americas, the second best evaluated bidder, is a full-service company that provides turnkey energy conservation services, including development, design, construction and implementation of lighting and comprehensive energy efficiency projects. PB Americas has extensive experience working in the public sector and has conducted energy services projects for many governmental agencies and institutions, including SENY and Statewide projects implemented under Authority contracts.

#### FISCAL INFORMATION

“No additional funding is requested to implement the Authority’s service offering under the GCESP. The existing funding will be provided from the proceeds of the Authority’s Commercial Paper Notes and/or the Operating Fund. In addition, projects may be funded, in part, with monies from the Petroleum Overcharge Restitution (‘POCR’) fund. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding any grant of POCR funds, will be recovered consistent with other Energy Services and Technology Programs.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology and the Vice President – Project Development and Management recommend that \$100 million of the \$250 million allocated to the Governmental Customers Energy Services Program in February 2008 be allocated and that procurement (services) contracts for Implementation Contractor services be awarded to SourceOne and PB Americas. It is also recommended that an aggregate ceiling of \$200 million be established for SourceOne, Con Edison Solutions, PB Americas and Applied Energy Management.

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

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

**RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Chief Operating Officer, the Senior Vice President – Energy Services and Technology or such officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and SourceOne and PB Americas, such agreements having terms and conditions approved by the executing officer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to facilitate the development of the Governmental Customers Energy Services Program (“GCESP”); and be it further**

**RESOLVED, That, in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, an additional \$100 million be allocated and added to the original \$100 million for a total aggregate amount of \$200 million from the previously approved \$250 million in funding (the original allocation of \$100 million for contracts previously awarded to Con Edison Solutions and Applied Energy Management and the new allocation of \$100 million for contracts with SourceOne and PB Americas) in the amounts and for the purposes listed below:**

<u>Commercial Paper Program/ Operating Fund/POCR</u>	<u>Ceiling</u>	<u>Termination Date</u>
SourceOne, PB Americas Con Edison Solutions and Applied Energy Management	\$200 million (aggregate)*	02/26/2013

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\*A total of \$200 million will be allocated to SourceOne, PB Americas, Con Edison Solutions (‘CES’) and Applied Energy Management (‘AEM’). The allocation will be determined as GCESP project work is assigned. The initial award will be \$10 million to Source One and PB Americas to coincide with awards previously allocated to CES and AEM.

May 19, 2009

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

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

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

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

**g. Procurement (Services) Contract –  
St. Lawrence/FDR Power Project –  
Independent FERC Consultant  
Safety Inspection and Follow-up Service**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a contract to GEI Consultants, Inc., of Winchester, MA, for inspection and consulting services in support of an independent consultant’s inspection, report and follow-up service for the St. Lawrence/FDR Power Project (‘Project’), as mandated by the Federal Energy Regulatory Commission (‘FERC’). The intended term of the contract is five years for a total projected amount of \$220,000.

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.

DISCUSSION

“FERC regulations require the Authority to hire independent consultants to perform dam safety inspections and reviews at licensed projects every five years. On November 18, 2008, FERC issued a letter to the Authority indicating that the inspection report for the Project was due on January 2, 2010. In FERC’s letter dated November 18, 2008, the Authority is required to submit a letter seeking approval of the proposed independent consultant to FERC no later than June 1, 2009, six months before the Part 12D Safety Inspection Report is due.

“In February 2009, staff issued a Request for Proposals (‘RFP’) and solicited bids from 10 consulting and engineering firms recognized for their experience in providing dam safety and inspection services at FERC-licensed projects. The RFP’s scope of work required bidders to submit a detailed proposal. Four bids were received and opened on March 18, 2009. These bids were analyzed and evaluated by a team of Engineering and Procurement staff.

“GEI’s proposal is complete and fully responsive to the scope of work and demonstrates a complete understanding of FERC’s requirements for this work. GEI has allocated proper resources to complete this work thoroughly and on time. FERC’s new inspection report guidelines require the degree of staffing allocated by GEI and GEI has the knowledge and expertise to perform this work. In addition, GEI was the lowest-priced evaluated bidder. Based on its qualifications and ability to perform such work, staff recommends that a contract be awarded to GEI.

“FERC must approve the résumés of specific independent consultants employed by GEI in order for GEI to proceed with this work. Historically, FERC has required the Authority to use the FERC-approved independent consultant to conduct follow-up work; therefore, the intended term of the contract is five years. This contract will permit the Authority to comply with the FERC mandate that the Authority conduct independent consultant inspections of its licensed hydropower projects every five years.

“A total of \$20,000 is expected to be spent during the first year of the contract. Based on prior experience, the value of the contract is estimated at \$50,000 per year in years 2-5, for a total contract value of \$220,000.

FISCAL INFORMATION

“Funds required to support this contract are included in the 2009 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Vice President – Engineering, the Vice President – Procurement and the Regional Manager – Northern New York recommend the Trustees’ approval of the award of a multiyear contract to GEI Consultants, Inc. for inspection and consulting services as discussed above.

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

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the five-year procurement contract to GEI Consultants, Inc. in the amount of \$220,000 is hereby approved, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

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

**h. Procurement (Services) Contract – Blenheim-Gilboa  
Power Project – Installation of Circuit Breakers**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the award of a two-year contract to Northline Utilities (‘Northline’) of Au Sable Forks, New York, in the amount of \$604,133 for the installation of replacement circuit breaker #3130 in 2009 and replacement circuit breaker #3314 in 2010 at the Blenheim-Gilboa Power Project (‘B-G’).

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 in excess of one year.

“As a consequence of damage to circuit breaker #3202 at B-G’s switchyard on September 5, 2000, the Authority determined that it was appropriate to replace all existing circuit breakers. The first three breakers were authorized and replaced on an individual basis between 2002 and 2004.

“At their meeting of February 23, 2005, the Trustees approved a comprehensive approach, the Blenheim-Gilboa 345 kV Power Circuit Breaker Replacement Program, and authorized capital expenditure of \$6.2 million for the remaining six breakers. From 2005 to 2008, four breakers were replaced, one breaker per year. Two breakers remain to be replaced.

“The replacement breakers are expected to provide the Authority with increased plant reliability, reduced risk of violent explosions and long-term savings in maintenance costs.

DISCUSSION

“Under this contract, the last two circuit breakers, #3130 and #3314, will be installed this year and next year, respectively. To this end, the Authority issued an advertisement in the New York State *Contract Reporter* and bid packages were available through the Authority’s website as of February 12, 2009. Thirty-two potential bidders downloaded the bid documents. On March 31, 2009, three proposals were received and evaluated by an evaluation committee. Staff recommends the award of a contract to Northline, the lowest-priced bidder. Northline meets the bid requirements and has provided satisfactory service for work performed at the Authority’s Willis substation. The contract will become effective on or about May 20, 2009, for an intended term of 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, \$604,133. Funding for breaker #3130 is included in the 2009 capital budget.

FISCAL INFORMATION

“Payment associated with this project will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Procurement, the Vice President – Engineering, the Regional Manager – Central New York and the Project Manager recommend that the Trustees authorize the award of a two-year contract to Northline Utilities of Au Sable Forks, New York, in the amount of \$604,133, to install two replacement circuit breakers (#3130 and #3314) at the Blenheim-Gilboa Power Project.

May 19, 2009

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

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and in accordance with the Authority’s Expenditure Authorization Procedures, the award for capital expenditures in the amount of \$604,133 and a two-year contract to Northline Utilities of Au Sable Forks, New York, to install two replacement circuit breakers, #3130 and #3314, at the Blenheim-Gilboa Power Project is hereby approved, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

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

**i. Procurement (Services) Contract –  
Blenheim-Gilboa Power Project –  
Refurbishment and Grout Repair of Tainter Gates**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the award of a two-year contract to D. A. Collins Co., Inc. of Mechanicville, New York, in the amount of \$2.198 million, for the refurbishment and grout repair of Tainter Gate #1 in 2009 and Tainter Gate #3 in 2010 at the Blenheim-Gilboa Power Project (‘B-G’). The funds for the first year of this project are included in the 2009 Budget.

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 in excess of one year.

DISCUSSION

“The Federal Energy Regulatory Commission (‘FERC’) requires that the three tainter gates at B-G be maintained in order to ensure proper operation so that flood flows through the reservoir’s spillway are handled properly, avoiding overtopping the embankment dam. To maintain FERC compliance, the Authority conducted inspections of the gates to determine their condition and identify needed repairs.

“In 2007, Engineering inspected B-G’s three tainter gates at the lower reservoir. Results of the inspection indicated that the gates had sustained various degrees of steel corrosion. Chains were heavily corroded and protective coatings had deteriorated, especially on the gates’ skins. Concrete and grout on abutments also showed signs of deterioration. In 2008, Hardesty and Hanover, a consultant hired by the Authority, conducted a detailed inspection of Tainter Gate #2. Recommendations submitted by Hardesty and Hanover were implemented in the refurbishment of Tainter Gate #2 in 2008.

“Under this contract, Tainter Gates #1 and #3 will be refurbished this year and next year, respectively. To this end, the Authority issued an advertisement in the New York State *Contract Reporter* and bid packages were made available through the Authority’s website as of March 15, 2009. Forty potential bidders downloaded the bid documents. On April 21, 2009, two proposals were received and evaluated by an evaluation team. Staff recommends the award of a two-year contract to D. A. Collins Co., Inc., the lower-priced bidder, which meets the bid requirements and has performed satisfactory work at Crescent and Vischer Ferry Power Projects and B-G, including the refurbishment of B-G’s Tainter Gate #2 last year. The contract will become effective on or about May 22, 2009, for an intended term of two years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the amount of \$2.198 million that is expected to be expended for the term of the contract.

FISCAL INFORMATION

“The funds for performing the first year of the work are included in the approved 2009 Operations and Maintenance Budget.

May 19, 2009

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Procurement, the Vice President – Engineering, the Regional Manager – Central New York and the Project Manager recommend that the Trustees authorize the award of a two-year contract to D. A. Collins Co., Inc. of Mechanicville, New York, for the refurbishment and grout repair of Tainter Gates #1 and #3 at the Blenheim-Gilboa Power Project.

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

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and in accordance with the Authority’s Expenditure Authorization Procedures, the award of a two-year contract to D. A. Collins Co., Inc. of Mechanicville, New York, in the amount of \$2.198 million, for the refurbishment and grout repair of Tainter Gate #1 in 2009 and Tainter Gate #3 in 2010 at the Blenheim-Gilboa Power Project, is hereby approved, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

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

**j. Procurement (Services) Contract – Law  
Department – Sole-Source Contract – Award**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a sole-source contract for a term of up to two years to the law firm of Latham & Watkins, LLP (‘Latham’) in Washington, DC for its assistance to the Authority in a Federal Energy Regulatory Commission (‘FERC’) proceeding concerning the costs imposed on merchant transmission facilities that would affect the costs of the Hudson Transmission Partners, LP (‘HTP’) transmission project. The Trustees are also requested to approve funding in the amount of \$250,000.

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 has had a contractual relationship with Dickstein Shapiro, LLP (‘Dickstein’) for several years as a result of a multiyear contract that the Trustees approved at their September 20, 2005 meeting. Kenneth Simon, the only partner at Dickstein who has provided services to the Authority, notified the Authority in February 2009 that he was leaving Dickstein and joining Latham in March. No other partner at Dickstein is familiar with or experienced with the Authority’s matters before FERC. Most recently, the Authority has used Mr. Simon’s services in a litigated proceeding at FERC concerning the Regional Transmission Expansion Plan (‘RTEP’) costs in the PJM service territory that would be imposed on interconnecting merchant transmission lines such as the proposed HTP line. The HTP project is still under active consideration by the Authority and reducing the PJM RTEP costs could be a factor in making the HTP project more valuable. FERC has yet to act on its administrative law judge’s (‘ALJ’) decision issued in September 2008, but a final FERC order is expected imminently. The ALJ’s decision was adverse to the Authority and it is possible that the FERC order will be adverse to the Authority as well. Once that order is issued, the Authority will have 30 days to file a rehearing petition at FERC, a necessary step to seeking redress in the courts. The Authority will also need to file a timely notice of appeal in the U. S. Court of Appeals, but those proceedings would be held in abeyance pending FERC’s rehearing order.

DISCUSSION

“In accordance with Law Department policy, the Authority plans to perform as much work as possible on this matter with in-house resources. However, due to Mr. Simon’s expertise and knowledge of the complex issues in this matter, Authority staff needs to have him available to provide assistance, depending on the nature of the FERC decision and the perceived difficulty in obtaining a successful outcome for the Authority. Thus, in order to preserve the Authority’s interests, staff recommends that the contract with Dickstein be terminated and a sole-source contract with Latham be entered into, which would allow Mr. Simon to continue work on this matter, including any related appellate work. Should other matters arise in related FERC proceedings that would affect the costs imposed on interconnecting merchant transmission projects like the HTP line, Mr. Simon’s services will also be required.

“In order to allow for the possibility that Mr. Simon’s services would have been needed prior to the May Trustees’ meeting, the Executive Vice President and General Counsel authorized the approval of this contract on May 1, 2009 on an interim basis subject to final approval by the Trustees. The Trustees’ authorization is necessary because it is likely that this matter (including appellate review) will continue for longer than 12 months. Staff recommends a contract term of up to two years, at a cost of no more than \$250,000.

FISCAL INFORMATION

May 19, 2009

“The fiscal impact will be limited to no more than \$250,000 but this may be fully reimbursable by customers that purchase the electricity transmitted on the HTP line. The Authority is in the process of determining possible customers for this electricity, should the HTP project go forward.

