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

September 29, 2009

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Hyatt Regency Rochester, 125 Main Street, Rochester, New York, at 11:07 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

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Terryl Brown Clemons	Executive Vice President and General Counsel
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
Joan Tursi	Acting Executive Vice President – Corporate Support and Administration
Thomas P. Antenucci	Senior Vice President – Power Supply Support Services
Bert J. Cunningham	Senior Vice President – Corporate Communications
Steven J. DeCarlo	Senior Vice President – Transmission
Paul F. Finnegan	Senior Vice President – Public and Governmental Affairs
Donald A. Russak	Senior Vice President – Corporate Planning and Finance
James F. Pasquale	Acting Senior Vice President – Marketing and Economic Development
Arnold M. Bellis	Vice President and Controller
Paul W. Belnick	Vice President – Project Development and Management
Thomas DeJesu	Vice President – Public and Governmental Affairs
Patricia Leto	Vice President – Procurement
Christine Pritchard	Vice President – Media Relations and Corporate Communications
Francine Evans	Chief of Staff – President's Office
Victoria Simon	Chief of Staff to Chief Operating Officer and Director of Energy Policy
Dennis T. Eccleston	Chief Information Officer
Joseph W. Gryzlo	Chief Ethics and Compliance Officer
Arthur T. Cambouris	Deputy General Counsel
Karen Delince	Corporate Secretary
Lisa A. Cole	Director – Financial Planning
Helle Maide	Director Key Accounts – EMB Marketing and Economic Development
John L. Canale	Project Manager – Power Supply Support Services
Thomas J. Shust	General Manager – Clark Energy Center
Marilyn J. Brown	Manager – Market Analysis and Tariff Administration
Caroline G. Garcia	Manager – Contract Administration – Power Contract and Supply Planning
Edward Hirshenson	Senior Environmental Specialist – Environmental Programs
Maribel Cruz	Business Development and Engineering Facilitator
Angela D. Graves	Deputy Corporate Secretary
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Khalil Memon	Benefits Assistant – Employee Benefits
Tony Modafferi	Executive Director – Municipal Electric Utilities Association
Ken Moore	Village of Fairport Administrator and Fairport Electric

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

1. 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 September 24, 2009.

Vice Chairman Jonathan Foster said the Consent Agenda each month generally includes several items related to economic development that he feels are presented in a disjointed manner. He said that at the October Trustees' Meeting he would like to see something on the agenda that addresses the Authority's economic development goals, how they relate to the Authority's mission and the process that is used to make decisions about what economic development projects to pursue. President Richard Kessel said that his report on his first year at the Authority, which will be presented at the October Trustees' Meeting, will include a brief section on economic development. Vice Chairman Foster next asked Mr. Gil Quiniones and Mr. Donald Russak why the two budget-related items had not been considered important enough to be on the Discussion Agenda rather than the Consent Agenda. Mr. Quiniones said that between now and the December Trustees' Meeting, staff would be reaching out to the Trustees to discuss the proposed 2010 budget with them. President Kessel said that in response to concerns expressed by the Trustees last year, staff had started the budget process earlier this year in order to be able to start briefing the Trustees about it in October. He said that during those briefing sessions the Trustees would be asked for their input. Mr. Russak said that the two budget-related items on the Consent Agenda were being presented to the Trustees today because of deadlines mandated by the Public Authorities Accountability Act and regulations of the Office of the State Comptroller; he said that the Authority's final four-year budget projection and detailed 2010 budget would be presented to the Trustees at their December meeting. President Kessel added that the budget process now incorporates a strategic review and comprehensive approach, as suggested by Vice Chairman Foster. In response to a question from Trustee Eugene Nicandri, Mr. Russak said that a variance analysis is incorporated in the process as a way of looking back at previous four-year projections. Mr. Quiniones said that the goal is to create a 2010 business plan and a five-year strategic plan. Trustee D. Patrick Curley said that he wanted to ensure that the Trustees are consulted far enough in advance of the December Trustees' Meeting so that their input can be incorporated in the final budget.

Chairman Michael Townsend said that while he disagrees with some of the factual analysis in the recently released Citizens Budget Commission ("CBC") report on the Authority's economic development power

programs, he agrees with many of the report's conclusions and he encouraged the other Trustees to read the report if they had not done so already. He referred to page 22 of the report, which states that the Authority's economic development power programs are not transparent, and asked staff to look at CBC's recommendations for making the programs' processes more open and available to the public. President Kessel said that the Authority will be testifying at one of the legislative hearings being held around the State on the economic development power programs in October or November. He said that the programs do need to be reformed, especially the Power for Jobs ("PFJ") program, but that much of that reform is ultimately up to the State Legislature. President Kessel said that he is hoping that those PFJ reforms will be enacted during the 2010 legislative session. He also said that while it is very easy to suggest that power be taken away from companies that already have it, such as Alcoa, he is not in favor of that because of the fact that doing so would eliminate 1,000 North Country jobs. Vice Chairman Foster said that, while the Authority's mission statement says nothing about economic development, he would not want to see the Empire State Development Corporation ("ESDC") take over the Authority's economic development power programs. Trustee Nicandri said that while he has not yet read the CBC report, he had seen the media coverage of it. He said that the southeastern part of the State has the capacity to suck all of the air out of the rest of the State, and suggested that some consideration should be given to having Long Island companies, for instance, relocate to other parts of New York State, rather than to other states.

President Kessel said that he thinks that the hydropower sold to the upstate investor-owned utilities for resale to their rural and domestic customers needs to be allocated instead to economic development programs. He said that the benefit to residential consumers is not that great, but that the total amount of power used for this program could turn the whole upstate economy around. In the meantime, however, President Kessel said that the residential customers receiving the power should be made aware of the fact that the power comes from the Power Authority, and suggested that Authority staff work with the utilities on a bill insert that would be included in the customers' January 2010 bills.

Trustee Nicandri said that he thinks it is important for people to realize that the Authority's customers are the ratepayers of New York State, not the taxpayers, as some politicians claim. Trustee Curley said, and President Kessel agreed, that the Authority's power should not be given to ESDC to administer.

Chairman Townsend thanked staff for the good job they do every month providing the Trustees with a list of the companies that are the subjects of that month's agenda items in an effort to help the Trustees determine whether they need to recuse themselves from a vote because of a conflict or potential conflict of interest.

a. **Approval of the Minutes**

The Minutes of the Regular Meeting held on July 28, 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 76 Power for Jobs ('PFJ') customers as listed in Exhibit '1b-A.' This request is to approve rebate dollars only. Similar decisions to allow customers to receive extended benefit payments have been made at past Trustees' Meetings. These rebates are calculated for historical periods only. These customers have been recommended to receive such rebates by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, the New York State Legislature approved a program to provide low-cost power to businesses and not-for-profit corporations that agree to retain or create jobs in New York State. In return for commitments to create or retain jobs, successful applicants 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. Chapter 217 of the Laws of 2009 included provisions extending the program benefits until May 15, 2010.

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

DISCUSSION

"At its meeting on September 24, 2009, EDPAB recommended that the Authority's Trustees approve electricity savings reimbursement rebates to the 76 businesses listed in '1b-A.' Collectively, these organizations have agreed to retain more than 57,000 jobs in New York State in exchange for the rebates. The rebate program will be in effect until May 15, 2010.

"The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit '1b-A' in a total amount currently not expected to exceed $6.8 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 Exhibit '1b-A' in the future for other rebate months.

FISCAL INFORMATION

"Funding of rebates for the companies listed in Exhibit '1b-A' is not expected to exceed $6.8 million. Payments will be made from the Operating Fund. To date, the Trustees have approved $190 million in rebates.

RECOMMENDATION

"The Executive Vice President and Chief Financial Officer and the Acting Vice President – Marketing and Economic Development recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit '1b-A.'

"The Chief Operating Officer, the Executive Vice President and General Counsel 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 "1b-A";

NOW THEREFORE BE IT RESOLVED, That to implement such EDPAB recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit "1b-A," and that the Authority finds that such payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the PFJ program and in the public interest; and be it further

RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to $6.8 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 Senior Vice President – Corporate Planning and 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 Acting 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.

September 29, 2009
Exhibit "1b-A"

New York Power Authority
Power for Jobs - Extended Benefits
Recommendation for Electricity Savings Reimbursements

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation KW	Jobs/MW	Type	Service
1	American Ballet Theater	New York	New York	Con Ed	20	175	230	55	31%	Yes	20	11,500	NFP	Performing arts organization
2	American Indian Community House	New York	New York	Con Ed	35	42	40	-2	-5%	Yes	35	1,143	NFP	Social support agency & cultural center
3	Belmont Metals, Inc.	Brooklyn	Kings	Con Ed	400	83	83	0	0%	Yes	400	208	Large	Manufacturer of non-ferrous metals
4	Beth Israel Medical Center	New York	New York	Con Ed	3,800	7,001	7,260	259	4%	Yes	3,800	1,911	NFP	Health Care Center
5	Continental Food Products, Inc.	Flushing	Queens	Con Ed	300	65	59	-6	-9%	Yes	300	197	Small	Frozen Pizza manufacturer and distributor
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	Empire Merchants LLC	Astoria	Queens	Con Ed	750	938	968	30	3%	Yes	750	1,291	Large	Distributors of wines and spirits
8	Greater Jamaica Development Corp.	Jamaica	Queens	Con Ed	375	151	151	0	0%	Yes	375	403	NFP	Urban & Community Development
9	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
10	Norampac - New York City, Inc.	Maspeth	Queens	Con Ed	600	204	204	0	0%	Yes	600	340	Large	Manufacturer corrugated paper packaging
11	North General Hospital	New York	New York	Con Ed	400	1,250	1,235	-15	-1%	Yes	400	3,088	NFP	Hospital
12	NYU Medical Center	New York	New York	Con Ed	4,000	10,924	11,364	440	4%	Yes	4,000	2,841	NFP	Medical Center
13	S. R. Guggenheim Museum	New York	New York	Con Ed	475	390	418	28	7%	Yes	475	880	NFP	Art Museum
14	Streamline Plastics	Bronx	Bronx	Con Ed	140	57	59	2	4%	Yes	140	421	Small	Miscellaneous plastics products
15	The Joyce Theater Foundation, Inc.	New York	New York	Con Ed	150	46	52	6	13%	Yes	150	347	NFP	Dance Performance
	Total Con Ed		**Subtotal**	**15**	**13,545**	**31,301**	**31,759**				**13,405**			
16	Commercial Envelope Manufacturing Corp.	Deer Park	Suffolk	LIPA	700	174	154	-20	-11%	No	620	248	Large	Manufacturer of envelopes
17	Enzo Clinical Labs, Inc.	Farmingdale	Suffolk	LIPA	200	333	357	24	7%	Yes	200	1,785	Small	Medical Lab
18	Kozy Shack, Inc.	Hicksville	Nassau	LIPA	1,000	260	270	10	4%	Yes	1,000	270	Large	Mfr. of puddings & snacks
19	Long Beach Medical Center	Long Beach	Nassau	LIPA	600	950	961	11	1%	Yes	600	1,602	NFP	Community Hospital
20	Madelaine Chocolates	Rockaway Beach	Queens	LIPA	575	518	415	-103	-20%	Yes *	575	722	Large	Manufactures chocolate
21	Maloya Laser Inc.	Commack	Suffolk	LIPA	75	25	27	2	8%	Yes	75	360	Small	Metal cutting and shaping
22	Silver Lake Cookie Co.	Islip	Suffolk	LIPA	400	210	195	-15	-7%	Yes	400	488	Large	Manufacturer of specialty cookies
23	Standard Microsystems Corp.	Hauppauge	Suffolk	LIPA	1,050	403	449	46	11%	Yes	1,050	428	Large	Maker and supplier of computer circuits
24	Ultimate Precision Metal	Farmingdale	Suffolk	LIPA	250	120	116	-4	-3%	Yes	250	464	Small	Manufactures controlled enclosures
	Total LIPA		**Subtotal**	**9**	**4,850**	**2,993**	**2,944**				**4,770**			

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Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation KW	Jobs/MW	Type	Service
25	Albany International Corp. (Albany)	Albany	Albany	Grid	1,000	267	200	-67	-25%	No	750	267	Large	Industrial clothing and engineered textiles
26	Albany International Corp. (Homer)	Homer	Cortland	Grid	1,000	106	101	-5	-5%	Yes	1,000	101	Large	Industrial clothing and engineered textiles
27	Albany Molecular Research, Inc.	Albany	Albany	Grid	600	393	404	11	3%	Yes	600	673	Large	Pharmaceutical research & manufacturing
28	AMRI - Renssellaer	Rensselaer	Rensselaer	Grid	1,000	256	253	-3	-1%	Yes	1,000	253	Large	Manufacturing of pharmaceutical ingredients
29	Applied Energy Solutions	Caledonia	Livingston	Grid	300	65	62	-3	-5%	Yes	300	207	Small	Electronics
30	C. R. Bard, Inc.	Queensbury	Warren	Grid	800	923	912	-11	-1%	Yes	800	1,140	Large	Manufacturer of Medical devices
31	Carville National Leather Corp.	Johnstown	Fulton	Grid	200	31	33	2	6%	Yes	200	165	Small	Leathers & leather products
32	Cooper Hand Tools	Cortland	Cortland	Grid	1,330	123	118	-5	-4%	Yes	1,330	89	Large	Metal machining and casting
33	Cooper Industries (Cooper Crouse-Hinds)	Syracuse	Onondaga	Grid	2,350	592	678	86	15%	Yes	2,350	289	Large	Manufacturer of electrical equipment
34	Corning, Inc. (Canton)	Canton	St. Lawrence	Grid	1,500	261	238	-23	-9%	Yes	1,500	159	Large	Optical fiber, glass and ceramic products
35	Cortland Line Co., Inc.	Cortland	Cortland	Grid	450	84	83	-1	-1%	Yes	450	184	Large	Flylines, monofilament and braided lines
36	CWM Chemical Services, LLC	Model City	Niagara	Grid	330	78	65	-13	-17%	Yes *	330	197	Small	Treatment & disposal of Industrial Waste
37	Dielectric Laboratories, Inc.	Cazenovia	Madison	Grid	400	190	193	3	2%	Yes	400	483	Large	Ceramic capacitors and ceramic packaging
38	Diemolding Corporation	Canastota	Madison	Grid	200	238	201	-37	-16%	Yes *	184	1,092	Small	Thermoset plastic forming
39	Dupli Envelopes & Graphics Corp.	Syracuse	Onondaga	Grid	200	123	123	0	0%	Yes	200	615	Small	Quality envelope printing
40	Edward John Noble Hospital	Gouverneur	St. Lawrence	Grid	100	241	237	-4	-2%	Yes	100	2,370	NFP	Healthcare center
41	Fiber Glass Industries Inc.	Amsterdam	Montgomery	Grid	700	138	148	10	7%	Yes	700	211	Large	Produces high strength woven fabrics
42	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Grid	1,000	93	86	-7	-8%	Yes	1,000	86	Large	Lumber & wood components
43	Ford Motor Company	Buffalo	Erie	Grid	5,000	1,462	1,140	-322	-22%	Yes *	5,000	228	Large	Automotive components stamping
44	G L & V Sandy Hill Inc.	Hudson Falls	Washington	Grid	750	94	99	5	5%	Yes	750	132	Large	Full service foundry & machine shop
45	Higbee Inc.	Syracuse	Onondaga	Grid	100	47	47	0	0%	Yes	100	470	Small	Mfr. of gaskets and sealing products
46	Interface Solutions, Inc.	Fulton	Oswego	Grid	940	142	139	-3	-2%	Yes	940	148	Large	Makes backing for vinyl flooring and gaskets
47	Intertek Testing Services	Cortland	Cortland	Grid	600	306	311	5	2%	Yes	600	518	Large	Independent test lab
48	Kilian Manufacturing Corporation	Syracuse	Onondaga	Grid	400	154	144	-10	-6%	Yes	400	360	Large	Mfr. ball bearings
49	Lewis County General Hospital	Lowville	Lewis	Grid	200	382	418	36	9%	Yes	200	2,090	NFP	Medical Center
50	Luvata Buffalo Inc.	Buffalo	Erie	Grid	5,000	595	617	22	4%	Yes	5,000	123	Large	Metal manufacturing
51	Lydall Manning	Green Island	Albany	Grid	1,100	113	114	1	1%	Yes	1,100	104	Large	Specialty Paper Manufacturer
52	McLane Eastern	Baldwinsville	Onondaga	Grid	875	945	801	-144	-15%	Yes *	800	1,001	Large	Distributor of food & nonfood products
53	Meloon Foundries, Inc.	Syracuse	Onondaga	Grid	275	58	52	-6	-10%	Yes	275	189	Small	Non-Ferrous Sand Casting Foundry
54	Met Weld Inc.	Altamont	Albany	Grid	100	71	60	-11	-15%	Yes *	100	600	Small	Industrial equipment
55	Mohawk Paper Mills	Cohoes	Albany	Grid	2,250	330	415	85	26%	Yes	2,250	184	Large	Manufacturer of text and cover papers
56	Nathan Littauer Hospital & Nursing Home	Gloversville	Fulton	Grid	400	682	698	16	2%	Yes	400	1,745	NFP	Hospital and Nursing Home
57	Natrium Products, Inc.	Cortland	Cortland	Grid	90	21	21	0	0%	Yes	90	233	Small	Manufacturer of sodium bicarbonate

September 29, 2009

New York Power Authority
Power for Jobs - Extended Benefits
Recommendation for Electricity Savings Reimbursements

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation KW	Jobs/MW	Type	Service
58	Paul Bunyan Products, Inc.	Preble	Cortland	Grid	150	28	24	-4	-14%	Yes *	150	160	Small	Manufacturer of hardwood lumbers
59	Queensboro Farm Products, Inc.	Canastota	Madison	Grid	500	81	80	-1	-1%	Yes	500	160	Large	Milk manufacturing and processing plant
60	Robison & Smith, Inc.	Gloversville	Fulton	Grid	384	200	205	5	3%	Yes	384	534	Small	Linen & Laundry Supply
61	RSA Solutions Inc.	Amherst	Erie	Grid	45	203	244	41	20%	Yes	45	5,422	Small	Vehicle lease mgmt. services
62	SABIC Innovative Plastics	Selkirk	Albany	Grid	5,000	504	490	-14	-3%	Yes	5,000	98	Large	Plastic materials & resins
63	Schenectady International, Inc.	Schenectady	Schenectady	Grid	1,500	373	175	-198	-53%	Yes *	1,500	117	Large	Produces electrical insulating varnishes
64	Snyder Industries, Inc.	N. Tonawanda	Niagara	Grid	350	98	100	2	2%	Yes	350	286	Small	Machinery
65	Sorrento Lactalis, Inc.	Buffalo	Erie	Grid	1,500	496	510	14	3%	Yes	1,500	340	Large	Produces cheese as well as whey products
66	Syracuse Label Co., Inc.	Liverpool	Onondaga	Grid	200	88	88	0	0%	Yes	200	440	Small	Printing labels for consumers and industrials
67	Syracuse University	Syracuse	Onondaga	Grid	2,000	4,530	4,575	45	1%	Yes	2,000	2,288	NFP	Institution of Higher Education
68	Vicks Lithograph & Printing	Yorkville	Oneida	Grid	750	137	112	-25	-18%	Yes *	750	149	Large	Book printer & distribution
69	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	Grid	2,000	1,302	1,301	-1	0%	Yes	2,000	651	Large	Medical and dental equipment manufacturer
	Total National Grid		**Subtotal**	**46**	**45,919**	**17,644**	**17,115**				**45,578**			
70	Audio Sears	Stamford	Delaware	NYSEG	190	89	81	-8	-9%	Yes	190	426	Small	Makes audio equipment
71	Consumers Beverages, Inc.	Buffalo	Erie	NYSEG	220	71	70	-1	-1%	Yes	220	318	Small	Beverage Producer
72	Endicott Interconnect Technologies	Endicott	Broome	NYSEG	3,500	4,207	4,172	-35	-1%	Yes	3,500	1,192	Large	Electronic components and systems
73	Ever Fab, Inc.	East Aurora	Erie	NYSEG	150	65	65	0	0%	Yes	150	433	Small	Precision components and assemblies
74	Manitoba Corporation	Lancaster	Erie	NYSEG	250	41	43	2	5%	Yes	250	172	Small	Metal Recycling for non-ferrous metals
75	Meadwestvaco Corp	Sidney	Delaware	NYSEG	2,500	1,161	1,044	-117	-10%	Yes	2,500	418	Large	Office paper products
76	Polymer Conversions	Orchard Park	Erie	NYSEG	325	80	75	-5	-6%	Yes	325	231	Small	Plastic Products
	Total NYSEG		**Subtotal**	**7**	**7,135**	**5,714**	**5,550**				**7,135**			
			Total	**77**	**71,449**	**57,652**	**57,368**				**70,888**			

c. Extension of 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 extension of the new Industrial Incentive Award Economic Development Plan ('Plan') 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 to the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"Chapter 32 of the Laws of 1987 added the eighth unnumbered paragraph of Section 1005 of the Public Authorities Law ('PAL') which 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. 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 the costs and expenses properly allocated to such sales. The Authority is directed in Section 1005 to identify net revenues no less 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 Award.

"At its May 19, 2009 meeting, the Trustees approved an Economic Development Plan that provides for the use of net revenues from the sale of EP for the calendar years of 2008, 2009 and 2010 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.

DISCUSSION

"The condition of the current economy and the need to drive down operational costs in order to remain competitive, domestically and globally, are key considerations for Computer Associates ('CA'), located in Islandia on Long Island. The company, which participates in the Authority's Economic Development Power and Energy Cost Savings Benefits Programs, is close to a decision whether to keep its global data center in Islandia.

"CA has been offered very attractive relocation packages from North Carolina and Texas. The prevailing electric tariff rates in both these states are more competitive than New York. While CA has enjoyed the benefits of the Authority's EDP programs since 1992, in recent years the program has been extended on a year-to-year basis by the Legislature. This lack of certainty concerning power costs severely inhibits CA's long-term business operations planning.

"Electricity is a significant cost driver for CA's Islandia production center and centralized labs. As the data center represents a substantial portion of the total power consumption, energy costs will be a primary consideration in the decision on whether to maintain and expand the data center in Islandia or relocate out of state.

"It is recommended that the Authority's Board authorize the use of an Industrial Incentive Award to CA to address the unique, time-sensitive economic challenges of the company. The recommendation comes after consideration of detailed cost data provided by CA which underscores the potential risk of relocating out of state. The form of the award will be a cents/kWh price discount applied to a level of electric consumption per year, mutually agreed to by CA and the Authority not exceed 6 MW. In addition, due to CA's significant presence and positive impact on the New York and Long Island economies, Authority staff proposes that the term of the company's Industrial Incentive Award be from May 16, 2010 through December 31, 2016 as detailed in Exhibit '1c-A.' Depending on the all in cost of electricity, the potential award may be up to $3.6 million per year.

"The Industrial Incentive Award will remain in effect as long as the company continues to meet an agreed upon job commitment of 1,807 full time employees in New York. CA also agrees that it will continue to participate in the existing EDP program and the associated Energy Cost Savings Benefit Program should it be extended beyond May 15, 2010 and apply for any new economic development power program in the future sponsored by the State. In the event that CA qualifies and participates in a future, yet to be determined, statewide program that offers similar or greater value than the proposed Industrial Incentive Award, the Industrial Incentive Award to CA will be terminated.

"In support of this recommendation, EDPAB has also approved a recommendation to extend CA's EDP allocation for a period co terminus with the Industrial Incentive Award.

"It is therefore proposed that the Authority's Chairman be authorized to submit the Authority's Plan to EDPAB for the extended period providing for use of 2011 –2016 EP net revenues. The Authority will report to EDPAB annually on the actual disbursement of these funds.

RECOMMENDATION

"The Acting 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, an Economic Development Plan that provides for the use of net revenues from the sale of Expansion Power for the extended period calendar years 2011 – 2016 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.

"It is also recommended that the Trustees approve an Industrial Incentive Award to Computer Associates for an amount up to $3.6 million per year for the period from May 16, 2010 through December 31, 2016 and extend its current Economic Development Plan for the same period.

"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 through calendar year 2016 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 be it further

RESOLVED, That the Chairman or his designees be, and hereby is, authorized to submit an Economic Development Plan through calendar year 2016 to the Economic Power Allocation Board for review and approval; and be it further

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

RESOLVED, That the Authority hereby approves an Industrial Incentive Award to Computer Associates and an extension of Computer Associates' Economic Development Power allocation 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 all actions and execute and deliver 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 Award – (May 16, 2010 – December 31, 2016)

Computer Associates

- Islandia, New York - 1,807 Jobs
- LIPA Service Area
- Up to 6 MW
- Target Rate – ECSB effective rate
- Potential award of up to $3.6 million/year
- Award term - May 16, 2010 – December 31, 2016
- Computer Associates agrees to participate in any potential extension of ECSB and apply for any new Power Authority economic development power program initiatives in the future.
- In the event that CA qualifies and participates in a future, yet to be determined, statewide program that offers similar or greater value than the proposed Industrial Incentive Award, the Industrial Incentive Award to CA will be terminated.

d. Decrease in Westchester County Governmental
<u>Customer Rates – Notice of Proposed Rulemaking</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve a Notice of Proposed Rulemaking ('NOPR') to decrease the production rates to be charged to the Westchester County Governmental Customers ('Customers') in 2010. Under staff's proposal, the production rates will decrease by 14.17% compared to 2009 rates. The Trustees are also requested to direct the Corporate Secretary to file the NOPR with the New York State Department of State for publication in the *New York State Register* in accordance with the requirements of the State Administrative Procedure Act ('SAPA').

<u>BACKGROUND</u>

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

"The current 2009 rates were adopted by the Trustees at their December 16, 2008 meeting. The Trustees then approved a 14.43% increase over 2008 rates.

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

<u>DISCUSSION</u>

"Consistent with the Authority's past rate-making practices and with the rate-setting process set forth in the Agreements, the proposed decrease is based on a *pro forma* Cost of Service ('COS'). Under the Agreements, the Authority must provide at least 30 days' notice to the Customers of any proposed decrease and the decrease is subject to their review and comment. Notification of the rate action was transmitted to the Customers on August 28, 2009. Subsequent to the approval of this proposed action by the Trustees, the Customers will be mailed the 2010 Preliminary Staff Report containing the *pro forma* 2010 COS.

"The *pro forma* Preliminary 2010 COS for the Westchester Customers is summarized in Exhibit '1d-A.' The total COS is $46.8 million and the projected current rate revenues are $54.5 million, resulting in an over-collection of $7.7 million. The primary cost element, energy purchases, is $39.3 million and accounts for 84% of the total production costs. Because the Customers have no dedicated generation facility, energy requirements are purchased on the market. The energy requirements are purchased in New York Independent System Operator Zones 'G' (Hudson Valley) and 'A' (Western New York). The projected 2010 prices for these two zones are expected to be lower than the projected 2009 prices. Partially offsetting this decrease is a rise in projected capacity costs.

"Based on these cost and revenue projections, staff is recommending that base production rates be decreased by 14.17 % over 2009 rates. Staff proposes to apply the production decrease equally to both the base demand and energy rates. The current and proposed 2010 rates are contained in Exhibit '1d-B.'

"After the 45-day statutory comment period, Authority staff will address any concerns that have been raised by the Westchester Customers and interested parties or filed with the Authority, make any necessary changes to the proposed rate decrease and return to the Trustees at their December 15, 2009 meeting to request approval of a rate modification for 2010.

FISCAL INFORMATION

"The proposed rate decrease is expected to reduce revenues by $7.7 million from the Westchester Customers for 2010, excluding any charges and credits through the ECA mechanism.

RECOMMENDATION

"The Manager – Market Analysis and Tariff Administration recommends that the Trustees authorize the Corporate Secretary to file a Notice of Proposed Rulemaking in the *New York State Register* for the adoption of a production rate decrease applicable to the Westchester County Governmental Customers.

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

"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, the Acting Senior Vice President – Marketing and Economic Development, the Vice President – Controller and I concur in the recommendation."

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

RESOLVED, That the Authority proposes a decrease in the production rates applicable to the Westchester County Governmental Customers as set forth in the foregoing report from the President and Chief Executive Officer; and be it further

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

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

September 29, 2009
Exhibit "1d-A"

New York Power Authority
2010 Cost of Service
Westchester County Governmental Customers

Component	Amount (Millions)
Operations & Maintenance	0.67
Shared Services	0.45
Capital Cost	1.89
Other Expenses	0.16
Purchased Power	
Energy	39.30
Capacity	4.22
Subtotal Purchased Power	43.53
Ancillary Services	1.68
NYISO Revenue Credit	(1.57)
Ancillary Services and Other	(0.00)
Total Production Cost Of Service	46.81

Current Rate Revenues	54.54
Production Revenue Shortfall/(Surplus)	(7.73)
as a percent of Current Revenues	-14.17%

September 29, 2009
Exhibit "1d-B"

WESTCHESTER COUNTY GOVERNMENTAL CUSTOMERS
PRODUCTION RATES

CONVENTIONAL		Demand Rates $/kW-mo.		Base Energy Rates Cents/kWh	
Service Class		Current	2010 Proposed	Current	2010 Proposed
62	General Small	n/a	n/a	11.182	9.598
64	Commercial & Industrial Redistribution	15.25	13.09	5.757	4.941
66	Westchester Street Lighting	n/a	n/a	9.400	8.068
68/82	Multiple Dwellings Redistribution	13.48	11.57	5.939	5.097
69	General Large	11.11	9.54	6.219	5.338

TIME-OF-DAY				Base Energy Rates			
		Demand Rates $/kW-mo.		On-Peak Cents/kWh		Off-Peak Cents/kWh	
Service Class		Current	2010 Proposed	Current	2010 Proposed	Current	2010 Proposed
64	Commercial & Industrial Redistribution	12.52	10.75	8.300	7.124	4.590	3.940
68/82	Multiple Dwellings Redistribution	12.08	10.37	8.581	7.365	4.700	4.034
69	General Large	9.20	7.90	8.876	7.618	4.622	3.967
Rider A	Back-up and Maintenance power			17.678	15.173	3.211	2.756

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

SC Notes:

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

e. Long Island Power Authority – Service
<u>Tariff Amendment – Notice of Adoption</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve amendments to the Authority's current production service tariff applicable to the Long Island Power Authority ('LIPA'). Staff recommends that changes to the Authority's tariff for firm pumped-storage power service from the Authority's Blenheim-Gilboa Pumped Storage Power Project ('B-G') and served under Service Tariff No. 40 ('ST-40'), attached as Exhibit '1e-A,' become effective on October 1, 2009.

BACKGROUND

"At their meeting of May 19, 2009, the Trustees authorized the Corporate Secretary to file a Notice of Proposed Rulemaking ('NOPR') with the New York State Department of State for publication in the *New York State Register* that the Authority proposed to amend ST-40. Due to Authority contracts that have long since expired, LIPA is the sole utility customer taking the Authority's power service under ST-40.

"As staff conveyed to the Trustees at the May meeting, the amendments were needed to reformat the tariff for easier reading and improved organization, clarify the nature of the production service by deleting certain obsolete provisions, include certain standard provisions now applicable to all Authority service tariffs and provide updated terminology.

"The NOPR was published in the *New York State Register* on June 10, 2009. In addition, LIPA was notified of the proposed tariff amendments and invited to review the materials and submit comments. In accordance with the State Administrative Procedure Act ('SAPA'), this proposed rulemaking was subject to a 45-day comment period. The public comment period closed on July 27, 2009.

DISCUSSION

"No written comments were received during the statutory comment period. Staff recommends that the amended service tariff become effective at the start of the first billing period subsequent to the Trustees' approval, which is October 1, 2009.

FISCAL INFORMATION

"Adoption of the proposed revisions to ST-40 will have no financial impact. The changes proposed are administrative in nature and have no effect on current production rates.

RECOMMENDATION

"The Manager – Market Analysis and Tariff Administration recommends that the attached amended Service Tariff 40 be approved and that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the *New York State Register* in accordance with the State Administrative Procedure Act. The requested effective date of this tariff is October 1, 2009.

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

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Acting 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.

RESOLVED, That the Trustees adopt the amendments to the service tariff applicable to the Long Island Power Authority, 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 a Notice of Adoption for publication in the *New York State Register* in accordance with the State Administrative Procedure Act; and be it further

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

September 29, 2009
Exhibit "1e-A"

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

Table of Contents

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.

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.

f. Hydropower Contracts with Upstate Investor-Owned Utilities for the Benefit of Rural and Domestic Consumers – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the attached contract extensions for sale to National Grid (formerly Niagara Mohawk Power Corporation), New York State Electric and Gas Corporation ('NYSEG') and Rochester Gas and Electric Corporation ('RGE') (hereinafter referred to collectively as the 'Utilities') of a total of 455 MW of firm and 360 MW of firm peaking hydropower and authorize their transmittal to the Governor for his approval. The proposed contract extensions with the Utilities are attached as Exhibit '1f-A' (National Grid), Exhibit '1f-B' (NYSEG) and Exhibit '1f-C' (RGE), respectively.

BACKGROUND

"The Utilities had been receiving firm power from the St. Lawrence/FDR and Niagara Power Projects and firm peaking hydropower from the Niagara Project for resale to rural and domestic consumers under contracts signed in 1990 that expired on August 31, 2007 (the '1990 Hydro Contracts'). The power is purchased at the cost-based hydropower rate and the benefits are passed on to the Utilities' residential and small farm customers (the rural and domestic, or 'R&D,' customers) without markup, under Public Service Commission tariffs.

"At their meeting of July 31, 2007, the Trustees approved an extension of the Hydro Contracts (the '2007 Contract Extensions'). The 2007 Contract Extensions expired on June 30, 2008. At their meeting of April 29, 2008, the Trustees authorized the holding of a public hearing, pursuant to Section 1009 of the Public Authorities Law, on the 2008 Contract Extensions. The public hearing was held on June 4, 2008 at Syracuse City Hall. At their meeting of June 24, 2008, the Trustees approved transmitting the 2008 Contract Extensions to the Governor with the recommendation that they be approved. The Governor approved the 2008 Contract Extensions on September 8, 2008. The 2008 Contract Extensions will expire on December 31, 2009.

"Chapter 59 of the Laws of 2006 (Part U) authorized the creation by the Governor of a 'Temporary State Commission on the Future of New York State Power Programs for Economic Development' ('Commission'). The charge to the Commission was to recommend to the Governor and the Legislature on or before December 1, 2006 'whether to continue, modify, expand or replace the state's economic development power programs, including but not limited to the power for jobs program and the energy cost savings benefit program. . . .'

"On December 1, 2006, the Commission issued its report, which included an array of findings and recommendations. A key recommendation of the report was that, among other things, hydropower now sold to the Utilities be 'redeployed' for economic development purposes.

DISCUSSION

"In 2007 and 2008, the Power for Jobs ('PFJ') and Energy Cost Savings Benefits ('ECSB') programs were extended through June 30, 2008 and June 30, 2009, respectively, with the understanding that a reformation of the State's economic development power programs was necessary to create a long-term power resource with price stability for business, whether based on the recommendations of the Commission or some other approach. In July 2009, the PFJ and ECSB programs were extended through May 15, 2010 by Chapter 217 of the Laws of 2009.

"Since the 2008 Contract Extensions are scheduled to expire on December 31, 2009, new contract extensions with the Utilities are necessary so that the benefits of low-cost hydropower can continue to flow to the Utilities' R&D customers until such time as new legislation is enacted that redeploys this hydropower for other purposes. The new contract extensions (the '2009 Contract Extensions') have a provision that will permit service to continue on a month-to- month basis until the Governor approves them. Should the Governor reject the 2009

Contract Extensions, they will terminate on the last day of the month following the month during which the Governor disapproved them.

"The 2009 Contract Extensions would continue the sale of firm and firm peaking hydropower to the Utilities in the amounts approved by the Trustees at their June 24, 2008 meeting, specifically, for National Grid, 189 MW of firm and 175 MW of firm peaking; for NYSEG, 167 MW of firm and 150 MW of firm peaking and for RGE, 99 MW of firm and 35 MW of firm peaking. The 2009 Contract Extensions would have a term of 12 months to December 31, 2010, subject to earlier termination by the Authority on 30 days' advance written notice.

"In addition to the termination provisions specified above, the Authority may reduce or terminate service if it is determined to be necessary to comply with any ruling, order or decision by a regulatory or judicial body or the Trustees relating to hydropower and energy allocated under the proposed contracts.

"At their meeting of July 28, 2009, the Trustees authorized the holding of a public hearing, pursuant to Section 1009 of the Public Authorities Law, on the 2009 Contract Extensions. Copies of the proposed form of the contracts were transmitted to the Governor and the leaders of the State Legislature. In accordance with Section 1009, notice of such public hearing was published once each week for at least 30 days in at least six newspapers throughout the State. During that period, copies of the form of the contracts were made available for public inspection in the offices of the Authority and at other places throughout the State designated by the Authority, as well as on the Authority's website.

"Public hearings were held on September 1, 2009 at the Niagara Power Project and on September 2, 2009 at Syracuse City Hall. Over the two-day period, four sessions were held. The final transcripts of the hearings are attached hereto as Exhibits '1f-D,' '1f-E' and '1f-F.' Staff has reviewed the transcripts of the hearings, which include the 12 oral and 15 written statements submitted for inclusion in the record.

"The three speakers at the Niagara Power Project hearing were: Hadley Horrigan, Vice President Public Affairs, Buffalo Niagara Partnership; John Cunningham, Niagara County resident and Senator George Maziarz, New York State Senate.

"The nine speakers at the Syracuse hearing were: Brian O'Shaughnessy, Chairman Revere Copper Products, Inc.; Michael Matthis, Camillus, NY resident; Thomas Slocum, Citizen Action Program member, UAW Local 2367, Revere Copper Products, Inc.; Mike Bambury, Citizen Action Program Chairman, UAW Local 2367, Revere Copper Products, Inc.; Ron Edwards, Manager, Engineering and Energy Conservation, Revere Copper Products, Inc.; Karyn Burns, Director, Communications and Government Relations, Manufacturers Association of Central New York ('MACNY'); Kenneth Pokalsky, Senior Director, Government Affairs, The Business Council of New York State; Michael Costello, Crucible Specialty Metals/Crucible Materials Corporation and Karyn Burns for Air Products and Chemicals.

"Ten of the speakers and 14 of the written statements represented organizations that currently receive Authority power through one or more of its economic development programs. All were in unison in their expressed concern for the future of the Authority's economic development programs, detailing how challenging it is for them to do business in New York State and how critical the Authority's programs are to controlling some of their costs. All outlined the steps they have taken to control their costs, expressed frustration with New York's high electricity rates and emphasized how urgent it is for the State to do something for the long term in order to support economic development and the creation and retention of jobs in New York State. They believe that the hydropower now being sold to the three upstate IOUs should be part of that solution. Annual program renewals are ineffective for planning purposes, and the Authority and the Legislature should work together to provide for both long-term program renewals and long-term contracts between the Authority and hydropower recipients. Four of the speakers represented business advocacy groups: Hadley Horrigan – Buffalo Niagara Partnership; Brian O'Shaughnessy – Consumers for Affordable and Sustainable Energy ('CASE'); Karyn Burns – MACNY and Kenneth Pokalsky – The Business Council of New York State.

"The County of Westchester Public Utility Service Agency ('COWPUSA') and Suffolk County Electrical Agency are recipients of Economic Development Power ('EDP') and PFJ power. Both submitted written statements in lieu of personal appearances in support of the one-year IOU contract extensions to December 2010. They request the IOU hydro allocations become the long-term supply solution for the PFJ and ECSB programs. The rationale provided was as follows: (1) the benefit to the upstate residential consumer is negligible; (2) the power is better suited for statewide economic development purposes; (3) electricity plays a significant role in downstate manufacturers' ability to compete with out-of state companies; (4) this will allow downstate, as well as upstate, companies the ability to compete and (5) a longer-term solution compared to the year-by-year extension would better serve New York State.

"New York State Senator Maziarz and the two residential customer speakers support the position that the sale to the upstate IOUs and use of the Niagara and St. Lawrence power should primarily benefit the residential 'R&D' customers and that the sale to and use by industry should be a secondary purpose.

"While the parties presenting oral or written statements differed on the ultimate disposition of the 455 MW of hydropower, there were no objections to the proposed contract extensions through December 2010.

<u>FISCAL INFORMATION</u>

"The 2009 Contract Extensions provide that the Utilities continue to pay for hydropower at the same rates they are currently charged, that is, determined in accordance with the ratemaking principles incorporated in the Auer Settlement and subsequent rate settlements. Accordingly, there will be no fiscal impact associated with these contract extensions.

<u>RECOMMENDATION</u>

"The Manager – Contract Administration recommends that the Trustees authorize the transmittal of the 2009 Contract Extensions to the Governor for his approval.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Energy Marketing and Corporate Affairs, the Acting 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.

RESOLVED, That the contract extensions for the sale of hydroelectric power and energy generated by the Authority for sale to National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation are in the public interest and should be forwarded with a recommendation that they be approved, along with the record of the public hearings thereon, to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee; and be it further

RESOLVED, That the Chairman and the Corporate Secretary be authorized and directed to execute such contract extensions in the name of and on behalf of the Authority after the agreements have been approved by the Governor; and be it further

RESOLVED, That the Acting Senior Vice President – Marketing and Economic Development, or his designee, be, and hereby is, authorized, subject to the approval of the form thereof by the Chief

Operating Officer and the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the contract extensions with National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation as 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.

2009 Amendment to and Extension of Service Agreement of Niagara Mohawk Power Corporation under Service Tariff No. 41 and Service Tariff No. 42

Niagara Mohawk Power Corporation, d/b/a National Grid ("Company") and the New York Power Authority ("Authority") are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "Service Agreement under ST No. 41 and ST No. 42"). Company and Authority have previously extended the Service Agreement under ST No. 41 and ST No. 42 to June 30, 2008 by letter agreement dated August 30, 2007 (the "2007 Amendment").

Company and Authority agree to terminate the 2007 Amendment effective July 1, 2008, and further extend and modify certain terms of the Company's Service Agreement under ST No. 41 and ST No. 42 as follows:

1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 230 MW to 189 MW. The Firm Peaking Power allocation of 175 MW under Service Tariff No. 42 will remain unchanged.

2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

"The rates charged by the Authority under this Agreement shall be established in accordance with this Article.

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.

Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (ii) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

(i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "*Auer* Settlement").

(ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.

(iii) Treatment of sales to third parties, including the New York Independent System Operator.

(iv) Allocation of Indirect Overheads.

(v) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.

(vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).

(vii) Rate Stabilization Reserve (RSR) methodology.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority.'

3) Article F – Transmission. The current text is deleted in its entirety and is replaced with the following text.

"In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

4) Article G – Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601".

5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

6) Article L – Term of Service, is revised to read as follows:

"Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the "Withdrawals of

Power and/or Energy" or the "Cancellation or Reduction" provisions until December 31, 2010, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days' prior written notice to Company."

7) Article M – Availability of Energy – Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words "In the event that . ." through ". . . minimize the impact of such reductions." on line 10, replace with the following:

"The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority's Niagara and St. Lawrence-FDR hydroelectric generating stations. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority's obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers."

8) This amendment shall be referred to as the "2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42".

9) Continuation of service under this 2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following the month during which the Governor disapproved these Contract Extensions.

Except as expressly provided in this 2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42, the Service Agreement under ST No. 41 and ST No. 42 shall remain unchanged and in full force and effect.

This 2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2009 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2009 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2009 Amendment shall take effect upon the expiration of the 2008 Amendment and continue on a month to month basis.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning them to us.

AGREED:

Niagara Mohawk Power Corporation d/b/a National Grid

By: ___________________________

Title: ___________________________

Date: ___________________________

Power Authority of the State of New York

By: ___________________________

Richard M. Kessel
President and Chief Executive Officer

Date: ___________________________

ACCEPTED:

By: ___________________________

Michael J. Townsend
Chairman

Date: ___________________________

2009 Amendment to 1990 Hydropower Contract

New York State Electric & Gas Corporation ("Company") and the New York Power Authority ("Authority") are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Hydropower Contract'). Company and Authority have previously extended the 1990 Hydropower Contract to June 30, 2008 by letter agreement dated August 29, 2007 (the "2007 Amendment").

Authority, Rochester Gas and Electric Corporation ("RGE") and Company are also parties to a letter agreement dated February 14, 2008 ("February 14, 2008 Letter Agreement"). The February 14, 2008 Letter Agreement modified Article D – Regulation of Rates and Charges as it pertained to the calculation of the monthly savings realized by the customers of Company and RGE from the purchase of Authority hydropower.

Company and Authority agree to terminate the 2007 Amendment effective July 1, 2008, and further extend and modify certain terms of 1990 Hydropower Contract as follows:

1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 203 MW to 167 MW. The Firm Peaking Power allocation of 150 MW under Service Tariff No. 42 will remain unchanged.

2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

    "The rates charged by the Authority under this Agreement shall be established in accordance with this Article.

    The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.

    Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (ii) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

    (i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and *Delaware County Electric Cooperative, Inc. v. Power Authority*, 82 Civ. 7256 (S.D.N.Y.) (the "*Auer* Settlement").

(ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.

(iii) Treatment of sales to third parties, including the New York Independent System Operator.

(iv) Allocation of Indirect Overheads.

(vi) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.

(vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).

(viii) Rate Stabilization Reserve (RSR) methodology.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority.'

3) Article F – Transmission. The current text is deleted in its entirety and is replaced with the following text.

"In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

4) Article G – Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601". In the contact address for Company, first and second lines, replace "Senior Vice President Electric System Operations and Engineering" with, "Dave Kimiecik, Vice President, Energy Supply". On lines four and five, replace "4500 Vestal Parkway, Binghamton, New York, 13903" with "18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224".

5) Article K – Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

6) Article L – Term of Service, is revised to read as follows:

> ”Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the “Withdrawals of Power and/or Energy” or the “Cancellation or Reduction” provisions until December 31, 2010, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

7) Article M – Availability of Energy – Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words “In the event that . .” through “. . . minimize the impact of such reductions.” on line 10, replace with the following:

> “The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority’s Niagara and St. Lawrence-FDR hydroelectric generating stations. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority’s obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.”

8) This amendment shall be referred to as the “2009 Amendment to the 1990 Hydropower Contract”.

9) Continuation of service under this 2009 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following the month during which the Governor disapproved these Contract Extensions.

Except as expressly provided in this 2009 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2009 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2009 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2009 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2009 Amendment shall take effect upon the expiration of the 2008 Amendment and continue on a month to month basis.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning them to us.

AGREED:

New York State Electric & Gas Corporation

By: ___________________________

Title: ___________________________

Date: ___________________________

Power Authority of the State of New York

By: ___________________________
Richard M. Kessel
President and Chief Executive Officer

Date: ___________________________

ACCEPTED:

By: ___________________________
Michael J. Townsend
Chairman

Date: ___________________________

2009 Amendment to 1990 Hydropower Contract

Rochester Gas and Electric Corporation ("Company") and the New York Power Authority ("Authority") are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Hydropower Contract"). Company and Authority have previously extended the 1990 Hydropower Contract to June 30, 2008 by letter agreement dated August 29, 2007 (the "2007 Amendment").

Authority, New York State Electric & Gas Corporation ("NYSEG") and Company are also parties to a letter agreement dated February 14, 2008 ("February 14, 2008 Letter Agreement"). The February 14, 2008 Letter Agreement modified Article D – Regulation of Rates and Charges as it pertained to the calculation of the monthly savings realized by the customers of Company and NYSEG from the purchase of Authority hydropower.

Company and Authority agree to terminate the 2007 Amendment effective July 1, 2008, and further extend and modify certain terms of 1990 Hydropower Contract as follows:

1) The amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 will be reduced from 120 MW to 99 MW. The Firm Peaking Power allocation of 35 MW under Service Tariff No. 42 will remain unchanged.

2) Article E – Rates. The current text is deleted in its entirety and is replaced with the following text.

"The rates charged by the Authority under this Agreement shall be established in accordance with this Article.

The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on April 24, 2007, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on April 24, 2007, except as otherwise provided for below.

Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (ii) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production Rates" as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

(i) The principles set forth in the March 5, 1986 Settlement Agreement settling *Auer v. Dyson*, No. 81-124 (Sup. Ct. Oswego Co.), *Auer v. Power Authority*, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and

Delaware County Electric Cooperative, Inc. v. Power Authority, 82 Civ. 7256 (S.D.N.Y.) (the "*Auer* Settlement").

(ii) Recovery of capital costs using Trended Original Cost and Original Cost methodologies.

(iii) Treatment of sales to third parties, including the New York Independent System Operator.

(iv) Allocation of Indirect Overheads.

(vii) Melding of costs of the Niagara Power Project and St. Lawrence-FDR Power Project for ratemaking.

(vi) Post-employment benefits other than pensions (*i.e.*, retiree health benefits).

(ix) Rate Stabilization Reserve (RSR) methodology.

In the event the Authority ceases to employ any of the methodologies and principles enumerated above, the Company shall have the right to take any position whatsoever with respect to such methodology or principle, but shall not have the right to challenge any of the remaining methodologies and principles that continue to be employed by the Authority.'

3) Article F – Transmission. The current text is deleted in its entirety and is replaced with the following text.

"In accordance with the terms of the existing transmission service agreement, which by its terms will expire on August 31, 2007, Company will cease taking transmission service from Authority and will instead take transmission service under the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff. Company agrees to settle any outstanding transmission charges that may apply prior to September 1, 2007 including any subsequent NYISO true up settlements."

4) Article G – Notification. In the contact address for Authority replace "10 Columbus Circle, New York, NY 10019" with 123 Main Street, White Plains, NY 10601". For Company, delete the current reference in its entirety and replace with the following "Dave Kimiecik, Vice President, Energy Supply, New York State Electric & Gas Corporation, 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224".

5) Article K - Restoration of Withdrawn Power and/or Energy is deleted in its entirety.

