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

December 13, 2010

Table of Contents

December 13, 2010

Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the following participating locations at approximately 12:00 noon.

New York Power Authority, 123 Main Street, 16th Floor, White Plains, NY
New York Power Authority, 501 Seventh Avenue, 9th Floor, New York, NY
New York Power Authority, 95 Perry Street, 5th Floor, Buffalo, New York
New York Power Authority, 30 South Pearl Street, 10th Floor, Albany, NY
Harris Beach, LLP, 99 Garnsey Road, Pittsford, NY 14534
St. Lawrence-FDR Power Project, 830 Barnhart Island Rd., Massena, NY

Members of the Board present were at the following locations:

Michael J. Townsend, Chairman – Pittsford, NY
Jonathan F. Foster, Vice Chairman – New York, NY
D. Patrick Curley, Trustee – Buffalo, NY
Eugene L. Nicandri, Trustee – Massena, NY
Mark O'Luck, Trustee – New York, NY

Richard M. Kessel	President and Chief Executive Officer (NYO)
Gil C. Quiniones	Chief Operating Officer (NYO)
Terryl Brown	Executive Vice President and General Counsel (NYO)
Francine Evans	Executive Vice President, Chief Administrative Officer (WPO) and Chief of Staff
Elizabeth McCarthy	Executive Vice President and Chief Financial Officer (NYO)
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply (WPO)
Thomas Antenucci	Senior Vice President – Power Supply Support Services (WPO)
Paul Finnegan	Senior Vice President – Public, Governmental and Regulatory Affairs (WPO)
James F. Pasquale	Senior Vice President – Marketing and Economic Development (NYO)
Donald A. Russak	Senior Vice President – Corporate Planning and Finance (NYO)
Paul Belnick	Acting Senior Vice President – Energy Services and Technology (WPO)
John L. Canale	Vice President – Project Management (WPO)
Thomas Davis	Vice President – Financial Planning & Budgets (WPO)
Dennis Eccleston	Vice President – Information Technology/Chief Information Officer (WPO)
Michael Huvane	Vice President – Marketing (WPO)
John Kahabka	Vice President – Environmental, Health and Safety (WPO)
Patricia Leto	Vice President – Procurement (WPO)
Christine Pritchard	Vice President – Media Relations and Corporate Communications (ALB)
Francis Ryan	Vice President – Emergency Management (WPO)
Scott Scholten	Vice President and Chief Risk Officer (WPO)
John Suloway	Vice President – Project Development, Licensing and Compliance (WPO)
Bradford Van Auken	Vice President – Engineering (WPO)
Brian McElroy	Treasurer (WPO)
Robert Hopkins	Director – Budgets (WPO)
Sarah Barish-Straus	Special Assistant – Project Development, President's Office (WPO)
Andy Cline	General Manager – Transmission Maintenance (WPO)
Timothy Muldoon	Manager – Business Power Allocations and Compliance (WPO)
Karen Delince	Corporate Secretary (NYO)
Lorna M. Johnson	Assistant Corporate Secretary (WPO)
Linda Payne	Senior Pricing and Power Contracts Analyst – Marketing (WPO)
Sheila Baughman	Senior Secretary – Corporate Secretary's Office (WPO)

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

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

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

2. <u>Motion to Resume Meeting in Open Session</u>

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

3. <u>Consent Agenda</u>

Chairman Michael Townsend said that the Economic Development Power Allocation Board had recommended that the Authority's Trustees approve item 3c (Transfers of Industrial Power) at their meeting held on December 13, 2010.

Trustee D. Patrick Curley said that he may have a conflict of interest with respect to Moog, Inc. and abstained from the vote on item 3e (Proposed Expansion and Replacement Power Contract with ITT Enidine, Inc. and Moog, Inc. – Notice of Public Hearing).

President Richard Kessel said that, in the interest of full disclosure, Long Island Power Authority ("LIPA") had an association with Brookhaven National Lab and Newsday when he had been there.

a. **Approval of the Minutes**

The Minutes of the Regular Meeting held on October 26, 2010 were unanimously adopted.

b. 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 '3b-A' (National Grid), Exhibit '3b-B' (NYSEG) and Exhibit '3b-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 June 24, 2008, the Trustees approved an extension of the 2007 Contract Extensions (the '2008 Contract Extensions'). The 2008 Contract Extensions expired on December 31, 2009. At their meeting of July 28, 2009, the Trustees authorized the holding of two public hearings, pursuant to Section 1009 of the Public Authorities Law, on the 2009 Contract Extensions. Public hearings were held on September 1, 2009 at the Niagara Power Project and on September 2, 2009 at Syracuse City Hall. At their meeting of September 29, 2009, the Trustees approved transmitting the 2009 Contract Extensions to the Governor with the recommendation that they be approved. The Governor approved the 2009 Contract Extensions on December 14, 2009. The 2009 Contract Extensions will expire on December 31, 2010.

"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 2009, the PFJ and ECSB programs were extended through May 15, 2010. In August 2010, the PFJ and ECSB programs were extended through May 15, 2011 by Chapter 311 of the Laws of 2010.

"Since the 2009 Contract Extensions are scheduled to expire on December 31, 2010, 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 ‘2010 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 2010 Contract Extensions, they will terminate on the last day of the month following the month during which the Governor disapproved them.

“The 2010 Contract Extensions would continue the sale of firm and firm peaking hydropower to the Utilities in the amounts approved by the Trustees at their September 29, 2009 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 2010 Contract Extensions would have a term of 12 months to December 31, 2011, 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 September 28, 2010, the Trustees authorized the holding of a public hearing, pursuant to Section 1009 of the Public Authorities Law, on the 2010 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 November 3, 2010 at the Niagara Power Project and on November 4, 2010 at Syracuse City Hall. The final transcripts of the hearings are attached hereto as Exhibits ‘3b-D’ and ‘3b-E.’ Staff has reviewed the transcript of the hearings which include three oral statements, five written statements and sixteen emails submitted in a timely fashion for inclusion in the record.

“There were three attendees but no speakers at the Niagara Power Project hearing.

“There were five attendees and three speakers at the Syracuse hearing. The three speakers at the Syracuse hearing were: Brian O’Shaughnessy, Chairman Revere Copper Products, Inc., a mid-state New York 350 employee owned manufacturer, Karyn Burns, Vice President, Communications & Government Relations, Manufacturers Association of Central New York (MACNY) representing 330 companies in Upstate New York and Steven Penn, Syracuse, NY resident. Also present but did not speak Jerry Eisenhart, President of Bartell Machinery Systems, Rome, NY.

“Two of the speakers and three of the written statements represented organizations and/or advocacy groups for organizations (Business Entities) that currently receive Authority power through one or more of its economic development programs. All were unison in their expressed concern for the future of the Authority’s economic development programs, stating how challenging it is for them and/or those whose business interest they represent to do business in New York State and how critical the Authority’s Economic Development programs are to their survival and controlling some of their costs. All expressed frustration with New York’s high electricity costs 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. All believe that the hydropower now being sold to the three upstate IOUs should be an integral part of a long term solution. However, in the interim the Business Entities support both the ‘R&D’ contract extension to December 31, 2011 and the 30-day withdrawal notice provision.

“The third speaker, Syracuse, NY resident provided an oral statement at the public hearing and provided a written statement by email for The Central New York Public Power Coalition. The Power Coalition opposes the proposed hydro power contract extensions to the IOUs because it objects to such power going to ‘private hands’ (even though it is resold to domestic and rural consumers). They believe that the Authority should, instead, allocate this hydropower to Municipal Utilities.

"With respect to CNY Public Power Coalition statement, the Authority's hydropower allocations are made to domestic and rural consumers and to businesses in accordance with the Authority's statues. The Authority's sales to IOUs that are resold to domestic and rural consumers help fulfill the Authority's statutory mandate to secure a wider distribution of such power to benefit the general public Allocations to municipally-owned utilities make up a significant segment of the Authority's hydropower sales. It is important to note that on a statewide basis municipal utilities serve only a small fraction of electric consumers in Upstate New York. The sales to the IOUs help distribute the benefits of Authority hydropower more widely. As previously mentioned, the proposed contract extension does include a thirty-day withdrawal notice provision.

"A joint written statement submitted by NYSEG and RG&E stressed the value of this hydropower to their residential customers and expressed strong support for the extension of these contracts through December 31, 2011. A residential couple submitted an email request for continued allocation of the power for residential use.

"Fifteen private individuals that appear to be affiliated with ARISE, an advocacy group supporting independent living for persons with disabilities commented by e-mail. Generally, these comments state that the Authority's hydropower should not be sold to businesses but should, instead, support New York families. The Authority notes that the hydropower in question is used by the utilities to reduce the electricity costs of rural and domestic consumers who are served by these utilities. Thus, New York families are beneficiaries of the Authority's hydropower sold under the proposed contracts.

"While the parties presenting oral, written statements and comments have contrasting views on the proposed Upstate Hydro Contract Extensions, on balance, the parties objecting did not provide a compelling basis to halt approval of the proposed contract extensions through December 2011.

<u>FISCAL INFORMATION</u>

"The 2010 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 Director – Marketing Analysis and Administration recommends that the Trustees authorize the transmittal of the 2010 Contract Extensions to the Governor for his approval.

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

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

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

Exhibit “3b-A”
December 13, 2010

2010 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, 2011, 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 "2010 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42".

9) Continuation of service under this 2010 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 2010 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 2010 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 2010 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 2010 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2010 Amendment shall take effect upon the expiration of the 2009 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: ____________________________

Exhibit “3b-B”
December 13, 2010

2010 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.

(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". 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, 2011, 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 “2010 Amendment to the 1990 Hydropower Contract”.

9) Continuation of service under this 2010 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 2010 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 2010 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 2010 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 2010 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2010 Amendment shall take effect upon the expiration of the 2009 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: ____________________________

Exhibit "3b-C"
December 13, 2010

2010 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.

(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". 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, 2011, 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 “2010 Amendment to the 1990 Hydropower Contract”.

9) Continuation of service under this 2010 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 2010 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 2010 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 2010 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 2010 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2010 Amendment shall take effect upon the expiration of the 2009 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: ___________________________

POWER AUTHORITY OF THE STATE OF NEW YORK

PUBLIC HEARING

Wednesday, November 3, 2010 - 3:00 P.M.

Niagara Power Project
Lewiston, New York

HYDROPOWER CONTRACTS EXTENSIONS 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 November 3, 2010 commencing at 3:00 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: James Pasquale,
Senior Vice President of Marketing & Economic Development at the New York Power Authority.

Lorna Johnson,
Assistant Corporate Secretary.

INDEX TO SPEAKERS

KAREN DELINCE: Good afternoon. 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 customers.

Pursuant to Section 1009, Sub one, of the Public Authorities Law, notice of this hearing was published in the following sixteen newspapers once a week for the four weeks leading up to the hearing: The Buffalo News, Niagara Gazette, Buffalo Business First, Albany Times Union, Syracuse Post Standard, Rochester Democrat & Chronicle, Lewiston Porter Sentinel, Dunkirk Observer, East Aurora Bee, Orchard Park Bee, Watertown Daily Times, Ogdensburg Journal, Massena Daily Courier-Observer, Thousand Island Sun, Malone Telegram and Plattsburgh Press Republican.

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, Sub one, of the Public Authorities Law, notice of this hearing and copies of the proposed contracts were sent to Governor, David Paterson, President Pro -- or former 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; 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 statement to the reporter, and to Lorna Johnson at the door before or after you deliver your remarks. Although your written statement can be whatever length you would like, we would ask those presenting an oral statement to limit their remarks to five minutes. If your oral statement summarizes your written statement, both will appear in the record of the hearing.

The record of this hearing will remain open through close of business Friday, November 5th, for the submission of any additional comments or statements. These should be addressed to the Authority's Corporate Secretary at 123 Main Street, 15-M, White Plains, New York 10601; or may be faxed to (914)390-8040; or e-mailed to secretarys.office@nypa.gov. Please see Lorna Johnson on your way out if you have any additional questions.

Full stenographic minutes of the hearing 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 James Pasquale, NYPA's Senior Vice President of Marketing and Economic Development, who will provide additional details on the proposed contract extensions. I will then call on any speakers. Mr. Pasquale.

JAMES PASQUALE: Thank you, Ms. Delince. Good afternoon. My name is James Pasquale. I am the Senior Vice President of Marketing and Economic Development 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 known as Niagara Mohawk Power Corporation; New York State Electric & Gas Corporation, also known as NYSEG; and Rochester Gas & Electric Corporation, also known as 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 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 four hundred fifty-five megawatts of firm and three hundred sixty 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 to the utilities' residential and small farm customers without markup under Public Service Commission tariffs.

Specifically, the proposed contracts provide for the sale of one hundred eighty-nine megawatts of firm and one hundred seventy-five megawatts of firm peaking to National Grid; one hundred sixty-seven megawatts of firm and one hundred 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 31, 2011, 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. The charge of 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 the close of business Friday, November 5, 2010. I will now turn the forum back over to Ms. Delince.

KAREN DELINCE: Thank you, Mr. Pasquale. At this point, is there anyone present who would like to make an oral statement?

UNKNOWN SPEAKER: I have a question.

KAREN DELINCE: Usually this is for people to make statements.

UNKNOWN SPEAKER: Just ignore me.

JAMES PASQUALE: I will off-line, but not as part of the hearing.

UNKNOWN SPEAKER: I understand, but not on the record.

JAMES PASQUALE: So we will keep this open --

KAREN DELINCE: We will be here until seven o'clock, and we will wait for any other speakers.

(Off the record until 7:00.)

KAREN DELINCE: Having no speakers today, I declare this hearing officially closed.

* * * *

0001

NEW YORK POWER AUTHORITY

In the Matter of

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

PUBLIC HEARING in the above matter conducted at the Syracuse Common Council Chambers, City Hall, 201 Washington Street, Syracuse, New York before, JOHN F. DRURY, Court Reporter, CSR, RPR, Notary Public in and for the State of New York, on November 4, 2010 from 3:00 pm to 7:02 pm.

PRESENT FROM NEW YORK POWER AUTHORITY:
KAREN DELINCE, Corporate Secretary and Hearing Officer
JAMES PASQUALE, Sr VP Marketing & Economic Development
LORNA JOHNSON, Asst. Corporate Secretary

0002

INDEX TO SPEAKERS

(Also Present but did not speak:
Jerry Eisenhart, President of Bartell Machinery Systems, Rome, NY)

HEARING OFFICER DELINCE: We're going to get started. Good afternoon. My name is Karen Delince and I'm 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 customers.

Pursuant to Section 1009 Sub 1 of the Public Authorities Law, notice of this hearing was published in the following 16 newspapers once a week for the four weeks leading up to this hearing:

The Buffalo News; Niagara Gazette; Buffalo Business First; Albany Times Union; Syracuse Post Standard; Rochester Democrat and Chronicle; Lewiston Porter Sentinel; Dunkirk Observer; East Aurora Bee; Orchard Park Bee; Watertown Daily

Times; Ogdensburg Journal; Massena Daily Courier-Observer; Thousand Island Sun; Malone Telegram, and Plattsburgh Press Republican.

During the thirty day period prior 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 website. Also pursuant to Section 1009 Sub 1 of the Public Authorities Law, notice of this hearing and copies of the proposed contracts were sent to:

Governor David Patterson; President Pro Tem of the New York State Senate Malcolm Smith; Speaker of the Assembly Sheldon Silver; Chairman of the Senate Finance Committee, Paul Kruger; Chairman of the Assembly Ways and Means Committee, Herman Farrell; Senator Minority Leader Dean Skelos, and Assembly Minority Leader Brian Kolb.

If you plan on making an oral

statement at this hearing and have not yet filled out a form please do so now. Lorna Johnson will give you forms. We ask that you give copies of your written statement to the reporter and Lorna Johnson before or after your remarks. Your statement can be whatever length you like. Your oral statement, if your oral statement summarizes a written statement both will appear in the record of this hearing.

The record of this hearing will remain open through close of business Friday, November 5th, for any submissions of additional materials or comments. 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: secretarys.office@nypa.gov. Please see Lorna Johnson if you have any additional questions.

Full stenographic minutes of this hearing will be made and will be

incorporated along with your written statements into the record and will be reviewed by the Authority's Trustees. This transcript will be available for review at the Authority's office in White Plains and on our website.

At this point I would like to turn the microphone over to James Pasquale, senior vice-president of marketing and economic development. And he will provide additional details to the proposed contract extension. James.

MR. PASQUALE: Thank you Ms. Delince. As Ms. Delince said, my name is James Pasquale, I'm the Senior Vice-President of Marketing of Economic Development at the New York Power Authority. I am here today to present an overview of the 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 known as Niagara Mohawk

Power Corporation, New York State

Electric and Gas, also known as NYSEG, and Rochester Gas and Electric Corporation, also known as RG&E. They have 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 31, 2007.

At the 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 utilities. The power is purchased at the cost-based hydropower rate and these rates are passed on 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, 2007, 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 Power Authority 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, authorize 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 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

0010

Sr VP Pasquale

that, among other things, hydropower now sold to the utilities or 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 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 the close of business Friday, November 5th, 2010. I will now turn the forum back over to Ms. Delince.

HEARING OFFICER DELINCE: Thank you, Mr. Pasquale. I will now call on those wishing to make statements. When I call your name please come to the podium. We have Brian O'Shaughnessy, Chairman of Revere Copper Products, Inc.

BRIAN O'SHAUGHNESSY: Thank you for this opportunity to testify. Normally when I appear at these hearings a couple of our union officials attend with me

0011

O'Shaughnessy (Revere)

representing UAW. They weren't able to make it today. One is on day shift and one is on the night shift. But they've always been and the UAW union very supportive of these efforts to secure long term power contracts using hydro to secure our future.

You probably know that my company was founded by Paul Revere in 1801, and we believe that we are the oldest manufacturing company in the USA. You may not be aware that the leaders of our nation in 1801 were concerned about another war with the British. They knew that copper sheets would be needed to sheath the USS Constitution to prevent barnacles from growing on its hull. But the only source of copper sheath was from a rolling mill in Britain. So the US Navy loaned Paul Revere, imagine that, $10,000 to build the first copper rolling mill in America, which he did just outside of Taunton, Massachusetts. When the war of 1812 came the USS

Constitution was ready.

So the idea of government support for domestic manufacturing came with the birth of our nation. Today, Revere needs your help to continue its operation in mid-state New York. Our domestic competitors include operations in Buffalo, Pennsylvania and Iowa. We understand that their special contracts for electricity give them benefits which are as good as or better than the power Revere currently receives under its Economic Development Power Programs.

All of the stock of Revere is owned by the people who work at Revere. We do not pay dividends and we reinvest every cent we make into upgrading our equipment and information systems, improving energy efficiency and personnel training. We are proud of the findings of the recently completed energy study of Revere by NYPA, the award by DEC for our environmental work, and the copper industry safety award, which has

consistently named Revere as the safest brass mill in the country. That all means that the benefits of economic Development Power stay in New York State and that the proceeds are well invested.

Revere is also in a very competitive situation globally. This means that in spite of the excellent work done by all of its employee owners, our profits are marginal at best. In other words, Revere simply could not survive without the Economic Development Power Programs of New York State.

So it was with some relief that Revere witnessed the New York State Senate with the Governor's support pass a bipartisan bill to allow hydropower to allocate -- excuse me, to allocate hydropower to manufacturing in this region. This region is the only part of Upstate New York in which manufacturing is not supported with long term hydropower contracts. We expect that the new Governor will be successful in

pushing this bill through the Legislature in a major step to help revitalize manufacturing in this region.

The bill also provided relief as appropriate for consumers. A good step. Of course it is well recognized that manufacturing is so critical to all consumers in this region who depend so much on manufacturing for their livelihood either directly or indirectly.

So I recommend that NYPA keep its options open by continuing to support efforts to make competitively priced power a long term reality so that job producing companies such as Revere can keep their doors open. We are working hard to secure the future of our 350 employees as well as their families, and appreciate your efforts to do the same. Thank you.

HEARING OFFICER DELINCE: Thank you. Next we have Karyn Burns, V P Communications and Government Relations at MACNY.

KARYN BURNS: Hi, how are you. On

behalf of MACNY, the Manufacturers Association I would like to thank New York Power Authority for facilitating this hearing and allowing us this opportunity to speak on behalf of manufacturers throughout Central and Upstate New York. My name is Karyn Burns and I'm Vice-President of Communications in Government Relations for MACNY.

MACNY is the state's premier manufacturing trade association, representing over 330 companies with over 55,000 employees across 19 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 the causes that will enable New York State manufacturers to strive in today's competitive global market, because manufacturing is absolutely a critical

component of a vibrant economy.

Standing here on behalf of my collective membership to express my support for an extension of the R&D hydropower contracts until December 31, 2011 with a 30 day out period. I think it is important to note this is the fourth time I have addressed the New York Power Authority in this capacity, as I was also here in 2010 asking for the same extension and twice in 2009. And as you were well aware this coveted source of reliable low cost energy has been a source of debate for where it would best address the needs of New York State and its residents.

This past legislative year significant advancements were made when Energize New York was introduced by both the Administration and the Senate, where it was passed with overwhelming support. Within this Bill the hydropower would be transferred over to serve economic development purposes by giving business

lower cost and more reliable energy. These businesses in turn would be able to take these savings and invest in capital and jobs at their New York facility. With Energize New York so close to becoming law, the one year extension I'm advocating for would give the state a sufficient amount of time to adequately debate and pass a comprehensive long term bill such as Energize New York.

For years our members have struggled with the rapidly increasing costs of energy in New York State, a cost which has increased, exponentially over the last few years. Manufacturing is the most energy intensive sector of the economy. In order to make long term decisions about future operations, manufacturers must be assured that they can continue to operate competitively, including the ability to obtain low cost energy resources. New York manufacturers need a long term solution in accessing

energy rates that are comparable to the national average, rather than at the top of the list in terms of cost and rate. Long term plans must be implemented by the state for the provision of low cost power to the sector driving our economy, manufacturing; the same sector that is the most energy reliant and intensive in day-to-day operations.

I hold great pride in the fact that 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 our state manufacturers. MACNY would like to see these current programs, upon their scheduled date of expiration, phase into a single, state-wide comprehensive and long term economic development power program. Energize New York is the solution.

A large contributor to the success of Energize New York relies on reassessing current power source and

where they are most effective. As part of our proposed solution MACNY urges the state government to consider allocating the 455 megawatts of hydropower from the Niagara and St. Lawrence/FDR hydro-electric projects to economic development power programs, supporting our jobs in New York State and improving the quality of life for your constituents.

Throughout the years many have debated the best use of the 455 megawatts of hydropower in New York. And 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 did not choose so in New York because of our high energy costs. MACNY strongly believes that allocating the hydropower to the business community will not only help retain businesses already located here but also attract and retain strong

growing, out of state manufacturers. 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. Passage and implementation of the Energize New York with a reliable resource such as the hydropower will enhance the ability of manufacturers and businesses to expand and create new family supporting jobs for New York State residents.

In closing, I leave with you not only my written testimony but a coalition letter from dozens of businesses and trade association groups statewide who also believe that execution of a program such as Energize New York will help businesses sustain and grow jobs. Simply put, we want to

retain jobs, and the residents who benefit from those jobs, in New York. This valued resource is an integral part of the solution, if allocated appropri-ately. On behalf of MACNY and its collective membership, I thank you very much for your time.

HEARING OFFICER DELINCE: Thank you Ms. Burns. Is there anyone else here who would like to make an oral presentation? (No response). We will remain here until 7 o'clock for additional testimony.

STEVEN PENN: My name is Steven Penn and I live in the city of Syracuse, and

I'm here because of the announcement about the possible sale of energy from the Niagara and St. Lawrence hydro-plants to National Grid for sale back to the people of Syracuse.

So let me say that my training is that I'm a physicist, I understand a great deal about the energy issues that are involved here and try and follow

0022

them closely. So, first it seems quite odd when one thinks about who owns that power. Who owns the power? The citizens of New York own that the power. These are hydro plants that were paid for in part with state money for the use of the people of New York. So it seems like an odd conundrum that a public institution is now discussing taking the people's power, selling it at a reduced rate to a corporation who's going to sell it back to us, allowing them to make a profit on it rather than having that power be given directly to funding municipalities.

I know in a lot of cases it does fund municipalities, Solvay gets a great deal of their electricity directly from the hydro plant. But we would benefit the citizens of New York much more if we could have that money being, going to municipally funded utilities. I know that there is one opening up in the north country. I'd rather see NYPA

0023

entertaining having that power go to those communities, and encouraging, basically cutting out the middle man and encouraging municipalities around the state to apply for that power, take back their electric grids and have that power being serving the citizens, the local businesses, without us having to pay for the additional profit cost that in this particular case is being shipped out of the country. And is going to be draining an already poor community by having that money leaving the United States to pay the corporate leadership of National Grid in Great Britain.

You know, so let me pause here, because I've just been driving for an hour so I have to the take a minute here and collect my thoughts. I believe that there actually is a provision within the New York Power Authorities Law that says that in the event that there is a municipality that would like that money, excuse me, would like that power, that

it should be allocated for them. I looked it up because I was looking at it earlier today. I'm not finding it off of the top of my head, but I believe there is a provision within New York State Law that said if there is a municipality that requires this power that it should be given to them as a priority.

And so I wonder if there aren't municipal utilities around the state that might be more deserved than National Grid. It's odd that also it was almost just last week it seems that there was another public hearing about National Grid wanting a pay -- a rate increase. So it's odd to have these two hearings so close together. If they get their rate increase and they get the allocation of Niagara Power, they'll be allowing higher rates and they'll be getting their power much more cheaply. And so the effect of those two things put together mean that they're paying

less and they're receiving more.

And so it looks like what's happening here, the PSC and NYPA were combined together, is that the work of NYPA and the PSC will allow a private corporation to be profiting more from the citizens of Syracuse for power that the people of Syracuse already ostensibly own. That seems wrong.

Privately owned utilities put less money through their taxes and employment back into a municipality than do municipally owned utilities. So if we really want to help the citizens of Syracuse to build up their local business, to have better communities, we would be much better encouraging and promoting a municipal funded utility. It brings in more revenue back into the city, it allows cheaper utility rates for the citizenry, and it allows the promotion of business, because with cheaper utility rates you have the promotion of local businesses.

0026

Penn

So everything about this proposed selling of this power over to National Grid just seems inappropriate at this point. And I think our efforts would be much better spent selling this power to other municipally owned utilities around New York State and promoting municipalities to start their own public utilities to benefit their citizenry. Thank you.

HEARING OFFICER DELINCE: Thank you Mr. Penn. So it is now 7:02, I declare this hearing officially closed.

* * * *

0027

Penn

C E R T I F I C A T E

This is to certify that I am a Certified Shorthand Reporter and Notary Public in and for the State of New York, that I attended and reported the above entitled proceedings, that I have compared the foregoing with my original minutes taken therein and that it is a true and correct transcript thereof and all of the proceedings had therein.

John F. Drury, CSR, RPR

Dated: November 8, 2010

From: Milton Drake [melmarge@twcny.rr.com]
Sent: Wednesday, November 03, 2010 8:17 PM
To: Secretary's Office
Subject: Hydropower to Utilities

When Jimmy Carter was president, he said to turn down your thermostat and put on a sweater.
This we did and were uncomfortable only to see Niagara Mohawk Power Company get a rate increase because the rate payers saved so much that the company did not receive the percent of profit that the company was allowed.