RECOMMENDATION

“The Executive Vice President and General Counsel recommends that the Trustees approve the award of a contract to the law firm of Latham & Watkins, LLP for the reasons discussed above.

“The Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Energy Resource Management, the Vice President – Power Resource Planning and Acquisition and I concur in the recommendation.”

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of a procurement services contract with the law firm of Latham & Watkins, LLP for a term of up to two years is hereby approved for the period of time so indicated, in the amount of \$250,000 or less and for the purposes listed, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

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

**k. Long-Term Supply Agreement for New York City Governmental Customers: Authorization to Execute Agreements to Perfect NYPA Liens**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to expand the authorization granted to the President and Chief Executive Officer relating to the long-term capacity and energy supply agreement the Authority entered into on July 11, 2008 with Astoria Energy II LLC (‘Astoria’) (such agreement, the ‘Master Power Purchase and Supply Agreement,’ or ‘MPPSA’).

“On April 29, 2008, the Trustees authorized the President and Chief Executive Officer to execute agreements (including the MPPSA) between the Authority and Astoria. This authorization only extended to agreements with Astoria and with the Authority’s New York City Governmental Customers. Subsequent to the execution of the MPPSA, Authority staff engaged in negotiations over the terms of the Authority’s security interest in the Astoria facility. This security, which was bargained for as part of the MPPSA negotiations, is in the form of liens and a mortgage on the Astoria facility (such security, the ‘NYPA Liens’). As part of the negotiations for the NYPA Liens, the Authority received a reduction in the price of the products purchased from the Astoria facility.

“The documents constituting the NYPA Liens involve multiple parties. In order for the Authority to perfect the NYPA Liens, staff determined that it would be necessary to execute agreements with additional parties other than those authorized on April 29, 2008. Accordingly, staff is requesting the Trustees to expand the original authorization granted to the President and Chief Executive Officer to include agreements with such additional third parties, such as Astoria’s lenders. By executing the documents that constitute the NYPA Liens, the Authority’s New York City Governmental Customers will realize a significant cost savings over the 20-year life of the MPPSA.

BACKGROUND

“Under the MPPSA, in return for a price reduction, the Authority was authorized to receive the NYPA Liens, defined as first-priority liens against the Astoria facility, including a real property mortgage. The NYPA Liens were to be granted at the same time as Astoria grants its lenders any such lien. The Authority’s rights in the facility pursuant to such NYPA Liens are to be *in pari passu* (i.e., ratably; without preference) as the lenders.

“The Trustees authorized the execution of the MPPSA at their meeting on April 29, 2008. Agreements and other instruments related to the NYPA Liens were contemplated when the MPPSA was executed, but the specifics of such documents and the parties thereto had not been determined at the time of the original request for Trustee authorization. Now that it is clear that Astoria’s lenders will be a party to some of the documents constituting the NYPA Liens, authorization is requested for the President and Chief Executive Officer to execute these documents. This expansion of the authorization granted by the Trustees in April 2008 to include agreements with Astoria’s lenders is needed for the Authority to perfect the NYPA Liens.

DISCUSSION

“In order to retain the price reduction the Authority-New York City Governmental Customer team negotiated into the MPPSA, the Authority has been meeting with representatives of Astoria and its lead lender to work out the terms of the NYPA Liens. Among some of the agreements the Authority financial, business and legal team is currently negotiating are a Consent and Intercreditor Agreement by and among the Authority, Astoria and the collateral agent for Astoria’s lenders that addresses the relationship between the Authority and Astoria’s lenders with respect to the lenders’ liens and the NYPA Liens; a Mortgage that grants to the Authority a lien on Astoria’s real property and a Security Agreement that grants to the Authority a lien on most of Astoria’s other assets, such as

May 19, 2009

accounts receivable and personal property. The first \$100 million of the NYPA Liens will be *in pari passu* with the lenders' liens, while the remainder of the NYPA Liens will be subordinated to the lenders' liens.

“Upon successful conclusion of the negotiation of these and any other documents and instruments necessary or advisable to grant and perfect the NYPA Liens, the Authority will be in a position to execute these documents, subject to the Trustees’ authorization for the President and Chief Executive Officer to execute the agreements with Astoria’s lenders and/or other third parties, and as deemed appropriate at the discretion of the President and Chief Executive Officer.

FISCAL INFORMATION

“This action will have no fiscal impact.

RECOMMENDATION

“It is recommended that the Trustees authorize the President and Chief Executive Officer to execute such agreements, security instruments, mortgages and other documents and instruments as are necessary or advisable to grant and perfect the NYPA Liens against the Astoria generating facility, including an intercreditor agreement, subordination agreement and other agreements with Astoria’s lenders and other third parties.

“The Chief Operating Officer, the Executive Vice President and General Counsel, the Vice President - Power Resource Planning and Acquisition, the Vice President - Energy Risk and Assessment and I concur in the recommendation.”

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

**WHEREAS, the Trustees approved the execution of a long-term supply agreement with Astoria Energy II LLC (“Astoria”) on April 29, 2008, for the benefit of various of the New York City Governmental Customers; and**

**WHEREAS, the Authority executed a supply agreement (“MPPSA”) with Astoria on July 11, 2008; and**

**WHEREAS, under the MPPSA, the Authority was granted first-priority liens against the Astoria facility (“NYPA Liens”) as security; and**

**WHEREAS, in order for the Authority to execute agreements and other documents to grant and perfect the NYPA Liens, authorization is requested for the President and Chief Executive Officer to execute such agreements, security instruments, mortgages and other documents and instruments as are necessary or advisable to perfect the NYPA Liens, including an intercreditor agreement, subordination agreement and other agreements with Astoria’s lenders.**

May 19, 2009

**NOW THEREFORE BE IT RESOLVED, That the President and Chief Executive Officer is hereby authorized on behalf of the Authority to execute agreements and other documents between the Authority and third parties, including but not limited to Astoria's lenders, as described in the foregoing report of the President and Chief Executive Officer; and be it further**

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

6. a. Report of the President and Chief Executive Officer

*President Kessel welcomed everyone to the meeting on behalf of Trustee Nicandri's wonderful community of Massena, saying he had visited the North Country about six times since he started at the Authority in October 2008. President Kessel added that the Authority was working on several significant projects that would bring positive benefits to the North Country, particularly in regard to transmission. He then provided the Trustees with updates on the following:*

*Hydro Quebec and Other Canadian companies: President Kessel said that he hoped to come back to the Trustees at their July meeting with a plan for the transmission project that would enable the Authority to take advantage of low-cost power from Canada. He said that the public process could begin by the end of this year and the transmission project itself could be completed in 5-10 years. In response to a question from Vice Chairman Foster, President Kessel said that it is important to upgrade New York State's transmission system for other reasons as well and that much of the right-of-way for such upgrades already exists. He said that the Authority is hoping to access economic recovery stimulus funds to help with this project and that he had met with White House staff in this regard.*

*Hudson Transmission Partners ("HTP"): President Kessel said that staff is nearing the end of its discussions with HTP, Con Edison and the City of New York about this project, which he is hoping to bring before the Trustees for their approval in June or July. If the Trustees approve the project this summer, permitting for it could begin by the end of the summer, with construction beginning in the fall. He said that the project would result in 250-300 construction jobs.*

*Off-shore Wind: Great Lakes - President Kessel said that the Authority had asked for an expression of interest from companies capable of putting 40 turbines producing 20 MW in Lake Erie or Ontario. He said that most of this power would be used in Western New York and that the project would bring hundreds of green jobs to the region as well. Authority staff is also working to develop a Request for Proposals for technical services related to environmental issues. President Kessel said that the wind industry is very excited about this opportunity and that he hopes to bring the project to the Trustees for their approval in the first quarter of 2010.*

May 19, 2009

Long Island – President Kessel said that the Authority had its first meeting with the Long Island Power Authority, Consolidated Edison Co. of New York, Inc. and the New York State Energy Research and Development Authority about collaborating to develop a major wind project off the shore of Long Island. He said that this project should also be eligible for federal economic recovery stimulus funding.

Solar Initiative: President Kessel said that the responses to the Authority's request for an expression of interest for a major solar energy initiative are due in July. He said that it may be possible to break ground on a 1.75 MW solar project at the University of Buffalo by the end of the summer. In response to a question from Vice Chairman Foster, President Kessel said that the project would be constructed by private contractors as part of the Authority energy efficiency program.

Economic Development Reform: President Kessel said that Authority staff has been working with the State Legislature on this issue, since the current Power for Jobs program expires at the end of June. He said that he is hopeful that the program will be extended and made more effective by allowing any returned allocations to be reallocated.

Community Outreach – Upstate/Downstate: President Kessel provided the Trustees with the following list of his recent community outreach efforts:

- Press conference with City of White Plains to announce City's new Clean and Green website.
- Earth Day Great Lakes offshore wind press event in Buffalo.
- Guest speaker at Watertown Chamber of Commerce meeting.
- Meeting with International Trade Commission in Buffalo.
- Guest speaker at New York Independent System Operator conference in Albany.
- Guest speaker at stimulus funds meeting sponsored by Congressman Rangel with member of the New York Congressional delegation in Washington.
- Press conference on University of Buffalo solar project.
- Guest speaker at Independent Power Producers of New York meeting in Albany.
- Meeting on renewable energy sponsored by Citizens Campaign for the Environment and other environmental groups.
- Guest speaker at the Vision Long Island Green Summit.
- Envirothon sponsored by the Authority on Long Island.
- Guest speaker at meeting of Long Island Mid-Suffolk Business Action.
- Attended New York Building Congress in New York City.

b. **Report of the Chief Operating Officer**

*Mr. Gil Quiniones submitted the following report:*

*Because the Trustees did not meet in April, this report covers developments over the past two months. Systemwide net generation in both March and April exceeded projections, while transmission line performance continued to surpass critical targets. In other highlights, the Authority and Alcoa reached an agreement that will enable the company to retain about 250 jobs at its East Plant in Massena despite a temporary shutdown of that facility, and the Authority announced a major initiative that could lead to private developers installing at least 120 MW of offshore wind capacity in Lakes Erie and/or Ontario.*

**POWER SUPPLY**

**Plant Performance**

*Year-to-date net generation at the end of April stood at 8,949,690 MWh, compared with the projected 8,567,334 MWh.<sup>1,2</sup> The plants were available to produce electricity 89% of the time during that period. Their unforced capacity rating was 97%, compared with the target of 98.5%.<sup>3</sup>*

*Performance in March and April:*

***March***

***Net generation:*** 2,476,438 MWh (target—2,357,864 MWh)

***Plant availability:*** 90.8%

***Unforced capacity rating:*** 95.9% (target—98.5%)

***April***

***Net generation:*** 2,275,077 MWh (target—2,098,974 MWh)

***Plant availability:*** 87.6%

***Unforced capacity rating:*** 97% (target—98.5%)

*River flows at the Niagara Power Project in both months were at historical averages and slightly above normal compared with the long- and short-term forecasts. At the St. Lawrence-FDR Power Project, flows were slightly above historical averages and consistent with forecasts.*

Outages

*There were no significant forced outages at the power plants in March.<sup>4</sup> However, a significant outage occurred in April on Units 7, 8 and 9 at the Niagara project's Lewiston Pump-Generating Plant when an electrical fault, or short circuit, caused a feeder to shut down.<sup>5</sup> Each of the units was out of service for 126 hours.*

Life Extension and Modernization ("LEM") Programs<sup>6</sup>

*The 11<sup>th</sup> of the 16 turbine-generator units at the St. Lawrence-FDR project resumed operation on April 29 as part of the project's LEM program. The unit's scheduled return to service in March had been delayed because of an alignment problem that affected installation of the turbine. Work on the 12<sup>th</sup> unit is under way, with completion planned for December. The overall program is scheduled for completion in 2013.*

*The LEM program at the Blenheim-Gilboa Pumped Storage Power Project also progressed, with the third of four units on schedule for completion by June. Work on the final unit will begin in September, with the entire project to be completed in June 2010.*

Transmission Performance

*The year-to-date transmission reliability rating at the end of April was 98.72%, exceeding the projection of 97.75%.<sup>7</sup> The monthly reliability ratings were:*

*March: 98.45% (target 96.96%)*

*April: 98.47% (target 96.48%)*

*There was one forced transmission outage in March and another in April. One of the two 230-kilovolt Moses-Adirondack lines was out of service for about eight minutes in March because of a malfunctioning protective relay.<sup>8</sup> The April outage, attributed to lightning and storms, occurred on the convertible static compensator ("CSC") at the Clark Energy Center in Marcy and lasted for just over one hour.<sup>9</sup> This caused reduced power flows on several transmission lines for which the CSC helps to provide voltage support.<sup>10</sup>*

*The 17 scheduled transmission outages in March totaled 918 hours. In April, there were 12 scheduled outages, for a total of 543 hours.*

**Siemens-PTI Report**

*The Siemens-PTI report on transmission system improvements that will permit transfer to major load centers of increased imports from Canada and energy from wind projects in Northern and Western New York was presented to Authority management on May 11. As scheduled, Siemens-PTI had submitted a draft report reflecting the results of a study that began last December on April 15. The draft was then revised to include comments by Authority staff members and consultants from ALTRAN Solutions and Navigant Consulting, Inc.*

**ENERGY SERVICES AND TECHNOLOGY**

**Energy Efficiency Investment**

*The Authority's year-to-date investment in energy efficiency projects through the end of April was \$32.1 million, with overhead cost recovery of 77%.*