6) Article L – Term of Service, is revised to read as follows:

> ”Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for in the “Withdrawals of Power and/or Energy” or the “Cancellation or Reduction” provisions until December 31, 2010, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

7) Article M – Availability of Energy – Firm and Firm Peaking Hydroelectric Power Service. In the third paragraph, line 1, starting with the words “In the event that . .” through “. . . minimize the impact of such reductions.” on line 10, replace with the following:

> “The Authority will have the right to reduce on a pro rata basis the amount of energy provided to Company under Service Tariffs Nos. 41 and 42 if such reductions are necessary due to low flow (i.e. hydrologic) conditions at the Authority’s Niagara and St. Lawrence-FDR hydroelectric generating stations. In the event that hydrologic conditions require the Authority to reduce the amount of energy provided to Company, reductions as a percentage of the otherwise required energy deliveries will be the same for all firm Niagara and St. Lawrence-FDR Project customers. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to Company in later billing periods. The offer of Energy for delivery shall fulfill Authority’s obligations for purposes of this Provision whether or not the Energy is taken by Company. The Authority shall provide reasonable notice to Company of any condition or activities that could result, or have resulted, in low flow conditions consistent with the notice provided to other similarly affected customers.”

8) This amendment shall be referred to as the “2009 Amendment to the 1990 Hydropower Contract”.

9) Continuation of service under this 2009 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act. If the Governor does not approve this amendment, service will cease on the last day of the month following the month during which the Governor disapproved these Contract Extensions.

Except as expressly provided in this 2009 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2009 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2009 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2009 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2009 Amendment shall take effect upon the expiration of the 2008 Amendment and continue on a month to month basis.

If the foregoing changes are acceptable to your organization, please so indicate by executing both copies of this amendment and returning them to us.

AGREED:

Rochester Gas and Electric Corporation

By: ___________________________

Title: ___________________________

Date: ___________________________

Power Authority of the State of New York

By: ___________________________

Richard M. Kessel
President and Chief Executive Officer

Date: ___________________________

ACCEPTED:

By: ___________________________

Michael J. Townsend
Chairman

Date: ___________________________

Exhibit "D"
September 29, 2009

POWER AUTHORITY OF THE STATE OF NEW YORK

PUBLIC HEARING

Tuesday, September 1, 2009 - 2:00 P.M.

Niagara Power Project
Lewiston, New York

HYDROPOWER CONTRACTS WITH UPSTATE INVESTOR-OWNED UTILITIES FOR RESALE TO RURAL AND DOMESTIC CONSUMERS

Public hearing held at the Niagara Power Project, Community Room, Lewiston, New York, on September 1, 2009 commencing at 2:00 P.M.

REPORTED BY: BUYERS & KACZOR REPORTING SERVICES,
BY: MICHELLE R. KWIATEK,
1400 Rand Building,
Buffalo, New York 14203.
(716) 852-2223

POWER AUTHORITY OF THE STATE OF NEW YORK

PUBLIC HEARING

Tuesday, September 1, 2009 - 2:00 P.M.

Niagara Power Project
Lewiston, New York

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REPORTED BY: BUYERS & KACZOR REPORTING SERVICES,
BY: MICHELLE R. KWIATEK,
1400 Rand Building,
Buffalo, New York 14203.
(716) 852-2223

BEFORE:	POWER AUTHORITY OF THE STATE OF NEW YORK, Karen Delince, Corporate Secretary, 123 Main Street, White Plains, New York 10601.
Also Present:	Mary Jean Frank, Associate Corporate Secretary. Caroline Garcia, Manager of Power Contracts.

INDEX TO SPEAKERS

KAREN DELINCE: Well, good afternoon. I see we have a good turnout today.

My name is Karen Delince, and I'm the Corporate Secretary of the Power Authority. I'm speaking to you, sir.

CURT ALVERSON: I'm Curt Alverson, I'm a resident.

KAREN DELINCE: Hello.

CURT ALVERSON: Hi.

KAREN DELINCE: This public hearing is being conducted by the Power Authority to provide an overview and receive public comment on extensions of contracts for the sale of hydropower to three upstate investor-owned utilities for resale to rural and domestic customers.

Pursuant to Section 1009(1) of the Public Authorities Law, notice of this hearing was published in the following seven newspapers once a week for the four weeks leading up to this hearing. We had it in the Buffalo News, the Niagara Gazette, the Rochester Democrat & Chronicle, Syracuse Post-Standard, the Watertown Times, the Ithaca Observer-Dispatch, the Albany Times and Newsday. During the thirty-day period prior to the hearing, copies of the proposed contract has been made available for inspection on the Authority's -- in the Authority's office and on the Web site.

Also, pursuant to Section 1009(1) of the Power Authorities Law (sic), notice of this hearing and copies of the proposed contracts were sent to Governor David Paterson, President Pro Tem of the New York State Senate Malcolm Smith, Speaker of the Assembly Sheldon Silver, Chairman of the State Finance Committee Carl Kruger, Chairman of the Assembly Ways and Means Committee Herman Farrell, State Minority Leader Dean Skelos and Assembly Minority Leader Brian Kolb.

If you plan to make an oral statement at this hearing and have not filled out a form at the sign-in desk, please do so now, see Mary Jean Frank. I ask that you give copies of any written statements to our court reporter, and also to Mary Jean at the front desk. Now, if your oral statement summarizes -- is summarized in your written statement, both will appear in the record.

The record of this hearing will remain open until close of business Friday, September 4th for any additional submissions or comments. And you should address those comments to the Corporate Secretary at 123 Main Street, White

Plains, New York 10601; or you can fax it to (914) 309-8040 (sic); or e-mailed to Secretarys, S-E-C-R-E-T-A-R-Y-S, dot office at nypa dot gov. And you can see Mary Jean Frank if you have any additional questions.

Full stenographic minutes of these hearings will be made and will be incorporated, along with the written submissions, into the record and will be reviewed by the Authority's Trustees. The transcript will be available for review at our offices and also on our Web site.

At this point, I will -- let me give you the Web site again, nypa, N-Y-P-A, dot gov, G-O-V.

At this point, I'm going to turn this over to Caroline Garcia, the Authority's Manager of Contract Administration for Power Contract and Supply Planning, who will provide additional details on the proposed contract extensions.

CAROLINE GARCIA: Thank you, Karen. Can you hear me okay? I think so.

Good afternoon. My name is Caroline Garcia. I'm the manager of Contract Administration in the Marketing and Economic

Development Department at the New York Power Authority. I'm here today to present an overview of extensions of contracts for the sale of hydropower to three upstate investor-owned utilities for resale to rural and domestic consumers.

These three utilities, National Grid, formerly Niagara Mohawk Power Corporation; the New York State Electric and Gas Corporation, or NYSEG; and Rochester Gas and Electric Corporation, or RG&E, had been receiving firm power from the St. Lawrence/FDR and Niagara Power Projects, and firm peaking hydropower from the Niagara Project for resale to rural and domestic consumers under contracts that went into effect in 1990 and which were to expire on August 31st, 2007.

At their July 31st, 2007 meeting, Power Authority's Trustees approved an extension of the 1990 contracts to take effect on an interim basis on September 1st, 2007, pending completion of the formal contract approval process under Section 1009 of the Public Authorities Law. Under this process, the contracts are subject to public notice, hearing and approval by the Governor. The contract extensions are for a total of four hundred and fifty-five megawatts of firm, and three hundred and sixty megawatts of firm peaking hydropower, to be sold to the three utilities. The power is purchased at the cost-based hydropower rate and passed on primarily to the utilities' residential customers without markup under Public Service Commission tariffs.

Specifically, the proposed contracts provide for the sale of one hundred and eighty-nine megawatts of firm, and one hundred and seventy-five megawatts of firm peaking, to National Grid, one hundred and sixty-seven megawatts of firm, and one hundred and fifty megawatts of firm peaking, to NYSEG and ninety-nine megawatts of firm, and thirty-five megawatts of firm peaking, to RG&E. These amounts would be sold to the utilities through August 31st (sic) 2010, subject to withdrawal upon thirty days written notice by the Authority for reallocation as may be authorized by law, or as otherwise may be determined by the Authority's Trustees.

In addition to the withdrawals specified above, the Authority may reduce or terminate service if it is determined to be necessary to comply with any ruling, order or decision by a regulatory or judicial body, or the

Authority's Trustees, relating to hydropower and energy allocated under the proposed contracts.

Chapter 59 of the Laws of 2006, Part U, authorized the creation by the Governor of a "Temporary State Commission on the Future of New York State Power Programs for Economic Development" or any "Commission". The charge to the Commission was to recommend to the Governor and to the Legislature on or before December 1, 2006, whether to continue, modify, expand or replace the state's economic development power programs, including, but not limited to, the Power for Jobs Program and the Energy Cost Savings Benefit Program.

On December 1, 2006, the Commission issued its report, which included an array of findings and recommendations. A key recommendation of the report was that, among other things, hydropower now sold to the utilities ought to be redeployed for economic development purposes.

The short-term and withdrawal provisions of the proposed contracts will allow the Legislature to consider the use of the subject block of power for economic development or other purposes.

As Ms. Delince stated earlier, the Power Authority will accept your comments on the proposed contracts until close of business Friday, September 4th, 2009.

I'll now turn the forum back over to Ms. Delince.

KAREN DELINCE: Thank you, Ms. Garcia.

Now, do we have any speakers? We have Mr. Alverson. Did you want to speak?

CURT ALVERSON: No, thank you.

KAREN DELINCE: Okay. Anybody else here to speak? Ms. Hadley Horrigan.

HADLEY HORRIGAN: That was easy.

KAREN DELINCE: Although your written statement can be any length, we ask that you limit your comments to five minutes.

HADLEY HORRIGAN: Thank you. I'm Hadley Horrigan, Vice President of Public Affairs at the Buffalo Niagara Partnership, and I'm here today on behalf of our nearly twenty-five hundred members who are regional employers of more than two hundred thousand people. So thanks for the opportunity to speak today.

We simply need low-cost power for our region, and stand ready to help the state with its strategy to meet its energy needs.

Two specific proposals the Partnership strongly endorses to get our region closer to meeting our energy needs are as follows; first, we believe hydropower currently supplied for rural and domestic uses within the franchise territories of the three upstate utilities should be redeployed for upstate-wide economic development over a period of three years. The residential savings I receive at my home are about two dollars per bill, and the savings of my coworkers in different territories are a bit higher. I'd say who could argue that a few hundred dollars a year saved on a residential utility bill is worth more than a forty thousand dollar a year job that me or my neighbor might receive, and the buying power that that job creates in the community?

That said, we do believe it's important that a mechanism be established to assist non-corporate farmers and those low-income households as defined by HEAP that currently benefit from low-cost power.

Second, we recently worked closely with Assemblyman Dennis Gabryszak, Senator Bill Stachowski and Senator Maziarz on bills this year that would allow our region to get more out of our regional asset of Replacement and Expansion Power. When that power is not being utilized, when a plant is not drawing on its full allocation, or when a company has received a block of power but is not yet up and running, or when power remains unallocated, the New York Power Authority sells it on the open market and retains the proceeds.

The Gabryszak and Stachowski bills would instead create the Western New York Economic Development Fund that would keep proceeds derived from regional hydropower assets within thirty miles of the Niagara Power Project, as intended. The local fund would be used for projects to spur economic development and job creation. For example, site preparation and infrastructure improvements, brownfield cleanups, adaptive reuse of existing structures, and to entice private sector investments in Buffalo Niagara.

So it's our desire to work with both NYPA and the Legislature to get this proceeds issue right and implemented in the form that has the greater economic development benefit for our community.

Our sister organization, the Buffalo Niagara Enterprise, is working in concert with local and state economic development partners, which has developed a robust attraction effort that takes advantage of the unique advantage of unique assets that we have in the form of Niagara Power Project hydropower. In particular, the Buffalo Niagara Enterprise has made great strides working with solar panel and wind turbine manufacturers who have expressed interest in our region because of our proximity to both customers and supply chain, in addition to that low-cost hydropower.

Currently, the BNE has nine active projects, and these are good projects with real interest in our region that come from the renewable energy industry, other advanced manufacturing sectors, and that include brownfield cleanups and strong job creation as part of their plans. Together these projects represent potential private sector investments of up to four point seven billion dollars here, and the creation of nearly fifty-five hundred new jobs. To land these projects, we, as a region, currently have about forty megawatts of Expansion and Replacement Power available, while these projects would likely require total allocations close to two hundred megawatts.

So we obviously need more

resources for economic development, and are strongly in favor of adding on R&D to the portfolio.

KAREN DELINCE: Thank you, Ms. Horrigan.

HADLEY HORRIGAN: Thanks.

KAREN DELINCE: We are scheduled to be here until four, we will keep the record open until then. Mr. John Cunningham.

JOHN CUNNINGHAM: Hello.

KAREN DELINCE: Hello.

JOHN CUNNINGHAM: Hello. I'm John Cunningham, a resident of Wheatfield in Niagara County.

I'm coming to speak about the Power Authority's rural and domestic program of reallocating power to other communities. And what I'm here for is a concept that nobody, I think, has even thought of at all, and that is why are we, in Niagara County, sending our natural resources to other areas and receiving nothing in return? Such as, let's say, we gave low-cost power to Plymouth, Massachusetts, well, then, maybe they could give us half of their rock. It's already broken, so it wouldn't be much to do, and we could have half of Plymouth Rock here to stimulate our economy in

Western New York. We've got enough rocks, we don't need anymore, we got one -- a whole million rocks with water falling over them.

If we gave power to New York City, low-cost power to stimulate their economy, what are they doing to help Western New York stimulate its economy; give us the Statue of Liberty, give us the Empire State Building, move it here or open the United Nations here on Navy Island, like it was supposed to be in the first place.

Why is all of the natural resources of Western New York going other places to help other communities, but those communities are giving nothing back to Western New York to help us?

Or at least let the sales tax come back to Niagara County of the electricity that is sent other places so that it can help offset some of our taxes, and also help to develop Western New York into a true powerhouse that it is.

The other thing was the low-cost power that is allocated by the replacement power for the Schoellkopf plant was supposed to be used within thirty miles of the Schoellkopf plant after it fell in, and that's what the Replacement Power, I guess, means. Well, if they're not using all of the

Replacement Power at a given point, and they want to sell it on the open market to another place, or whatever, fine; but take that money and use that money to offset the electric bills of the people in Western New York within thirty miles of the Schoellkopf plant that are paying some of the highest electric rates in the country.

So here we have the biggest supplier of the most reasonable electric in the country, and the residents next door are paying exorbitant rates. There should be some sort of benefit for Niagara County to give or to allocate power out of this area, or natural resources being allocated to other areas and Niagara County receiving nothing in return for it.

And my concept is this, maybe they have something in other communities that we could use here to help develop our economy somehow. That's it, just a concept.

KAREN DELINCE: Thank you, Mr. Cunningham.

JOHN CUNNINGHAM: It's an insane concept, but a concept. Thank you.

KAREN DELINCE: Okay. Senator, you have the floor.

SENATOR MAZIARZ: Thank you, very much.

First of all, the comments that John made here, I don't know, I think John and I just met a couple weeks ago really. We haven't talked.

JOHN CUNNINGHAM: A few times we've met.

SENATOR MAZIARZ: Okay. John's comments are absolutely right on as far as the feeling of the people in Western New York, most specifically Niagara County, regarding the power that is produced here at Niagara. Could I just ask for your titles of power, please?

KAREN DELINCE: Excuse me?

SENATOR MAZIARZ: Your title, what do you do?

KAREN DELINCE: Corporate Secretary.

CAROLINE GARCIA: I'm the Manager of Contract Administration.

GEORGE MAZIARZ: Okay. You work in White Plains?

KAREN DELINCE: Uh-huh.

CAROLINE GARCIA: Yes.

GEORGE MAZIARZ: Thank you, very much. I'm not sure, because I just walked in, what the format is. Are you -- do you provide information? Do you answer questions?

KAREN DELINCE: We don't answer questions. We just listen to your statements.

GEORGE MAZIARZ: Okay. First of all, thank you, then, for being here today to take commentary from the public here in Western New York. I did have several questions, but as you indicated, this is kind of a typical Power Authority public hearing where you really don't answer questions. I say that not as a criticism to you, but just to get it in on the record.

For instance, one of my questions was, is it four hundred and fifty-five megs of firm power and three hundred and sixty-five firm peaking hydropower, I would presume so. I'm not asking that presumption. Most of the power is probably produced at Niagara and St. Lawrence; can I get a nod of the head or anything? I will ask them, but --

CAROLINE GARCIA: Niagara and St. Lawrence.

GEORGE MAZIARZ: Thank you,

very much. So that power, that four hundred and fifty-five and three hundred and sixty is produced here at Niagara and at St. Lawrence.

First, let me say that I support this contract extension by the Power Authority for the -- for another year. I'm somewhat concerned about the Authority's ability to terminate the contracts with thirty days' prior written notice. Because what has been happening recently in Albany, most specifically since January 1, when we saw five hundred and fifty million dollars, five hundred and fifty, over a half-million dollars, five hundred and fifty million dollars, stolen, stolen by the Governor, stolen by the State Legislature, stolen by the Power Authority's Board of Trustees from Niagara and St. Lawrence, primarily from Niagara, and sent to Albany to pay its bills.

We saw fifty megawatts of hydropower stolen, stolen, primarily from St. Lawrence, but a little bit from Niagara, and sent to a company on Long Island called Brookhaven Labs. This trend of taking from Niagara, taking from St. Lawrence, and sending it downstate is extremely troubling for me, and I wish it was just as troubling, quite frankly, for the other legislators in Western New York.

I know that Congressman Brian Higgins, I'm not speaking for the congressman, but I can tell you that based on some of his public comments that I think he would agree that the Power Authority's assets are being taken downstate.

Also, Assemblyman Mark Schroeder, I think he's on board with that; and most notably, the Niagara County Legislature, which has taken the position that they are not going to take it anymore, and they filed a lawsuit against New York State Power Authority to keep the assets of Niagara -- that are generated here at Niagara, to stay here within Niagara County.

So back to my point. I'm extremely concerned about the thirty-day provision to terminate these contracts. What that would mean, of course, and this room would be full of people if the notice that the Power Authority put out about this hearing is if these contracts were not extended, if these contracts were not renewed, that every residential customer's electric rates in Upstate New York would rise. If that's the way that notice was put out, you wouldn't be able to hold it in this room, there would be too many people here, other than people like John, who actually read the newspaper and came down. So this is really about a potential, and I stress the word potential, rate increase.

The other area of concern was the CEO of the Power Authority, Richard Kessel, spoke to the Niagara County Legislature on July 28th, and he referenced very briefly and very much in passing, indeed, our power. He talked about a better use for R&D power, and that he wanted to work with the State Legislature and the Board of Trustees on how to better utilize R&D power. Mr. Kessel, of course, failed to mention that if he took the R&D power, that it would mean a rate increase for residential customers in Upstate New York.

If there is a better use for R&D power somewhere along the lines that Mr. Kessel and the Governor and the Board of Trustees and the Legislature leaders come up with, I want to go on record here today that that use better include, and better be primarily about, Upstate New York and most particularly, Western New York, and even more particularly, Niagara County, because this is where the power is generated, this is where it should stay.

I think having a clause in there that it be able to be terminated in the thirty-day notice is imitation, it's open door for Governor Paterson, Mr. Kessel, Speaker Silver, and whoever is currently in charge of the New York State Senate to steal, yet again, the assets of the Niagara Power Project and send them to New York City, Westchester County, Long Island and downstate. Clearly, that's been their record of non-accomplishment since January 1, and I would hate to see that continue.

So with that, unless you have any questions of me, I think that just about ends my statement, other than to say that I started out by agreeing with John. The problem that the Power Authority has and the problem that the Trustees have, who are not here unfortunately, the administration of the Power Authority; I'm talking about Mr. Kessel, senior administrator Mr. Quinones and so forth, who are not here yet again, this is the second Power Authority hearing that I have attended where they haven't shown, is that they are disconnected with the public, people like John, who understand what this power project could do for the people of Western New York, it could provide jobs, it could provide good health care. I'm talking about through good-paying jobs for people across Western New York, and more particularly, here in Niagara County.

With that, I will say do you have any questions of me?

KAREN DELINCE: We don't.

GEORGE MAZIARZ: You don't ask questions either. You guys got it good, you don't ask nor answer.

KAREN DELINCE: We don't. Thank you, very much, Senator Maziarz.

SENATOR MAZIARZ: Thank you. I did that without any notes.

KAREN DELINCE: The meeting is adjourned, we have no other speakers.

* * * *

STATE OF NEW YORK)

SS:

COUNTY OF NIAGARA)

I, MICHELLE R. KWIATEK, a Notary Public in and for the State of New York, County of Niagara, DO HEREBY CERTIFY that the public hearing was taken down by me in a verbatim manner by means of Machine Shorthand on September 1, 2009. That the proceedings were taken to be used in the above-entitled action.

I further CERTIFY that the above-described transcript constitutes a true, accurate and complete transcript of the testimony.

____
MICHELLE R. KWIATEK,
Notary Public.

POWER AUTHORITY OF THE STATE OF NEW YORK

PUBLIC HEARING

Tuesday, September 1, 2009 - 7:00 P.M.

Niagara Power Project
Lewiston, New York

HYDROPOWER CONTRACTS WITH UPSTATE INVESTOR-OWNED UTILITIES FOR RESALE TO RURAL AND DOMESTIC CONSUMERS

Public hearing held at the Niagara Power Project, Community Room, Lewiston, New York, on September 1, 2009 commencing at 7:00 P.M.

REPORTED BY: BUYERS & KACZOR REPORTING SERVICES,
BY: MICHELLE R. KWIATEK,
1400 Rand Building,
Buffalo, New York 14203.
(716) 852-2223

BEFORE: POWER AUTHORITY OF THE STATE OF NEW YORK,
Karen Delince, Corporate Secretary,
123 Main Street,
White Plains, New York 10601.

Also Present: Mary Jean Frank,
Associate Corporate Secretary.

Caroline Garcia,
Manager of Power Contracts.

KAREN DELINCE: Good evening, everybody.

My name is Karen Delince, and I'm the Corporate Secretary for the New York Power Authority. This public hearing is being conducted by the Power Authority to provide an overview and receive public comments on extensions of contracts for the sale of hydropower to three upstate investor-owned utilities for sale to rural and domestic customers.

Pursuant to Section 1009(1) of the Public Authorities Law, notice of this hearing was published in the following seven newspapers once a week for the four weeks leading up to the hearing. We had it in the Buffalo News, the Niagara Gazette, the Rochester Democrat & Chronicle, the Syracuse Post-Standard, the Watertown Times, the Ithaca Observer-Dispatch, the Albany Times Union and Newsday. During the thirty-day period prior to today's hearing, copies of the proposed contracts have been available for inspection at the Authority's office in White Plains, as well as on the Authority's Web site.

Also, pursuant to Section 1009(1) of the Public Authorities Law, notice of this hearing and copies of the proposed contracts were sent to Governor David Paterson, President Pro Tem of the New York State Senate Malcolm Smith, Speaker of the Assembly Sheldon Silver, Chairman of the Senate Finance Committee Carl Kruger, Chairman of the Assembly Ways and Means Committee Herman Farrell, Senate Minority Leader Dean Skelos and Senate Minority Leader Brian Kolb.

If you plan to make an oral statement at this hearing and have not yet filled out a form at the sign-in desk, please do so now. I ask that you give copies of your written statement to the reporter and Ms. Frank before or after you deliver your remarks. Although your written statements can be whatever length you'd like, we would ask that those presenting an oral statement to limit their remarks to five minutes. If your oral statement summarizes a written statement, both will appear in the record of the hearing.

The record of this hearing will remain open through close of business Friday, September 4th for the submission of any additional comments or statements. These should be addressed to the Authority's Corporate Secretary at 123 Main Street, White Plains, New York 10601; or may be faxed to (914) 390-8040; or e-mailed to Secretarys dot office at nypa dot gov, G-O-V. Please see Ms. Frank on your way out if you have additional questions.

Full stenographic minutes of the hearings will be made and will be incorporated, along with the written submissions, into the record that will be reviewed by the Authority's Trustees. The transcript will be available for review at the Authority's office in White Plains, and on the Authority's Web site, www.nypa.gov.

At this point, I will turn the microphone over to Caroline Garcia, the Authority's Manager of Contract Administration for Power Contract and Supply Planning, who will provide additional details on the proposed contract extensions. I will then call on the speakers, starting with any elected officials. Ms. Garcia.

CAROLINE GARCIA: Thank you, Ms. Delince.

Good evening. My name is Caroline Garcia. I'm the Manager of Contract Administration in the Marketing and Economic Development Department at the New York Power Authority. I'm here today to present an overview of extensions of contracts for the sale of hydropower to three upstate investor-owned utilities for resale to rural and domestic consumers.

These three utilities, National Grid, formerly Niagara Mohawk Power Corporation; the New York State Electric and Gas, or NYSEG; and Rochester Gas and Electric Corporation, or RG&E, had been receiving firm power from the St. Lawrence/FDR and Niagara Power Projects, and firm peaking hydropower from the Niagara Project for resale to rural and domestic consumers under contracts that went into effect in 1990 and which were to expire on August 31st, 2007.

At their July 31st, 2007 meeting, the Authority's Trustees approved an extension of the 1990 contracts to take effect on an interim basis on September 1st, 2007, pending completion of the formal contract approval process under Section 1009 of the Public Authorities Law. Under this process, the contracts are subject to public notice, hearing and approval by the Governor. The contract extensions are for a total of four hundred and fifty-five megawatts of firm, and three hundred and sixty megawatts of firm peaking hydropower, to be sold to the three utilities. The power is purchased at the cost-based hydropower rate and passed on primarily to the utilities' residential customers without markup under Public Service Commission tariffs.

Specifically, the proposed contracts provide for the sale of one hundred and eighty-nine megawatts of firm, and one hundred and seventy-five megawatts of firm peaking, to National Grid, one hundred and sixty-seven megawatts of firm, and one hundred and fifty megawatts of firm peaking, to NYSEG, and ninety-nine megawatts of firm and thirty-five megawatts of firm peaking, to RG&E. These amounts would be sold to the utilities through December 31st, 2010, subject to withdrawal upon thirty days written notice by the Authority for reallocation as may be authorized by law or as otherwise may be determined by the Authority's Trustees.

In addition to the withdrawals specified above, the Authority may reduce or terminate service if it is determined to be necessary to comply with any ruling, order or decision by a regulatory or judicial body, or the Authority's Trustees relating to hydropower and energy allocated under the proposed contracts.

Chapter 59 of the Laws of 2006, Part U, authorized the creation by the Governor of a "Temporary State Commission on the Future of New York State Power Programs for Economic Development" or any "Commission". The charge to the Commission was to recommend to the Governor and to the Legislature on or before December 1st, 2006, whether to continue, modify, expand or replace the state's economic development power programs, including, but not limited to, the Power for Jobs Program and the Energy Cost Savings Benefit Program.

On December 1st, 2006, the Commission issued its report, which included an array of findings and recommendations. A key recommendation of the report was that, among other things, hydropower now sold to the utilities ought to be redeployed for economic development purposes.

The short-term and withdrawal provisions of the proposed contracts will allow the Legislature to consider the use of the subject block of power for economic development or other purposes.

As Ms. Delince stated earlier, the Power Authority will accept your comments on the proposed contracts until close of business Friday, September 4th, 2009.

I'll now turn the forum back over to Ms. Delince.

KAREN DELINCE: Thank you, Ms. Garcia. Do we have any speakers? Okay. We will keep the record open for two hours.

(A two-hour recess was taken.)

We have heard from no speakers this evening. This hearing is officially closed. The record will, however, remain open until Friday, September 4th for submissions and written statements.

* * * *

STATE OF NEW YORK)
SS:
COUNTY OF NIAGARA)

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NEW YORK POWER AUTHORITY

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HYDROPOWER CONTRACTS with UPSTATE
INVESTOR-OWNED UTILITIES
for Resale to Rural and Domestic Consumers

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Corporate Secretary Delince

INDEX TO SPEAKERS - AFTERNOON SESSION

Corporate Secretary Delince

HEARING OFFICER DELINCE: We're ready to begin. Good afternoon. My name is Karen Delince, I'm the Corporate Secretary of the New York Power Authority. This public hearing is being conducted by the Power Authority to provide an overview and receive public comment on extensions of contracts for the sale of hydropower to three Upstate investor-owned utilities for resale to rural and domestic consumers.

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At their July 31, 2007 meeting, the Authority's Trustees approved an extension of the 1990 contracts to take effect on an interim basis on September 1, 2007, pending completion of the formal contract approval process under Section 1009 of the Public Authorities Law. Under this process, the contracts are subject to public notice, hearing and approval by the Governor. The

Mngr Contract Admin Garcia

contract extensions are for a total of 455 megawatts of firm and 360 megawatts of firm peaking hydropower to be sold to the three utilities. The power is purchased at the cost-based hydropower rate, and these rates are passed on primarily to the utilities' residential and small farm customers without markup under Public Service Commission tariffs.

Specifically, the proposed contracts provide for the sale of 189 megawatts of firm and 175 megawatts of firm peaking to National Grid, 167 megawatts of firm and 150 megawatts of firm peaking to NYSEG, and 99 megawatts of firm and 35 megawatts of firm peaking to RG&E. These amounts would be sold to the utilities through December 31, 2010 subject to withdrawal upon thirty days' written notice by the Authority for reallocation as may be authorized by law or as otherwise may be determined by the Authority's Trustees.

In addition to the withdrawals

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As Ms. Delince stated earlier, the Power Authority will accept your comments on the proposed contracts until close of business Friday September 4, 2009. I will now turn this forum back over to Ms. Delince.

HEARING OFFICER DELINCE: Thank you, Ms. Garcia. I will now call the speakers, and please when I call your name come to the mike, starting off with Brian O'Shaughnessy.

BRIAN O'SHAUGHNESSY: If you don't

O'Shaughnessy

mind I'd like to use this podium. Good afternoon. My name is Brian O'Shaughnessy and I am the Chairman of Revere Copper Products, Inc. We believe we are the oldest manufacturing company in the United States. Revere is a very large user of electricity and has been a recipient of economic development power from NYPA for many years, which has helped us to stay in business.

I am here today to provide comments on behalf of Consumers for Affordable and Sustainable Energy, or CASE, an association of large energy consumers. CASE members rely on NYPA economic development programs to remain competi- tive. CASE was instrumental in seeing that the NYPA economic development programs were extended in the last legislative session. However, for the reasons set forth below, CASE members believe that the current programs should be revised in order to provide

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longer-term rate relief around which recipients can plan capital investments to help secure jobs in New York State. Thank you for the opportunity to appear before you today and offer you my opinions on the proposal to extend by one year NYPA's contracts with National Grid, NYSEG and RG&E.

High energy costs in New York affect all consumers, from residential customers to the corner grocery store to large manufacturers such as Revere. For example, the Energy Information Administration's data indicates that New York's energy prices for industrial customers are two to three times higher than in some other states, states that compete with New York for attracting and retaining manufacturing jobs. Ironically, a significant portion of the energy cost disparity is due to the costs imposed to fund statewide energy efficiency and environmental initiatives. We need a multifaceted approach to reducing those costs and make New York's energy prices more competitive with those in other states and countries.

We need to do as much as possible to help manufacturing and other large business customers maintain operations in New York. We appreciate the need to help individuals, but one of the primary ways of doing so is to make sure that the State's residents are gainfully employed in well-paying jobs. If we do nothing for the manufacturers and other businesses and they curtail their operations and work forces or close down entirely, the current residential discounts will seem inconse-quential, and we will have squandered an opportunity to achieve real economic development.

Within this conceptual framework, one facet of the solution to reducing energy costs in New York should be to deploy our resources in the most appropriate manner. That is, we should

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use our resources, including hydropower, in ways that maximize the benefits to the State generally, and to all its residents and businesses. While we understand NYPA's efforts to help residential and farm customers by providing inexpensive hydropower to them, which reduces their electric bills by relatively small amounts, such an allocation of that precious hydropower is not the best use of that power.

Instead, the residential power should be reallocated to NYPA's economic development programs and used to bolster the competitiveness of New York businesses as well as to attract new business to the State. In order to ensure that the reallocation provides benefits to offset the loss of the NYPA discounts, the reallocated hydropower should be directed generally to eligible Upstate businesses. The long-term economic development benefits resulting from such reallocations would

O'Shaughnessy

dwarf the relatively few dollars by which each residential bill is reduced each month.

Another facet of the approach should be to provide long-term certainty to businesses to allow them to properly plan for the future. CASE members and other businesses must plan for the long term, not just for the next 10 or 12 months. Therefore, the reallocation of the hydropower, as well as the structure of the economic development programs to which the power is reallo-cated, must be fundamentally revised. Annual program renewals are ineffective for planning purposes, and NYPA and the Legislature should work together to provide for both long term program renewals and long-term contracts between NYPA and hydropower recipients.

A third facet of the approach is to phase in the new structure. We recognize that it may be unpalatable to quickly terminate the long-standing

O'Shaughnessy

residential benefit provided by NYPA's hydroelectric assets. In addition, legislation must be passed and criteria for the reallocation of the power are needed. And NYPA must ensure that the recipients of such power are qualified and appropriate. Establishing the criteria and reviewing applications will take some time. We are hopeful that these steps can be achieved promptly so that NYPA can start reviewing applications in 2010. Therefore, in order to facilitate an effective smooth transition, a small phase-in of the reallocation could begin mid-year in 2010, with the remainder of the phase-in continuing for the next two or so years. In addition, perhaps the legislation can include some relief for low-income residential customers who potentially would be the most impacted by the loss of the hydropower benefits.

CASE members recognize that the proposals advanced by these comments, Mathis

as well as those submitted by the Business Council and Manufacturers Association of Central New York, require fundamental, far-reaching changes. However, we need to take drastic action if we are to preserve the manufacturing base and its hundreds of thousands of jobs that have been an integral part of New York since the dawn of the industrial revolution. Thank you for the opportunity to present these comments.

HEARING OFFICER DELINCE: Thank you Mr. O'Shaughnessy. Next I'd like to call Michael Mathis. I apologize for having your card out of order.

MICHAEL MATHIS: That's quite all right, because honestly I thought I was going to be the third speaker. I'm Michael Mathis, I reside at 133 Fireside Lane, Camillus, New York. Section 1005 paragraph 5 of the Public Authorities Law states:

The development of hydroelectric power from such projects, that is, Niagara and St. Lawrence, shall be considered primarily for the benefit of the people of the state as a whole and particularly the domestic and rural customers to whom power can be made economically available, and accordingly that sale to and use by industry shall be a secondary purpose.

The Authority shall make provisions so that municipalities, now or hereafter authorized by law to engage in the distribution of electric power may secure a reasonable share of the power generated by such projects.

Consequently, the Authority has an obligation to provide capacity from the Niagara and St. Lawrence hydroelectric projects to a newly formed municipal electric utility.

In response to a letter of May 21, 2007 from Bethaida Gonzalez, President of the Syracuse Common Council, Louise M. Morman, then the Senior Vice

Mathis

President Marketing and Economic Development, stated:

The entire amount of firm Power Authority hydroelectricity required by law to be provided to municipal and rural electric systems is allocated under contracts running into 2025.

The disposition of the hydropower coming off contract during the summer of 2007 is currently under review by the Legislature and the Governor. In December 2006, the Temporary Commission on the Future of New York State Power Programs for Economic Development recommended to the Governor and the Legislature that available hydropower be allocated for economic development purposes.

Such allocation of capacity from terminating contracts would be contrary to the Public Authorities Law if a newly forming municipal utility, as postulated by President Gonzales in her letter, requested an allocation of firm power from Niagara and St. Lawrence Projects. Under such a request the Authority would be obligated to provide capacity to the utility. That's the end of my statement, thank you.

HEARING OFFICER DELINCE: Thank you Mr. Mathis. Next we have Mr. Thomas Slocum.

THOMAS SLOCUM: Good afternoon. My name is Tom Slocum, as a CAP member of Region 9, UAW Local 2367, Rome, New York, I thank you for this opportunity to come before you today to speak on a crisis concerning our State's manufacturing base, and the cost of power that we seem to have in New York State. Our elected officials in Albany seem to be pointing fingers at one another and playing the blame game while allowing 400,000 manufacturing jobs to leave the State since 1990. They all seem more concerned about being re-elected than fixing the problems affecting our State. And this is from both political parties

Slocum

and from both their respected houses.

This is not the first time I came before this board to speak on this subject of reduced power costs for our manufacturers in this State. The real crisis, the crisis is real and I have spent the last four years in Albany talking to our representatives in hopes to get this problem fixed. We get, "we sympathize with you," "we understand and we'll do what we can," and we have other excuses or problems that they talk about all the time while manufacturing continues to drown in a sea of costs for power.

The state talks of sending hundreds of megawatts down to New York City a few years ago, so I was wondering if it's not a problem with the amount of power or the supply of power in the State but rather how it's allocated. On reflection perhaps the power resources are being used as political tools by our public servants who are

Slocum

holding the strings of our economy. I come to you today not to accuse or point fingers but rather to bring to light our needs for the cost-effective power source for all the manufacturers in our state.

What is needed is a program similar to the initial Fitzpatrick agreements that allowed for enough cost-effective power to be appropriated to only our State's manufacturing. It should be long-term in nature, allowing for our manufacturers to have an evergreen window, thus allowing them an opportunity for long-term planning and expansion. Currently the State has 455 megawatts associated with R&D that allows for a discount on my electric bill. The problem once again becomes a political hot potato that everyone is avoiding for fear of not being reelected. If this R&D power could be utilized, as was the Fitzpatrick power agreement, power for our manufacturing could once

Slocum

again sign on for the long-term agreements that they need going forward.

When I started speaking to you this afternoon about a crisis in our State's economic base, I'm not asking the State to reinvent the wheel, only to get back to an agreement that has a power source to support it. Our Governor Paterson spoke last year about the state's economic problems and how it's going to affect our budget processes for years to come. Using the budgetary process to pay for programs like Power For Jobs and Economic Development Power will be much harder to pay for in the future. The crisis is here. The future is a concern for all residents of this State, but especially for the manufacturing sector. We look at our state officials to provide us with a level playing field to compete in the world economy. Thank you for your time.

HEARING OFFICER DELINCE: Thank you Mr. Slocum. Next we have Mr. Mike

Bambury.

MIKE BAMBURY: Good afternoon. My name is Mike Bambury, I am the Citizen Action Program Chairman at UAW Local 2367 from Revere Copper Products in Rome, New York. Our company, I say this because we too own shares in the company, is a manufacturer of high-quality copper and brass products purchased for use in many markets that include architectural, transportation, telecommunication, electrical and electronics, power generation and other applications.

The domestic market share that we once shared with other copper and brass mills is continually shrinking. We have a huge disadvantage with our higher energy costs because of our location that our competition in Buffalo, Iowa and Pennsylvania don't face. Each place I just mentioned pays much less than Revere does in Central New York. Cutting the cost of power

Bambury

helps with job security and the ability to continue producing product.

The Governor and his predecessors have both stated that rebuilding the Upstate economy was going to be a priority for their administration. Currently the State provides lower costs through PFJ and EDP, but our manufacturing base should not be exposed to the situation many of them face today with short-term extensions for PFJ and EDP. If we are going to invest in Central New York's manufacturing sector, hydropower allocations to manufacturing have to become a reality.

New York is in danger of losing its manufacturing base, which has been shrinking for years. One-third of our employees hired since 2001 have held long-term jobs at other facilities, myself included. I worked at Oneida Limited and Rome Cable both before they closed; now I have some job security at Revere.

Bambury

Taxes, state regulation, health care costs and energy are keeping New York's manufacturing base on its heels, but energy costs will kill manufacturers quicker than any of the rest. Retaining an existing job base or growing and attracting new jobs requires a low-cost energy supply. Allocating hydropower to manufacturers like Revere is needed to help create an environment conducive to maintaining and expanding a manufacturing base in our state and hopefully attract more.

As a Local Union Leader I am extremely proud of efforts by our membership and those put forth at other New York State Manufacturers by producing to help supply world markets. It would be a harsh pill to swallow indeed that in spite of those efforts and sacrifices made over the years to be told that "the plant is closing because of energy costs," something that's beyond our control. Thank you.

Edwards

HEARING OFFICER DELINCE: Thank you Mr. Bambury. We have Ron Edwards next.

RON EDWARDS: My name is Ron Edwards and I am the Manager of Engineering and Energy Conservation at Revere Copper Products. My company was founded by Paul Revere in 1801 and we believe we are the oldest basic manufacturing company in the USA. We are located in Rome, New York, and given the recession we still employ over 300 people. Our local impact is much greater as many other local companies are so dependent on Revere. Revere is the largest manufacturing company in Rome.

Our pots and pans unit was sold to Corning more than twenty years ago. We continue to produce copper and brass sheet, strip, coil, and bus bar as well as extruded shapes. Most of our product is shipped to manufacturing companies in the USA while the remainder goes to distributors throughout the country.

Edwards

Revere is the largest supplier of architectural copper and the second largest supplier of bus bar in the USA. Revere faces strong competition from other brass mills in the USA, including one in Buffalo which receives low-cost hydropower.

Ownership of Revere is shared with all its employees and all the stock is held by them and their family members. Revere does not pay dividends, and reinvests all the cash flow it generates to maintain and upgrade its facilities. So you can correctly conclude all the benefits of the New York State power programs are reinvested to secure the business in New York State. Revere is a perfect target of such programs.

Revere receives electricity from National Grid and participates in both the Economic Development Power Program and PFJ programs. The benefits are about $3 million a year and are so

Edwards

critical to the success of Revere that Revere would no longer exist in Rome without these programs. Revere continues to pay more than its competition for power even with the benefit of these programs. It still leaves Revere at a competitive disadvantage because of its location in New York State.

So much has been said about the competitive position of New York for jobs and so many commissions have studied the matter and held so many hearings that few really question the need for New York to make it attractive for jobs. Most independent studies rank New York State near the worst position competitively to locate a manufacturing facility such as the one Revere has in Rome, New York.

The Province of Ontario works to solve this problem by providing long-term, low-cost power for manufacturing. The low-cost power does not go to commercial entities, hospitals, schools or residences, because it is recognized that these institutions will exist if manufacturing jobs exist.

It is well accepted that manufacturing needs low-cost power on a long-term basis for strategic planning purposes, including committing to long-term capital spending programs. Any program that simply monetizes a discount from market prices does not provide the stable long-term solution needed. Any program that requires approval in an annual budget process does not meet that need.

That is why a link to a true low-cost source of power is so critical to the success of a power program for the competitive position of New York State's economic development. Hydropower owned by the State is the only secure solution to meet the needs of manufacturing in mid-state New York. Upstate has it for its manufacturing and so does the Buffalo area. Mid-state does not.

Frankly, it is hard for me to fathom how continuing to use low-cost hydro-power for residences in the mid-state area helps make New York more attractive for economic development. If the Central region of New York is competitive for manufacturing, the jobs will come and people will live in this region. We have all heard the talk about the brain drain because there are no jobs for our children.

It is easy to understand why many politicians wants to duck the obvious solution of using residential hydro to improve the competitive position of manufacturing companies. They are concerned about a backlash if residential prices go up. But there is an obvious solution. The funds currently used to finance the economic development power programs could be used to offset their loss of hydropower. There could even be a needs-based allocation of such benefits. This

Edwards

could become a budget item that could even be phased out in certain circumstances over time.

It is not so obvious to residential consumers that it is so critical that power costs for manufacturing be kept competitive with other states. That should be obvious to their elected representatives. Mid-state representatives of both parties need to work together to take this issue out of the political limelight and put the halo of economic stability and development on such action.

Our Union members will tell you they would rather have the hydropower flow to the company that provides their jobs than the small benefit going to their homes. Revere has such members who are now working at their third or fourth manufacturing facility as the ones where they previously worked at have disappeared. This is again related to the competitive position of

Edwards

New York State, which continues to worsen.

It is no wonder that New York ranks so low in competitive standings when such fundamental economic strategies are misunderstood and commission findings that reflect pure logic and rational economic development strategies such as the bipartisan Temporary Commission are simply ignored. Few politicians have the political foresight and the will to act in the best economic interests of the state. They make up excuses. Now is the time for action steps to revitalize the economy of Central New York. Extending hydropower to manufacturing is a progressive step and would help secure jobs which are the utmost necessity to our families. Thank you.

HEARING OFFICER DELINCE: Thank you Mr. Edwards. Now we have Karyn Burns.

KARYN BURNS: To start I would like to thank you for asking us to speak today and also for recognizing the

Burns

immediate need to address the extension of the R&D hydropower contracts. My name is Karyn Burns and I am here representing MACNY, the Manufacturers Association. As you may know, MACNY is a trade association representing over 330 companies with over 55,000 employees across 19 counties in Central and Upstate New York. Founded in 1913, we pride ourselves on not only being the largest association of manufacturers in New York, but also one of the oldest and most widely recognized associations in the nation. We continue to advocate for causes that will enable New York State manufacturers to thrive in today's competitive global market because manufacturing is a critical component of a vibrant economy.

It is common knowledge we as a state and a nation are facing difficult economic times, and manufacturing is certainly no different. A struggling economy coupled with increasing international competition has proven to be a significant challenge for New York State manufacturing. However, when all of it is said and done one thing remains certain, manufacturing continues to remain the backbone to the State's economic success. Reports have shown that for each job created in manufacturing, between two and three jobs are created in other sectors. These spin-off jobs are created in financial services, government, and many other service sectors supporting manufacturers. If the manufacturing sector falters, so do the other sectors of the local and regional economy. Therefore, the way Albany treats its manufacturing sector will hold significant impact on the future of the State's economic stability. One such area in need of immediate attention is lowering the increasingly alarming high costs of electricity for the State's manufacturing sector. Proper usage of

Burns

the hydropower is one such method in helping reduce costs while enhancing the State's economic development appeal.

I am here today with MACNY members and additional business associate partnerships such as the Consumers for Affordable and Sustainable Energy, CASE, and the Business Council of New York State to express my support for an extension of the R&D hydropower contracts through December 2010, with a thirty-day-out period for allowing for the reallocation of power within that year. As NYPA is well aware, MACNY has been a leader in lobbying the New York State Legislature for a comprehensive long-term solution to alleviate the high energy costs inflicted on New York State manufacturers. We come here today in similar efforts urging NYPA to not only extend the term of its R&D hydropower, but also to support us in our continued efforts to allocate this source of low-cost power to a long-term economic development power program supporting jobs in New York State, as recommended in the 2007 Power Commission report. We strongly encourage a one-year extension so that future legislative options remain open for potential usage of hydropower for economic development purposes past December 2010.

Throughout the years many have debated the best use of the 455 megawatts of hydropower in New York. MACNY firmly believes that allocating this resource to energy-intensive manufacturers will make the state of New York a better place to live. Many out-of-state manufacturers are currently looking to relocate, but choose not to do so in New York because of the high energy costs here. Our collective members are often telling us that the cost of energy alone is a major hindrance in their ability to remain competitive and still do

Burns

business from New York State.

The simple fact is this: Allocating the hydropower to the business community will not only help New York retain businesses already located here, but also attract and retain strong, growing out-of-state manufacturers. Taking into account the multiplier effect of manufacturing, many more jobs in other sectors will be created by the future growth in manufacturing.

As you are well aware, Western New York and the North Country have led the way in embracing long-term economic development solutions. Western New York understood the positive outcomes of securing hydropower resources when it allocated 450 megawatts of Replacement Power for economic development in 2006. Senator Wright, former Chairman of the Senate Energy Committee, also saw this opportunity when he advocated for Preservation Power for the North Country, sponsoring legislation in which 490 megawatts of hydropower would remain in three counties for future job development. Both western New York and the North Country represent a perfect model for long-term economic development within the state. Both regions have secured resources for business retention and development that will provide thousands of family-supporting jobs.

New York State as a whole could reap these same benefits by reallocating the 455 megawatts currently designated for residential customers to businesses that retain and increase jobs. This hydropower would enhance the ability of manufacturers and businesses to expand and create new family-supporting jobs. Low-price hydropower cuts the bottom line for businesses, making them more competitive with out-of-state businesses for capital dollars, investment and expansion. Businesses with continuous low-cost energy can plan for the future with confidence because of price

Burns

predictability from long-term hydropower contracts.

With the argument that the current hydropower lowers the electric bills of New York State residents, I leave you with one thought: You need a job to pay an electric bill. During such difficult times, with the job market as vulnerable as it is, it is my belief that good-paying jobs are far more valuable than a few extra dollars on your monthly residential energy bills.

Please support the allocation of the 455 megawatts of hydropower to economic development purposes. We want to retain jobs, and the residents who benefit from these jobs, in New York. Thank you.

HEARING OFFICER DELINCE: Thank you Ms. Burns. Is there anyone else present who wants to make an oral statement? Sorry, I have one more card. Ken Pokalsky, please.

KEN POKALSKY: Last but not least I

Pokalsky

hope. Good afternoon, my name is Ken J. Pokalsky, I'm Senior Director for Government Affairs for the Business Council of New York State. The Business Council is New York's largest statewide employer advocate, representing about 3,000 private sector employees across the state, including about a thousand manufacturing firms.

The Business Council continues to support the recommendations of the 2006 Power Commission report and believes it's the best long-term use of the hydropower subject to this contract to support economic development and the creation and retention of jobs, particularly in Upstate New York. We encourage NYPA to keep this option open so that legislative options are not restricted by contractual commitments past December 2010.

While this approach would have an adverse impact on some Upstate rate-payers, we believe that the state could help offset these adverse impacts, especially lower-income ratepayers, through mechanisms such as the repeal of the remaining 2 percent utility gross receipts tax on transmission and distribution charges to residential electric customers and the so-called Article 18-A assessment increases adopted this past year, which will add more than $500 million per year to the state energy costs. Likewise, the state could roll back or place limits on other administration-imposed energy assessments, such as the "system benefits charge" and the "renewable portfolio standard" and the "regional greenhouse gas initiative," all of which add to consumers' energy bills.