We have enjoyed a little savings in the cost of power (supply) because of this sale of hydropower to National Grid. Any savings has certainly been replaced by the high delivery cost charged by the company. We as homeowners or renters don't have the choice of writing off the cost as an expense of doing business as companies do. It is my belief that many more people should enjoy the savings compared to a company which will not pass the savings to their stockholders but will pass it on to the CEO and top management through excessive pay or bonuses. I would like to see homeowners or renters receive this savings as to have it given to some company for creating one or two jobs that will be deleted as soon as any restrictions or requirements are met. Sincerely Milton Drake, 194 Whighill Road, West Monroe, New York 13167

MACNY
The Manufacturers Association

Testimony To:

New York Power Authority

New York State's Low Cost Power Programs

Presented By:

Karyn Burns
Vice President, Communications & Government Relations
MACNY, the Manufacturers Association

November 4, 2010

On behalf of the MACNY, The Manufacturers Association I would like to thank the New York Power Authority for facilitating this hearing and allowing us this opportunity to speak on behalf of manufacturers throughout Central and Upstate New York. My name is Karyn Burns, and I am Vice President, Communications & Government Relations at MACNY.

MACNY is the State's premier manufacturing trade association, representing 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.

Today I am here on behalf of our membership **to express my support for an extension of the R&D hydropower contracts until December 31, 2011, with a 30 day out period.** I think it is important to note that this is the fourth time I have addressed the New York Power Authority in this capacity, as I was also here in 2010 asking for the very same extension. As you are well aware, this coveted source of reliable low cost energy has been a source of debate for where it would best address the needs of New York State. This past legislative year, significant advancements were made when Energize New York was introduced by both the Administration and the Senate, where it was passed with overwhelming support. Within this Bill, the hydropower would be transferred over to serve economic development purposes, by giving business lower cost and more reliable energy. These businesses in turn would be able to take those savings and invest in capital and jobs at their New York facility. With Energize New York so close to becoming Law, the one year-extension I am advocating for would give the State a sufficient amount of time to adequately debate and pass a comprehensive long term bill such as Energize New York.

For years, our members have struggled with the rapidly increasing costs of energy in New York State, a cost which has increased exponentially over the last few years. Manufacturing is the most energy intensive sector of the economy. In order to make long term decisions about future operations, manufacturers must be assured that they can continue to operate competitively, including the ability to obtain low cost energy resources. New York manufacturers need a long term solution in accessing energy rates that are comparable to the national average, rather than at the top of the list in terms of cost and rate. Long term plans must be implemented by the State for the provision of low-cost power to the sector driving our economy, manufacturing – the same sector that is the most energy reliant and intensive in day to day operations.

I hold great pride in the fact that 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. MACNY would like to see these current programs, upon their scheduled date of expiration, phase into a single, state-wide comprehensive and long-term economic development power program. Energize New York is the solution.

A large contributor to the success of Energize New York relies on reassessing current power sources and where they are most effective. As part of our proposed solution, MACNY urges the state government to consider allocating the 455 megawatts of hydropower from the Niagara and Saint Lawrence-FDR hydroelectric projects to economic development power programs, supporting jobs in New York State and improving the quality of life for your constituents.

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 our high energy costs. MACNY strongly believes that 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. 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. Passage and implementation of Energize New York with a reliable resource such as this hydropower will enhance the ability of manufacturers and businesses to expand and create new family-supporting jobs for New York State residents.

In closing, I leave with you with not only my written testimony, but a coalition letter from dozens of business and trade association groups statewide who also believe that execution of a program such as Energize New York will help businesses sustain and grow jobs. Simply put, we want to retain jobs, **and the residents who benefit from those jobs,** in New York. This valued resource is an integral part of the solution, if allocated appropriately. On behalf of MACNY and its collective membership, I thank you for your time.

June 15, 2010

Speaker Sheldon Silver
New York State Assembly
Room 932 Legislative Office Building
Albany, New York 12248

Dear Speaker Silver:

It is critical that the legislature adopt a new, statewide economic development power program in the 2010 session.

Therefore, the undersigned business and trade associations support adoption of the agreed upon two way bipartisan sponsored bill of the Senate and Administration, the Energize New York program.

We believe this legislation includes key provisions necessary to support high paying jobs and promote new capital and energy efficiency investments, resulting in significant economic returns to the state. These include:

- A new, permanent program to replace the Power for Jobs and Economic Development Power programs, which will provide predictability and certainty for program participants.
- *Allocation-based* power benefits, and long-term contracts of up to seven years that will provide competitive, stable electric power prices to energy intensive businesses, including the addition of a targeted program to encourage small business development.
- Eligibility criteria that assure significant, long-term economic return to the state, including the number and value (wages and benefits) of jobs created and retained, investments in capital equipment and energy efficiency, the significance of energy costs to a business' competitiveness, and the local economic significance of the facility.

This legislation, Energize New York, is supported by the Administration and the Senate, and is the product of bipartisan negotiations and agreement.

While this bill redeploys current NYPA hydropower from residential to economic development uses, it includes a residential rate mitigation fund that begins at $100 million, to help offset adverse impact on ratepayers. This redeployment is a "means to the end" – a necessary step to create a more effective economic development program that retains and grows high paying jobs in manufacturing and other energy intensive business. The bill also guarantees, at minimum, that the same level of aggregate benefits now provided to upstate business under Power for Jobs will be provided to upstate business under the new program.

In addition to the rate mitigation included in this bill, the state is devoting significant additional funding for residential energy efficiency programs, including $90 million through NYSERDA's recently adopted RGGI implementation plan. Also of note, the Public Service Commission has approved $950M in new statewide energy efficiency funding programs, for both businesses and residents.

Overall, we believe this bill offers a reasonable balance of economic development resources and residential rate protection.

We greatly appreciate the leadership of the Governor and legislative sponsors on this issue, and we look forward to working with you to adopt a new, comprehensive, sustainable, statewide economic development power program this session.

Sincerely,

Randy Wolken
President, MACNY
MACNY

Kenneth Adams
President/CEO
The Business Council

Brian O'Shaughnessy
Chairman
CASE

Michael J. Elmendorf
State Director
NFIB/New York

F. Michael Tucker
President & CEO
Center for Economic Growth

Robert M. Simpson
President/CEO
CenterState CEO

Harold King
Executive Vice President
Council of Industry

Garry F. Douglas
President/CEO
Plattsburgh-North Country
Chamber of Commerce

Kevin J. Kelley
Executive Director
Rochester Tooling and
Machining Association

David F. Bomke
Executive Director
New York Energy
Consumers Council

Bob Haight
Executive Director
Cortland County Chamber
of Commerce

Frank Elias
President
Mohawk Valley Chamber
of Commerce

James Scerra
Co-Chairman
Power for Economic
Prosperity (PEP)

Kathryn Wylde
President/CEO
Partnership for New York City

Dean Norton
President
New York Farm Bureau

Lou Santoni
President & CEO
Greater Binghamton
Chamber of Commerce

Rob Robinson
President & CEO
Otsego County Chamber

Michael E. White
Executive Director
Long Island Regional
Planning Council

William K. Guglielmo
President
Rome Area Chamber
of Commerce

Daniel R. Perkins
Vice President of
Government Affairs
Long Island Association

Brian McMahon
Executive Director
New York State Economic
Development Council

Diana Ehrlich
Vice President
Albany-Colonie Regional
Chamber of Commerce

About the Organizations

MACNY, the Manufacturers Association, represents over 330 companies in a nineteen county region in Upstate New York. The 97-year-old organization provides human resource services, training, purchasing solutions, networking opportunities and advocacy support for its members.

The Business Council of New York State, Inc. is a statewide business organization representing the interests of large and small firms throughout the state. Its membership is made up of thousands of member companies, as well as local chambers of commerce and professional and trade associations.

CASE, The Consumers for Affordable and Sustainable Energy, is a coalition of businesses located in New York that collectively employ thousands of New Yorkers, contribute financially, socially, and in other ways to the State and our local communities, and are concerned about our ability to remain competitive and viable given the multiple pressures we are facing. In particular, the members of CASE want to make sure that the cost of electricity, which is a substantial component of our overall production and operations costs, is fair and reasonable.

The Council of Industry of Southeastern New York represents over 125 manufacturers and businesses in For over 100 years, the Council of Industry has been serving the Hudson Valley manufacturing community in areas such as human resources, training and advocacy.

Center of Economic Growth (CEG) is a private, not-for-profit organization committed to fostering visionary economic growth throughout the 11-county Capital Region, as well as a significant portion of the Tech Valley corridor.

CenterState Corporation for Economic Opportunity (CEO) is a non-profit regional growth organization serving individuals, businesses and communities across twelve counties in the heart of New York State. CenterState CEO works to achieve economic growth and prosperity through partnerships, planning and problem-solving.

NFIB/New York is New York and the nation's leading small business advocacy association, representing more than 10,000 members statewide

The Plattsburgh-North Country Chamber of Commerce is the largest business and economic development organization in northern New York and one of the five largest chambers in New York State, representing more than 3,500 member companies across Clinton, Franklin, Essex and northern Warren Counties.

RTMA, The Rochester Tooling and Machining Association is a not for profit contract and machine tooling association based out of Rochester. It is currently comprised of over 255 manufacturers and businesses in the Upstate region.

The New York Energy Consumers Council is the largest energy customer advocacy organization in New York State. A non profit organization, members of NYECC represent a broad spectrum of energy buyers, including hospitals, universities, financial institutions, residential and commercial property managers, public benefit corporations, energy service companies, and energy consumers or groups of consumers in Con Edison's service territory.

The Cortland County Chamber of Commerce is an independent, not-for profit organization that serves its collective membership of over 450 businesses in and around Cortland County.

The Mohawk Valley Chamber of Commerce works to serve the needs of its members and employers of all sizes throughout Oneida, and Herkimer counties. They represent approximately 900 businesses in a wide variety of industries and stages of their corporate development.

PEP, the Power for Economic Prosperity Group, is a coalition of energy intensive manufacturing companies that have allocations of NYPA Replacement Power and Expansion Power. They are located in Erie and Niagara Counties.

The Partnership for New York City is a network of business leaders dedicated to enhancing the economy of the five boroughs of New York City and maintaining the city's position as the center of world commerce, finance and innovation. Partnership companies account for nearly 7 million American jobs and contribute over $740 billion to the national GDP.

The New York Farm Bureau is the largest statewide agricultural advocacy organization with a mission to "Serve and Strengthen Agriculture", with almost 30,000 member families engaged in farming and food related occupations.

The Greater Binghamton Chamber of Commerce represents over 850 businesses all of Broome County, including Binghamton, Vestal, Endicott, Endwell, Windsor, Conklin, Kirkwood, Town of Binghamton, Harpursville, Chenango Forks, Chenango Valley, etc.

The Otsego County Chamber represents over 600 businesses from mostly Otsego County and the surrounding areas, as well as New York State businesses that want to be part of our regional economy.

The Long Island Regional Planning Council is a regional planning council established under the NYS General Municipal Law to represent the various interests and needs of all Long Islanders in providing education, research, planning, advocacy and leadership for the Nassau- Suffolk Region on important issues affecting the quality of life on Long Island for the express purpose of promoting the physical, economic and social health of the Region.

The Rome Area Chamber of Commerce was established in 1912, was organized to serve and protect the interests of its members, now 600 strong.

The Long Island Association was established in 1927 and is one of the State's largest business organizations with over 5,000 members representing small business, big business, colleges and universities, organized labor and the not for profit community.

The New York State Economic Development Council is the state's principal organization representing economic development professionals. Our 900 members include the leadership of Industrial Development Agencies, Local Development Corporations, commercial and investment banks, underwriters, bond counsels, utilities, chambers of commerce and private corporations.

The Albany-Colonie Regional Chamber of Commerce is made up of 2,400 businesses and organizations of all types and sizes and from throughout the region that knows they will prosper and grow in a vibrant business environment.

Brian O'Shaughnessy
Revere Copper Products, Inc.
One Revere Park
Rome, NY 13440
(315) 338-2332
Brian@reverecopper.com

November 4, 2010
NYPA Hearing

My name is Brian O'Shaughnessy and I am the Chairman of Revere Copper Products, Inc. You probably know that my company was founded by Paul Revere in 1801 and we believe that we are the oldest manufacturing company in the USA. You may not be aware that the leaders of our nation in 1801 were concerned about another war with the British. They knew that copper sheets would be needed to sheath the USS Constitution to prevent barnacles from growing on its hull. But the only source of copper sheet was from a rolling mill in Britain. So the US Navy loaned Paul Revere $10,000 to build the first copper rolling mill in America which he did just outside of Taunton, Massachusetts. When the War of 1812 came, the USS Constitution was ready.

So the idea of government support of domestic manufacturing came with the birth of our nation. Today, Revere needs your help to continue its operation in mid-state New York. Our domestic competitors include operations in Buffalo, Pennsylvania, and Iowa. We understand that their special contracts for electricity give them benefits which are as good as or better than the power Revere currently receives under its Economic Development Power Programs.

All of the stock of Revere is owned by the people who work at Revere. We do not pay dividends and reinvest every cent we make in upgrading our equipment and information systems, improving energy efficiency and personnel training. We are proud of the findings of the recently completed energy study of Revere by NYPA, the award by DEC for our environmental work and the copper industry safety award which has consistently named Revere as the safest brass mill in the country. That all means that the benefits of Economic Development Power stay in New York State and that the proceeds are well invested.

Revere is also in a very competitive situation globally. This means that in spite of the excellent work done by all of its employee owners, our profits are marginal at best. In other words, Revere simply could not survive without the Economic Development Power Programs of New York State.

So it was with some relief that Revere witnessed the New York State Senate with the Governor's support pass a bipartisan bill to allocate hydro power to manufacturing in this region. This region is the only part of Upstate New York in which manufacturing is not supported with long term hydro power contracts. We expect that the new Governor will be successful in pushing this bill through the legislature in a major step to help revitalize manufacturing in this region.

The bill also provided relief as appropriate for consumers---a good step. Of course, it is well recognized that manufacturing is so critical to all consumers in this region who depend so much on manufacturing for their livelihood either directly or indirectly.

So, I recommend that NYPA keep its options open by continuing to support efforts to make competitively priced power a long term reality so that job producing companies such as Revere can keep their doors open. We are working hard to secure the future of our 350 employees as well as their families and appreciate your efforts to do the same.

Thank you.

From: Gail Berlin [gberlin@ariseinc.org]
Sent: Thursday, November 04, 2010 2:12 PM
To: Secretary's Office

I support hyropower for public power

Gail Berlin
Housing Advocate
ARISE
(315)671-2924 phone
(315)472-9252 fax
(315)479-6363 TTY

From: Marion Carr [MCarr@ariseinc.org]
Sent: Thursday, November 04, 2010 2:15 PM
To: Secretary's Office
Subject: NY Power Authority

I support Hydropower for Public Power! Please do not sell state-owned hydropower to businesses. New York families are in a dire need to benefit from savings generated by state-owned hydropower.

"Missy" Marion Carr
Housing Advocate
ARISE
(315) 671-2996 phone
(315) 472-9252 fax
(315) 479-6363 TTY
mcarr@ariseinc.org

Think Green!

Please only print this email if absolutely necessary.

From: Lisa Spina [lspina@ariseinc.org]
Sent: Thursday, November 04, 2010 2:29 PM
To: Secretary's Office
Subject: Hydropower for Families

I support Hydropower for Public Power. Please do not sell State owned Hydropower to businesses. New York families need to benefit from savings generated by state owned Hydropower. Thank You Lisa Spina

From: Sandy O'Dwyer [Sodwyer@ariseinc.org]
Sent: Thursday, November 04, 2010 2:35 PM
To: Secretary's Office
Subject: Do not sell state-owned hydropower

I support Hydropower for Public Power! Please do not sell state-owned hydropower to businesses. New York families are in a dire need to benefit from savings generated by state-owned hydropower. We cannot afford to live in this state as it is!

Sandy O'Dwyer
ARISE Child and Family Service
(315) 671-2950

From: Steve O'Keefe [sokeefe@ariseinc.org]
Sent: Thursday, November 04, 2010 2:36 PM
To: Secretary's Office
Subject: Hydropower

Hi, please do not sell state-owned hydropower to businesses. New York's families are in dire need from saving generated by state-owned hydropower. Thanks, Steve

From:	Lorie Newcombe [lnewcombe@ariseinc.org]
Sent:	Thursday, November 04, 2010 2:44 PM
To:	Secretary's Office
Subject:	Hydropower for Public Power

I support Hydropower for Public Power! Please do not sell state-owned hydropower to businesses. New York families are in a dire need to benefit from savings generated by state-owned hydropower.

Lorie Newcombe

112 Wayne St

Syracuse, NY 13203

315 476-6519

lnewcom1@twcny.rr.com

From: Kathy Mar [KMahar@ariseinc.org]
Sent: Thursday, November 04, 2010 3:21 PM
To: Secretary's Office
Subject: Hydropower

I support Hydropower for Public Power! Please do not sell state-owned hydropower to businesses. New York families are in a dire need to benefit from savings generated by state-owned hydropower.

Kathy Mahar
Advocacy/ CDPAP/ Respite
ARISE
2 Broad St
Pulaski, NY 13142
315-298-5726 X204

From: Marian Miller [mmiller@ariseinc.org]
Sent: Thursday, November 04, 2010 3:42 PM
To: Secretary's Office
Subject: Hydropower

Gentlemen: I am in favor of Hydro Power for Public Power. We should have every advantage possible when it comes to dedicating resources such as this to municipalities in NYS.

Let's not fill businesses and Investor-owned utilities' pockets.."Give us a break" everything seems to be going up and up--- not good for anyone and especially seniors that are growing in numbers from year to year.

Thank you. I hope you support this comment.

ARISE
E-Mail : mmiller@ariseinc.org
Marian j. Miller
Accessibility Program Coord.
635James Street
Syracuse, New York 13203
Phone: (315) 671-2908-Direct Line
Fax : (315) 472-9252
TTY : (315) 479-6363
Recept:(315) 472-3171

From: Sonya Simmons [ssimmons@ariseinc.org]
Sent: Thursday, November 04, 2010 4:16 PM
To: Secretary's Office
Subject: TAKING ACTION!

Dear NYPA,

I support Hydropower for Public Power! Please do not sell state-owned hydropower to businesses. New York families are in a dire need to benefit from savings generated by state-owned hydropower.

Sonya Simmons
Intake Coordinator
635 James Street
Syracuse, NY 13203
Voice: (315) 671-2968
Fax: (315) 472-9252

From: Terry Pratt [tpratt@malkinross.com]
Sent: Friday, November 05, 2010 4:28 PM
To: Secretary's Office
Cc: Tina Dalton; SAWICKVF@airproducts.com; Christine Tramontano
Subject: Air Products Comments re: Nov 4 NYPA Hearing
Attachments: NYPA hearing letter 11-4-10L.pdf

Please find attached comments offered by Air Products and Chemicals, Inc. in relation to the public hearing held Thursday November 4th regarding New York's Low-Cost Power Programs and proposals to utilize hydroelectric power.

Please confirm receipt of this email and please contact me with any questions regarding this submission.

Thank You.

Terrance N. Pratt, Esq.
Malkin & Ross
80 State Street, 11th Floor
Albany, New York 12207
ph: (518) 449-3359
fax: (518) 449-5788
tpratt@malkinross.com

AIR PRODUCTS

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

November 4, 2010

Karen Deliance
NYPA Corporate Secretary
123 Main Street
White Plains, NY 10601

Dear Ms. Deliance:

I am writing on behalf of Air Products Inc., a recipient of the State's Energy Cost Savings Benefit program, in support of reallocating 455 MW of NYPA's low-cost hydro power support economic development investment throughout the state. Air Products also supports NYPA withdrawal from utility contracts with 30 days notice should a program be adopted in 2011.

Air Products supports current legislation – S.8065, the Energize New York Program – and believes that a long-term, low-cost power program will provide manufacturers and businesses with the certainty that is necessary to make these programs effective. NYPA's low-cost hydro power is necessary to ensure that the program remains sustainable. Without a dedicated source of power, it will be challenging to maintain the program and recipients will have no guarantee that their electricity prices will remain reasonable. Given the high cost of energy in New York, any permanent spike in energy costs will make it difficult for Air Products to remain competitive in New York and may force us to dislocate some or all or our production to other states.

By way of background, Air Products owns and operates an air separation facility in Glenmont, which employs over 55 individuals and provides products to customers in a limited geographical territory, including many prominent New York businesses. It was built in its present location in 1975 to specifically take advantage of NYPA's High Load Factor program that was initially supported by the Fitzpatrick nuclear station, then under a legislative extension of rates for the Option 5 High Load Factor contract customers. As a business looking to maintain its presence in the Capital District, it is critical that we continue to receive discounted NYPA power to offset the high cost of electricity. Electricity can account for up to 70 percent of our fixed costs and even a small increase in our rates can have a very significant impact on our costs.

We anticipate that Governor-elect Andrew Cuomo and the Legislature will negotiate a long-term, low-cost power program during the 2011 legislative session. It is important that NYPA's low-cost hydro power be part of that discussion. Thank you for the opportunity to submit comments on this important issue.

Sincerely,

Victor F. Sawicki /mid

Victor F. Sawicki
Senior Energy Manager
Corporate Energy

From: Lance Denno [lancedenno@gmail.com]
Sent: Friday, November 05, 2010 5:03 PM
To: Secretary's Office
Subject: Use of NYPA Power

Office of the Secretary,
New York Power Authority

I write to voice my support for the extension of NYPA Power Allocation for residential purposes. This is the appropriate and legal use of this power consistent with the authorizing legislation. Furthermore, I urge NYPA to hold this power allocation solely for such residential use or for allocation to appropriate Municipally operated utilities. Municipally operated utilities should be the first recipients of any available NYPA power allocation.

Thank you

Lance Denno
Councilor-at-Large
Syracuse

From: Robert and Jessie Mayer [rjmayer@dreamscape.com]
Sent: Thursday, November 04, 2010 5:47 PM
To: Secretary's Office
Subject: Hydropower to utilities

Gentlemen:

We are very much in favor of the present sale of cheap hydropower being sold to upstate customers of National Grid, NY State Electic & Gas and Rochester Gas & Electric. Upstate New York residents should be entitled to all of the cheap hydropower produced in their region. If there is an excess of power being produced why isn't it being made available to more upstate residents and businesses?

W. Robert and Jessie L. Mayer
381 Genesee St.
Oneida, NY
13421-2611

CNY Public Power Coalition

2013 E. Genesee St. 2nd floor, Syracuse, NY 13210 • (315) 412-6578

Friday, November 05, 2010

Karen Delince
NYPA Corporate Secretary
123 Main Street
White Plains, NY 10601

Statement from the Central New York Public Power Coalition to the New York State Power Authority about the proposed sale of hydroelectric power from the Niagara and St. Lawrence facilities

The Central New York Public Power Coalition (PPC) reminds the New York Power Authority that the Niagara and St. Lawrence hydroelectric facilities were built with New York State funds for the expressed purpose of providing affordable power to the citizens of our state. Section 1005, paragraph 5 of the New York Public Authorities Law requires that power from the Niagara and St. Lawrence Projects is for the benefit of the people of the state as a whole, and in particular for domestic and rural customers. Sale to and use by industry is a secondary purpose.

The PPC does not feel that the proposed sale of this power to investor-owned utilities (IOUs) fulfills that mandate in the longterm. This arrangement effectively funnels publicly-funded power through private hands, and in doing so, allows these IOUs to attach substantial delivery costs that in many cases exceed the cost of the delivered power. While NYPA does stipulate that the IOUs sell this hydropower at cost, it is important to recognize that in the current deregulated market, IOUs make their profit not from power costs but from delivery costs.

In contrast, the municipally-owned utilities in NY state provide their customers with power at a substantially reduced rate and they direct more money into their municipal budgets than do the tax-paying IOUs. If the excess Niagara and St. Lawrence hydropower were provided to municipally-owned utilities, then the citizens of NY would reap the full benefit of these power plants. Therefore the PPC requests that NYPA, before authorizing a sale of power to IOUs, make a good faith effort to ensure that no existing or newly forming municipals need this power. In addition, we feel that NYPA should publicize the availability of this power to local governments to encourage the development municipally-owned utilities.

We are aware of proposals from the current governor and state senate that would require NYPA to sell this hydropower preferentially to businesses. The PPC vehemently opposes this idea. Such efforts are a violation of the original intent of these facilities; it redirects a public resource through private businesses, who use it to extract profit from the public. This power should only be made available to residential customers and municipally-owned utilities.

If NYPA decides to authorize the sale of hydropower to National Grid, New York State Electric and Gas, and Rochester Gas and Electric, then the PPC insists that the contracts include provisions for recall of any or all capacity if it is needed by any New York municipal utility, either now existing or established in the future. Title 16 Chapter 11E of the federal law that authorizes NYPA to operate the Niagara Power Project requires that any contract for the sale of preference power from the Project to an investor-owned utility must provide for the withdrawal of enough power to meet the needs of preference customers. Municipal utilities are such preference customers.

Finally, at last year's NYPA hearing in Syracuse, the CNY Public Power Coalition submitted a statement, which we have attached below. In so doing, we have declared to you our interest as a stakeholder in this decision. As such we should have been notified directly of this upcoming hearing, rather than seeing it last minute in the newspaper. We request that you notify us directly of any future such hearings by send a letter to: Public Power Coalition, 2013 E. Genesee St., 2nd floor, Syracuse NY 13210.

September 3, 2009

The Central New York Public Power Coalition (CNYPPC) is an organization of citizens of Syracuse New York that advocates for the establishment of a municipal electric utility to serve the City of Syracuse and surrounding area. The Coalition recognizes that identifying and developing energy-supply sources is essential to the formation of a municipal utility.

In May 2007 the Coalition helped in the drafting of a letter from Bethaida Gonzalez, President of the Syracuse Common Council, to Frank S. McCullough, Jr., then Chairman of the New York Power Authority. In that letter President Gonzalez inquired about the availability of electric power from NYPA to supply a new municipal utility, should one be established for Syracuse. President Gonzalez received a response, dated June 6, 2007 from Louise M. Morman, Vice President – Marketing & Economic Development.

Ms. Morman's letter was perfunctory, and indicated that all NYPA capacity for municipal utilities is fully allocated through 2025. The letter also stated that the disposition of NYPA hydroelectric capacity becoming available coming off contract in the summer of 2007 was under review by the Legislature and the Governor, and that the Temporary Commission on the Future of New York State Power Programs for Economic Development recommended that available hydropower be allocated for economic-development purposes.

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 law goes on to further state:

> "... 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, should the City of Syracuse establish such a utility.

The CNYPPC has no objection to the proposed extension of existing NYPA contracts with Niagara Mohawk, New York State Electric and Gas, and Rochester Gas and Electric through December 31, 2010. However, the Coalition objects to further extension beyond that date in the event that the City of Syracuse or other regional municipalities proceed with the formation of a municipal electric utility.

November 5, 2010

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

Dear Ms. Delince:

NYSEG and RG&E appreciate the opportunity to submit this written statement in response to NYPA's notice of public hearings on hydropower contract extensions with upstate utilities. We request that this correspondence become part of the record of the hearings.