*The figures for March and April:*

**March**

**Investment:** \$8.3 million

**Overhead Cost Recovery:** 99%

**April**

**Investment:** \$10.1 million

**Overhead cost recovery:** 75%

Clean Energy Benefits

*The Authority provided 98,514 MWh of clean energy benefits through the end of April, remaining on course to exceed the annual target of 234,000 MWh. Of the year-to-date total, 31,514 MWh came from energy efficiency and 67,000 MWh from renewable energy projects and purchases of renewable energy attributes.<sup>11</sup>*

*The figures for March and April:*

*March*

*Total clean energy benefits: 29,173 MWh*

*Energy efficiency: 11,173 MWh*

*Renewable energy projects and attributes: 18,000 MWh*

*April*

*Total clean energy benefits: 18,920 MWh*

*Energy efficiency: 2,920 MWh*

*Renewable energy projects and attributes: 16,000 MWh*

University at Buffalo Solar Project

*The Authority is providing a grant of \$6-\$7.5 million to the State University of New York at Buffalo for construction of a 1.1 MW solar photovoltaic (“PV”) project on the University’s North Campus in Amherst. In addition to the fundin, from the Authority’s \$21 million Statewide renewable energy program, the Authority will work with the University to provide site design, engineering and construction services for the project, which is expected to be in service by the fall of 2010.*

*According to the American Solar Energy Society, this will be one of the largest solar installations on a college campus in the U. S. and the largest on any campus in New York State. It will also be the largest ground-mounted PV system in the State.*

*The project, announced by President Kessel and University officials on May 7, will help achieve Governor Paterson’s “45 by 15” goal of obtaining 45% of New York State’s electricity from renewable sources*

*and energy efficiency by 2015. It will supply electricity to students living in several University apartment complexes and could serve as a catalyst for the creation of “green” jobs in Western New York.*

*Streamlined Small Facilities Initiative*

*In an effort to implement projects in a more cost-effective manner for customers, the Authority has added a Streamlined Small Facilities Initiative to its Energy Services Program. Under the new approach, multiple projects in a given geographic region will be assigned to a vendor in that area, reducing overhead fees, eliminating travel time and creating other efficiencies. The Authority issued a Request for Proposals (“RFP”) for prospective vendors on March 30; five bids were received and are being evaluated.<sup>12</sup>*

*Project Development and Management*

*State University of New York College at Geneseo—Work on lighting retrofits and controls was completed in April for this \$1.05 million project that also includes boiler improvements, chiller modifications and an energy management system upgrade. Annual savings of nearly \$180,000 are anticipated, along with yearly reductions of about 960 tons in CO<sub>2</sub> emissions.*

*New York City Housing Authority Castle Hill Boiler Project (Bronx)—The \$11 million project, involving installation of five new boilers, an instantaneous hot water heater and new domestic water pumps, is expected to provide annual savings of \$500,000. The new boilers were started on oil and gas in April.*

*Long Island Rail Road Hillside Maintenance Facility (Queens)—A construction kickoff meeting was held on April 15 for this \$3.9 million project that entails the installation of efficient heating and recirculation units. Projected benefits include savings of almost \$400,000 a year and a reduction of about 1,480 tons in annual CO<sub>2</sub> emissions. As part of a separate initiative at the adjacent Hillside Support Facility, a new chiller, designed and installed by Authority staff, is in place and associated electrical and piping work is proceeding.*

*Annings Prall School (IS 27R, Staten Island)—Construction began in April and will include installation of lighting, motors and occupancy sensors. The \$532,000 project is expected to provide savings of more than \$80,000 a year.*

**MARKETING AND ECONOMIC DEVELOPMENT**

**North Country Issues**

*As noted in a summary that has been provided to the Trustees, the Authority and Alcoa signed a Memorandum of Understanding in mid-April related to the temporary shutdown of the company's East Plant in Massena. In addition to preserving some 250 East Plant jobs, the agreement will help avert a full-scale shutdown in Massena, which could have led to the loss of about 1,000 jobs overall, and will ensure continued progress on the planned modernization of the East Plant.*

*Because of the East Plant shutdown, Alcoa is temporarily reducing its use of hydroelectric power from the St. Lawrence-FDR Project by 237 MW, which will become available for sale into New York State markets. In light of this, the Trustees will be asked at the May 19 meeting to approve a Temporary North Country Electricity Stimulus Plan calling for the use of up to \$10 million of the net margins produced by market sales of hydropower to provide electric bill discounts to businesses in St. Lawrence, Franklin and Jefferson counties for up to one year. These are the counties designated for allocations of Preservation Power to businesses under a 2005 State law.<sup>13</sup> (Alcoa is also temporarily releasing 17 MW of power supplied by the Authority through purchases from market sources; this has no bearing on the Stimulus Plan.)*

**CORPORATE SERVICES AND ADMINISTRATION**

**Compensation Review**

*At President Kessel's direction, a review of the Authority's compensation practices is being conducted. Human Resources staff members are surveying and evaluating compensation policies of other New York State authorities and utilities and members of the Large Public Power Council.<sup>14</sup> A new policy will be recommended to the Trustees in July.*

**POWER RESOURCE PLANNING AND ACQUISITION**

**Great Lakes Offshore Wind Project**

*President Kessel announced this initiative in Buffalo on Earth Day, April 22, as the Authority issued a Request for Expressions of Interest (“RFEI”) from the wind power industry.<sup>15</sup> Responses, due on June 15, are expected to include environmental, economic development, technical, financial and socioeconomic information that will help the Authority prepare an RFP for potential private-sector developers of projects in Lakes Erie and Ontario.*

*Meanwhile, the Authority issued a separate RFP on April 27 for technical consulting assistance, with bids due on May 19. Successful bidders will assist with siting studies, assessment of project locations and studies of impacts on birds, visibility, vessel traffic and lake-bottom conditions.*

*The proposed installation of a minimum of 120 MW of offshore wind capacity would be the largest commercial-scale wind-power project in the Great Lakes and would provide a major impetus toward meeting Governor Paterson’s “45 by 15” goal.*

**Hudson Transmission Partners Project**

*Detailed analysis by Navigant Consulting and CRA is complete and a range of potential economic benefits associated with the project has been outlined. Authority staff is working with the New York City Economic Development Corporation and Con Edison to explore optimal power-supply agreements to move the project forward.*

**New York City Medium-Term Supplies**

*Work is continuing on an RFP seeking bids for physical supplies of 300-500 MW of energy and capacity to serve the Authority’s New York City Governmental Customers for up to five years, beginning as soon as January 2010.<sup>16</sup> The supplies would come from power plants located in New York State, but outside the City. Authority staff forwarded a draft RFP to the customers in March and subsequently met with them to discuss the proposed scope and terms. Comments were submitted in April, and the final drafting process awaits the*

*formation of a joint Authority/customer working group. The RFP will not be issued until cost-recovery issues between the Authority and the customers are resolved.*

**Renewable Energy Attributes**

*The Authority signed a contract with Nexant Inc. on May 12 for the purchase of renewable energy attributes for the Authority's White Plains building, the City University of New York, the Battery Park City Authority and the New York State Department of Labor. The three-year, \$790,305 contract, awarded following a competitive bidding process, covers purchases from Nexant's Sheldon Wind Farm in Wyoming County. It calls for the purchase of 3,660 MWh this year, 3,710 MWh in 2010 and 46,210 MWh in 2011.*

*The Authority sought renewable energy attributes for the White Plains building to help maintain the facility's Gold ranking under the U. S. Green Building Council's Leadership in Energy and Environmental Design ("LEED") program and to comply with Executive Order 111, which requires that State entities obtain at least 20% of their electricity from renewable sources by 2010. The purchases will serve similar purposes for the government customers.*

**OFFICE OF THE CHIEF OPERATING OFFICER**

**Federal Stimulus Package**

*Governor Paterson sent letters to eligible municipalities in April offering Authority assistance on their applications for federal stimulus funding under the U. S. Department of Energy's ("DOE") Energy Efficiency and Energy Conservation grant program. Authority staff is working with customers to prepare their applications, which are due in late June and must be submitted by the municipalities themselves. Programs must achieve at least one of three goals: reduce greenhouse gas emissions, increase energy efficiency or lower overall energy use.*

*New York State is eligible for \$175 million through the grant program. Large cities and counties (with populations greater than 35,000) can receive \$145 million of the total. The New York State Energy Research and*

May 19, 2009

*Development Authority (“NYSERDA”) is eligible to receive the remaining \$30 million, \$18 million of which must be allocated to small cities and counties.*

*The Authority is also engaged in reviewing and commenting on DOE’s Smart Grid grant program. The funding announcement is expected on June 17, and Authority staff is preparing application materials. Staff received positive comments on the Authority’s project proposals at a May 5 meeting with DOE senior staff.*

#### **ANTICIPATED DEVELOPMENTS OVER THE NEXT SIX MONTHS**

##### **POWER SUPPLY**

###### **Organizational Review**

*Scott Madden, the consultant conducting an organizational review of the Power Supply Business Group, is expected to submit its findings and recommendations in June. The study, begun in March, is focusing on processes, organizational structure and the synergies resulting from the combination of the Power Generation, Transmission and Project Development, Licensing and Compliance units into a single group.*

##### **MARKETING AND ECONOMIC DEVELOPMENT**

###### **Residential Weatherization Program**

*The Authority intends to begin implementing a residential weatherization program this fall for its municipal system, rural cooperative and housing authority customers. The program, open to residents of all income levels, will include audits, financing and potential installation of weatherization measures. Staff members have met with representatives of the customers, which have expressed interest in various parts of the program, and with consultants to help define its scope. The new initiative will build on this past winter’s weatherization program, which was directed to low-income residents served by the municipal systems and cooperatives and featured distribution of kits that included energy efficiency items and a conservation guide.*

POWER RESOURCE PLANNING AND ACQUISITION

Atlantic Ocean Wind Project

*An RFEI for a large offshore wind project in the Atlantic Ocean is expected to be issued in June, with an RFP for potential developers anticipated by early next year. The Authority has joined a collaborative formed by the Long Island Power Authority and Con Edison to advance the proposed project, which could eventually provide 700 MW of renewable power. Other members of the group, which held its first meeting on May 12, are NYSERDA, the New York State Department of Environmental Conservation, the New York State Department of State, the New York City Economic Development Corporation, the Metropolitan Transportation Authority and the Port Authority of New York and New Jersey.*

GLOSSARY

<sup>1</sup> *Net generation—The energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped-storage facility.*

<sup>2</sup> *Megawatt hour—The amount of electricity needed to light 10,000 100-watt light bulbs for 1 hour. A megawatt is equal to 1,000 kilowatts and can power about 800 homes, based on national averages.*

<sup>3</sup> *Unforced capacity rating—All power plants have an installed capacity, or ICAP, meaning the amount of power they could generate under perfect conditions. Since conditions are not always perfect and plants are shut down, there is a second measurement, called unforced capacity, or UCAP, which is how much power a plant actually can produce. For New York State power plants, this measurement is influenced by the amount of time a plant is forced out of service when it is called into service through the New York Independent System Operator to provide energy.*

<sup>4</sup> *Outage—The removal of a power plant or transmission line from service. Outages may be scheduled for purposes such as anticipated maintenance, or forced by unexpected events. A significant forced or emergency outage of an individual generating unit is an event of more than 72 hours in duration, entailing a repair cost of more than \$75,000 or resulting in more than \$50,000 of lost revenues. A significant forced or emergency outage of an individual transmission line is an event that directly affects the reliability of the State's transmission network, or the availability of any component of the network, for more than eight hours or has a repair cost of more than \$75,000.*

<sup>5</sup> *Feeder—A cable that connects a generating source to a transmission system. The problem cited in the report occurred on one of the four 230-kilovolt cables that connects the Lewiston Pump-Generating Plant to the system. Three of the plant's 12 units are connected to each feeder.*

<sup>6</sup> *Life Extension and Modernization programs—Major undertakings in which all the turbines at the St. Lawrence-FDR and Blenheim-Gilboa projects are being replaced and the generators and other components significantly refurbished. The programs are intended to ensure that the projects operate at maximum efficiency far into the future.*

<sup>7</sup> *Transmission reliability rating*—A measurement of the impact of forced and scheduled outages on the Statewide system’s ability to transmit power.

<sup>8</sup> *Protective relay*—An electromechanical or solid-state device designed to calculate operating conditions on an electrical circuit and to activate circuit breakers when a fault (or short circuit) is found. A circuit breaker, when activated, interrupts the flow of power.

<sup>9</sup> *Convertible static compensator (“CSC”)*—A sophisticated device for controlling voltage and power flows on transmission lines to increase the capability of an existing transmission system. In a pioneering effort, the Authority completed installation of the \$54 million convertible static compensator in 2004 at the Clark Energy Center’s Marcy Substation as the most advanced of a series of technologies known as Flexible Alternating Current Transmission Systems (“FACTS”). The project, which also included the addition of conventional equipment at other substations, boosted the capability of the New York State system by nearly 200 MW without the need to build new lines. The Authority’s CSC was the first transmission control device in the world to permit the instantaneous transfer of power between two lines in the same substation.

<sup>10</sup> *Voltage support*—Voltage is a measurement of the force that pushes electricity through a transmission line, much as water is forced through a hose. The performance of a transmission line, especially those of medium length or longer, depends on maintaining voltage at certain levels. The maximum amount of power a line can transmit is reduced as voltage decreases.

<sup>11</sup> *Renewable energy attributes*—The environmental, social and economic features of renewable energy that may be sold separately from the energy itself; the Authority obtains such attributes on behalf of its New York City Governmental Customers.

<sup>12</sup> *Request for Proposals*—A formal solicitation of bids for a project; it may or may not be preceded by a Request for Expressions of Interest.