However, we believe that a reallocation of NYPA hydro resources through a strategically targeted economic development program would have more significant, positive impacts on the state's economy, and in particular the

Pokalsky

Upstate economy. A long-term commitment to providing competitively priced power to energy-intensive businesses should be an essential part of the state's economic strategy.

Just within our membership, we have about 150 employers with about 100 megawatts of total allocations that are currently enrolled in either the Power For Jobs, Economic Development Power and other statewide NYPA programs. Importantly, these are high-value jobs, especially those in the manufacturing sector Upstate.

Based on 2008 New York State Department of Labor data, in the Upstate economy, which we will define as New York minus New York City and Long Island, the average manufacturing job pays nearly $17,500 per year more than the average private sector, non-manufacturing job at $58,500 compared to $41,100, a manufacturing job bonus of about 42 percent.

Pokalsky

In the five county Central New York region the difference is even greater, about a $19,500 per year manufacturing job bonus. We believe that retention of these high-paying jobs should be an economic development priority for the State. A long-term economic development power program using NYPA hydro resources is a key tool for achieving this job-retention goal.

For the past several years, the Business Council and other organizations speaking today have urged the Administration and the Legislature to adopt a permanent replacement program for Power For Jobs, but instead we continue to limp along under the 12-month, and this year, just a 10-and-a-half month extension.

The lack of long-term certainty regarding the availability and cost of economic development power, and the erosion of the value of this program for many program participants, makes it

Pokalsky

difficult for businesses to make significant new capital commitments in this State.

Legislation adopted in 2009 extends the existing programs through May 15, 2010 and puts several mechanisms in place to develop additional information to help design long-term replacement program.

The Business Council urges NYPA, the Administration and the State Legislature to develop a long-term program which should be adopted as early as possible during the 2010 Legislative session.

A repowered program should focus retention of existing in-state business and employment, promoting new capital investment in the state and promoting new businesses and new jobs.

In closing I want to stress again that we understand that virtually all businesses and all residents in the state bear the burden imposed by high power costs. High-cost power is a

Pokalsky

symptom of larger issues within our power policies, including relatively high reliance on natural gas for electric power production; failure to grow generation capacity to keep up with growth in demand; high property taxes; state environmental initiatives; state-imposed energy fees; the lack of an efficient siting law and others.

We know that we are losing business and people to other competitive states and we are losing businesses, especially manufacturing, to foreign competitors. It is essential that the state also begin to address these big-picture energy issues as well for the benefit of business and residential power customers alike.

In both cases, New York State needs to pursue a straightforward goal of reducing energy costs and eliminating the cost of electric power as a significant competitive disadvantage for New York State's economy.

Hearing Officer Delince

Thanks for the opportunity to provide input today. We look forward to working with the Authority on these issues as we head to the 2010 Legislative session. Thank you.

HEARING OFFICER DELINCE: Thank you Mr. Pokalsky. Now anybody else want to speak? Okay, well we'll be here until 4:00 this afternoon and again this evening. And again I want to remind everybody that we will keep the record open until Friday September 4th, for anybody who wants to submit any additional comments. And thank you again for coming.

(Waited until 4 o'clock).

Seeing no more speakers, this hearing is now officially closed.

* * * * *

(Recessed at 4:00 for dinner then hearing resumed).

Hearing Officer Delince

(Commencement of Evening Session, 7 pm)

HEARING OFFICER DELINCE: Good evening. My name is Karen Delince, and I'm the Corporate Secretary of the New York Power Authority. This public hearing is being conducted by the Power Authority to provide an overview and receive public comment on extensions of contracts for the sale of hydropower to three Upstate investor-owned utilities for resale to rural and domestic consumers.

Pursuant to Section 1009(1) of the Public Authorities Law, notice of this hearing was published in the following seven papers once a week for four weeks leading up to the hearing: The Buffalo News, the Niagara Gazette, the Rochester Democrat & Chronicle, the Syracuse Post Standard, the Watertown Times, Utica Observer Dispatch, the Albany Times Union and Newsday. During the thirty-day period prior to today's hearing, copies of the proposed contracts have been available for inspection at the Authority's office in White Plains, as well as on the Authority's web site.

Also pursuant to Section 1009(1) of the Public Authorities Law, notice of this hearing and copies of the proposed contracts were sent to Governor David Paterson; President Pro Tem of the New York State Senate Malcolm Smith; Speaker of the Assembly Sheldon Silver; Chairman of the Senate Finance Committee Carl Kruger; Chairman of the Assembly Ways and Means Committee Herman Farrell; Senate Minority Leader Dean Skelos, and Assembly Minority Leader Brian Kolb.

If you plan to make an oral statement at this hearing and have not yet filled out a form at the sign-in desk please do so now. We ask that you give copies of your written statement to the reporter and Ms. Frank. If your oral statements summarizes a written statement, both will appear in the record of

Hearing Officer Delince

the hearing.

The record of this hearing will remain open through close of business Friday, September 4th, for the submission of any additional comments or statements. These should be addressed to the Authority's Corporate Secretary at 123 Main Street, White Plains, New York, 10601 or may be faxed to 914-390-8040 or e-mailed to secretarys.office@nypa.gov. Please see Ms. Frank if you have any additional questions.

The Power Authority's Trustees will be reviewing the full transcript of this hearing including any written submissions. That transcript will be available to you for review at the Authority's office in White Plains and on the Authority's web site www.nypa.gov.

At this point I will turn the microphone over to Caroline Garcia, the Authority's Manager of Contract Administration for Power Contracts and

Mngr Contract Admin Garcia

Supply Planning, who will provide additional details on the proposed contract extensions. I will then call on speakers starting in the order that they signed up.

CAROLINE GARCIA: Thank you, Ms. Delince. Good evening, my name is Caroline Garcia. I'm the Manager of Contract Administration in the Marketing and Economic Development department at the New York Power Authority. I am here today to present an overview of extensions of contracts for the sale of hydropower to three Upstate investor-owned utilities for resale to rural and domestic consumers.

These three utilities: National Grid, formerly Niagara Mohawk Power Corporation, New York State Electric and Gas Corporation or NYSEG, and Rochester Gas and Electric Corporation or RG&E, had been receiving firm power from the St. Lawrence/FDR and Niagara Power Projects and firm peaking hydro-

Mngr Contract Admin Garcia

power from the Niagara Project for resale to rural and domestic consumers under contracts that went into effect in 1990 and which were to expire on August 31, 2007.

At their July 31, 2007 meeting, the Authority's Trustees approved an extension of the 1990 contracts to take effect on an interim basis on September 1, 2007, pending completion of the formal contract approval process under Section 1009 of the Public Authorities Law. Under this process the contracts are subject to public notice, hearing and approval by the Governor. The contract extensions are for a total of 455 megawatts of firm and 360 megawatts of firm peaking hydropower to be sold to the three utilities. The power is purchased at the cost-based hydropower rate and these rates are passed on primarily to the utilities' residential and small farm customers without markup under the Public Service Commission

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tariffs.

Specifically, the proposed contracts provide for the sale of 189 megawatts of firm and 175 megawatts of firm peaking to National Grid; 167 megawatts of firm and 150 megawatts of firm peaking to NYSEG; and 99 megawatts of firm and 35 megawatts of firm peaking to RG&E. These amounts would be sold to the utilities through December 31, 2010 subject to withdrawal upon thirty days' written notice by the Authority for reallocation as may be authorized by law or as otherwise may be determined by the Authority's Trustees.

In addition to the withdrawals specified above the Authority may reduce or terminate service if it is determined to be necessary to comply with any ruling, order or decision by a regulatory or judicial body or the Authority's Trustees relating to hydropower and energy allocated under the proposed contracts.

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Chapter 59 of the laws of 2006 (Part U) authorized the creation by the Governor of a "Temporary State Commission on the Future of New York State Power Programs for Economic Development." The charge to the Commission was to recommend to the Governor and the Legislature on or before December 1, 2006, whether to continue, modify, expand or replace the state's economic development power programs, including but not limited to the Power For Jobs program and the Energy Cost Savings Benefit program.

On December 1, 2006, the Commission issued its report, which included an array of findings and recommendations. A key recommendation of the report was that among other things, hydropower now sold to the utilities ought to be redeployed for economic development purposes.

The short term and withdrawal provisions of the proposed contracts will allow the Legislature to consider the use of the subject block of power for economic development or other purposes.

As Ms. Delince stated earlier, the Power Authority will accept your comments on the proposed contracts until close of business Friday September 4, 2009. I will now turn the forum back over to Ms. Delince.

HEARING OFFICER DELINCE: Thank you, Ms. Garcia. Our first speaker today is Michael Costello.

MICHAEL COSTELLO: Good evening. I'm Michael Costello, I'm here on behalf of Crucible Materials Corporation and in particular Jim Beckham, Corporate Vice President of Operations. Crucible presented comments at the public hearing of NYPA on this same subject in November 2007. At that time Crucible was a company that directly employed nearly 700 people in Central New York with a

Costello

payroll in excess of $45 million, and had revenues close to $365 million in 2007. Both sales revenues and volume had increased significantly in the last few years, which had allowed us to hire about 275 new employees since January of 2004 in part to replace those that have retired but also fueled by business growth.

For the Syracuse plant, Crucible purchased approximately $150 million in goods and services in 2007 from over 800 active suppliers, of which 50 percent are located in New York. Close to $20 million of that amount was on just utility expenses. Helped in part by grants from NYSERDA and DOE, power consumption was reduced by 350 kilowatt hours a ton over the prior five years, yet our total cost of power had increased by close to 30 percent over that same period. In fact, over the past 15 years our total energy costs increased 100 percent while all our other manufacturing costs only went up by 24 percent.

In 2008 we had similar revenues but our profits were almost cut in half due to higher energy costs and of course the precipitous decline in the economy in the fourth quarter. In the first four months of 2009 our sales declined over 45 percent from our 2008 levels. And as most of you are aware, if you're not, Crucible filed bankruptcy Chapter 11 in May of this year. We continue in our efforts to reorganize in a fashion that would save as many manufacturing jobs in New York as is possible.

As you all know, power rates in New York are second or third highest in the nation depending on the source of your data. In addition, according to the American Chemistry Council, the US also pays the highest price for natural gas in the world. This is the playing field that energy-intensive manufacturing in New York State must compete against.

One of the reasons the power programs exist in New York State is to give companies a more level playing field when going up against their domestic and global competition. Crucible competes with specialty steel mills across the US, in South America, Europe, Asia and in our own state at Dunkirk Specialty Steel, which receive hydropower. If left unresolved this will force us to plan for the future with the second highest power rates in the US, or third, which all will have a negative impact on capital spending, on what business can take and our unemployment levels.

Following the deregulation of the electric market in New York State, Power for Jobs was implemented as a bridge for business until competition in the new electric market brought New York State electric costs to a competitive level with the rest of the

Costello

nation. Crucible had been a part of the program since 1999. While the Power for Jobs program is still in effect it is no longer as effective as when it had the lower-cost nuclear power from Fitzpatrick behind it. The uncertainty -- the last three years of the program, excuse me, the last three years of the program have been last-minute one-year extensions. The uncertainty of what the future electric costs will be for a company makes it impossible to plan for the future and impedes capital investment. Therefore, we need a long-term program that has lower-cost power allocations, such as hydropower attached to it. Securing the 455 megawatts of hydropower for business meets the requirements of an immediate solution. A long-term program is necessary so that business may make long-term plans for capital investment and market penetration in order to continually improve their

Costello

competitiveness without the fear of dramatic increases in energy costs.

The loss of manufacturing in New York State will actually increase the ultimate cost of power to residentials that will far exceed the benefit they now receive from the R&D power. Also, the increased competitiveness of manufacturers in New York State that can result from an allocation of low-cost power will have a multiplier effect that will benefit other businesses and their employees.

The beneficiaries from economic development programs should be those that can have the biggest economic impact on our state. In the National Grid service territory, for example, the benefits to residentials from the hydropower allocation is approximately equal to 15 minutes of pay, if you are in a manufacturing job. That is less than .2 percent of their monthly take-home pay. I am sure the employees of

Costello

Crucible would be willing to forego this benefit if it could help save their jobs. Manufacturing in New York is the catalyst that drives the demand for other commercial and service-oriented business in the state. Manufacturing also allows for the creation and retention of well-paying jobs in New York State that can afford to support commercial and entertainment enterprises.

We do not oppose a one-year extension of the current residential rural and domestic power. But we would urge the New York Power Authority to work with the Governor, the Legislature, and the manufacturers to develop a long-term energy program that would better utilize our hydropower resources so as to help retain manufacturing in New York and encourage new capital investment in manufacturing. Thank you for the opportunity to speak at this forum today.

HEARING OFFICER DELINCE: Thank you Mr. Costello. Next we have Karyn Burns.

KARYN BURNS: Hello again. This testimony is being submitted by Air Products and Chemicals, Inc., also known as Air Products. My name is Karyn Burns, I'm Director of Government Relations at MACNY, the Manufacturers Association. Ms. Sawicki, who is a Senior Energy Manager at Air Products and Chemicals, asked me to testify today on their behalf.

Air Products owns and operates an air-separation facility in Glenmont, New York that employs over 55 individuals and was built at that location in 1975 to specifically take advantage of NYPA's High Load Factor program. Currently, the Glenmont facility is receiving power under a legislative extension of rates for the High Load Factor contract customers. The plant manufactures oxygen, nitrogen and argon which are sold to numerous New York

Burns

manufacturers, businesses and health care facilities. Electricity consumption can account for approximately 70 percent of the variable operating costs of an air-separation plant. Therefore, it is critical to our plant and our many New York State customers that a permanent extension of the NYPA Economic Development Power programs is achieved.

Air Products urges NYPA to support the extension of contracts for the 455 megawatts of firm and 360 megawatts of firm peaking contracts from January 1, 2010 through December 31, 2010 with National Grid, New York State Electric & Gas Corporation and Rochester Gas & Electric Corporation for the sale of hydropower currently being sold to the above utilities for supply to domestic and rural customers, which extensions are contingent on termination by the NYPA upon thirty days, prior written notice.

New York State is at a crossroads as it looks to determine the future of its economic development power programs and discussions regarding the best approach to continue these programs are currently underway. One potential source that could serve to fill the void and create a solid basis for economic development and business retention is the 455 megawatts of Rural and Domestic Power. Providing 455 megawatts of hydropower for business retention and development could provide an immediate solution for the power programs' long-term viability. It is, therefore, an essential that NYPA retain the flexibility to reallocate the hydropower covered by the above-referenced contracts, which is reflected in the thirty-day termination provisions, which we believe to be essential.

Thank you for the opportunity to express our views on this very

Burns

important subject.

HEARING OFFICER DELINCE: Thank you Ms. Burns. Is there anyone else who would like to make a statement? Okay I'd like to thank the speakers again and remind you that the record will remain open until Friday for additional statements. And we will be here until 9 o'clock tonight. Thank you.

(Waited until 9 o'clock)

There being no further speakers, this hearing is now officially closed.

* * * *

REPORTER'S CERTIFICATE

I, JOHN F. DRURY, Court Reporter and Notary Public, certify:

That the foregoing proceedings were taken before me at the time and place therein set forth, at which time the witness was put under oath by me;

That the testimony of the witness and all objections made at the time of the examination were recorded stenographically by me and were thereafter transcribed;

That the foregoing is a true and correct transcript of my shorthand notes so taken;

I further certify that I am not a relative or employee of any attorney or of any of the parties nor financially interested in the action.

John F. Drury

JOHN F. DRURY, CSR, RPR

Notary Public

Exhibit “F”
September 29, 2009

Upstate Investor-Owned Utility 2009 Contract Extensions
Index of Written Comments

Air Products and Chemicals, Inc.

Buffalo Niagara Partnership

The Business Council of New York State

Crucible Materials Corporation

Diemolding Corporation

ESCO Turbine Technologies

Fiber Glass Industries, Inc.

The Manufacturers Association of Central New York

Michael J. Mathis

Revere Copper Products, Inc.

    Mike Bambury
    Ron Edwards
    Brian O’Shaughnessy
    Thomas G. Slocum

Suffolk County Electrical Agency

County of Westchester Public Utility Service Agency

AIR PRODUCTS

Air Products and Chemicals, Inc.
7201 Hamilton Boulevard
Allentown, PA 18195-1501
Telephone (610) 481-4911

**Testimony of Air Products and Chemicals, Inc.
To
The New York Power Authority
Regarding
Extension of Hydropower Contracts to National Grid (formerly Niagara Mohawk Power Corporation), New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation
September 2, 2009**

This testimony is being submitted by Air Products and Chemicals, Inc. (Air Products). Air Products owns and operates an air separation facility in Glenmont, NY that employs over 55 individuals and was built at that location in 1975 to specifically take advantage of the NYPA's High Load Factor program. Currently, the Glenmont facility is receiving power under a legislative extension of rates for the High Load Factor contract customers. The plant manufactures oxygen, nitrogen and argon which are sold to numerous New York manufacturers, businesses and health care facilities. Electricity consumption can account for approximately 70% of the variable operating costs of an air separation plant. Therefore, it is essential to our plant and our many New York State customers that a permanent extension of the NYPA Economic Development Power programs is achieved.

Air Products urges NYPA to support the extension of contracts for the 455 MW of firm and 360 MW of firm peaking contracts from January 1, 2010 through December 31, 2010 with National Grid, New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation for the sale of hydropower currently being sold to the above utilities for supply to domestic and rural consumers, which extensions are contingent on termination by the NYPA upon 30 days' prior written notice.

New York State is at a crossroads as it looks to determine the future of its economic development power programs, and discussions regarding the best approach to continue these programs are currently taking place. One potential source that could serve to fill the void and create a solid basis for economic development and business retention is the 455 MW of Rural and Domestic power. Providing 455 MW of hydro power for business retention and development could provide an immediate solution for the power programs' long term viability. It is, therefore, essential that NYPA retain the flexibility to reallocate the hydropower covered by the above referenced contracts, which is reflected in the 30 day termination provisions, which we believe to be essential.

Thank you for the opportunity to express our views on this very important subject. Should you seek additional information or wish to discuss any portion of this testimony or visit our Glenmont facility, please contact:

Victor F. Sawicki, Senior Energy Manager
Air Products and Chemicals, Inc.
7201 Hamilton Blvd.
Allentown, PA 18195
610-481-5617

BUFFALO NIAGARA
PARTNERSHIP
Businesses United For Growth

Public Comment to the New York Power Authority
September 1, 2009
Lewiston, NY
Presented by: Hadley Horrigan, Vice President of Public Affairs, Buffalo Niagara Partnership

I am Hadley Horrigan, Vice President of Public Affairs at the Buffalo Niagara Partnership, and I am here today on behalf of our nearly 2,500 members, who are regional employers of more than 200,000 people. Thank you for the opportunity to provide comment today.

We need more low cost power and stand ready to help the state with its strategy to meet its energy needs.

Two specific proposals the Partnership strongly endorses to get our region closer to meeting our energy needs are as follows:

First, we believe hydropower currently supplied for "rural and domestic" uses within the franchise territories of three upstate utilities should be redeployed for upstate-wide economic development over a period of three years. The residential savings I receive at my home are about $2 per bill. It's a bit higher for some of my coworkers in different franchise territories. But who can argue that a few hundred dollars a year saved on a residential utility bill is worth more than a $40,000 per year job for my or their neighbor... and the buying power that job creates in a community?

That said, we do believe a mechanism should be established to assist non-corporate farmers and those low income households as defined by the federal Home Energy Assistance Program (HEAP) that currently benefit from the hydropower.

Second, we worked closely with Assemblyman Dennis Gabryszak and Senator Bill Stachowski this year on bills they introduced that would allow our region to get more out of our regional asset of Replacement and Expansion power. When that power is not being utilized – when a plant is not drawing on its full allocation, or when a company has received a block of power but is not yet up and running, or when power remains unallocated – the New York Power Authority sells it on the open market and retains the proceeds.

Gabrysazk and Stachowski's bills would instead create the Western New York Economic Development Fund to keep the proceeds derived from regional hydropower assets within 30 miles of the Niagara Power Project, as intended. The local fund would be used for projects to spur economic development and job creation, for example, site preparation and infrastructure improvements, brownfield cleanups, adaptive reuse of existing structures and to entice private sector investments in Buffalo Niagara.

It's our desire to work with both NYPA and the legislature to get this "proceeds" issue right – and implemented in the form that has the greatest economic development benefit for our community.

Our sister organization, the Buffalo Niagara Enterprise, working in concert with local and state economic development partners, has developed a robust attraction effort that takes advantage of the unique advantage we have in the form of Niagara Power Project hydropower. In particular, the Buffalo Niagara Enterprise has made great strides working with solar panel and wind turbine manufacturers who have expressed interest in our region because of our proximity to both customers and supply chain, in addition to low cost hydropower.

Currently, the BNE has nine active projects – good projects, with real interest in our region, that come from the renewable energy industry, other advanced manufacturing sectors and that include brownfield cleanups and strong job creation as part of their plans. Together these projects represent potential private sector investments of up to $4.7 billion here, and creation of nearly 5,500 new jobs. To land these projects, we (as a region) currently have approximately 40 MW of Expansion and Replacement power available… while the projects would likely require total allocations closer to 200 MW.

We need more resources for economic development and are strongly in favor of adding R&D to the portfolio.

The Business Council

Testimony to

New York Power Authority

Hydropower Contract Extensions with Upstate Utilities

Presented by

Kenneth J. Pokalsky
Senior Director, Government Affairs

September 2, 2009

My name is Ken Pokalsky and I am Senior Director for Government Affairs for The Business Council of New York State.

The Business Council is New York's largest statewide employer advocate, representing about 3,000 private sector employers across the state, including about one thousand manufacturing firms.

I appreciate the opportunity to provide input to the Authority as you consider a one year extension, through December 2010, of contracts for the continued sale of 455 MW of firm power and 360 MW of peaking power to National Grid, Rochester Gas & Electric, and New York State Electric and Gas, for distribution to their residential and small farm customers.

The Business Council understands the adverse impact that New York's high power costs have on all customer classes, including residential, commercial and industrial customers, and we have no objections to this contract extension through the end of 2010.

However, The Business Council continues to support the recommendations of the 2006 Power Commission, and believes that the best long term use of this hydropower resource is to support economic development and the creation and retention of jobs, particularly in upstate New York.

We encourage NYPA to keep this option open, so that legislative options are not restricted by contractual commitments past December 2010.

While this approach would have an adverse impact on some upstate ratepayers, we believe that the state could help offset these adverse impacts, especially lower income ratepayers, through mechanisms such as the repeal of the remaining 2 percent utility gross receipts tax on transmission and distribution charges to residential electric customers and the so-called Article 18-A assessment increases adopted this year, and which will add more than $500 million per year to state energy costs. Likewise, the state could rollback or place limits on other administration-imposed energy assessments, such as the "system benefit charge," the "renewable portfolio standard" and the "regional greenhouse gas initiative," all which add to consumer's energy bills.

However, we believe that a reallocation of NYPA hydro resources through a strategically targeted economic development program would have more significant, positive impacts on the state's economy, and in particular the upstate economy. A long term commitment to providing competitively priced power to energy-intensive businesses should be an essential part of the state's economic strategy.

Our members tell us, year after year, that energy costs are one of the state's most significant competitiveness problems.

On average, electric power costs in New York are 40 percent above national averages for industrial and commercial businesses, even after the benefits of

NYPA hydropower sales to business are considered, meaning that power costs for the *typical business* is even further above national averages.

More than six hundred businesses, including many of the state's most energy intensive manufacturers, benefit from the state's economic development power programs. According to NYPA figures, these businesses represent more than 350,000 jobs across New York State.

Within our membership, we have about 150 employers with more than 100 MW of total allocations that are currently enrolled in either the Power for Jobs, Economic Development Power and other statewide NYPA programs.

Importantly, these are high value jobs, especially those in the manufacturing sector upstate.

Based on 2008 NYS Department of Labor data, in the "upstate" economy (New York State, minus New York City and Long Island), the average manufacturing job pays nearly $17,500 per year more than the average private sector, non-manufacturing job ($58,567 compared to $41,139) – a manufacturing job bonus of about 42 percent.

In the five county Central New York region (Cayuga, Cortland, Madison, Onondaga, and Oswego counties), the difference is even greater, nearly $19,500 per year ($56,259 compared to $36,789) or 52 percent.

We believe that retention of these high paying jobs should be an economic development priority for New York State. A long-term economic development power program, using NYPA hydro resources, is a key tool for achieving this job retention goal.

For the past several years, we have urged the Administration and Legislature to adopt a permanent replacement program for "Power for Jobs," but instead we continue to limp along with twelve month - and, this year, a ten and one half month - extensions.

The lack of long term certainty regarding the availability and cost of economic development power, and the erosion of the value of this program for many program participants, make it difficult for businesses to make significant new capital commitments in the state.

Legislation adopted in 2009 extends the existing programs through May 15, 2009, and puts several mechanisms in place to develop additional information to help design a long term replacement program.

We urge NYPA, the Administration and the state legislature to develop a long-term program, which should be adopted as early as possible during the 2010 legislative session.

A "repowered" energy programs should focus on the retention of existing in-state business and employment, promoting new capital investment in the state, and promoting new businesses and new jobs.

We support an approach that:

- Adopts a permanent replacement program, along with a transition period during which current program contracts would be extended.
- Integrates PfJ and EDP into a single replacement program with common criteria.
- Makes competitively-priced power available for expansion, retention and attraction projects.
- Focuses on businesses for which the cost of energy is a critical competitive issue, and for which electric power costs have a significant impact on their economic viability, and on their siting and investment decisions. This focus would include energy intensive sectors, such as manufacturing, and other sectors and individual businesses for which electric power costs are a significant competitive factor.
- Includes a multi-year shift of current "rural and domestic" hydropower from residential to economic development uses.
- Provides allocation-based power benefits, using NYPA hydro, and/or blended hydro and purchased power to provide competitive, stable energy prices to program participants.
- Provides participants with longer-term contracts (5 to 10 year duration).
- Broadens eligibility criteria to include jobs created/retained, capital investments, energy efficiency investments, local economic significance and other factors.

Finally, I want to again stress that we understand that virtually all businesses and residents in the state bear the burden imposed by high power costs. High cost power are a symptom of larger, systemic issues with our power system, including relatively high reliance on natural gas for electric power production; failure to grow generation capacity to keep up with growth in demand; high property taxes; state environmental initiatives; state-imposed energy program fees; the lack of an efficient siting law and others. We know that we are losing business and people to other, more competitive states, and we are losing business - especially manufacturing - to low cost foreign competitors. It is essential that the state also begin to address these "big picture" issues as well for the benefit of business and residential power customers alike.

In both cases, New York needs to pursue a straight-forward goal of reducing energy costs, and eliminating the cost of electric power as a significant competitive disadvantage for the state's economy.

Thank you again for this opportunity to provide input. We look forward to working with the Authority on these issues as we head toward the 2010 legislative session.

kp

Crucible Materials

Crucible Materials Corporation
575 State Fair Boulevard
P.O. Box 977
Syracuse, New York 13201

James D. Beckman
President- Crucible Specialty Metals
Corporate Vice President- Crucible Materials Corporation

Comments at the public hearing of NYPA on September 9, 2009, to be held in Syracuse, New York

Crucible started in Central New York (CNY) in 1876 as Sanderson Brothers Steel Company of Syracuse, and then became part of the Crucible Steel Company of America in 1900. In 1986, Crucible divested itself from Colt Industries to form Crucible Materials Corporation (CMC), headquartered in CNY.

Crucible presented comments at the public hearing of NYPA on this same subject in November, 2007. At that time, Crucible was a company that directly employed nearly 700 people in CNY with a payroll in excess of $45 million, and had revenues close to $365 million in 2007. Both sales revenues and volume had increased significantly in the last few years which had allowed us to hire about 275 new employees since January 1, 2004, in part to replace those that have retired but also fueled by business growth.

For the Syracuse plant, Crucible purchased approximately $150 million in goods and services in 2007 from over 800 active suppliers, of which 50% are located in New York (NY). Close to $20 million of that amount was on just utility expenses. Helped in part by grants from NYSERDA and the DOE, power consumption was reduced by 350KWH/ton over the prior five years, yet our total cost of power had increased by close to 30% over that same period. In fact, over the past fifteen years our total energy costs increased 100% while all our other manufacturing costs only went up by 24%.

We had similar sales revenues in 2008, but our profits were almost cut in half due to higher energy costs and the precipitous decline in the economy in the fourth quarter. In the first four months of 2009, our sales declined over 45% from our 2008 levels. And, as you are aware, Crucible filed chapter 11 bankruptcy in May of this year. We continue in our efforts to reorganize in a fashion that would save as many manufacturing jobs in New York as is possible.

As we all know, the power rates in NY are the second or third highest in the nation depending on the source of your data. According to the latest report by the American Chemistry Council, the U.S. also pays the highest price for natural gas in the world. This is the playing field that energy intensive manufacturing in New York State (NYS) must compete against.

One of the reasons the power programs exist in NYS is to give companies a more level playing field when going up against their domestic ands global competition. Crucible competes with specialty steel mills across the United States, in South America, Europe, Asia, and in our own state of New York at Dunkirk Specialty Steel. If left unresolved, this will force us to plan for the future with the second highest power rates in the U.S., which will have a negative impact on capital spending, on what business we can take, and on our employment levels.

Following the deregulation of the electric market in NYS, Power for Jobs (PFJ) was implemented as a bridge for businesses until competition in the new electric market brought NYS electric costs to a competitive level with the rest of the nation. Crucible has been part of this program since 1999. While the PFJ program is still in effect, it is no longer is as effective as when it had the lower cost nuclear power from Fitzpatrick behind it. The last three years of the program have been last minute one year extensions. The uncertainty of what the future electric costs will be for a company makes it impossible to plan for the future and impedes capital investment. Therefore, we need a long term program that has lower cost power allocations, such as hydro-power attached to it. Securing the 455MW of hydropower for business meets the requirements of an immediate solution. A long term program is necessary so that businesses may make long term plans for capital investment and market penetration in order to continually improve their competitiveness without the fear of dramatic increases in energy costs.

The loss of manufacturing in NYS will actually increase the cost of power to residentials that will far exceed the benefit they now receive from the R&D power. Also, the increased competitiveness of manufacturers in NYS that can result from an allocation of low cost power will have a multiplier effect that will benefit other businesses and their employees.

The beneficiaries from economic development programs should be those that can have the biggest economic impact on our State. In the National Grid service territory the benefit to residentials from the hydropower allocation is approximately equal to fifteen minutes of pay for a manufacturing job which is less than .2% of their monthly earnings. I am sure the employees of Crucible would be willing to forego this benefit if it could help save their jobs, Manufacturing in NY is the catalyst that drives the demand for other commercial and service oriented businesses in the State. Manufacturing also allows for the creation and retention of well paying jobs in NYS that can afford to support commercial and entertainment enterprises.

We do not oppose a one year extension of the current residential hydropower allocation. But, we would urge the New York Power Authority to work with Governor, the Legislature, and manufacturers to develop a long term energy program that would better utilize our hydropower resources so as to help retain manufacturing in New York and encourage new capital investment in manufacturing.

Thank you for the opportunity to speak at this forum today.

Diemolding Corporation

To: Power Authority of the State of New York 9/3/09
Attn: Karen Delince
Re: Sale of 455 MW of Hydropower to the Business Community

Dear Karen,

My name is Dennis O'Brien; I am President of Diemolding Corporation; Diemolding has been manufacturing products in Madison County, in Central New York, since 1920. We are one of the most significant employers in our County.

Diemolding manufactures phenolic (plastic) disc brake pistons for the Automotive industry. The biggest end-users of our products are General Motors, Chrysler, and Ford. We have 101 employees on our active payroll and 46 employees on layoff. To say the last few years have been challenging would be an understatement. We are slowly digging our way back from a very difficult spring and summer – bankruptcies and plant closings significantly reduced our customer requirements.

Our newest facility started operations in 1999; our manufacturing processes were engineered around lean manufacturing concepts; our field quality results – parts per million in our industry – have been under 2 PPM for the last three years. Our productivity per employee is very high; customers surveying our operations frequently comment on the efficiencies they observe throughout our plant.

Our main competitors manufacture in low cost countries and our customer base is very comfortable sourcing globally. 10 years ago we were able to counter the low costs of other regions of the world with our advanced technology. Today, our technology is being utilized in low cost countries. As much as we stress the pluses of lower logistics costs and the high quality of the products we produce, we are continually challenged by competitive quotations from low cost country sources. We frequently have to sacrifice margins to keep our utilization at a reasonable level.

Diemolding has a long history of manufacturing in New York State and has made a commitment to continue manufacturing in our current location. That being said, the costs of manufacturing here continue to increase. Offsetting cost increases from health care, insurance, and energy is becoming more challenging every year. On a regular basis we are asked by our customers to consider a re-location to a region closer to their using plants (Southeastern United States) or to a low cost country.

Diemolding currently participates in an economic development power program. This program is supported by 455 MW of hydropower currently being considered for re-direction, away from the business community. From June of 2008 through June of 2009, we saved $182,000 on the costs of power. The economic development power program savings helps us offset some of the cost increases mentioned above and helps us avoid a more emotional cost saving mechanism – head count reduction! The savings in our power costs keeps jobs for five Diemolding employees.

Diemolding's long term success will be the result of many incremental improvements. Our product is mature by Automotive standards and much of the "low hanging fruit" relative to manufacturing improvements has been picked. Organizationally, we have to work extremely hard to save $182,000 per year. We have enough obstacles to overcome in our business without adding the loss of the economic development power program. Our business and employees need the continued support of the 455 MW of hydropower.

Thank you in advance for your continued support of Diemolding Corporation!

Sincerely,

Dennis O'Brien

Dennis O'Brien

ESCO®

Turbine Technologies

Syracuse

September 3, 2009

Power Authority of the State of New York
Karen Delince, Corporate Secretary
123 Main Street
White Plains NY 10601

Re: Support for extension of hydropower contracts

Dear Ms. Delince:

I'm writing to express my support for an extension of R&D hydropower contracts through December 2010, with a 30 day out period allowing for the reallocation of power within that year.

ESCO Turbine Technologies – Syracuse has been in business for 65 years. The company employs 380 people in the Village of Chittenango, Madison County, New York. Because this site produces investment castings for military and commercial turbine engines, we consume large amounts of electrical energy.

Access to low cost energy through the Power for Jobs program has played a significant role in keeping our firm competitive in recent years. We've been able to add more than 100 employees to our workforce since 2001 because we enjoyed expanding markets and manageable electricity costs. However, we're concerned that escalating power costs will reduce our competitiveness. This may make it necessary for ESCO Corporation to shift some production out of New York State, to other company sites in Ohio, Mexico, or Belgium.

Therefore, I'm requesting that you take action to extend Power Authority hydropower contracts through the end of 2010. Power for Jobs programs provided by the Power Authority have played a key role in our ability to sustain employment levels in Madison County. Continued availability of low cost energy will benefit our employees and the economies of this region and the State.

Thank you in advance for your attention and consideration.

Very truly yours,

Jeff Nguyen
Syracuse Site Manager

Liege, Belgium
Cleveland, Ohio
Guaymas, Mexico
Syracuse, New York
Povaska-Bystrica, Slovakia

ESCO Turbine Technologies - Syracuse
901 East Genesee Street
Chittenango, New York 13037

Phone 315 687 0014
Fax 315 687 0023
www.escoturbinetech.com

Consistently fgi The Best

September 3, 2009

Fiber Glass Industries, Inc
69 Edson Street
Amsterdam, NY 12010

Dear Sir or Madam:

I am writing to express my support for an extension of the R&D hydropower contracts through December 2010, with a 30 day out period allowing for the reallocation of power within that year.

Fiber Glass Industries, Inc. (FGI) was founded in 1957 and has two plants in Amsterdam, New York. We started as a weaving mill of glass yarn. In the late 1960's, the primary glass manufacturers entered the converting business in direct competition with FGI. They eventually restricted availability of glass strand, reduced their prices for converted products, and raised their material prices to FGI. In 1980, FGI began construction of a glass manufacturing facility on Edson Street in Amsterdam, NY. The facility began operations in 1982, although FGI entered bankruptcy proceedings in 1984 due to market conditions, low production and high interest cost. Investors were found, the business was sold, and the company emerged from bankruptcy in 1988.

FGI is a major employee in the Amsterdam area which has high unemployment. A majority of our production jobs require a high school diploma, GED, or dependable work experience. We presently have between 145 and 150 employees depending on our turnover at any one time. Our company has been in a loss situation for the last three years because of low market pricing that is controlled by some very large international companies. These companies, along with the Chinese firms, make over 95% of the worldwide fiberglass products so they are able to control pricing. Also, all our major competitors are located in the Southern United States where major raw material suppliers are located and utility cost is much lower.

At the present time, FGI has the Power for Jobs program. We are receiving a rebate check of approximately $25,000 per month on the first 700 kilowatts per month of electric power. Our electric bill at the Edson Street facility represents about 8% of our plant overhead. This savings has helped our company grow from 130 employees to our existing numbers with nearly all growth in low to mid wage production jobs. Electricity is very expensive now ($0.115/Kwh), but is absolutely necessary to run a furnace 24/7 for seven years straight.

The Power for Jobs program has helped FGI increase employment as well as enables a small business to compete with large international companies like Owens Corning.

Sincerely, William Tarpinian

William Tarpinian, Controller

NYPA Public Hearing

Karyn Burns
MACNY, the Manufacturers Association
September 2, 2009

To start, I would like to thank you for asking me to speak today, and also for recognizing the immediate need to address the extension of the R&D hydropower contracts. My name is Karyn Burns, and I am here representing MACNY, The Manufacturers Association. As you may know, MACNY is a trade association representing over 330 companies with over 55,000 employees across nineteen counties in Upstate New York. Founded in 1913, we pride ourselves on not only being the largest association of manufacturers in New York, but also one of the oldest and most widely recognized associations in the nation. We continue to advocate for causes that will enable New York State manufacturers to thrive in today's competitive global market, because manufacturing is a critical component of a vibrant economy.

It is common knowledge we as a state and a nation are facing difficult economic times, and manufacturing is certainly no different. A struggling economy, coupled with increasing international competition, has proven to be significant challenges for New York State manufacturing. However, when all is said and done, one thing remains certain: manufacturing continues to remain the backbone to the State's economic success. Reports have shown that for each job created in manufacturing, between two and three jobs are created in other sectors. These spin-off jobs are created in financial services, government, and many other service sectors supporting manufacturers. If the manufacturing sector falters, so do other sectors of the local and regional economy. Therefore, the way Albany treats its manufacturing sector will hold significant impact on the future of the state's economic stability. One such area in need of attention is lowering the increasingly alarming high costs of electricity for the state's manufacturing sector. Proper usage of the hydropower is one such method in helping reduce costs while enhancing the state's economic development appeal.

I am here today with MACNY members and additional business association partnerships such as the Consumers for Affordable and Sustainable Energy (CASE) and the Business Council to express my support for an extension of the R&D hydropower contracts through December 2010, with a 30 day out period allowing for the reallocation of power within that year. As NYPA is well aware, MACNY has been a leader in lobbying the New York State Legislature for a comprehensive, long-term solution to alleviate the high energy costs inflicted on New York State manufacturers. We come here today in similar efforts, urging NYPA to not only extend the term of this R&D hydropower, but to also support us in our continued efforts to allocate this source of low cost power to a long-term economic development power program supporting jobs in New York State, as recommended in the 2007 Power Commission report. We strongly encourage a one year extension, so that future legislative options remain open for potential usage of hydropower for economic development purposes past December 2010.

Throughout the years, many have debated the best use of the 455 mw of hydropower in New York. MACNY firmly believes that allocating this resource to energy intensive manufacturers will make the State of New York a better place to live. Many out-of-state manufacturers are currently looking to relocate, but choose not to do so in New York because of the high energy costs here. Our collective members are often telling us that the cost of energy alone is a major hindrance in their ability to remain competitive and still do business from New York State.

The simple fact is this: allocating the hydropower to the business community will not only help New York retain businesses already located here, but also attract and retain strong, growing out-of-state manufacturers. Taking into account the multiplier effect of manufacturing, many more jobs in other sectors will be created by the future growth in manufacturing.

As you are well aware, Western New York and the North Country have led the way in embracing long term economic development solutions. Western New York understood the positive outcomes of securing hydropower resources when it allocated 450 mw of Replacement Power for economic development in 2006. Senator Wright, former Chairman of the Senate's Energy Committee, also saw this opportunity when he advocated for Preservation Power for the North Country, sponsoring legislation in which 490 mw of hydropower would remain in three counties for future job development. Both Western New York and the North Country represent a perfect model for long-term economic development in the state. Both regions have secured resources for business retention and development that will provide thousands of family-supporting jobs.

New York State as a whole could reap these same benefits by reallocating the 455 mw, currently designated for residential customers, to businesses who retain and increase jobs. This hydropower will enhance the ability of manufacturers and businesses to expand and create new family-supporting jobs. Low-price hydropower cuts the bottom line for businesses, making them more competitive with out-of-state businesses for capital dollars, investments and expansion. Businesses with continuous low-cost energy can plan for the future with confidence because of price predictability from long-term hydropower contracts.

With the argument that the current hydropower lowers the electric bills of New York State residents, I leave you with one thought: **you need a job to pay an electric bill**. During such difficult times, with the job market as vulnerable as it is, it is my belief that good paying jobs are far more valuable than a few extra dollars on your monthly residential energy bills.

Please support the allocation of the 455 mw of hydropower to economic development purposes. We want to retain jobs, **and the residents who benefit from those jobs,** in New York. Thank you.

Statement of Michael J. Mathis, residing at 133 Fireside Lane, Camillus, New York

Section 1005, paragraph 5 of the Public Authorities Law states:

- … the development of hydro-electric power from such projects [i.e. Niagara and St. Lawrence] shall be considered primarily for the benefit of the people of the state as a whole and particularly the domestic and rural customers to whom power can be made economically available, and accordingly that sale to and use by industry shall be a secondary purpose …

- … the authority shall … make provision so that municipalities … now or hereafter authorized by law to engage in the distribution of electric power may secure a reasonable share of the power generated by such projects …"

Consequently, the authority has an obligation to provide capacity from the Niagara and St. Lawrence hydro-electric projects to a newly formed municipal electric utility.

In response to a letter of May 21, 2007 from Bethaida Gonzalez, President of the Syracuse Common Council, Louise M. Morrian, then the Senior Vice President – Marketing and Economic Development, stated:

> … the entire amount of firm Power Authority hydroelectricity required by law to be provided to municipal and rural electric systems is allocated under contracts running into 2025.
>
> The disposition of the hydropower coming off contract during the summer of 2007 is currently under review by the Legislature and the Governor. In December 2006 the Temporary Commission on the Future of New York State Power Programs for Economic Development recommended to the Governor and the Legislature that available hydropower be allocated for economic development purposes.

Such allocation of capacity from terminating contracts would be contrary to the Public Authorities Law if a newly forming municipal utility, as postulated by President Gonzalez in her letter, requested an allocation of firm power from the Niagara and St. Lawrence Projects. Under such a request the Authority would be obligated to provide capacity to the utility.

Mike C. Bambury, CAP Chairman
Region 9 – UAW Local 2367
P.O. Box 4217
Rome, N.Y. 13440

September 2, 2009
NYPA Hearing

Good afternoon, my name is Mike Bambury; I am the Citizen Action Program Chairman from UAW Local 2367 representing the workforce at Revere Copper Products, in Rome, New York. Our company, I say this because we too own shares in the company, is a manufacturer of high quality copper and brass products purchased for use in many markets that include architectural, transportation, telecommunication, electrical and electronics, power generation and other applications.

The domestic market share that we once shared with other copper and brass mills is continually shrinking. We have a huge disadvantage with higher energy cost because of our location that our competition in Buffalo, Iowa and Pennsylvania don't face. Each place I just mentioned pays much less than Revere does in central New York. Cutting the cost of power helps with job security and the ability to continue producing product.

The Governor and his predecessors have both stated that rebuilding the upstate economy was going to be a priority of their administrations. Currently the state provides lower cost power through PFJ and EDP but our manufacturing base should not be exposed to the situation many of them face today with short term extensions for PFJ and EDP. If we are going to invest in central New York's manufacturing sector, hydropower allocations to manufacturing has to become a reality.

New York is in danger of losing its manufacturing base which has been shrinking for years. One-third of our employees hired since 2001 have held long-term jobs at other facilities, myself included. I worked at Oneida Limited before they closed, I worked at Rome Cable and now I have some security because of my job at Revere.

Taxes, state regulation, health care cost and energy are keeping New York's manufacturing base on its heels, but energy cost will kill manufacturers quicker than any of the rest. Retaining an existing jobs base or growing and attracting new jobs, requires a low cost energy supply. Allocating hydropower to manufacturers like Revere is needed to help create an environment conducive to maintaining and expanding a manufacturing base in our state and hopefully attract more.

As a Local Union Leader I am extremely proud of the efforts our membership and those put forth at other New York State Manufacturers, by producing to help supply world markets. It would be a harsh pill to swallow indeed, that in spite of those efforts and sacrifices made over the years to be told, "The plant is closing because of energy cost", something that is beyond our control.

Thank you for your time.

Revere Copper Products, Inc.

Ron Edwards
Revere Copper Products, Inc.
One Revere Park
Rome, NY 13440
(315) 338-2338
redwards@reverecopper.com

September 2, 2009
NYPA Hearing

My name is Ron Edwards and I am Manager, Engineering and Energy Conservation at Revere Copper Products. My company was founded by Paul Revere in 1801 and we believe we are the oldest basic manufacturing company in the USA. We are located in Rome, NY and given the recession we still employ over 300 people. Our local impact is much greater as many other local companies are so dependent on Revere. Revere is the largest manufacturing company in Rome.

Our pots and pans unit was sold to Corning more than twenty years ago. We continue to produce copper and brass sheet, strip, coil and bus bar as well as extruded shapes. Most of our product is shipped to manufacturing companies in the USA while the remainder goes to distributors throughout the country. Revere is the largest supplier of architectural copper and the second largest supplier of bus bar in the USA. Revere faces strong competition from other brass mills in the USA including one in Buffalo which receives low cost hydro power.

Ownership of Revere is shared with all its employees and all the stock is held by them and their family members. Revere does not pay dividends and reinvests all the cash flow it generates to maintain and upgrade its facilities. So you can correctly conclude all the benefits of the New York State power programs are reinvested to secure the business in New York State. Revere is a perfect target for such programs.

Revere receives electricity from National Grid and participates in both the Economic Development Power Program and Power for Jobs. The benefits are about $3 million a year and are so critical to the success of Revere that Revere would no longer exist in Rome, NY without these programs. Revere continues to pay more than its competition for power even with the benefits of these programs. It still leaves Revere at a competitive disadvantage because of its location in New York State.

So much has been said about the competitive position of New York for jobs and so many commissions have studied the matter and held so many hearings that few really question the need for New York to make itself more attractive for jobs. Most independent studies rank New York State near the worst position competitively to locate a manufacturing facility such as the one Revere has in Rome, NY.

The Province of Ontario works to solve this problem by providing long term, low cost power for manufacturing. The low cost power does not go to commercial entities, hospitals, schools or residences because it is recognized that these institutions will exist if manufacturing jobs exist.

It is well accepted that manufacturing needs low cost power on a long term basis for strategic planning purposes including committing to long term capital spending programs. Any program that simply monetizes a discount from market prices does not provide the stable long term solution needed. Any program that requires approval in an annual budget process does not meet that need.

That is why a link to a true low cost source of power is so critical to the success of a power program for the competitive position of New York States economic development. Hydro power owned by the state is the only secure solution to meet the needs of manufacturing in mid-state New York. Upstate has it for its manufacturing and so does the Buffalo area. Mid-state does not.

Frankly, it is hard for me to fathom how continuing to use low cost hydro power for residences in this mid-state area helps make New York more attractive for economic development. If the central region of New York is competitive for manufacturing, the jobs will come and people will live in this region. We have all heard the talk about the "brain drain" because there are no jobs for our children.

It is easy to understand why many politicians want to duck the obvious solution of using residential hydro to improve the competitive position of manufacturing companies. They are concerned about a backlash if residential prices go up. But there is an obvious solution. The funds currently used to finance the economic development power programs could be used to offset their loss of hydro power. There could even be a needs based allocation of such benefits. This could become a budget item that could even be phased out in certain circumstances over time.

It is not so obvious to residential consumers that it is so critical that power costs for manufacturing be kept competitive with other states. That should be obvious to their elected representatives. Mid-state representatives of both parties need to work together to take this issue out of the political limelight and put the halo of economic stability and development on such action.

Our Union members will tell you they would rather have the hydro power flow to the company that provides their jobs than the small benefit going to their homes. Revere has such members who are now working at their third or fourth manufacturing facility as the ones where they previously work have disappeared. This is again related to the competitive position of New York State which continues to worsen.

It is easy to understand given the politics of New York State why some electric utilities are so concerned about discontinuing the allocation of low cost hydro to residential consumers. If that allocation were redirected toward economic development, utilities may have difficulty getting rates increased to offset the increased cost of the replacement power. The utility might even be expected to swallow part of these costs. In a more rational world, utilities should always be able to recover energy supply costs. In a more rational world, utilities would always be in favor of providing manufacturing the lowest cost power available to improve their competitive position and thereby enhance economic development.

In New York State, local newspapers do not seem to understand the necessity of manufacturing to increase productivity to remain competitive. They believe as the leaders of East Germany believed that low cost power should be linked to job retention rather than improving the competitive ability of domestic industry. The East German government thought it should subsidize industry rather than provide a low cost environment for industry to compete. Creating a low cost environment for industry requires the long term allocation of competitive, low cost hydro power.

It is no wonder that New York ranks so low in competitive standings when such fundamental economic strategies are misunderstood and commission findings reflecting pure logic and rational economic development strategies such as the bipartisan Temporary Commission are simply ignored. Few politicians have the political foresight and the will to act in the best economic interests of the state. They make up excuses. Now is the time for action steps to revitalize the economy of Central New York. Extending hydro power to manufacturing is a progressive step and would help secure jobs which are the utmost necessity to families.