As the review of contract extensions for hydroelectric allocations from the New York Power Authority (NYPA) continue, please be aware of the importance of retaining the significant allocations provided to NYSEG and RG&E residential customers from the Niagara and St. Lawrence projects. For 50 years, the companies' more than 1.2 million residential electricity customers – representing 3 million people – have directly benefited from these allocations. The allocations are governed by the "rural and domestic" provision of Public Authorities Law and the contracts between NYPA and the utilities are consistent with this law. As you know, the contracts for these power allocations are currently scheduled to remain in effect through December 31, 2010. ***NYSEG and RG&E, on behalf of our customers, strongly support the extension of these contracts from January 1 through December 31, 2011.***

Retaining these allocations of NYPA hydropower is important to NYSEG's and RG&E's residential electricity customers and the struggling upstate economy. Based on actual and projected data, from 2006 through 2010, the average annual benefit to NYSEG and RG&E residential customers is $93 million. This benefit goes directly to customers in the form of monthly bill credits that are clearly listed on bills. When coupled with the additional Public Service Law §18-a assessment increase enacted in the 2009-2010 state budget, the loss of the NYPA hydropower allocations would cause a significant hardship, especially for low- income, fixed-income and small farm customers that are on a residential rate.

The current NYPA hydropower allocations to the residential customers of the companies represent approximately 20% of NYSEG's total residential energy requirement and approximately 27% of RG&E's total residential energy requirement. It is important to look at savings over time due to the changes in market prices which impact the value of the hydropower allocations – simply looking at a current snapshot does not do justice to the importance of these allocations to our customers.

For example:

- From 2006 through August 2009, the bill of a NYSEG customer using 600 kilowatt-hours (kwh) per month would have been **8.5% higher without NYPA power** (representing an average monthly benefit of $6.57). The bill of a NYSEG customer using 900 kwh per month would have been 9.0% higher (representing an average monthly benefit of $9.86).

- From 2006 through August 2009, the bill of an RG&E customer using 600 kwh per month would have been **13.1% higher without NYPA power** (representing an average monthly benefit of $8.43). The bill of an RG&E customer using 900 kwh per month would have been 14.7% higher (representing an average monthly benefit of $12.65).

NYSEG and RG&E have advocated on behalf of our customers in the past and we will continue to do so in the future. We respectfully urge you to give favorable consideration to the extension of the contracts that provides these important allocations of NYPA hydropower to NYSEG and RG&E residential customers.

If you have questions, or would like further information, please contact Cindy Chadwick, manager - state government affairs, at 607.762.7310 or me at 585.771.2294.

Sincerely,

Robert Bergin
Director - Public Affairs

From: Sdiesing [sdiesing@ariseinc.org]
Sent: Friday, November 05, 2010 2:10 AM
To: Secretary's Office
Cc: Beata Karpinska-Prehn
Subject: Hydropower for Public Power

I support Hydropower for Public Power! Please do not sell state-owned hydropower to businesses. New York families are in a dire need to benefit from savings generated by state-owned hydropower.
The people of New York are in dire need of any financial break that we can get. Unemployment is unbelievably high, and people are losing their homes, their land that has been handed down from generation to generation, their car's, etc. Numerous services for person's with disabilities have been cut to the bone, leaving some very in need families to struggle even more financially.
Please! Enough is enough! New York families deserve to benefit from the savings that are generated by state owned hydropower. New Yorker's have given and given until we can't give any more. It is time to listen to the people.
Thank you for considering my position on this issue.

Sue Diesing
185 E. 9th Street
Oswego, NY 13126

From: Danielle Brooks [dbrooks@ariseinc.org]
Sent: Friday, November 05, 2010 8:12 AM
To: Secretary's Office
Subject: Hydropower

I support Hydropower for Public Power! Please do not sell state-owned hydropower to businesses. New York families are in a dire need to benefit from savings generated by state-owned hydropower.

From: Cheryl Arnold [carnold@ariseinc.org]
Sent: Friday, November 05, 2010 8:12 AM
To: Secretary's Office
Subject: National Grid rate increase

Please do not consider allowing National Grid to raise their utility rates. So many of us in New York are struggling as it is to keep up with utility costs, and many of us are losing the battle. I already have to choose between food, housing, medications & property taxes, adding increases to utilities will push these choices even further. Our senior & disabled are the most effected by increases in utilities because their incomes are the lowest, and their needs are the greatest. With the heating season upon us, now is the time that costs are already on our minds, don't make it a fear that will push our seniors/disabled citizens to despair. I work and still can barely afford to pay my fuel oil bill which even on a budget plan will go as high as $477.00 per month. And this is **only fuel oil** no other utilities.

Even though the media may tell us that our jobless rates are going down, we do not see it here in upstate New York. I think those numbers are not reflecting the large number of workers whose Unemployment benefits have run out, but have not necessarily found employment. Their numbers do not reflect the number of workers who have moved from NYS to seek employment elsewhere. Many workers are taking jobs that do not anywhere near cover what their displaced jobs paid. Unfortunately ,our living expenses continue to increase, taxes on our homes continue to increase, and now our utility supplier wants another rate increase .

The people of NYS need to catch a break somewhere. That break is in your hands. Please do the right thing and deny National Grid's request for a rate increase.

Sincerely, Cheryl Arnold
Fulton, N.Y.

From: Jim Cronk [jcronk@ariseinc.org]
Sent: Friday, November 05, 2010 11:35 AM
To: Secretary's Office
Subject: Hydropower for Public Power!!!!

I support Hydropower for Public Power! Please do not sell state-owned hydropower to businesses. New York families are in a dire need to benefit from savings generated by state-owned hydropower. Low-income families and individuals are already struggling to get by. Many have shut off notices because they can't afford the bill now, and we aren't even into winter here in NYS. Please think of the struggling families in NYS!

Jim Cronk
Independent Living *Services* Rep.
ARISE
9 Fourth Ave.
Oswego, NY 13126
(315)342-4088 x211

From: Steven Penn [penn@mac.com]
Sent: Friday, November 05, 2010 11:43 PM
To: Secretary's Office
Subject: Statement regarding the sale of Niagara hydropower
Attachments: PPC_NYPAhearingStatement2010.pdf; ATT00001.htm

Follow Up Flag: Follow up
Flag Status: Completed

From: James M. Newton [jnewton4@twcny.rr.com]
Sent: Friday, November 05, 2010 12:59 PM
To: Secretary's Office
Subject: Hydro Power

To Whom It May Concern:

I understand there is some thinking to somehow further bolster support for businesses at the expense of New York's private ratepayers at a time when many New Yorkers are already struggling. Even with prices as they are, we're having a tough time of it wondering how we'll pay the current rate for this winter. How much more will we have to choose between necessities if rates go up?

I am firmly against any plan to transfer less expensive hydropower from ratepayers to businesses. Like Solvay, NY's public power, I believe it would be beneficial to both private and corporate ratepayers to turn all of Syracuse and Central New York's power supplies into public utilities.

Thank you for your time and attention.

James M. Newton
4025 Onondaga Blvd.
Camillus, NY 13031

From: Chadwick, Cindy [CTChadwick@nyseg.com]
Sent: Friday, November 05, 2010 1:52 PM
To: Secretary's Office
Subject: NYSEG/RG&E Statement on Contract Extensions
Attachments: nypaallocations11510.doc

Dear Ms. Delince,

Attached please find comments from New York State Electric & Gas (NYSEG) and Rochester Gas and Electric (RG&E) sent in response to the hearing notice on hydropower contract extensions with upstate utilities. We respectfully request that this document become part of the hearing record.

Thank you.

Cindy Chadwick
Manager, Public Affairs
NYSEG and RG&E
607-762-7310

c. Transfers of Industrial Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the transfer of power allocations for nine existing customers that have either changed their corporate name for various business reasons or relocated their business operations to a different facility.

BACKGROUND

"This is an administrative item brought to the Board at regular intervals. Nine companies are requesting the Board approve a transfer of their existing power allocation to a new corporate entity or approve a transfer of their allocation because of a business location change. For most companies involved in this transfer item, the power allocation will be delivered to the same location. Two customers are requesting a transfer of their power allocation to a new location because of a consolidation. All of the transfers are for allocations previously approved by the Trustees, and each company will be maintaining similar business operations. The reasons for such transfers are described below.

"Five of the transfers, specifically those involving Power for Jobs allocations, Economic Development Power ('EDP') allocations and associated Energy Cost Savings Benefits, were approved by the Economic Development Allocation Board ('EDPAB') at their December 13, 2010 meeting, as required under Economic Development Law Section 186.

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

DISCUSSION

"The proposed transferees are as follows:

Alcan Packaging Food & Tobacco, Inc. ('Alcan'), located in Edgewood, NY, produces flexible packaging for consumer products. **Bemis Company, Inc.** acquired Alcan on March 1st, 2010. Alcan is requesting to transfer its 850 kW EDP allocation to Bemis Company, Inc. The customer will meet all contractual commitments in the existing contract with the Authority.

Beaver Falls Sealing Products, located in Croghan, NY, specializes in gaskets, packing, and sealing products. With no change of ownership involved or any change in control of the facility, the company has changed the name of their company to **Interface Sealing Solutions, Inc.** The company will continue to honor all the contract terms and commitments of its 250 kW Power for Jobs ('PFJ') allocation.

Birds Eye Foods Inc. (Birds Eye Group Inc. Delaware) located in Fulton, NY, a food processing and marketing company has filed a certificate of conversion to the company name **Birds Eye Foods LLC** on December 24, 2009**.** The company will honor all of the terms and commitments of its 1,500 kW PFJ Extended Benefits contract with the Authority in order to receive Electricity Savings Reimbursements ('rebates') until the expiration date of the program.

Cliffstar Corporation ('Cliffstar'), operating in Dunkirk, NY, has been producing juices, drinks, and fitness waters for over 30 years. Cliffstar until now was privately-owned by the Star Family. Cott Corporation purchased all assets of Cliffstar on July 7, 2010. Cliffstar will be operating in the same location under the newly formed limited liability company **Cliffstar LLC**. The company is requesting to transfer its 500 kW Replacement Power ('RP') allocation to Cliffstar LLC. Going forward it will continue to honor all contractual commitments with the Authority.

Graphic Controls LLC, located in Buffalo, NY, throughout 60 years has produced ink jet fluids, POS papers, tickets, PVC cards, and security goods. **Graphic Controls Acquisition Corp.** a Delaware corporation intends to acquire all the assets of Graphic Controls LLC. With the acquisition, the company wishes to transfer their 250 kW RP allocation to the new entity. The new company agrees to honor all the Authority's contract terms and commitments.

Habasit Belting LLC, operating in Buffalo, NY, produces power transmission, conveyor and processing belts, gears and motors. The customer wishes to transfer their 200 kW RP allocation to their new corporate name **Habasit America, Inc.** There is no change of ownership, no change in operations or products produced, nor location of the facility. The customer agrees to meet all contract commitments with the Authority.

Liz Claiborne, Inc., located in Manhattan, NY, is a clothing and accessories manufacturer. Due to significant changes in the organizational strategy at its current location, Liz Claiborne Inc. wishes to allocate its commitment to three additional locations. The existing location associated with the allocation is 1441 Broadway. The company wishes to transfer their 1,500 kW PFJ Extended Benefits contract with the Authority in order to receive rebates until the expiration date of the program. In its entirety, the four locations to receive the allocation will be 1440 Broadway, 1441 Broadway, 240 West 40th Street, and Kate Spade at 25th Street. The customer continues to honor all contract commitments with the Authority.

Newsday, located in Melville, NY, produces a daily news publication serving Long Island since 1940. The company is requesting to transfer its 850 kW EDP allocation from 25 Deshon Road, Melville, NY, to another one of their facilities on 235 Pinelawn Road, Melville, NY. All existing contract commitments will remain in effect.

PortCoat LLC, located in Lackawanna, NY, plans to build and operate a hot-dip galvanizing line. In April 2008, the Trustees awarded the company 2,000 kW of RP as an incentive to pursue this business plan. The allocation is still pending takedown at this time while the company moves forward with the project. With no change of ownership involved, PortCoat LLC is now known as **Galvstar LLC.** The company wishes to transfer its 2,000 kW RP allocation to the new company name. There is no change in the scope of the project and the company's contract commitments will not change.

<u>RECOMMENDATION</u>

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the transfer of power allocations for nine existing customers that have either changed their corporate name for various business reasons or relocated their business to a different facility while maintaining similar business operations and contract commitments.

"The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Vice President – Marketing 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 authorizes the transfers of nine industrial power customers' allocations in accordance with the terms described in the foregoing report of the President and Chief Executive Officer; and be it further

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

d. <u>Extension of Contract FD-13 - Brookhaven National Laboratory</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an extension of the contract ('Contract FD- 13') to provide firm power service to the United States Department of Energy ('DOE') for use by Brookhaven National Laboratory ('Brookhaven' or 'BNL') for a period of ten years (January 1, 2011 through December 31, 2020) with an option for DOE to extend the contract period for an additional five years (through December 31, 2025). This contract extension, when combined with the Authority's recently approved hydropower allocation for the benefit of BNL, will enable this important scientific laboratory to continue its ground-breaking research which provides long-term economic benefits to New York State.

BACKGROUND

"The Authority has been serving Brookhaven since November 1982. The Contract FD-13 permits Brookhaven to receive 77 megawatts ('MW') of firm power and energy. The electricity provided by the Authority has saved the laboratory in excess of $316 million over the life of the contract while, at the same time, giving Brookhaven the ability to attract new, cutting-edge science projects to Long Island. These projects include the Alternate Gradient Synchrotron, the National Synchrotron Light Source ('NSLS') and the Relativistic Heavy Ion Collider ('RHIC'). In anticipation of a proposed 15 MW hydropower contract between the Authority and Long Island Power Authority ('LIPA') for resale exclusively to Brookhaven (the 'Hydropower Resale Contract,' which has been executed by the parties and has received all necessary state approvals)[1] and this proposed contract extension, construction of a $900 million upgrade to the NSLS known as National Synchrotron Light Source-II ('NSLS-II') began this year, creating hundreds of construction jobs. NSLS-II is expected to support up to 300 additional scientists performing advanced research when completed in 2015.

"With more than 3,000 employees and a $500 million annual budget, Brookhaven is a major employer on Long Island, attracting members of the scientific community from New York, other states and around the world. In addition, more than 3,000 visiting researchers from universities, industry and other research institutions use the laboratory's advanced science facilities annually, with approximately one-third from New York institutions and businesses from various parts of the state. Among the institutions are the State University of New York at Plattsburgh, Cornell University and Rensselaer Polytechnic Institute. Business organizations making use of BNL facilities include Corning, General Electric and IBM. BNL's annual impact on New York State's economy is estimated at nearly $1 billion, with hundreds of millions of dollars linked to direct spending in the state by the laboratory's employees.

DISCUSSION

"The extension of Contract FD-13 and the Hydropower Resale Contract are intended to work in concert to provide economically viable power and energy to BNL.

"The 15 MW allocation provided under the Hydropower Resale Contract would be blended with the market energy purchases of up to 77 MW under Contract FD-13 to meet BNL's requirements. As staff explained in its December 15, 2009 memorandum to the Trustees, the partial assignment of the Authority's Contract FD-13 power sales obligations to LIPA under the Hydropower Resale Contract will allow the Authority to continue to provide BNL with the economic benefits associated with certain 'grandfathered' transmission agreements under Contract FD-13. This is expected to provide stable transmission service rates and hedges against congestion.

---

[1] NYPA and LIPA executed the Hydropower Resale Contract in June 2010, which later received the approvals required under LIPA's statutes from the Office of the State Comptroller and the New York State Attorney General in July 2010.

"As noted, the Authority and LIPA have recently executed and received all required approvals for the Hydropower Resale Contract, which provides for the sale of 15 MW of Authority hydropower and energy to LIPA for resale to, and exclusive use of, BNL.

"Due to DOE's internal policy limiting energy purchase contracts to terms of no more than ten years, the proposed contract modification is for ten years with an option for the parties to extend the Agreement for an additional five years provided the Authority receives prior authorization from DOE. This ten-year term with a five-year extension option is consistent with the terms of service set forth in the Hydropower Resale Contract.

"The contract extension will continue to provide for a flow-through of market prices for that portion of Brookhaven's electricity requirements in excess of the 15 MW allocation under the Hydropower Resale Contract. The goal is to offer an effective price of electricity for Brookhaven that is substantially lower than the full market price for electricity on Long Island and allow Brookhaven to compete within the National Laboratory System for world-class science projects. Brookhaven's continued success is directly tied to its ability to build and operate large, complex, one-of-a-kind scientific facilities that draw researchers from around the world. If Brookhaven were not able to obtain a stable source of power priced at nationally competitive rates for the long term, it would suffer future loss of jobs, reduced or eliminated technology-transfer opportunities and the eventual closure of the facility.

"The contract extension establishes a total 'all in' cost cap of $375 million for power and energy provided during the term of the contract, inclusive of the power and energy BNL will receive under the Hydropower Resale Contract. If the total 'all in' cost cap is estimated by the Authority to be exceeded, the Authority will notify DOE in order to receive authorization to exceed the cap in accordance with the terms of the extended contract. Upon receiving such authorization, the Authority will continue performance and DOE will be obligated to compensate the Authority for costs incurred in excess of the total 'all in' cost cap. Absent receiving such authorization, the Authority is not obligated to continue performance under the extended contract. Authority staff will monitor the total costs paid to serve BNL in order to ensure that it makes the necessary notifications to DOE.

"Power service under both the extended Contract FD-13 and the Hydropower Resale Contract is expected to commence January 1, 2011.

FISCAL INFORMATION

"Brookhaven will pay the full cost of power and energy provided under this contract extension.

RECOMMENDATION

"The Vice President – Marketing recommends that Brookhaven National Laboratory's contract be extended as described herein and the terms of service for the sale of power to Brookhaven be modified in accordance with the foregoing.

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

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

RESOLVED, That the extension of Contract FD-13 for a period of ten years (January 1, 2011 through December 31, 2020) with a customer option to extend for an additional five years (to December 31, 2025), be approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized to negotiate and execute any and all documents necessary or desirable to effectuate the foregoing; 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.

e. Proposed Expansion and Replacement Power Contracts with
ITT Enidine Inc., and Moog Inc. – Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a public hearing pursuant to §1009 of the Public Authorities Law ('PAL §1009') on proposed contracts ('Contracts') for allocations of Expansion Power ('EP') and Replacement Power ('RP') to ITT Enidine Inc. ('ITT') and Moog, Inc. (Moog'), respectively (Collectively referred to as the 'Customers'). The proposed Contracts are attached as Exhibits '3e-A' and '3e-B.'

BACKGROUND

"Under §1005(13) of the PAL, as amended by Chapter 313 of the Laws of 2005, the Authority may contract to allocate 250 megawatts ('MW') of firm hydroelectric power as EP and up to 445 MW of RP to businesses in the New York 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 and RP must be evaluated under criteria that include, but need not be limited to, those set forth in PAL Section 1005(13)(a), which details general eligibility requirements. Among the factors used for evaluating a request for an allocation of hydropower are the number of jobs created, the capital investment in the business' facilities, the types of jobs created and the associated wages and benefits.

"At their meeting of May 22, 2007, the Trustees approved an allocation of 200 kW of EP to ITT for a term of five years. Approval of the allocation was based on an evaluation of ITT's application for hydropower in which the company proposed to expand its facilities. ITT committed to invest $2.5 million to expand the facility and install new production machinery and equipment. The project would create 20 new jobs in addition to the existing 200 jobs.

"Regarding Moog, on July 31, 2007, the Trustees approved an allocation of 1,200 kW of RP for a term of five years. The allocation was based on an evaluation of Moog's application for hydropower in which the company proposed adding nearly 70,000 square feet of manufacturing and office space. Moog committed to invest $16.8 million in expanding the facility, along with installing new production machinery and equipment. The project would create 140 new jobs in addition to the existing 2,306 jobs.

"Staff has verified that both projects have been completed and each Customer has requested to start using its respective allocations as early as January 1, 2011.

"As required by PAL §1009, when agreement has been reached by an authority and its co-parties (the Customers), the authority shall transmit the proposed contract to the governor and other elected officials. Subsequent to the transmittal, a public hearing shall be held, upon a 30-day notice provision and publication of the hearing in six selected newspapers. Following the public hearing, the contracts maybe modified, if advisable. Upon approval of the contract by the authority and the Customers, the authority will submit the contracts, its recommendations and the public hearing records to the governor and other elected officials. Upon approval by the governor, the contracts will be executed by the chairman and secretary of the authority to become fully effective. Procedures to satisfy the requirements of PAL §1009 can take several months to administer when factoring in Board schedules, public hearing notification requirements and time needed for approval by the governor.

DISCUSSION

"The Authority and each Customer anticipate signing an agreement ('Interim Agreement') to enable the Customers to accept delivery of their allocations on the desired commencement date, January 1, 2011. Without an Interim Agreement, electric service would be delayed while awaiting the PAL §1009 process, even though both Customers have completed its projects and fulfilled their obligations associated with the allocations awarded to them. The Interim Agreements would be wholly consistent with the long-term Contracts that are the subject of this item, and they would be set to expire the earlier of June 30, 2011, or the date the Contracts become effective. It is anticipated that the long-term Contracts will become effective prior to June 30, 2011, after the anticipated completion of the approval process required by PAL §1009. The five year term of the allocation would commence upon first use of the power regardless of whether started under the Interim Agreement, as anticipated, or under the long-term Contracts after satisfaction of PAL §1009 requirements and approval by the governor.

"The proposed Contracts follow the format of the Western New York contract extensions recently transmitted to the Governor after approval by the Trustees at their September 28, 2010 meeting. As with the Western New York contracts, the Authority will directly sell firm electric service from the Niagara plant, consisting of firm power (capacity) and energy service. Power service is subject to pro-rata curtailment when there is insufficient generation at the Niagara and St. Lawrence/FDR facilities. Delivery will be provided and billed directly to the Customers by the local utility, New York State Electric and Gas ('NYSEG'). Arrangements for the delivery will be agreed to by the Authority, the Customers and NYSEG prior to any delivery under the proposed Contracts. The Authority will continue to act as the Load Serving Entity and will bill the Customers for all ISO charges, as it currently does for both direct sale and sale-for resale billing procedures.

"Regarding compliance requirements of the Contracts, the allocation amount will be subject to an enforceable employment commitment of 220 jobs in the case of ITT and 2,446 jobs in the case of Moog and includes an annual job reporting requirement and a job compliance threshold of 90%. Should the Customer's actual jobs reported fall below the compliance threshold, the Authority has the right to reduce the allocation on a pro-rata basis. The rates, terms and conditions for the sale are contained in service tariffs applicable to all EP/RP allocations. Specifically, Service Tariffs EP-1 (EP) and NP-F1 (RP) are effective through June 30, 2013. Thereafter, Service Tariff No. WNY-1 is effective from July 1, 2013 until the expiration of the Customers' Contracts for both EP and RP service.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees authorize a public hearing on the terms of the proposed contracts to be held early in 2011, on a date to be determined, at the Niagara Power Project's Power Vista Visitors' Center. It is further recommended that, pursuant to §1009 of the Public Authorities Law, the Corporate Secretary be authorized to transmit copies of the proposed contract to the Governor and legislative leaders and to arrange for the publication of a notice of public hearing in six newspapers throughout the State in accordance with the Public Authorities Law.

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development, the Vice President – Marketing 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 a public hearing on the terms of the proposed contracts for the sale of Expansion and Replacement Power to ITT Enidine and Moog Inc. to be held at the Niagara Power Project's Power Vista Visitors' Center; and be it further

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

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

RESOLVED, That the 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 Executive Vice President and General Counsel, to enter into such agreements, and to do such other things, as may be necessary or desirable to implement the Contracts 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.

Exhibit "3e-A"
December 13, 2010

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
10th Floor
Albany, New York 12207-3425

AGREEMENT FOR THE SALE

OF REPLACEMENT POWER AND ENERGY

(MOOG INC.)

The POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Replacement Power and energy ("Agreement") with MOOG INC. ("Customer"), with facilities at Jamison Road and Seneca Street, East Aurora, New York 14052. The Authority and the Customer are from time referred to in this Agreement as "Party" or collectively as "Parties" and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission ("FERC") Project No. 2216, known as "Replacement Power" (or "RP"), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, RP consists of 445 megawatts ("MW") of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award RP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant's long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient's facilities are located;

WHEREAS, PAL § 1005(11) provides that the Authority is authorized to "[t]o exercise all the powers necessary or convenient to carry out and effectuate the purposes and provisions of … title [1 of article 5 of the PAL] … and as incidental thereto to . . . sell … electric power, and generally to do any and every thing necessary or convenient to carry out the purposes of … title [1 of article 5 of the PAL] …";

WHEREAS, the Customer is party to another agreement with the Authority entitled "Agreement for the Sale of Expansion and/or Replacement Power and Energy," dated November __, 2011 (the "November 2010 Contract") covering various allocations of Expansion Power (or "EP") as provided for in the November 2010 Contract;

WHEREAS, the Customer applied to the Authority for an allocation of RP for use by the Customer at its facilities (defined in Section I of this Agreement as the "Facility);

WHEREAS, on July 31, 2007, the Authority's Board of Trustees ("Trustees") approved a 1,200, kilowatt ("kW") allocation of RP to the Customer for a five (5) year term (defined in Section I of this Agreement as the "Allocation") as further described in this Agreement;

WHEREAS, on July 31, 2007, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the Customer has completed the expansion of the Facility and has requested that the Allocation be made available to the Customer beginning on ___;

WHEREAS, NYPA staff has confirmed that the expansion of the Facility is complete;

WHEREAS, the provision of Electric Service (defined in Section I of this Agreement) associated with the Allocation is an unbundled service separate from the Authority's sale of power and energy to the Customer, which will be performed by New York State Electric & Gas Corporation ("NYSEG");

WHEREAS, such transmission and delivery service will be made in accordance with a separate agreement between the Customer, the Authority and NYSEG (defined in Section I of this Agreement as the "Supplemental Agreement"), and NYSEG tariffs as applicable;

WHEREAS, on ___, 2010, the Parties executed an Interim Agreement for the Sale of Replacement Power and Energy (defined in Section I of this Agreement as the "Interim Agreement"), to enable the Customer to receive the Allocation pending the execution of a long-term agreement, or ___, whichever first occurs;

WHEREAS, in accordance with the Supplemental Agreement, the Authority, the Customer and NYSEG, on ___, executed the "Interim Sale Agreement Appendix," which is attached to the Interim Agreement as Exhibit A;

WHEREAS, the Parties have reached an agreement on a long-term contract governing the sale of the Allocation to the Customer as set forth in this Agreement;

WHEREAS, the Parties intend that this Agreement will govern the terms and conditions of the sale of the Allocation through June 30, 2013, and that on and after July 1, 2013 the Allocation will be governed by the November 2010 Contract for the remainder of the term of the Allocation;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. **Agreement** means this Agreement.

B. **Allocation** refers to the allocation of 1,200 kW of RP awarded to the Customer for a five (5) year term as specified in Schedule A.

C. **Contract Demand** is as defined in the Service Tariff.

D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, the Service Tariff and the Rules.

E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005 (5) and (13).

F. **Facility** means the Customer's facilities at 5319 Enterprise Drive, Lockport, New York 14094.

G. **Firm Power** is as defined in the Service Tariff.

H. **Firm Energy** is as defined in the Service Tariff.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which became effective September 1, 2007 after expiration of the Project's original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project (defined below) and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.

L. **Interim Agreement** means the Interim Agreement for the Sale of Replacement Power and Energy, executed by the Parties on **___**.

M. **Load Serving Entity (or LSE)** means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

N. **NYISO** means the New York Independent System Operator or any successor organization.

O. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

P. **NYSEG** has the meaning set forth in the eighth recital.

Q. **Project** means the Niagara Power Project, FERC Project No. 2216.

R. **Replacement Power** (or **RP**) is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

S. **Rules** are the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as applicable, as may be modified from time to time by the Authority.