<sup>13</sup> *Preservation Power*—A block of 490 MW from the St. Lawrence-FDR Power Project reserved for qualifying North Country businesses if relinquished by current recipients.

<sup>14</sup> *Large Public Power Council*—An organization of 23 of the nation’s largest public power organizations, including the Authority.

<sup>15</sup> *Request for Expressions of Interest*—A document issued to prospective vendors and contractors in the early phases of a project to obtain preliminary information on the nature and cost of the services they can provide and to determine their potential interest in bidding on the project.

<sup>16</sup> *Energy and capacity*—Energy, in this context, is the amount of electricity that is used by a customer in a given time period; it is usually expressed in MWh or kWh. Capacity, as used here, is the share of a power plant’s output that is contractually reserved for a customer; it is usually expressed in MW or kW.

May 19, 2009

*In response to a question from Trustee Nicandri, Mr. Edward Welz said that the unplanned outage at the Lewiston Pump-Generating Plant had been the result of a failure of a piece of equipment but that everything has now been restored. Responding to a question from Chairman Townsend, Mr. Quiniones said that management would be prepared to brief the Trustees on a proposed new compensation plan at the July Trustees' Meeting.*

May 19, 2009

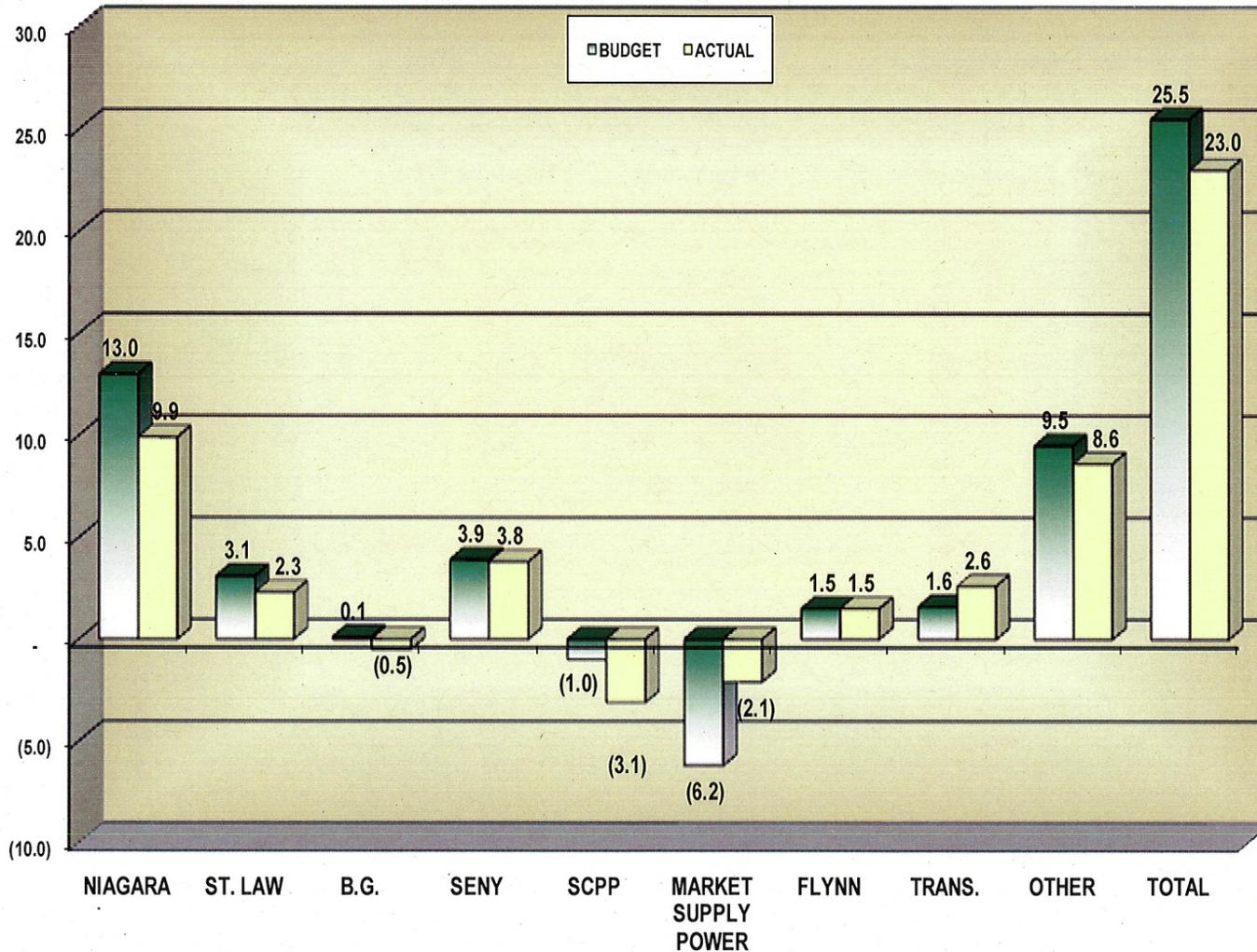
c. Report of the Chief Financial Officer

*Mr. Joseph Del Sindaco presented highlights of the report to the Trustees.*

*Vice Chairman Foster said that in view of the Authority's contributions to the State Treasury in February, it was of some concern that energy prices are down. President Kessel assured him that the Authority was still on target to meet its net revenue projection for the year.*

NEW YORK POWER AUTHORITY  
REPORT OF THE CHIEF FINANCIAL OFFICER  
FOR THE FOUR MONTHS ENDED APRIL 30, 2009

# Net Income By Facility April 2009 (\$ in millions)



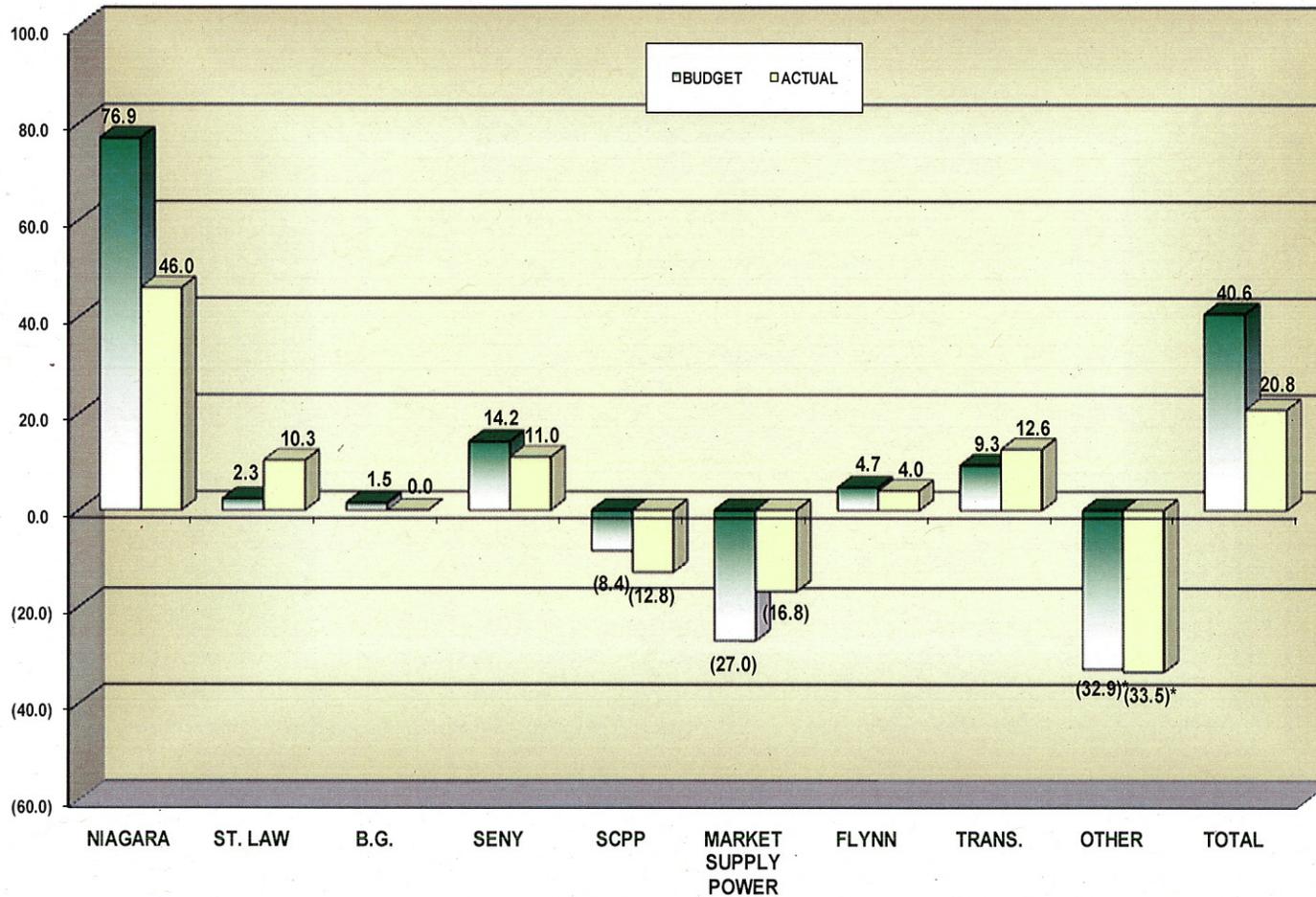
Major Factors	Better (Worse)
<b>Niagara</b> Primarily lower revenues for regulation service provided to NYISO (due to lower market prices).*	\$ (3.1)
<b>SCPP's</b> Lower market-based sales offset by lower fuel costs.	(2.1)
<b>MSP</b> Lower purchased power costs (due to lower prices), partially offset by lower revenues.	4.1
<b>Other</b> Primarily mark-to-market loss on investments (higher market interest rates).	(0.9)
<b>Misc.</b>	(0.5)
<b>Total</b>	\$ (2.5)

\* Regulation revenues are provided to generators who assist in maintaining the balance of resources (generation/ load) in the market.

# Net Income By Facility

## Four months ended April 30, 2009

(\$ in millions)

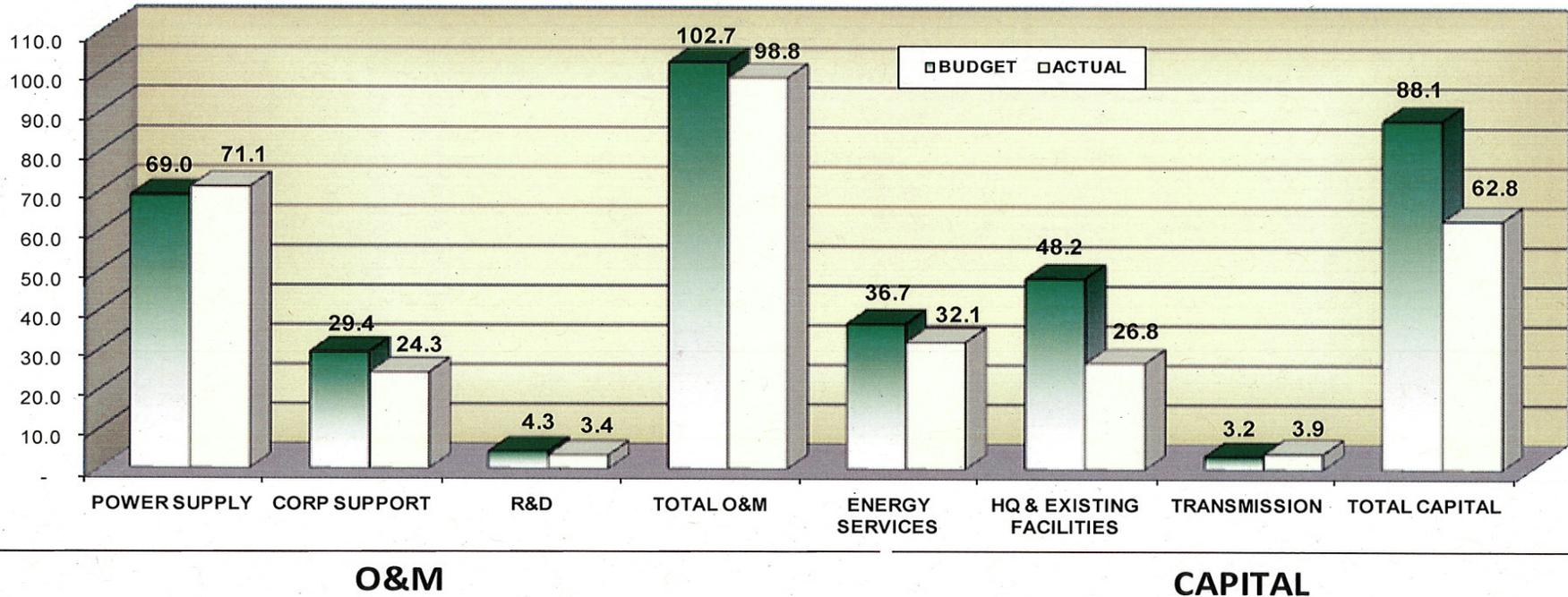


\*Includes \$70 million contribution to NY state (Actual & Budget).