Comments of Consumers for Affordable and Sustainable Energy Regarding NYPA Contract Extensions with Upstate Utilities

Good afternoon. My name is Brian O'Shaughnessy and I am the Chairman of Revere Copper Products, Inc. We believe we are the oldest basic manufacturing company in the United States. Revere is a very large user of electricity and has been a recipient of economic development power from NYPA for many years, which has helped us to stay in business.

I am here today to provide comments on behalf of Consumers for Affordable and Sustainable Energy, or CASE, an association of large energy consumers. CASE members rely on NYPA economic development programs to remain competitive. CASE was instrumental in seeing that the NYPA economic development programs were extended in the last legislative session. However, for the reasons set forth below, CASE members believe that the current programs should be revised in order to provide longer-term rate relief around which recipients can plan capital investments to help secure jobs in New York State. Thank you for the opportunity to appear before you today and offer my opinions on the proposal to extend by one year NYPA's contracts with National Grid, NYSEG, and RG&E.

High energy costs in New York affect all consumers – from residential customers to the corner grocery store to large manufacturers such as Revere. For example, the Energy Information Administration's data indicates that New York's energy prices for industrial customers are two to three times higher than in some other states – states that compete with New York for attracting and retaining manufacturing jobs. Ironically, a significant portion of the energy cost disparity is due to the costs imposed to fund statewide energy efficiency and environmental initiatives. We need a multi-faceted approach to reducing those costs and making New York's energy prices more competitive with those in other states and countries.

We need to do as much as possible to help manufacturing and other large business customers maintain operations in New York. We appreciate the need to help individuals, but one of the primary ways of doing so is to make sure that the State's residents are gainfully employed in well-paying jobs. If we do nothing for the manufacturers and other businesses and they curtail their operations and work forces, or close down entirely, the current residential discounts will seem inconsequential, and we will have squandered an opportunity to achieve real economic development.

Within this conceptual framework, one facet of the solution to reducing energy costs in New York should be to deploy our resources in the most appropriate manner. That is, we should use our resources, including hydropower, in ways that maximize the benefits to the State, generally, and to all of its residents and businesses. While we understand NYPA's efforts to help residential and farm customers by providing inexpensive hydropower to them, which reduces their electric bills by relatively small amounts, such an allocation of that precious hydropower is not the best use of that power.

Instead, the residential power should be reallocated to NYPA's economic development programs and used to bolster the competitiveness of New York's businesses, as well as to attract new business to the State. In order to ensure that the reallocation provides benefits to offset the loss of the NYPA discounts, the reallocated hydropower should be directed generally to eligible Upstate businesses. The long-term economic development benefits resulting from such reallocations would dwarf the relatively few dollars by which each residential bill is reduced each month.

Another facet of the approach should be to provide long-term certainty to businesses to allow them to properly plan for the future. CASE members and other businesses must plan for the long term, not just the next 10 or 12 months. Therefore, the reallocation of the hydropower, and well as the structure of the economic development programs to which the power is reallocated, must be fundamentally revised. Annual program renewals are ineffective for planning purposes, and NYPA and the Legislature should work together to provide for both long-term program renewals and long-term contracts between NYPA and hydropower recipients.

A third facet of the approach is to phase-in the new structure. We recognize that it may be unpalatable to quickly terminate the long-standing residential benefit provided by NYPA's hydroelectric assets. In addition, legislation must be passed, criteria for the reallocation of the power are needed, and NYPA must ensure that the recipients of such power are qualified and appropriate. Establishing the criteria and reviewing applications will take some time. We are hopeful that these steps can be achieved promptly so that NYPA could start reviewing applications in 2010. Therefore, in order to facilitate an effective, smooth transition, a small phase-in of the reallocation could begin mid-year in 2010, with the remainder of the phase-in continuing for the next two or so years. In addition, perhaps the legislation can include some relief for low-income residential customers who potentially would be the most impacted by the loss of the hydropower benefits.

CASE members recognize that the proposals advanced by these comments, as well as those submitted by the Business Council and Manufacturers Association of Central New York require fundamental, far-reaching changes. However, we need to take drastic action if we are to preserve the manufacturing base, and its hundreds of thousands of jobs, that have been an integral part of New York since the dawn of the industrial revolution.

Thank you for the opportunity to present these comments.

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Chairman of the Shop Committee
Timothy Scholl

President of the Local
Jason Magnusson

UAW – Local 2367
P.O. Box 4217
Rome, N.Y. 13442
Office Ph # 338 – 2268

Thomas G. Slocum, CAP Member
Region 9 – UAW Local 2367
P.O. Box 4217
Rome, N.Y. 13442

September 2, 2009
NYPA Hearings

Good afternoon, thank you for this opportunity to come before you today to speak on a crisis affecting our state's manufacturing base, the cost of power in New York State. Our elected officials sit in Albany, point fingers at the one another playing the "blame game" while allowing 400,000 manufacturing jobs to leave our state since 1990. They all seems more concerned about being re-elected than fixing the problems affecting our state, and this is from both political sides and their respected houses. This is not the first time I came before this board, to speak on the subject of reduced power cost for our manufacturers. The crisis is real, I have spent the last 4-years in Albany trying to convince our elected officials to fix this problem, we get; "we sympathize with you" – "we understand and will do what we can" – "you should see this person or that person" and all the while New York State's manufacturing is drowning in the high cost of power, with no end in sight.

If this state has hundreds of MEGA WATTS to send to New York City, something that was brought up 3-years ago, then perhaps it's not a matter of not having enough supply, but how that supply is appropriated. On reflection, perhaps our power resources are being used as "political tools" by our "public servants" who are holding the strings of our economy. I come before you today, not to accuse, but rather bring to light our needs for a cost effective power source, for all manufacturers in our state.

What is needed is a program similar to our initial Fitzpatrick agreements that allow for enough cost effective power to be appropriated to only our state's manufacturing. It should be long-term in nature, allow for our manufacturers to have evergreen window, thus allowing them an opportunity for long-term planning and expansion. Currently the state has 455 Mega Watts associated with R & D that allows for a discount on my elect bill, the problem once again becomes a political "hot potato" that everyone is avoiding for fear of not being elected next year. If this R & D power could be utilized, as was the Fitzpatrick power our manufacturing could once again sign the long-term agreement they need going forward.

When I started speaking to you this morning, I spoke of a crisis affecting our state's manufacturing base, I'm not asking the state to re-invent the wheel, only to get back to an agreement that has a power source to support it. Our Governor Paterson spoke to the people of our state last year of an economic crisis that will affect our budget process for years to come. Using the budgetary process to pay for programs such as PFJ and EDP will be that much harder in the future. The crisis is here; the future is a concern for all residents in this state, but especially for us in the manufacturing sector, we look for our state officials to provide us with a level playing field to compete in this world economy.

Thank you once again,

Thomas G. Slocum
CAP member – UAW Local 2367

COUNTY OF SUFFOLK

SUFFOLK COUNTY ELECTRICAL AGENCY

September 3, 2009

Ms. Karen Delince
Corporate Secretary
New York Power Authority
123 Main Street
White Plains, NY 10601

Testimony of Mitchell H. Pally, Chairman, Suffolk County Electrical Agency

Re: Extension of the R&D contracts for sale of hydropower to three upstate IOU's

The New York Power Authority is presently holding public hearings regarding the extension of a significant amount of firm and firm peaking hydropower for the benefit of three upstate IOUs and by extension, their rural and domestic consumers.

Since 1998, residents of the County of Suffolk (as well as all consumers in the LIPA service territory) have been precluded from access to this or any other hydropower as part of the LIPA takeover of the former LILCO T&D system.

Nonetheless, the benefit of this hydropower to each upstate residential consumer is negligible. The July 28th NYPA Board of Trustees meeting provided real life experiences by some of your Board members as to the small value of this power to each residential customer. In fact, the value of this power to one of your Board members from upstate was a net benefit of twelve cents per month.

In this economy and unprecedented recession, this power is better suited for state-wide economic development purposes. In the downstate region electricity plays a significant role in our manufacturers being able to compete with out-of-state companies.
We need to level the playing field so that our manufacturers can bid on an equivalent basis and obtain work for New Yorkers. This would go so much farther in promoting an economic recovery, increase the number of good-paying jobs, and encourage investment.

The benefit to the entire State of New York by providing economic development power state-wide would give our manufacturers the boost they so much need and deserve. They are the lifeblood of our economy and this will allow downstate, as well as upstate companies the ability to compete.

H. Lee Dennison Building ☐ 100 Veterans Memorial Highway ☐ P.O. Box 6100 ☐ Hauppauge, NY 11788-0099 ☐ (631) 853-5823

I ask to you to consider allocating the 455 MW of firm and 360 MW of firm peaking hydropower to the much-needed long-term supply solution of the Power For Jobs and Energy Cost Savings Benefit programs. Our own Suffolk County Electrical Agency can use a longer-term solution compared to the year-by-year extension of these programs.

The commercial/industrial clients which the Electrical Agency supplies with power will also be better served with longer term access thus allowing them to make multi-year commitments to machinery purchases, expansion of facilities, and hiring. This will benefit the entire State of New York.

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Westchester gov.com

Andrew J. Spano
County Executive

Public Utility Service Agency

Thomas Geiger, Chair

Stewart M. Glass
Executive Director

By: E-Mail & Hand Delivery:
September 4, 2009

Ms. Karen Delince, Corporate Secretary
Power Authority of the State of New York
123 Main Street
White Plains, New York 10601

Re: Statement of Stewart M. Glass, Executive Director of the
County of Westchester Public Utility Service Agency
On the Extension of the Hydropower Supply Contracts with Upstate Utilities

The Power Authority of the State of New York ("NYPA") is currently considering an eighteen month extension of the contracts with three investor owned utilities for the sale of hydropower. These three (3) investor owned utilities ("IOU") only serve a limited area of the state. If this power is going to be provided to IOUs it is only appropriate that the benefits of low cost hydropower be allocated to all of the investor owned utilities in the state. In fact, a review of the most recent data from the Energy Information Agency of the U.S. Department of Energy[1] shows that Con Edison, which has not received any portion of the power allocated to IOUs, has the highest average cost per kilowatt hour of the major investor owned utilities located not only in New York State but in all of the continental United States. In fact, the cost per kilowatt hour

[1] Data extracted from Table 10. Class of Ownership, Number of Consumers, Revenue, Sales, and Average Retail Price by State and Utility: All Sections, 2007 relating to New York State is attached.

in the Con Edison service territory is almost twice that of Rochester Gas & Electric Corporation and New York State Electric & Gas Corp. and it is over thirty percent more expensive than Niagara Mohawk (now National Grid). The reallocation of the power among all of the major investor owned utilities in New York State would be more consistent with NYPA's Mission Statement "to provide clean, economical and reliable energy consistent with our commitment to safety, while promoting energy efficiency and innovation for the benefit of our customers and ***all*** New Yorkers". (*emphasis added*)

When the issue of the allocation of hydropower to IOUs was last looked at in the early 1990s the Con Edison service territory and surrounding areas were benefiting from low cost power from NYPA's Indian Point 3. Since the sale of Indian Point 3 to private interests that power has been put into the grid at market prices. Accordingly, the justification for the continued allocation of the low cost hydropower solely to the three above mentioned utilities based on the fact that the needs of ratepayers in the Con Edison service territory were being met by other means is no longer applicable.

A further allocation of that power to five (5) rather than just three (3) investor owned utilities would have a minimal impact on rates in the existing three service territories and would have a similar impact on rates in the additional two (2) service territories. Although that would be the fairest way to allocate the power from these NYPA resources it may not be the best use of that valuable resource.

So what would provide the most benefit for ***all New Yorkers***? Considering the current state of the economy in New York State, a substantial portion of that hydropower should be dedicated to funding the Energy Cost Savings Benefits Programs (including Economic

Development Power and Municipal Distribution Agency Power) and Power for Jobs throughout **all** of New York State.

As you are aware, the current allocations for Energy Cost Savings Benefits Programs and Power for Jobs, especially in Westchester, have actually decreased over the years. Businesses that have dropped out of the programs, either due to closure or relocation, have not been allowed to be replaced by new or existing businesses. In the downstate region of the state, the high cost of electricity is a significant consideration when companies are deciding to remain in or relocate to the area. We have lost existing companies to surrounding states or other parts of the country in large part because electric rates are substantially cheaper in those areas.

The country and New York State are experiencing high rates of unemployment.[2] This problem is not limited to any one particular area of New York State. Accordingly, programs that reduce the cost of electricity for business and allow **all** areas of the state to retain and attract businesses will produce the biggest return to the state on this valuable resource. By providing low cost power for economic development, NYPA would be contributing to the economic well-being of all areas of the state. That would result in additional investment in the state thereby promoting economic recovery with a concomitant increase in the number of jobs available.

Manufacturers, employers of more than one-half million New Yorkers, are relatively intense users of electricity. Energy prices are particularly important to manufacturing retention and attraction. Yet, industrial energy prices in New York are higher on average than the range of prices in competitive states.[3]

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[2] See Attached Unemployment Rates by County, New York State, July 2009. Unemployment has increased since July. In the Con Edison service territory unemployment is over 9.5%. In fact, it is estimated that the actual rates of unemployment are substantially higher since the official statistics do not include those who are underemployed, working part-time but would rather be working full time, and those who have given up on finding employment.

[3] A Report to Governor George E. Pataki and the Legislature from the Temporary Commission on the Future of New York State Power Programs for Economic Development, Executive Summary, pg. 4.

In order to influence the investment behavior of businesses economic benefit programs must be of sufficient duration to enable effective planning by recipients. Accordingly, there must be a dedicated and certain source available to fund these programs. As recommended by the Temporary Commission on the Future of New York State Power Programs for Economic Development, hydropower currently supplied to three IOUs should be redeployed for **statewide** economic development … (*emphasis added*).

The present programs have been allowed to shrink and the uncertainty of the continuation of the programs has contributed to their decline. The County of Westchester Public Utility Service Agency and the businesses it serves have advocated for and require a longer-term solution instead of the uncertainty of the present year by year extensions in the program. No business can or will make commitments to purchase equipment, expand their facilities or increase their workforce based on a year by year extension.

When the Temporary Commission on the Future of New York State Power Programs for Economic Development was formed it was noted that: "Economic growth requires competitive electricity prices, and we must continue to seek ways to ensure that industries in the Empire State have access to affordable power." This statement is even truer in today's current economic climate.

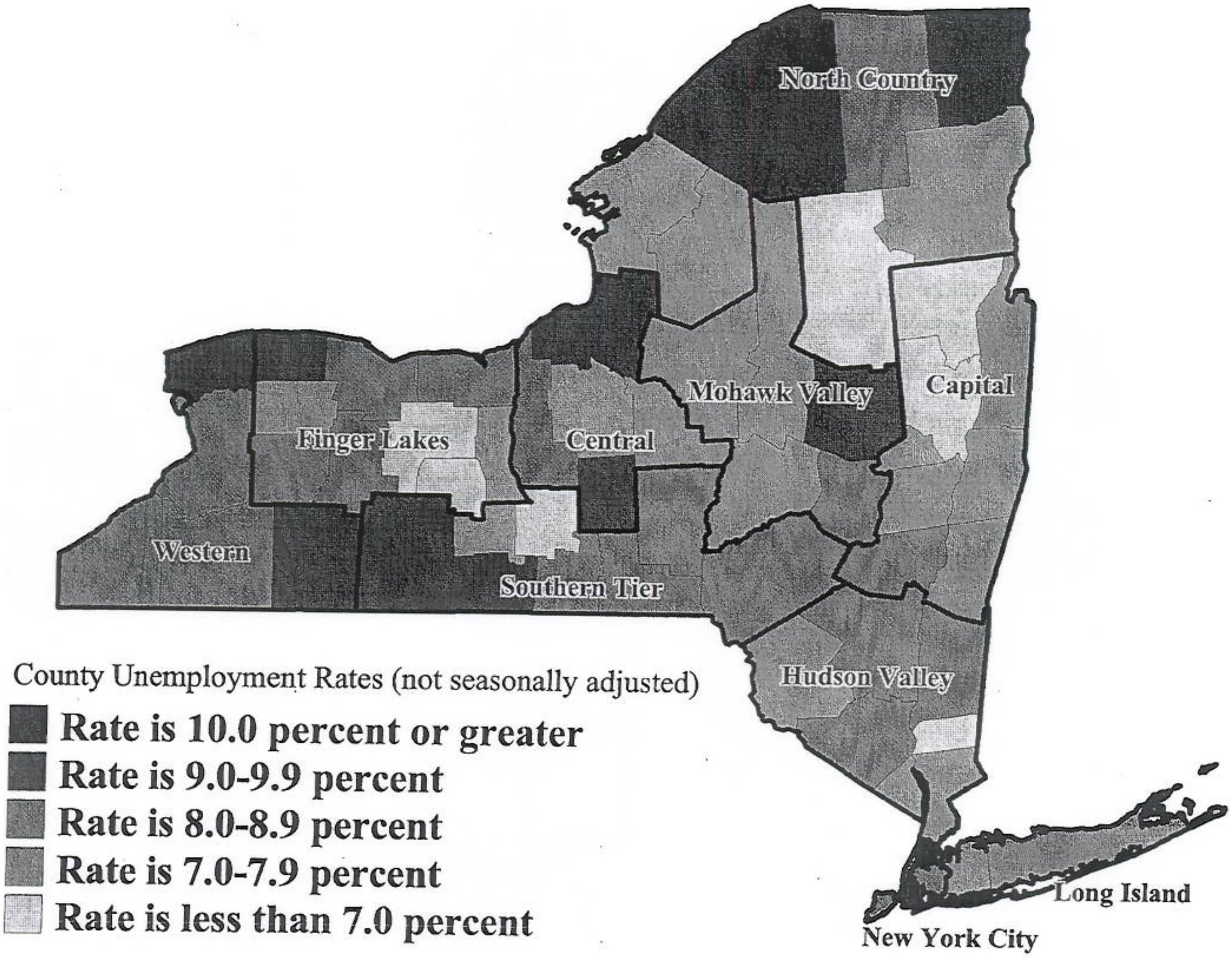
Accordingly, the County of Westchester Public Utility Service Agency recommends that the 455 MW of firm and 360 MW of firm peaking hydropower be allocated to the Power for Jobs and Energy Cost Savings Benefits Programs. This will allow the programs to expand, rather than contract, and will provide the long-term solution necessary to retain and entice businesses to New York State for the benefit of all our residents.

Table 10. Class of Ownership, Number of Consumers, Revenue, Sales, and Average Retail Price by State and Utility: All Sectors, 2007

Entity	State	Ownership Class of	Consumers Number of	Revenue (thousand dollars)	Sales (megawatthours)	Retail Price Average (c/kWh)
Fishers Island Utility Co Inc	NY	Investor Owned	758	1,598	5,812	27.49
Consolidated Edison Co-NY Inc	NY	Investor Owned	2,794,592	5,158,192	25,314,648	20.38
Long Island Power Authority	NY	Public	1,107,550	3,445,364	18,750,900	18.37
Niagara Mohawk Power Corp	NY	Investor Owned	1,427,293	2,577,793	16,466,039	15.66
Orange & Rockland Utils Inc	NY	Investor Owned	160,021	382,061	2,660,539	14.36
Village of Freeport	NY	Public	14,904	32,204	269,073	11.97
New York State Elec & Gas Corp	NY	Investor Owned	762,503	1,165,025	9,742,841	11.96
Central Hudson Gas & Elec Corp	NY	Investor Owned	293,201	563,541	4,750,536	11.86
Delaware County Elec Coop Inc	NY	Cooperative	5,170	6,355	55,752	11.40
Oneida-Madison Elec Coop, Inc	NY	Cooperative	1,879	2,248	20,721	10.85
Village of Rockville Centre	NY	Public	10,061	22,662	210,512	10.77
Rochester Gas and Electric Corporation	NY	Investor Owned	288,806	391,613	3,639,053	10.76
Otsego Electric Coop, Inc	NY	Cooperative	4,446	5,644	52,545	10.74
Village of Greenport	NY	Public	2,340	2,980	28,357	10.51
Steuben Rural Elec Coop, Inc	NY	Cooperative	6,155	7,260	70,625	10.28
Pennsylvania Electric Co	NY	Investor Owned	3,787	5,150	59,988	8.59
Village of Bergen	NY	Public	672	2,249	33,239	6.77
Village of Frankfort	NY	Public	1,670	1,744	26,823	6.50
Village of Angelica	NY	Public	710	601	9,406	6.39
Village of Little Valley	NY	Public	1,376	1,437	23,069	6.23
Village of Theresa	NY	Public	453	412	6,630	6.21
Jamestown Board of Public Util	NY	Public	19,246	30,487	495,567	6.15
Village of Richmondville	NY	Public	1,078	980	17,083	5.74
Village of Silver Springs	NY	Public	452	333	5,818	5.72
Village of Andover	NY	Public	583	420	7,586	5.54
Town of Massena	NY	Public	9,509	10,117	184,509	5.48
Village of Churchville	NY	Public	933	1,121	20,713	5.41
Village of Green Island	NY	Public	1,601	2,405	46,116	5.22
Village of Watkins Glen	NY	Public	1,374	2,927	56,453	5.18
Village of Mayville	NY	Public	1,167	1,470	28,433	5.17
Lake Placid Village, Inc	NY	Public	4,775	8,056	158,472	5.08
Philadelphia Village of	NY	Public	676	521	10,327	5.05
Village of Endicott	NY	Public	3,190	2,783	55,893	4.98
Village of Groton	NY	Public	1,067	1,367	27,579	4.96
Village of Castile	NY	Public	629	446	8,985	4.96
Village of Fairport	NY	Public	16,517	21,085	448,429	4.70
Village of Ilion	NY	Public	4,015	3,009	64,125	4.69
Bath Electric Gas & Water Sys	NY	Public	4,706	3,923	84,503	4.64
Village of Westfield	NY	Public	3,258	3,502	76,971	4.55
Village of Tupper Lake	NY	Public	3,408	3,931	88,798	4.43
Village of Hamilton	NY	Public	1,533	2,888	65,535	4.41
Village of Sherburne	NY	Public	2,259	3,047	69,663	4.37
City of Sherrill	NY	Public	1,792	2,454	58,214	4.22
Village of Boonville	NY	Public	3,259	3,141	74,908	4.19
Village of Greene	NY	Public	1,251	1,640	39,334	4.17
Village of Spencerport	NY	Public	2,707	2,670	64,426	4.14
Village of Springville	NY	Public	2,600	2,647	64,871	4.08
Village of Arcade	NY	Public	4,038	6,508	160,809	4.05
Village of Brocton	NY	Public	885	658	16,281	4.04
Village of Penn Yan	NY	Public	3,016	3,490	86,727	4.02
Village of Solvay	NY	Public	5,125	22,246	558,877	3.98
City of Salamanca	NY	Public	3,695	4,461	113,062	3.95
Village of Akron	NY	Public	1,563	2,332	59,703	3.91
Village of Marathon	NY	Public	901	827	21,181	3.90
Village of Holley	NY	Public	1,030	1,125	29,000	3.88
Village of Skaneateles	NY	Public	1,500	1,174	30,500	3.85
Village of Wellsville	NY	Public	2,551	2,291	60,731	3.77
Mohawk Municipal Comm	NY	Public	1,369	836	23,032	3.63
City of Plattsburgh	NY	Public	9,722	17,342	491,036	3.53
Village of Rouses Point	NY	Public	1,285	4,504	127,996	3.52

Data from Energy Information Agency of the U.S. Department of Energy

Unemployment Rates by County, New York State, July 2009



New York State rate = 8.6 percent

g. <u>Business Customer Energy Efficiency Audit Program</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize up to $2 million to fund an Energy Efficiency Audit Program ('Audit Program') for those entities that receive low-cost power from the Authority under its Power for Jobs ('PFJ'), Economic Development, High Load Factor, Municipal Distribution Agency, Expansion Power, Replacement Power and Preservation Power programs ('Business Customers'). This request is in response to recently enacted legislation extending the PFJ and Energy Cost Savings Benefit ('ECSB') programs through May 15, 2010. Included in such legislation is a new provision aimed at promoting the conservation and efficient use of electricity by directing the Authority to undertake energy audits in connection with the Business Customers.

BACKGROUND

"Since the 1980s, the Authority, through its Statewide Energy Services Program, has offered various types of energy services and clean energy technology programs to participants throughout the State to help them lower their energy usage and/or achieve cleaner and more energy-efficient use of energy and natural resources. The Authority's turnkey programs generally commence with an audit to identify opportunities for implementing energy efficiency measures and the potential savings that program participants may realize.

"On July 11, 2009, Governor Paterson signed into law Chapter 217 of the Laws of 2009, which continued the PFJ and ECSB programs (Exhibit '1g-A'). The legislation includes a requirement that the Authority undertake energy audits for a representative sample of its Business Customers. The audits will assess a recipient's electricity use to determine cost-effective measures that could be implemented to reduce energy costs and energy use or to improve the efficiency of buildings, building systems, equipment, processes or operations.

DISCUSSION

"To implement the Audit Program, staff will develop a representative audit sample that takes into consideration the program of enrollment, type of business, geography for statewide programs and allocation size. As allowed by the legislation, staff will also include in the sample Business Customer energy audits that have been performed up to five years prior to the effective date of this law.

"Based on these criteria, it is expected that the Authority will offer to perform up to 60 audits for eligible Business Customers.

"The audits will be funded by the Authority as deemed feasible and advisable by the Trustees. However, the legislation authorizes the Authority to apply for funding from any other program that pays all or some of the costs of such audits and provides that the Authority is entitled to receive such funding as if the recipient of low-cost power had applied for the funding directly.

"By February 28, 2010, the Authority must complete and submit a report on the Audit Program to the Governor, the Speaker of the Assembly, the President of the Senate, the Minority Leader of the Senate, the Minority Leader of the Assembly, the Chair of the Senate Finance Committee, the Chair of the Assembly Ways and Means Committee, the Chair of the Assembly Energy Committee, the Chair of the Senate Energy and Telecommunications Committee and the State Comptroller.

FISCAL INFORMATION

"Funding for the Audit Program will be provided primarily from the Operating Fund. The total cost of the Audit Program is not expected to exceed $2 million. Funding will be sought from other programs to help offset total program costs.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology and the Acting Senior Vice President – Marketing and Economic Development recommend that the Trustees approve the Energy Audit Program for those eligible entities that receive low-cost power from the Authority under its Power for Jobs, Economic Development, High Load Factor, Municipal Distribution Agency, Expansion Power, Replacement Power and Preservation Power 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 an Energy Audit Program in the Statewide Energy Services Program for customers that receive low-cost power from the Authority under its Power for Jobs, Economic Development, High Load Factor, Municipal Distribution Agency, Expansion Power, Replacement Power and Preservation Power programs; and be it further

RESOLVED, That Operating Fund monies be used to fund the Energy Audit Program in the amount and for the purpose listed below:

Operating Funds	Expenditure Authorization (not to exceed)
Energy Audit Program	**$2 million**
TOTAL	**$2 million**

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

EXHIBIT A

Legislative Bill Drafting Commission
12067-02-9

PROGRAM BILL # 39

S. --------

Senate

IN SENATE--Introduced by Sen

--read twice and ordered printed, and when printed to be committed to the Committee on

-------- A.

Assembly

IN ASSEMBLY--Introduced by M. of A.

with M. of A. as co-sponsors

--read once and referred to the Committee on

ECONDVLA

(Extends the expiration of the power for jobs program and the energy cost savings benefits program and authorizes additional voluntary contribution)

Ec Dev. extend; power jobs/energy

AN ACT

to amend the economic development law, chapter 316 of the laws of 1997 amending the public authorities law and other laws relating to the provision of low cost power to foster statewide economic development, the tax law and chapter 645 of the laws of 2006 amending the economic development law and other laws relating to reauthorizing the New York power authority to make

IN SENATE ______________________________

Senate introducer's signature

The senators whose names are circled below wish to join me in the sponsorship of this proposal

s20 Adams	s03 Foley	s24 Lanza	s12 Onorato	s09 Skelos
s15 Addabbo	s08 Fuschillo	s39 Larkin	s37 Oppenheimer	s14 Smith
s55 Alesi	s22 Golden	s01 LaValle	s11 Padavan	s25 Squadron
s48 Aubertine	s47 Griffo	s40 Leibell	s21 Parker	s58 Stachowski
s42 Bonacic	s06 Hannon	s52 Libous	s30 Perkins	s16 Stavisky
s46 Breslin	s36 Hassell-Thompson	s45 Little	s61 Ranzenhofer	s35 Stewart-Cousins
s50 DeFrancisco		s05 Marcellino	s56 Robach	
s32 Diaz	s10 Huntley	s62 Maziarz	s41 Saland	s60 Thompson
s17 Dilan	s07 Johnson, C.	s43 McDonald	s19 Sampson	s49 Valesky
s29 Duane	s04 Johnson, O.	s13 Monserrate	s23 Savino	s59 Volker
s33 Espada	s34 Klein	s18 Montgomery	s31 Schneiderman	s53 Winner
s44 Farley	s26 Krueger	s38 Morahan	s28 Serrano	s57 Young
s02 Flanagan	s27 Kruger	s54 Nozzolio	s51 Seward	

IN ASSEMBLY ______________________________

Assembly introducer's signature

The Members of the Assembly whose names are circled below wish to join me in the multi-sponsorship of this proposal:

a049 Abbate	a047 Colton	a148 Hayes	a104 McEneny	a067 Rosenthal
a001 Alessi	a010 Conte	a083 Heastie	a017 McKevitt	a118 Russell
a021 Alfano	a032 Cook	a028 Hevesi	a022 Meng	a012 Saladino
a105 Amedore	a142 Corwin	a048 Hikind	a102 Miller	a113 Sayward
a084 Arroyo	a107 Crouch	a018 Hooper	a052 Millman	a029 Scarborough
a035 Aubry	a063 Cusick	a144 Hoyt	a103 Molinaro	a016 Schimel
a136 Bacalles	a045 Cymbrowitz	a060 Hyer-Spencer	a132 Morelle	a140 Schimminger
a099 Ball	a138 DelMonte	a042 Jacobs	a037 Nolan	a145 Schroeder
a124 Barclay	a034 DenDekker	a095 Jaffee	a128 Oaks	a122 Scozzafava
a014 Barra	a116 Destito	a057 Jeffries	a069 O'Donnell	a038 Seminerio
a040 Barron	a081 Dinowitz	a131 John	a137 O'Mara	a064 Silver
a082 Benedetto	a114 Duprey	a112 Jordan	a051 Ortiz	a100 Skartados
a079 Benjamin	a003 Eddington	a074 Kavanagh	a150 Parment	a093 Spano
a073 Bing	a004 Englebright	a065 Kellner	a088 Paulin	a121 Stirpe
a055 Boyland	a130 Errigo	a129 Kolb	a141 Peoples	a011 Sweeney
a008 Boyle	a072 Espaillat	a135 Koon	a039 Peralta	a110 Tedisco
a089 Bradley	a071 Farrell	a025 Lancman	a058 Perry	a002 Thiele
a044 Brennan	a005 Fields	a091 Latimer	a023 Pheffer	a061 Titone
a092 Brodsky	a123 Finch	a013 Lavine	a068 Powell	a031 Titus
a046 Brook-Krasny	a007 Fitzpatrick	a050 Lentol	a087 Pretlow	a062 Tobacco
a147 Burling	a143 Gabryszak	a125 Lifton	a146 Quinn	a054 Towns
a117 Butler	a090 Galef	a127 Lopez, P.	a097 Rabbitt	a115 Townsend
a101 Cahill	a133 Gantt	a053 Lopez, V.	a009 Raia	a015 Walker
a096 Calhoun	a036 Gianaris	a126 Lupardo	a006 Ramos	a041 Weinstein
a043 Camara	a149 Giglio	a111 Magee	a134 Reilich	a020 Weisenberg
a106 Canestrari	a066 Glick	a120 Magnarelli	a109 Reilly	a024 Weprin
a026 Carrozza	a108 Gordon	a059 Maisel	a078 Rivera, J.	a070 Wright
a086 Castro	a075 Gottfried	a030 Markey	a080 Rivera, N.	a094 Zebrowski
a119 Christensen	a098 Gunther	a027 Mayersohn	a076 Rivera, P.	a077
a033 Clark	a139 Hawley	a019 McDonough	a056 Robinson	a085

1) Single House Bill (introduced and printed separately in either or both houses). Uni-Bill (introduced simultaneously in both houses and printed as one bill. Senate and Assembly introducer sign the same copy of the bill).

2) Circle names of co-sponsors and return to introduction clerk with 2 signed copies of bill and 4 copies of memorandum in support (single house); or 4 signed copies of bill and 8 copies of memorandum in support (uni-bill).

LBDC 05/06/09

contributions to the general fund, in relation to extending the expiration of the power for jobs program and the energy cost savings benefits program; and to amend the public authorities law, in relation to authorizing an additional voluntary contribution into the state treasury under the power for jobs program

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Paragraphs 2 and 4 of subdivision (h) of section 183 of the economic development law, paragraph 2 as amended by section 1 of part Y of chapter 59 of the laws of 2008 and paragraph 4 as amended by chapter 89 of the laws of 2007, are amended to read as follows:

2. During the period commencing on November first, two thousand five and ending on June thirtieth, two thousand [nine] <u>ten</u> eligible businesses shall only include customers served under the power authority of the state of New York's high load factor, economic development power and other business customers served by political subdivisions of the state authorized by law to engage in the distribution of electric power that were authorized to be served by the authority from the authority's former James A. Fitzpatrick nuclear power plant as of the effective date of this subdivision whose power prices may be subject to increase before June thirtieth, two thousand [nine] <u>ten</u>. Provided, however, that the total amount of megawatts of replacement and preservation power which, due to the extension of the energy cost savings benefits, are not relinquished by or withdrawn from a recipient shall be deemed to be relinquished or withdrawn for purposes of offering such megawatts by the authority for reallocation pursuant to subdivision thirteen of section one thousand five of the public authorities law. Provided, further, that for any such reallocation, the authority shall maintain the same energy cost savings benefit level for all eligible businesses using any available authority resources as deemed feasible and advisable by the trustees pursuant to section seven of part U of chapter fifty-nine of the laws of two thousand six.

4. Applications for an energy cost savings benefit shall be in the form and contain such information, exhibits and supporting data as the board may prescribe. The board shall review the applications received

and shall determine the applications which best meet the criteria established for the benefits pursuant to this subdivision and it shall recommend such applications to the power authority of the state of New York with such terms and conditions as it deems appropriate; provided, however, that for energy cost savings benefits granted on or after June thirtieth, two thousand [seven] <u>nine</u> through June thirtieth, two thousand [eight] <u>ten</u>, the board shall expedite the awarding of such benefits and shall defer the review of compliance with such criteria until after the applicant has been awarded an energy cost savings benefit. Such terms and conditions shall include reasonable provisions providing for the partial or complete withdrawal of the energy cost savings benefit in the event the recipient fails to maintain mutually agreed upon commitments that may include, but are not limited to, levels of employment, capital investment and power utilization. Recommendation for approval of an energy cost savings benefit shall qualify an applicant to receive an energy cost savings benefit from the power authority of the state of New York pursuant to the terms and conditions of the recommendation. <u>Any energy cost savings benefit which is relinquished or withdrawn after the effective date of the chapter of the laws of two thousand nine which amended this paragraph shall be available for reallocation to eligible businesses as defined in paragraph two of this subdivision.</u>

§ 2. The opening paragraph of paragraph 5 of subdivision (a) of section 189 of the economic development law, as amended by section 2 of part Y of chapter 59 of the laws of 2008, is amended to read as follows:

"Power for jobs electricity savings reimbursements" shall mean payments made by the power authority of the state of New York as recommended by the board to recipients of allocations of power under phases four and five of the power for jobs program for a period of time until

November thirtieth, two thousand four, subsequent to the expiration of their phase four or five power for jobs contract provided however that any power for jobs recipient may choose to receive an electricity savings reimbursement as a substitute for a contract extension for the period from the date the recipient's contract expires through June thirtieth, two thousand [nine] <u>ten</u>. The "basic reimbursement" is an amount that when credited against the recipient's actual "unit cost of electricity" during a quarter (meaning the cost for commodity and delivery per kilowatt-hour for the quantity of electricity purchased and delivered under the power for jobs program during a similar period in the final year of the recipient's contract), results in an effective unit cost of electricity during the quarter equal to the average unit cost of electricity such recipient paid during the final year of the contract for power allocated under phase four or five of the power for jobs program.

§ 3. Subdivisions (f) and (l) of section 189 of the economic development law, as amended by section 3 of part Y of chapter 59 of the laws of 2008, are amended to read as follows:

(f) Eligibility. The board shall recommend applications for allocations of power under the power for jobs program to or for the use of businesses which normally utilize a minimum peak electric demand in excess of four hundred kilowatts; provided, however, that up to one hundred megawatts of power available for allocation during the initial three phases of the power for jobs program may be recommended for allocations to not-for-profit corporations and to small businesses; and, provided, further that up to seventy-five megawatts of power available for allocation during the fourth phase of the program may be recommended for allocations to not-for-profit corporations and to small businesses.

The board may require small businesses that normally utilize a minimum peak electric demand of less than one hundred kilowatts to aggregate their electric demand in amounts of no less than one hundred kilowatts, for the purposes of applying to the board for an allocation of power. The board shall recommend allocations of the additional three hundred megawatts available during the fourth phase of the program to any such eligible applicant, including any recipient of power allocated during the first phase of the program. The board shall recommend allocations of the additional one hundred eighty-three megawatts available during the fifth phase of the program to any eligible applicant, including any recipient of power allocated during the second and third phases of the program; provided, however, that the term of contracts for allocations under the fifth phase of the program shall in no case extend beyond June thirtieth, two thousand [nine] <u>ten</u>. Notwithstanding any provision of law to the contrary, and, in particular, the provisions of this chapter concerning the terms of contracts for allocations under the power for jobs program, the terms of any contract with a recipient of power allocated under phase two of the power for jobs program that has expired or will expire on or before the thirty-first day of August, two thousand two, may be extended by the power authority of the state of New York for an additional period of three months effective on the date of such expiration, pending the filing and approval of an application by such recipient for an allocation under the fifth phase of the program. The term of any new contract with such recipient under the fifth phase of the program shall be deemed to include any three month contract extension made pursuant to this subdivision and the termination date of any such new contract under phase five shall be no later than if such new contract had commenced upon the expiration of the recipient's original phase two contract. The terms of any contract with a recipient of power allocated under phase four and/or phase five of the power for jobs program that has expired or will expire on or before the thirty-first day of December, two thousand five, may be extended by the power authority of the state of New York from a date beginning no earlier than the first day of December, two thousand four and extending through June thirtieth, two thousand [nine] <u>ten</u>.

(l) The board shall solicit and review applications for the power for jobs electricity savings reimbursements and contract extensions from recipients of power for jobs allocations under phases four and five of the program for the award of such reimbursements and/or contract extensions. The board may prescribe a simplified form and content for an application for such reimbursements or extensions. An applicant shall be eligible for such reimbursements and/or extensions only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract, or such other commitments as the board deems reasonable; provided, however, that for the power for jobs electricity savings reimbursements and contract extensions granted on or after June thirtieth, two thousand [seven] <u>nine</u> through June thirtieth, two thousand [eight] <u>ten</u>, the board shall expedite the awarding of such reimbursements and/or extensions and shall defer the review of compliance with such commitments until after the applicant has been awarded a power for jobs electricity savings reimbursement and/or contract extension. The board shall review such applications and make recommendations for the award: 1. of such reimbursements through the power authority of the state of New York for a period of time up to November thirtieth, two thousand four, and 2. of such contract extensions or reimbursements as applied for by the recipient for a period of time beginning December first, two thousand four and ending June thirtieth, two thousand [nine] <u>ten</u>. At no time shall a recipient receive both a reimbursement and extension after December first, two thousand four. The power authority of the state of New York shall receive notification from the board regarding the award of power for jobs electricity savings reimbursements and/or contract extensions. <u>Any power for jobs allocation which is relinquished or withdrawn after the effective date of the chapter of the laws of two thousand nine which amended this subdivision shall be available for reallocation to customers eligible for power for jobs allocations as defined in subdivision (f) of this section.</u>

§ 4. Section 9 of chapter 316 of the laws of 1997 amending the public authorities law and other laws relating to the provision of low cost power to foster statewide economic development, as amended by section 4 of part Y of chapter 59 of the laws of 2008, is amended to read as follows:

§ 9. This act shall take effect immediately and shall expire and be deemed repealed June 30, [2009] <u>2010</u>.

§ 5. Subdivision 9 of section 186-a of the tax law, as amended by section 5 of part Y of chapter 59 of the laws of 2008, is amended to read as follows:

9. Notwithstanding any other provision of this chapter or any other law to the contrary, for taxable periods nineteen hundred ninety-seven through and including two thousand [nine] <u>ten</u>, any utility which delivers power under the power for jobs program, as established by section one hundred eighty-nine of the economic development law, shall be allowed a credit, subject to the limitations thereon contained in this subdivision, against the tax imposed under this section equal to net

lost revenues from the delivery of power under such power for jobs program. Net lost revenues means the "net receipts" less "net utility revenue" from such delivery of power. For purposes of this subdivision, "net receipts" shall mean the amount that the utility would have otherwise received from customers receiving power pursuant to allocations by the New York state economic development power allocation board in accordance with section one hundred eighty-nine of the economic development law, or from customers whose allocation has been transferred to an energy service company, or from energy service companies to which such allocation has been transferred, pursuant to its tariff supervised by the public service commission for substantially comparable service otherwise applicable to such customers or energy service companies in the absence of such designation, less the utility's annual average incremental short-term variable and capacity costs of providing such power in the absence of such purchase. For the purposes of this subdivision, "net utility revenue" shall mean the revenues the utility actually receives in accordance with such section one hundred eighty-nine from such customers so designated by the New York state economic development power allocation board or from customers whose allocation has been transferred to an energy service company, or from the energy service companies to which a power for jobs allocation has been transferred, less the utility's cost of such power under such program. Provided, however, that any credit under this section shall be used only with respect to the same taxable year during which such credit arose and shall not be capable of being carried forward or backward to any other taxable period. Nor shall any credit be allowed to any utility for the total amount of power, expressed in kilowatt hours, purchased by the customers of such utility under such program during the taxable period that exceeds the prorated "baseline energy use" by all customers of that utility purchasing power under such program during the taxable period. "Baseline energy use" with respect to each customer shall mean the largest amount of kilowatt hours of energy used by such customer during any twelve consecutive month period occurring during the preceding thirty months immediately preceding the New York state economic development power allocation board's recommendation of such customer's application, prorated to reflect the length of time of the customer's participation in such program during the taxable period. Provided further, however, that in accordance with subdivision (k) of section one hundred eighty-nine of the economic development law no tax credit shall be available for any revenue losses when a utility has declined to purchase power allocated for sale under such program. No electric corporation shall be allowed the tax credit authorized by this subdivision until it shall file a certificate from the department of public service for the period covered by the return verifying that the calculation of such tax credit complies with this subdivision and the department of public service has approved such certificate and forwarded a copy of such approved certificate to the commissioner or any amended certificate resulting from the need for correction. The credit allowed by this subdivision shall not be applicable in calculating any other tax imposed or authorized to be imposed by this chapter or any other law, and the amount of the tax surcharge imposed under section one hundred eighty-six-c of this article shall be calculated and payable as if the credit provided for by this subdivision were not allowed.

§ 6. Section 11 of chapter 645 of the laws of 2006 amending the economic development law and other laws relating to reauthorizing the New York power authority to make contributions to the general fund, as amended by section 6 of part Y of chapter 59 of the laws of 2008, is amended to read as follows:

§ 11. This act shall take effect immediately and shall be deemed to have been in full force and effect on and after April 1, 2006; provided, however, that the amendments to section 183 of the economic development law and subparagraph 2 of paragraph g of the ninth undesignated paragraph of section 1005 of the public authorities law made by sections two and six of this act shall not affect the expiration of such section and subparagraph, respectively, and shall be deemed to expire therewith; provided further, however, that the amendments to section 189 of the economic development law and subdivision 9 of section 186-a of the tax law made by sections three, four, five and ten of this act shall not affect the repeal of such section and subdivision, respectively, and shall be deemed to be repealed therewith; provided further, however, that section seven of this act shall expire and be deemed repealed June 30, [2009] <u>2010</u>.

§ 7. Subparagraph 2 of paragraph g of the ninth undesignated paragraph of section 1005 of the public authorities law, as amended by section 7 of part Y of chapter 59 of the laws of 2008, is amended to read as follows:

2. The authority, as deemed feasible and advisable by the trustees, is authorized to make payments to recipients of the power for jobs electricity savings reimbursements and additional annual voluntary contributions into the state treasury to the credit of the general fund. The authority shall make such contributions to the state treasury no later than ninety days after the end of the calendar year in which a credit under subdivision nine of section one hundred eighty-six-a of the tax law is available: (a) for the additional three hundred megawatts of

power under the fourth phase of the program provided under chapter sixty-three of the laws of two thousand and under the fifth phase for the additional one hundred eighty-three megawatts provided under chapter two hundred twenty-six of the laws of two thousand two; and (b) for any extension of any contract for allocations under the fourth phase of the program and under the fifth phase of the program. Payments for any electricity savings reimbursement under section one hundred eighty-nine of the economic development law shall be made pursuant to such section. Such annual contributions shall be equal to fifty percent of the total amount of such credits available each year to all local distributors of electricity. In addition, such authorization for contribution in state fiscal year two thousand two--two thousand three shall be equal to the total amount of credit available in two thousand one and two thousand two; and such authorization for contribution in state fiscal year two thousand three--two thousand four shall be equal to the total amount of credit available in two thousand three; under subdivision nine of section one hundred eighty-six-a of the tax law under the fourth phase of the program for the additional three hundred megawatts provided under chapter sixty-three of the laws of two thousand and under the fifth phase for the additional one hundred eighty-three megawatts provided under chapter two hundred twenty-six of the laws of two thousand two. In state fiscal year two thousand four--two thousand five, such authorized annual contribution shall be equal to one hundred percent of the total amount of such credits available each year to all local distributors of electricity. Such authorization for contribution in state fiscal years two thousand four and two thousand five shall be equal to the total amount of credit available in two thousand four and two thousand five; under subdivision nine of section one hundred eighty-six-a of the tax law under the fourth phase of the program for the additional three hundred megawatts provided under chapter sixty-three of the laws of two thousand and under the fifth phase for the additional one hundred eighty-three megawatts provided under chapter two hundred twenty-six of the laws of two thousand two. In addition, such authorization for contribution for any extension of any contract for allocations under the fourth phase of the program and under the fifth phase of the program in each state fiscal year shall be equal to the total amount of credit or reimbursement available in state fiscal year two thousand four--two thousand five, state fiscal year two thousand five--two thousand six and two thousand six--two thousand seven. Additionally, notwithstanding any other section of law, the authority is authorized to make a contribution in an amount related to total amounts of credit received under phases one, two, three, four and five of the program. In no case shall the contribution for state fiscal year two thousand five--two thousand six be less than seventy-five million dollars. The contribution for state fiscal year two thousand six--two thousand seven shall be one hundred million dollars. The contribution for state fiscal year two thousand seven--two thousand eight shall be thirty million dollars. The contribution for state fiscal year two thousand eight--two thousand nine shall be twenty-five million dollars. <u>The contribution for state fiscal year two thousand nine--two thousand ten shall be the lesser of twenty million dollars or the value of the credits authorized by subdivision nine of section one hundred eighty-six-a of the tax law as certified to the commissioner.</u> The department of public service shall estimate the payment due by the end of the calendar year in which the credit is available. In no case shall the amount of the total annual contributions for the years during which delivery and sale of power associated with all power for jobs phases and any extensions thereof takes place exceed the aggregate total of four hundred [forty-nine] sixty-nine million dollars.

§ 8. This act shall take effect immediately; provided that the amendments to sections 183 and 189 of the economic development law, subdivision 9 of section 186-a of the tax law and subparagraph 2 of paragraph g of the ninth undesignated paragraph of section 1005 of the public authorities law, made by sections one, two, three, five and seven of this act, shall not affect the expiration or repeal of such provisions and shall be deemed repealed therewith.

h. Marcy/Massena 765 kV Current Transformer Replacement – Capital Expenditure Authorization and Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize expenditures in the amount of $8.465 million for the replacement and installation of 765 kV SF6 Current Transformers ('CTs') and SF6 Combo Current/Potential Transformers ('PT/CTs') at the Authority's Marcy and Massena Substations and to approve the award of a contract to Trench Limited of Le Roy, New York, for $5.043 million for the purchase of these transformers. Funding includes costs for steel support, foundation modifications, site installation and removal of existing CTs.

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, the award of equipment contracts in excess of $3 million requires the Trustees' approval.

"The CTs are presently 30 years old and are approaching their end of life. The replacement is based on the failure or potential failure of a number of Cogenel CTs in the Marcy and Massena Substations. There are no reliable means to detect a potential failure. The only safe measure is to establish a schedule for the replacement of those CTs that have the highest probability of failure. The project will replace all Cogenel CTs with SF6 CTs or Combo SF6 CT/PTs, where required. The replacement is required for transmission reliability and safety. All work will be performed by the contractor and site staff, where applicable.

DISCUSSION

"The Authority issued an advertisement in the New York State *Contract Reporter* and bid documents were available for downloading from the Authority's website as of November 10, 2008. Thirteen companies downloaded the bid package and two bids were received. The original bids were received on December 15, 2008 and Post-Bid Addendums were received on May 21, 2009. Both bidders, listed below, responded to the original proposal on December 15, 2008, as follows:

Bidder	**Location**	**Lump Sum**	**Revised Price**
Trench Limited	Le Roy, NY	$4,470,840	$5,042,966
ABB, Inc.	Cary, NC	$1,446,692 *	$1,233,249*

*Incomplete bid proposal. Bidder did not bid on all required items in Request for Quotations.