T. **Sales Agreement Appendix** refers to the form Sales Agreement Appendix which is Attachment B to the Supplemental Agreement, a completed and executed copy of which is annexed to this Agreement as Exhibit A.

U. **Service Tariff** means the Authority's Service Tariff No. NP-F1, establishing rates, terms and other conditions for the sale of RP, as may be modified or superseded from time to time.

V. **Schedule A** refers to the Schedule A entitled "Replacement Power Allocations" which is attached to and made part of this Agreement.

W. **Schedule B** refers to the Schedule B entitled "Replacement Power Commitments" which is attached to and made part of this Agreement.

X. **Substitute Energy** means energy sold to the Customer at its request which the Authority procures from markets administered by the NYISO to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement.

Y. **Supplemental Agreement** means an agreement entitled "Supplemental Agreement for the Delivery of Power Allocations between Power Authority of the State of New York and New York State Electric & Gas Corporation," made as of July 18, 2007.

Z. **Unforced Capacity** (or **UCAP**) means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

II. Electric Service

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation commencing **___** (or on such later date as this Agreement becomes effective) in accordance with this Agreement, the Service Tariff and the Rules.

B. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs.

C. The Contract Demand for the Customer's Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.

D. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

A. Electric Service shall be sold to the Customer based on the rates, terms and conditions determined in accordance with this Agreement, the Service Tariff and the Rules.

B. The Customer may not resell or permit any other person to use any quantity of the RP it has purchased from the Authority under this Agreement.

C. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility.

D. Notwithstanding any other provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by the Authority at any time upon 30 days prior written notice to the Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the Project and the Authority's competitive position with respect to other suppliers, the Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The Authority shall use its best efforts to inform the Customer at the earliest practicable date of its intent to increase the power and energy charges pursuant to this provision. Any rate increase to the Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, the Authority shall forward to the Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which the Authority will obtain the total of increased revenues and the bases upon which the Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as the Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Replacement Power Commitments

Schedule B sets forth the Customer's specific "Replacement Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.

V. Rules and Service Tariff

The Service Tariff, as may be modified or superseded from time to time by the Authority in its discretion, is hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariff and the Rules, the provisions of the Service Tariff shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariff, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer will pay NYSEG for transmission and delivery service associated with the Allocation in accordance with the Supplemental Agreement, and all applicable tariffs, rulemakings, and orders, in order to deliver to the Customer the Allocation of Firm Power and Firm Energy supplied by the Authority under this Agreement. To the extent the Authority incurs transmission and delivery service charges or other costs associated with the Allocation during the term of this Agreement, the Customer agrees to compensate the Authority for all such charges and costs incurred.

B. Each Party hereby represents that nothing in this Agreement conflicts with the Supplemental Agreement, and the event of any such conflict, the terms of the Supplemental Agreement shall control.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff or other applicable tariff ("NYISO Charges"), as set forth in the Service Tariff or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis consistent with the Supplemental Agreement.

B. The Authority will render bills by the 10th business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. All other provisions with respect to billing are set forth in the Service Tariff.

VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the

Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with the Service Tariff as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties: (1) upon execution of this Agreement by the Authority and the Customer; and (2) upon execution of a Sales Agreement Appendix by the Parties and NYSEG unless otherwise agreed to by the Parties and NYSEG pursuant to the Supplemental Agreement.

B. Once initiated, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, the Service Tariff, or the Rules; (3) termination of the Supplemental Agreement or the Sales Agreement Appendix as provided for in the Supplemental Agreement and the Sales Agreement Appendix; or (4) _____.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in the Service Tariff.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement, the Service Tariff or the Rules.

X. Transition of Allocation to November 2010 Contract

Beginning July 1, 2013, the provision of the Allocation will be governed by the November 2010 Contract (and the Authority's Service Tariff No. WNY-1 and the Rules as provided in the November 2010 Contract). To facilitate the transition of the Allocation to the November 2010 Contract, the Authority will (i) modify Schedule A to the November 2010 Contract to add the Allocation, (ii) modify Schedule B to the November 2010 Contract to add the Customer's Employment Commitments under this Agreement, and (iii) provide a revised/supplemental Schedule A and Schedule B to the Customer. Such transition shall not otherwise effect the Allocation, including the term of the Allocation, or otherwise modify the terms of the November 2010 Agreement. Notwithstanding Article XV of the November 2010 Contract, further consent of the parties shall not be required to effectuate the transition described in this Section, provided, however, that nothing in this Section shall preclude the Parties from agreeing to additional modifications of the November 2010 Contract to facilitate such transition.

XI. Notification

A. Correspondence involving the administration of this Agreement shall be addressed as follows:

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Email:
Attention: Mr. James F. Pasquale, Senior Vice President, Marketing and Economic Development

To: The Customer

Moog Inc.
Jamison Road and Seneca Street
East Aurora, New York 14052
Email:
Attention: Timothy P. Balkin, Treasurer

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section IX.B of this Agreement.

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XII. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act (16 U.S.C. §§836, 836a).

XIII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

XIV. Assignments and Transfers

The Customer may not assign or otherwise transfer an interest in this Agreement without written approval of the Authority.

XV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale, transmission and delivery of the Allocation and supersedes all previous communications and agreements between the Parties hereto, either oral or written, with reference to said Allocation, including the Interim Agreement.

B. Except as otherwise provided in this Agreement, no modification of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XVI. Severability and Voidability

A. If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part by an order of the FERC or a court of competent jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.

B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

XVII. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

XVIII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

MOOG INC.

By: ____

Title: ____

Date: ____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: ____

Title: ____

Date: ____

SCHEDULE A TO AGREEMENT FOR THE SALE OF REPLACEMENT POWER AND ENERGY TO MOOG INC.

REPLACEMENT POWER ALLOCATIONS

Customer: MOOG INC.

Facility: The Facility (located at Jamison Road and Seneca Street, East Aurora, New York 14052)

	Type of Allocation	Allocation (kW)	Expiration Date	Extended Expiration Date
1.	RP	1,200		N/A
	TOTALS:	1,200 kW		

SCHEDULE B TO AGREEMENT FOR THE SALE OF REPLACEMENT POWER AND ENERGY TO MOOG INC.

REPLACEMENT POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of Replacement Power to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in Appendix A of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's facilities identified in Appendix A to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the facilities identified in such Appendix A (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such facilities shall be counted as one Base Level Employee.

The Base Employment Level shall not be created or maintained by transfers of employees from previously held positions with the Customer or its affiliates within the State of New York, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for *bona fide* economic or management reasons.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's facilities identified in Appendix A to this Schedule, as reported to the

United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

II. Reductions of Contract Demand

A. Employment Levels

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the facilities receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. NP-F1) for Replacement Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment Levels

The Customer has completed the Capital Investment set forth in the Appendix to this Schedule B. No other Capital Investment commitments are applicable to the Allocation.

D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule , the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

The Customer shall undergo an energy efficiency audit of its facilities and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the facilities.

The Customer agrees to cooperate to make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

<u>APPENDIX TO SCHEDULE B</u>

<u>Base Employment Level</u>

In consideration of receiving the Allocation, the Customer agrees to attain a Base Employment Level of 2,446 persons at the Customer's Facility within 3 years of commencement of Electric Service under the Agreement and to maintain such Base Employment Level thereafter for the term of the allocation in accordance with Article I of Schedule B. The Base Employment Level is derived from (1) a stipulation by the Customer that there exists 2,306 jobs at the Facility at the time of the award of the Allocation by the Authority, and (2) a commitment by the Customer to create 140 new jobs at the Facility.

<u>Capital Investment Level</u>

In consideration of receiving the Allocation, the Customer has made a capital investment of approximately $16.85 million in the Facility, adding nearly 67,000 square feet of manufacturing, engineering and office space to the Facility. The components of the investment include:

Space and defense group facility expansion: $6.0
Industrial group facility expansion: $9.5
Industrial-related machinery and equipment: $1.2
Office equipment: $0.15

Exhibit “3e-B”
December 13, 2010

POWER AUTHORITY

OF THE

STATE OF NEW YORK

30 South Pearl Street
10th Floor
Albany, New York 12207-3425

AGREEMENT FOR THE SALE

OF EXPANSION POWER AND ENERGY

(ITT ENIDINE INC.)

The POWER AUTHORITY OF THE STATE OF NEW YORK (“Authority”), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law (“PAL”), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and energy (“Agreement”) with ITT ENIDINE INC. (“Customer”), with facilities at 7 Center Drive, Orchard Park, New York 14127. The Authority and the Customer are from time referred to in this Agreement as “Party” or collectively as “Parties” and agree follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the Niagara Power Project, Federal Energy Regulatory Commission (“FERC”) Project No. 2216, known as “Expansion Power” (or “EP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, EP consists of 250 megawatts (“MW”) of firm hydroelectric power and associated firm energy produced by the Niagara Power Project;

WHEREAS, the Authority is authorized pursuant to PAL § 1005(13)(a) to award EP based on, among other things, the criteria listed in the PAL, including but not limited to an applicant’s long-term commitment to the region as evidenced by the current and planned capital investment; the type and number of jobs supported or created by the allocation; and the state, regional and local economic development strategies and priorities supported by local units of governments in the area in which the recipient’s facilities are located;

WHEREAS, PAL § 1005(11) provides that the Authority is authorized to “[t]o exercise all the powers necessary or convenient to carry out and effectuate the purposes and provisions of … title [1 of article 5 of the PAL] … and as incidental thereto to . . . sell … electric power, and generally to do any and every thing necessary or convenient to carry out the purposes of … title [1 of article 5 of the PAL] …”;

WHEREAS, the Customer applied to the Authority for an allocation of EP for use by the Customer at its facilities (defined in Section I of this Agreement as the “Facility);

WHEREAS, on May 22, 2007, the Authority’s Board of Trustees (“Trustees”) approved a 200 kilowatt (“kW”) allocation of EP to the Customer for a five (5) year term (defined in Section I of this Agreement as the “Allocation”) as further described in this Agreement;

WHEREAS, on May 22, 2007, the Trustees further authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the Customer has completed an expansion of its Facility and has requested that the Allocation be made available beginning ____;

WHEREAS, NYPA staff has confirmed that the expansion of the Facility is complete;

WHEREAS, the provision of Electric Service (defined in Section I of this Agreement) associated with the Allocation is an unbundled service separate from the Authority's sale of power and energy to the Customer, which will be performed by New York State Electric & Gas Corporation ("NYSEG");

WHEREAS, such transmission and delivery service will be made in accordance with a separate agreement between the Customer, the Authority and NYSEG (defined in Section I of this Agreement as the "Supplemental Agreement") and NYSEG tariffs as applicable;

WHEREAS, on ___, 2010, the Parties executed an Interim Agreement for the Sale of Expansion Power and Energy (defined in Section I of this Agreement as the "Interim Agreement"), to enable the Customer to receive the Allocation pending the execution of a long-term agreement, or until ___, whichever first occurs;

WHEREAS, in accordance with the Supplemental Agreement, the Authority, the Customer and NYSEG, on ___, executed the "Interim Sale Agreement Appendix," which is attached to the Interim Agreement as Exhibit A;

WHEREAS, the Parties have reached an agreement on a long-term contract governing the sale of the Allocation to the Customer as set forth in this Agreement;

WHEREAS, the Parties intend that this Agreement will govern the terms and conditions of the sale of the Allocation to the Customer;

WHEREAS, the Authority has complied with requirements of PAL § 1009 which specifies the approval process for certain contracts negotiated by the Authority; and

WHEREAS, the Governor of the State of New York has approved the terms of this Agreement pursuant to PAL § 1009(3).

NOW THEREFORE, in consideration of the mutual covenants herein, the Authority and the Customer agree as follows:

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. **Agreement** means this Agreement.

B. **Allocation** refers to the allocation of 200 kW of EP awarded to the Customer for a five (5) year term as specified in Schedule A.

C. **Contract Demand** is as defined in the Service Tariffs.

D. **Electric Service** is the Firm Power and Firm Energy associated with the Allocation and sold by the Authority to the Customer in accordance with this Agreement, the Service Tariffs and the Rules.

E. **Expansion Power** (or **EP**) is 250 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005 (5) and (13).

F. **Facility** means the Customer's the Customer's place of business located at 7 Centre Drive, Orchard Park, New York 14127.

G. **Firm Power** is as defined in the Service Tariffs.

H. **Firm Energy** is as defined in the Service Tariffs.

I. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).

J. **FERC License** means the first new license issued by FERC to the Authority for the continued operation and maintenance of the Project, pursuant to Section 15 of the Federal Power Act, which became effective September 1, 2007 after expiration of the Project's original license which became effective in 1957.

K. **Hydro Projects** is a collective reference to the Project (defined below) and the Authority's St. Lawrence-FDR Project, FERC Project No. 2000.

L. **Interim Agreement** means the Interim Agreement for the Sale of Expansion Power and Energy, executed by the Parties on ___.

M. **Load Serving Entity (or LSE)** means an entity designated by a retail electricity customer (including the Customer) to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.

N. **NYISO** means the New York Independent System Operator or any successor organization.

O. **NYISO Tariffs** means the NYISO's Open Access Transmission Tariff or the NYISO's Market Administration and Control Area Services Tariff, as applicable, as such tariffs are modified from time to time, or any successor to such tariffs.

P. **NYSEG** has the meaning set forth in the eighth recital.

Q. **Project** means the Niagara Power Project, FERC Project No. 2216.

R. **Replacement Power** (or **RP**) is 445 MW of Firm Power and associated Firm Energy from the Project eligible to be allocated by the Authority for sale to businesses pursuant to PAL § 1005(5) and (13).

S. **Rules** are the applicable provisions of Authority's rules and regulations (Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by the Authority.

T. **Sales Agreement Appendix** refers to the form Sales Agreement Appendix which is Attachment B to the Supplemental Agreement, a completed and executed copy of which is annexed to this Agreement as Exhibit A.

U. **Service Tariffs** is a collective reference to the Authority's Service Tariff No. EP-1 and Service Tariff No. WNY-1, as applicable.

V. **Service Tariff No. EP-1** means the Authority's Service Tariff No. EP-1, establishing rates, terms and other conditions for the sale of EP, as may be modified or superseded from time to time. Service Tariff No. EP-1 shall be applicable to Electric Service provided prior to July 1, 2013.

W. **Service Tariff No. WNY-1** means the Authority's Service Tariff No. WNY-1, as may be modified from time to time by the Authority. Service Tariff No. WNY-1 shall be applicable to Electric Service provided on and after July 1, 2013.

X. **Schedule A** refers to the Schedule A entitled "Expansion Power Allocations" which is attached to and made part of this Agreement.

Y. **Schedule B** refers to the Schedule B entitled "Expansion Power Commitments" which is attached to and made part of this Agreement.

Z. **Substitute Energy** means energy sold to the Customer at its request which the Authority procures from markets administered by the NYISO to replace hydroelectricity that would otherwise have been supplied to the Customer under this Agreement.

AA. **Supplemental Agreement** means an agreement entitled "Supplemental Agreement for the Delivery of Power Allocations between Power Authority of the State of New York and New York State Electric & Gas Corporation," made as of July 18, 2007.

BB. **Unforced Capacity** (or **UCAP**) means the electric capacity required to be provided by LSEs to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures

II. Electric Service

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation commencing **___** (or on such later date as this Agreement becomes effective) in accordance with this Agreement, the Service Tariffs and the Rules.

B. The Authority shall provide UCAP in amounts necessary to meet the Customer's NYISO UCAP requirements associated with the Allocation in accordance with the NYISO Tariffs.

C. The Contract Demand for the Customer's Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as EP or RP from the Project is modified as required to comply with any ruling, order, or decision of any regulatory or judicial body having jurisdiction, including but not limited to FERC. Any such modification will be made on a pro rata basis to all EP and RP customers, as applicable, based on the terms of such ruling, order, or decision.

D. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

A. From the effective date of this Agreement through and including June 30, 2013, Electric Service shall be sold to the Customer based on the rates, terms and conditions determined in accordance with this Agreement, Service Tariff No. EP-1 and the Rules.

B. From July 1, 2013 until the termination of this Agreement, Electric Service shall be sold to the Customer based on the rates, terms and conditions determined in accordance with this Agreement, Service Tariff No. WNY-1 and the Rules.

C. The Customer may not resell or permit any other person to use any quantity of the EP it has purchased from the Authority under this Agreement.

D. Electric Service sold to the Customer pursuant to this Agreement may only be used by the Customer at the Facility.

E. Notwithstanding any other provision of this Agreement to the contrary, the power and energy rates for Electric Service shall be subject to increase by the Authority at any time upon 30 days prior written notice to the Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the Project and the Authority's competitive position with respect to other suppliers, the Authority determines in its discretion that increases in rates obtainable from any other Authority customers will not provide revenues, together with other available Authority funds not needed for operation and maintenance expenses, capital expenses, and reserves, sufficient to meet all requirements specified in the Authority's bond and note resolutions and covenants with the holders of its financial obligations. The Authority shall use its best efforts to inform the Customer at the earliest practicable date of its intent to increase the power and energy charges pursuant to this provision. Any rate increase to the Customer under this subsection shall be on a non-discriminatory basis as compared to other Authority customers after giving consideration to the factors set forth in the first sentence of this subsection. With respect to any such increase, the Authority shall forward to the Customer with the notice of increase, an explanation of all reasons for the increase, and shall also identify the sources from which the Authority will obtain the total of increased revenues and the bases upon which the Authority will allocate the increased revenue requirements among its customers. Any such increase in rates shall remain in effect only so long as the Authority determines such increase is necessary to provide revenues for the purposes stated in the preceding sentences.

IV. Expansion Power Commitments

Schedule B sets forth the Customer's specific "Expansion Power Commitments." The commitments agreed to in Schedule B are in addition to any other rights and obligations of the Parties provided for in the Agreement.

V. Rules and Service Tariffs

The Service Tariffs, as may be modified or superseded from time to time by the Authority in its discretion, are hereby incorporated into this Agreement with the same force and effect as if set forth herein at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariffs, the provisions of this Agreement shall govern.

VI. Transmission and Delivery of Firm Power and Firm Energy; Responsibility for Charges

A. The Customer will pay NYSEG for transmission and delivery service associated with the Allocation in accordance with the Supplemental Agreement, and all applicable tariffs, rulemakings, and orders, in order to deliver to the Customer the Allocation of Firm Power and Firm Energy supplied by the Authority under this Agreement. To the extent the Authority incurs transmission and delivery service charges or other costs associated with the Allocation during the term of this Agreement, the Customer agrees to compensate the Authority for all such charges and costs incurred.

B. Each Party hereby represents that nothing in this Agreement conflicts with the Supplemental Agreement, and the event of any such conflict, the terms of the Supplemental Agreement shall control.

C. The Customer understands and acknowledges that delivery of the Allocation will be made over transmission facilities under the control of the NYISO. The Authority will act as the LSE with respect to the NYISO, or arrange for another entity to do so on the Authority's behalf. The Customer agrees and understands that it shall be responsible to the Authority for all costs incurred by the Authority with respect to the Allocation for the services established in the NYISO Tariff or other applicable tariff ("NYISO Charges"), as set forth in the Service Tariffs or any successor service tariff, regardless of whether such NYISO Charges are transmission-related. Such NYISO Charges shall be in addition to the charges for power and energy.

VII. Billing and Billing Methodology

A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis consistent with the Supplemental Agreement.

B. The Authority will render bills by the 10^{th} business day of the month for charges due for the previous month. Such bills shall include charges for Electric Service, NYISO

Charges associated with the Allocation (subject to adjustment consistent with any later NYISO re-billings to the Authority), and other applicable charges.

C. All other provisions with respect to billing are set forth in the Service Tariffs.

VIII. Hydropower Curtailments and Substitute Energy

A. If, as a result of reduced water flows caused by hydrologic conditions, there is insufficient energy from the Hydro Projects to supply the full power and energy requirements of the Authority's firm power customers served by the Authority from the Hydro Projects, curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy associated with the Allocation to which the Customer is entitled shall be applied on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with the Service Tariffs as applicable.

B. The Authority shall provide reasonable notice to Customer of any curtailments referenced in Section VII.A of this Agreement that could impact Customer's Electric Service under this Agreement. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the Firm Power and Firm Energy that would otherwise have been supplied pursuant to this Agreement.

C. For each kilowatt-hour of Substitute Energy supplied by the Authority, the Customer will pay the Authority directly during the billing month: (1) the difference between the market cost of the Substitute Energy and the charge for firm energy as provided for in this Agreement; and (2) any NYISO charges and taxes the Authority incurs in connection with the provision of such Substitute Energy. Billing and payment for Substitute Energy shall be governed by the Billing and Payments provision of the Authority's Rules (Section 454.6) and shall apply directly to the Substitute Energy service supplied to the Customer.

D. The Parties may enter into a separate agreement to facilitate the provision of Substitute Energy, provided, however, that the provisions of this Agreement shall remain in effect notwithstanding any such separate agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

IX. Effectiveness, Term and Termination

A. This Agreement shall become effective and legally binding on the Parties: (1) upon execution of this Agreement by the Authority and the Customer; and (2) upon execution of a Sales Agreement Appendix by the Parties and NYSEG unless otherwise agreed to by the Parties and NYSEG pursuant to the Supplemental Agreement.

B. Once initiated, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, the Service Tariffs, or the Rules; (3) termination of the Supplemental Agreement or the Sales Agreement Appendix as provided for in the Supplemental Agreement and the Sales Agreement Appendix; or (4) ___.

C. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days notice prior written notice to the Authority. The termination shall be effective commencing with the first billing period as defined in the Service Tariffs.

D. The Authority may cancel service under this Agreement or modify the quantities of Firm Power and Firm Energy associated with the Allocation: (1) if such cancellation or modification is required to comply with any final ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the FERC or its successor agency); or (2) as otherwise provided in this Agreement, the Service Tariffs, or the Rules.

X. Notification

A. Correspondence involving the administration of this Agreement shall be addressed as follows:

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Email:
Attention: Mr. James F. Pasquale, Senior Vice President, Marketing and Economic Development

To: The Customer

ITT Enidine Inc.
7 Centre Drive
Orchard Park, New York 14127
Email:
Attention:

The foregoing notice/notification information pertaining to either Party may be changed by such Party upon notification to the other Party pursuant to Section IX.B of this Agreement.

B. Except where otherwise herein specifically provided, any notice, communication or request required or authorized by this Agreement by either Party to the other shall be deemed properly given: (1) if sent by U.S. First Class mail addressed to the Party at the address set forth above; (2) if sent by a nationally recognized overnight delivery service, two (2) calendar days after being deposited for delivery to the appropriate address set forth above; (3) if delivered by hand, with written confirmation of receipt; (4) if sent by facsimile to the appropriate fax number as set forth above, with written confirmation of receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XI. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the FERC License and the Niagara Redevelopment Act (16 U.S.C. §§836, 836a).

XII. Venue

Each Party consents to the exclusive jurisdiction and venue of any state or federal court within or for Albany County, New York, with subject matter jurisdiction for adjudication of any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to this Agreement.

XIII. Assignments and Transfers

The Customer may not assign or otherwise transfer an interest in this Agreement without written approval of the Authority.

XIV. Previous Agreements and Communications

A. This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale, transmission and delivery of the Allocation and supersedes all previous communications and agreements between the Parties hereto, either oral or written, with reference to said Allocation, including the Interim Agreement.

B. Except as otherwise provided in this Agreement, no modification of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XV. Severability and Voidability

A. If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part by an order of the FERC or a court of competent jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.

B. Notwithstanding the preceding paragraph, if any provision of this Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of either Party and only in such circumstances in which such Party's interests are materially and adversely impacted by any such action, be rendered void and unenforceable by such affected Party.

XVI. Waiver

A. Any waiver at any time by either the Authority or the Customer of their rights with respect to a default or of any other matter arising out of this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

B. No waiver by either Party of any rights with respect to any matter arising in connection with this Agreement shall be effective unless made in writing and signed by the Party making the waiver.

XVII. Execution

To facilitate execution, this Agreement may be executed in as many counterparts as may be required, and it shall not be necessary that the signatures of, or on behalf of, each Party, or that the signatures of all persons required to bind any Party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each Party, or that the signatures of the persons required to bind any Party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the Parties hereto. The delivery of an executed counterpart of this Agreement by email as a PDF file shall be legal and binding and shall have the same full force and effect as if an original executed counterpart of this Agreement had been delivered.

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

ITT ENIDINE INC.

By: ____

Title: ____

Date: ____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: ____

Title: ____

Date: ____

SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND ENERGY TO ITT ENIDINE INC.

EXPANSION POWER ALLOCATIONS

Customer: ITT ENIDINE INC.

Facility: The Facility (located at 7 Center Drive, Orchard Park, New York 14127)

	Type of Allocation	Allocation (kW)	Expiration Date	Extended Expiration Date
1.	EP	200		N/A
	TOTALS:	200 kW		

SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND ENERGY TO ITT ENIDINE INC.

EXPANSION POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

The provision of Expansion Power to the Customer hereunder is in consideration of, among other things, the Customer's creation and/or maintenance of the employment level set forth in Appendix A of this Schedule (the "Base Employment Level"). Such Base Employment Level shall be the total number of full-time positions held by: (1) individuals who are employed by the Customer at Customer's facilities identified in Appendix A to this Schedule, and (2) individuals who are contractors or who are employed by contractors of the Customer and assigned to the facilities identified in such Appendix A (collectively, "Base Level Employees"). The number of Base Level Employees shall not include individuals employed on a part-time basis (less than 35 hours per week); provided, however, that two individuals each working 20 hours per week or more at such facilities shall be counted as one Base Level Employee.

The Base Employment Level shall not be created or maintained by transfers of employees from previously held positions with the Customer or its affiliates within the State of New York, except that the Base Employment Level may be filled by employees of the Customer laid off from other Customer facilities for *bona fide* economic or management reasons.

The Authority may consider a request to change the Base Employment Level based on a claim of increased productivity, increased efficiency or adoption of new technologies or for other appropriate reasons as determined by the Authority. Any such change shall be within Authority's sole discretion.

B. Employment Records and Reports

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority, of the total number of Base Level Employees who are employed at or assigned to the Customer's facilities identified in Appendix A to this Schedule, as reported to the United States Department of Labor (or as reported in such other record as agreed upon by the Authority and the Customer). Such report shall separately identify the individuals who are employed by the Customer, and the individuals who are contractors or who are employed by contractors of the Customer, and shall be certified to be correct by an officer of the Customer, plant manager or such other person authorized by the Customer to prepare and file such report and shall be provided to the Authority on or before the last day of February following the end of the most recent calendar year. The Authority shall have the right to examine and audit on reasonable advance written notice all non-confidential written and electronic records and data concerning employment levels including, but not limited to, personnel records and summaries held by the Customer and its affiliates relating to employment in New York State.

II. Reductions of Contract Demand

A. Employment Levels

If the year-end monthly average number of employees is less than 90% of the Base Employment Level set forth in this Schedule B, for the subject calendar year, the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount of reduction will be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average monthly employment during the subject calendar year divided by the Base Employment Level. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, the Agreement shall automatically terminate.

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the facilities receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in the Service Tariffs) for Expansion Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment Levels

The Customer has completed the Capital Investment set forth in the Appendix to this Schedule B. No other Capital Investment commitments are applicable to the Allocation.