Major Factors	Better (Worse)
<b>Niagara**</b> Primarily lower revenues on market based sales for energy and regulation service.	\$ (30.9)
<b>St. Lawrence</b> Higher market based sales & lower PP (13% higher production).	8.0
<b>SCPP's</b> Lower market based sales offset by lower fuel costs.	(4.4)
<b>MSP</b> Lower purchased power (lower prices) partially offset by lower revenues.	10.2
<b>Other</b> Higher mark-to-market loss offset by realized gains on the sale of investment securities and lower debt costs.	(0.6)
<b>Misc.</b>	(2.1)
<b>Total</b>	<b>\$ (19.8)</b>

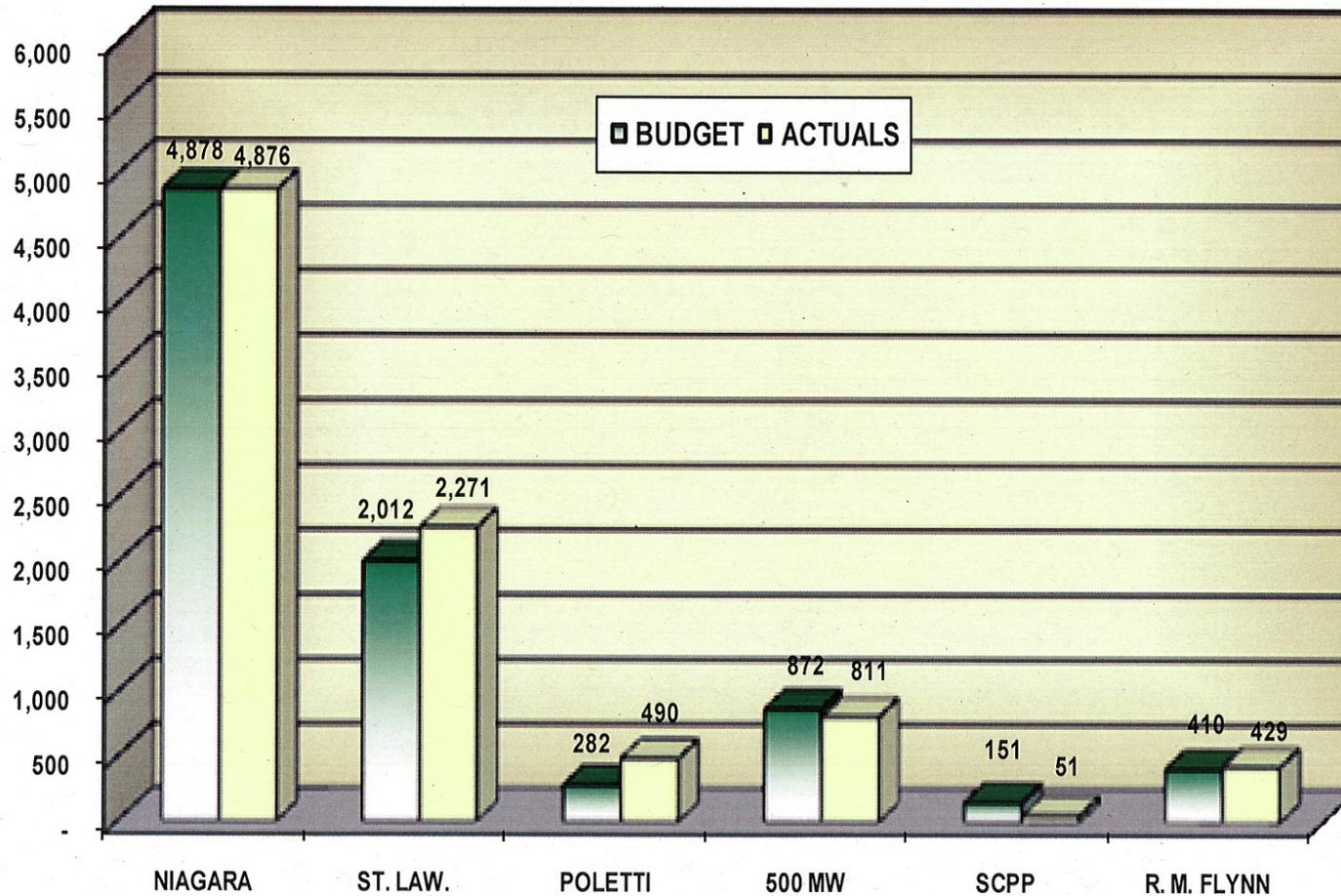
\*\* Approximately 70% of this variance is due to lower market prices. The remainder is due to a timing difference in interruptible sales to out of state customers that is expected to reverse during the remainder of the year.

## O&M and Capital Expenditures Four months ended April 30, 2009 (\$ in millions)



- Through April, O&M expenses were \$3.9 lower than the budget.
- Corporate Support expenses were under budget by \$5.1 due mostly to under spending for communications and IT computer hardware, software and consulting services.
- Power supply expenditures were \$2.1 higher than budgeted primarily at the 500MW facility and Niagara. The 500MW facility overrun was due to emergent contractor and material costs associated with the repairs to the unit 7A stator vanes. Niagara was over budget due to higher than anticipated contractor support for the RMNPP Gallery Structure Repair and the LPGP unit #1 wicket gate repair.
- Lower capital expenditures at HQ and Existing Facilities were primarily due to delays in various projects such as the St. Lawrence LEM and Breaker Replacement. Energy Service expenditures were under budget due to temporary timing differences related to the Electro-Technologies Project and NYPA Energy Services Programs.
- Under the Expenditures Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$11.6 for 2009. The following expenditures was authorized this month:
  - RMNPP 100-ton Gantry Crane Upgrade    \$0.2

# GENERATION YTD April 2009 (MWH in thousands)

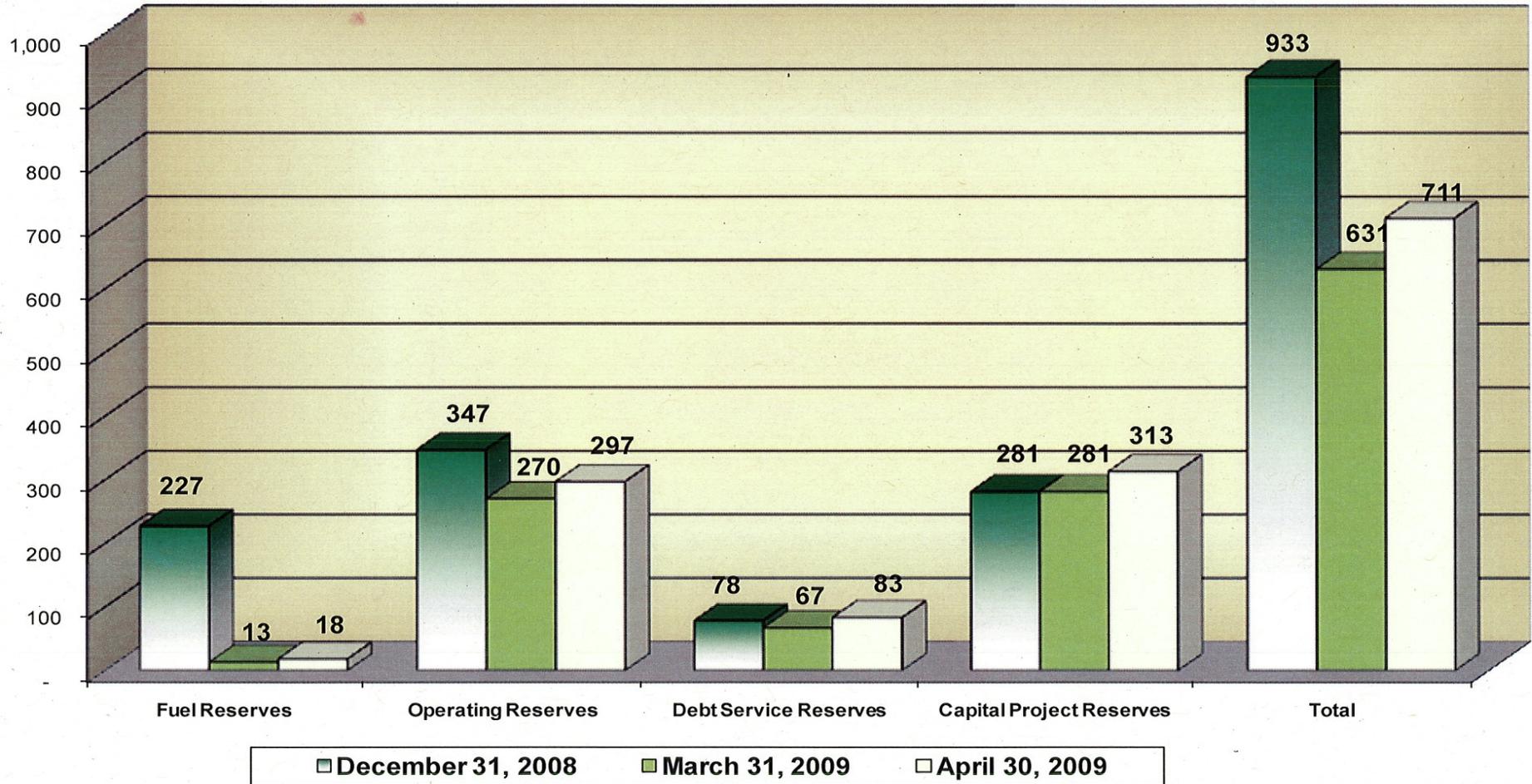


## GENERATION MONTH OF APRIL 2009

	BUDGET	ACTUAL	%
NIAGARA	1,071	1,171	9%
ST. LAW	532	620	16%
POLETTI	58	114	96%
500MW	294	235	-20%
SCPP	50	17	-65%
FLYNN	99	112	13%
BG	(27)	(4)	-87%
SM. HYDRO	22	17	-23%
<b>Total</b>	<b>2,099</b>	<b>2,282</b>	<b>8%</b>

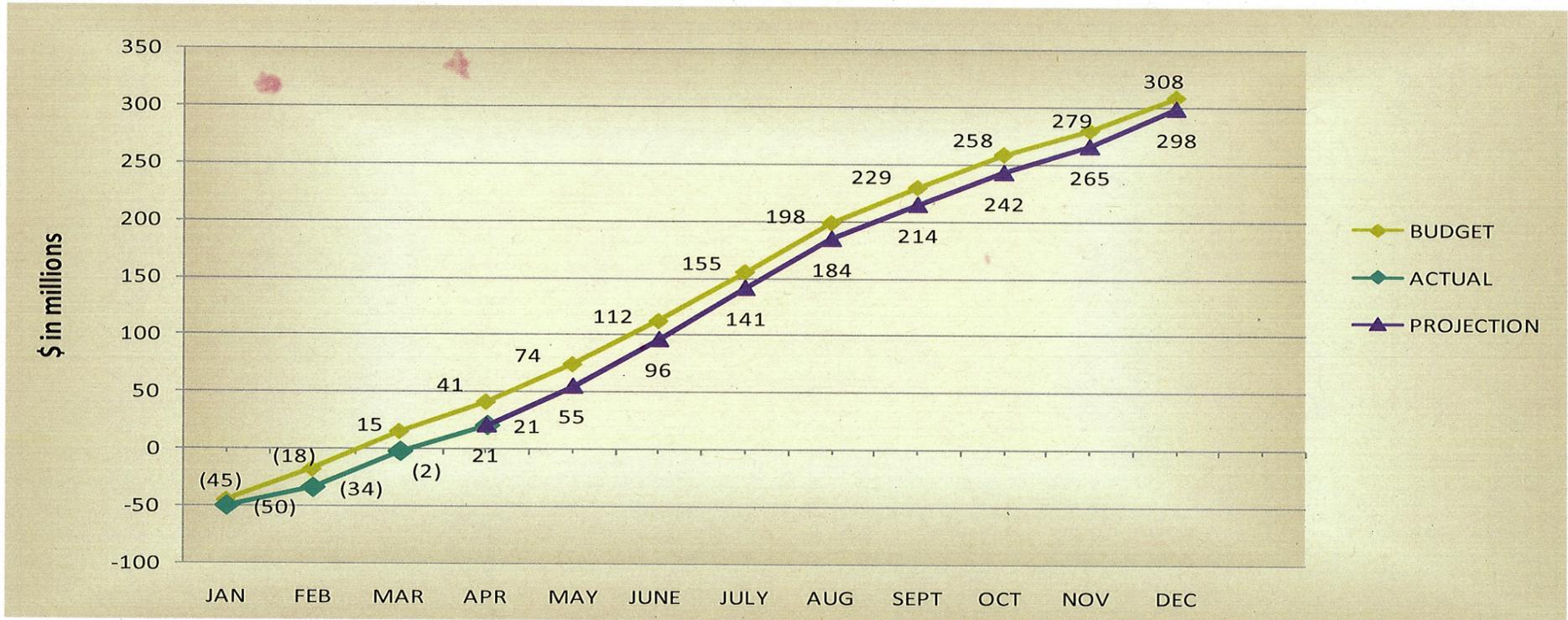
Production for April was 8% higher than anticipated resulting in 4% higher generation year-to-date. Through April, net generation was higher at Poletti, St. Lawrence and Flynn, and partially offset by lower production at the SCPPs and the 500MW plant.

## Operating Fund As of April 30, 2009 (\$ in millions)



The decrease in the fuel reserve balance during March resulted from a \$215 Temporary Asset Transfer to NY State as authorized by the trustees on February 3, 2009.

# Net Revenue Projection Year ended December 31, 2009 (\$ in millions)



## Major Assumptions:

- Hydroelectric generation is projected to be on budget at Niagara and 9% above budget at St. Lawrence. A precipitous drop in market prices (down 21%) is projected to result in decreased Niagara net income of \$47 million. Lower market prices at St. Lawrence are being off-set by higher generation and reduced customer sales resulting in an estimated increase of \$24 million in net income at that project.
- The Market Supply Power segment, which is a net buyer of market-based energy, is benefitting from lower market prices resulting in a projected \$35 million improvement.
- Blenheim-Gilboa and the Small Clean Power Plants, which are net sellers of market-based energy, are seeing reduced revenues due to lower market prices resulting each in a \$10 million reduction in net income
- A high water flow scenario (21.6 twh) would yield net income of \$331 million, whereas a low water flow scenario (19.7 twh) would yield net income of \$256 million.