"Staff from Engineering (White Plains Office), the St. Lawrence/FDR Power Project and the Clark Energy Control Center evaluated the two bids and determined that only the bid from Trench Electric met the Authority's technical and operational requirements.

"The additional funds requested are for steel support procurement, foundation modification and site installation. Installation of the units will commence in the fall of 2010 and continue through the fall of 2013.

"The following is a breakdown from Trench Limited by location, transformer type/number and bid amount:

Location	Transformer Type/Number	Bid Amount
Massena	CT/11 & Combo CT/PT/9	$3.579 million
Marcy	Combo CT/PT/7	$1.464 million
Total		$5.043 million

"Expenditures in the amount of $1.185 million have already been included in the 2009 Capital Budget. Future-year funding will be included in the Capital Budget requests for those years.

FISCAL INFORMATION

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

RECOMMENDATION

"The Senior Vice President – Transmission, the Vice President – Engineering and the General Manager – Clark Energy Center recommend that the Trustees authorize capital expenditures in the amount of $8.465 million and the award of a contract to Trench Limited in the amount of $5.043 million for the purchase of the 765 kV SF6 Current Transformers and Combo SF6 PT/CT units at the Marcy and Massena Substations.

"The Chief Operating Officer, 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 in accordance with the Authority's Expenditure Authorization Procedures, the Trustees hereby approve capital expenditures in the amount of $8.465 million and the award of a contract to Trench Limited of Le Roy, New York, for $5.043 million, to purchase and install 27 765 kV Current Transformers and Combo SF6 PT/CT units located at the Marcy and Massena Substations; 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.

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

"In accordance with regulations of the Office of the State Comptroller ('OSC'), the Trustees are requested to approve for public release a proposed 2010 budget and four-year financial plan; authorize making the proposed budget and four-year financial plan available for public inspection at not less than five convenient public places throughout New York State and authorize posting the proposed budget and four-year financial plan on the Authority's website.

BACKGROUND

"OSC regulations 2 NYCRR Part 203, 'Budget and Financial Plan Format, Supporting Documentation and Monitoring – Public Authorities' ('Part 203'), address the preparation of annual budgets and four-year financial plans by 'covered' public authorities, including the Authority. These regulations establish various procedural and substantive requirements, discussed below, relating to the budgets and financial plans of public authorities.

DISCUSSION

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

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

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

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

"The Trustees will be asked to approve the Authority's final budget and four-year financial plan, including any modifications and amendments, at their meeting of December 15, 2009.

FISCAL INFORMATION

"There is no anticipated fiscal impact.

RECOMMENDATION

"The Director – Financial Planning recommends that the Trustees approve for public release the proposed 2010 budget and four-year financial plan; authorize making the proposed budget and four-year financial plan available for public inspection at no less than five convenient public locations and authorize posting the proposed budget and four-year financial plan on the Authority's website.

"The 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 this recommendation."

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

RESOLVED, That pursuant to 2 NYCRR Part 203, the proposed budget and four-year financial plan, including its certification by the Chief Operating Officer, is approved for public release in accordance with the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to 2 NYCRR Part 203, the Corporate Secretary be, and hereby is, authorized to make the proposed budget and four-year financial plan available for public inspection at not less than five convenient public places throughout New York State, notify the Office of the State Comptroller of said locations and post the proposed budget and four-year financial plan on the Authority's website; and be it further

RESOLVED, That the 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.

Exhibit "1i-A"
September 29, 2009

New York Power Authority

Proposed Budget and Financial Plan 2010-2013

(in compliance with 2 NYCRR Part 203)

Background and Mission of the Power Authority of the State of New York

The Power Authority of the State of New York's ("NYPA" or "Authority") 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. The Authority's financial performance goal is to have the resources necessary to achieve its mission, to maximize opportunities to serve its customers better, and to preserve its strong credit rating.

NYPA generates, transmits and sells electric power and energy, principally at wholesale. The Authority's primary customers are municipal and investor-owned utilities, rural electric cooperatives, high load factor industries and other businesses located throughout New York State, various public corporations located within the metropolitan area of New York City ("SENY governmental customers"), and certain out-of-state customers.

To provide electric service, the Authority owns and operates six major generating facilities, eleven small gas-fired electric generating facilities, and five small hydroelectric facilities in addition to a number of transmission lines, including major 765-kV and 345-kV transmission facilities. NYPA's six major generating facilities consist of two large hydroelectric facilities ("Niagara" and "St. Lawrence-FDR"), a large pumped-storage hydroelectric facility ("Blenheim-Gilboa"), the Charles Poletti Power Project which is a dual fuel steam-electric generating plant ("Poletti"), the combined cycle electric generating plant at the Poletti site (the "500-MW plant") and the Richard M. Flynn combined cycle plant located on Long Island ("Flynn"). The 500-MW plant went into commercial operation on December 31, 2005. In connection with the licensing of the 500-MW plant, the Authority has entered into an agreement which will require the closure of its existing Poletti Project in January 2010.

In addition to Authority-supplied electricity, further customer electric energy needs are met by purchases from in-state generating companies, municipal electric systems, and out-of-state generating companies; principally via participation in the New York Independent System Operator ("NYISO") market. Also, a small amount of such energy is received from customer-owned generation.

To maintain its position as a low cost provider of power in a changing environment, the Authority has undertaken and continues to carry out a multifaceted program, including: (a) the upgrade and re-licensing of the Niagara and St. Lawrence-FDR projects; (b) long-term supplemental electricity supply agreements with its governmental customers located mainly within the City of New York ("NYC governmental customers"); (c) the construction of the 500-MW plant; (d) the upgrade of the Blenheim Gilboa plant; (e) a significant reduction of outstanding debt; and (f) implementation of an energy and fuel risk management program.

To achieve its goal of promoting energy efficiency, NYPA implements two energy services programs, one for its SENY governmental customers and the other for various other public entities throughout the State. Under these programs, the Authority finances the installation of energy saving measures and equipment, which are owned by the customers and public entities upon their installation, and which focus primarily on the reduction of the demand for electricity. These programs generally provide funding for, among other things, high efficiency lighting technology conversions, high efficiency heating, ventilating and air conditioning systems and controls, boiler conversions, replacement of inefficient refrigerators with energy efficient units in public housing projects, distributed generation technologies and clean energy technologies, and installation of non-electric energy saving measures.

Participants in these energy efficiency programs include departments, agencies or other instrumentalities of the State, the Authority's SENY governmental customers, the Authority's municipal electric system customers, public school districts or boards and community colleges located throughout New York State, county and municipal entities with facilities located throughout New York State, and various business/industrial customers of the Authority. By recently enacted legislation, the Authority is also authorized to engage in (1) energy efficiency services and clean energy technologies projects for public and non-public elementary and secondary schools in New York, (2) energy efficiency and conservation services and projects involving facilities using conventional or new energy technologies for certain specified military establishments in New York, and (3) replacement of inefficient refrigerators with energy efficient units in certain public and private multiple dwelling buildings.

On February 24, 1998, the Authority adopted its "General Resolution Authorizing Revenue Obligations" (as amended and supplemented, the "Bond Resolution"). The Authority has covenanted with bondholders under the Bond Resolution that at all times the Authority shall maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission, or distribution of power shall contain rates, fees or charges sufficient together with other monies available therefor:

(i) to pay all Operating Expenses of the Authority,

(ii) to pay the debt service on all Senior Indebtedness and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and

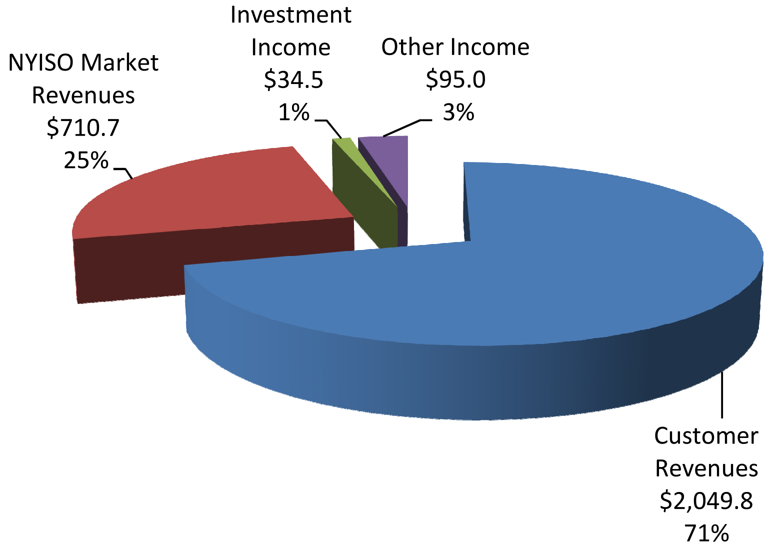
(iii) to maintain any reserve established by the Authority pursuant to the General Resolution, in such amount as may be determined from time to time by the Authority in its judgment.

NYPA's Four-Year Projected Income Statements

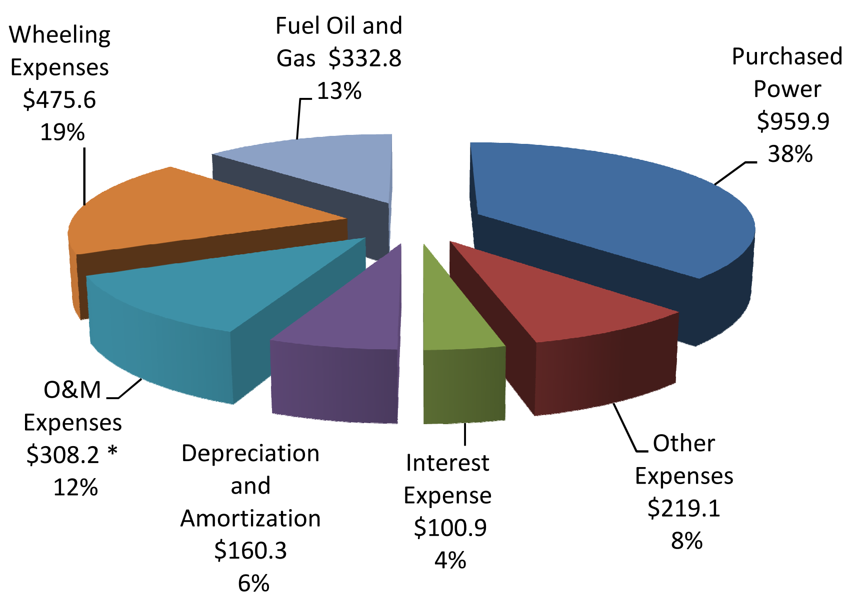
(in Millions)

	2010	2011	2012	2013
Operating Income:				
Customer Revenues	$2,049.8	$2,126.8	$2,271.2	$2,321.4
NYISO Market Revenues	$ 710.7	$828.3	$860.5	$847.7
Total Operating Income	$2,760.5	$2,955.1	$3,131.7	$3,169.1
Operating Expenses:				
Purchased Power	($959.9)	($1,031.1)	($1,052.3)	($1,085.5)
Fuel oil and gas	($332.9)	($439.5)	($509.3)	($482.9)
Wheeling Expenses	($475.6)	($481.0)	($486.1)	($488.8)
O&M Expenses	($319.6)	($345.5)	($362.6)	($369.5)
Other Expenses	($112.1)	($93.5)	($91.0)	($93.1)
Depreciation and Amortization	($160.3)	($193.6)	($215.2)	($215.4)
Allocation to Capital	$11.4	$9.8	$12.1	$12.7
Total Operating Expenses	($2,349.0)	($2,574.4)	($2,704.4)	($2,722.5)
NET OPERATING INCOME	**$411.5**	**$380.7**	**$427.3**	**$446.6**
Other Income:				
Investment Income	$34.5	$46.0	$58.1	$71.2
Other Income	$95.0	$94.0	$101.1	$90.1
Total Other Income	$129.5	$140.0	$159.2	$161.3
Non-Operating Expenses:				
Interest Expense	($100.9)	($158.3)	($217.1)	($219.8)
Contributions to State	($107.0)	($100.0)	($100.0)	($100.0)
Total Non-Operating Expenses	($207.9)	($258.2)	($317.1)	($319.8)
NET INCOME	**$333.1**	**$262.4**	**$269.4**	**$288.1**

2010 Budget – Sources
(in Millions)



2010 Budget – Uses
(in Millions)



* Includes Allocation to Capital

NYPA's Four-Year Projected Cash Budget
(in Millions)

	2010	2011	2012	2013
Revenue Receipts:				
Sale of Power, Use of Transmission Lines,				
Wheeling Charges and other receipts	$2,760.5	$2,930.2	$3,075.9	$3,116.2
Earnings on Investments and Time Deposits	$41.5	$52.9	$65.1	$78.4
Total Revenues	$2,802.0	$2,983.1	$3,141.0	$3,194.6
Expenses:				
Operation and Maintenance, including				
Transmission of Electricity by others,				
Purchased Power and Fuel Purchases	($2,370.9)	($2,545.4)	($2,696.5)	($2,716.2)
Debt Service:				
Interest on Bonds and Notes	($84.0)	($86.1)	($91.1)	($93.7)
General Purpose Bonds Retired	($121.9)	($112.9)	($73.2)	($86.3)
Notes Retired	($7.0)	($7.6)	($8.2)	($8.8)
Total Debt Service	($212.9)	($206.6)	($172.5)	($188.8)
Total Requirements	($2,583.8)	($2,752.0)	($2,869.0)	($2,905.0)
NET OPERATIONS	**$218.2**	**$231.1**	**$272.0**	**$289.6**
Capital Receipts:				
Sale of Bonds, Promissory Notes & Commercial Paper	$117.5	$135.5	$184.5	$192.5
Less : Repayments	($129.9)	($145.7)	($145.3)	($146.1)
Earnings on Construction Funds	$3.4	$2.1	$1.3	$1.0
DSM Recovery Receipts	$48.7	$45.2	$39.9	$37.8
Other	$102.0	$102.0	$102.0	$92.0
Total Capital Receipts	$141.7	$139.1	$182.4	$177.2
Capital Additions & Refunds:				
Additions to Electric Plant in Service and				
Construction Work in Progress, and Other costs	($358.9)	($308.2)	($379.7)	($398.8)
Construction Escrow	$59.3	$31.6	$21.3	$12.3
Total Capital Additions & Refunds	($299.6)	($276.6)	($358.4)	($386.5)
NET CAPITAL	**($157.9)**	**($137.5)**	**($176.0)**	**($209.3)**
NET INCREASE / (DECREASE)	**$60.3**	**$93.6**	**$96.0**	**$80.3**

(a) NYPA's Relationship with the New York State Government

NYPA is a corporate municipal instrumentality and political subdivision of the State of New York created in 1931 and authorized by the Power Authority Act of the State of New York (the ''Power Authority Act'') to help provide a continuous and adequate supply of dependable electric power and energy to the people of New York State. The Authority's operations are overseen by seven Trustees. NYPA's Trustees are appointed by the Governor of the State, with the advice and consent of the State Senate. The Authority is a fiscally independent public corporation that does not receive State funds or tax revenues or credits. NYPA generally finances construction of new projects through sales of bonds and notes to investors, periodically supplemented with equity, and pays related debt service with revenues from the generation and transmission of electricity. Income of the Authority and properties acquired by it for its projects are exempt from taxation. However, the Authority is authorized by Chapter 908 of the Laws of 1972 to enter into agreements to make payments in lieu of taxes with respect to property acquired for any project where such payments are based solely on the value of the real property without regard to any improvement thereon by the Authority and where no bonds to pay any costs of such project were issued prior to January 1, 1972.

(b) Budget Process

As an electric utility, NYPA operates in a capital intensive industry where operating revenues and expenses are significant and highly variable due to the volatility of electricity prices and fuel costs. NYPA's operations are not only subject to electric and fuel cost volatility, but changing water flows have a direct effect on hydroelectric generation levels. The proposed budget and financial plan relies on data developed during the May through August timeframe, while the approved budget and financial plan will utilize an October update of electric and fuel prices and water levels on Lake Erie and Lake Ontario. The Authority's experiences with these markets and conditions have shown that they can significantly change over time and therefore, substantial differences in operating revenues and expenses between the proposed and approved budget and financial plans are often observed.

The following is a general outline of the schedule of actions for both the proposed and approved budget forecast for 2010 and the overall four-year financial plan for 2010-2013:

Proposed Budget and Financial Plan

- During May – August 2009, developed preliminary forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During June – August 2009, developed preliminary operations & maintenance and capital expense targets.
- During August – September 2009, integrated above data to produce the budget and financial valuations.
- September 29, 2009, approval by NYPA's Trustees to submit the proposed budget and financial plan for public inspection at five convenient locations and on NYPA's internet website.

Approved Budget and Financial Plan

- During October – November 2009, update forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During October – November 2009, finalize operations & maintenance expenses and capital costs estimates.
- In November – December 2009, integrate above data to produce updated budget and financial valuations as well as produce sensitivity (scenario) valuations.
- December 15, 2009, seek authorization of NYPA's Trustees to approve the updated budget and financial plan; submit the document to the State Comptroller's Office; and make the document available for public inspection and on NYPA's internet website.

(c) Budget Assumptions

NYISO Revenue and Expenses

The Authority schedules power to its customers and buys and sells energy in an electricity market operated by the NYISO. The majority of NYPA's operating expenses are due to various NYISO purchased power charges in combination with generation related fuel expenses. A significant amount of the Authority's revenues result from sales of the Authority's generation into the NYISO market.

In order to budget these expenses and revenues, the Authority utilizes a customized economic statistical software package that develops forward price curves. The software package develops forecasts of fuel costs, NYISO super-zone load projections, and wholesale electricity prices and simulates the economic dispatch of statewide generation resulting from these supply and demand factors. Employing a probabilistic approach to uncertainty through the use of multiple scenarios for loads, fuel prices, and other key inputs, this software package is particularly designed to provide not only price forecasting, but also the crucial underlying volatility data required for accurate valuation of power contracts, generating assets, and energy derivative products. For budget purposes, the prices of the multiple scenarios are averaged to produce an expected value. Key outputs of the software are:

- Forecasts of expected electric price and associated uncertainty for each NYISO super-zone.
- Monte Carlo like scenarios of NYISO super-zone loads and electric and fuel prices that efficiently span the range of reasonable possibilities.
- Transmission flows within the NYISO and between the NYISO and external entities.
- Operating margin for specific plants over a period of time.

- Conditional expectations of peak loads in future years.
- Capacity additions commensurate with the above conditional expectations.
- Supply curves (cost vs. load) for specific hours and scenarios.
- Power generated by specific plants over a period of time.

In addition to the economic software package, NYPA employs additional hydrologic, hydraulic and statistical modules and models to forecast the generation levels at its Niagara and St. Lawrence-FDR hydroelectric projects. The level of hydroelectric generation is one of the more important determinative factors to the Authority's financial position.

Customer and Project Revenue

The customers projected to be served by the Authority for the financial plan period 2010-2013 and the rates paid by such customers vary with the NYPA facilities designated to serve such loads.

St. Lawrence-FDR and Niagara Customers. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to investor-owned electric utilities, municipal electric systems, rural electric cooperatives, industrial customers, certain public bodies, and out-of-state public customers. The charges for firm power and associated energy sold by the Authority to the investor-owned utility companies for the benefit of rural and domestic customers, the municipal electric systems and rural electric cooperatives in New York State, two public transportation agencies, and seven out-of-state public customers have been established in the context of an agreement settling litigation respecting rates for hydroelectric power, judicial orders in that litigation, and contracts with certain of these customers. Essentially, the "settlement agreement" and relevant judicial orders preclude the inclusion of any expense not associated with the hydroelectric projects utilized for the benefit of rural and domestic customers, but specifically permit the inclusion of interest on indebtedness and continuing depreciation and related inflation adjustment charges with respect to the capital costs of Niagara and St. Lawrence-FDR. For the purpose of the 2010-2013 financial plan, rate changes were incorporated annually based on the ratemaking principles established in the settlement agreement.

The basic rates for Niagara expansion and replacement power industrial customers and St. Lawrence-FDR industrial customers are subject to annual adjustment based on contractually agreed upon economic indices. For purposes of the four-year financial plan, projections were made concerning the movements and magnitudes of these indices. In March 2009, the Authority's Trustees approved the deferral for recovery in the future of a proposed $10 million hydropower rate increase for the Authority's municipal electric and rural cooperative customers, neighboring state municipal customers, upstate investor-owned utilities, and certain other customers that was scheduled to go into effect on May 1, 2009, and withdrew a proposed $5.3 million hydropower rate increase for the Authority's Replacement Power, Expansion Power, and certain other industrial customers that was scheduled to go into effect on May 1, 2009.

In response to the economic downturn's effects on New York's manufacturing sector, the Authority's Trustees in March 2009 approved execution of an agreement with Alcoa, Inc. to provide temporary relief from certain power sales contract provisions relating to the firm's Massena, New York manufacturing operations, including allowing Alcoa to release back to the Authority certain hydropower allocated to it, temporary waivers of certain minimum bill and employment thresholds, and entry into arrangements with the Authority for inclusion of a portion of Alcoa's load in the NYISO's demand response programs. In addition, in May 2009, the Authority's Trustees authorized a temporary program whereby up to $10 million would be utilized to provide electric bill discounts for up to a year to businesses located in Jefferson, St. Lawrence, and Franklin counties. The source of the $10 million is the net margin resulting from the sale of a portion of Alcoa's temporarily unused Preservation Power allocation into the NYISO markets.

In May 2009, the Trustees approved an Economic Development Plan that made changes to the existing Industrial Incentive Award process. The existing process, as outlined in Section 1005 of the Public Power Authority Act, directs the Authority to identify net revenues produced by the sale of Expansion Power (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 the Economic Development Power Allocation Board (EDPAB) and is approved by EDPAB pursuant to Section 188 of the Economic Development Law. 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 dedicated to helping maintain stable rates in NYPA's existing economic development programs.

The revised process provides for the Authority to 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. Awards would normally be for one year, with the ability to renew for one or two 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 combined annual Awards to the three companies at a total of six locations is up to $3.982 million, leaving certain amounts of the 2008 EP net revenues available for additional Awards. The Authority has submitted this Plan to EDPAB for a three-year period providing for the use of 2008, 2009 and 2010 EP net revenues ($7.9 million for 2008).

SENY Governmental Customers. Power and energy purchased by the Authority in the NYISO capacity and energy markets, as supplemented by sales of power and energy by Authority resources at Poletti, the 500-MW plant, the small hydro projects and Blenheim-Gilboa, are sold to various municipalities, school districts and public agencies in the New York City and Westchester County area.
In 2005, the Authority and its major New York City governmental customers entered into long-term supplemental electricity supply agreements ("2005 LTA"). Under the 2005 LTA, the NYC governmental customers agreed to purchase their electricity from the Authority through December 31, 2017, with the NYC governmental customers having the right to terminate service from the Authority at any time on three years' notice and, under certain limited conditions, on one year's notice, provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply the NYC governmental customers.

Under the 2005 LTA, the Authority will modify rates annually through a formal rate proceeding if there is a change in fixed costs to serve the New York City governmental customers. Generally, changes in variable costs, which include fuel and purchased power, will be captured through contractual pricing adjustment mechanisms. Under these mechanisms, actual and projected variable costs are reconciled and all or a portion of the variance is either charged or credited to the NYC governmental customers. The NYC governmental customers are committed to pay for any supply secured for them by the Authority which results from a collaborative effort.

Effective January 1, 2007, the Authority entered into a new supplemental electricity supply agreement with Westchester County. Under this agreement, Westchester County will remain a full requirements customer of NYPA through at least December 31, 2010. The Authority may modify the rates charged the customer pursuant to a specified procedure; an energy charge adjustment mechanism is applicable; the customer is committed to pay for any supply resources secured for it by the Authority under a collaborative process; and NYPA will continue to make available financing for energy efficiency projects and initiatives, with costs thereof to be recovered from the customer. In 2008, the remaining 103 Westchester Governmental Customers had executed the new agreement.

For purposes of the four-year financial plan, it is assumed that the New York City and Westchester customers will continue to be served and rates set to produce the projected net revenue position for each year.

Market Supply Power Customers. The Authority administers an array of power programs for economic development that supply power to businesses and to not-for-profit institutions in New York State. Currently more than 300,000 jobs across the Empire State are linked to these power programs. For a number of these customer programs such as the Economic Development Power program, the High Load Factor Power program, the Municipal Development Agency Power program, and the Power for Jobs program, the Authority has no physical assets to supply power and energy to these customers and NYPA must buy these products in the NYISO market or negotiate bilateral arrangements with other power suppliers.

Many of the programs or the individual contracts of the business customers served under these programs are set to expire during the financial plan timeframe. However, the Authority assumes that the State Legislature will maintain a leading role for NYPA in fostering economic development over the 2010-2013 forecast period. Accordingly, the business customers and the not-for-profit institutions are modeled as continuing to be served.

Blenheim-Gilboa Customers. The Authority uses all but 50 MW of the Blenheim-Gilboa Pumped Storage Power Project output to meet the requirements of the Authority's business and governmental customers and to provide services in the NYISO market. The Authority has a contract for the sale of 50 MW of firm capacity from the Blenheim-Gilboa plant to the Long Island Power Authority ("LIPA"). Service under the contract with LIPA commenced on April 1, 1989 and will terminate April 30, 2015, unless terminated by LIPA upon not less than 6 months advance notice. For purposes of the four-year financial plan it is assumed that the LIPA contract is not terminated and the current charges remain in effect throughout the forecast horizon.

Small Clean Power Plants ("SCPPs"). To meet capacity deficiencies and ongoing local requirements in the New York City metropolitan area, which could have also adversely affected the statewide electric pool, the Authority placed in operation, in the summer of 2001, eleven 44-MW natural-gas-fueled SCPPs at various sites in New York City and one site in the service territory of LIPA. It is anticipated that as of 2011, two of these plants will be retired pursuant to an agreement with New York City.

For the 2010-2013 forecast period, the installed capacity of the remaining SCPPs is used by the Authority to meet its NYISO mandated installed capacity needs or, if not needed for that purpose, is subject to sale to other users via bilateral arrangements or by sale into the NYISO capacity auction. NYPA sells the energy produced by the SCPPs into the NYISO energy market.

Flynn. The Flynn Project is a combined-cycle facility with a nameplate rating of 164 MW. The Authority is supplying the full output of the Project to LIPA pursuant to a capacity supply agreement between the Authority and LIPA, which commenced in 1994 and had an initial term of 20 years. Amendment No. 7, effective as of January 1, 2009, sets forth pricing terms subject to expiration in 2014 should the customer elect to initiate the termination clause by 2012. Otherwise, this contract may extend to 2020.

For purposes of the four-year financial plan, it is assumed that the agreement between LIPA and NYPA remains in effect throughout the period.

Transmission Projects. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, more than any other utility in New York State, with the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edic transmission line, and the 345-kV Long Island Sound Cable.

In an Order issued January 27, 1999, FERC approved the use of the Authority's present transmission system revenue requirement in developing the rates for service under the NYISO tariff. FERC also approved, among other things, the imposition of the NYPA Transmission Adjustment Charge ("NTAC") and the NYPA Transmission Service Charges ("TSC") which are the tariff elements set aside to aid in the full recovery of the Authority's annual transmission revenue requirement.

With the implementation of the NYISO arrangement in November 1999, all transmission service over the Authority's facilities is either pursuant to the NYISO tariffs or pre-existing Authority contracts with NYPA realizing its $165 million annual revenue requirement via the NTAC, TSC or through existing customer contracts. For purposes of the four-year financial plan it is assumed that these revenue producing vehicles remain in effect and the Authority earns its annual revenue requirement.

Investment and Other Income

Investment Income. Investment of the Authority's funds is administered in accordance with the applicable provisions of the Bond Resolution and with the Authority's investment guidelines. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law. The Authority's investments are restricted to (a) collateralized certificates of deposit, (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies. The Authority's investments in the debt securities of Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corp. (FHLMC) were rated Aaa by Moody's Investors Services (Moody's) and AAA by Standard & Poor's (S&P) and Fitch Ratings (Fitch). All of the Authority's investments in U.S. debt instruments are issued or explicitly guaranteed by the U.S. Government.

Other Income. On November 21, 2000 ("Closing Date"), the Authority sold its nuclear plants (Indian Point 3 and James A. FitzPatrick Projects) to two subsidiaries of the Entergy Corporation for cash and non-interest bearing notes totaling $967 million, maturing over a 15-year period. The present value of these payments recorded on the Closing Date, utilizing a discount rate of 7.5%, was $680 million. On an accrual basis the Authority expects to recognize interest income of $16.9 million in 2010, $15.9 million in 2011, $14.9 million in 2012 and $3.8 million in 2013. On a cash basis the Authority projects to receive $30 million payments in each year from 2008 through 2012 and $20 million in 2013.

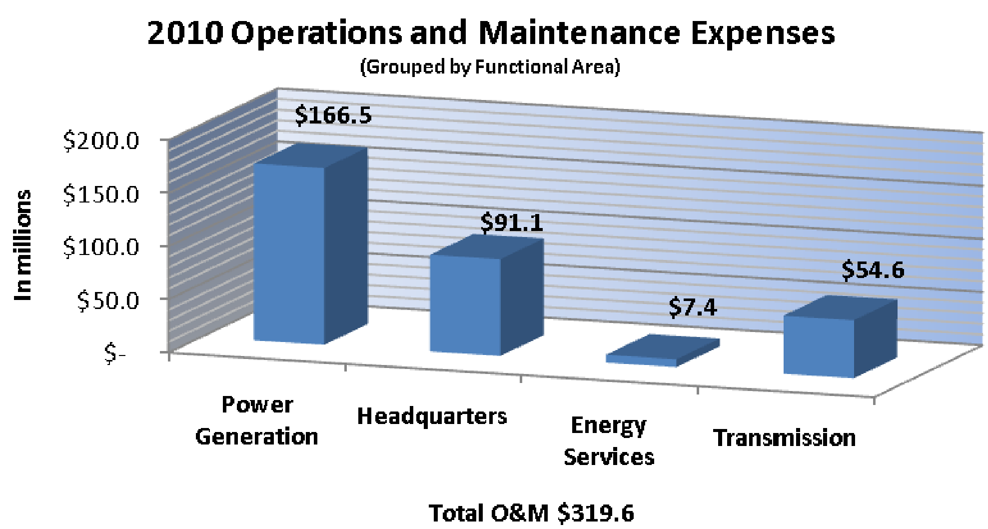
As part of the Authority's sale in 2000 of its two nuclear plants, the Authority entered into two "value sharing agreements" ("VSAs") with the Entergy subsidiaries. In essence, the agreements provide that Entergy subsidiaries will share with the Authority a certain percentage of all revenues they receive from power sales from the nuclear plants in excess of specific projected power prices for a 10 year period, covering 2005 – 2014. The Authority and the Entergy subsidiaries disputed the sharing amounts for 2005 and 2006 and the dispute was submitted to arbitration consistent with terms of the VSAs. During the arbitration period, NYPA and the Entergy subsidiaries also engaged in settlement discussions that ultimately resulted in a settlement of the dispute and the amendment of the VSAs. In essence, these amended VSAs provide for Entergy to pay the Authority a set price ($6.59 per MWh for Indian Point 3 and $3.91 per MWh for FitzPatrick) for all MWhs metered from each plant between 2007 and 2014, with the Authority being entitled to receive annual payments up to a maximum of $72 million. In all other material respects, the terms of the amended and original VSAs are substantially similar. In late 2007, Entergy announced a proposed spinoff of the subsidiaries. While Entergy initially indicated that it was of the view that the spinoff would cause the VSAs to be terminated, discussions between NYPA and Entergy produced a subsequent accord whereby the parties agreed that such spinoff would not constitute a terminating event for the VSAs. Consequently, for purposes of the 2010-2013 financial plan, it has been assumed that the maximum payment of $72 million will be garnered in each year.

Operations and Maintenance Expenses

NYPA's O&M plan for 2010 – 2013 assumes planned wage increases, stabilized benefit costs, planned maintenance outages and non-recurring spending. Exclusive of planned maintenance outage costs and non-recurring spending, the anticipated budget increases approximately at the rate of inflation.

Operations and Maintenance Forecast by Cost Element
(in Millions)

	2010	2011	2012	2013
Payroll				
Regular Pay	$148.4	$151.8	$153.5	$153.4
Overtime	$7.3	$7.6	$7.9	$8.1
Other Payroll	$3.6	$3.7	$3.8	$4.0
Total Payroll	$159.3	$163.1	$165.1	$165.5
Benefits				
Employee Benefits	$30.7	$31.1	$31.1	$30.4
Pension	$15.1	$19.9	$25.7	$31.8
FICA	$11.7	$12.1	$12.5	$12.9
Total Benefits	$57.4	$63.1	$69.2	$75.1
Materials/Supplies	$19.9	$19.8	$19.2	$18.1
Fees	$7.5	$7.6	$7.7	$7.8
Office & Station	$14.3	$14.4	$14.4	$14.2
Maintenance Repair & Service Contracts	$94.8	$100.6	$100.4	$103.0
Consultants	$17.8	$15.1	$15.4	$15.7
Charges to:				
Outside Agencies	($11.5)	($11.7)	($12.0)	($12.2)
Capital Programs	($47.3)	($48.9)	($50.7)	($52.4)
Total Charges	($58.8)	($60.7)	($62.6)	($64.6)
Research & Development	$7.4	$7.6	$7.9	$8.1
TOTAL NYPA O&M	**$319.6**	**$330.6**	**$336.8**	**$342.9**



(d) Self – Assessment of Budgetary Risks

Regulatory Risks

On July 6, 2005, the U.S. Fish and Wildlife Service (''FWS'') initiated a status review under the Endangered Species Act (16 U.S.C. 1531 et seq.) to determine if listing the American eel as threatened or endangered is warranted. American eels are a fish species that migrate between freshwater and the ocean, and their wide range includes the Atlantic seaboard of the United States and Canada and the Great Lakes' drainages. In findings issued February 2, 2007, the FWS determined that such a listing is not warranted. However, in the event the FWS were to determine in the future to list the American eel as threatened or endangered, such a determination could potentially result in significant additional costs and operational restrictions on hydroelectric generating facilities located within the range of the species, including the Authority's St. Lawrence-FDR Project.

The Regional Greenhouse Gas Initiative ("RGGI") is a cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide emissions commencing in 2009. Central to this initiative is the proposed implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The proposed program will require electricity generators to hold carbon dioxide allowances in a compliance account in a quantity that matches their total emissions of carbon dioxide for the compliance period. The Authority's Poletti, Flynn, SCPPs, and 500-MW plant are subject to the RGGI requirements. The Astoria plant, from which NYPA has contracted to purchase power, is scheduled to become operational in mid-2011 and will also be subject to the RGGI requirements. The Authority has participated in each of the four auctions held between September 2008 and June 2009, purchasing approximately 85% of its estimated 2009 carbon allowances requirements at an average price of $3.29 per ton. Such costs for the Poletti plant, the 500-MW plant, and the Astoria plant are being passed on to and recovered from the Authority's NYC Governmental Customers; such costs for the Flynn plant are being passed on to and recovered from LIPA; and such costs for the SCPPs are expected to be recovered from the market-based sales of energy from those plants.

Comprehensive energy legislation passed in the U.S. House of Representatives on June 26, 2009 (Waxman-Markey) which would, among other things: (a) establish federal cap-and-trade requirements applicable to greenhouse gas emissions, including emissions from fossil fuel power plants, commencing in 2012 that are designed to gradually reduce such emissions through 2050 and (b) establish a combined efficiency and renewable electricity standard that would require retail electricity suppliers beginning in 2012 to acquire prescribed amounts of renewable energy certificates, which may be substituted for in part by quantified electricity savings, with such prescribed amounts gradually increasing over time and with the standard sunsetting in 2040. Both of these programs would be applicable to the Authority. It is uncertain at this time whether Waxman-Markey or similar legislation will be enacted into law in the future and what the impact of such legislation would be on the Authority.

Legislative and Political Risks

A series of legislative enactments call for NYPA to subsidize business customers and the State's general fund. Legislation enacted into law, as part of the 2000-2001 State budget, as amended in subsequent years, provides that the Authority "as deemed feasible and advisable by the trustees," is authorized to make "voluntary contributions" into the State treasury in connection with the Power for Jobs Program and to make certain reimbursement payments to Power for Jobs customers. Beginning December 2002 through March 2008, the Authority made such voluntary contributions to the State in the aggregate amount of $424 million. The Authority also approved PFJ Reimbursements payments of $28 million for 2005, $37 million for 2006, $42 million for 2007, and $54 million for 2008. Reimbursement payments for 2009 are not expected to exceed $35 million. In April 2008, the Authority was authorized to and paid a separate $60 million voluntary contribution to the State for State Fiscal Year 2008-2009, unrelated to the Power for Jobs Program.

In light of the severe budget problems facing the State at this time, the Authority was authorized pursuant to Chapter 2 of the Laws of 2009, as deemed "feasible and advisable by its trustees", to make voluntary contribution payments of $119 million during the remainder of State Fiscal Year 2008-2009 and $107 million during State Fiscal Year 2009-2010. In January 2009, the Authority's Trustees approved a voluntary contribution in the amount of $119 million and such payment was made by the Authority on January 30, 2009. For planning purposes, the 2010-2013 financial plan assumes that payments totaling $107 million are made to New York State in 2010 and payments totaling $100 million are made to New York State per year thereafter.

Approval of any such payments to subsidize the State's general fund and/or to subsidize customers requires legislation authorizing such payments and is conditional upon the Trustees' determination that such payments are "feasible and advisable". The Trustees' decision as to whether and to what extent such payments are feasible and advisable will be made based on the exercise of their fiduciary responsibilities and in light of the requirements of the NYPA's Bond Resolution, other legal requirements, and all the facts and circumstances known to them at the time of the decision. Many of those circumstances are not known at the present time.

In addition to the authorization for the voluntary contributions, the Authority was further authorized to make certain temporary asset transfers to the State of funds in reserves. Pursuant to the terms of a Memorandum of Understanding dated February 2009 ("MOU") between the State, acting by and through the Director of the Budget of the State, and the Authority, the Authority agreed to transfer $215 million associated with its Spent Nuclear Fuel Reserves by the end of State Fiscal Year 2008-2009. The Spent Nuclear Fuel Reserves are funds that have been set aside for payment to the federal government sometime in the future when the federal government accepts the spent nuclear fuel for permanent storage. The MOU provides for the return of these funds to the Authority, subject to appropriation by the State Legislature and the other conditions described below, at the earlier of the Authority's payment obligation related to the transfer and disposal of the spent nuclear fuel or September 30, 2017. Further, the MOU provides for the Authority to transfer during State Fiscal Year 2009-2010 approximately $103 million of funds set aside for future construction projects, which amounts would be returned to the Authority, subject to appropriation by the State Legislature and the other conditions described below, at the earlier of when required for operating, capital or debt service obligations of the Authority or September 30, 2014.

The MOU provides that the obligation of the State to return all or a portion of an amount equal to the monies contemplated to be transferred by the Authority to the State would be subject to annual appropriation by the State Legislature and would not constitute a debt of the State within the meaning of any constitutional or statutory provision, would be deemed executory only to the extent of monies available to the State, and no liability would be incurred by the State beyond monies available for such purpose. Further, the MOU provides that as a condition to any such appropriation for the return of the monies earlier than September 30, 2017 for the Spent Nuclear Fuel Reserves and earlier than September 30, 2014 for the construction projects, the Authority must certify that the monies available to the Authority are not sufficient to satisfy the purposes for which the reserves, which are the source of the funds for the transfer, were established.

In February 2009, the Authority's Trustees authorized the execution of the MOU and approved the first temporary asset transfer in the amount of $215 million to be made by March 27, 2009, which transfer has occurred. The Trustees also authorized the second temporary asset transfer of $103 million to be made within 180 days of the enactment of the 2009-2010 State Budget and approved the payment of the additional voluntary contribution of $107 million by March 31, 2010, with the condition that the payment of these latter two amounts will require Trustee reaffirmation prior to the actual transfer and contribution in order to consider if the release of such funds remains "feasible and advisable" and in conformance with the requirements of the Authority's Bond Resolution. The $103 million amount was transferred to the State in September 2009.

For the 2010-2013 financial plan, the Authority is presuming that continuation of service to the Market Supply Power business customers will remain a New York State priority. Forecasted voluntary subsidies and payments to the Market Supply Power Customers and the State's general fund are subject to the strictures and caveats of the preceding paragraph. Also, the modeling of such contributions should not be read to mean that the Authority believes such continuing subsidies are an appropriate way of promoting economic development in New York State.

Pursuant to legislation enacted into law in April 2006, the Temporary Commission on the Future of New York State Programs for Economic Development ("Temporary Commission") was established. On December 1, 2006, the Temporary Commission reported their findings on how to best meet the energy cost needs of statewide businesses. Among the Temporary Commission's recommendations include the centralization of the administration of the State's power programs; that the proceeds of certain unallocated hydroelectric power of the Authority be dedicated to economic development; that the duration of certain types of power allocation contracts be lengthened; that the Authority facilitate the expansion of the State's power infrastructure by continuing to enter into long term contracts with power producers for the construction of new generation and/or transmission facilities; the creation of stable funding sources for the State's power programs, potentially including the State Treasury and dedicated funding from the Authority subject to the Authority's bond covenants and reserve requirements; the expansion of geographic restrictions of certain Authority hydroelectric industrial programs; and the redeployment of hydroelectric power provided by the Authority to the "rural and domestic" (i.e., residential) customers of National Grid, New York State Electric & Gas and Rochester Gas & Electric for statewide economic development purposes. It is unclear at this point which, if any, of the Temporary Commission's recommendations will be enacted into law and how they would affect NYPA's estimated net revenues for the financial plan period.

Section 1011 of the Power Authority Act ("Act") constitutes a pledge of the State to holders of Authority obligations not to limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged or unless adequate provision is made by law for the protection of the holders thereof. Several bills have been introduced into the State Legislature, some of which propose to limit or restrict the powers, rights and exemption from regulation which the Authority currently possesses under the Act and other applicable law or otherwise would affect the Authority's financial condition or its ability to conduct its business, activities, or operations, in the manner presently conducted or contemplated by the Authority. It is not possible to predict whether any of such bills or other bills of a similar type which may be introduced in the future will be enacted. In addition, from time to time, legislation is enacted into New York law which purports to impose financial and other obligations on the Authority, either individually or along with other public authorities or governmental entities. The applicability of such provisions to the Authority would depend upon, among other things, the nature of the obligations imposed and the applicability of the pledge of the State set forth in Section 1011 of the Act to such provisions. There can be no assurance that the Authority will be immune from the financial obligations imposed by any such provision.

Actions taken by the State Legislature or the Executive Branch to extract greater contributions and which attempt to constrain the discretion of or bypass the Authority's Trustees could negatively affect net revenues and possibly harm NYPA's bond rating.

Hydroelectric Generation Risk

For the 2010-2013 financial plan period, NYPA's net revenues are highly dependent upon generation levels at its Niagara and St. Lawrence-FDR Projects. The generation levels themselves are a function of the hydrological conditions prevailing on the Great Lakes, primarily, Lake Erie (Niagara Project) and Lake Ontario (St. Lawrence-FDR). Long-term generation levels at the two hydroelectric projects are about 20.2 terawatt-hours ("TWH") annually. The Authority's hydroelectric generation forecast is 21.2 TWH in 2010 and 20.2 TWH (long-term average) in each of the years 2011 - 2013. However, these generation amounts are expected values and hydrological conditions can vary considerably from year to year. For instance, during a recent ten year period, 1999-2008, hydroelectric generation was in a number of the years below the long-term average and manifested considerable volatility.

Net Hydroelectric Generation

1999	18.7	TWH
2000	18.6	TWH
2001	17.6	TWH
2002	19.7	TWH
2003	18.3	TWH
2004	20.4	TWH
2005	20.7	TWH
2006	20.3	TWH
2007	19.8	TWH
2008	20.6	TWH

Poor hydrological conditions would adversely affect NYPA's estimated net revenues for the Financial Plan horizon and would likely compel NYPA's Trustees to lower or not approve any contributions to the discretionary subsidy policy described previously.

NYPA conducted high and low hydroelectric generation sensitivities for 2010-2013 that estimated the potential net revenues that could result over a reasonable range of hydroelectric generation occurrences. The effects on estimated net revenues, assuming all other factors remain unchanged, were as follows:

	Low Generation		High Generation	
	Hydroelectric Generation	NYPA Net Revenue *(in Millions)*	Hydroelectric Generation	NYPA Net Revenue *(in Millions)*
2010	18.3 TWH	$231.9	22.4 TWH	$399.6
2011	18.3 TWH	$191.4	22.4 TWH	$348.2
2012	18.3 TWH	$205.3	22.4 TWH	$356.8
2013	18.3 TWH	$224.4	22.4 TWH	$380.2

Electric Price and Fuel Risk

The Authority dispatches power from its generating facilities in conjunction with the NYISO. The NYISO coordinates the reliable dispatch of power and operates markets for the sale of electricity and ancillary services within New York State. The NYISO collects charges associated with the use of the transmission facilities and the sale of energy, capacity, and services through the markets that it operates and remits those proceeds to the owners of the facilities in accordance with its tariff and to the sellers of the electricity and services in accordance with their respective bids and applicable NYISO market procedures. Under the NYISO Open Access Transmission Tariff, certain charges for ancillary services (which include NYISO operating costs), congestion, losses, and a portion of the Authority's transmission costs are assessed against the Authority and other entities responsible for serving ultimate customers. Because of the Authority's active participation in the NYISO markets, such costs are significant and are currently being passed through to most Authority customers.

Under NYISO procedures, Load Serving Entities (''LSEs'') represent electricity end-users in dealings with the NYISO. The Authority is an LSE for large segments of its load in New York State and must ensure it has sufficient installed capacity to meet its customers' needs and NYISO reliability rules, either through ownership of such capacity, bilateral installed capacity purchase contracts or auction purchases conducted by the NYISO. As an LSE, the Authority is also obligated to ensure that it has enough energy to meet its customers' energy needs. These needs can be met in the NYISO regime through the Authority's own generation, bilateral purchases from others, or purchases of energy in the NYISO ''day-ahead'' market (''DAM'') (wherein bids are submitted for energy to be delivered the next day) or in the NYISO ''real time'' market. A bilateral purchase is a transaction where a generator or a power marketer that has access to power and an LSE agree upon a specified amount of energy being supplied to the LSE by the generator or power marketer at specified prices.

This procedure has provided the Authority with economic benefits from its units' operation when selected by the NYISO and may do so in the future. However, such bids also obligate the Authority to supply the energy in question during a specified time period, which does not exceed two days, if the unit is selected. If a forced outage occurs at the Authority plant which is to supply such energy, then the Authority is obligated to pay during the Short Term Period (1) in regard to the Excess Energy amount, the difference between the price of energy in the NYISO real time market and the Market Clearing Price in the DAM, and (2) in regard to the Contract Energy amount, the price of energy in the NYISO real time market which is offset by the Contract Price. This real time market price may be subject to more volatility than the DAM price. The risk attendant with this outage situation is that, under certain circumstances, the Market Clearing Price in the DAM and the Contract Price may be well below the price in the NYISO real time market, with the Authority having to pay the difference. In times of maximum energy usage, this cost could be substantial. This outage cost risk is primarily of concern to the Authority in the case of its Poletti unit and the 500-MW plant because of their size, nature, and location.

In addition to the risk associated with Authority generation bids into the DAM, the Authority could incur substantial costs in times of maximum energy usage in purchasing replacement energy for its customers in the DAM or through other supply arrangements to make up for lost energy due to an extended outage of its units and non-performance of counterparties to energy supply contracts.

In April 2002, the Authority created a vice president position for energy risk assessment and control. This position, currently held by the Vice President Energy Risk & Assessment, reports to the Executive Vice President and Chief Financial Officer and is responsible for establishing policies and procedures for identifying, reporting and controlling energy-price and fuel-price-related risk exposure and risk exposure connected with energy- and fuel-related hedging transactions. This type of assessment and control has assumed greater importance in light of the Authority's participation in the NYISO energy markets and the sale of its two nuclear plants, and the commercial operation of its 500-MW plant. In recent years, the Authority has increased its dependence on purchased power to meet its customers' needs. This has made the Authority more susceptible to risks posed by increases in purchased power costs and fuel costs. To deal with this greater risk, the Authority has obtained and is in the process of obtaining power purchase agreements (or their financial equivalents) to meet a significant portion of its customer load. Even with these planned arrangements, the Authority will still have exposure to purchased power price risks to the extent it purchases power in the NYISO day-ahead and real-time markets. Also, with the addition of the Authority's 500-MW plant, the Authority will face increased fuel price risk to the extent it uses its own fossil-fuel generation to meet its customers' needs. The risk management program implemented is designed to mitigate such risks. The Authority is also pursuing an initiative to develop and implement a comprehensive enterprise-wide risk management program.

Litigation Risk

In 1982 and again in 1989, several groups of St. Regis Mohawk Indians filed lawsuits against the State, the Governor of the State, St. Lawrence and Franklin counties, the St. Lawrence Seaway Development Corporation, the Authority and others, claiming ownership to certain lands in St. Lawrence and Franklin counties and to Barnhart, Long Sault and Croil islands. These islands are within the boundary of the Authority's St. Lawrence-FDR project and significant project facilities are located on Barnhart Island. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of the Mohawk Indians.

On May 30, 2001, the United States District Court (the Court) denied, with one minor exception, the defendants' motion to dismiss the land claims. However, the Court barred the Federal government and one of the tribal plaintiffs, the American Tribe of Mohawk Indians (the Tribe) from re-litigating a claim to 144 acres on the mainland which had been lost in the 1930s by the Federal government. The Court rejected the State's broader defenses, allowing all plaintiffs to assert challenges to the islands and other mainland conveyances in the 1800s, which involved thousands of acres.

On August 3, 2001, the Federal government sought to amend its complaint in the consolidated cases to name only the State and the Authority as defendants. The State and the Authority advised the Court that they would not oppose the motion but reserved their right to challenge, at a future date, various forms of relief requested by the Federal government.