D. Notice of Intent to Reduce Contract Demand

In the event that the Authority determines that the Contract Demand will be wholly or partially reduced pursuant to this Schedule , the Authority shall provide the Customer with at least thirty (30) days prior written notice of such reduction, specifying the amount of the reduction of Contract Demand and the reason for the reduction, provided, however, that before making the reduction, the Authority may consider the Customer's scheduled or unscheduled maintenance or facilities upgrading periods when such events temporarily reduce plant employment levels or electrical demand as well as business cycle.

III. Energy Efficiency Audits; Information Requests

The Customer shall undergo an energy efficiency audit of its facilities and equipment at which the Allocation is consumed at the Customer's expense at least once during the term of this Agreement. The Customer will provide the Authority with a copy of the audit or, at the Authority's option, a report describing the results of the audit, and provide documentation requested by the Authority to verify the implementation of any efficiency measures implemented at the facilities.

The Customer agrees to cooperate to make its facilities available at reasonable times and intervals for energy audits and related assessments that the Authority desires to perform, if any, at the Authority's own expense.

The Customer shall provide information requested by the Authority or its designee in surveys, questionnaires and other information requests relating to energy efficiency and energy-related projects, programs and services.

The Customer may, after consultation with the Authority, exclude from written copies of audits, reports and other information provided to the Authority under this Article trade secrets and other information which if disclosed would harm the competitive position of the Customer.

APPENDIX TO SCHEDULE B

Base Employment Level

In consideration of receiving the Allocation, the Customer agrees to attain a Base Employment Level of 310 persons at the Customer's Facility within 3 years of commencement of Electric Service under the Agreement and to maintain such Base Employment Level thereafter for the term of the allocation in accordance with Article I of Schedule B. The Base Employment Level is derived from (1) a stipulation by the Customer that there exists 290 jobs at the Facility at the time of the award of the Allocation by the Authority, and (2) a commitment by the Customer to create 20 new jobs at the Facility.

Capital Investment Level

The Customer designs and manufactures shock absorption and vibration isolation devices for aerospace and industrial applications. In consideration of receiving the Allocation, the Customer has made a capital investment of $2.55 million in the Facility, consisting of $1.5 million in a 12,500 square foot addition and $1.05 million in new manufacturing equipment. The Customer will move finished goods to the addition, and locate new manufacturing equipment in vacated existing floor space. The manufacturing equipment will include two new machine tools valued at $350,000 each.

f. Procurement (Services) and Other Contracts –
<u>Business Units and Facilities – Awards</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit '3f-A,' 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.

<u>BACKGROUND</u>

"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.

<u>DISCUSSION</u>

"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 $19,450 to $15 million. Except as noted, these contract awards do <u>not</u> obligate the Authority to a specific level of personnel resources or expenditures.

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

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

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

<u>Business Services</u>

Energy Risk Assessment & Control

"The deregulation of energy markets has introduced uncertainty in the prices of electricity, natural gas and oil commodities. In response, the Authority has increasingly entered into various types of physical and financial energy derivatives via exchange and over-the-counter transactions to reduce its exposure to price uncertainty. To support its participation in commodity hedging, the Authority has implemented various models to quantify and report the impact of energy market price uncertainty on company financials, using such tools as the Energy Book System developed by the Electric Power Research Institute, as well as SQL, Excel and Access-based models custom-developed by external consultants and internal staff. The Authority is currently in the process of implementing an Enterprise Risk Management program that provides a coordinated approach to identifying, assessing and managing risks across the organization. To that end, the Authority has enlisted the services of risk management consultants to advise staff on various risk-related matters and to assist with such implementation, as needed. Since the existing contracts for such services are expiring, and the need for such services is ongoing, staff prepared a new Request for Quotations (‘RFQ’ No. **Q10-4831**). Bid documents were downloaded electronically from the Authority’s Procurement Web site by 79 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Bidders were requested to respond to any or all of four specialized risk-related areas set forth in the RFQ: energy risk modeling, counterparty credit evaluation, fair market energy derivative valuation and/or validation and enterprise risk management program support. A total of nine proposals were received and evaluated. The evaluation process considered each bidder’s demonstrated expertise, experience, ability to advise on risk-related issues and experience within the commodity markets for natural gas and power. Personnel rates were also evaluated within the job classifications considered most applicable to the anticipated work tasks. A thorough technical review of the proposals, as more fully discussed in the Recommendation memorandum, indicated that no single firm was fully responsive to all requirements set forth in the RFQ. A number of firms demonstrated specific expertise, experience, skills, strengths and qualifications in different areas that complement each other and, which taken as a whole, would provide the Authority with the ability to award specific well-defined tasks to the best-qualified firm that can complete each task within the applicable specialized area most efficiently and at competitive rates. Based on the foregoing, staff recommends the award of contracts to the following five firms: **The Brattle Group (‘Brattle’), PA Consulting Group, Inc. (‘PACG’), Pace Global Energy Risk Management, LLC (‘Pace’), RiskCentrix, LLC (‘RiskCentrix’) and RMG Financial Consulting, Inc. (‘RMG’) (PO#s TBA)**, which meet the bid requirements and are qualified to provide such risk management consulting services, on an ‘as needed’ basis. The proposed awards by areas of specialization are as follows: A) Energy Risk Modeling: two awards to Brattle and RiskCentrix; B) Counterparty Credit Evaluation: one award to RMG; C) Fair Market Energy Derivative Valuation and/or Validation: one award to PACG and D) Enterprise Risk Management Program Support: two awards to Pace and RiskCentrix. Additionally, three of these firms have provided satisfactory services under existing contracts for such work. The new contracts would become effective on or about January 1, 2011 for an intended term of up to three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total aggregate amount expected to be expended for the term of the contracts, $3 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

Corporate Communications

Communications and Marketing Services

“The demand for production of printed and digital materials to support and convey the Authority’s mission and message has increased significantly during the past ten years. In order to successfully accommodate the volume of such projects and to meet tight production deadlines, the Authority’s Graphic Communications Group augments its staff with computer design and production services contractors, on an ‘as needed’ basis. To that end, staff prepared a new Request for Proposals (‘RFP’) and bid documents were downloaded electronically from the Authority’s Procurement Web site by 62 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Bidders were requested to respond to not more than one of three service categories: (A) On-premises - Print Design, (B) On-premises – Special Design or (C) Project-by-Project. The RFP also specified that only bids from individual/ freelance designers (and not design firms or staffing agencies) would be accepted for Categories A and B, which would result in potential contract awards; responses from both individuals and firms would be accepted for Category C, which would result in the identification of pre-qualified firms among which projects would be bid and awarded later, as needed. Twelve responses were received and evaluated. Of this number, two were eliminated based upon a review of their respective proposals, which did not meet the requirements set forth in the RFP. Of the remaining ten responses, four were from freelance graphic designers for Category A and six were from design firms for Category C. Based on a thorough review and assessment of their respective qualifications, experience and hourly rates, staff recommends award of four contracts for Category A services to: **Angela McRae (‘McRae’), Eileen Burtoff (‘Burtoff’), Harrison Getz (‘Getz’) and Russell Brod (‘Brod’) (Q10-4871; PO# TBA)**, who are qualified to perform such services, meet the bid requirements and have provided satisfactory services under existing contracts for such work. Such contracts 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, as well as to create graphics for the Authority’s internal and external Web sites. Such services will be performed on-premises at the Authority’s White Plains Office, under the direction and supervision of Authority staff. The award of a contract/s for services solicited for Category B has been deferred and approval for such award/s is not sought at this time. Based on the qualifications and samples of materials submitted by each of the six firms responding to Category C, staff recommends that all six firms be placed on a 'short list' of qualified design firms: **A.J. Rodrigues Group, Inc. ♦, Creative Source, Inc. ♦, Kass Uehling, Inc., Skeggs Design, Sundberg & Associates, Inc. and Thinkersdesign ♦**. It should be noted that the three firms whose names are followed by the ♦ symbol are New York State-certified Minority/ Women-owned Business Enterprises. Contracts for Category C services will only be awarded to those firms that are the successful bidders for specific projects, as each such project is required and bid among the pre-qualified group, and the best candidate is selected. The new contracts would become effective on or about January 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total aggregate amount expected to be expended for the term of the contract, $1.77 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

Energy Resource Management ('ERM')

Fuel Operations

"The contract with **Saybolt LP ('Saybolt') (PO# TBA)** would provide for independent petroleum inspection and other services in connection with the delivery, transfer and storage of No. 2 fuel oil, low sulfur aviation kerosene and ultra low sulfur diesel fuel within the New York Harbor and Long Island areas. Such services include, but are not limited to, the inspection, measurement and testing of bulk oil deliveries made via barge, tanker, pipeline or truck to the Authority's electric generating stations and/or storage facilities situated within the aforementioned areas for the Richard M. Flynn and 500 MW power plants, as well as the Astoria Energy II power plant (currently under construction). The resulting data on oil quantity and quality provides the basis for both paying for oil delivered and assessing penalties for non-conforming oil, including evidence of compliance with environmental quality regulations. Since the existing contracts for such services expire at the end of the year, and the need for such services is ongoing, staff prepared a new Request for Proposals **(QFS-2010-02)**. Bids were solicited from eight 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, two proposals were deemed non-responsive and were not considered further. Based on each firm's unit pricing for the required services/delivery modes/activities and forecasted demand/projected usage, staff calculated the total evaluated costs for providing such services. Since such costs are typically shared equally between the supplier of the petroleum product and the purchaser, the Authority's share of the lowest total estimated cost is $19,450. Based on the foregoing, staff recommends the award of a contract to Saybolt, the lowest-priced evaluated bidder, which is qualified to perform the services, is responsive to the Authority's bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about January 1, 2011 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $19,450.

Energy Services and Technology ('ES&T')

Energy Services

"New York City Transit ('NYCT'), an affiliate of the Metropolitan Transportation Authority ('MTA'), currently has 842 miles of subway tracks in active use, most of which rely on pneumatic signal and switching equipment to operate. Such equipment runs on compressed air supplied from a network of compressed air systems located by the trackside throughout the subway system. A large number of the existing compressed air systems have reached the end of their useful life and need to be replaced for more efficient, reliable and safe operation, as well as to reduce operating and maintenance costs. The contract with **Airmatic Compressor Systems, Inc. ('Airmatic') (Q10-4869; PO# TBA)** would provide for the furnishing, delivery and installation of energy efficient compressed air systems at twelve NYCT subway signal sites located in the New York City Boroughs of Manhattan, Brooklyn and the Bronx, as part of the Authority's Energy Services Program. To that end, bid documents were downloaded electronically from the Authority's Procurement Web site by 42 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Two proposals were received and evaluated by both Authority and

NYCT staff. Both bidders have extensive experience in supplying and installing air compressor systems for various industrial customers, including the MTA. Based on a thorough evaluation of both proposals, staff recommends the award of a contract to Airmatic, the lower-priced bidder, which is qualified to perform the work and meets the bid requirements. The contract would become effective on or about January 1, 2011 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. A ten-year equipment warranty is included by the vendor. Approval is also requested for the total amount expected to be expended for the term of the contract, $4 million. This project is subject to a Customer Installation Commitment ('CIC') agreement between the Authority and NYCT, which must be fully authorized prior to award of the contract to Airmatic for the subject services. All costs will be recovered by the Authority.

"The contract with **Applied Energy Group, Inc. ('AEG') (Q10-4841; PO# TBA)** would provide for consulting services to conduct a program impact and process evaluation of the Authority's energy efficiency program, focusing on the Authority's Governmental Customer projects in New York City and Westchester County. The intent of the evaluation is to measure and verify program and portfolio impacts and, where needed, to identify program design and process or implementation improvements. This effort reinforces the Authority's commitment to support the New York State Energy Plan, which seeks to reduce energy consumption, as well as to participate in the continuing development of the NYS Energy Efficiency Portfolio Standards, which seeks to ensure the transparent and consistent reporting of program savings. The evaluation effort will determine the cost-effectiveness and impacts of the Authority's energy efficiency programs and projects. This review will not only support regional and statewide energy efficiency efforts, but will also assist the Authority in refining and enhancing its own energy efficiency program for its customers. To that end, staff prepared a Request for Proposals ('RFP') and bid documents were downloaded electronically from the Authority's Procurement Web site by 80 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Four proposals were received and evaluated based on cost and qualifications. After thorough initial review, the two highest-priced proposals were not considered further based on cost. The remaining two proposals were reviewed in greater detail in a team assessment process based on weighted qualifications criteria that included, but were not limited to, experience and qualifications of the firm and staff, methodology, resources, understanding of and responsiveness to the RFP, as well as cost. Based on the foregoing, staff recommends the award of a contract to AEG, the lowest-priced bidder, which is eminently qualified to perform the work and meets the bid requirements. The contract would become effective on or about January 1, 2011 for an intended term of up to two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $446,000.

"The contract with **Knorr Brake Corporation ('Knorr') (Q10-4758; PO# TBA)** would provide for the furnishing and delivery of 332 oil-less air compressors for use on board MTA - New York City Transit ('NYCT') subway railcars, as part of the Authority's Energy Services program. This proposed project would result in increased energy efficiency and reliability, reduced operating costs and environmental benefits. (Unlike the aforementioned turnkey project with Airmatic to furnish, deliver and install air compressors for subway signal sites, this proposed contract award would only furnish and deliver equipment that would be installed later by NYCT personnel; additionally, such equipment (oil-less air compressors) is based on different technology / specifications and is for use on board subway railcars.) Bid documents were downloaded electronically from the Authority's Procurement Web site 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 jointly by Authority and NYCT staff. An extensive review and evaluation of the submitted proposals was based on criteria that included, but were not limited to, conformity to specifications, performance, overall construction and packaging, component quality and functionality, equipment and component durability, ease of maintenance and operational/ maintenance costs, warranty, service and performance records, references, ability to provide extended technical support and after-sale service, as well as bid review meetings with each of the two bidders. Based on its technical merits with respect to the foregoing criteria, staff recommends the award of a contract to Knorr, the lower-priced qualified bidder, which meets all the technical requirements set forth in the bid specification. It should also be noted that some of the air compressor components will be supplied by a Knorr subsidiary located in upstate New York. (Airmatic's proposal, although 3% lower in price, failed to meet the specification requirements in several key areas and therefore was found unacceptable by the Joint Review Committee.) The contract with Knorr would become effective on or about January 1, 2011 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. A five-year warranty is also included by the vendor. Approval is also requested for the total amount expected to be expended for the term of the contract, $15 million. This project is subject to a Customer Installation Commitment ('CIC') agreement between the Authority and NYCT, which must be fully authorized prior to award of the contract to Knorr for the subject services. All costs will be recovered by the Authority.

Engineering and Design

"The contracts with **Altran Solutions ('Altran'), BGA, LLC ('BGA'), RCM Technologies, Inc. ('RCM'), Rudell & Associates, Inc. ('Rudell;' a New York State-certified Minority/Women-owned Business Enterprise) and WM Group Engineers, P.C. ('WM Group') (Q10-4874; PO# TBA)** would provide for engineering and design services and/or specialty engineering consulting services to support Energy Services and Distributed Generation projects in Authority Customer facilities statewide, on an 'as needed' basis. The projected volume of energy-saving implementation project work has increased steadily in recent years. Staff expects this trend to continue and anticipates that such firms and services will be used more heavily in the next several years to supplement the Authority's in-house engineering staff to provide engineering and design and/or consultation services. To that end, bid documents were downloaded electronically from the Authority's Procurement Web site by 184 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Twenty-nine proposals were received and evaluated. Staff also calculated the costs for a typical task / scenario based on the hourly rates submitted by the bidders, in order to develop a more accurate cost analysis. Based on the foregoing, staff recommends award of contracts to five firms: Altran, BGA, RCM, Rudell and WM Group, the lowest-priced evaluated bidders, all of which are qualified to perform such work and meet the bid requirements (and of which two have provided satisfactory services under existing contracts for such work). The new contracts would become effective on or about January 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total aggregate amount expected to be expended for the term of the contracts, $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 ('ESS')

Information Technology

"In 2003, the Authority implemented a program of network monitoring security services, in response to mandates by the North American Electric Reliability Council ('NERC') and the Federal Energy Regulatory Commission ('FERC'), as well as an internal study on network security vulnerability. Such services include, but are not limited to, providing security monitoring of the Authority's essential computer network assets on a 24x7x365 basis and implementing a system to monitor, diagnose, notify, interpret and report important system events throughout the network. The Monitoring Service Provider ('MSP') is responsible for monitoring and correlating system, audit and event logs and alerts to detect irregular or suspicious activity and identify unauthorized or harmful behavior, malicious hacks and denials of service, including insider attacks and anomalies and trend analyses. Since the existing contract for such services is expiring, and the need for such services is ongoing, staff prepared a new Request for Proposals **(Q10-4832).** Bid documents were downloaded electronically from the Authority's Procurement Web site by 67 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Two proposals were received and evaluated. Based on the firm's experience, qualifications and reasonable pricing, staff recommends the award of a contract to **SecureWorks, Inc. ('SecureWorks'; PO# TBA),** the lower-priced bidder, which is qualified to perform the work, meets the bid requirements and has provided satisfactory service under an existing contract for such work. The firm's Security Operations Center ('SOC') provides excellent service, ensuring that our perimeter network and internal Critical Cyber Assets are monitored on a 24x7x365 basis. The SecureWorks automated processes for cyber security event monitoring and alerting, logging and reporting capabilities will enable the Authority to continue to maintain compliance with the NERC Critical Infrastructure Protection ('CIP') standards. Additionally, the SecureWorks SOC is staffed with specialists who are very knowledgeable with respect to SCADA and EMS vulnerabilities. The new contract would become effective on or about January 1, 2011 for an intended term of up to seven years, subject to the Trustees' approval, which is hereby requested. The extended term would benefit the Authority by providing uninterrupted high-quality, reliable service without the potential disruption or vulnerability associated with changing service providers, as well as affording the

Authority a firm 7-year discount, subject to volume adjustments. Approval is also requested for the total amount expected to be expended for the term of the contract, $1.95 million.

Power Supply

"The contracts with **BIDCO Marine Group ('BIDCO') and McLaren Engineering Group ('McLaren') (Q10-4786; PO# TBA)** would provide for underwater inspection services to support the operation and maintenance of Authority facilities located throughout New York State. Such services include routine outage underwater inspections, debris management and minor underwater equipment / structural repairs, on an 'as needed' basis. Bid documents were downloaded electronically from the Authority's Procurement Web site by 28 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Ten proposals were received and evaluated. A Post-Bid Addendum was issued to the ten bidders requesting pricing clarifications, as well as cost proposals for a typical three-day inspection in 20-30 feet of water at each site, including mobilization, travel and living, equipment, field and office personnel, and preparation of the inspection report. Three of the ten original bidders did not respond and were not evaluated further. The proposals submitted by the seven responding bidders were evaluated in greater detail. Based on the professional qualifications and experience of key personnel and support staff, the size and depth of the organization and its resources, competitive rates and proximity to Authority facilities, staff recommends award of contracts to two firms. BIDCO and McLaren, the lowest-priced evaluated bidders, which are qualified to perform such services and meet the bid requirements. Both firms have dam inspection experience and provide a good range of capabilities and complementary skills. In addition to providing underwater inspection services, BIDCO has the ability to perform underwater construction work and McLaren can perform design engineering services, if needed. BIDCO is located in the Buffalo area and McLaren is located downstate in Rockland County, thereby providing sufficient geographic coverage for all Authority facilities. Both companies have ample depth of resources to serve the Authority's underwater inspection needs and each can provide up to three fully-equipped inspection teams. The award of contracts to two firms will provide a good range of capabilities and will offer the Authority the best value by affording the opportunity to solicit two cost estimates for specific tasks and/or underwater repair recommendations. The contracts would become effective on or about January 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total aggregate amount expected to be expended for the term of the contracts, $2 million.

"The contract with **Brockway Sanitation Service ('Brockway') (RFQ 6000117071; PO# TBA)** would provide for sewage removal and disposal services for the St. Lawrence/FDR Power Project. Services include annual pumping of septic tanks and several other septic / holding tanks on an 'as needed' basis, transportation and sewage disposal at a New York State Department of Environmental Conservation State Pollution Discharge Elimination System ('NYSDEC SPDES') permitted wastewater treatment facility (sewage plant). Bid documents were downloaded electronically from the Authority's Procurement Web site by 16 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* One proposal was received and evaluated. (Reasons for the lack of other responses include, but are not limited to, the work was not in the scope of their services or was too small / large, lack of geographic proximity or the bid documents were downloaded for information purposes only.) Based on its experience and reasonable pricing, staff recommends award of a contract to Brockway, the sole responding bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under the current contract for such work. The new contract would become effective on or about January 1, 2011 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $85,000.

"The contract with **E-J Electric Installation Co. ('E-J Electric') (RFQ 6000116300; PO# TBA)** would provide for general electrical maintenance services for the 500 MW Plant. Bid documents were downloaded electronically from the Authority's Procurement Web site by 34 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Four proposals were received and evaluated. Based on the hourly rate for Journeyman Electricians that will perform the majority of the work, staff recommends award of a contract to E-J Electric, the lowest-priced bidder, which is qualified to perform the services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about January 1, 2011 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $300,000.

"The contract with **Fox Fence Inc. ('Fox Fence') (RFQ 6000115247; PO# TBA)** would provide for on-call emergency repair services for security gates (mechanized and manual) and fences at the Niagara Power Project, on an 'as needed' basis. Services include all labor, supervision, equipment, materials and technical support on a '24/7' basis and response time within four hours of the call for service. Bid documents were downloaded electronically from the Authority's Procurement Web site by 35 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 Fox Fence, the lowest-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under the current contract for such work. The new contract would become effective on or about January 1, 2011 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $100,000.

"The contract with **General Physics Corporation ('GP') (GP Proposal No. GP-139-10-128; PO# TBA)** would provide for the continuation of maintenance of proprietary General Physics EtaPRO online thermal performance monitoring software at the Authority's Virtual Monitoring and Diagnostic Center (relocated from Poletti to the White Plains Office**)** and the 500 MW, Flynn and Small Clean Power Plants, as well as for the maintenance of OSI PI/ECHO 'data historian' software for the 500 MW plant. Such software allows the Authority to monitor the plant's thermal efficiency and provides data to the Authority's Energy Resource Management ('ERM') group for selling power into the ISO market and to the Fuels group for fuel purchasing and billing reconciliation. This contract for a technical support agreement is awarded on a sole source basis, since GP is the developer and sole provider of EtaPRO software and, as such, is uniquely qualified to provide such service. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. A five-year agreement will afford the Authority a 15% discount and protect against inflation by locking in 2011 pricing levels for the term of the contract. The Authority will be invoiced annually, based on the number of EtaPRO systems in service at the time. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $140,250.

"The contract with **Lucius Pitkin Inc. ('Lucius Pitkin') (Q10-4802; PO# TBA)** would provide for failure analysis and metallurgical examination and testing services in support of the Authority's plants/ projects/ facilities and transmission lines. Technical services include providing all engineering, supervision, labor, materials and equipment required to sample, test and analyze metallic and other elements used in power plant equipment and components, in order to support failure analysis, material composition analysis, integrity of equipment element analysis and evaluation, chemical analysis of toxic materials and testing and verification of the Authority's suppliers' products to confirm that they meet their respective technical specifications. The work will be performed at the Authority's facilities, construction sites, manufacturer's plants or in the consultant's laboratory, as needed. Bid documents were downloaded electronically from the Authority's Procurement Web site by 31 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Three proposals were received and evaluated. The critical nature of the work requires a high level of competency, consistency and technical expertise in order to develop confidence in the results. Based on the qualifications, experience and size of its technical staff, ability to perform all requisite tasks, resources, location of the laboratory / office, accessibility from Authority sites and the White Plains Office, and reasonable pricing, staff recommends award of a contract to Lucius Pitkin, the most technically qualified bidder, which meets all the bid requirements and has provided satisfactory service under the existing contract for such work. The other two bidders took numerous exceptions and indicated in their proposals that they were unable to perform some of the tests required in the RFP, which are important to the Authority's day-to-day operations and are required for root cause analysis. The new contract would become effective on or about January 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $550,000.

"The contract with **OSIsoft, LLC ('OSIsoft') (OSIsoft Proposal No. 4100013138; PO# TBA)** would provide for the continuation of maintenance of proprietary OSI PI 'data historian' software, which is integral to online thermal performance monitoring systems installed at the Authority's Virtual Monitoring and Diagnostic Center (relocated from Poletti to the White Plains Office**)** and the 500 MW, Flynn and Small Clean Power Plants, with database replicating capability at the White Plains Office. The software also enables the Authority to link data from these online systems to the MAXIMO maintenance management system. It also provides information to support gas purchases for the Authority's thermal plants. This contract for Software Reliance Program services is awarded on a sole source basis, since OSI is the developer and sole provider of the PI software and, as such, is uniquely qualified to provide such service. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. A five-year agreement will enable the Authority to lock in current pricing, avoiding potential price increases over the next five years. The Authority will be invoiced annually, based on the number of PI systems or components in service at the time. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, $210,218.

"The contract with **SJB Services, Inc. ('SJB') (Q10-4845; PO# TBA)** would provide for on-call laboratory testing and inspection services of various materials including, but not limited to, concrete samples, metals, surface coatings (paint), welds and soil for the Niagara Power Project, on an 'as needed' basis. The independent testing laboratory would perform such verification testing or inspection services related to work being performed at the Project, to ensure that a material conforms to all requisite standards and requirements. Bid documents were downloaded electronically from the Authority's Procurement Web site by 109 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Four proposals were received and evaluated; all four were deemed technically qualified. Staff also performed a cost analysis, which compared the unit pricing submitted by the bidders for each of 91 line items and then calculated the extended price for those line items considered most likely to be used for planned work at the Niagara Project based on projected and historical usage of such services. Based on the foregoing, as well as the firm's qualifications, experience, resources and competitive pricing, staff recommends award of a contract to SJB, the lowest-priced evaluated bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about January 1, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $400,000.

FISCAL INFORMATION

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

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

RECOMMENDATION

"The Vice President – Project Management, the Vice President – Engineering, the Vice President – Environment, Health and Safety, the Vice President – Energy Services, the Vice President – Procurement, the Vice President and Chief Information Officer, the Director – Engineering and Design (ES&T), the Director – Fuel Planning and Operations, the Director – Asset & Maintenance Management, the Director – Communications and Marketing Services, the Manager – Risk Reporting, the Regional Manager – Northern New York, the Regional Manager – Central New York, the Regional Manager – Western New York and the Regional Manager – Southeastern New York recommend that the Trustees approve the award of multiyear procurement contracts to the companies listed in Exhibit '3f-A,' for the purposes and in the amounts discussed within the item and/or listed in the Exhibit.

"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 – Energy Resource Management, the Acting Senior Vice President – Energy Services and Technology, the Vice President – Enterprise Shared Services 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 and other contracts set forth in Exhibit "3f-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 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.