New York Power Authority  
Financial Reports  
For The Four Months Ended April 30, 2009

**STATEMENT OF NET INCOME**

*(in \$ millions)*

	<u>Annual Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Operating Revenues</b>				
Customer	\$2,081.9	\$627.1	\$670.4	(\$43.4)
Market-Based Power Sales	805.4	181.8	201.3	(19.5)
Ancillary Services	62.3	14.4	27.2	(12.8)
NTAC and Other	88.0	32.1	28.5	3.6
	<u>955.7</u>	<u>228.3</u>	<u>257.0</u>	<u>(28.7)</u>
	<b>3,037.6</b>	<b>855.3</b>	<b>927.4</b>	<b>(72.1)</b>
<b>Operating Expenses</b>				
Purchased Power	1,060.3	316.4	332.5	16.1
Fuel Consumed - Oil & Gas	516.5	132.2	156.1	23.9
Ancillary Services	95.8	23.8	31.1	7.3
Wheeling	441.6	112.4	115.4	3.0
Operations & Maintenance	304.6	98.8	102.7	3.9
Depreciation & Amortization	160.7	53.6	53.6	-
Other Expenses	115.0	41.1	39.9	(1.2)
Allocation to Capital	(10.4)	(2.3)	(3.0)	(.8)
	<u>2,684.0</u>	<u>776.1</u>	<u>828.3</u>	<u>52.3</u>
<b>Net Operating Revenues</b>	<b>353.6</b>	<b>79.2</b>	<b>99.1</b>	<b>(19.8)</b>
<b>Non Operating Revenues</b>				
Post Nuclear Sale Income	89.8	34.7	34.7	-
Investment Income	43.9	16.9	13.4	3.6
Mark to Market - Investments	(3.7)	(8.2)	(1.2)	(7.0)
	<u>130.0</u>	<u>43.5</u>	<u>46.9</u>	<u>(3.4)</u>
<b>Non Operating Expenses</b>				
Contribution to State	70.0	70.0	70.0	-
Interest and Other Expenses	105.7	31.9	35.3	3.4
	<u>175.7</u>	<u>101.9</u>	<u>105.3</u>	<u>3.4</u>
<b>Net Income (Loss)</b>	<u><u>\$307.9</u></u>	<u><u>\$20.8</u></u>	<u><u>\$40.6</u></u>	<u><u>(\$19.9)</u></u>

New York Power Authority  
Financial Reports  
For The Four Months Ended April 30, 2009

**COMPARATIVE STATEMENT OF NET ASSETS**

*(in \$ millions)*

	<u>April 2009</u>	<u>December 2008</u>	<u>Net Change</u>
<b>ASSETS:</b>			
Electric Plant In Service, Less Accumulated Depreciation	\$3,357.2	\$3,370.6	(\$13.4)
Construction Work In Progress	138.4	157.6	(19.1)
Net Utility Plant	<u>3,495.7</u>	<u>3,528.2</u>	<u>(32.5)</u>
Restricted Funds	99.5	99.8	(.3)
Construction Funds	217.6	215.2	2.4
Investment in Decommissioning Trust Fund	783.8	811.8	(28.0)
Current Assets:			
Cash	.1	.1	-
Investments in Government Securities	691.0	961.1	(270.0)
Interest Receivable on Investments	5.4	7.1	(1.7)
Receivable-Customers	246.8	159.0	87.8
Materials & Supplies - Plant & General	82.9	84.5	(1.6)
- Fuel	30.2	38.6	(8.4)
Prepayments and Other	194.4	188.6	5.8
Notes Receivable - Nuclear Sale	145.0	182.2	(37.2)
Receivable - NY State	215.0	-	215.0
Deferred Charges and Other Assets	<u>545.3</u>	<u>503.3</u>	<u>42.0</u>
<b>TOTAL ASSETS</b>	<b><u>\$6,752.8</u></b>	<b><u>\$6,779.5</u></b>	<b><u>(\$26.7)</u></b>
<b>LIABILITIES AND OTHER CREDITS:</b>			
Long-term Debt			
Bonds	1,653.4	1,702.0	(48.6)
Notes	137.5	144.0	(6.5)
Short-term Notes Payable	268.1	272.5	(4.4)
Accounts Payable and Accrued Liabilities	971.9	924.8	47.1
Spent Nuclear Fuel Disposal	215.6	215.5	.1
Decommissioning of Nuclear Plants	783.8	811.8	(28.0)
Deferred Revenue	<u>134.9</u>	<u>142.0</u>	<u>(7.0)</u>
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<b><u>4,165.2</u></b>	<b><u>4,212.6</u></b>	<b><u>(47.5)</u></b>
<b>ACCUMULATED NET REVENUES - JANUARY 1</b>	2,566.8	2,268.4	298.5
<b>Net Income (Loss)</b>	<u>20.8</u>	<u>298.5</u>	<u>(277.7)</u>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b><u>\$6,752.8</u></b>	<b><u>\$6,779.5</u></b>	<b><u>(\$26.68)</u></b>

**7. Request to Approve Extensions to the Terms of Service for 12 Existing Expansion Power Customers**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve extensions to the terms of service for 13 allocations of Expansion Power (‘EP’), totaling 21,300 kW, to the 12 companies listed in Exhibit ‘7-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**

**3M, Tonawanda, Erie County**

“3M’s Home Care Division plant has been in Tonawanda for more than 50 years. The main products manufactured at the plant include cellulose cleaning sponges and cellulose abrasive laminate sponges. These products are sold as finished goods or as bulk for export. In addition to its U. S. presence, 3M is a global company with annual sales of approximately \$24.5 billion (in 2007). 3M currently maintains companies in more than 60 countries, with 145 plant locations worldwide.

“3M currently employs 360 full-time workers at the Tonawanda site. This is a 78% employment increase since 3M acquired the plant in 1990 from General Mills Corporation. Since that time, 3M has invested more than \$150 million in the Tonawanda facility. This includes new manufacturing lines, environmental control systems and various other automated processes. A total of 338 engineered projects were completed at the plant from January 2006 through December 2008 at an approximate cost of \$25 million. 3M is committed to targeting further investments in plant efficiency, manufacturing capacity and site infrastructure.

“The continuation of 3M’s Authority contract is essential to help the Tonawanda site remain competitive. 3M owns another sponge manufacturing facility in Elyria, Ohio that incurs significantly lower electricity costs than the Tonawanda plant. The cost-competitive nature of sponge manufacturing remains a critical component of 3M’s success.

“The contract for 3M’s 1,000 kW allocation of EP at its Tonawanda facility, with a commitment of 290 jobs, expires on August 31, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

**Carleton Technologies, Inc. ('Carleton'), Orchard Park, Erie County**

“Carleton is a high-tech supplier of pneumatic control and actuation systems to the aerospace and defense industry. The company supplies critical environmental control components that are routinely used by astronauts in orbit. Carleton also provides essential cooling systems for the U. S. Armed Forces. These systems are currently used by U. S. troops stationed in the Middle East.

“Carleton currently has 245 employees and plans to add 18 more through 2009. In the past five years, the company has invested \$1.5 to \$2.5 million annually in capital improvement projects. These capital investments are expected to continue for at least the next five years. Carleton is also investing an additional \$1 million to integrate a product line from another part of the country into its Orchard Park facility. As a result, the company remodeled the interior of its current building to accommodate this shift in production. This new product line will add an additional 14 jobs through 2009. In addition, Carleton is considering further expansion of its current facility by approximately 57,000 square feet. Such an expansion would result in even larger employment growth beyond Carleton’s current projections.

“Carleton’s hydropower allocation is an important part of its business plan moving forward. Cost curtailment is essential for the company to attain successful growth and expansion, particularly in the current economic downturn.

“The contract for Carleton’s 700 kW allocation of EP at its Orchard Park facility, with a commitment of 140 jobs, expires on August 31, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

**Cliffstar Corporation ('Cliffstar'), Dunkirk, Chautauqua County**

“Cliffstar, a leading manufacturer of bottled fruit juices that was established in the early 1970s, produces shelf-stable juices, teas, sports drinks, fitness waters and vitamin waters. The company purchases thousands of tons of grapes from Western New York and procures cranberries from surrounding states for processing and bottling. Cliffstar is the largest independent grape, cranberry and prune juice processor and one of the largest private-label beverage suppliers in the U. S.

“Cliffstar currently employs 469 full-time employees at its Dunkirk facility. The company has implemented several improvement projects, such as planning optimization, capital investments, associate training and line enhancements. As a result, Cliffstar has increased its overall efficiency by 20%. The company has also increased its production capabilities over the last few years, including increased fruit processing and the addition of a new production line. This line employs 96 full-time employees. Cliffstar currently plans to expand its operations on a ‘brown-field’ site adjacent to its Dunkirk facility, which will help the company increase production without shifting operations off site. This expansion is scheduled for completion in 2010 and will create additional employment opportunities.

“While Cliffstar maintains manufacturing sites throughout the country, the company requires an extension of its EP allocation to sustain a competitive advantage in New York State. Without an extension, the amount spent per case on utilities in other states would be lower than that spent in New York. Cliffstar’s industry measures profits in pennies per case and any savings realized are critical. Failure to receive a contract extension may result in production changes not only at the Dunkirk plant but also at Cliffstar’s storage facility in Brocton and processing plant in Fredonia. These sites support many Western New York jobs and are critical to the upstate economy.

“The contract for Cliffstar’s 500 kW allocation of EP at its Dunkirk facility, with a commitment of 455 jobs, expires on June 30, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

**Contract Pharmaceuticals Limited ('CPL'), Buffalo, Erie County**

“CPL, founded in 2005, acquired its current facility from Bristol-Myers Squibb Company ('BMS') and took assignment of BMS's existing power allocation contracts. This assignment has helped CPL become a local success story as the company continues to hold its own against aggressive global competition.

“Upon acquiring the BMS facility, CPL reversed a downsizing trend dating back to 1996. The company hired 196 employees from BMS in August 2005 and successfully created additional jobs up to its current level of 284 full-time workers. At the time of acquisition, the site was not meeting its job commitment. Today, CPL has made significant improvements and is currently exceeding its job commitment threshold.

“CPL is primarily a manufacturing company, leveraging its production assets to successfully serve its pharmaceutical customers. Specializing in liquid and semi-solid prescriptions, such as ointments, creams, etc., the company has a strong presence in over-the-counter dosages and is the second largest such specialist in the U. S. CPL was recently recognized in Buffalo's *Business First* newspaper as the fourth largest life sciences company in Western New York.

“CPL is currently experiencing challenging times due to the current economic downturn. In response, CPL has implemented an aggressive Lean Manufacturing strategy to reduce lead time and waste wherever possible. The goal is to make CPL the global leader in the company's niche of the pharmaceutical industry with respect to quality, customer service and flexibility.

“Since August 2005, CPL has invested several million dollars in site improvements, including a new central raw material dispensing area, warehouse temperature controls, new packaging equipment and asbestos remediation. These investments were all geared to improve the regulatory compliance and global competitiveness of the site.

“A contract extension will help CPL achieve continued viability in Western New York, reducing the company's operating costs and ultimately protecting many jobs in the region.

“The contract for CPL's 750 kW allocation of EP at its Buffalo facility, with a commitment of 265 jobs, expires on August 31, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

**Fieldbrook Foods Corporation ('Fieldbrook'), Dunkirk, Chautauqua County**

“Fieldbrook manufactures private-label ice cream and frozen novelty products for the supermarket and food service industries. Fieldbrook and its predecessor companies have been in business since 1914, with operations headquartered in Dunkirk. Fieldbrook manufactures more than 1,000 different products for a large number of leading national supermarket chains and food service operators. Approximately 20% of Fieldbrook's total production is sold to New York State supermarket operators, including A&P, Pathmark, Shoprite, Wegmans, etc.

“Fieldbrook employed 456 and 527 full-time workers in 2007 and 2008, respectively. Over the past seven years, Fieldbrook has invested more than \$18 million in facility improvements. Upgrades to material, machinery and equipment accounted for approximately \$15 million of the company's capital investment. The remaining \$3 million was spent on building improvements. In addition, Fieldbrook is planning to add new equipment to its facility over the next five years. This would include new storage silos, freezers, product-filling equipment, compressors, cartoners, etc.

“A contract extension will help Fieldbrook survive and remain competitive in the marketplace. Fieldbrook considers its Authority allocations as the chief reason for the company's survival in New York State. Fieldbrook provides a viable alternative to customers and its business model strives to keep prices low for its end-user consumers while continuing to maintain employment in Western New York.

“The contracts for Fieldbrook’s 1,000 kW and 2,000 kW allocations of EP at its Buffalo facility, with commitments of 420 jobs, expire on August 31, 2009. Staff recommends that the Trustees approve extensions to the terms of service for both contracts until June 30, 2013.

**GEICO, Amherst, Erie County**

“GEICO is the largest direct marketer and third largest automobile insurance company in the U. S. In business since 1937, the company is a wholly owned subsidiary of Berkshire Hathaway, Inc. GEICO’s Amherst facility, in which various auto policies are sold and serviced, serves as its main Western New York service center.

“GEICO currently employs 1,400 associates at its Amherst facility and plans to add an additional 280 jobs by the end of 2009. Since the company’s initial Authority allocation in 2004, GEICO has invested more than \$200 million in Western New York.

“A contract extension will allow GEICO to maintain reduced operating costs, improving the company’s competitive position moving forward. The savings from its reduced operating costs have directly contributed to GEICO’s increased employment figures.