The Court granted the Federal government's motion to file an amended complaint. The tribal plaintiffs still retain their request to evict all defendants, including the private landowners. Both the State and the Authority answered the amended complaint. In April 2002, the tribal plaintiffs moved to strike certain affirmative defenses and, joined by the Federal government, moved to dismiss certain defense counterclaims. In an opinion, dated July 28, 2003, the Court left intact most of the Authority's defenses and all of its counterclaims.

Thereafter, settlement discussions produced a land claim settlement, which if implemented would include, among other things, the payment by the Authority of $2 million a year for 35 years to the tribal plaintiffs, the provision of up to 9 MW of low cost Authority power for use on the reservation, the transfer of two Authority-owned islands, Long Sault and Croil, and a 215-acre parcel on Massena Point to the tribal plaintiffs, and the tribal plaintiffs withdrawing any judicial challenges to the Authority's new license, as well as any claims to annual fees from the St. Lawrence-FDR project. Members of all tribal entities voted to approve the settlement, which was executed by them, the Governor, and the Authority on February 1, 2005. The settlement required, among other things, Federal and State legislation to become effective which has not yet been enacted.

Litigation in the case had been stayed to permit time for passage of such legislation and to await decisions of appeals in two relevant New York land claims litigations, involving the Cayuga and Oneida Nations, to which the Authority was not a party. In May 2006, the U.S. Supreme Court declined to review the U.S. Court of Appeals' (Second Circuit) decision in Cayuga Indian Nation et al. v Pataki et al. (2005) that had reversed a verdict awarding the Cayugas $248 million in damages and also dismissed the Cayuga land claim. The basis for the Second Circuit's dismissal of the land claim was that the Cayugas had waited too long to bring their land claim (laches). The Authority had raised the defense of laches in its answer in the St. Regis litigation and on November 26, 2006 the Authority and the State moved to dismiss the St. Regis Mohawks complaints as well as the United States' complaint on similar delay grounds. The Mohawks and the Federal government filed papers opposing those motions in July 2007, additional briefing by the parties occurred thereafter. Litigation has been stayed and resolution of the pending defense motions is awaiting a decision by the Court of Appeals for the Second Circuit in a related land claim litigation involving similar defense motions.

In February 2007, two customers in the Authority's Power for Jobs Program instituted suit in Albany County Supreme Court challenging the Authority's implementation of certain aspects of the August 2006 legislation (Chapter 645 of the Laws of 2006) amending the Program. See "Legislation Affecting the Authority and Other Matters-Power for Jobs" and "Financial Assistance to the State", below. The dispute primarily involves the Authority's determination of eligibility for certain customers to receive payments relating to Program electric prices that exceed the electric prices of the applicable local electric utility, as well as the methodology utilized by the Authority for calculating possible "PFJ Reimbursements", as defined below, for certain customers. By decision in April 2007, the court dismissed the petition and ruled in favor of the Authority. The petitioners appealed to the Appellate Division, Third Department, and by decision issued April 17, 2008, the court modified the lower court's decision and held that the Authority's determinations on these two issues were erroneous. Thereafter, the Authority moved for permission to appeal to the Court of Appeals; that motion was granted; briefing by the parties is completed; and oral argument is scheduled for September 2009.

In May 2009, the County of Niagara, "on behalf of its residents", and several individuals commenced an Article 78 lawsuit in Niagara County Supreme Court against the Authority, its Trustees, the State of New York, and the State Comptroller. The lawsuit challenges on numerous grounds the legality of the two temporary asset transfers totaling $318 million and the two voluntary contributions totaling $226 million (except as such contributions relate to the Power for Jobs Program) that were approved as discussed above by the Authority's Trustees in January and February 2009. Among other things, the lawsuit seeks judgment providing for the return to the Authority of any such monies that have been paid; prohibiting such asset transfers and voluntary contributions in the future; directing the Authority to utilize such returned monies only for "statutorily permissible purposes"; directing the Authority to "rebate" to certain customers receiving hydropower from it some portion, to be determined, of the monies returned to the Authority; and directing that the Authority submit to an audit by the State Comptroller. No temporary or preliminary injunctive relief is sought in the petition. Certain motions have been filed and the return date of the petition has been adjourned to late September 2009.

(e) Revised Forecast of 2009 Budget

(in Millions)

	Original Budget 2009	Forecast 2009	Variance Better/(Worse) 2009
Operating Revenues:			
Customer Revenues	$2,081.9	$1,866.8	($215.1)
NYISO Market Revenues	$955.7	$750.0	($205.7)
Total Operating Revenues	$3,037.6	$2,616.8	($420.8)
Operating Expenses:			
Purchased Power	($1,156.1)	($907.8)	$248.3
Fuel oil and gas	($516.5)	($383.2)	$133.3
Wheeling Expenses	($441.6)	($434.1)	$7.5
O&M Expenses	($294.1)	($295.5)	($1.4)
Other Expenses	($115.0)	($119.4)	($4.4)
Depreciation and Amortization	($160.7)	($161.4)	($0.7)
Total Operating Expenses	($2,684.0)	($2,301.4)	$382.6
NET OPERATING REVENUES	**$353.6**	**$315.4**	**($38.2)**
Other Income:			
Investment Income	$39.4	$39.0	($0.4)
Other Income	$90.7	$90.4	($0.3)
Total Other Income	$130.1	$129.4	($0.7)
Non-Operating Expenses			
Interest & Other Expenses	($105.8)	($97.8)	$8.0
Contributions to State	($70.0)	($70.0)	($0.0)
Total Non-Operating Expense	($175.8)	($167.8)	$8.0
NET INCOME	**$307.9***	**$277.0**	**($30.9)**

* Due to significant economic and market changes occurring after the establishment of the Original 2009 Budget of $173.1 million, in January 2009 the budget was updated to $307.9 million

(f) Reconciliation of 2009 Budget and 2009 Revised Forecast

Net income estimates for 2009 have decreased from the updated budget level. This is primarily due to a year-to-date drop of over 30% in market prices, mainly affecting the Niagara and St. Lawrence-FDR projects, and to a lesser extent the Blenheim-Gilboa Pumped Storage Power Project and the Small Clean Power Plants. With the extension of the Power for Jobs program through May 15, 2010, the Authority has been authorized to provide an additional voluntary contribution to the State's General Fund in the amount of $12.5 million, which is included in the revised forecast. In addition, the deferral and withdrawal of certain hydropower rate increases, in combination with several incentives recently undertaken by the Authority including the Industrial Incentive Awards and electric bill discounts to businesses located in Jefferson, St. Lawrence, and Franklin counties, serve to decrease net income.

These negative impacts are partially mitigated by increased hydro generation, with Niagara currently forecast at 2% above budget and St. Lawrence at 12% above budget. The excess hydro flow, approximately 1.0 TWH above budget in total, increases market sales and decreases purchased power costs of alternative market purchases for St. Lawrence-FDR project customers.

(g) Statement of 2008 Financial Performance
(in Millions)

	Original Budget 2008	Actual 2008	Variance Better/(Worse) 2008
Operating Revenues:			
Customer Revenues	$2,001.3	$2,031.6	$30.3
NYISO Market Revenues	$876.6	$1,153.4	$276.8
Total Operating Revenues	$2,877.9	$3,185.0	$307.1
Operating Expenses:			
Purchased Power	($1,146.3)	($1,240.7)	($94.4)
Fuel Oil and Gas	($542.8)	($615.1)	($72.3)
Wheeling Expenses	($384.3)	($388.4)	($4.1)
O&M Expenses	($287.0)	($285.1)	$1.9
Other Expenses	($140.9)	($174.1)	($33.2)
Depreciation and Amortization	($175.4)	($173.1)	$2.3
Total Operating Expenses	($2,676.7)	($2,876.5)	($199.8)
NET OPERATING REVENUES	**$201.2**	**$308.5**	**$107.3**
Other Income:			
Investment Income	$62.7	$73.6	$10.9
Other Income	$93.7	$90.7	($3.0)
Total Other Income	$156.4	$164.3	$7.9
Non–Operating Expenses:			
Interest Expenses	($128.9)	($114.3)	$14.6
Contribution to State	$0.0	($60.0)	($60.0)
Total Non-Operating Expenses	($128.9)	($174.3)	($45.4)
NET INCOME	**$228.7**	**$298.5**	**$69.8**

(h) Employee Data – number of employees, full-time, FTEs and functional classification

NYPA AUTHORIZED POSITIONS

	2010	2011	2012	2013
Headquarters	627	627	627	627
Power Generation*	863	810	810	810
Transmission	210	210	210	210
TOTAL	**1700**	**1647**	**1647**	**1647**

* Includes the anticipated retirement of the Poletti plant in 2010.

(i) Gap-Closing Initiatives – revenue enhancement or cost-reduction initiatives

As the Authority is projecting positive net revenues for the 2010-2013 financial plan period, there are no planned gap-closing programs.

(j) Material Non-recurring Resources – source and amount

See discussion in "Other Income" section.

(k) Shift in Material Resources

There are no anticipated shifts in material resources from one year to another.

(l) Debt Service

Projected Debt Outstanding (FYE)

(in Thousands)

	2010	2011	2012	2013
Revenue Bonds				
Series 2000A	77,215	77,215	77,215	77,215
Series 2002A	120,560	95,625	69,450	41,720
Series 2003A	200,310	195,645	190,770	185,665
Series 2006A	133,845	122,970	111,660	99,845
Series 2007A	82,025	82,025	82,025	82,025
Series 2007B	256,710	256,710	256,710	253,535
Series 2007C	263,710	263,710	263,710	263,710
Total Revenue Bonds	1,134,375	1,093,900	1,051,540	1,003,715
Adjustable Rate Tender Notes	130,500	122,935	114,765	105,940
Commercial Paper Notes				
Series 1	328,978	393,740	507,972	629,358
Series 2	193,890	145,065	125,425	96,755
Series 3	60,842	45,329	44,146	38,726
Extendible - Series 1	75,000	70,000	65,000	60,000
Total Commercial Paper Notes	658,710	654,134	742,543	824,839
GRAND TOTAL	**1,923,585**	**1,870,969**	**1,908,848**	**1,934,494**

Planned Use of Debt Issuances

(in Thousands)

TYPE	Amount	Assumed Interest Rate	Project / Description
Period January 1, 2010 - December 31, 2010			
Tax Exempt Commercial Paper	$37,602.0	1.80%	Energy Services Program
Taxable Commercial Paper	$2,000.0	2.80%	Energy Services Program
TOTAL ISSUED 2010	**$39,602.0**		
Period January 1, 2011 - December 31, 2011			
Tax Exempt Commercial Paper	$64,762.0	2.80%	Energy Services Program
Taxable Commercial Paper	$3,000.0	4.30%	Energy Services Program
TOTAL ISSUED 2011	**$67,762.0**		
Period January 1, 2012 - December 31, 2012			
Tax Exempt Commercial Paper	$114,232.0	3.80%	Energy Services Program
Taxable Commercial Paper	$5,000.0	5.80%	Energy Services Program
TOTAL ISSUED 2012	**$119,232.0**		
Period January 1, 2013 - December 31, 2013			
Tax Exempt Commercial Paper	$121,385.0	4.10%	Energy Services Program
TOTAL ISSUED 2013	**$121,385.0**		

Note: The full faith and credit of the Authority are pledged for the payment of bonds and notes in accordance with their terms and provisions of their respective resolutions. The Authority has no taxing power and its obligations are not debts of the State or any political subdivision of the State other than the Authority. The Authority's debt does not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority.

Debt Service as Percentage of Pledged Revenues (Accrual Based)
(in Thousands)

	2010		2011		2012		2013	
Revenue Bonds	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**	**Debt Service**	**% of Rev.**
Series 2000A	$4,054	1.22%	$4,054	1.54%	$4,054	1.50%	$4,054	1.41%
Series 2002A	$30,939	9.29%	$30,722	11.71%	$30,767	11.42%	$27,484	9.54%
Series 2003A	$15,741	4.73%	$15,741	6.00%	$15,742	5.84%	$15,743	5.47%
Series 2006A	$17,232	5.17%	$17,235	6.57%	$17,229	6.40%	$17,235	5.98%
Series 2007A	$3,896	1.17%	$3,896	1.48%	$3,896	1.45%	$3,896	1.35%
Series 2007B	$15,152	4.55%	$15,152	5.77%	$15,557	5.78%	$18,327	6.36%
Series 2007C	$12,836	3.85%	$12,836	4.89%	$12,836	4.77%	$16,314	5.66%
Total Revenue Bonds	$99,850	29.97%	$99,635	37.96%	$100,081	37.15%	$103,053	35.78%
Adjustable Rate Tender Notes	$9,738	2.92%	$11,491	4.38%	$13,075	4.85%	$13,854	4.81%
Commercial Paper Notes								
Series 1	$6,204	1.86%	$10,841	4.13%	$18,034	6.70%	$24,168	8.39%
Series 2	$56,197	16.87%	$28,639	10.91%	$32,579	12.09%	$31,044	10.78%
Series 3	$5,435	1.63%	$18,745	7.14%	$7,523	2.79%	$7,571	2.63%
Extendible - Series 1	$6,600	1.98%	$7,250	2.76%	$7,800	2.90%	$7,763	2.69%
Total Commercial Paper Notes	$74,435	22.34%	$65,475	24.95%	$65,936	24.48%	$70,545	24.49%
Grand Total Debt Service	**$184,023**	**55.24%**	**$176,601**	**67.29%**	**$179,092**	**66.49%**	**$187,452**	**65.08%**

Note: NYPA has no legal limit with regards to debt issuance.

Scheduled Debt Service Payments (Accrual Based)

Outstanding (Issued) Debt

	Principal	Interest	Total
2010	107,379,160	76,277,363	183,656,523
2011	93,981,268	80,510,089	174,491,357
2012	89,036,543	83,559,855	172,596,398
2013	93,984,684	81,478,697	175,463,381

Proposed Debt

	Principal	Interest	Total
2010	-	366,418	366,418
2011	-	2,110,024	2,110,024
2012	-	6,495,240	6,495,240
2013	-	11,988,829	11,988,829

Total Debt

	Principal	Interest	Total
2010	107,379,160	76,643,781	184,022,941
2011	93,981,268	82,620,113	176,601,381
2012	89,036,543	90,055,095	179,091,638
2013	93,984,684	93,467,526	187,452,210

(m) Capital Investments and Sources of Funding

The Authority currently estimates that it will expend approximately $1.4 billion for various capital improvements over the financial plan period 2010-2013. The Authority anticipates that these expenditures will be funded using existing construction funds, internally-generated funds and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of additional commercial paper notes and/or the issuance of long-term fixed rate debt. Projected capital requirements during this period include:

(In Millions)	2010	2011	2012	2013
New Niagara Warehouse	$21.6	$1.9	$0.0	$0.0
RM Stator Rewind & Restack Project	$2.8	$14.4	$10.0	$0.0
Lewiston Pump Generating Plant LEM	$1.0	$1.0	$0.2	$37.5
Relocate Niagara Ice Boom Storage Site	$10.5	$1.9	$0.0	$0.0
RMNPP: Stator Rewind and Restack Proj. II	$0.0	$0.0	$0.0	$10.1
STL LEM	$31.3	$22.4	$13.5	$4.4
BG LEM	$21.9	$0.5	$0.0	$0.0
MA1 and MA2 Transmission Line Upgrade	$1.1	$1.1	$67.9	$67.9
Energy Services	$130.0	$150.0	$200.0	$200.0
Other	$131.3	$107.3	$80.2	$70.8
TOTAL	**$351.5**	**$300.5**	**$371.8**	**$390.7**

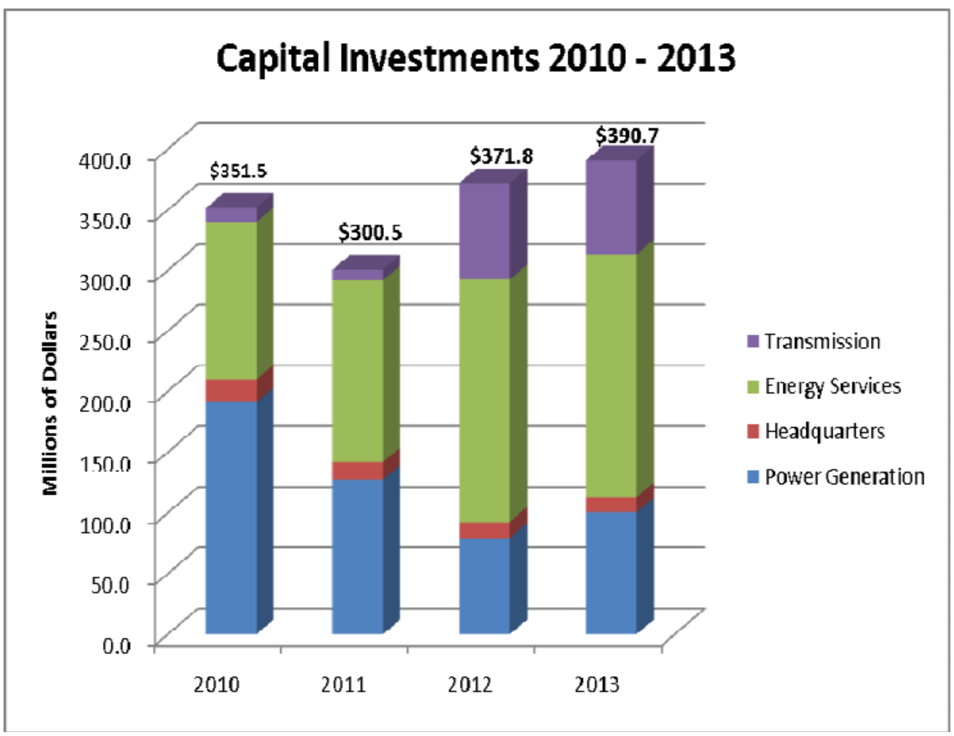


Exhibit "B"
September 29, 2009

Certification of Assumptions and Method of Estimation for Budget and Financial Plan 2010-2013 in accordance with the Comptroller's Regulation § 203.9 Certification

September 29, 2009

To the Board of Trustees
Power Authority of the State of New York

To the best of my knowledge and belief after reasonable inquiry, I, the undersigned, certify that the "Authority's Method of Estimation for Budget and Financial Plan 2010-2013" is based on reasonable assumptions and methods of estimation and that the regulations enumerated in Part 203, "Budget and Financial Plan Format, Supporting Documentation and Monitoring - Public Authorities" have been satisfied.

Gil C. Quiniones

Gil C. Quiniones
Chief Operating Officer

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

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

BACKGROUND

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

DISCUSSION

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

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

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

FISCAL INFORMATION

"There is no anticipated fiscal impact.

RECOMMENDATION

"The Director - Financial Planning recommends that the Trustees authorize submittal of the attached budget information pursuant to Section 2801 of the Public Authorities Law (Exhibit '1j-A') as discussed herein.

"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 this recommendation."

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

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

POWER AUTHORITY OF THE STATE OF NEW YORK
ESTIMATED RECEIPTS AND EXPENDITURES 2009 AND 2010
ACTUAL RECEIPTS AND EXPENDITURES 2008
($ m i l l i o n s)

Exhibit "A"
September 29, 2009

	Actuals 2008	Forecast 2009	Estimated 2010
Revenue Receipts :			
Sale of Power, Use of Transmission Lines,			
Wheeling Charges and other receipts	$3,204.2	$2,616.8	$2,760.5
Earnings on Investments and Time Deposits	$57.3	$49.9	$41.5
Total Revenues	**$3,261.5**	**$2,666.7**	**$2,802.0**
Expenses:			
Operation and Maintenance, including Transmission			
of Electricity by others, Purchased Power and			
Fuel Purchases	**($2,941.5)**	**($2,425.1)**	**($2,370.9)**
Debt Service :			
Interest on Bonds and Notes / Commercial Paper Paydown	($92.4)	($87.0)	($84.0)
General Purpose Bonds Retired	($229.4)	($98.3)	($121.9)
Notes Retired	($6.0)	($6.5)	($7.0)
Total Debt Service	**($327.8)**	**($191.8)**	**($212.9)**
Total Requirements	**($3,269.3)**	**($2,616.9)**	**($2,583.8)**
Net Operations	**($7.8)**	**$49.8**	**$218.2**
Capital Receipts :			
Sale of Bonds, Promissory Notes & Commerical Paper	$382.3	$105.7	$117.5
Less : Repayments / Commercial Paper Paydown	($319.2)	($84.8)	($129.9)
Earnings on Construction Funds	$8.1	$5.7	$3.4
DSM Recovery Receipts	$92.3	$91.6	$48.7
Other	$102.0	$102.0	$102.0
Total Capital Receipts	**$265.5**	**$220.2**	**$141.7**
Capital Additions & Refunds :			
Additions to Electric Plant in Service and			
Construction Work in Progress, and Other costs	($227.1)	($313.4)	($358.9)
Construction Funds - Net Transfer	$10.1	($60.7)	$59.3
Total Capital Additions & Refunds	**($217.0)**	**($374.1)**	**($299.6)**
Net Capital	**$48.5**	**($153.9)**	**($157.9)**
Net Increase/(Decrease)	**$40.7**	**($104.1)**	**$60.3**

k. Procurement (Services) Contracts – Business Units and Facilities – Awards and Extensions

The President and Chief Executive Officer submitted the following report:

SUMMARY

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

BACKGROUND

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

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

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

DISCUSSION

Awards

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

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

Extensions

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

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

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

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

Corporate Communications

Communications & Marketing Services

"The three contracts with **Angela McRae ('McRae'), Harrison I. Getz, Jr. ('Getz')** and **Russell Brod ('Brod') (Q09-4560; PO# TBA)** would provide for the services of freelance graphic designers to perform computer design and production services for print materials including, but not limited to, annual reports, corporate collateral materials, marketing and promotional brochures, newsletters, posters, advertising materials, presentations and exhibits, and to create graphics for the Authority's internal and external websites. Such services will be performed on premises at the Authority's White Plains Office, under the direction and supervision of Authority staff. Bid documents requesting submittal of qualification statements for one of two options, on-premises computer design and production services (Category A) or project work (Category B), were downloaded electronically from the Authority's Procurement website by 32 individuals/firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Four responses were received and evaluated for on-premises services (Category A); one of these four responses was from a design firm/staffing agency and was not considered further, pursuant to the Authority's specifications. Based on a review and assessment of the qualifications, experience and hourly rates submitted by the other three respondents for Category A, all three were pre-qualified by the Authority to provide on-premises services. Staff recommends award of contracts to all three pre-qualified freelance graphic designers, McRae, Getz and Brod, who meet the bid requirements and have provided satisfactory services under existing contracts for such work. The new contracts would become effective on October 1, 2009 for an intended term of up to two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total aggregate amount expected to be expended for the term of the contracts, $463,750. (The award of contracts for services solicited for Category B has been deferred and approval for such awards is not sought at this time.)

Energy Marketing and Business Development

Energy Services and Technology ('ES&T')

"The Authority has stepped up its efforts to increase investment in energy efficiency, clean energy and improved system reliability projects through its Energy Services Programs ('ESP'), many of which involve construction services. With the increased volume of such construction projects, there is an increased need for construction engineers and support staff to augment the Authority's permanent ES&T staff, which oversees such construction operations, site safety, permitting and quality of construction work. The use of such temporary construction management personnel, especially during peak periods of activity, is the most cost-effective method of ensuring the level of resources necessary to support such projects, on an 'as needed' basis and without hiring additional permanent staff. The contracts with **Hill International, Inc. ('Hill'), Industrial Staffing Services, Inc. ('ISS'), L.J. Gonzer Associates ('Gonzer')** and **RCM Technologies, Inc. ('RCM') (Q09-4545; PO# TBA)** would provide for such temporary services in connection with selected Authority's Energy Services and distributed generation projects in Authority Customers' facilities located mainly in the New York City area, but potentially in other locations throughout New York State. The contracting firm will furnish the Authority with competent, qualified personnel skilled in the respective specialties delineated by the Authority on an 'as needed' basis, to meet the specified requirements of the projects/assignments. Such personnel will be under the direct supervision of

Authority staff. Bid documents were downloaded electronically from the Authority's Procurement website by 57 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Seven proposals were received and evaluated. Of this number, the two proposals with the highest hourly rates were not considered further; a third proposal included mobilization and demobilization expenses, subject to an administrative fee (which was not in accordance with the Authority's specifications) and was not considered further. The proposals and sample resumes submitted by the four remaining bidders were evaluated in detail for their technical merit. Staff recommends award of contracts to all four firms: Hill, ISS, Gonzer and RCM, the lowest-priced qualified bidders, which meet the bid requirements, possess the requisite experience and industry knowledge and have the ability to recruit and retain a quality pool of resources for the Authority to draw on. Additionally, three of these firms have successfully provided staffing for the Authority in other areas. The award of contracts to multiple firms will ensure the availability of sufficient resources to retain the best-qualified personnel for each specific project or task, since no one firm can provide suitable candidates for all required specialties. The contracts would become effective on October 1, 2009 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total aggregate amount expected to be expended for the term of the contracts, $7.5 million (which will be drawn from ESP funding previously approved by the Trustees). Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. All costs will be recovered by the Authority. (It should be noted that Industrial Staffing Services is a New York State-certified Woman-Owned Business Enterprise ('WBE').)

"The Authority has an ongoing need for external cost-estimating and scheduling services to develop cost estimates and schedules for certain in-house designed ESP projects, make change-order evaluations or perform value-engineering and life-cycle analyses in connection with such projects. The contracts with **Baer & Associates, LLC ('Baer'), Hill International, Inc. ('Hill'), LiRo Program & Construction Management, P.C. ('LiRo')** and **Nasco Construction Services Inc. ('Nasco') (Q09-4569; PO#s TBA)** would provide for such cost- estimating and scheduling services in connection with the Authority's ESP projects. Due to the need to commence services and support ongoing projects, interim approval was obtained in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures to award a contract to **Nasco (4600002158)**, effective September 1, 2009, in the initial amount of $50,000, subject to the Trustees' ratification and approval at their next scheduled meeting. Bid documents were downloaded electronically from the Authority's Procurement website by 103 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Sixteen proposals were received and evaluated. A Post-Bid Addendum was issued to clarify the personnel classifications and their corresponding hourly rates; these responses were used by staff to calculate the cost of a typical project for each bidder based on the projected number of man-hours and hourly rates for applicable personnel classifications. The proposals of the eight lowest-priced bidders were reviewed in detail. Staff determined that three of the eight firms lacked the necessary experience, so these firms were not considered further. The remaining five bidders were interviewed by phone, resulting in staff's determination that one additional firm did not have the necessary experience in cost-estimating and scheduling construction work in commercial office buildings, as required by the Authority for such ESP projects; the four remaining firms met the Authority's requirements and were deemed qualified to perform such services. Staff recommends award of contracts to four firms: Baer, Hill, LiRo and Nasco, the lowest-priced qualified bidders, which meet the bid requirements, have the requisite experience and received positive endorsements from their references. The Trustees are hereby requested to ratify and approve award of the subject contract with Nasco and to approve the award of contracts to Baer, Hill and LiRo, which would become effective on October 1, 2009, for an intended term of up to five years. Approval is also requested for the total aggregate amount expected to be expended for the term of the contracts, $1.2 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. All costs will be recovered by the Authority.

Enterprise Shared Services

Corporate Support Services

"The contract with **A&A Maintenance Enterprise, Inc. ('A&A') (Q09-4553; PO# TBA)** would provide for the services of operating engineers to provide maintenance engineering support for the Authority's Clarence D. Rappleyea Building (the White Plains Office). Such engineers are primarily affiliated with Local 30 of the International Union of Operating Engineers ('IUOE'). In addition to providing the services of approximately seven operating maintenance engineers who oversee all aspects of the physical plant associated with the safe, efficient operation of the building, services also include administration and negotiation of the collective bargaining agreement with the IUOE. Bid documents were downloaded electronically from the Authority's Procurement website by 20 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Three proposals were received and evaluated. Based on its experience, qualifications, resources and ability to perform such work, in addition to its competitive pricing, staff recommends award of a contract to A&A, the lowest-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on October 1, 2009 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $4.25 million.

Power Supply

"The contracts with **ABB Inc. ('ABB')** and **American Electrical Testing Co., Inc. ('AETC') (Q09-4586; PO#s TBA)** would provide for switchyard equipment maintenance services at 10 generation sites (including the Small Clean Power Plants, 500 MW, Richard M. Flynn and Kensico Plants, as well as other plant sites in the Authority's Southeastern New York region, as may be required) and four Y-49 transmission sites, to ensure their continued integrity and reliable operation. Services include, but are not limited to, preventative maintenance at prescribed intervals, general inspections and testing of the protective relay system (in compliance with North American Electric Reliability Corporation regulatory requirements), as well as emergency repairs, as needed, including those sites associated with feeder protection and interconnection to the local utility. Bid documents were downloaded electronically from the Authority's Procurement website by 24 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Four proposals were received and evaluated. The main review criteria to compare proposals involved the cost to perform the work (including each bidder's cost estimate for a typical scope of work based on man-hours and hourly rates) and the technical merit of the proposals, based on technical evaluation criteria, which included, but were not limited to: experience with similar preventative maintenance services demonstrated by examples of standard inspections, maintenance reports and overhauls; examples of prior work, including various reports and certifications; credentials of key personnel as evidenced by submitted resumes; emergency response time and deployment location; quality of the proposal, etc. Based on the foregoing, staff recommends award of contracts to two firms, ABB and AETC, the lowest-priced bidders, which are qualified to perform such work and meet the bid requirements and aforementioned technical criteria. The award of contracts to two firms will ensure the availability of sufficient and quality resources for each specific scope of work, capitalizing on the respective strengths of each firm. Additionally, the capabilities of both firms are also known to the Authority based on satisfactory services they have provided to the Authority (one under an existing contract for such work and the other under a prior contract for similar work). The new contracts would become effective on October 1, 2009 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contracts, $5 million, including contingency for emergent minor repairs, equipment failures and associated materials.

"The contract with **Advanced Fire Solutions, Inc. ('AFS') (P09-102216; PO# TBA)** would provide for inspection, maintenance, testing and repair services for the fire alarm system at the Authority's 500 MW Plant, in accordance with all applicable national, State, New York City and other local fire protection standards, code and licensing requirements, as well as other industry standards, manufacturers' recommendations and Authority requirements. Bid documents were downloaded electronically from the Authority's Procurement website by 20 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. One additional vendor responded to the Request for Quotations without downloading. Three proposals were received and evaluated.

Staff recommends award of a contract to AFS, the lowest-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on October 1, 2009 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $50,000.

"The contract with **Atlantic Testing Laboratories, Limited ('ATL') (Q09-4577; PO# TBA)** would provide for on-call laboratory testing and inspection services of various materials including, but not limited to, concrete samples, metal, paint coating, welds and soil for the St. Lawrence/FDR Project, on an 'as needed' basis. The independent testing laboratory would perform such verification testing or inspection services in connection with some site construction projects, to ensure that a material conforms to all requisite standards and requirements. Bid documents were downloaded electronically from the Authority's Procurement website by 49 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. One proposal was received and evaluated. Procurement staff followed up with vendors that declined to bid; their reasons for not bidding included, but were not limited to, the work not being in the scope of their services or expertise, their current work load being too heavy, timing/scheduling/staffing issues or they had downloaded the bid documents for information purposes only. Staff recommends award of a contract to ATL, the sole bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on or about January 1, 2010 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $316,443.

"As a result of the September 11, 2001 terrorist attacks, the Authority added or installed state-of-the-art security system upgrades at its power plant sites in the SENY region. At their meeting of July 26, 2005, the Trustees approved the award of a multiyear service contract to Electronic Technologies Corp. ('ETC') to provide for maintenance and repair services (as well as installation services, if required) for existing security systems at the Authority's 12 office and power plant sites in the SENY region; the 500 MW plant was added after commissioning. Although the existing contract does not expire until December 31, 2010, the approved funding has been expended at an accelerated rate due to the amount of unexpected additional service work, emergency services and expansion of the security network resulting from security upgrades. Based on the foregoing, and the expiration in September 2009 of warrantees for the earlier phases of the work, staff elected to rebid the security system maintenance services early. To this end, the Authority issued a notice in the New York State *Contract Reporter* (Q08-4411) requesting security system maintenance contractors to submit qualification statements, including evidence of specific certifications, to provide maintenance services for installed security systems at the Authority's 13 SENY sites (including the Albany, White Plains and New York offices, and the Poletti, 500 MW, Flynn and seven Small Clean Power Plant sites). Based on their ability to service existing security system software (Software House certification required), favorable references regarding similar services for other customers in the SENY region and their ability to service the sites adequately (and within a four-hour period from call-out), 10 security contractors were prequalified by the Authority and were subsequently invited to bid on these services, in compliance with U. S. Homeland Security regulations for protecting sensitive proprietary information. Six of the 10 prequalified security contractors submitted proposals for consideration. The security proposal Evaluation Committee comprising Authority staff from Engineering, Project Management, Procurement and Corporate Security evaluated all six proposals. The Evaluation Committee recommends award of a contract to **Ingersoll Rand Security Technologies** (formerly ETC), the lowest-priced qualified bidder, which meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on October 1, 2009 for an intended term of up to 5.25 years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1,341,900 (comprising $691,900 for the fixed-price portion for 21 quarters through December 31, 2014 and an additional $650,000 for future planned and unplanned work, such as equipment replacement due to obsolescence, breakage or upgrades, as well as for emergency 'off-hours' call-out services, as may be required).

"The contract with **Kleinfelder East, Inc. ('Kleinfelder') (Q09-4522; PO# TBA)** would provide for the services of a full-time, experienced safety professional to augment current staffing in support of the Authority's Safety and Health programs, policies and procedures for the SENY region. Services include, but are not limited to, supporting day-to-day operations; reviewing existing Health and Safety programs, recommending improvements and updating policies and procedures; evaluating contractor safety records and job performance; assisting with accident and near-miss investigations and developing preventive measures; performing job hazard analyses; auditing all facilities for compliance with Safety and Health-related policies and procedures and recommending corrective action to management; developing new Safety and Health programs and techniques, and training and mentoring Authority employees. The objectives include, but are not limited to, managing the SENY Safety and Health programs to reduce and eliminate employee injury and damage to property and equipment, and developing site management strategies to ensure compliance with mandatory federal and state Occupational Safety and Health Administration requirements and provide a safe work environment. In addition to normal working hours, the contractor must be available to respond to emergencies and travel to SENY facilities and the Authority's White Plains Office, as required. Bid documents were downloaded electronically from the Authority's Procurement website by 38 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Three proposals were received and evaluated. The Evaluation Team then met with the two lowest-priced bidders. After a thorough review of both proposals and discussions with both firms, staff recommends award of a contract to Kleinfelder, the more technically qualified of the two lowest-priced bidders that meets the bid requirements. Kleinfelder demonstrated depth and breadth of experience and proposed seasoned, qualified candidates who would be more suited and better qualified to meet the Authority's needs, to evaluate and update the Authority's safety programs, identify areas of improvement, recommend changes, audit Authority facilities and train and mentor Authority employees. The contract would become effective on October 1, 2009 for an intended term of up to two years, subject to the Trustees' approval, which is hereby requested. (The initial term of this contract would be one year, with an option to extend for one additional year, if needed, based on the expectation that ultimately this position will be filled by a permanent Authority employee and the contractor will be used to mentor and train such employee.) Approval is also requested for the total amount expected to be expended for the term of the contract, $600,000.

"The contract with **Longo Electrical-Mechanical, Inc. ('Longo') (Q09-4573; PO# TBA)** would provide for inspection, repair, overhaul and rewind services for various-size motors (ranging from 100 to 10,000 horsepower) at the Authority's power plants in the SENY region, on an 'on-call, as needed' basis. Bid documents were downloaded electronically from the Authority's Procurement website by 22 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Two proposals were received and evaluated. Staff recommends award of a contract to Longo, the lower-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on October 1, 2009 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $250,000.

"The contract with **Millennium Power Services, Inc. ('Millennium') (Q09-4561; PO# TBA)** would provide for all labor, supervision, tools and equipment to perform on- and off-site valve repair services (e.g., globe, gate, check safety and plug valves) for the Authority's power plants in the SENY region, on an 'as needed' basis. The contractor is also required to be on call '24/7' and to respond within a few hours after being called. Bid documents were downloaded electronically from the Authority's Procurement website by 21 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Three proposals were received and evaluated. Two responses were received to a Post-Bid Addendum issued to the three bidders, requesting pricing for a sample valve repair job. Staff recommends award of a contract to Millennium, the lower-priced bidder, which is qualified to perform such services and meets the bid requirements (as further evidenced by a meeting with Authority staff). Millennium also has mobile machine shops equipped with all the equipment and machinery (e.g., sandblasting cabinets, lathes, milling machines, drill presses, grinders, valve reseaters and welding machines) necessary to support on-site installation, repair or replacement needs of the power plants. The contract would become effective on October 1, 2009 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $750,000.

"The contract with **Russell Reid Waste Hauling and Disposal Service Co., Inc. ('Russell Reid') (Q09-4593; PO# TBA)** would provide for supervision, labor, materials and equipment to load, transport and dispose of 7,000-60,000 gallons (per request) of wastewater from a 100,000-gallon storage tank at the Richard M. Flynn Power Plant ('Flynn') to a Suffolk County Department of Public Works Publicly Owned Treatment Works ('POTW') or Scavenger Plant, and up to 1,000 gallons of non-toxic biomass sludge from a holding tank at Flynn to the Bergen Point facility in West Babylon (as approved by Suffolk County). All phases of this work must be performed in accordance with all applicable rules and regulations, such as valid transporter and waste disposal permits. Bid documents were downloaded electronically from the Authority's Procurement website by 20 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Three proposals were received and evaluated. Staff recommends award of a contract to Russell Reid, the lowest-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on October 1, 2009 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $500,000.

Contract Extensions:

Energy Marketing and Business Development

Energy Services and Technology

"The Statewide Energy Services Program ('Statewide ESP') is an energy efficiency program that provides a turnkey approach to identifying, procuring and implementing energy-saving solutions for participants outside the SENY service territory. At their meeting of December 14, 2004, the Trustees approved the award of contracts to three firms: **AECOM USA Inc. (formerly DMJM + Harris), Ameresco Select, Inc. (formerly Select Energy Services, Inc.)** and **PB Americas, Inc. (formerly PB Power, Inc.) (4600001362, 4600001363 and 4600001364, respectively)** for project management and program implementation services in connection with the Statewide ESP initiative. The Trustees also approved a funding increase in the Statewide ESP in the amount of $250 million; of this amount, the Trustees approved an aggregate total of $230 million to the three aforementioned Implementation Contractors ('ICs') to assist Authority staff with the audit, design and construction of Statewide ESP projects, to be allocated as projects are assigned. The contracts, which were competitively bid, became effective on January 1, 2005 for an initial term of three years, with an option to extend for up to two additional years through December 31, 2009, which was subsequently exercised. (While all three ICs performed well, one firm (AECOM) subsequently withdrew from the statewide market. Since the demand for the Statewide ESP had increased dramatically, it was necessary not only to replace the IC that withdrew from the statewide market, but also to retain a fourth IC in order to provide the resources necessary to meet the increased program demand for such services. At their meeting of June 27, 2006, the Trustees approved the award of competitively bid contracts to two additional firms: Einhorn Yaffee Prescott Architecture & Engineering, PC and Wendel Energy Services, LLC, which are also funded from the aforementioned aggregate $230 million.) While many projects assigned to Ameresco and PB Americas have been completed successfully, the progress of approximately 15 other projects previously assigned to these two firms has been delayed, primarily due to delays in customer approvals and increases in project scope requested by the customers. Examples of such projects that will require additional time for completion include, but are not limited to: Albany City Schools, BOCES – Washington-Saratoga-Warren-Hamilton-Essex, SUNY Brockport, City of Rochester, Office of General Services – Empire State Plaza East Garage, Sunmount DDSO (Developmental Disabilities Services Office), Suffolk County Community College, SUNY Buffalo – Ellicott Complex and Broome DDSO – Office of Mental Retardation and Developmental Disabilities. The scopes of work vary and are determined by the Customers/facilities; they may include, but are not limited to: replacement of boilers, chillers, HVAC systems and related controls; installation/upgrade of lighting and lighting controls; replacement of motors, pumps, water heaters; installation of photovoltaic generators, building insulation and building energy management system controls. Since work is in progress on these projects, and these contractors have been performing very well, it would not be practical or cost effective to rebid these services or reassign these projects to a new contractor/s. A three-year extension of the contracts with **Ameresco Select** and **PB Americas** is therefore requested to provide for the continuation of IC services through completion of all such previously assigned projects. No new projects will be assigned to these contracts. The current 'Target Value' for all five contracts totals $140 million, of which $80,283,302 has been released to date. Staff anticipates that no additional funding in excess of the previously approved aggregate $230 million will be required for the extended term. The Trustees are requested to approve the extension of the subject contracts with Ameresco Select and PB Americas through December 31, 2012 and to approve the release and allocation of the $90 million remaining from the previously approved $230 million, as needed. Change Orders reflecting such allocations will be executed in accordance with the Authority's EAPs. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that all costs will be recovered by the Authority.

Power Supply

"The contract with **Power Engineering, Inc. (4600001971)** provides for engineering analyses and testing of one pump-turbine/motor-generator unit at the Niagara Power Project's Lewiston Pump Generating Plant ('LPGP'). The purpose of such services is to identify and characterize operating problems, such as unit vibrations, pressures and pressure pulsations, and structural response, and to report on the condition of the tested unit. The resulting information will be used in the preparation of the Life Extension and Modernization ('LEM') program for LPGP. The original award, which was competitively bid, became effective on August 5, 2008 for a term of up to one year and for the approved amount of $465,434. The completion of services performed under the subject contract is based on the results of related testing performed by General Electric ('GE') under another contract. Since the GE testing (originally scheduled to be completed by July 2009) has not yet been completed, a five-month extension of the Power Engineering contract is therefore required in order to complete the work. Such tasks include: reverse engineering the motor-generator's capabilities and response, benchmarking the original motor-generator's performance, modifying the baseline of the generator to incorporate the current stator winding and temperature rise data for tests being performed by GE, predicting the electromagnetic and thermal ratings of the machines and identifying the maximum capability increase of the unit. An interim extension was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. The current 'Target Value' is $465,434, of which $443,270 has been released to date. Staff anticipates that no additional funding above the originally approved amount will be required for the extended term. The Trustees are requested to ratify and approve the extension of the subject contract through December 31, 2009, with no additional funding requested.

"At their meeting of October 26, 1999, the Trustees approved the award of a contract to **Voith Hydro, Inc. ('Voith') (4500016211)** to provide for the delivery of 16 new Generation Control Systems ('GCS') and associated work, as part of the LEM program at the St. Lawrence/FDR Power Project, in the amount of $11,469,657. The Trustees also approved the initial release of $1,995,330 for the design, development, testing and furnishing of the first GCS. At their meeting of June 25, 2002, the Trustees authorized a $10 million increase and a total contract amount of $21,504,806; at their meeting of September 20, 2005, the Trustees increased the compensation limit (expenditure release authorization) for the subject contract to the previously approved $21.5 million. Voith has been successfully furnishing and commissioning equipment to control the generation assets at the plant in accordance with the LEM schedule (currently expected to be completed by 2013); 11 of the 16 units have been completed to date. Recently, the Authority started work on headgate automation, which identified several emergent issues encountered during construction and which will necessitate a change in scope to the Voith contract. Such issues include, but are not limited to, the following: (1) equipment (such as pushbutton stations) that was originally envisioned to be reused has reached its end of life and must be replaced; (2) the Authority requested that Voith (rather than the Authority, as was originally planned) procure the instrumentation for the headgates in order to preclude any potential issues during commissioning; (3) the original number of hours allotted per the contract for commissioning the units and headgates has been almost depleted by commissioning the units and additional hours will be required for commissioning the headgates following automation and (4) Voith is requesting escalation costs for headgate equipment hardware components still to be procured (due to a change in schedule requested by the Authority). The current contract amount is $21,230,055 (of the approved total $21,504,806); $19,420,429 has been expended to date. Staff estimates that an additional $1.5 million will be required to accommodate the required change in scope. The Trustees are requested to approve the additional funding requested, increasing the contract amount and expenditure release authorization to $23,004,806.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2009 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

"The Vice President – Engineering, the Vice President – Project Development and Management, the Vice President – Environment, Health and Safety, the Vice President – Technical Compliance, the Vice President – Procurement, the Director – Corporate Support Services, the Director – Communications and Marketing Services, the Director – Engineering and Design, the Director – Construction, the Security Manager, the Regional Manager – Northern New York, the Regional Manager – Southeastern New York and the Director of Operations (Flynn), recommend that the Trustees approve the award of multiyear procurement contracts to the companies listed in Exhibit '1k-A,' and the extension and/or additional funding of the procurement contracts listed in Exhibit '1k-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective Exhibits.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services, the Senior Vice President – Enterprise Shared Services, the Senior Vice President – Corporate Communications, the Senior Vice President – Energy Services and Technology and I concur in the recommendation."

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contracts listed in Exhibit "1k-B," attached hereto, are hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

Awd-A092009final

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

EXHIBIT "1k-A"
September 29, 2009

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
CORPORATE COMMUNIC. - Communic. & Marketing Services	**Q09-4560; 3 awards:** **1. ANGELA McRAE** Mount Vernon, NY **2. HARRISON I GETZ JR** Norwalk, CT **3. RUSSELL BROD** White Plains, NY (PO #s TBA)	10/01/09	Provide for services of freelance computer graphic designers to perform computer design and production services (on-premises) for the Authority	09/30/11	B/S	*Note: represents aggregate total for up to 2-year term		**$463,750***
ENERGY MARKETING & BUS DEV - ES&T - Construction	**Q09-4545; 4 awards:** **1. HILL INTERNATIONAL, INC.** New York, NY (Branch Office) **2. INDUSTRIAL STAFFING SERVICES, INC.** East Brunswick, NJ **3. L.J. GONZER ASSOC.** Cranford, NJ **4. RCM TECHNOLOGIES, INC.** Pennsauken, NJ (PO#s TBA)	10/01/09	Provide for services of temporary construction management personnel for the Authority's Energy Services projects	09/30/14	B/S	*Note: represents aggregate total for up to 5-year term **All costs will be recovered by the Authority.**		**$7,500,000***
ENERGY MARKETING & BUS DEV - ES&T - Engineering & Design	**Q09-4569; 4 awards:** **1. BAER & ASSOC., LLC** Buffalo, NY **2. HILL INTERNATIONAL, INC.** Marlton, NJ (HQ)	10/01/09	Provide for cost estimating and scheduling services in connection with selected energy services and distributed generation projects at Authority Customers' facilities	09/30/14	B/P	*Note: represents aggregate total for up to 5-year term **All costs will be recovered by the Authority.**		**$1,200,000***

[continued on next page]

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

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
	Q09-4569 continued: **3. LiRo PROGRAM & CONSTRUCTION MANAGEMENT, PC** Syosset, NY (PO#s TBA)							
	4. NASCO CONSTRUCTION SERVICES INC. Armonk, NY (PO# 4600002158)	09/01/09		08/31/14		$50,000	$0	
ENTERPRISE SHARED SERVICES - Corp Supp Serv	**A&A MAINTENANCE ENTERPRISE, INC.** Yonkers, NY (Q09-4553; PO# TBA)	10/01/09	Provide for services of operating engineers at the Clarence D. Rapple-yea Building	09/30/14	B/S	*Note: represents total for up to 5-year term		**$4,250,000***
POWER SUPPLY-ENGINEERING / SENY Plants	**Q09-4586; 2 awards:** **1. ABB INC.** Mt. Pleasant, PA **2. AMERICAN ELECTRICAL TESTING CO., INC.** Canton, MA (HQ) and Brentwood, NY (PO#s TBA)	10/01/09	Provide for switchyard equipment maintenance services, including general inspection, testing and emergency repairs, for 10 generation sites and 4 Y-49 transmission stations in SENY region	09/30/14	B/S	*Note: represents aggregate total for up to 5-year term		**$5,000,000***
POWER SUPPLY-500 MW	**ADVANCED FIRE SOLUTIONS, INC.** Brooklyn, NY (P09-102216; PO# TBA)	10/01/09	Provide for inspection, maintenance, testing and repair services for the fire alarm system at the 500 MW Plant	09/30/12	B/S	*Note: represents total for up to 3-year term		**$50,000***

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

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER SUPPLY-PROJ MGMT / STL	**ATLANTIC TESTING LABORATORIES, LTD.** Canton, NY (Q09-4577; PO# TBA)	01/01/10 (on or about)	Provide for on-call testing and inspection services for concrete samples, metal, paint coating, welds, soil, etc for STL Project	12/31/13	B/S	*Note: represents total for up to 4-year term		**$316,443***
POWER SUPPLY-TECHNICAL COMPLIANCE / CORP SECURITY	**INGERSOLL RAND SECURITY TECHNOLOGIES** New York, NY (Q08-4411; PO# TBA)	10/01/09	Provide for maintenance services for security systems at SENY plants, WPO, NYO and Albany offices	12/31/14	B/S	*Note: represents total for up to 5.25-year term		**$1,341,900***
POWER SUPPLY-EH&S / SENY Plants	**KLEINFELDER EAST, INC.** Newburgh, NY (Q09-4522; PO# TBA)	10/01/09	Provide for services of a Safety Professional for the SENY region	09/30/11	B/P	*Note: represents total for up to 2-year term		**$600,000***
POWER SUPPLY-SENY Plants	**LONGO ELECTRICAL-MECHANICAL, INC.** Wharton, NJ (Q09-4573; PO# TBA)	10/01/09	Provide for inspection, repair, overhaul and rewind of motors (100 - 10,000 HP) at SENY Plants	09/30/12	B/S	*Note: represents total for up to 3-year term		**$250,000***
POWER SUPPLY-SENY Plants	**MILLENNIUM POWER SERVICES, INC.** Westfield, MA (Q09-4561; PO# TBA)	10/01/09	Provide for valve repair services for SENY Plants	09/30/12	B/S	*Note: represents total for up to 3-year term		**$750,000***
POWER SUPPLY-FLYNN	**RUSSELL REID WASTE HAULING AND DISPOSAL SERVICE CO.** Keasbey, NJ (Q09-4593; PO# TBA)	10/01/09	Provide for loading, transport and disposal of wastewater and non-toxic biomass sludge from Flynn Plant	09/30/12	B/S	*Note: represents total for up to 3-year term		**$500,000***

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

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

EXHIBIT "1k-B"
September 29, 2009

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
Contracts in support of Headquarters Business Units and the Facilities:								
ENERGY MARKETING & BUS DEV - ES&T	2 contracts: **1. AMERESCO SELECT, INC.** (formerly Select Energy Services) Framingham, MA 4600001363 **2. PB AMERICAS, INC.** New York, NY 4600001364	01/01/05	Provide for program management and implementation services for Statewide Energy Services Program initiatives	12/31/12	B/C	$140,000,000** (combined "Target Value")	$80,283,302 ("Released Amount")	**$230,000,000***
						***Note**: **represents aggregate amount previously approved by the Trustees; includes contracts with 5 firms: Ameresco, PB Americas, DMJM (awarded in 2005) + Einhorn Yaffee & Prescott and Wendel (awarded in 2006, after DMJM withdrew) CURRENT REQUEST is for approval of the RELEASE and ALLOCATION OF THE REMAINING $90 million, as needed.** ** Combined "Target Value" represents total allocations to date for all 5 aforementioned firms **All costs will be recovered by the Authority.**		
POWER SUPPLY - PROJ MGMT + NIA	**POWER ENGINEERING INC.** Irvine, CA 4600001971	08/05/08	Provide for engineering analyses and testing of pump-turbine unit at LPGP - Niagara Project	12/31/09	B/P	$465,434 ["Target Value"]	$443,270 ["Released Amt"]	**$465,434***
						***Note**: represents originally approved amount; **NO ADDITIONAL FUNDING REQUESTED.**		
POWER SUPPLY - PROJ MGMT + STL	**VOITH HYDRO, INC.** York, PA 4500016211	10/27/99	Provide for design and delivery of 16 Generation Control Systems, as part of STL LEM Program	12/31/13	B/P	$21,230,055	$19,420,429	**$23,004,806***
						***Note**: **represents total contract amount of $21,504,806 previously approved by the Trustees** + **CURRENT INCREASE OF $ 1.5 million**		

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

l. Authorization to Award Bids and Execute Agreements to Provide Energy Supplies to Governmental Customers in Southeastern New York

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to award bids to, and authorize the execution of agreements with, several recommended suppliers ('Suppliers') for financial energy hedges in connection with the energy service needs of the Authority's governmental customers in New York City and Westchester County ('Governmental Customers'). The Suppliers and respective financial energy hedges awarded to them will be combined into a Governmental Customer supply portfolio.