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
BUSINESS SERVICES - ENERGY RISK ASSESS-MENT & CONTROL ("ERAC")	Q10-4831; 5 **awards:** **1. THE BRATTLE GROUP (A)** Cambridge, MA **2. PA CONSULTING GROUP, INC. (C)** Denver, CO **3. PACE GLOBAL ENERGY RISK MANAGEMENT, LLC (D)** Fairfax, VA **4. RISKCENTRIX, LLC (A,D)** Fairfax, VA **5. RMG FINANCIAL CONSULTING, INC. (B)** Colbert, WA (PO#s TBA)	01/01/11 (on or about)	Provide for risk manage-ment consulting services within four specialized areas: **A)** Energy risk modeling **B)** Counterparty credit eval-uation **C)** Fair market energy derivative valuation and/or validation **D)** Enterprise risk management program support	12/30/13	B/P	*Note: represents aggregate total for up to 3-year term		**$3,000,000***
CORPORATE COMMUNICA-TIONS - COMMUNICA-TIONS & MARKETING	Q10-4871; 4 **awards in Category A**: **1. ANGELA MCRAE** Mt. Vernon, NY **2. EILEEN BURTOFF** New York, NY	01/01/11 (on or about)	Provide for computer design and production services: **Category A**: On-premises - Print Design (by freelance computer graphic designers)	12/30/15	B/S	*Note: represents aggregate total for up to 5-year term		**$1,770,000***

♦ M / WBE: Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
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

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
	3. HARRISON GETZ Norwalk, CT							
	4. RUSSELL BROD White Plains, NY (PO#s TBA)							
	Category B - Not awarded at this time		**Category B**: On-premises - Special Design					
	Category C (list of 6 pre-qualified firms):		**Category C**: Project-by-Project (to be bid among these pre-qualified firms as projects are required and awarded as needed)					
	1. A.J. RODRIGUES GROUP, INC. ♦ Port Chester, NY							
	2. CREATIVE SOURCE, INC. ♦ New York, NY							
	3. KASS UEHLING, INC. New York, NY							
	4. SKEGGS DESIGN New York, NY							
	5. SUNDBERG & ASSOC., INC. New York, NY							
	6. THINKERSDESIGN ♦ Hawthorne, NY (PO#s TBA)							

♦ **M / WBE: Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)**
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) and Other 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
ENERGY RESOURCE MGMT - FUEL OPERATIONS	**SAYBOLT LP** Houston, TX (HQ) Linden, NJ (Branch Office) (QFS-2010-02; PO# TBA)	01/01/11 (on or about)	Provide for independent petroleum inspection services	12/31/13	B/P	*Note: represents total for up to 3-year term		**$19,450***
ENERGY SERV. & TECHNOLOGY- ENERGY SERVICES	**AIRMATIC COMPRESSOR SYSTEMS, INC.** Carlstadt, NJ (Q10-4869; PO# TBA)	01/01/11 (on or about)	Provide for F/D/I of compressed air systems at 12 NYCT subway signal sites, as part of the Authority's Energy Services program	12/31/13	B/C	*Note: represents total for up to 3-year term (+ 10-yr warranty) **All costs will be recovered by the Authority.**		**$4,000,000***
ENERGY SERV. & TECHNOLOGY- ENERGY SERVICES	**APPLIED ENERGY GROUP , INC.** Islandia, NY (Q10-4841; PO# TBA)	01/01/11 (on or about)	Provide for consulting services to conduct a program impact and process evaluation of the Authority's Energy Efficiency program	12/31/12	B/P	*Note: represents total for up to 2-year term		**$446,000***
ENERGY SERV. & TECHNOLOGY- ENERGY SERVICES	**KNORR BRAKE CORP.** Westminster, MD (Q10-4758; PO# TBA)	01/01/11 (on or about)	Provide for F/D of oil-less air compressors for use on board NYCT subway railcars, as part of the Authority's Energy Services program	12/31/13	B/E	*Note: represents total for up to 3-year term (+ 5-yr warranty) **All costs will be recovered by the Authority.**		**$15,000,000***

♦ **M / WBE: Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)**
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**

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
ENERGY SERV & TECHNOLOGY-ENGINEERING & DESIGN	**Q10-4874; 5 awards:** **1. ALTRAN SOLUTIONS** Cranbury, NJ **2. BGA, LLC Oakland, NJ** **3. RCM TECHNO-LOGIES, INC.** Pennsauken, NJ **4. RUDELL & ASSOCIATES, INC. ♦** Long Island City, NY **5. WM GROUP ENGINEERS, PC** New York, NY (PO#s TBA)	01/01/11 (on or about)	Provide for engineering services to support Energy Services and Distributed Generation Projects	12/31/15	B/P	*Note: represents total for up to 5-year term **All costs will be recovered by the Authority.**		**$2,000,000***
ENTERPRISE SHARED SERVICES - IT	**SECUREWORKS, INC.** Atlanta, GA (Q10-4832; PO# TBA)	01/01/11 (on or about)	Provide for network monitoring security services	12/31/17	B/S	*Note: represents total for up to 7-year term		**$1,950,000***

♦ M / WBE: **Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)**
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**

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-ENGINEERING	Q10-4786; 2 awards: **1. BIDCO MARINE GROUP** Grand Island, NY **2. MCLAREN ENGINEERING GROUP** West Nyack, NY (PO#s TBA)	01/01/11 (on or about)	Provide for underwater inspection services for Authority facilities statewide, as needed	12/30/15	B/S	*Note: represents aggregate total for up to 5-year term		**$2,000,000***
POWER SUPPLY - STL	**BROCKWAY SANITATION SERVICE** Moira, NY (RFQ 6000117071; PO# TBA)	01/01/11 (on or about)	Provide for sewage removal and disposal services at STL	12/31/13	B/S	*Note: represents total for up to 3-year term		**$85,000***
POWER SUPPLY - 500 MW	**E-J ELECTRIC INSTALLATION CO.** Long Island City, NY (RFQ 6000116300; PO# TBA)	01/01/11 (on or about)	Provide for general electrical maintenance services for the 500 MW Plant	12/31/13	B/S	*Note: represents total for up to 3-year term		**$300,000***
POWER SUPPLY - NIAGARA	**FOX FENCE INC.** Niagara Falls, NY (RFQ 6000115247; PO# TBA)	01/01/11 (on or about)	Provide for emergency repair services for security gates and fences at the Niagara Project	12/31/14	B/S	*Note: represents total for up to 4-year term		**$100,000***

♦ M / WBE: Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
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) and Other 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 - TECH. COMPL. - ASSET & MAINT. MGMT	**GENERAL PHYSICS CORP.** Amherst, NY (PO# TBA)	01/01/11 (on or about)	Provide for GE ETAPRO Performance Plus software maintenance and support services	12/31/15	S/S	*Note: represents total for up to 5-year term		**$140,250***
POWER SUPPLY- ENGINEERING	**LUCIUS PITKIN, INC.** New York, NY (Q10-4802; PO# TBA)	01/01/11 (on or about)	Provide for on-call failure analysis, metal-lurgical examination and testing services Authoritywide	12/31/15	B/P	*Note: represents total for up to 5-year term		**$550,000***
POWER SUPPLY - TECH. COMPL. - ASSET & MAINT. MGMT	**OSISOFT, LLC** San Leandro, CA (PO# TBA)	01/01/11 (on or about)	Provide for OSI PI proprietary software maintenance agree-ment	12/31/15	S/S	*Note: represents total for up to 5-year term		**$210,218***
POWER SUPPLY- PROJ MGMT / NIAGARA	**SJB SERVICES, INC.** Hamburg, NY (Q10-4845; PO# TBA)	01/01/11 (on or about)	Provide for on-call testing and inspection services for concrete samples, metals, surface coatings, welds and soil for the Niagara Project	12/31/15	B/S	*Note: represents total for up to 5-year term		**$400,000***

♦ M / WBE: Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)
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

4. Reports

a. Report of the President and Chief Executive Officer

President Kessel thanked the Board members and staff for their cooperation with the change of meeting location due to inclement weather.

100 MW Solar Initiative

President Kessel said that the 100 MW solar initiative, the largest solar initiative in the history of the state, is progressing on track; discussions with prospective developers are continuing and staff will submit a recommendation to the Board for approval of the projects for this initiative by the first quarter of next year. The completion goal for this initiative is 2014.

Great Lakes Off-Shore Wind Project

President Kessel said that the Authority is in the final stage of discussions with the developers regarding the Great Lakes Off-Shore Wind project and that staff will submit a recommendation to the Board for approval of the winning developer(s) the first quarter of next year. The completion goal for this project is 2015 or 2016.

Long Island / NYC Off- Shore Wind Project

President Kessel said that staff is continuing discussions with Long Island Power Authority ("LIPA"), Con Edison and the City of New York regarding the Long Island/New York City Off-Shore Wind project. He said that the project is not ready for formal solicitation and he will keep the Board informed on its progress.

Hydro Quebec

President Kessel reported that the feasibility study for the new transmission line from Canada through Massena has been completed. He will provide further report on this to the Board early next year.

President Kessel's community outreach activities since the last Trustees' Meeting in October have included:

- ***Moog Tour (10/26)***
- ***Massena: trip to Florelle Tissue News Conference; Watertown Daily Times Editorial Board meeting (10/28)***
- ***Long Island Press conference with Steve Isreas re: solar projects at firehouses, Connection Day panelist (10/29)***
- ***AERTC Press Conference and lunch speech; TDI meeting (11/8)***

- ***AERTC Governor's lunch speech – HQ/LIPA/NYPA meeting (11/9)***
- ***Buffalo: Lewiston Mayor Collesano; Reservation State Park groundbreaking; Tour of Genesee County IDA/STAMP site (11/10)***
- ***NYC Peak Load Management luncheon (11/17)***
- ***Vision Long Island panel (11/19)***
- ***Toronto forum; speaker at Global Cities Conference; meeting with Pierre Gadonneix, Chair, World Energy Council; interview on BNN's SqueezePlay (11/22)***
- ***Offshore wind meeting***
- ***AERTC Building tour (12/2)***
- ***AERTC plant tour; meeting with Citygroup (12/3)***
- ***Buffalo News Editorial Board; ECHDC (12/7)***
- ***Meeting with Newsday's new publisher***

In response to a question from Trustee Mark O'Luck, President Kessel said that the lawsuit against Verizon with regards to the power allocation will be argued in the courts on Wednesday, December 22, 2010.

Trustees' Meeting

December 13, 2010

New York Power Authority

2a. Monthly Report

Richard M. Kessel

President & Chief Executive Officer

Key Issues

For Discussion

- 100 MW Solar Initiative
- GLOW/LI-NYC Offshore Wind Project
- Hydro-Quebec

Key Activities

Community Outreach – Upstate/Downstate

October

- 26 – Moog Tour
- 28 – Massena Trip – Florelle Tissue News Conference, John Johnson, Watertown Daily Times Editorial Board meeting
- 29 – Long Island Press Conference with Steve Israel re: solar projects at firehouses, Connection Day panelist

November

- 8 – AERTC Press Conference and Lunch Speech, TDI meeting
- 9 – AERTC Governor's lunch speech – HQ/LIPA/NYPA meeting
- 10 – Buffalo – Lewiston Mayor Collesano, Reservation State Park groundbreaking, Tour of Genesee County IDA/STAMP site
- 17 – NYC Peak Load Management luncheon

Key Activities (continued)

November - continued

- 19 – Vision Long Island panel
- 22 – Toronto forum, speaker at Global Cities Conference, meeting with Pierre Gadonneix, Chair, World Energy Council, interview on BNN's SqueezePlay
- 30 – Offshore wind meeting

December

- 2 – AERTC Building tour
- 3 – Astoria plant tour, meeting with Citigroup
- 7 – Buffalo News Editorial Board, ECHDC
- 9 – Meeting with Newsday's new publisher

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

Mr. Gil Quiniones provided highlights of the report to the Trustees.

123 Main Street
White Plains, NY 10601-3170
914.681.6621
914.681-6804 (Fax)
Gil.Quiniones@nypa.gov

New York Power Authority

Gil C. Quiniones
Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES

FROM: GIL C. QUINIONES, CHIEF OPERATING OFFICER

DATE: DECEMBER 13, 2010

SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

****

This report covers performance of the Operations Group in the months of October and November. During these months, NYPA continued to limit lost opportunity cost from unscheduled generation outages to a small share of total generation revenues.

Power Supply

Plant Performance

Systemwide net generation[1] in October was 1,919,280 megawatt-hours[2] (MWh), compared to projected net generation of 1,963,412 MWh, and in November was 2,080,978 MWh compared to projected 2,255,802 MWh. For the year, actual net generation is 22,095,378 MWh, which is below the year-to-date net generation target of 23,243,940 MWh.

The fleet availability factor[3] was 95.9 percent during October. November and year-to-date fleet availability factor data was not available for this report but will be included in the January 2011 COO Report. The generation market readiness factor[4] was 99.9 percent in October and 100 percent in November, performance in both months above the monthly target of 99.4 percent. For the year, generation market readiness is 99.8 percent.

There were no significant unplanned generation events[5] in October. There was one significant unplanned generation event in November: a failure of the compressor[6] in Unit 5 at the Gowanus Gas Turbine facility in Brooklyn. The cause of this failure has not yet been determined. Repairs are due to be completed in early December.

There was no lost opportunity cost from unscheduled outages in October, compared with generation revenue of $138.8 million. In November, total lost opportunity cost from unscheduled outages was $0.2 million compared with generation revenue of $143.1 million. The year-to-date lost opportunity cost is $0.9 million, which is about 0.05 percent of year-to-date generation revenue of $1,814.8 million.

River flows at the Niagara project were below forecast in October and November, and they are forecast to be well below normal for the next several months, due to low precipitation in the Great Lakes Basin that has continued since December 2009. At the St. Lawrence-FDR project, flows were slightly above forecast in October but slightly below forecast in November.

Transmission Performance

Transmission reliability[7] in October was 91.79 percent, which was above the target of 91.46 percent; it was 97.01 percent in November, which was above the target of 95.64 percent. The year-to-date actual reliability is 95.75 percent, below the target of 95.96 percent. Performance has been affected by some unanticipated outages in 2010, several forced outages[8], and some scheduled outages[9] that have taken longer than expected.

There was one significant unplanned transmission event[10] in October. The FACTS STATCOM[11] at the Clark Energy Center in Marcy, NY, had an outage for a total of 38 hours because of a burnt capacitor[12].

There was also one significant unplanned transmission event in November. The Niagara-Rochester line was out of service for a total of seven hours to repair an underground conduit[13] damaged while leveling the surface of the stone gravel surrounding the power terminal in the switchyard.

Life Extension and Modernization Programs

Work on Unit 24 at the St. Lawrence-FDR project, the 14th of the 16 units, continues as part of the project's Life Extension and Modernization[14] (LEM) program. The upgrade is expected to be completed in May 2011. The 2013 scheduled completion date for the LEM project remains unchanged.

Environmental

There were three environmental events in October. At Blenheim-Gilboa, a release of an unknown amount of oil and gasoline occurred, associated with the removal of underground storage tanks at the facility. There was also a minor release of cable oil associated with a leaking pothead[15] at the Harlem River Yards Gas Turbine facility. Finally, the Niagara Power Project received a Notice of Violation for failure to have underground storage tanks labeled in accordance with requirements of the New York State Department of Environmental Conservation.

There were also three environmental events in November: there was a release of an estimated 100 gallons of oil at the Clark Energy Center, a release of 2.5 gallons of ethylene glycol at the Niagara Power Project, and a release of approximately two gallons of fire fighting foam concentrate into the East River near the Poletti Power Project during a joint exercise with the New York City Fire Department.

The total year-to-date number of recordable environmental incidents is 24. The 2010 maximum target for recordable environmental incidents is 25.

Technical Compliance – NERC Reliability Standards

On October 21, the Northeast Power Coordinating Council[16] (NPCC) conducted an assessment of NYPA's Technical Feasibility Exception requests for Part B in the White Plains Office. These apply to NYPA's Critical Infrastructure Protection[17] (CIP) program. NPCC approved all of NYPA's requests.

On November 16, NPCC sent a "Notice of Dismissal" to NYPA for one potential violation of NYPA's CIP Physical Security of Critical Cyber Assets (CIP-006) standard. NYPA had submitted a self report for this standard in July. NYPA was not found to be in violation of the standard and was assessed no penalty. This matter will not require further action.

On November 18, the Federal Energy Regulatory Commission[18] issued its final rule on the "Revision to Electric Reliability Organization Definition of the Bulk Electric System". The implications of this rule on NYPA are being evaluated by Technical Compliance in consultation with the NPCC, which will be issuing guidance to its members regarding the definition, registration impacts (e.g. potential for NYPA to register as a Transmission Operator), the exemption process, and the implementation plan.

On November 30, due to concerns expressed by the industry, the North American Electric Reliability Corporation[19] (NERC) extended the deadline for responses to its "Alert Recommendation to Industry" to mid-January 2011. NERC issued the Alert to address possible discrepancies between the design and actual field conditions of transmission facilities. NYPA will need to review current Facility Ratings Methodology for our solely- and jointly-owned transmission lines to verify that they are based on actual field conditions.

In early December, NPCC notified NYPA that it had closed the Compliance Inquiry opened in February requesting information and documentation regarding a system event that occurred at the Niagara Power Project that took a 345 kV transmission line to Ontario, Canada, out of service.

Energy Resource Management

NYISO Markets

In October, Energy Resource Management (ERM) bid more than 1.9 million MWh of NYPA generation into the NYISO markets, netting $22.7 million in power supplier payments to the Authority. In November, ERM bid more than 2.0 million MWh of NYPA generation into the NYISO markets, netting $31.9 million in power supplier payments.

In October, Niagara production was 11.9 percent lower relative to the prior year. In November, Niagara production was 13 percent lower relative to 2009. While energy prices are higher relative to last year, they remain below the historical average.

At Blenheim-Gilboa, October production and revenues were both higher relative to the previous year, but in November they have fallen as a result of entering into the shoulder period between the summer peak and winter off-peak markets.

The Small Clean Power Plants and the 500-MW Combined Cycle Plant are exceeding year-to-date forecasted net margin.

Fuel Planning & Operations

In October, NYPA's Fuels Group transacted $13 million in natural gas and oil purchases, compared with $30 million in October 2009. In November, Fuels Group transacted $12 million of fuel purchases, compared with $25 million in November 2009. Year-to-date natural gas and oil purchases are $194 million compared with $328 million year-to-date in November 2009. Total year-to-date reduction of $134 million is mainly attributed to cessation of operation at Poletti (-$72 million year-over-year) and lower cost of fuel to meet higher generating output for the 500-MW unit (-$70 million). Decreased costs at Flynn (-$10 million) due to outage were offset by higher costs associated with increased generation at the SCPP's (+$18 million).

Regional Greenhouse Gas Initiative

On December 1, Auction 10 of the Regional Greenhouse Gas Initiative[20] was held, but NYPA did not participate as we have secured all of our estimated allowance requirements for 2010 from prior auctions.

Office of the Chief Operating Officer

New York State Climate Action Plan

On November 9, Governor Paterson released the New York State Climate Action Plan Interim Report for a 90-day public comment period. The Interim Report includes the draft policy options developed through a collaborative process coordinated by the Climate Action Council, a group established by Executive Order 24 and consisting of representatives from several state agencies and authorities, including NYPA. The Council's mandate is to reduce New York's greenhouse gas emissions 80 percent from 1990 levels by 2050. Policy options developed by the Council's Power Supply and Delivery Technical Working Group (on which NYPA participated) aim to reduce emissions from electricity generation, increase the amount of renewable energy in the State's portfolio, and improve the electric grid. Other chapters of the Interim Report propose policies to reduce emissions from end-users, transportation, agriculture, and other sectors, recommend climate change adaptation policies, and analyze potential for innovation and economic growth through investment in clean energy technologies. The next phase of the process, slated to begin in 2011, will include cost analysis of the policy options and final recommendations for implementation of the Climate Action Plan.

Sustainability Action Plan

NYPA continues to make progress on implementing the 41 action items laid out in the Sustainability Action Plan. In October, NYPA submitted its report for Executive Order 4 on green procurement and agency sustainability. In addition, the White Plains Office green team continues to organize events to engage employees on various sustainability topics, and a green team was recently initiated at the Niagara Power Project that is initially focusing on expanding recycling efforts at the facility.

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. Preliminary data in the COO report is provided by Accounting and subject to revision.

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

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

[4] **Generation Market Readiness** – The availability of generating facilities for bidding into the NYISO market. It factors in available hours and forced outage hours which drive the results.

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

[6] **Compressor –** The part of the gas-fired turbine that compresses intake air to high pressure so that it can be used in the combustion area.

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

[8] **Forced Outages –** An outage that requires immediate removal of a unit from service, automatically. This outage is considered Unplanned and Unscheduled.

[9] **Scheduled Outages –** An outage is Scheduled if it was either submitted in advance (Planned) or can be delayed a few days (Maintenance).

[10] **Significant Unplanned Transmission Events** –Forced or emergency outages of individual transmission lines which directly affect the reliability of the state's transmission network, or affect the availability of any component of the state's transmission network for greater than 8 hours, or that have a repair cost greater than $75,000.

[11] **FACTS STATCOM** – The primary mode of the Marcy FACTS (Flexible A/C Transmission System) Device, 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 a series of advanced technologies (known as FACTS) in 2004 at the

Clark Energy Center's Marcy Substation. The project boosted the capability of the New York State system by nearly 200 megawatts without the need to build new lines.

[12] **Capacitor** – Stores an electrical charge and is used to support system voltage.

[13] **Conduit** – An electrical piping system used for protection and routing of electrical wiring.

[14] **Life Extension and Modernization Programs**—Major undertaking in which all the turbines at the St. Lawrence-Franklin D. Roosevelt project are being replaced and the generators and other components significantly refurbished. The programs are intended to ensure that the projects operate at maximum efficiency far into the future.

[15] **Pothead** – A type of insulator with a bell or pot-like shape used to connect underground electrical cables to overhead lines. It serves to separate the bunched-up conductors from one another in the cable to the much wider separation in the overhead line. It also seals the cable end from the weather.

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

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

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

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

[20] **Regional Greenhouse Gas Initiative (RGGI)** – A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode

Island, and Vermont. These ten states have capped CO_2 emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO_2 Budget Trading Programs in each of the ten participating states. Regulated power plants can use a CO_2 allowance issued by any of the ten participating states to demonstrate compliance with the state program governing their facility. Taken together, the ten individual state programs function as a single regional compliance market for carbon emissions, the first mandatory, market-based CO_2 emissions reduction program in the United States.

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

Ms. Elizabeth McCarthy provided highlights of the financial report to the Trustees.

New York Power Authority

Report of the Chief Financial Officer

For the Ten Months Ended October 31, 2010

New York Power Authority

Report of the Chief Financial Officer
For the Ten Months Ended October 31, 2010
Executive Summary

Results of Operations

Net income for the ten months ended October 31, 2010, was $168.5 million which was $80.8 million lower than the budget and $58.9 million below the comparable period last year. Through October, negative variances attributable to lower margins on sales ($91.3 million) and a higher than anticipated voluntary contribution to New York State ($40 million) were partially offset by positive variances in O&M ($21.5 million) , non-operating income ($22.7 million) and other operating expenses ($9.1 million). The net margin on sales was $64.9 million lower at Niagara due to lower production (5%) and lower prices on market-based sales (10%). Negative variances in margins were also significant at St. Lawrence ($12.4 million, lower prices) and Blenheim-Gilboa ($16.9 million, lower volumes sold and lower capacity prices). O&M expenses were lower primarily due to timing differences related to maintenance work at Niagara, St. Lawrence, and the Transmission facilities. Non-operating income was higher due to a mark-to-market gain on the Authority's investment portfolio and lower costs on variable rate debt both resulting from a decrease in market interest rates. The positive variance in other operating expenses is primarily attributable to: (1) a reduction in anticipated Power for Jobs program obligations accrued in prior years based on current expectations ($12.0 million); and (2) lower than anticipated 2010 Power For Jobs rebates ($8.5 million) due to lower market energy prices; partially offset by (3) an increase in the provision for retiree health benefits ($5.9 million) based on an updated actuarial valuation; and (4) the recognition of the cost of the early retirement incentive program($4.0 million).

Net income through October 2010 was $58.9 million lower than the comparable period in 2009 ($227.4 million) primarily due to higher voluntary contributions to New York State during the period ($77 million) partially offset by higher investment income ($10.4 million) due to mark-to-market gains.

Year-end Projection

The year-end net income is projected to be $179 million, which is $2 million lower than September's projection and $129 million below the official budget. The month-to-month change is mainly attributable to lower net margins at the hydroelectric projects due to lower sales volumes and prices, partially offset by a reduction in anticipated Power for Jobs program obligations accrued in prior years based on current expectations.

The primary drivers of the year-end variance to the official budget continue to be lower hydro flows; lower market prices for both energy and capacity; and an additional $40 million

Voluntary Contribution to New York State. Hydro generation, at approximately 19.6 TWh, remains about 1 TWh below forecast and has a negative impact of approximately $37 million on 2010 net income. The impact of lower energy prices and lower capacity prices results in a further annual net income reduction of approximately $54 million. Other factors negatively affecting net income for 2010 are the accelerated transfer of transmission assets to National Grid ($6.7 million), the continuation of the hydro rate freeze ($7.5 million) and the Flynn outage ($5.3 million). These factors were partially offset by: $27 million in higher non-operating income due to mark to market valuation and lower interest on variable debt; lower O&M expenses; and lower renewable program spending.

Cash & Liquidity

The Authority ended the month of October with total operating funds of $1.074 billion as compared to $907 million at the end of 2009. The increase of $167 million was primarily attributed to positive net cash provided by Operating Activities and the Value Sharing payment of $72 million received from Entergy on January 15th partially offset by voluntary contributions to New York State totaling $159.5 million and scheduled debt service payments. Looking forward, we are anticipating the operating fund balance to generally track the lower net income results. The year-end operating fund balance is currently projected to be $1.046 billion, an increase of $139 million during the year, but approximately $90 million below budgeted level.

Energy Risk

At October 31, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of $301 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a realized net loss of $56 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are incorporated into and recovered through customer rates.

RESULTS OF OPERATIONS

Net Income
Ten Months ended October 31, 2010
($ in millions)

	Actual	Budget	Variance
Niagara	$87.4	$147.2	($59.8)
St. Lawrence	40.6	46.4	(5.8)
Blenheim-Gilboa	(2.5)	14.8	(17.3)
SENY	46.4	43.2	3.2
SCPP	28.4	28.8	(0.4)
Market Supply Power	(35.2)	(46.3)	11.1
Flynn	10.8	13.6	(2.8)
Transmission	19.9	20.8	(0.9)
Non-facility*	(27.3)	(19.2)	(8.1)
Total	**$168.5**	**$249.3**	**($80.8)**

Major Factors **(Worse)**

Niagara ($59.8)

Lower net margins on sales ($64.9) partially offset by lower O&M ($5.4). Lower margins primarily due to lower generation volumes (5%) and lower average energy prices for sales into the market (10% below budgeted - $42/mwh actual vs. $47/mwh budgeted).

St. Lawrence (5.8)

Lower net margins ($12.4) resulting from lower prices on sales into the market partially offset by lower O&M and other expenses ($7.3 in non-recurring projects and the North Country Stimulus program).

Blenheim-Gilboa (17.3)

Lower net margin due to lower energy sales (limited price differential between peak and off-peak energy prices) and lower capacity prices.

Market Supply Power 11.1

Includes positive variance due to lower Power for Jobs rebates (based on lower market prices).

Transmission (0.9)

A positive variance in O&M ($5.8) due to timing differences in maintenance, and lower interest costs ($1.0) were offset by the accelerated recognition of the non-cash write-off related to the Tri-Lakes transmission line ($6.7).