“The contract for GEICO’s 1,600 kW allocation of EP at its Amherst facility, with a commitment of 736 jobs, expires on November 30, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

**General Motors (‘GM’), Tonawanda, Erie County**

“GM Powertrain Tonawanda Engine Plant was initially built in 1937. The original building, which was 1 million square feet, has been expanded several times to bring it to its current size of 3.45 million square feet. The facility is made up of three plants currently producing four types of engines used in many products within and outside GM.

“The Tonawanda plant currently employs 1,450 workers, including approximately 310 salaried employees and 1,140 hourly personnel. These employment figures are linked directly to engine line production and the facility’s ability to attract future products. Prior to the current business downturn, the Tonawanda plant was under consideration for a new diesel engine line that has since been delayed. A contract extension is vital not only to retaining current employment at the plant, but also to enabling the plant to compete for future engine lines once new-product holds are lifted.

“Over the last 15 years, the Authority’s hydropower allocations have allowed GM to attract and retain new products at the Tonawanda plant. These allocations have directly led to significant capital investments. In 2004, more than \$300 million was invested to bring the High Value HVV6 engine line to Tonawanda. In addition, more than \$75 million will be spent modernizing the L850 engine line in 2009 and 2010. The plant has also made significant productivity improvements over the last five years that have made it much more competitive in the global environment.

“In light of the current business climate, with increasing competition among GM plants worldwide to retain their current lines and attract future products, the hydropower allocation is absolutely critical to the competitiveness of the Tonawanda plant. The Authority’s GM allocations have been an important tool in bringing large-scale investment and employment to Western New York. A contract extension is needed to ensure GM Tonawanda’s continued viability and future success moving forward.

“The contract for GM’s 5,000 kW allocation of EP at its Tonawanda facility, with a commitment of 1,600 jobs, expires on December 31, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

**Goodyear Dunlop Tires North America, Ltd. ('Goodyear Dunlop'), Tonawanda, Erie County**

“Goodyear Dunlop is one of only 10 tire plants in Goodyear’s North American business unit. The Tonawanda plant produces three product lines: motorcycle, passenger/light truck and medium radial truck tires. In light of the current economic situation, the passenger and truck tire lines are currently facing relocation to another Goodyear site. The extension of Goodyear Dunlop’s contract would go a long way toward increasing the company’s cost efficiency while retaining these product lines at the Tonawanda plant.

“Goodyear Dunlop has been a viable part of the Western New York business community since 1923. In addition to original equipment, the plant also produces extensive replacement tire products. The Tonawanda plant holds the distinction of being the only motorcycle tire plant in North America. In addition, the Tonawanda plant is the only tire plant in New York State.

“For the year ending 2008, Goodyear Dunlop’s average monthly employment was 1,467 jobs. In recent years, capital investments of more than \$52 million have been made at the site, primarily for growing the company’s motorcycle tire business. Approximately 35% of Goodyear’s total investments are injected directly into the New York State economy through equipment orders, installations, etc. The company’s current EP allocation results in annual savings of about \$2.5 million. In addition, Goodyear remains committed to energy efficiency improvements and has invested \$1.5 million on numerous projects over the last four years. In 2007, the Tonawanda plant became the first Goodyear North American tire facility to achieve zero pounds of waste to landfill. The company’s current environmental goal is to achieve total elimination of solvent usage by 2011.

“The contract for Goodyear Dunlop’s 6,000 kW allocation of EP at its Tonawanda facility, with a commitment of 1,412 jobs, expires on August 31, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

**Niacet Corporation ('Niacet'), Niagara Falls, Niagara County**

“Niacet is a family-owned specialty chemical producer. Chemical operations were first established at this facility in 1924 by several public companies. When acquired by the Brannen family in 1978, Niacet had annual sales of approximately \$5 million, with 35 employees. Today, Niacet achieves annual sales of approximately \$50 million and has increased its workforce to 85 employees. Since the acquisition, Niacet has invested more than \$65 million in its Niagara Falls facility. This includes a \$5 million installation to enhance the quality of Niacet’s calcium propionate. This product is used as a mold inhibitor in bread and is sold throughout the world. In 2007, Niacet invested an additional \$6 million in its calcium propionate business and further expanded this process in 2008 with a subsequent investment of \$2.5 million. These two years only represent a portion of Niacet’s capital investment. Niacet’s 2007-08 capital investment totaled approximately \$11 million.

“In addition to the company’s calcium propionate business, Niacet is currently working to expand its Monochloroacetic Acid (‘MCAA’) Plant. This requires a capital investment of \$15 million, which would be the largest in Niacet’s history. Niacet is one of only two U. S. producers of MCAA and the European market currently maintains a competitive edge in this industry. Niacet’s expansion plan is designed to shift this competitive edge to its Niagara Falls plant. Using new technology developed by the company, Niacet is confident it can enhance its position in the MCAA market.

“In order to achieve this competitive edge, Niacet will need an extension of its contract. The company’s production process is very capital intensive and Niacet has made continual investments during its 30+ years in business. Without an extension, Niacet’s electricity costs would easily triple. Such an increase would remove the most critical advantage of the company’s Niagara Falls location, low-cost energy.

“The contract for Niacet’s 500 kW allocation of EP at its Niagara Falls facility, with a commitment of 82 jobs, expires on December 31, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

**Niagara Ceramics Corporation (‘Niagara Ceramics’), Buffalo, Erie County**

“Niagara Ceramics is a manufacturer of commercial dinnerware for the foodservice industry. The corporation was formed in March 2004 by a management group within Buffalo China, Inc. Niagara Ceramics manufactures products for the chain restaurant industry. However, due in part to the current economic decline, the company is at an all-time low in sales volume. In addition, as part of its arrangement with Oneida Limited, there are current restrictions on the type of accounts Niagara Ceramics can serve. Once this arrangement expires, the company can resume selling to potentially larger customers. Niagara Ceramics is currently facing strong competition from the import market.

“Due to the company’s current decline in sales, Niagara Ceramics has reduced its workforce accordingly. While its Authority job commitment remains at 190, the company currently employs only 100 full-time employees. Although the company is currently below its job commitment, Niagara Ceramics anticipates an increase in employment in 2009.

“Hydropower allocations are more critical than ever as Niagara Ceramics faces a less-than-breakeven situation. The company is forced to cover an enormous overhead burden at reduced volume levels. While sales have declined, Niagara Ceramics is in the process of vacating leased space for its dinnerware decorating operation. The company will be purchasing used equipment to accommodate this move at a cost of \$100,000 to \$125,000. When business increases and Niagara Ceramics can reintroduce chain-restaurant volume into its customer mix, the company will be exploring distribution facility options for warehousing and shipping products, hopefully by late 2010 or early 2011. Such an expansion may also involve adding a building adjacent to the company’s existing factory.

“In light of its current business environment, a contract extension is critical to Niagara Ceramics’ continued success as a domestic dinnerware manufacturer.

“The contract for Niagara Ceramics’ 250 kW allocation of EP at its Buffalo facility, with a commitment of 190 jobs, expires on July 31, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

**Norampac Industries Inc. (‘Norampac’), Niagara Falls, Niagara County**

“Norampac, a subsidiary of Cascades, Inc., a Canadian manufacturer of corrugated products, produces linerboard, corrugated medium and a host of other corrugated products, including graphics and display items. Norampac’s primary customers are other manufacturers that use boxes to protect their goods during shipment to end-user customers. Norampac was formed in 1997 when Cascades and Domtar, another Canadian company, formed a joint venture. Cascades became the sole owner of Norampac in 2007.

“The Niagara Falls mill produces 750 tons of recycled medium on a daily basis. The medium, or fluting, is used in the construction of corrugated boxes. In addition, the mill consumes more than 800 tons of wastepaper per day. The plant operates on a 24/7 basis and employs 126 permanent employees. Norampac’s significant presence in Niagara Falls for 23 years and its employment history have had a positive economic impact on Western New York.

“Over the past several years, Norampac has invested more than \$10 million in capital projects to remain competitive in its industry. These projects have been directed toward cost reduction, such as improvements to reduce waste (\$650,000), and a new head box for one of the company’s paper machines (\$3.2 million). Norampac is currently considering the best location for expanding its operations with a new paper machine and a total capital

May 19, 2009

investment of more than \$500 million. However, the Niagara Falls plant is competing with one of its sister mills in Ontario for this project.

“In light of the current economic downturn, Norampac is facing increased competition, particularly from the Asian market. This underscores the company’s need for a contract extension to help it reduce its operating costs, helping to secure its future presence in Western New York. This would allow the company to remain competitive and play an important role in the local and State economy.

“The contract for Norampac’s 1,600 kW allocation of EP at its Niagara Falls facility, with a commitment of 126 jobs, expires on August 31, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

#### **Rosina Food Products, Inc. (‘Rosina’), Buffalo, Erie County**

“Rosina, which began as a small sausage company in 1963, has been expanding ever since. During the 1970s, Rosina expanded into meatball production and experienced substantial growth. In 1981, Rosina moved into a larger production facility and continued to grow, distributing its products nationally. The Buffalo facility is primarily used in the protein production process for various Rosina-brand meatballs, sausages and toppings.

“Rosina currently employs 243 people at its Buffalo facility, within 90% of its 270-job commitment. During the last three years, the company has made a number of large capital investments, including a 2005 upgrade to the company’s wastewater treatment system (\$690,000), a 2006 installation of a new meat grinder line (\$298,000) and the 2007 replacement of an antiquated oven with new technology (\$884,000). In addition, if it can be economically justified, Rosina is considering further expansion in 2013 that would require a \$7-\$10 million capital investment and create an additional 50 jobs.

“Rosina is currently competing with manufacturers across the entire U. S. and needs a contract extension to remain competitive in Western New York. A 400 kW EP extension should help Rosina continue its expansion moving forward.

“The contract for Rosina’s 400 kW allocation of EP at its Buffalo facility, with a commitment of 270 jobs, expires on July 31, 2009. Staff recommends that the Trustees approve an extension to the term of service until June 30, 2013.

“In summary, the extensions requested above will help maintain costs and enable these 12 companies to compete more effectively. In addition, the companies 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 13 allocations of Expansion Power totaling 21,300 kW to the 12 companies listed in Exhibit ‘7-A.’

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

May 19, 2009

*Mr. Yates presented the highlights of staff's recommendations to the Trustees. Vice Chairman Foster said that staff had not provided enough facts for the Trustees to feel comfortable approving the extensions, asking staff to give the Trustees more numbers on which to base their decision in the future. As an example, he said it would be helpful to know the percentage of company costs represented by electricity. In response to a question from Trustee Cusack, Mr. Yates said that staff would be presenting a few more extension requests to the Trustees in the coming months and that, once those have been approved, all of the Expansion Power customers' contracts would have a 2013 expiration date.*

*Trustee Curley recused himself from the vote with respect to Carleton Technologies, Inc.*

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

**RESOLVED, That the Trustees find that staff's review supports the extension of contracts for 21,300 kW of Expansion Power, as detailed in Exhibit "7-A," which is hereby approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

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

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

New York Power Authority  
Expansion Power  
Recommendations for Contract Extensions

Exhibit "7-A"  
May 19, 2009

#	Company	City	County	IOU	KW Allocation	Total Jobs	Recent Capital Investment	Jobs/MW	Contract Expires	Term of Extension
1	3M	Tonawanda	Erie	N. Grid	1,000	290	\$25,000,000	290	8/31/2009	6/30/13
2	Carleton Technologies Inc.	Orchard Park	Erie	NYSEG	700	140	\$11,000,000	200	8/31/2009	6/30/13
3	Cliffstar Corporation	Dunkirk	Chautauqua	N. Grid	500	455	\$3,090,000	910	6/30/2009	6/30/13
4	Contract Pharmaceutical Limited	Buffalo	Erie	N. Grid	750	265	\$3,650,000	353	8/31/2009	6/30/13
5	Fieldbrook Foods Corporation	Dunkirk	Chautauqua	N. Grid	1,000				8/31/2009	6/30/13
	Fieldbrook Foods Corporation	Dunkirk	Chautauqua	N. Grid	<u>2,000</u>				8/31/2009	6/30/13
	Total Fieldbrook				3,000	420	\$18,000,000	140		
6	GEICO	Amherst	Erie	N. Grid	1,600	736	\$200,000,000	460	11/30/2009	6/30/13
7	General Motors Corporation	Buffalo	Erie	N. Grid	5,000	1,600	\$75,000,000	320	12/31/2009	6/30/13
8	Goodyear Dunlop Tires North America Ltd.	Tonawanda	Erie	N. Grid	6,000	1,412	\$52,000,000	235	8/31/2009	6/30/13
9	Niacet Corporation	Niagara Falls	Niagara	N. Grid	500	82	\$11,000,000	164	12/31/2009	6/30/13
10	Niagara Ceramics Corporation	Buffalo	Erie	N. Grid	250	190	\$125,000	760	7/31/2009	6/30/13
11	Norampac Industries, Inc.	Niagara Falls	Niagara	N. Grid	1,600	126	\$10,000,000	79	8/31/2009	6/30/13
12	Rosina Food Products, Inc.	Buffalo	Erie	NYSEG	400	270	\$1,872,000	675	7/31/2009	6/30/13
	<b>Total</b>				<b>21,300</b>		<b>\$410,737,000</b>			

**8. Temporary Distribution of Net Margins Derived from the Sale of Hydropower Formerly Used by Businesses**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve a Temporary North Country Electricity Stimulus Plan (‘Plan’) covering the use of up to \$10 million of the net margins produced by the sale of hydropower to provide electric bill discounts for up to one year to businesses located in the region of New York State designated in State law as the Preservation Power area.