BACKGROUND

"Under the Long-Term Agreements, the Authority serves the energy needs of its Governmental Customers with self-generation and market purchases. The market purchases have predominantly consisted of a combination of long-term physical purchases and short-term energy trading transactions. To further enhance stability in the year-to-year cost of the Governmental Customer supply portfolio, the Authority and the Governmental Customers agreed to pursue a laddering strategy for medium-term energy purchases under which supplies would be procured in segments of limited size and duration that are designed to be staggered and overlapping.

"On July 29, 2009, at the request of and in close consultation with the Governmental Customers, the Authority issued a Request for Proposals ('RFP') for energy supplies of up to 500 MW to commence as early as January 1, 2010, for a term of up to five years. Under the RFP, energy supply could take the form of physical deliveries from a specified generating facility or financial energy hedges 'contracts for differences' (also known as 'CFDs'), both of which would secure the purchase of energy on the open market at a fixed price. Proposals offering Unforced Capacity ('UCAP') were allowed provided the UCAP was bundled with physical or financial energy supplies.

"By the bid submission date of August 21, 2009, the Authority had received bids from 18 prospective suppliers. Bids included financial and physical energy supplies and in some instances, UCAP bundled with the energy supplies.

DISCUSSION

"An analysis team comprising Authority staff and representatives of the Governmental Customers, including their consultants, analyzed the proposals and agreed on a supply portfolio consisting exclusively of financial energy hedges. The New York City Governmental Customers have provided the Authority with their concurrence and consent to the supply portfolio as set forth in a Term Sheet that has been provided to the Trustees under separate cover due to the confidential nature of the Suppliers' names, the pricing and volumes offered and the pending status of the final negotiations. The decision of the Westchester County Customers to participate in and concur with the supply portfolio is pending. If they choose to participate, they will assume responsibility for a proportional amount of the overall energy supply portfolio.

"The cost of the recommended portfolio compares favorably with the analysis team's projection of market energy prices over the period, with the added advantage that execution of the recommended supply agreements would eliminate the price risk associated with rising and/or fluctuating prices.

FISCAL INFORMATION

"It is estimated that the financial energy CFD agreements will cost, in the aggregate, approximately $1 billion over the period 2010 through 2014. The detailed components of this calculation are provided in the Term Sheet.

"The Suppliers' prices shown in the Term Sheet are indicative and are subject to adjustment as day-to-day markets fluctuate; the prices will be finalized after the Trustees authorize execution of the agreements. Accordingly, the Trustees are asked to authorize the President and Chief Executive Officer to enter into final contracts with the Suppliers, consistent with the provisions outlined in the Term Sheet.

"Costs will be recovered from the Governmental Customers in accordance with the terms and conditions of the applicable Long-Term Agreements.

RECOMMENDATION

"The Vice President – Power Resources Supply and Acquisition recommends that the Trustees authorize the President and Chief Executive Officer, or his designee, to enter into agreements with the Suppliers upon such terms and conditions as he deems necessary or advisable and as are consistent with the Term Sheet, based on the Long-Term Agreements with the Governmental Customers and those customers' concurrence with those purchases.

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

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

WHEREAS, the Authority has contractual obligations to serve the energy needs of various Governmental Customers in New York City and Westchester County; and

WHEREAS, the source of energy to serve the needs of these customers has been and continues to include, among other things, existing power-purchase agreements and financial supply agreements; and

WHEREAS, at the request of, and in cooperation with the Governmental Customers, the Authority issued a Request for Proposals ('RFP') for energy supplies of up to 500 MW per year to supplement these customers' energy needs; and

WHEREAS, as a result of such RFP, the Authority-Customer team identified suppliers offering financial energy products that compare favorably with projections of market energy prices and potentially eliminate the price risk associated with rising and/or fluctuating prices.

NOW, THEREFORE, BE IT RESOLVED, That the President and Chief Executive Officer, or his designee, is hereby authorized on behalf of the Authority to negotiate and execute agreements between the Authority and various Suppliers, as described in the Term Sheet provided under separate cover to the Trustees, including (a) ISDA Master Agreements and any transactions, schedules or confirmations related to such ISDA Master Agreements, and (b) any transactions, schedules, amendments or confirmations related to any existing ISDA Master Agreements between the Authority and any of the above-described entities, provided that the Treasurer and the Vice President – Energy Risk Assessment and Control have given their approval as to the credit arrangements set forth in such agreements, amendments, transactions, confirmations and schedules; 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 necessary or advisable to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

m. **Revisions to the Authority's Code of Conduct**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to adopt a newly revised Code of Conduct ('Code') (Exhibit '1m-A') that will replace the current Code of Conduct in its entirety and conform with all provisions of the New York State Public Employee Ethics Reform Act of 2007 ('PEERA') and other applicable provisions of the New York State Public Officers Law ('POL'). This new Code will cover all Authority Trustees and employees.

BACKGROUND

"The Authority, as a public entity, is responsible for maintaining the highest level of honesty, ethical conduct and public trust in all of its activities. To meet this responsibility, the Trustees adopted the 'Conflicts of Interest Policy' in 1988 to address important aspects of ethical conduct. The Trustees revised the policy in 1994 and renamed it the 'Code of Conduct.'

"The Trustees revisited the Code again in 1998 when they addressed conflicts of interest related to employees' trading in or acquiring the securities of utility companies operating in New York State.

"On January 1, 2007, former Governor Eliot Spitzer issued a series of Executive Orders that clarified certain provisions of the POL and set forth enhanced ethical standards for public employees relating to their official activities, as well as additional behaviors expected of them. Those Executive Orders were the foundation of the PEERA.

DISCUSSION

"While the existing Code of Conduct has served the Authority and its employees well since its adoption, it needs to be updated to reflect all existing ethics laws and be more user friendly. The proposed Code accomplishes these objectives by simplifying legal and/or technical provisions and replacing them with language that is clear and concise. It transitions from a restatement of the prevailing legal standards to a more colloquial approach which will be accessible and capable of being utilized more readily by employees. It will also apply to all Authority employees, including bargaining unit members, for the first time.

"The substantive standards contained in the current Code have been preserved. They are all accounted for in more universal language and in some instances, have been revised to reflect modifications in the POL resulting from the PEERA. An annotation has been added at the end of each new proposed section in Exhibit '1m-A' reflecting the current corresponding Code provision. In some instances, standards have been added to reflect expectations outlined in the Executive Orders and are noted accordingly. These annotations will not be included in the final adopted Code which will be distributed to all Trustees and employees and posted on the Authority's internet and intranet communications sites.

"The primary provisions added as a result of the PEERA legislation seek to prevent Authority staff from allowing nepotism or partisan politics to play a role in employment and contract award business decisions and activities. They also contain more strict 'gifts' rules to prevent conflicts of interest and improper influence of public employees in their official duties.

RECOMMENDATION

"The Chief Ethics and Compliance Officer recommends that the Trustees approve the revised Code of Conduct as discussed above and contained in Exhibit '1m-A' attached hereto.

"The Chief Operating Officer, the Executive Vice President and General Counsel 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's Code of Conduct be revised as set forth in the foregoing report of the President and Chief Executive Officer and Exhibit '1m-A,' with such revised Code of Conduct to be effective as of September 29, 2009; 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 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
CODE OF CONDUCT

I. STANDARDS OF CONDUCT

New York Power Authority employees, officers and trustees shall perform their duties with integrity and:

1. Refrain from engaging in outside activities, including other employment and financial interests, which could impair their independence of judgment or prevent the proper exercise of their official NYPA duties. All outside employment and publicly elected positions held or being sought must be reported to your supervisor, department or business unit head and the Ethics Office for evaluation to ensure the absence of conflicts of interest. Individuals serving in ‘policy-making’ positions must also obtain the approval of the NYS Commission on Public Integrity. **[Former General Standard 1; Specific Standards 1, 2, 3, 4]**

2. Conduct themselves at all times in a manner that avoids any appearance of or situation where they could be either improperly influenced, give or be given preferential treatment to or by any person or entity or act in violation of the public trust. **[Former General Standard 2 (b) (c) (d); General Standard 4]**

3. Not use or attempt to use their official position to secure unwarranted privileges for themselves, their relatives or any other party, including contracts and employment with NYPA. **[Former General Standard 2 (a) (b), General Standard 3]**

4. Not participate in any decision or process to hire, promote, discharge, discipline or supervise a relative. (See Employee Policy 1.2 ‘Recruitment and Job Posting’) **[Added as a result of PEERA; POL §73 (14)(a)]**

5. Not endorse the products or services of other entities or individuals as a representative of NYPA, including appearing in publications advertising, endorsing or selling products or services of third parties. **[New addition to clarify one category of preferential treatment]**

6. Not engage in any NYPA transaction or work assignment (including contract development, solicitation, evaluations, awards) involving another business in which they or a relative have a direct or indirect financial interest. This provision does not apply to ownership of shares of stock commonly owned in a mutual fund. It does include personally owned and directed stock of any corporation traded on a recognized stock exchange, where there is an ownership interest greater than or equal to 10% in the corporation. **[Former Specific Standards 1 and 2; Added as a result of PEERA; POL §73 (15)(a)(b)]**

7. Not supply NYPA with any goods and/or services (individually or through another business entity) except in the performance of their official position. Relatives of NYPA employees are also subject to this prohibition in accordance with NYPA's applicable Procurement Guidelines. **[Former Specific Standard 5]**

8. Not use NYPA property, including equipment, vehicles, staff and other assets or resources in a manner inconsistent with applicable laws, NYPA's policies and mission. **[Added as a result of Executive Order 1.4]**

9. Not accept, receive or solicit any gift or gratuities of more than nominal value where the circumstances would infer that (a) the gift is intended to influence the individual in the performance of official business or (b) the gift represents a tip, reward or sign of appreciation for any official act. Gifts include any form of financial discounts and payments, services, loans, travel reimbursements, lodging, meals, entertainment or promise from any entity doing business with or seeking to do business with NYPA. Gifts from disqualified sources (contractors, vendors, customers) are prohibited. **[Former Specific Standard 6 (a(1)),(a(2)); 6 (b), 6 (c)]**

10. Not directly or indirectly advise or assist any person in making a financial investment or other decision utilizing confidential information acquired at NYPA, nor disclose any confidential information as a result of information obtained through NYPA employment. (See Corporate Policy 6-1 'Securities Trading and Use of Confidential Information') **[Former Specific Standard 4]**

11. Refrain from acquiring and trading in the securities of electric and gas utility corporations doing business within New York State (other than shares owned in a mutual fund). (See Corporate Policy 6-1 'Securities Trading and Use of Confidential Information) **[Former Section III]**

12. Prohibit the appearance of elected government officials and candidates in advertisements or promotions paid with public funds. **[Added as a result of PEERA; POL §73-b]**

13. Not use one's official position to compel or induce any other state officer or employee to make or promise to make any political contribution, nor inquire about a prospective or current employee's political party affiliation, contributions or voting record. (See Employee Policy 1.2 'Recruitment and Job Posting') **[Added as a result of PEERA; POL §73 (17)9(a)(b)(c)]**

14. Not appear or practice before or receive compensation from NYPA or other entities where the former employee will be involved in providing goods or services to NYPA for two (2) years following one's NYPA employment. This does not preclude 're-employment' by NYPA subject to any applicable statutory cap on earnings. **[Former Section IV as it relates to NYS POL §73 (8)(a)(i)]**

15. Not appear or practice before or receive compensation from NYPA or other entities where the former employee will be involved in providing goods or services to NYPA at any time following one's NYPA employment relating to matters on which one personally worked for NYPA. This does not preclude 're-employment' by NYPA subject to any applicable statutory cap on earnings. **[Former Section IV as it relates to NYS POL § 73(8)(a)(ii)]**

The term 'Relative' as used in this Code of Conduct means any person living in the same household as the NYPA employee, officer or trustee and any person who is a direct descendant of that individual's grandparents or the spouse of such descendant. **[Definition derived from NYS POL §73 1 (m)]**

These Standards of Conduct do not replace and are in addition to the requirements of all applicable laws and regulations, including but not limited to, NYS Public Officers Law Sections 73, 73-a, 73-b and 74 and Title 19 NYCRR Parts 930, 932. **[Former Code included the POL text in its entirety]**

II. CERTIFICATION AND IMPLEMENTATION OF THE CODE OF CONDUCT

This Code of Conduct shall be provided to all employees, officers and trustees upon commencement of employment or appointment.

Employees, officers and trustees will be requested to certify annually that they have read the Code of Conduct and that they comply with its standards. **[Former Section V]**

The Chief Ethics and Compliance Officer will provide periodic reports to NYPA's Governance Committee of the Board of Trustees about the status and disposition of concerns and issues raised under the Code of Conduct.

III. REMEDIES FOR BREACHES OF THE CODE OF CONDUCT

In addition to any penalty contained in any other provision of law, a NYPA employee, officer or trustee who violates the Code of Conduct may be disciplined upon findings and recommendations prepared by the Chief Ethics and Compliance Officer in consultation with the Executive Vice President and General Counsel. Remedies and disciplinary action may include one or more of the following actions:

- Issuance of written warnings
- Direction of written corrective action to eliminate a conflict of interest
- Restitution
- Adverse salaried employee performance assessments
- Changes in assigned job duties
- Suspension or termination of employment

Any disciplinary action arising out of violations of this Code of Conduct affecting NYPA's bargaining unit employees will be administered in accordance with the applicable collective bargaining agreement.

The concurrence of the President and CEO and Chief Operating Officer is required for any suspension or termination of employment solely arising out of violations of the Code of Conduct. **[Former Section VI]**

Former NYPA employees, officers and trustees who are later found to have violated the Code of Conduct during their NYPA employment may also be precluded from doing business with NYPA.

IV. REPORTING UNETHICAL BEHAVIOR

We urge you to report any unethical or questionable behavior to the Ethics Office, your NYPA business contact, Human Resources-Employee Relations or Facility Human Resources Managers. You are also encouraged to utilize NYPA's toll-free Employee Concerns Line (1-877-TEL-NYPA). It is accessible 24 hours a day, 7 days a week. Calls may be made anonymously. Anyone reporting an ethical concern or participating in the investigation of a reported concern is protected from retaliation by NYPA's policies and the law. (See Corporate Policy 1-7 'Anti-Retaliation Policy')

Discussion Agenda

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

Chairman Kessel provided an overview of his activities since the July Trustees' Meeting, as follows:

- **7/28 – Niagara Falls – Meeting with the Niagara County Legislature. President Kessel said he was very well received at this meeting and that some members of the County Legislature have been designated to meet with Authority staff to try to resolve issues of contention.**
- **7/31 – Blenheim-Gilboa – Tour/staff meeting.**
- **8/5 – Niagara Power Project – Tour with Vice Chairman Foster, staff from the Niagara Gazette and North Tonawanda Mayor Soos.**
- **8/13 – Massena – Regional Managers meeting, Robert Moses State Park event, meeting with Daily Courier-Observer/Ogdensburg Journal editorial board.**
- **8/19 – Buffalo – GEICO press conference with Governor Paterson, meeting with environmentalists.**
- **8/25 – SUNY/Stony Brook – Governor's press conference regarding Smart Grid Consortium.**
- **9/2 – Buffalo/Syracuse – meetings with Congressman Brian Higgins and Post Standard editorial board, New York State Fair**
- **9/4 – Freeport – Meeting with Assemblywoman Earlene Hooper, Deputy Speaker of the New York State Assembly.**
- **9/14 – New York City – Israeli/Authority Cleantech conference**
- **9/15 – Corning/Elmira – Press conference and dinner speech with Municipal Electric Utilities Association, tour of Anchor Glass (PFJ customer).**
- **9/16 – Poletti tour/staff meeting.**
- **9/17 – White Plains – Westchester Children's Museum.**
- **9/22 – Albany – Speech at Whiteman, Osterman & Hanna.**
- **9/25 – Niagara Falls/Buffalo – Ice boom press conference, meetings with Niagara Chamber of Commerce, Buffalo News editorial board and Lewiston/Niagara Falls firefighters.**

President Kessel said that later this week he will be meeting with the multiple intervenors; taking part in a press conference on the Authority's Industrial Incentive Awards at International Wire Group in Camden, Oneida County and attending meetings in Massena and Cooperstown. President Kessel said that when he is traveling,

Mr. Quiniones and other senior staff do an admirable job of keeping day-to-day Authority operations going in White Plains. He also commended Mr. James Pasquale, Mr. Russak and Mr. Paul Finnegan for the jobs they are doing. He said that after these next few weeks, he is going to try to travel a little less, perhaps limiting his trips to two days a week.

Trustee Nicandri expressed concern, after learning about the recent disaster at a Russian hydropower plant, that the Authority's inability to adequately compensate its staff was going to make it increasingly difficult to retain and recruit talented people. He said that the Authority has an obligation to have qualified people in place to run its operations. President Kessel agreed that this was a huge challenge for the Authority and that the Authority is losing a lot of people, particularly in the area of operations. He also said that the pay issue has a huge effect on employee morale. He suggested that the issue of employee compensation be discussed more fully in Executive Session.

President Kessel said that had he been at the Authority in prior years, he would have tried to keep the Poletti plant open past January 2010, since he believes it is a mistake to close it down.

President Kessel said that he thinks the Authority is seen differently upstate now than it was a year ago because people are becoming more aware of how much the Authority is doing upstate. He said that his report to the Trustees in October would recap what he, the Trustees and staff have accomplished during his first year at the Authority.

President Kessel said that there had been several recent newspaper articles about use of the Authority's plane. He said that after he started at the Authority last October, Navigant, under an existing contract with the Authority, was asked to conduct a study on the efficacy of the Authority having its own plane. Navigant's study found that the Authority plane was used primarily for plant operations, as an efficient way to transport staff to and from the Authority's far-flung power projects. Navigant found that it would be far more expensive (potentially twice as expensive, in fact) for the Authority to charter or lease a plane or have operations staff fly commercial. As a result of Navigant's recommendations, the Authority's plane manifests are now more transparent and available than they previously were and a minimum of five passengers (rather than three) are needed to book a flight on the Authority's plane. President Kessel said that when he started at the Authority he decided that he would fly commercial whenever possible. He said that he's flown to Buffalo 17 times in the past year and that 14 of those flights were on Jet Blue. He said that only 40% of the 30-40 plane trips he has made in

his first year were on the Authority plane, and those flights were primarily to the North Country, to which there are very few, if any, commercial flights. He said that he wanted to assure the Trustees that the Authority plane is used entirely appropriately. Vice Chairman Foster said that he wants the public to know that the Authority has strict policies in place regarding use of its plane.

President Kessel said that it has been a real pleasure for him to work with the Trustees over the past year.

b. Report of the Chief Operating Officer

Mr. Gil Quiniones submitted the following report:

Strong performance by the Power Authority's generating facilities continued during July and August, with systemwide production targets exceeded in both months. The projections have been surpassed in each of the first eight months of 2009.

The Authority achieved a year-to-date monthly high for energy efficiency investment in July, then surpassed that figure in August. In another August highlight, NYPA submitted or supported applications for four projects under the U. S. Department of Energy's Smart Grid grants programs.

Because the Trustees did not meet in August, this report covers developments over the past two months.

POWER SUPPLY

Plant Performance

Systemwide net generation for the year through the end of August was 18,415,659 megawatt hours (MWh), exceeding the projection of 17,506,003 MWh.[1, 2]

The plants were available to generate electricity 93.3 percent of the time during that period. Their year-to-date unforced capacity rating was 97.8 percent, compared with the target of 98.5 percent.[3]

There were no significant forced generation outages in July or August.[4]

Performance during the two months:

July

Net generation: 2,479,399 MWh (target—2,355,562 MWh)
Plant availability: 99 percent
Unforced capacity rating: 99 percent (target—98.5 percent)

August

Net generation: 2,446,415 MWh (target—2,292,559 MWh)
Plant availability: 99.4 percent
Unforced capacity rating: 99.3 percent (target—98.5 percent)

River flows at the Niagara Power Project in July and August were at historical averages and slightly above normal compared with the long- and short-term forecasts. Flows at the St. Lawrence-Franklin D.

Roosevelt Power Project in both months were slightly above historical averages and consistent with the forecasts.

Life Extension and Modernization Programs

The Life Extension and Modernization ("LEM") program at the Blenheim-Gilboa Pumped Storage Power Project moved forward on schedule, with work beginning in September on the fourth and final unit.[5]

The project was removed from service on September 14 to accommodate a dewatering of the upper reservoir that is required for replacement of the spherical valve on the fourth unit.[6] The other three units will resume operation following an outage of about seven weeks. Refurbishment of the fourth is expected to continue through next June, when the entire LEM initiative is scheduled for completion.

At the St. Lawrence-FDR project, work on the 12th of 16 units remained on track for completion in December as part of a LEM program expected to continue through 2013.

Transmission Performance

The transmission reliability rating for the year through the end of August was 97.71 percent, surpassing the projection of 96.64 percent.[7] However, the monthly rating for July, in which three forced outages occurred, was slightly below the target.

The reliability ratings for July and August:

July: 99.37 percent (target 99.40 percent)
August: 99.82 percent (target 99.64 percent)

The July outages, each caused by lightning, occurred on the 765-kilovolt (KV) Massena-Chateauguay line (four hours), the 765-KV Massena-Marcy line (three hours) and the 345-KV Sound Cable Project from Westchester County to Long Island (four hours).

There were no forced transmission outages in August, the third month in the past four in which such events did not occur.

Two scheduled outages in July totaled 61 hours, and five in August extended for 26 hours.

Transmission Initiatives

The initial benefit analysis for a conceptual transmission line to carry power from Canada and upstate renewable energy projects to New York City concluded that the estimated benefits associated with energy sales alone would not be sufficient to cover estimated capital costs.[8] Additional benefits from capacity sales or payments through the New York Independent System Operator for reliability improvements will likely be needed.[9, 10] As previously reported, Navigant Consulting submitted the analysis in July.

Staff continues to refine the benefit analysis with Navigant and others and to explore alternative methods of cost recovery.

NYPA and National Grid staff members are conducting a combined system planning study that could lead to joint transmission development. At least two potential alternatives have been identified and are being studied.

President Kessel and I, along with executives from National Grid, met with officials of Con Edison and the Long Island Power Authority ("LIPA") to explore their interest in this effort. Both organizations have expressed a desire to explore the technical and economic feasibility of a transmission initiative. A non-disclosure agreement among NYPA, National Grid, Con Edison and LIPA was expected to be completed by late September, enabling Con Edison and LIPA staff to be integrated into the team for the system planning and economic studies.

Along with the transmission initiatives, NYPA staff is continuing to review potential arrangements for sales of power from Hydro-Quebec to New York State. I met on September 2 with Richard Cacchione, president of Hydro-Quebec production, and Christian Brosseau, vice president of wholesale markets, to discuss potential transmission project costs and configurations and technical and economic feasibility. I explained that NYPA intended to work with National Grid, Con Edison and LIPA to perform additional studies.

NYPA and Hydro-Quebec want to continue to work together on the project, but agree that they need to be creative to address its economic feasibility. H. Q. Energy Services (U. S) Inc., Hydro-Quebec's

marketing arm in the United States, has agreed to provide NYPA with information to advance its economic analyses.

Organizational Restructuring

The realignment of the Power Supply Business Group began in August with the creation of a support services organization in White Plains that consists of units engaged in engineering, technical oversight, licensing, environmental matters, safety, project management and technical compliance. The activation of this new organization will continue through the remainder of the year.

Next steps in the realignment will focus on operational interfaces between the Power Generation and Transmission units to identify potential efficiencies.

ENERGY SERVICES AND TECHNOLOGY

Energy Efficiency Investment

Performance during July and August increased the Authority's year-to-date investment in energy efficiency projects to $89.6 million and its overhead cost recovery to 99 percent, a jump of 17 percentage points. NYPA is now well positioned to meet the year-end targets of $120 million for investment and 100 percent for overhead cost recovery.

The figures for July and August:

July

Investment: $17.3 million
Overhead Cost Recovery: 122 percent

August

Investment: $19.3 million
Overhead Cost Recovery: 151 percent

Clean Energy Benefits

The Authority provided 164,700 megawatt hours (MWh) of clean energy benefits through the end of August, with 38,718 MWh from energy efficiency and 125,982 MWh from renewable energy projects and attributes.[11]

The figures for July and August:

July

Total clean energy benefits: 11,806 MWh
Energy efficiency: 1,806 MWh
Renewable energy projects and attributes: 10,000 MWh

August

Total clean energy benefits: 14,190 MWh
Energy efficiency: 1,190 MWh
Renewable energy projects and attributes: 13,000 MWh

Energy Efficiency Legislation

Governor Paterson signed legislation on September 16 that promises to significantly expand the Power Authority's role in providing energy efficiency services throughout New York State. The new law, long sought by the Authority, clarifies its ability to carry out energy efficiency and clean energy projects at all public facilities in the State and for all participants in its economic development programs "as deemed feasible and advisable by the Trustees." It also authorizes NYPA to implement activities related to green building projects that extend beyond electricity use.

In addition, the law facilitates participation in Power Authority programs by affirming that public entities entering into energy services contracts directly with NYPA can rely on its procurement procedures rather than more cumbersome State and local competitive bidding processes.

The Governor also signed legislation authorizing the New York State Office of General Services ("OGS") to aggregate purchases of renewable energy and renewable energy attributes, as well as electricity from conventional sources, from NYPA and other suppliers for use in State facilities in all parts of New York. This could further expand the role of the Authority, which had previously been authorized to serve OGS facilities only in New York City and Westchester County.

Advancing Clean Technologies

Municipal System and Rural Cooperative Solar Incentive Program—President Kessel joined officials of the state Municipal Electric Utilities Association and the New York Association of Public Power on September 15 in Corning to announce an initiative to promote installation of solar photovoltaic units by

residential and business customers and municipal facilities served by the State's 51 municipal electric systems and rural cooperatives.[12, 13] NYPA will fund approximately 50 percent of the installed cost for solar projects of up to 10 kilowatts, with 50 to 80 projects statewide expected to be funded under the program.

University at Buffalo Solar Project—NYPA has presented to the State University of New York at Buffalo an agreement to install a 1.1-megawatt solar project on the University campus. The agreement is based on the results of a competitive solicitation issued by the Authority and provides for about 80 percent of the contract value to go to a Western New York company, Solar Liberty of Williamsville. Upon execution of the agreement, NYPA will complete design and implementation of the project, which is budgeted for a cost of up to $7.5 million and will be one of the largest solar photovoltaic installations on a university campus in the United States.

White Plains Office Fuel Cell—Construction is proceeding on a 200-kilowatt fuel cell adjacent to the Authority's administrative office building in White Plains. The contractor, Harbour Mechanical, has completed mobilization, erected a construction fence and begun excavation. The project is scheduled for completion in November.

Project Development and Management

New York State Department of Corrections, Arthur Kill Correctional Facility (Staten Island)—The first phase of this $7.85 million project will include the replacement of the two existing chillers with two new 550-ton energy-efficient and environmentally friendly electric units, featuring variable-frequency drives for optimal efficiency.[14, 15] The work will also entail an electrical upgrade, replacement of the existing cooling tower and installation of three new condenser water pumps.[16] Annual savings of $255,000 and avoidance of 965 tons of annual carbon dioxide emissions are projected. The customer has signed the initial Customer Installation Commitment and the project is moving into construction.[17]

New York State Office of General Services, Empire State Plaza—This $9.5 million project calls for installation of a new, efficient steam turbine to drive one of the 4,500-ton chillers serving the Empire State Plaza in Albany, retubing of condensers and installation of an electric compressor to allow for electric operation of the chiller when economically beneficial.[18] Annual savings of $1.3 million are expected, along

with a yearly reduction of about 10,765 tons in carbon dioxide emissions. The contract has been executed and the project is moving into construction.

Nassau County LED Project—Incandescent traffic signals at about 1,400 intersections on roads administered by Nassau County will be replaced with efficient light-emitting diode technology under this $11.2 million project.[19] The initiative is expected to save $1 million a year and reduce annual carbon dioxide emissions by 4,900 tons. The construction contract has been sent to the customer.

<u>Construction</u>

City University of New York, Brooklyn College—Work is three months ahead of schedule on this $7.1 million project to install steam traps and thermostatic controls at Brooklyn College.[20, 21] The project is expected to save $750,000 annually.

New York City Department of Environmental Protection, Red Hook (Brooklyn)—NYPA is currently managing this $36 million project at the Red Hook Water Pollution Control Plant that entails the replacement of the existing emergency generators with two new 2.6-megawatt generators and the installation of three 27-kilovolt and four 5-kv switchgears.[22] NYPA's contractor completed installation of the outdoor battery house's heating, ventilation and air-conditioning unit in August, and the roof of that facility is scheduled to be completed in October. Generator submittals are being reviewed for release and fabrication of equipment by October.

State University of New York College at Purchase—This multifaceted $11.8 million project is proceeding on several fronts. Installation of an air-handling unit, three new chillers and two exhaust fans was completed in August. All 12 ice storage tanks involved in the project have been set on concrete pads. A new 1,200-amp disconnect switch was installed in the existing switchgear substation.[23, 24] Other electrical, mechanical and duct work is ongoing. The project is expected to provide annual savings of about $480,000.

MARKETING AND ECONOMIC DEVELOPMENT

North Country Stimulus Plan

The Authority is working with National Grid and New York State Electric and Gas to implement a discount on the utilities' bills to commercial and industrial customers eligible for inclusion in NYPA's Temporary North Country Electricity Stimulus Plan. Both utilities are cooperating, but have indicated that they will need additional time to program their billing systems to accommodate the credits.

CORPORATE SERVICES AND ADMINIS*TRATION*

Human Resources

Staff continues to implement organizational, process and technology solutions recommended in the assessment by NYPA's consultant, Scott Madden. As anticipated, a new compensation plan and policy were recommended to the Trustees at their July 28 meeting.

Fleet Management

Net sales of $232,000 resulted when the Fleet Management group participated in its first fleet disposal auction under a new three-year contract with J. J. Kane Auctioneers. The auction was held on August 29 at National Grid's Rome, NY, facility. The NYPA sales consisted of cars, pickup trucks, medium- and heavy-duty trucks, off-road and construction equipment and miscellaneous fleet items.

Information Technology

Staff successfully replaced the previous employee time entry system (TESS) with the SAP CATS system, providing greater compatibility and integration with SAP financial data services.[25]

An Enhanced Data Management Initiative was completed in August, including replacement of the previous data warehouse with more advanced business intelligence technology.[26] The change will improve access to information from SAP and other sources in a single warehouse environment.

The Data Management Initiative also featured completion of a new Enterprise Business Warehouse design and acquisition of new desktop tools for enhanced access to information. In addition, SharePoint, a new technology enabling multiple Intranet users to simultaneously access the same data, was introduced.

Real Estate

After an extensive search and negotiations, Real Estate staff completed the purchase of a 10.3-acre Buffalo site for warm-weather storage of the Lake Erie-Niagara River ice boom. The property, at 41 Hamburg St., was previously owned by Killian Bulk Transport Co. Acquisition of the new site will enable the Power Authority to convey the previous storage area to the Erie Canal Harbor Development Corp., promoting revitalization of the Buffalo waterfront. NYPA had agreed to seek a new storage site as part of a 2006 agreement with Buffalo and Erie County related to relicensing of the Niagara Power Project.

Procurement

Thanks to a significant increase in contracts with minority- and women-owned businesses, it is anticipated that such firms will account for at least 12 percent of applicable NYPA contract awards during the third quarter of this year.[27] That would be double the annual goal.

NYPA and National Grid will sponsor their first joint purchasing exchange for minority- and women-owned businesses on October 20 in Buffalo. The event, like those the Authority has hosted by itself for nearly two decades, will enable business owners to interact with prospective clients in the public and private sectors.

Corporate Support Services

Occupancy of the Authority's new Buffalo Office at 95 Perry St. was scheduled for September 22. The facility will be used by Energy Services and Community Affairs staff.

With NYPA's lease at the New York Office expiring in about a year, requirements for replacement space have been identified, a survey of available space received and tours of possible locations planned.

In a significant development related to the Authority's Business Continuity Plan, staff has tested a new Emergency Notification System to advise NYPA employees by telephone of emergencies affecting the Authority's facilities. Work is continuing on a longer-term solution, which will be recommended to the Trustees by year end.

POWER RESOURCE PLANNING AND ACQUISITION

Great Lakes Offshore Wind Project

NYPA has engaged two New York State consultants—AWS Truewind of Albany and Hatch Acres Corporation of Amherst—to carry out assignments in connection with the Great Lakes Offshore Wind Project.

AWS will summarize the issues raised in the responses received in June to the Request for Expressions of Interest ("RFEI") and will perform preliminary site selection.[28] (The RFEI was issued on Earth Day, April 22.) Hatch will carry out preliminary interconnection studies in coordination with the site selection process. Staff is preparing to brief management on major issues to be resolved before release of a Request for Proposals ("RFP"), planned for November.[29]

Long Island-New York City Offshore Wind Project

More than 30 responses to the Request for Information, which had been issued in June, were received by the August 31 deadline.[30] The project team plans to issue a summary of the findings from those responses within several weeks. An RFP from potential developers is anticipated by the end of the year.

OFFICE OF THE CHIEF OPERATING OFFICER

State Energy Plan

On August 10, the State Energy Planning Board released the draft State Energy Plan for public review and comment. The record will remain open for 60 days, and nine hearings were to be conducted Statewide through September 26.

NYPA staff participated in the Energy Coordination Working Group that drafted the plan and will continue to work with the group to implement revisions resulting from the public comments.

Governor's Environmental Justice Task Force

NYPA is one of 14 public agencies and authorities that are members of Governor Paterson's Environmental Justice Task Force. Each participant provided a draft Environmental Justice Action Plan for

public comment; NYPA received no comments or requests for revisions. The Governor's office will compile the draft plans into a comprehensive final plan.

Because there were no suggested revisions to its draft plan, the Authority can implement its proposed initiatives prior to issuance of the final plan. Environmental Justice Coordinator Sobeida Cruz is working with environmental justice organizations in target communities to plan clean energy and pollution mitigation programs.

Federal Stimulus Package

The Power Authority submitted two applications in August for Smart Grid grants offered by the U. S. Department of Energy (DOE) as part of the federal economic stimulus package.

A Smart Grid Investment Grant would be used for upgrades to the convertible static compensator ("CSC") at the Frederick R. Clark Energy Center in Marcy, and a Smart Grid Demonstration Grant would help fund dynamic thermal circuit-rating technology that will enable real-time capacity monitoring on three 230-kilovolt ("KV") NYPA transmission lines in Northern New York—Moses to Willis, Willis to Ryan and Moses to Adirondack.[31] The CSC upgrade has progressed to the second step in the DOE evaluation process, in which the merits of a proposal are evaluated. The other application remains in Phase 1, which focuses on the completeness of the submittal.

As noted in the July report to the Trustees, staff had planned to seek grants for the CSC project and for replacement of the two synchronous condensers at the St. Lawrence-FDR project.[32] However, it was determined that funding available under the Smart Grid program would not be sufficient to justify the synchronous condenser initiative, so an application was submitted for the demonstration grant for the circuit-rating technology.

In addition to its own submissions, NYPA supported the New York Independent System Operator's grant application for transmission upgrades and an application from Hudson Transmission Partners to help fund the converter station for its proposed 345-KV transmission connection from New Jersey to New York City.[33]

DOE decisions on the applications are expected by the end of October.

The Power Authority has also been selected to help implement stimulus funding for several clean transportation projects. These include procuring three electric and five hybrid-electric vehicles for the State University of New York at Albany, working with the Electric Power Research Institute to obtain plug-in hybrid trucks for 10 NYPA energy services customers and participating in an electric and plug-in hybrid vehicle program led by the Ford Motor Co.[34]

<u>Anticipated Developments Over the Next Six Months</u>

<u>POWER SUPPLY</u>

<u>Poletti Project Shutdown</u>

The shutdown of the Charles Poletti Power Project in Queens is scheduled for January 31, 2010, under a 2002 agreement with environmental groups and government agencies. Staff will work in the intervening period to transfer some Poletti employees to the adjacent 500-megawatt combined-cycle plant and to secure benefits for other project staff members through legislation or other means.

GLOSSARY

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

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

[3] 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 the 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.

[4] 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.

[5] Life Extension and Modernization program—A major initiative by the Power Authority to ensure that a particular power project operates at maximum efficiency far into the future. In Life Extension and Modernization programs currently under way at the St. Lawrence-Franklin D. Roosevelt and Blenheim-

Gilboa projects, the turbines are being replaced and the generators and other components significantly refurbished.

[6] Spherical valve—A component at the bottom of the powerhouse that receives water that has surged downward from the Blenheim-Gilboa project's upper reservoir and releases it to spin a turbine-generator to produce electricity. The project has four spherical valves, one for each of its four pump-generating units. Each spherical valve is about nine feet in diameter and can be closed within 30 seconds if necessary to shut off water from the upper reservoir.

[7] Transmission reliability rating—A measurement of the impact of forced and scheduled outages on the statewide system's ability to transmit power.

[8] Energy sales—Energy, expressed in megawatt hours, is the amount of electricity consumed over time.

[9] Capacity sales—Capacity, expressed in megawatts, is an hourly rate of electricity consumption.
[10] New York Independent System Operator—A not-for-profit organization that operates New York State's transmission system, administers the state's wholesale electricity markets and engages in planning to ensure the future reliability of the statewide power system.

[11] Renewable energy attributes—The environmental, social and economic features of renewable energy that may be sold separately from the energy itself; NYPA obtains such attributes on behalf of its New York City governmental customers.

[12] Municipal Electric Utilities Association—An organization established in 1930 that includes 40 of New York State's 47 municipal electric systems.

[13] New York Association of Public Power—An organization established in 2005 that includes nine municipal electric systems and all four of the state's rural electric cooperatives. Two municipal systems—the Town of Massena and the City of Salamanca—belong to both the New York Association of Public Power and the Municipal Electric Utilities Association.

[14] Electric chiller—Equipment used to produce chilled water to air-condition spaces within buildings.

[15] Variable frequency drives—Devices that control the speed of a motor (such as on a pump) by regulating the frequency of the power supply to the motor. (Frequency is the number of cycles per second through which an alternating current passes as it travels in one direction and then the other. The standard frequency in the United States is 60 cycles per second.)

[16] Condenser water pumps—Components that circulate and remove the excess heat from condenser water. Condensers remove heat from a chilled water system in order to maintain a specified cold-water temperature.

[17] Customer Installation Commitment—An agreement by a participating customer authorizing NYPA to proceed with implementation of an energy efficiency project. If a customer elects to terminate a project after executing the agreement, it will be obligated to reimburse the Authority for all expenses incurred to that point.

[18] Electric compressor—An electrical component of a refrigeration or cooling system that increases the pressure and temperature of a gaseous refrigerant by reducing its volume.

[19] Light emitting diode—A transistor-type device that emits light when voltage is applied. LEDs are used for such purposes as electric lighting, traffic signals and displays on digital watches. They offer many advantages over traditional light sources, such as lower energy consumption, longer lifetime and the fact that they are mercury-and lead-free.

[20] Steam traps—Devices used to discharge condensate and non-condensable gases from a steam system while not permitting the escape of live steam.

[21] Thermostatic controls—Devices used to vary temperature conditions within spaces.

[22] Switchgears—Components used to isolate electrical power from equipment to permit testing or maintenance of the equipment.

[23] Amp (or ampere)—The unit of measurement of electric flow.

[24] Disconnect switch—A device used to start and stop the flow of electricity.

[25] SAP CATS system—SAP is a German company whose name translates as Systems, Applications and Products in Data Processing. The company's Cross Application Time Sheet (CATS) can by used by employees or personnel administrators to track employee working times. Time data is recorded along with information referring to such items as work orders and cost centers and can be transferred to corresponding SAP applications and components.

[26] Data warehouse—A repository of an organization's electronically stored data.

[27] Applicable contract awards—The reportable expenditures that are used to calculate the percentage value of the contracts awarded to minority- and women-owned firms. Specialty procurements such as major power plant components and natural gas are excluded from this category.

[28] 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.

[29] 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 or a Request for Information.

[30] Request for Information—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.

[31] Convertible static compensator—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, NYPA completed installation of the $54 million convertible static compensator in 2004 at the Clark Energy Center's Marcy Substation as the most advanced of a series of technologies known as FACTS, for Flexible Alternating Current Transmission Systems. The project, which also included the addition of conventional equipment at other substations, boosted the capability of the New York State system by nearly 200 megawatts without the need to build new lines. NYPA's convertible static compensator was the first transmission control device in the world to permit the instantaneous transfer of power between two lines in the same substation.

[32] Synchronous condensers—Motors that help to support voltage at a specified level.

[33] Converter station—A facility in which electricity is converted from alternating current to direct current, or from direct to alternating. For the Hudson Transmission Partners project, a converter station in Ridgefield, N.J., will convert up to 660 megawatts of alternating current power to direct current, then back to alternating current for transmission to New York City. The station as planned will incorporate multiple smart grid aspects to provide control and monitoring functions to grid operators, the Power Authority and Con Edison.

[34] Electric Power Research Institute—The electric power industry's international research and technology organization. The Power Authority has long been active in EPRI and has collaborated with the organization on a number of major initiatives.

Trustees Curley and Nicandri thanked Mr. Quiniones for his in-depth monthly report, saying that the efficiency rates of the Authority's power plants were outstanding and that the people who work at the plants are to be commended. Mr. Quiniones said that the Authority's LEM programs had a lot to do with its assets performing superbly. He said that the last unit at Blenheim-Gilboa is being fixed, the 12th unit at St. Lawrence is being worked on and the last LEM program at the Lewiston Pump Generating Plant would begin early next year. Mr. Quiniones credited Mr. Edward Welz and his team for their work on these projects.

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

In response to a question from Vice Chairman Foster, Mr. Russak said that the Authority is fully hedged with regard to the fluctuating Westchester County governmental customer rates because its costs are passed along to those customers. He said that the Westchester County customers represent 5-10% of the Authority's revenues from its Southeastern New York ("SENY") governmental customers, with the New York City governmental customers accounting for 90-95% of the Authority's SENY revenues. Mr. Russak said that the lower market prices that are expected to prevail through the end of the year are somewhat offset by the lower prices being paid by the Authority for purchased power; however, the projected revenues at year's end are expected to be slightly below the budgeted revenues due to the softer economy and the extension of the PFJ program, each of which account for about half of the projected shortfall.

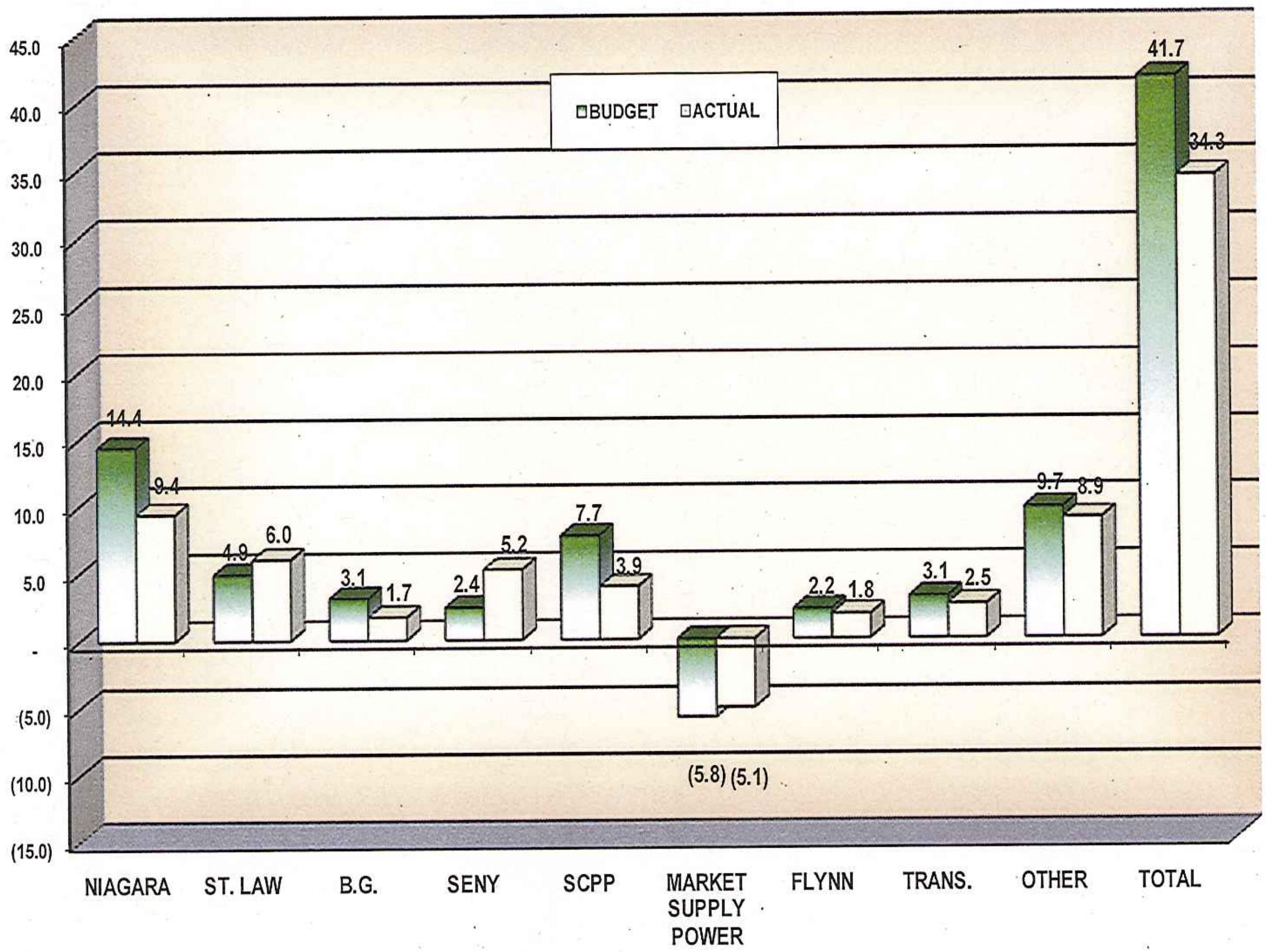
Responding to another question from Vice Chairman Foster, Mr. Russak said that, according to the latest projections, production at Niagara and St. Lawrence is expected to be about 5% above the long-term average into next year. He said that these projections depend on the weather and that the Authority closely tracks Army Corps of Engineers data in this regard.