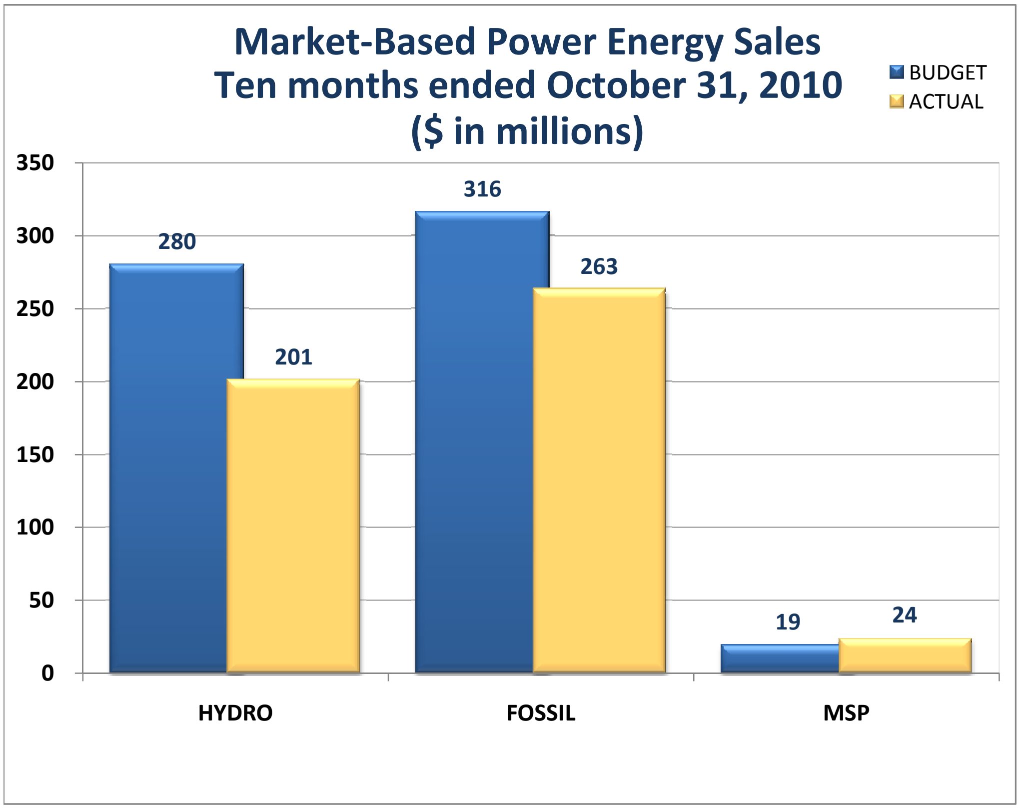
Other facilities -

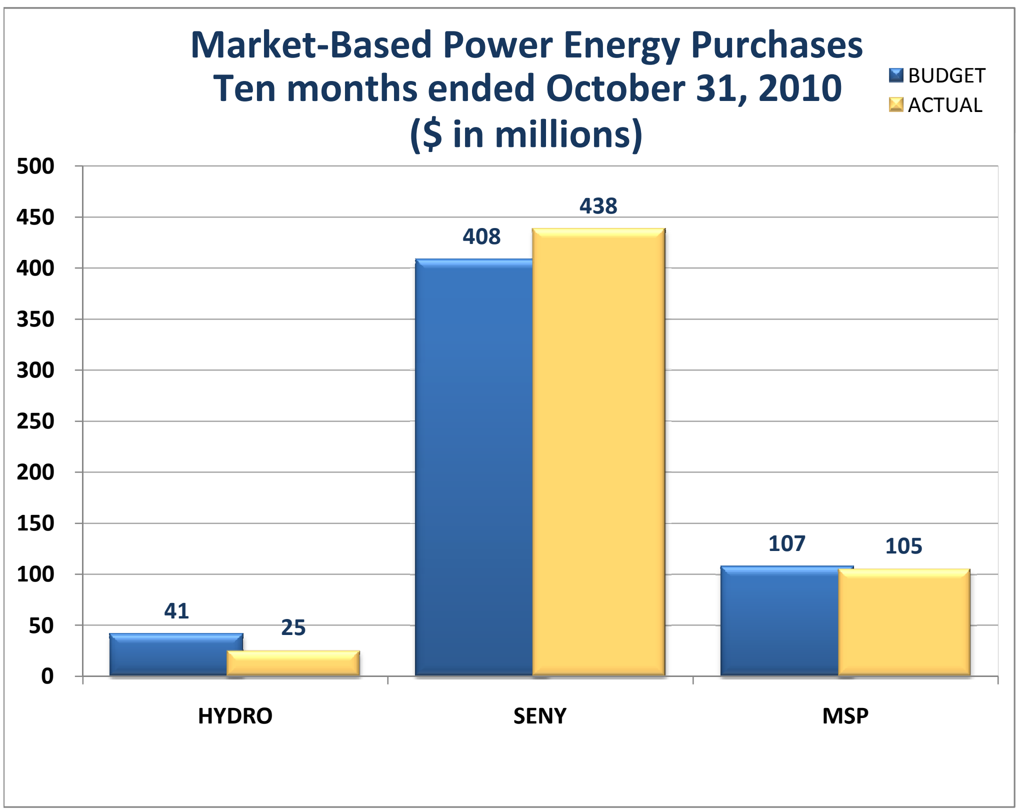
Non-facility (including investment income) (8.1)

Additional $40 voluntary contribution to NY State in August and retirement incentive accrual ($4) partially offset by a positive variance related to a mark-to-market gain ($22.2) on Authority's investment portfolio, and a reduction in anticipated PFJ obligations accrued in prior years ($12).

Total **($80.8)**

RESULTS OF OPERATIONS





REVENUES

SALES (MWH)

	BUDGET	ACTUAL
Hydro*	4,717,858	4,051,594
Fossil	3,313,059	3,305,280
MSP	454,781	576,792
TOTAL	8,485,698	7,933,666
PRICES ($/MWH)		
Hydro*	$59.34	$49.72
Fossil	$95.16	$79.57
MSP	$42.72	$41.44
AVERAGE	$72.46	$61.55

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

REVENUES

SALES (MWH)

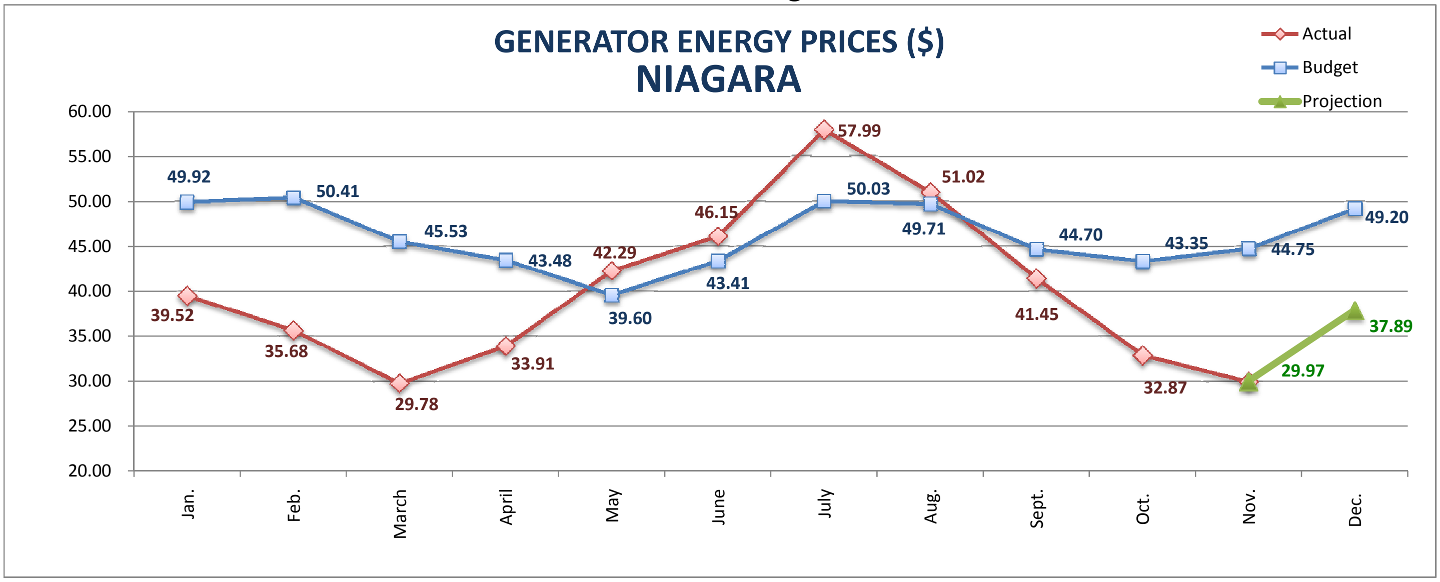
	BUDGET	ACTUAL
Niagara	1,933,880	1,652,089
St. Law.	2,019,109	2,002,680
PRICES ($/MWH)		
Niagara	$47.06	$41.53
St. Law.	$43.88	$39.27

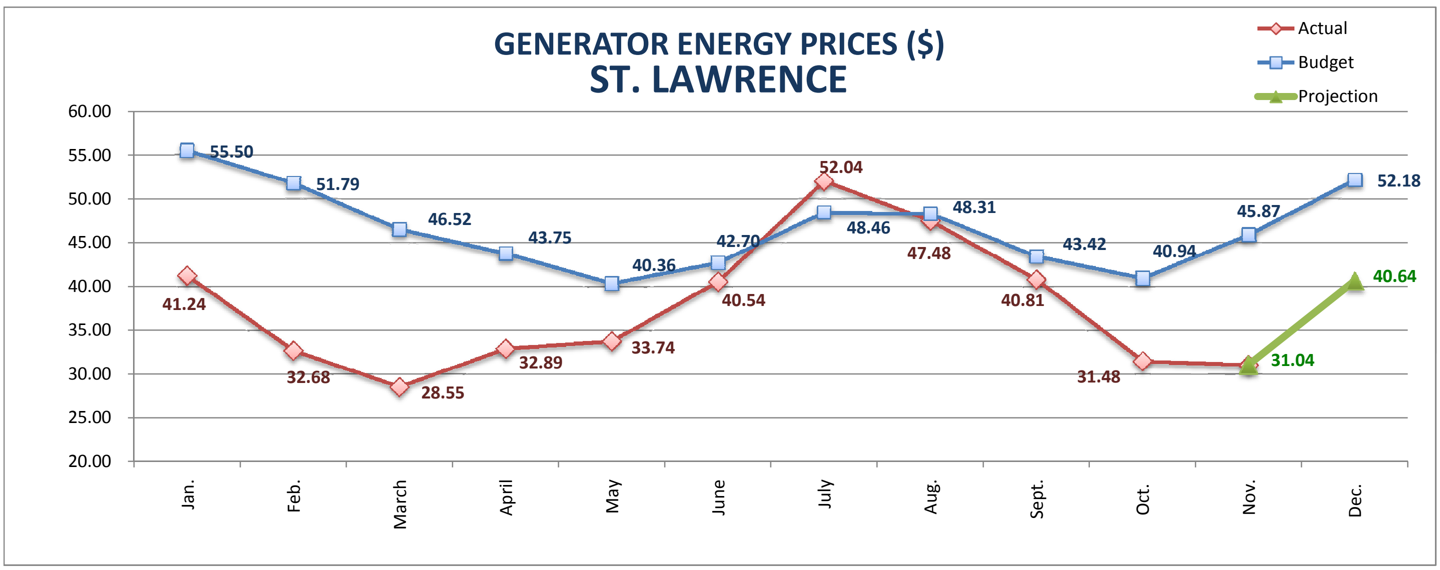
COSTS

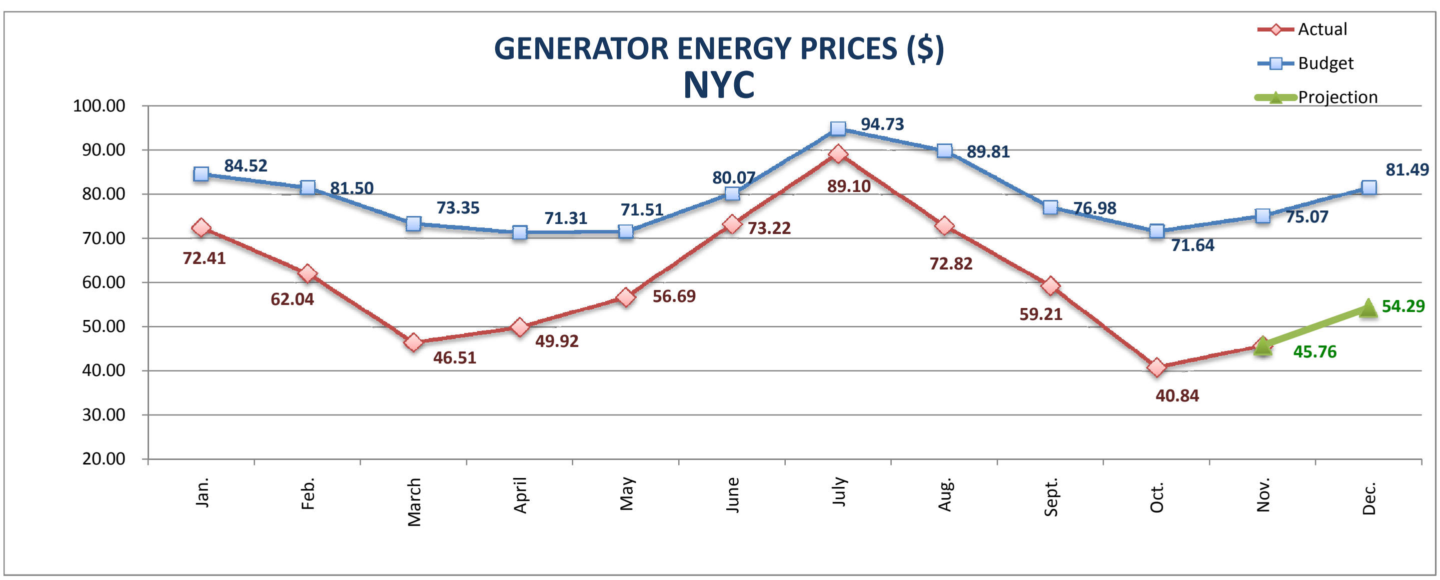
PURCHASES (MWH)

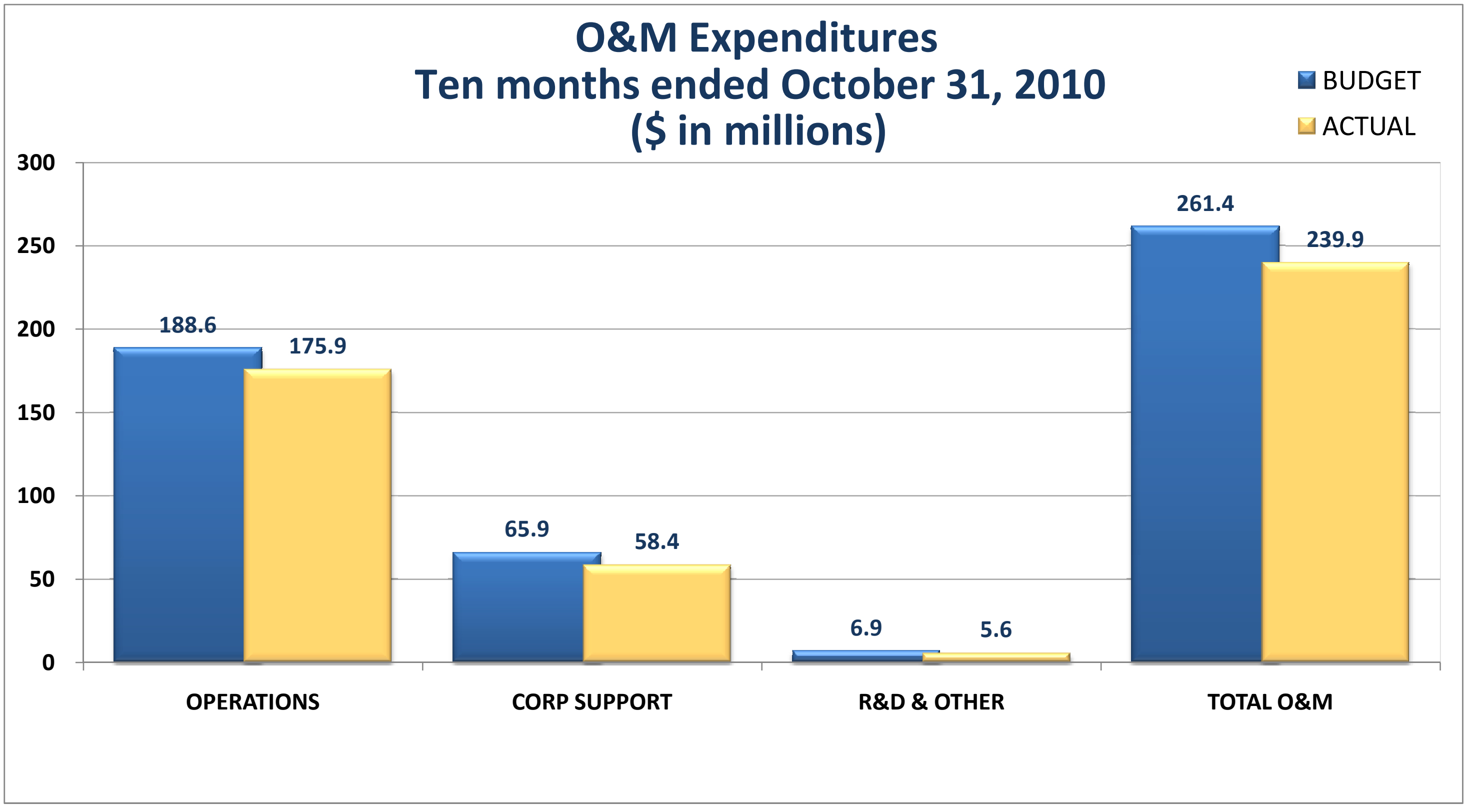
	BUDGET	ACTUAL
Hydro	1,415,346	1,066,090
SENY	7,681,575	8,213,108
MSP	2,361,768	2,382,821
TOTAL	11,458,689	11,662,019
COSTS ($/MWH)		
Hydro	$28.86	$23.54
SENY	$53.20	$53.29
MSP	$45.21	$44.01
AVERAGE	$48.54	$48.68

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget





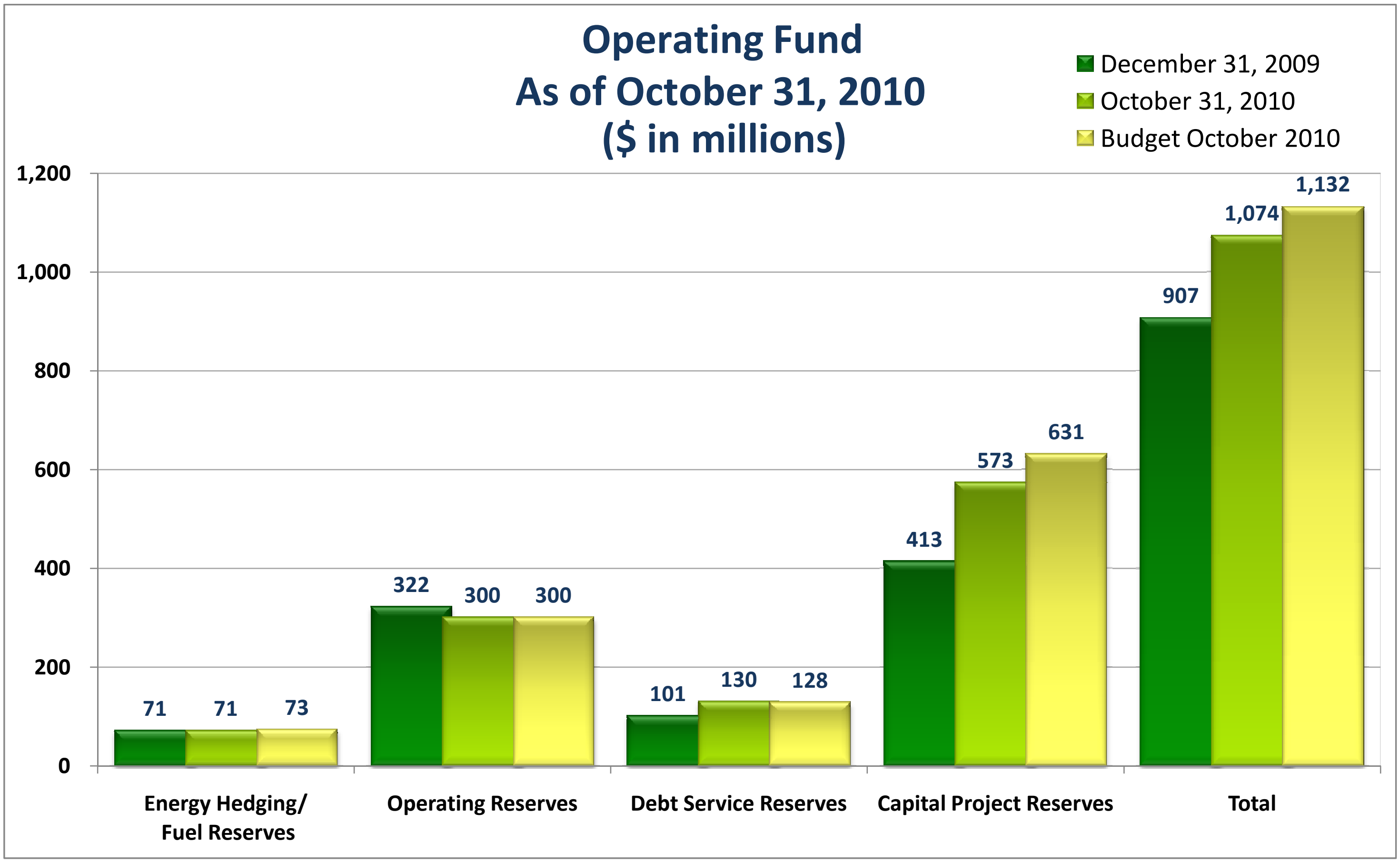




• Through October, O&M expenses were $21.5 lower than the budget.

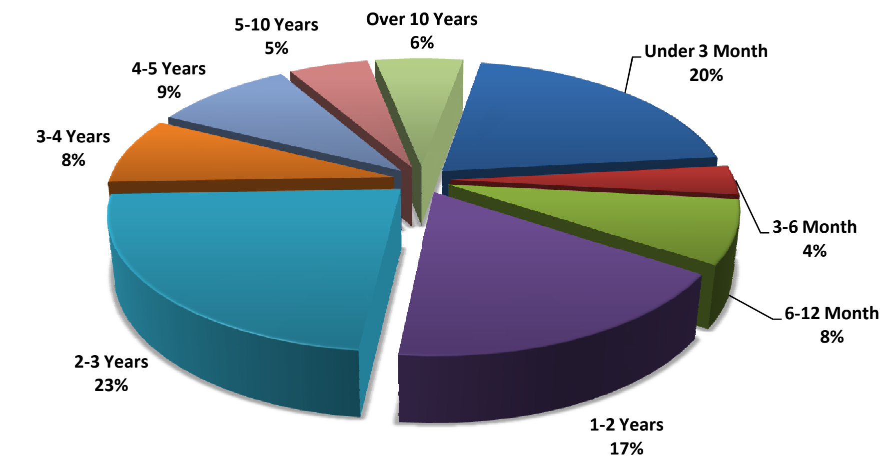
• Operations expenditures were $12.7 lower than budgeted due primarily to lower than expected expenditures for non-recurring work at Niagara and St. Lawrence and timing differences related to recurring maintenance at the Transmission facilities and the 500 MW facility.

• Corporate Support expenses were under budget by $7.5 due mostly to lower payroll as a result of unfilled vacancies, under spending for fuel cell maintenance, legal consultants, telecommunication equipment and computer software, as well as higher than anticipated rental income.



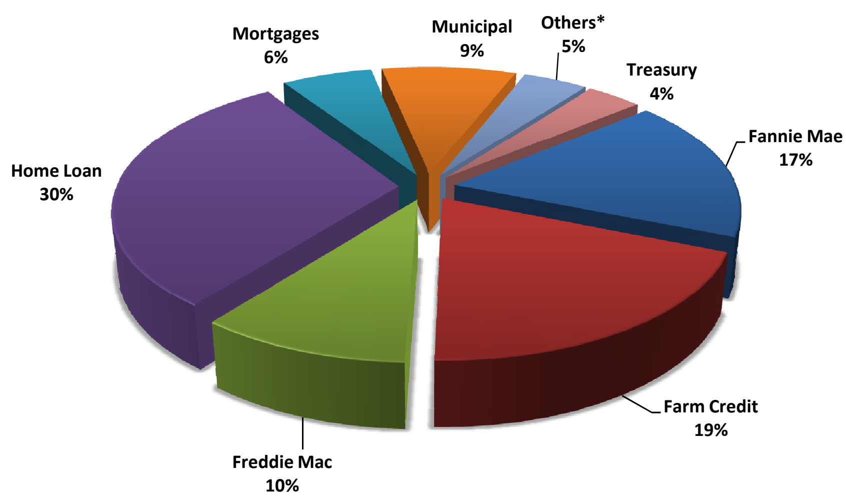
The year-to-date increase of $167 in the Operating Fund (from $907 to $1,074) was primarily attributable to positive net cash provided by operating activities, the Value Sharing payment of $72 received from Entergy in January and the Entergy payment of $10 in September related to the IP2 purchase agreement substantially offset by $159.5 in voluntary contributions to New York State and scheduled debt service payments. The variance from budget is a result of lower net income for the period.