**BACKGROUND**

“The thirteenth paragraph of Section 1005 of the Public Authorities Law (‘PAL’) directs the Authority to sell hydropower from the St. Lawrence/FDR Power Project as Preservation Power (490 MW) to qualifying businesses in Franklin, Jefferson and St. Lawrence counties.

“For the purposes of this Plan, net margins are defined as total wholesale market revenues derived from hydropower energy formerly sold to New York State businesses as Preservation Power minus the Authority’s industrial rate for these types of power sales minus any costs incurred by the Authority to implement the Plan’s temporary arrangements.

**DISCUSSION**

“Current economic conditions are placing an added strain on many New York State manufacturing companies. Consumer demand has declined for many end products and product components produced in New York. Numerous New York State companies have temporarily curtailed production due to this decline in consumer demand for products. This has led to substantial quantities of Authority hydropower not being used by those industries eligible to receive it. As a result, the Authority currently sells this unused power into the wholesale market at prices higher than the tariff rate that the Authority charges to its business customers for such power.

“Staff recommends that some of the net margins produced by this sale into the market be used temporarily to lower the price paid for power by businesses located in the region served by allocations of Preservation Power.

“Staff has reviewed the potential cost of the proposed Plan against the Authority’s expected cash flow, cash position and reserve requirements, which are the primary business criteria staff uses to evaluate the feasibility of any initiatives such as the proposed Plan. Based on this review, staff estimates that as much as \$10 million may be made available over the next 12 months to distribute pursuant to the proposed Plan and that the release of such amount by the Authority would not violate the above criteria, assuming the Authority achieves all its other financial and operating goals during this period.

“The Authority will need to partner with the upstate utilities (National Grid and New York State Electric and Gas Corporation) to construct a financial pathway for dollars to flow from the Authority to the businesses in the targeted counties through the local utility’s monthly electric bill to each business. The utilities have expressed a strong desire to work with the Authority to implement this Plan, but have also advised that the New York State Public Service Commission may have to approve any tariff amendments needed to effectuate the agreed-upon methodology.

“Staff will provide quarterly reports to the Trustees reflecting the implementation of the Plan and the status of fund availability. Among other factors, fund availability may be affected by future allocations or renewed use of the power that is currently not being used by eligible businesses.

FISCAL INFORMATION

“Based on staff’s current projections, up to \$10 million in funds will be made available to support the proposed Plan for up to 12 months.

RECOMMENDATION

“The Senior Vice President – Marketing and Economic Development and the Senior Vice President – Corporate Planning and Finance recommend that the Trustees authorize the formation of a Temporary North Country Electricity Stimulus Plan funded from unplanned net margins from the sale of hydropower at market prices and authorize Authority staff to collaborate with the upstate utilities to develop a pathway for distributing monies to end-user business customers via the utilities’ monthly electric bills.

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

*President Kessel said that the Authority had developed this plan in collaboration with Senator Aubertine and several other local officials. He said the plan would lower rates for industrial customers by 10-15%.*

*President Kessel said that this was a unique temporary project tied in with the Authority’s efforts to assist Alcoa and that the Authority would review its efficacy next year. He added that this plan was an important component of the Authority’s commitment to the North Country and pointed out that it was not related in any way to the funding associated with the aquarium.*

*Mr. Yates then presented the highlights of staff’s recommendations to the Trustees. In response to a question from Vice Chairman Foster, Mr. Yates said that all companies within the three affected counties (Franklin, Jefferson and St. Lawrence) would qualify for the plan. He said that there would be no application process and that the Authority would work out the plan with the utilities in those three counties. Responding to a question from Trustee Curley, Mr. Yates said that all commercial and industrial companies would be eligible for the plan. Trustee Nicandri said that the current economic climate has brought a lot of companies to the point of closing or laying off staff and that the Authority sees this as a way to help these companies make the transition until the economy improves. In response to another question from Vice Chairman Foster, Mr. Yates said that the savings that would show up in the affected companies’ utility bills would reflect their August usage. Chairman Townsend asked if anyone in the audience wished to make a brief statement.*

May 19, 2009

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

**RESOLVED, That the Authority hereby approves the formation of a Temporary North Country Electricity Stimulus Plan for the use of up to \$10 million net margins from the unplanned sale of Preservation Power at wholesale market prices to provide electric bill discounts to businesses located in the Preservation Power counties of Franklin, Jefferson and St. Lawrence; and be it further**

**RESOLVED, That as a condition to making available the amounts specified in the foregoing resolution, the Senior Vice President – Corporate Planning and Finance or the Treasurer shall certify that such monies are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further**

**RESOLVED, That the Chairman or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate such Temporary North Country Electricity Stimulus Plan; and be it further**

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

**9. Economic Development Plan – Use of Net Revenues Produced by Sale of Expansion Power as Industrial Incentive Awards**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve an Economic Development Plan (‘Plan’) covering the use of net revenues produced by the sale of Expansion Power (‘EP’) to provide electric bill discounts to manufacturing companies located in New York State that are at identifiable risk of closure or relocation to another state and to authorize the submission of such Plan for a period of three years to the Economic Development Power Allocation Board (‘EDPAB’).

**BACKGROUND**

“Chapter 32 of the Laws of 1987: (a) authorized the Authority to enter into new contracts for the sale of EP to customers in Western New York; (b) provided for the sale of industrial power as Economic Development Power (‘EDP’) under newly established criteria and (c) established EDPAB to review applications for EDP and to recommend approved applications to the Authority.

“The eighth unnumbered paragraph of Section 1005 of the Public Authorities Law (‘PAL’), as amended by Chapter 32, directs the Authority to identify net revenues produced by the sale of EP and, further, to identify an amount of such net revenues to be used solely for Industrial Incentive Awards (‘Awards’). These Awards are to be made in conformance with a Plan covering all such net revenues that is submitted by the Authority to EDPAB and is approved by EDPAB pursuant to Section 188 of the Economic Development Law (‘EDL’).

“Net revenues are defined by Section 1005 as any excess of revenues properly allocated to the sales of EP over costs and expenses properly allocated to such sales. The Authority is directed in Section 1005 to identify net revenues no less often than annually. Section 188 of the EDL provides that EDPAB is to review each Plan applying the same economic development criteria as those used to evaluate applications for power. The statute does not specify a definition of Industrial Incentive Awards.

“The Authority approved five-year programs in 1990, 1996 and 2001 and one-year programs in 2006 and 2007 under which EP net revenues were to be dedicated to helping maintain stable rates in existing economic development programs. EDPAB has periodically approved such Plans for use of EP revenues to hold economic development program rates at a stable level.

**DISCUSSION**

“The current economy is placing added strain on many New York State manufacturing companies. Consumer demand has declined for many end products and product components produced in New York. This leads to added cost pressure as companies assess each production location for continued operation or relocation.

“Electricity costs can be a significant cost component for many manufacturing companies. Now is an appropriate time to deploy the Authority’s Industrial Incentive Awards in a new and different manner. Consequently, it is proposed that the Authority authorize Awards to individual manufacturing companies that provide explicit data demonstrating their risk of closure or relocation out of New York State.

“The form of the Award will be a ¢/kWh price discount on an agreed-to level of electricity consumption for one year. For example, a 1¢/kWh Award on annual usage of 10,000 kW and 60 million kWh would become a monetary Award of \$600,000. Awards would normally be for one year, with the ability to renew for one or two

May 19, 2009

additional years provided the company continues to meet an agreed-to job commitment for New York. Additionally, participating companies could opt out should any new long-term economic development program be approved by the State that offers similar or greater value.

“Authority staff is presently working with three manufacturing companies that would qualify for such Awards. The companies are located in Auburn (Cayuga County), Camden (Oneida County), Rome (Oneida County) and Hauppauge (Suffolk County) (see Exhibit ‘9-A’). The combined annual Awards to the three companies at a total of six locations is up to \$3.982 million, leaving a substantial amount of the 2008 EP net revenues for additional Awards.

“It is therefore proposed that the Authority’s Chairman be authorized to submit the Authority’s Plan to EDPAB for the ensuing three-year period providing for the use of 2008, 2009 and 2010 EP net revenues (\$7.9 million for 2008). The Authority will report to EDPAB annually on the actual disbursement of these funds.

RECOMMENDATION

“The Senior Vice President – Marketing and Economic Development recommends that the Trustees authorize the Chairman to submit to the Economic Development Power Allocation Board for approval for the ensuing three-year period an Economic Development Plan that provides for the use of net revenues from the sale of Expansion Power (calendar years 2008, 2009 and 2010) to provide electric bill discounts to manufacturing companies in New York State that are at identifiable risk of closure or relocation to another state.

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

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

**RESOLVED, That the Authority hereby approves an Economic Development Plan that provides for the use of net revenues from the sale of Expansion Power (calendar years 2008, 2009 and 2010) to provide electric bill discounts to manufacturing companies in New York State that are at identifiable risk of closure or relocation to another state; and be it further**

**RESOLVED, That the Chairman or his designee be, and hereby is, authorized to submit an Economic Development Plan for the next three years to the Economic Development Power Allocation Board for review and approval; and be it further**

**RESOLVED, That the Chairman or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate such Economic Development Plan; and be it further**

May 19, 2009

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

**Industrial Incentive Awards IIA (2008 value \$7.9 million)**

**NUCOR**

- Auburn (Cayuga County) – 293 jobs
- NYSEG service area – 300 million kWh per year
- Target rate ~5.3 ¢/kWh against NYSEG rate of ~6.0 ¢/kWh
- IIA of 0.7 ¢/kWh variable up to max of \$2 million/year
- 1 year plus 1 year plus 1 year
- IIA flexible to allow NUCOR to participate in any new NYPA power program

**International Wire Group (IWG)**

- Camden (Oneida County) (3 plants) – 67 jobs (plus 241 corporate jobs)
- Rome (Oneida County) (1 plant) – 42 jobs
- Total jobs – 107 (up to 348 with corporate)
- National Grid service area – 58 million kWh per year (2008)
- Target rate of 8 ¢/kWh
- IIA of 3.00 ¢/kWh or \$1.882 million/year evenly distributed over 4 plants
- IIA of 2.1 ¢/kWh to 4.3 ¢/kWh (each plant varies to get 8¢ total), still \$1.882 million/year
- 1 year plus 1 year plus 1 year
- IIA flexible to allow IWG to participate in any new NYPA power program

**Positive Promotions**

- Hauppauge (Suffolk County) – 600 to 800 jobs (seasonal)
- Long Island Power Authority (LIPA) – 3 million kWh per year, current rate 17.36 ¢/kWh
- LIPA offering special rate discount of 14.1% or \$75,400 or 2.45 ¢/kWh discount
- IIA of 3.00 ¢/kWh for a maximum of \$100,000
- Combined NYPA/LIPA package \$175,000 or 5.45 ¢/kWh or 31% discount
- 1 year plus 1 year plus 1 year
- IIA flexible to allow Positive Promotions to participate in any new NYPA power program

Total recommended Industrial Incentive Awards = \$3.982 million  
\$3.918 million remaining

10. Other Business

*Chairman Townsend said that Authority staff had been presented with an award in Washington, DC by the American Hydropower Association for its efforts to save the eel at the St. Lawrence Power Project.*

*He also commended Mr. Eric Gustafson and other local officials for their efforts on behalf of four local communities to resolve the issue of how the aquarium money should be spent. Supervisor Larry Legault of the Town of Louisville addressed the Trustees, saying that he and the other local officials and citizens were looking forward to working hand-in-hand with the Industrial Development Agency on the St. Lawrence River Valley Redevelopment Agency. He asked the Authority to set up the meetings necessary to facilitate the infusion of \$16+ million and 20-22 MW to the region, thanking Trustee Nicandri and President Kessel, as well as Assemblywoman Addie Russell, for their hard work in this regard. Chairman Townsend said that the Authority was anxious to get started on this work. President Kessel thanked Mr. Legault and all of the public officials involved, especially Assemblywoman Russell, Senator Aubertine and Senator Griffo. He said the first meeting was scheduled for Wednesday, May 27 and that, while the Authority wants to facilitate these meetings, it wants the local communities to decide collaboratively how best to use these resources. A number of other local citizens told the Trustees that the local environmental community needed to be included on this project as well. President Kessel said that they made some good points and that he was going to ask Authority staff to sit down with them to address their concerns. Trustee Nicandri said that he had been involved in this for some time and that it was his understanding that, as part of the relicensing process, money had been allocated to the New York State Department of Environmental Conservation and the New York State Office of Parks, Recreation and Historic Preservation for projects that are in the works or are ongoing to protect the environment, including the waterfront. Chairman Townsend added that all projects would have to meet the requirements of the State Environmental Quality Review Act.*

11. Motion of Conduct an Executive Session

*“Mr. Chairman, I move that the Authority conduct an executive session pursuant to Section 105(1)(f) of the Public Officers Law of the State of New York to discuss matters leading to the appointment, employment, promotion, discipline, suspension, dismissal or removal of a particular person or corporation.”* Upon motion made and seconded, an Executive Session was held.

12. **Motion to Resume Meeting in Open Session**

*“Mr. Chairman, I move to resume the meeting in Open Session.”* Upon motion made and seconded, the meeting resumed in Open Session.

13. **Next Meeting**

The next Regular Meeting of the Trustees will be held on Tuesday, June 30, 2009, at 11:00 a.m., at a location to be determined, unless otherwise designated by the Chairman with the concurrence of the Trustees.

**Closing**

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 3:00 p.m.

A handwritten signature in cursive script, appearing to read "Karen Delince".

Karen Delince  
Corporate Secretary