NEW YORK POWER AUTHORITY

REPORT OF THE CHIEF FINANCIAL OFFICER

FOR THE EIGHT MONTHS ENDED AUGUST 31, 2009

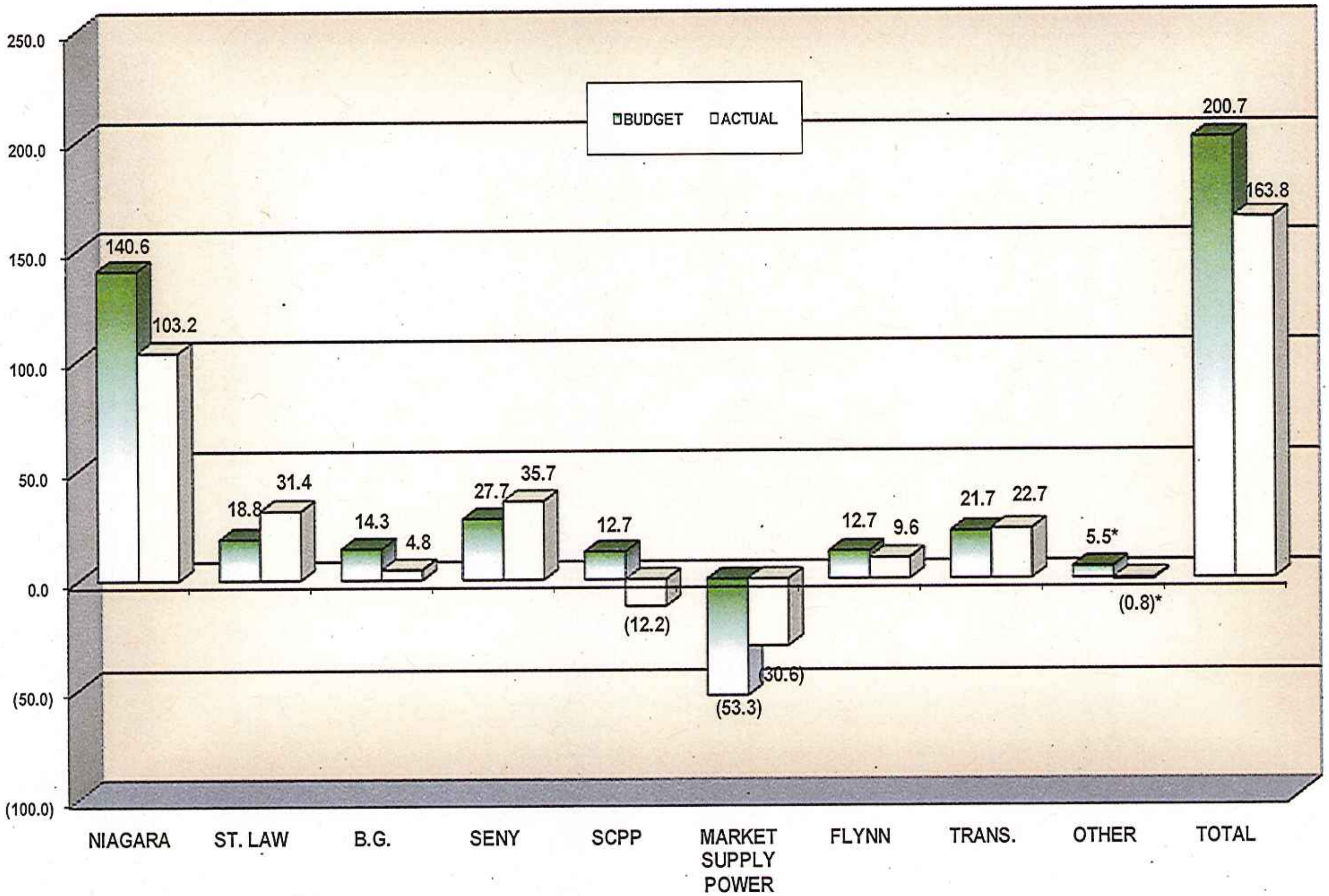
Net Income By Facility
August 2009
($ in millions)



Major Factors		Better (Worse)
Niagara		
Primarily due to lower revenues. Negative variance due to lower prices on market-based sales partially offset by higher production (7%).	$	(5.0)
St. Lawrence		
Higher market-based sales and lower purchased power costs (18% higher production).		1.1
Blenheim-Gilboa		
Lower market based sales due to lower production.		(1.4)
SCPP's		
Lower market-based sales partially offset by lower fuel costs.		(3.8)
Other		
Primarily additional voluntary contribution accrual* partially offset by a mark-to-market gain on investments (lower market interest rates).		(0.8)
Misc.		2.5
Total	$	(7.4)

* Under legislation extending the Power for Jobs program through May 2010, the Authority is authorized to make an additional voluntary contribution to NY State for 2009 of $12.5. The contribution will be accrued monthly over the remainder of the year.

Net Income By Facility
Eight months ended August 31, 2009
($ in millions)

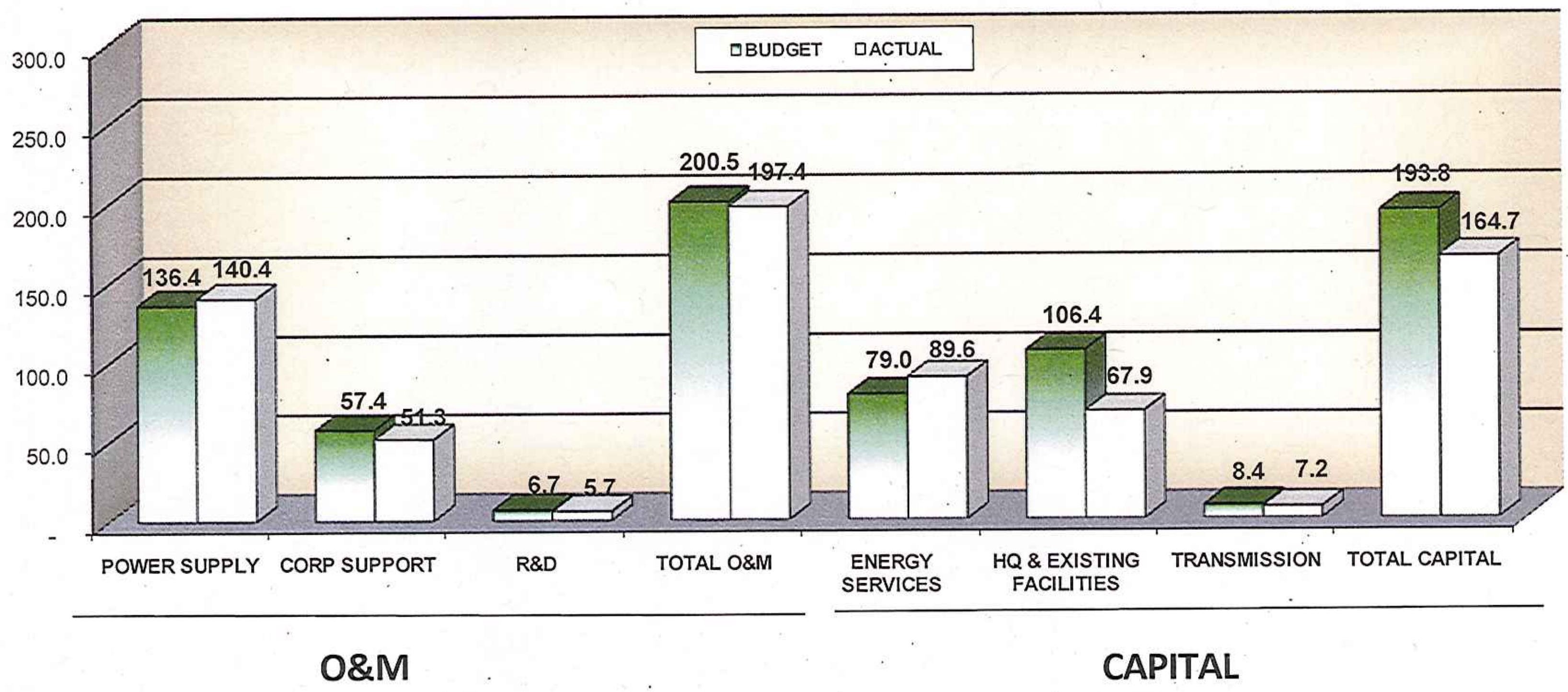


*Includes $70 million contribution to NY state (Actual & Budget).

Major Factors	Better (Worse)
Niagara**	
Primarily lower revenues on market-based sales for energy and regulation service.	$ (37.4)
St. Lawrence	
Higher market based sales & lower purchased power (16% higher production).	12.6
Blenheim-Gilboa	
Lower market-based sales due to lower production.	(9.5)
SCPP's	
Primarily lower market based sales partially offset by lower fuel costs.	(24.9)
MSP	
Lower purchased power (lower prices) partially offset by lower revenues.	22.7
Other	
Lower investment income and accrual of additional Power for Jobs voluntary contribution.	(6.3)
Misc.	5.9
Total	$ (36.9)

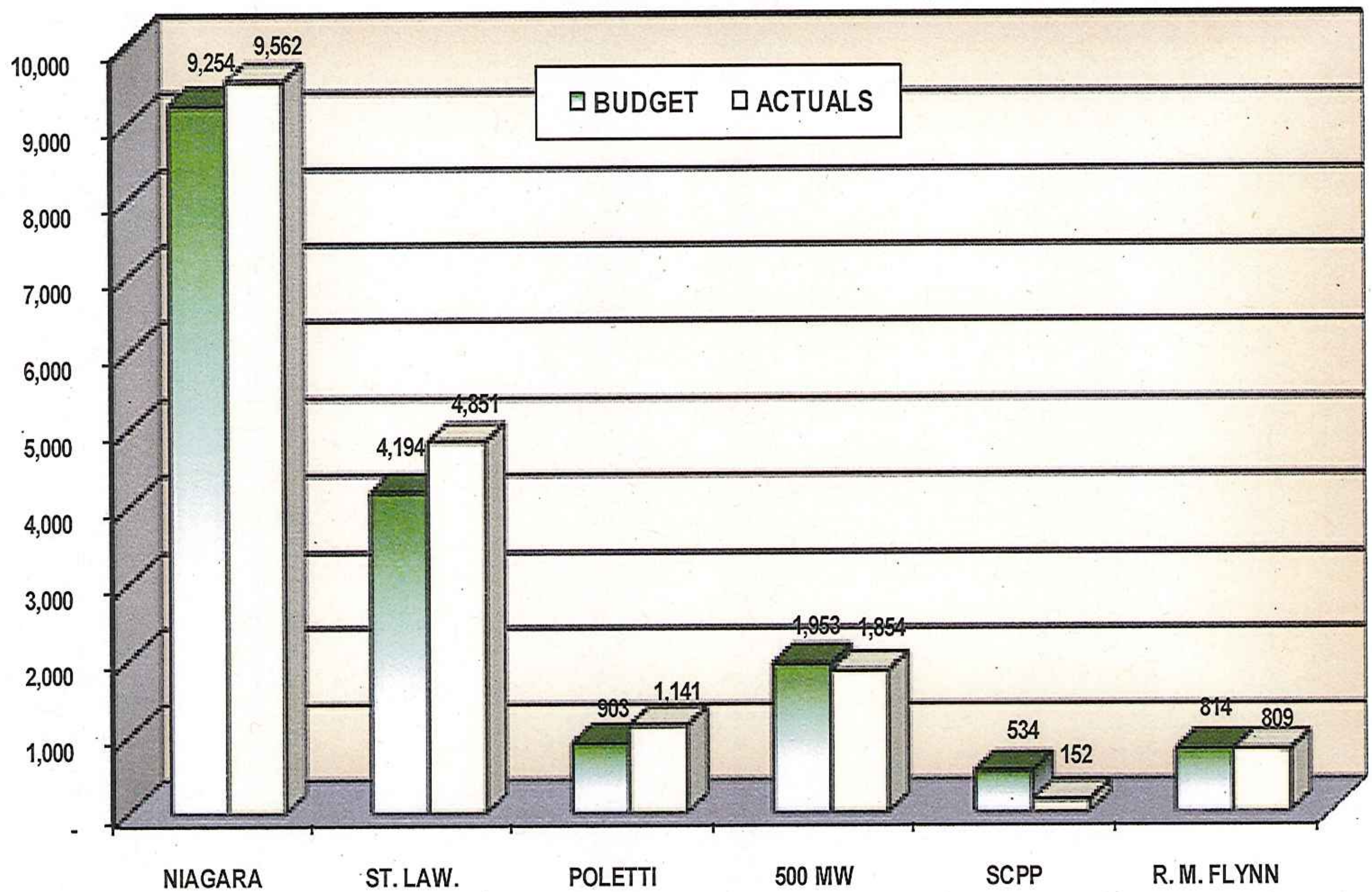
** Approximately 85% of this variance is due to lower market prices. The remainder is due to a timing difference in interruptiple sales to out of state customers that is expected to reverse during the remainder of the year.

O&M and Capital Expenditures
Eight months ended August 31, 2009
($ in millions)



- Through August, O&M expenses were $3.1 lower than the budget.
- Corporate Support expenses were under budget by $6.1 due mostly to under spending for IT computer hardware, software and consulting services.
- Power supply expenditures were $4.0 higher than budgeted primarily at the SCPP's and 500MW facility. O&M for the SCPP's included expenditures for an unplanned outage at Harlem River #2. The 500MW facility overrun was due to emergent contractor and material costs associated with the repairs to the unit 7A stator vanes.
- 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 Services expenditures were over budget due to timing differences in the construction of NYCHA's Castle Hill Boiler and CUNY & Brooklyn College Steel Trap Replacement Project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $14.8 for 2009. There were no new expenditures authorized this month.

GENERATION
YTD August 2009
(MWH in thousands)

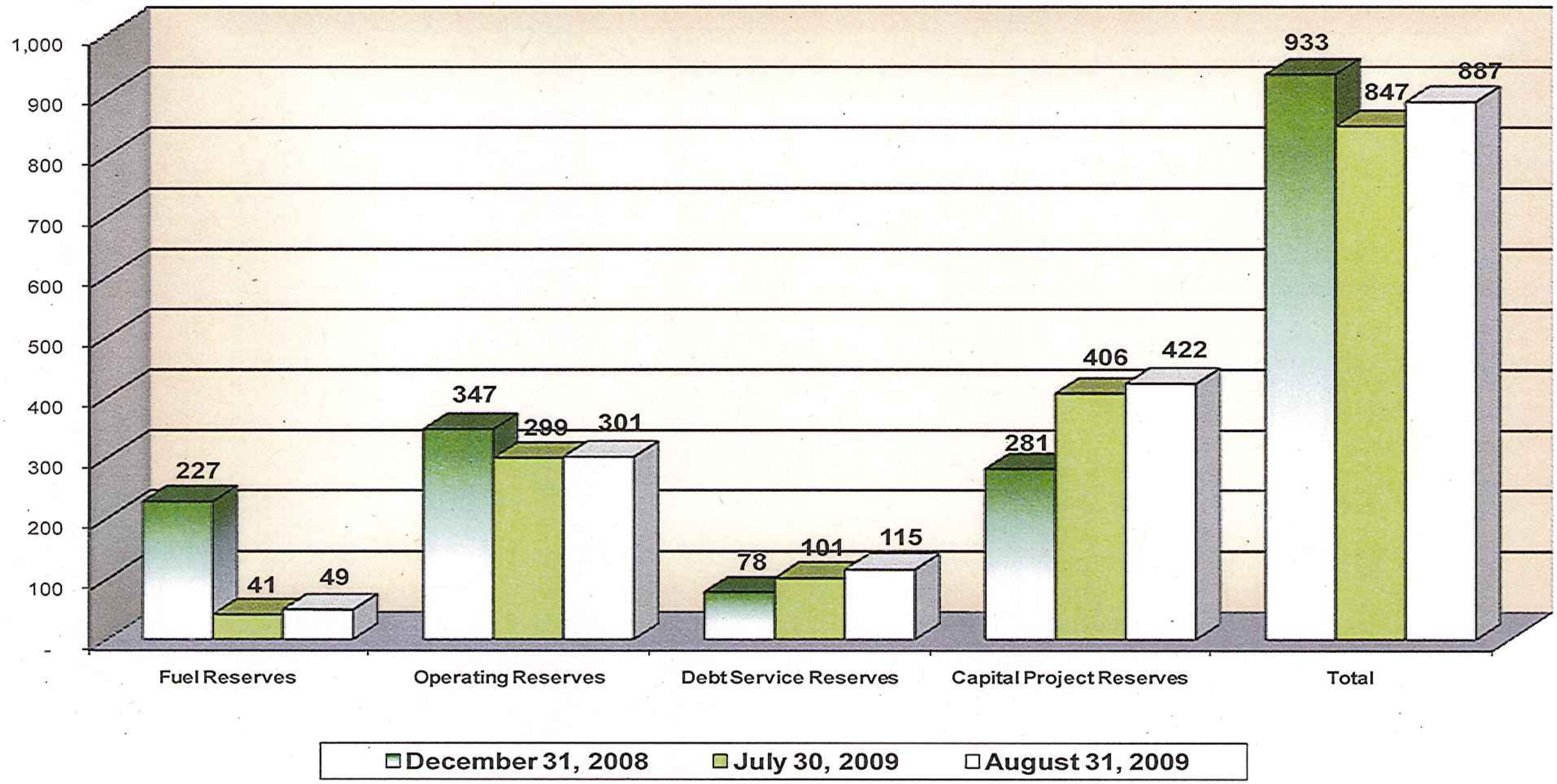


GENERATION
MONTH OF AUGUST 2009

	BUDGET	ACTUAL	%
NIAGARA	1,074	1,148	7%
ST. LAW	543	641	18%
POLETTI	170	243	43%
500MW	313	300	-4%
SCPP	127	59	-53%
FLYNN	100	102	2%
BG	(44)	(7)	-84%
SM. HYDRO	10	13	26%
Total	2,293	2,499	9%

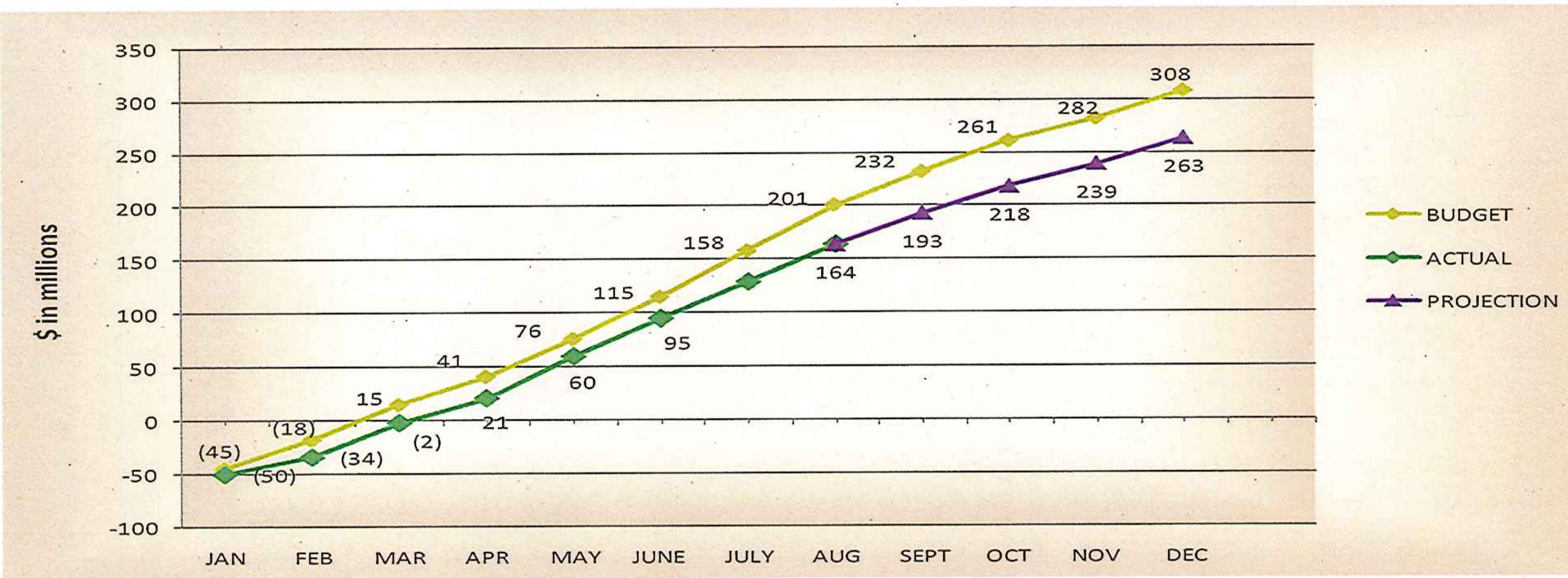
Production for August was 9% higher than anticipated resulting in 5% higher generation year-to-date. Through August, generation was higher at Poletti, St. Lawrence, and Niagara, partially offset by lower production at the SCPP's and 500mw Plant.

Operating Fund
As of August 31, 2009
($ in millions)



The year-to-date decrease in the fuel reserve balance resulted primarily from a $215 Temporary Asset Transfer to NY State as authorized by the Trustees on February 3, 2009. The July balance of $49 represents the unallocated portion of the Energy Reserve Fund ($48) plus the balance in the Nuclear Spent Fuel Fund ($1). Collateral for Commodity Futures Contracts held by counterparties total $22. In September, a $103 Temporary Asset Transfer was made from the Capital Project Reserve to NY State as authorized by the Trustees on February 3, 2009 and as reaffirmed on July 29, 2009.

Net Income Projection
Year ended December 31, 2009
($ in millions)



Major Assumptions:

- 2009 Hydro generation is projected to be slightly above budget by approximately 1.3 Twh. Niagara generation is currently forecast at 3.0% above budget, and St. Lawrence generation is expected to be 13.6% above budget. A drop in market prices (down 36%) is the primary driver of a $69 decrease in Niagara net income. In addition, the use of expansion power revenues to reduce bills via an Industrial Incentive Award contributed to Niagara's decline in net income. As for St. Lawrence, lower market prices and the North Country Stimulus program are mitigated by higher generation and increased sales into the ISO market, with projected net income of $11 above budget.

- The Markey Supply Power segment, a net buyer of market-based energy, benefits from the drop in market prices. MSP net income for 2009 reflects an improvement of $41, with an overall estimated 2009 net loss for this market sector of $35. An additional voluntary contribution to the State's General Fund in the amount of $12.5, related to the P4J Program extension, is included in the projection.

- Blenheim- Gilboa year-end projected net income is under budget by $11 due to lower market prices and reduced generation.

- The Small Clean Power Plants' 2009 net income is approximately $29 below budget due to lower market prices and reduced generation.

STATEMENT OF NET INCOME
For the Eight Months Ended August 31, 2009
(in Millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,081.9	Customer	**$1,237.0**	**$1,387.6**	**($150.6)**
805.4	Market-based power sales	422.5	567.5	(145.0)
62.3	Ancillary services	24.8	43.7	(18.9)
88.0	NTAC and other	67.4	61.9	5.5
955.7	Total	**514.7**	**673.1**	**(158.4)**
3,037.6	**Total Operating Revenues**	**1,751.7**	**2,060.7**	**(309.0)**
	Operating Expenses			
1,060.3	Purchased power	578.2	726.2	148.0
516.5	Fuel consumed - oil & gas	250.0	352.0	102.0
95.8	Ancillary services	51.2	64.3	13.1
441.6	Wheeling	281.7	293.4	11.7
304.5	Operations and maintenance	197.4	200.5	3.1
160.7	Depreciation and amortization	108.1	107.1	(1.0)
115.0	Other expenses	87.1	77.5	(9.6)
(10.4)	Allocation to capital	(4.9)	(6.7)	(1.8)
2,684.0	**Total Operating Expenses**	**1,548.8**	**1,814.3**	**265.5**
353.60	**Net Operating Revenues**	**202.9**	**246.4**	**(43.5)**
	Nonoperating Revenues			
89.8	Post nuclear sale income	69.5	69.5	-
43.9	Investment income	32.7	27.9	4.8
(3.7)	Mark to market - investments	(8.3)	(2.5)	(5.8)
130.0	**Total Nonoperating Revenues**	**93.9**	**94.9**	**(1.0)**
	Nonoperating Expenses			
70.0	Contributions to New York State	70.0	70.0	-
105.7	Interest and other expenses	63.0	70.6	7.6
175.7	**Total Nonoperating Expenses**	**133.0**	**140.6**	**7.6**
(45.7)	**Net Nonoperating Income (Loss)**	**(39.1)**	**(45.7)**	**6.6**
$307.9	**Net Income (Loss)**	**$163.8**	**$200.7**	**($36.9)**

New York Power Authority

New York Power Authority
Financial Reports

COMPARATIVE BALANCE SHEETS
August 31, 2009

Assets		August 2009	August 2008	December 2008
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	903.1	922.8	961.1
	Interest receivable on investments	7.7	9.5	7.1
	Accounts receivable - customers	151.0	266.6	159.0
	Materials and supplies, at average cost:			
	Plant and general	82.4	84.4	84.5
	Fuel	29.9	32.0	38.6
	Prepayments and other	138.0	166.8	188.6
	Total Current Assets	**1,312.2**	**1,482.2**	**$1,439.0**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	884.8	924.6	811.8
	Other	99.3	87.2	99.8
	Total Restricted Funds	**984.1**	**1,011.8**	**911.6**
Capital Funds	Investment in securities and cash	201.1	271.5	215.2
	Total Capital Funds	**201.1**	**271.5**	**215.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,337.3	3,387.0	3,370.6
	Construction work in progress	146.9	133.9	157.6
	Net Utility Plant	**3,484.2**	**3,520.9**	**3,528.2**
Other Noncurrent Assets	Receivable - NY State	215.0	-	-
	Deferred charges, long-term receivables and other	536.1	530.0	503.3
	Notes receivable - nuclear plant sale	179.8	191.7	182.2
	Total other noncurrent assets	**930.9**	**721.7**	**685.5**
	Total Noncurrent Assets	**5,600.3**	**5,525.9**	**5,340.5**
	Total Assets	**$6,912.5**	**$7,008.1**	**$6,779.5**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$885.4	$809.7	$924.8
	Short-term debt	270.4	283.5	272.5
	Total Current Liabilities	**1,155.8**	**1,093.2**	**1,197.3**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,231.3	1,384.5	1,233.0
	Adjustable rate tender notes	137.5	144.0	144.0
	Commercial paper	421.7	476.0	469.0
	Total Long-term Debt	**1,790.5**	**2,004.5**	**1,846.0**
Other Noncurrent Liabilities	Nuclear plant decommissioning	884.8	924.6	811.8
	Disposal of spent nuclear fuel	215.7	214.6	215.5
	Deferred revenues and other	135.1	279.5	142.0
	Total Other Noncurrent Liabilities	**1,235.6**	**1,418.7**	**1,169.3**
	Total Noncurrent Liabilities	**3,026.1**	**3,423.2**	**3,015.3**
	Total Liabilities	**4,181.9**	**4,516.4**	**4,212.6**
Net Assets	Accumulated Net Revenues - January 1	2,566.8	2,268.4	2,268.4
	Net Income	163.8	223.3	298.5
	Total Net Assets	**2,730.6**	**2,491.7**	**2,566.9**
	Total Liabilities and Net Assets	**$6,912.5**	**$7,008.1**	**$6,779.5**

3. Allocation of 22,725 kW of Hydropower

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of available Replacement Power ('RP') totaling 18,725 kW to Steel Development Company, LLC and an allocation of available Expansion Power ('EP') totaling 4,000 kW to Metaullics Systems, Division of Pyrotek, Inc. In addition, the Trustees are requested to adjust an allocation previously awarded to Metaullics Systems as discussed below.

BACKGROUND

"Under Section 1005(13) of the Power Authority Act, as amended by Chapter 313 of the Laws of 2005, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as Expansion Power ('EP') and up to 445 MW of 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 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

"At their meeting of March 28, 2006, the Trustees approved a 1,200 kW allocation of RP to Metaullics Systems in return for a commitment to add 19 new jobs. After the allocation was awarded, the company reduced the scope of its expansion project. As a result, all of the new jobs did not materialize as promised. Staff is requesting that the Trustees reduce Metaullics' allocation and job commitment to 500 kW and eight positions, respectively.

"Staff recommends and the Advisory Group supports the available power being allocated to Steel Development Company and Metaullics Systems as set forth in Exhibit '3-A.' The Exhibit shows, among other things, the amount of power requested the recommended allocation and additional employment and capital investment information. Steel Development Company will site a technologically advanced steel recycling and production facility in western New York. The company will invest $200 million in the facility, which will create 200 jobs with average wages and benefits of $50,000. Obtaining low-cost power was crucial to this project being sited in New York, as power is a little more than 25% of product cost.

"The Metaullics Systems expansion project will result in the creation of 48 jobs, with a related jobs-per-MW ratio of 12. The project will also require capital investment of $19.1 million that will result in a capital-investment-per-MW ratio of $4.8 million. Electricity is 18% of production costs. Metaullics is the only American source for the graphite powders used in the production of lithium batteries for hybrid automobiles, a green industry. These projects will help maintain and diversify the industrial base of Western New York and provide new employment opportunities.

"Additional information on the projects is contained in the attached application summaries.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve allocations of 18,725 kW of hydropower to Steel Development Company, LLC and 4,000 kW of hydropower to Metaullics Systems, Division of Pyrotek, Inc., as listed in Exhibit '3-A.' In addition, it is requested that the Trustees reduce the power allocation and jobs commitment for a prior allocation to Metaullics Systems to 500 kW and eight jobs, respectively.

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

Mr. James Pasquale presented the highlights of staff's recommendation to the Trustees. President Kessel said that Mr. Pasquale and his staff had done an extraordinary job for Western New York in negotiating the deal with Steel Development. He said that in the last year, the Authority's economic development power programs had brought 1,050 jobs to and retained 1,030 jobs in Western New York (not including Steel Development). Trustee Curley said that National Public Radio had done a story this morning on Steel Development locating to Western New York, saying that the deciding factor had been the Authority's power allocation. Mr. Pasquale thanked Mr. Kessel and Trustee Curley for their kind words and said that he wanted to publicly thank Mr. Michael Huvane and his staff, Mr. Anthony Savino and his staff, Ms. Marilyn Brown and her staff and Mr. Michael Lupo and his staff for the critical roles they played in developing this project. He also thanked Mr. Russak and said that ESDC had helped, too. Trustee Elise Cusack thanked Authority management and staff for ignoring the critics to get the job done, saying that this was a huge deal for Western New York and that it had made the front page of the Buffalo News. Vice Chairman Foster said that bringing 200 $50,000-a-year jobs to any community in New York State was an impressive accomplishment. Chairman Townsend said how gratifying it is when Authority staff accomplishes something so significant.

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

RESOLVED, That the allocations of 18,725 kW of Replacement Power and 4,000 kW of Expansion Power, as detailed in Exhibit "3-A," be, and hereby are, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the power allocation and jobs commitment for an allocation previously awarded to Metaullics Systems be reduced to 500 kW and 8 positions, respectively; 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.

September 29, 2009
Exhibit "3-A"

New York Power Authority
Replacement & Expansion Power
Recommendation for Allocation

Exhibit Number	Company Name	Program	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
A-1	Metaullics Systems, Division of Pyrotek, Inc.	EP	Sanborn	Niagara	4,000	48	$19,100,000	$47,000	**4,000**	5 Years
A-2	Steel Development Company, LLC	RP	TBD*	TBD*	35,000	200	$200,000,000	$50,000	**18,725**	10 Years
	Total EP Recommended					**248**	**$219,100,000**		**22,725**	

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

September 29, 2009
Exhibit "3-A-1"

APPLICATION SUMMARY
Expansion Power

Company:	Metaullics Systems, Division of Pyrotek, Inc.
Location:	Sanborn
County:	Niagara
IOU:	National Grid
Business Activity:	Manufacturer of graphite powder
Project Description:	The planned expansion at this site will provide the only U. S. - based processed graphite for anodes in lithium-ion batteries for hybrid automobiles. The project includes a 72,600 square foot expansion with the addition of graphite furnace capacity and other processing equipment. The capacity added by this expansion will be directed entirely to the processing of graphite powders for use in lithium-ion battery production for hybrid automobiles.
Prior Application:	Yes
Existing Allocation:	500 kW of RP
Power Request:	4,000 kW
Power Recommended:	4,000 kW
Job Commitment:	
Existing	6 jobs
New	48 jobs
New Jobs/Power Ratio:	12 jobs/MW
New Jobs - Avg. Wage and Benefits:	$47,000
Capital Investment:	$19.1 million
Capital Investment Per MW	$ 4.8 million/MW
Summary	If hydropower were not available for this expansion, the project would likely be relocated to another state. As a result of the cost benefits of hydropower, Metaullics can expand and process materials in Western New York. The company is working with Niagara County IDA on other project incentives. In addition, this expansion project is slated to receive federal stimulus funding if it moves forward.

September 29, 2009
Exhibit "3-A-2"

APPLICATION SUMMARY
Replacement Power

Company:	Steel Development Company, LLC
Location/ County:	Within 30 miles of Niagara Power Project
IOU:	National Grid
Business Activity:	Operates steel recycling and production facility
Project Description:	The project plan includes building a technologically advanced steel recycling and production facility. The project includes a melt shop/refractory building, a rolling mill and a set-up shop, as well as a warehouse and administrative area. New equipment installed will include an electric arc furnace, a metal furnace, a rolling mill and auxiliary equipment.
Existing Allocation:	None
Power Request:	35,000 kW
Power Recommended:	18,725 kW
Job Commitment:	
Existing:	0 jobs
New:	200 jobs
New Jobs/Power Ratio:	11 jobs/MW
New Jobs - Avg. Wage and Benefits:	$50,000
Capital Investment:	$200 million
Capital Investment per MW:	11 million/MW
Summary:	Steel Development is charged with building several steel scrap recycling plants that produce rebar. Energy is by far the highest project cost. Locating this mill in New York State is dependent on low-cost power. A hydropower allocation would make this project viable in Western New York, attracting customers from around the world. The company is considering constructing this plant at other sites, including Missouri, North Carolina and Texas.

4. Municipal and Rural Electric System Cooperative Customers – Expanded Energy Efficiency and Weatherization Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize weatherization measures to be included in the Statewide Energy Services Program ('Statewide ESP') for the benefit of the Authority's 51 Municipal and Rural Electric Cooperative customers ('Munis/Co-ops') and these systems' customers. The Munis/Co-ops will implement their own energy efficiency programs with their customers using Authority financing. All Authority costs will be recovered directly from each participating Muni/Co-op.

"The Trustees are also requested to authorize the distribution of energy efficiency weatherization 'EcoKits' to low-income residents of 11 Westchester County housing authority developments and 11,000 New York City Housing Authority ('NYCHA') residents who pay their own utility bills. This weatherization program will be similar to the 2008 Weatherization Blitz Program for the low-income residents of the Munis/Co-ops approved by the Trustees at their September 23, 2008 meeting. Program funding was approved at that time for up to $5 million; of that amount, only $1.1 million was expended for the Muni/Co-op program. The Trustees are now requested to approve funding for up to $750,000 to implement the 2009 program for Westchester County housing authority tenants.

BACKGROUND

"Since the 1980s, the Authority through its Energy Services Programs ('ESP') has offered various types of energy services and clean energy technology programs to participants throughout the State to help them lower their energy usage and/or achieve cleaner and more energy-efficient use of energy and natural resources.

"At their meeting of May 23, 2006, the Trustees authorized the inclusion of the Authority's 51 Muni/Co-op customers in the Statewide ESP. Pursuant to this authorization, each Muni/Co-op can launch and administer its own energy efficiency programs with its residential and non-residential customers and finance projects implemented under such programs with funds borrowed from the Authority. Each Muni/Co-op is contractually responsible for repaying the Authority for the financing. The Authority also provides program review, analysis of savings estimates and technical assistance, as needed. Several Munis/Co-ops implemented programs with their electric customers using the Authority's low-cost financing.

"At their meeting of September 23, 2008, the Trustees approved up to $5 million in funding to provide home weatherization kits for low-income residential customers of the Munis/ Co-ops. The Authority purchased the kits, which were then distributed at no cost to all 51 Munis/Co-ops. The Munis/Co-ops distributed the kits to eligible customers to help decrease home heating costs for the winter of 2008-09. A total of 22,971 kits were distributed across the State. The Weatherization Blitz Program received a great deal of positive feedback from the Munis/Co-ops and their residential customers.

DISCUSSION

Inclusion of Measures under Statewide ESP for Muni/Co-op Customers

"The Authority has been asked to expand the list of eligible measures that may be financed under the Statewide ESP for the Munis/Co-ops to include weatherization measures. If approved by the Trustees, the addition of weatherization measures such as attic and crawl space insulation, sidewall insulation, pipe and/or duct insulation, air sealing to reduce infiltration, home and business energy audits and other measures that help reduce thermal loss will enable the Authority to further help customers participating in the Muni/Co-op ESP programs reduce energy consumption and lower their electricity bills. The Statewide ESP program will be available to all Munis/Co-ops that participate and sign a cost-recovery agreement with the Authority committing the Muni/Co-op to repay the Authority for any financing provided for eligible ESP project(s).

"The Authority's role will be to review the program designed by each Muni/Co-op to ensure that the ESP measures offered are consistent with the measures authorized under the Statewide ESP; analyze savings estimates; provide technical assistance, as needed and provide low-cost financing to the Muni/Co-op. Each Muni/Co-op will have an opportunity to expand its current programs by choosing which project(s) it wants to implement.

Westchester County Housing Authority and NYCHA Weatherization Kit Program

"The Trustees are also asked to authorize the distribution of approximately 20,000 energy efficiency weatherization 'EcoKits' to residents of 11 Westchester County housing authority developments and the residents of NYCHA developments who pay their own utility bills. As discussed above, in 2008, the Trustees approved up to $5 million to implement the 2008 Weatherization Blitz Program for Muni/Co-op low-income residential customers. Nearly 23,000 kits were provided to low-income residents in need of assistance to meet the costs of heating their homes. A similar program is being developed for the 2009 heating season to benefit Westchester County housing authority residents and NYCHA residents who pay their own utility bills. If authorized by the Trustees, approximately 20,000 mini kits will be distributed consisting of shrink-fit window kits, wall switch and outlet gaskets, faucet aerators, a low-wattage nightlight to reduce lights being left on all night, a pamphlet outlining ways to save energy throughout an apartment and three compact fluorescent bulbs. The estimated cost for the kits is $750,000. After discussions with the housing authorities, staff determined that this program would help kick off energy awareness programs to reduce overall energy usage at these facilities. An average annual savings of $25 per apartment will total $500,000 in energy savings.

FISCAL INFORMATION

"The funding for the weatherization measures to be included in the Statewide ESP for the benefit of the Authority's Munis/Co-ops and their customers will be provided through Authority financing options previously approved by the Trustees for Statewide ESP. All Authority costs, including Authority overheads, will be recovered from the individual participating Muni/Co-op, similar to other Energy Services and Technology programs. The use of Petroleum Overcharge Restitution ('POCR') funds for these measures is not contemplated at this time.

"The funding for the Westchester County/NYCHA 'Eco-Kit' Program will be from the Operating Fund. The Trustees previously approved funding of up to $5 million in September 2008 for a similar program with the Munis/Co-ops. At project closeout in May 2009, a total of $1.1 million had been invested in the Muni/Co-op Weatherization Blitz Program. The estimated cost for the new program is $750,000 for 20,000 kits to be distributed to Westchester County housing authority residents and NYCHA residents who pay their own utility bills.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology recommends that the Trustees approve the inclusion of weatherization measures in the Statewide Energy Services Program for the Municipal and Rural Electric Cooperative customers. The Trustees are also requested to approve funding for the Westchester County housing authority/New York City Housing Authority weatherization program.

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

Ms. Maribel Cruz presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman Foster, Ms. Cruz said that staff from Energy Services and Technology had worked

very closely with staff from Marketing and Economic Development to calculate the number of kits that should be made available to the municipal and rural electric cooperative low-income customers.

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

RESOLVED, That the Trustees authorize inclusion of weatherization measures as described in the foregoing report of the President and Chief Executive Officer in the Statewide Energy Services program for the Authority's 51 Municipal and Rural Electric Cooperative customers for the benefit of these systems and their customers; and be it further

RESOLVED, That the Trustees authorize the funding of the Westchester County housing authority/New York City Housing Authority Eco-Kit weatherization program as described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That Operating Fund monies be used to finance the weatherization measures under the previously approved Statewide Energy Services Program funding and the Westchester County housing authority/New York City Housing Authority 'Eco-Kit' program in the amount and for the purpose listed below:

Operating Funds		**Expenditure Authorization (not to exceed)**
Purchase and distribution of 'Eco-Kits'		**$750,000**
	TOTAL	**$750,000**

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.

5. Niagara Power Project – Ice Boom Storage Project – Capital Expenditure Authorization and Site Development Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures in the amount of $23.9 million and approve the award of a contract to UCC Constructors, Inc. ('UCC') of West Seneca, New York, in the amount of $5,879,390 for site development of the Ice Boom Storage Project ('Project') located at the Killian site for the Niagara Power Project.

"To provide the additional time required to perform critical construction components prior to winter, interim approval for the site development contract award was authorized in August 2009 by the President and Chief Executive Officer in accordance with the Authority's Guidelines for Procurement Contracts.

BACKGROUND

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

"The Niagara River Ice Boom ('Ice Boom') operation is a critical component of the Niagara Power Project in Lewiston. Since 1964, the Ice Boom has been installed in the late fall and removed in the spring of each year. When installed, the Ice Boom spans approximately 8,800 feet across the outlet of Lake Erie and reduces the amount of ice being released from Lake Erie into the Niagara River.

"The Authority presently stores the Ice Boom at 175 Fuhrmann Boulevard in Buffalo, adjacent to the existing Times Beach site, during the off-season (from mid-spring to late fall). As part of the City of Buffalo and Erie County Relicensing Agreement with the Authority dated June 27, 2006, the Authority agreed to 'commission a consultant to produce a feasibility study' regarding relocation of the Ice Boom and to 'diligently seek to relocate the ice boom to an alternate site.' The Authority conducted an extensive search to procure an alternate site and received approval from the Trustees at their meeting of March 31, 2009 to purchase the Killian site at 41 Hamburg Street in Buffalo for the purpose of relocating the Ice Boom storage operations. The Killian site requires extensive modifications to meet both the Authority's operational needs and requirements set by local officials.

DISCUSSION

"In 2008, funding in the amount of $750,000 was approved for Hatch Acres Corporation to perform the detailed engineering and permitting required for development of the Killian property as the alternate site for Ice Boom storage. In 2009, as the scope of work progressed and discussions with local officials continued, an additional $1.9 million was authorized for Hatch Acres to complete the detailed engineering and design, prepare bid documents and provide engineering support services during procurement and construction for all phases of the Project.

"With the site development design complete, construction at the site will occur in a sequential manner: the site will be developed from the fall of 2009 through the spring of 2010 in anticipation of Ice Boom storage in April 2010; a maintenance facility will be constructed by the fall of 2010; a boat rail system will be constructed by the spring of 2011 and a public park, including a boathouse facility and canoe/kayak launch, will be developed by the end of 2011.

"Approvals of the Project and site development contract award are the first steps in relocating the Ice Boom. Negotiations for a winter mooring site for Authority vessels used for in-service maintenance of the Ice Boom are also under way; the Trustees will be asked to approve the winter mooring site once a plan has been finalized.

"The total Project cost is estimated at $23.9 million, as follows:

Preliminary Engineering and Design	$ 400,000
Detailed Engineering, Design and Permitting	$ 3,024,000
Killian Site Procurement	$ 1,040,000
Total Construction/Installation	$17,550,000
Authority Indirect and Direct Expenses	$ 1,886,000
TOTAL	$23,900,000

SITE DEVELOPMENT CONTRACT

"The Authority issued an advertisement to procure bids for site development in the New York Contract Reporter and bid packages were available as of June 22, 2009. The bid documents were downloaded by 91 potential bidders and 19 potential bidders participated in a site visit on July 16, 2009.

"The following seven proposals were received on July 29, 2009:

Bidder	**Location**	**Lump Sum**
UCC Constructors, Inc.	West Seneca, NY	$5,879,390
Man O' Trees, Inc.	West Seneca, NY	$6,012,690
BidCo Marine Group	Grand Island, NY	$6,930,645
LP Ciminelli Construction Corp.	Buffalo, NY$	6,957,678
Scrufari Construction Corp.	Niagara Falls, NY	$7,093,180
Gerace Construction Co., Inc.	Midland, MI $	9,147,313
Sicoli & Massaro, Inc.	Niagara Falls, NY	$9,603,806

"The proposals were reviewed by an evaluation committee comprising staff from Niagara General Maintenance, Environmental, Procurement and Project Management, as well as the Authority's consultant, Hatch Acres Corporation.

"UCC's bid was the lowest in price and was also technically acceptable. UCC, which has extensive experience in general construction and projects of this magnitude and demonstrated knowledge of the scope of work, is capable of completing the Project in a timely manner. Accordingly, staff recommends award of this contract to UCC.

"Funding in the amount of $5.2 million has been included in the 2009 approved Capital Budget. Future-year funding will be included in the Capital Budget requests for those years.

FISCAL INFORMATION

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

<u>RECOMMENDATION</u>

"The Senior Vice President – Power Supply Support Services, the Vice President – Procurement, the Vice President – Engineering, the Regional Manager – Western New York and the Project Manager recommend that the Trustees authorize capital expenditures of $23.9 million and award of a contract to UCC in West Seneca, New York for $5,879,390 to complete site development for the Niagara Ice Boom Storage 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."

Mr. John Canale presented the highlights of staff's recommendations to the Trustees.

President Kessel thanked Trustee Curley for coming to the groundbreaking event for this project last week. He said that this was a great project for the Authority, as well as the local community, since it freed up the former ice boom storage site to provide access to Buffalo Harbor. President Kessel said that the new ice boom storage site would also incorporate a 1.3-acre park with access to the river. He said that the project work was going to be performed by a local company and thanked Mr. Canale, Mr. Finnegan, Mr. Lou Paonessa and all of the other Authority staff who had worked so hard to make this happen. Chairman Townsend added his thanks, noting that local officials had been active participants in the process.

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

RESOLVED, That expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, for capital expenditures in the amount of $23.9 million and a contract award to UCC Constructors, Inc. of West Seneca, New York for $5,879,390 to complete site development of the Niagara Ice Boom Storage Project; 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. <u>Motion to Conduct an Executive Session</u>

"***Mr. Chairman, I move that the Authority conduct an executive session pursuant to Sections 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."*** A motion was made and seconded for an Executive Session.

7. Motion to Reopen Meeting in Open Session

"Mr. Chairman, I move to reopen the meeting in Open Session." Upon motion made and seconded, the meeting reopened in Open Session.

8. <u>Resolution – James Yates</u>

Mr. Gil Quiniones read the following resolution.

WHEREAS, James H. Yates compiled an exemplary record of accomplishment during a career of 14 l/2 years at the New York Power Authority in which he seamlessly navigated the diverse worlds of technology, mathematical analysis, policy development and customer relations; and

WHEREAS, Mr. Yates' service, culminating in two years as Senior Vice President, Marketing and Economic Development, was enhanced by his clear strategic thinking; his trademark thoroughness and problem-solving skills; his consistently calm demeanor; and his unswerving personal integrity; and

WHEREAS, Mr. Yates worked tirelessly to achieve NYPA's goal of using its low-cost electricity to maximum effectiveness in creating and protecting jobs for New Yorkers and in making New York an attractive state for business; and

WHEREAS, he played a critical role in initiatives that supported hundreds of thousands of jobs throughout the state, ranging from establishment of the Power for Jobs program to implementation of more-efficient procedures for allocations of Niagara hydropower, enactment of landmark legislation that maintained or designated hydro supplies for businesses in Western and Northern New York; and negotiation of long-term contracts with Alcoa and Brookhaven National Laboratory; and

WHEREAS, as an unabashed numbers buff and seasoned load forecaster, Mr. Yates was instrumental in development of NYPA's short-term load forecasting program and took immense pride in its success, which brought substantial economic benefit to the Authority and enabled it to function effectively in the state's competitive electricity markets; and

WHEREAS, his singular ability to work with and relate to customers was manifested through his extensive involvement in such endeavors as the conclusion of innovative power supply contracts with governmental entities in New York City and the

establishment and rapid growth of the Authority's Peak Load Management Program; and

WHEREAS, he was a highly respected manager and mentor who nurtured the careers of numerous NYPA staff members by providing ample opportunities for growth and generously imparting his own considerable knowledge and experience; and

WHEREAS, Mr. Yates has retired from the Authority, having contributed significantly to the fulfillment of its mission and to the well-being of the many New Yorkers whose jobs and livelihoods are in large measure attributable to his efforts;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York express their profound thanks and appreciation to Jim Yates for his extraordinary service to the Authority and the people of New York State and that they convey to him their sincere wishes for a retirement marked by health and happiness, his publication of at least one best-selling mystery novel and many more years of success and fulfillment.

September 29, 2009

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

"***Mr. Chairman, I move that the Authority conduct an executive session pursuant to Sections 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.

10. 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.

11. **Proposed Schedule of Trustees' Meetings 2009 – 2010**

The Corporate Secretary submitted the following report:

"The following schedule of meetings for the remainder of 2009 and year 2010 is recommended:

Date	**Location**	**Time**
October 27, 2009	WPO	9:00 a.m.
December 15, 2009	Long Island	11:00 a.m.
January 26, 2010	WPO	11:00 a.m.
February 23, 2010	Albany	11:00 a.m.
March 23, 2010 - Annual	WPO	11:00 a.m.
May 25, 2010	Syracuse	11:00 a.m.
June 29, 2010	Niagara	11:00 a.m.
July 27, 2010	Massena	11:00 a.m.
September 28, 2010	WPO	11:00 a.m.
October 26, 2010	Buffalo	11:00 a.m.
December 14, 2010	WPO	11:00 a.m.

RECOMMENDATION

"The President and Chief Executive Officer and I support the proposed schedule for the Authority's Trustees' Meetings for the end of 2009 and year 2010, as set forth in the foregoing report."

Vice Chairman Foster abstained from the vote on this agenda item, saying that he felt that the Trustees should not be traveling all over the State for their meetings.

The attached resolution, as submitted by the Corporate Secretary, was adopted by a vote of 4-1 with Vice Chairman Foster abstaining.

RESOLVED, That the schedule of Trustees' Meetings for the end of 2009 and year 2010, as set forth in the foregoing report of the Corporate Secretary, be, and hereby is, approved.

12. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, October 27, 2009, at a time to be determined at the Clarence D. Rappleyea Building in White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 2:25 p.m.

Karen Delince
Corporate Secretary