Maturity Distribution
As of October 31, 2010



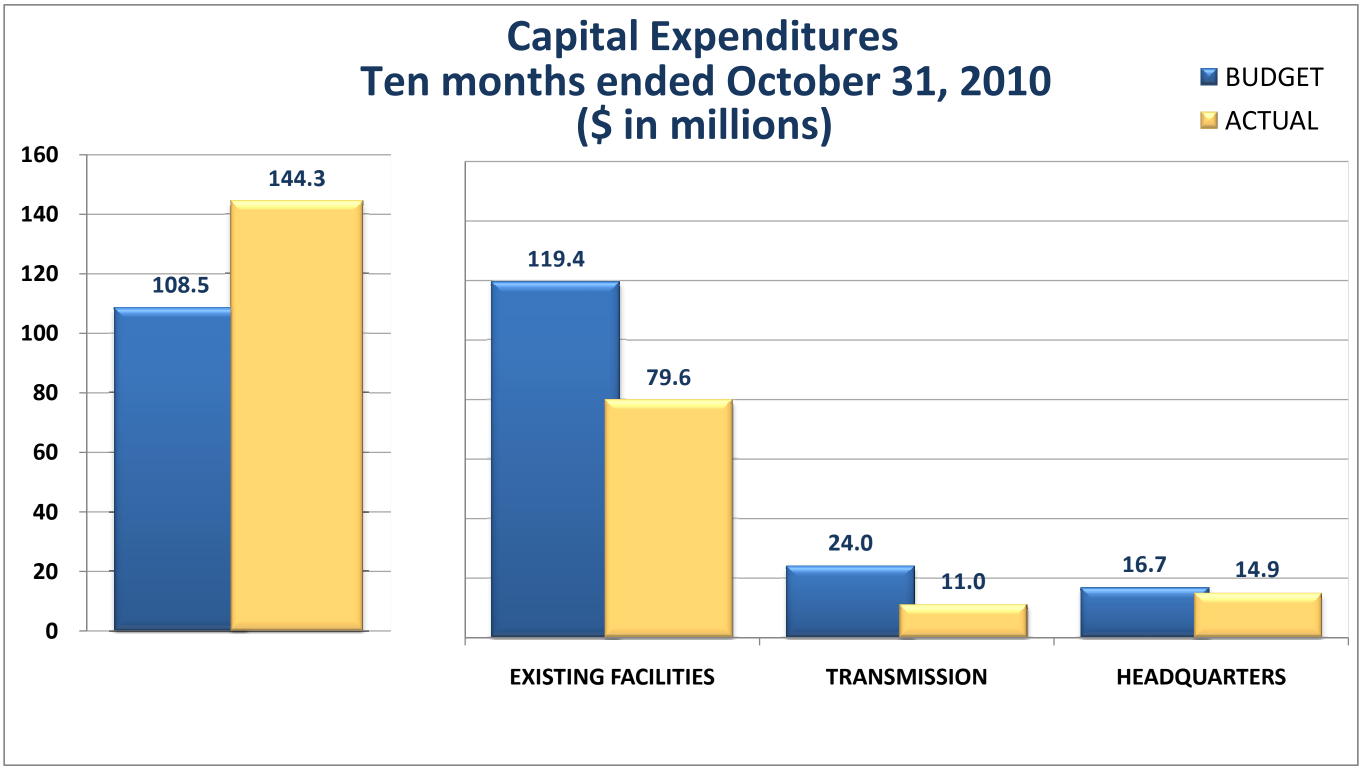
MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Months	$249.8
3-6 Months	42.7
6-12 Months	93.0
1-2 Years	212.2
2-3 Years	277.0
3-4 Years	97.7
4-5 Years	112.9
5-10 Years	64.1
Over 10 Yrs	71.3
Total	$1,220.7

Asset Allocation
As of October 31, 2010

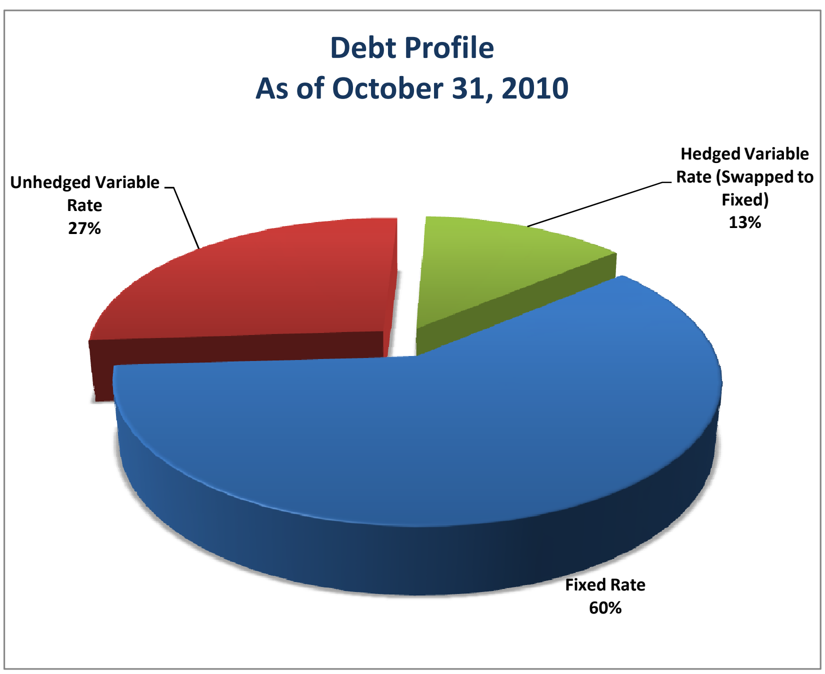


ASSET ALLOCATION	
($ in millions)	
Farm Credit	$211.0
Home Loan	236.0
Mortgages	122.1
Municipal	370.1
Others*	73.5
Freddie Mac	110.2
Fannie Mae	53.0
Treasury	45.0
Total	$1,220.7

*Includes CDs and Repos



- Energy Services expenditures exceeded the budget by $35.8 due to accelerated construction activity related to NYCHA's Hot Water Storage Tank Replacement and CUNY Central Heating and Cooling Project.
- Lower capital expenditures at Existing Facilities were primarily due to timing differences related to the B-G and St. Lawrence life extension and modernization projects.
- Transmission was under budget due to timing differences related to the Niagara 115 kv Oil Circuit Breaker upgrade and the St. Lawrence Relay replacement project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $20.3 for the year to date. There were no new expenditures authorized in October.



DEBT PROFILE ($ in millions)	
Fixed Rate	$1,173.4
Unhedged Variable Rate **(1)**	$522.4
Hedged Variable Rate (Swapped to Fixed)	$257.1
Total	$1,952.9

(1) *On August 15, 2010, the SIFMA based interest rate cap on a $300 notional amount of Commercial Paper Series 1 expired. Staff is evaluating replacement caps.*

ENERGY DERIVATIVES

Results

Year-to-date financial energy derivative settlements resulted in a net loss of $56.26 million that was incurred by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. The amount of losses would be subject to virtually full cost recovery, whereby the resulting hedge settlements would be incorporated into and recovered through Customer rates.

Year-to-Date 2010 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions

($ in Millions)

	Settlements[1]	Fair Market Value			
	YTD	2010	2011	>2011	Total
NYPA	$ (0.05)	$ -	$ -	$ -	$ -
Customer Contracts	$ (56.21)	$ (21.30)	$ (94.66)	$ (184.58)	$ (300.54)
Total	**$ (56.26)**	**$ (21.30)**	**$ (94.66)**	**$ (184.58)**	**$ (300.54)**

[1] *Based on final figures through September and preliminary settlements through October 2010.*

At the end of October, the fair market value of outstanding positions was valued at an unrealized loss of $300.54 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for the balance of 2010 (November to December 2010) and how they have traded since mid-2009, while Exhibit 2 illustrates the average price of futures contracts for 2011.

Exhibit 1: Average November to December 2010 Forward Price as Traded

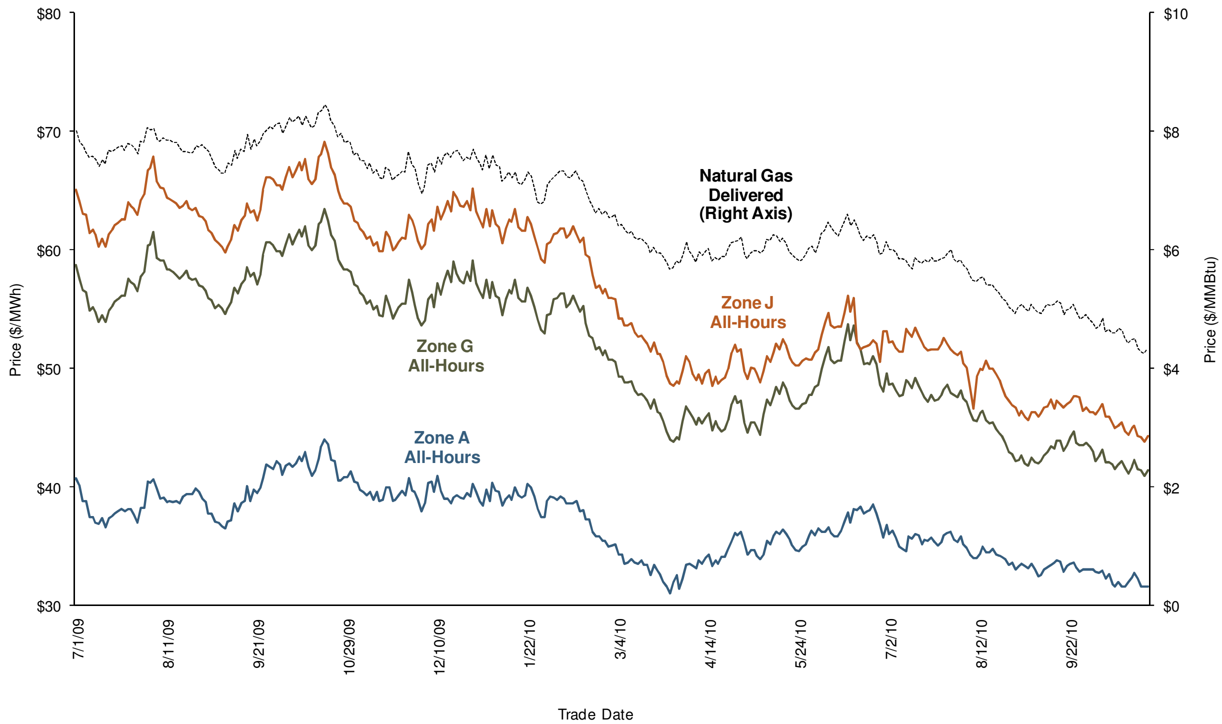
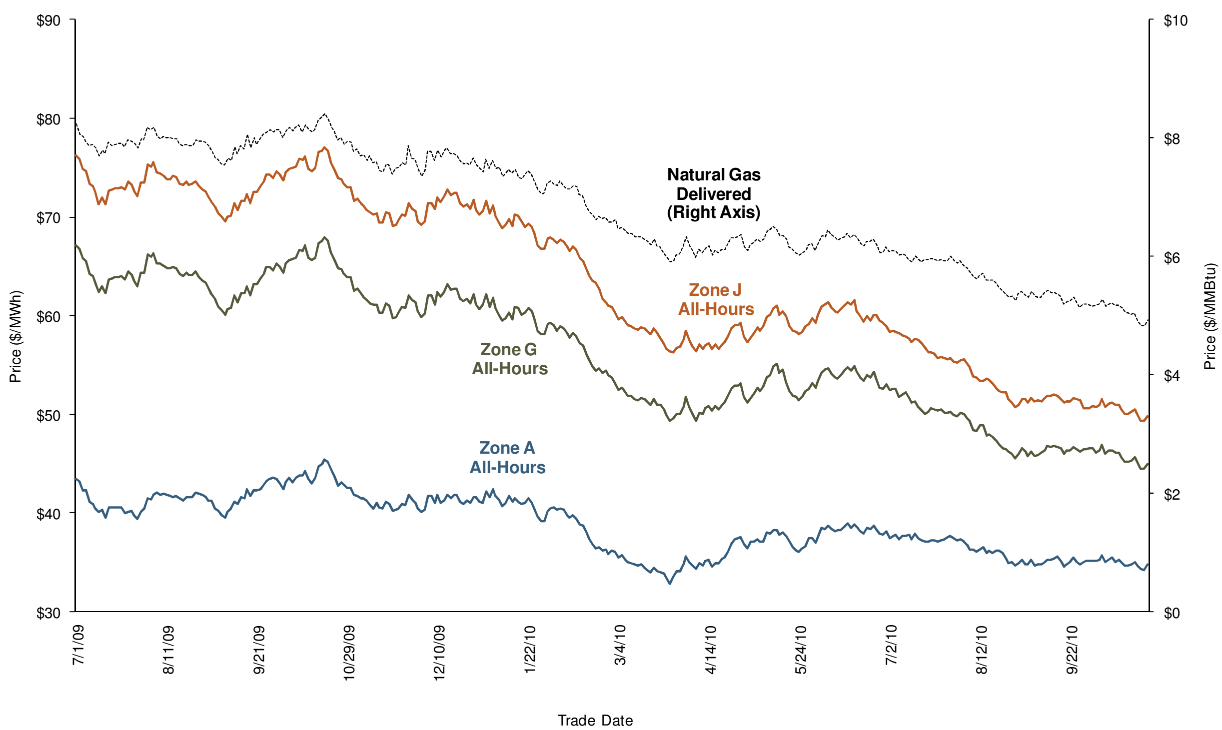


Exhibit 2: Average January to December 2011 Forward Price as Traded



STATEMENT OF NET INCOME
For the Ten Months Ended October 31, 2010
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,052.0	Customer	**$1,658.9**	**$1,735.1**	**($76.2)**
601.8	Market-based power sales	385.8	509.2	(123.4)
54.4	Ancillary services	25.3	43.4	(18.1)
102.9	NTAC and other	95.1	86.1	9.0
759.1	Total	**506.2**	**638.7**	**(132.5)**
2,811.1	**Total Operating Revenues**	**2,165.1**	**2,373.8**	**(208.7)**
	Operating Expenses			
864.8	Purchased power	739.7	741.0	1.3
340.8	Fuel consumed - oil & gas	181.8	284.2	102.4
91.0	Ancillary services	55.2	76.0	20.8
519.9	Wheeling	449.0	441.9	(7.1)
312.3	Operations and maintenance	239.9	261.4	21.5
160.3	Depreciation and amortization	135.2	133.6	(1.6)
141.7	Other expenses	110.8	119.9	9.1
(10.8)	Allocation to capital	(7.5)	(8.8)	(1.3)
2,420.0	**Total Operating Expenses**	**1,904.1**	**2,049.2**	**(145.1)**
391.10	**Net Operating Income**	**261.0**	**324.6**	**(63.6)**
	Nonoperating Revenues			
88.9	Post nuclear sale income	86.2	86.2	-
53.1	Investment income	33.9	44.1	(10.2)
(5.8)	Mark to market - investments	17.4	(4.9)	22.3
136.2	**Total Nonoperating Revenues**	**137.5**	**125.4**	**12.1**
	Nonoperating Expenses			
107.0	Contributions to New York State	147.0	107.0	(40.0)
112.3	Interest and other expenses	83.0	93.7	10.7
219.3	**Total Nonoperating Expenses**	**230.0**	**200.7**	**(29.3)**
(83.1)	**Net Nonoperating Income (Loss)**	**(92.5)**	**(75.3)**	**(17.2)**
$308.0	**Net Income**	**$168.5**	**$249.3**	**($80.8)**

COMPARATIVE BALANCE SHEETS
October 31, 2010
($ in millions)

Assets		October 2010	October 2009	December 2009
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,108.3	930.9	913.4
	Interest receivable on investments	5.8	5.7	5.8
	Accounts receivable - customers	222.2	116.9	191.7
	Materials and supplies, at average cost:			
	Plant and general	77.4	82.6	82.3
	Fuel	17.4	30.0	21.7
	Prepayments and other	161.5	190.6	124.4
	Total Current Assets	**1,592.7**	**1,356.8**	**$1,339.4**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,017.0	924.7	942.4
	Other	88.0	95.8	94.1
	Total Restricted Funds	**1,105.0**	**1,020.5**	**1,036.5**
Capital Funds	Investment in securities and cash	146.9	189.5	189.2
	Total Capital Funds	**146.9**	**189.5**	**189.2**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,302.6	3,323.5	3,347.8
	Construction work in progress	147.8	155.4	144.8
	Net Utility Plant	**3,450.4**	**3,478.9**	**3,492.6**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	684.7	487.3	545.6
	Notes receivable - nuclear plant sale	174.3	187.2	170.1
	Total other noncurrent assets	**1,177.0**	**992.5**	**1,033.7**
	Total Noncurrent Assets	**5,879.3**	**5,681.4**	**5,752.0**
	Total Assets	**$7,472.0**	**$7,038.2**	**$7,091.4**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$902.3	$807.8	$809.5
	Short-term debt	304.9	281.7	289.2
	Total Current Liabilities	**1,207.2**	**1,089.5**	**1,098.7**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,190.7	1,230.6	1,192.7
	Adjustable rate tender notes	130.5	137.5	137.5
	Commercial paper	344.1	421.6	413.3
	Total Long-term Debt	**1,665.3**	**1,789.7**	**1,743.5**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,017.0	924.7	942.4
	Disposal of spent nuclear fuel	216.1	215.8	215.8
	Deferred revenues and other	377.5	224.3	270.5
	Total Other Noncurrent Liabilities	**1,610.6**	**1,364.8**	**1,428.7**
	Total Noncurrent Liabilities	**3,275.9**	**3,154.5**	**3,172.2**
	Total Liabilities	**4,483.1**	**4,244.0**	**4,270.9**
Net Assets	Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
	Net Income	168.5	227.4	253.6
	Total Net Assets	**2,988.9**	**2,794.2**	**2,820.5**
	Total Liabilities and Net Assets	**$7,472.0**	**$7,038.2**	**$7,091.4**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Ten Months Ended October 31, 2010
($ in millions)

Operating Fund	
Opening	$906.8
Closing	1,074.6
Increase/(Decrease)	**167.8**
Cash Generated	
Net Operating Income	261.0
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	135.2
Net Change in Receivables, Payables & Inventory	(15.0)
Other	(4.8)
Net Cash Generated from Operations	**376.4**
(Uses)/Sources	
Utility Plant Additions	(72.2)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(3.3)
ART Notes	(7.3)
Investment Income	22.4
Entergy Value Sharing Agreement	72.0
Entergy Payment (IP2 Purchase Agreement)	10.0
Voluntary Contribution to NY State	(159.5)
Other	(3.1)
Total (Uses)/Sources	**(208.6)**
Net Increase in Operating Fund	**$167.8**

5. Moses-Adirondack and Moses-Willis-Plattsburgh Structure Replacements – Capital Expenditure Authorization Request

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a Capital Expenditure Authorization Request ('CEAR') in the amount of $4.2 million for the replacement of approximately one hundred 230 kV H-frame wood-pole structures on the Moses-Adirondack ('M-A') 1 & 2 Lines and the Moses-Willis-Plattsburgh ('M-W-P') 1 & 2 Lines over the next five years.

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, Trustees' approval is required for capital expenditures in excess of $3 million.

"Wood-pole structures on the M-A 1 & 2 Lines and the M-W-P 1 & 2 Lines are approaching the end of their useful life.

The M-A transmission line comprises of two 230 kV lines originating at the Moses Switchyard (St. Lawrence) and terminating 85 miles from the Authority's Adirondack Substation (170 circuit miles). The transmission line, as it now exists, was constructed in three segments. The original wood-pole line was energized in 1942 at 115 kV. Following the addition of the Adirondack Substation, the line was energized at 230 kV in 1958.

"The M-W-P transmission line comprises of two 230 kV transmission lines operating between the Moses Switchyard (St. Lawrence) and its substations at Willis (near Malone) and Plattsburgh. This represents a total distance of approximately 75 miles, or 150 circuit miles. The first circuit was put into service in the late 1950s and the second circuit was put into service in the late 1970s, concurrent with the construction of the Willis Substation. The transmission lines are supported on wood poles and are centered on a 200-foot-wide right-of-way. In 2008, a wind farm was constructed by Noble Environmental Power, LLC, adding an additional 200 MW to the lines at the Ryan and Duley Substations.

"This CEAR is for the replacement of approximately 100 deteriorated wood-pole structures which will be based on field inspections to be carried out for a period from 2011 to 2015.

DISCUSSION

"The M-A transmission lines are an integral component of the New York Independent System Operator's ('NYISO') System Restoration Plan ('SRP') and both the M-A and M-W-P transmission lines are critical outlets for renewable energy. The conductors that comprise these transmission lines are secured using wood-pole structures, many of which are approaching the end of their useful life.

"Inspections and risk assessment of the Authority's transmission assets are performed on a routine basis in order to protect the integrity and reliability of the system. Given the age and criticality of the M-A and M-W-P transmission lines, these inspections have been more frequent and have revealed degradation of certain H-frame wood-pole structures.

"Based on the inspections performed, staff anticipates replacing approximately 20 structures annually. This CEAR is for a five-year period from 2011 to 2015. The result of any Transmission Initiatives may affect the necessity to continue replacement of the wood-pole structures on the M-A transmission lines.

"The total project cost over the five-year period is estimated at $4.2 million, as follows:

Procurement	$ 720,000
Construction/Installation	$3,280,000
Authority Indirect Expenses	$ 200,000
TOTAL	$4,200,000

FISCAL INFORMATION

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

RECOMMENDATION

"The Senior Vice President – Power Supply Support Services, the Senior Vice President – Transmission, the Vice President – Project Management and the Vice President – Procurement recommend that the Trustees authorize capital expenditures of $4.2 million for the replacement of 230kV wood-pole structures on the Moses-Adirondack 1 & 2 Lines and the Moses-Willis-Plattsburgh 1 & 2 Lines.

"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 and I concur in the recommendation."

Mr. Steve DeCarlo provided highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman Foster, Mr. DeCarlo said that although other materials are available, the frames would be replaced with wood-pole structures. He said that since staff is unsure of the future of the transmission initiative and its impact on the Moses-Adirondack transmission lines at the present time, staff has decided to replace the structures with wood-poles as is presently used.

In response to a question from Trustee Eugene Nicandri, Mr. DeCarlo said that 20 structures would be replaced per year and that Authority staff would be performing the work. In response to further questions from Trustee Nicandri, Mr. DeCarlo said that the transmission initiative would not have an impact on the wood-pole structure replacements and that if the Authority proceeds with a transmission initiative, staff would minimize the number of structures being replaced on the Moses-Adirondack line.

In response to a question from Trustee Mark O'Luck, President Kessel said that most of the wood-pole structures, which are 50 – 60 years old, will have to be replaced.

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 $4.2 million for the replacement of 230 kV wood-pole structures on the Moses-Adirondack ('M-A') 1 & 2 Lines and the Moses-Willis-Plattsburgh ('M-W-P') 1 & 2 Lines, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

6. Blenheim-Gilboa Pumped Storage Project
<u>Relicensing – Capital Expenditure Authorization</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize $8.7 million in capital expenditures for the first phase of the relicensing of the Blenheim-Gilboa Pumped Storage Project ('B-G Project'). The anticipated tasks related to the first phase involve: (1) development and implementation of a comprehensive information management system; (2) compilation of available information; (3) collection of additional information; (4) identification of, and informal consultation with potential stakeholders and (5) preparation of the documents necessary to begin the formal relicensing of the B-G Project in 2014. Annual expenditure of these funds will be subject to Trustees' approval of the annual budget.

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, Trustees' approval is required for capital expenditures in excess of $3 million.

"In 1969, the Federal Power Commission (now the Federal Energy Regulatory Commission, ('FERC')) issued a 50-year license for the B-G Project; this license expires in April 2019. Along with the St. Lawrence/FDR Power Project ('St. Lawrence') and the Niagara Power Project ('Niagara'), the B-G Project represents the core of the Authority's generation system. The Authority needs to obtain a new license for the B-G Project to continue its operation.

"The Authority has considerable experience with relicensing of its large hydroelectric projects through the long and complicated FERC process. Relicensing of the St. Lawrence and Niagara Projects were successfully completed in 2003 and 2007, respectively. The relicensing process required seven and nine years for the Niagara and St. Lawrence Projects, respectively.

DISCUSSION

"As with the St. Lawrence and Niagara projects, it is envisioned that there will be two phases of work for obtaining a new license. The first phase involves preparation for relicensing and the second phase is the formal FERC relicensing process. Preparation for relicensing will begin in 2010 and end in 2013 when the necessary relicensing documents to begin the formal process have been prepared. This initial phase will involve development and implementation of a comprehensive information management system; compilation of available information; studies to collect additional information; identification of, and informal consultation with potential stakeholders and preparation of the Preliminary Application Document ('PAD').

"The formal relicensing process will begin in 2014 with the submittal of the Notice of Intent and PAD to FERC. Subsequently, there will be a formal consultation process with stakeholders; additional studies will be performed, as needed, and settlement discussions will take place. Following this work, an application for a new license will be prepared and submitted to FERC by April 2017; FERC has two years during which to act on the application.

"By preparing for the relicensing now, the Authority can fully develop the issues and perform the appropriate work at a pace and level of effort that optimizes the use of its resources. It is expected that the Authority will be able to develop persuasive arguments regarding contentious issues and will have increased flexibility to address unanticipated developments. In general, the better informed the Authority is concerning the crucial issues, the greater the probability its positions will prevail with FERC. Also, the Authority may be able to resolve or eliminate some issues before the formal process begins in 2014. The narrowing of issues to be considered during the relicensing process will allow the Authority to concentrate its efforts and resources during formal consultation rather than having to address all issues at that time. With an earlier and more thorough understanding of the issues and potential solutions, the Authority will be in a better position to manage the costs and results of the relicensing process, while appropriately addressing the interest of stakeholders.

FISCAL INFORMATION

"To support the first phase of relicensing activities for the B-G Project the Relicensing and Implementation Division requests authorization of capital expenditures of $8.7 million. It is anticipated that these funds will cover expenses through the end of 2013. Funds for 2011 were included in the 2011 Capital Budget; funds for 2012 and 2013 will be included in future budget submittals. Payments will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Senior Vice President – Corporate Planning and Finance, the Vice President – Project Development, Licensing and Compliance and the Director – Relicensing and Implementation recommend that the Trustees authorize the expenditure of $8.7 million for the first phase of the relicensing of the Blenheim-Gilboa Pumped Storage Project.

"The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Power Supply, the Senior Vice President – Power Supply Support Services and I concur in the recommendation."

Mr. John Suloway presented highlights of staff's recommendations to the Trustees. In response to questions from Vice Chairman Foster, Mr. Suloway said that the main product of the planning phase of relicensing is the generation of the pre-application document. This phase will also include working with stakeholders to identify their issues, gathering information and conducting several studies, e.g. fisheries study, to start the licensing process.

In response to questions from Trustee Nicandri, Mr. Suloway said that information gathering is a part of the initial relicensing process to complete the pre-application document and that the budget is in line with other Authority relicensing projects.

In response to a question from Trustee O'Luck, Mr. Suloway said that staff is recommending that the Trustees approve the overall budget for the first phase of the relicensing process at this meeting; for the subsequent years, staff will recommend that the Board approve the annual expenses for that year. In response to further question from Trustee O'Luck, Mr. Suloway said that staff estimates the total cost of the relicensing process to be $40 million – $8.7 million for the first phase and approximately $31 million for the second phase.

President Kessel added that information gathering is required for the relicensing of the project; he will monitor the expenditures with the intent to keep it at a minimum. He will also be visiting with stakeholders and local officials to discuss their concerns.

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

RESOLVED, That capital expenditures in the amount of $8.7 million for the purpose of conducting the first phase of the relicensing of the Blenheim-Gilboa Pumped Storage Project are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the attached memorandum 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.

7. 2011 Revolving Credit Agreement

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a $550 million Revolving Credit Agreement ('RCA') with a syndicate of five banks led by JPMorgan Chase Bank, N.A. ('JPMorgan') for an initial term extending to no later than February 1, 2014, to replace an expiring agreement that provides liquidity support for the Authority's Series 1, 2 and 3 Commercial Paper Notes, and to authorize an extension of such RCA not to exceed February 1, 2015.

BACKGROUND

"The Authority currently has $508 million of Series 1, 2 and 3 Commercial Paper Notes outstanding supporting numerous projects and programs including the Energy Services program. In accordance with the 'Resolution Authorizing Commercial Paper Notes' adopted by the Authority on June 28, 1994, as amended, supplemented, and restated, the Authority is required to maintain in full force and effect a Credit Agreement while the Notes are outstanding. The current RCA will expire on January 31, 2011.

DISCUSSION

"On November 4, 2010 the Authority invited 14 banks having minimum 'A' or comparable long-term credit ratings from Moody's Investors Service ('Moody's'), Standard & Poor's ('S&P'), and Fitch Ratings ('Fitch') to submit proposals for a $550 million liquidity facility. On or before November 30, 2010 the Authority received six proposals: one from JPMorgan on behalf of a syndicate of five banks for the entire $550 million facility; and others for lesser amounts from Bank of America, N.A., Barclay's Bank PLC, Citibank, N.A., US Bank and Morgan Stanley Bank, N.A. responding on their own behalf.

"The review of the six proposals considered: 1) pricing to provide commitments and borrowings, 2) credit quality of the banks, 3) trading differential on the Commercial Paper Notes based on the bank(s) providing the liquidity, and 4) investors' capacity for holding additional paper supported by the bank(s). Based on this review, staff is recommending the award of the liquidity facility to the JPMorgan-led syndicate. On an overall basis, the JPMorgan syndicate proposal provided favorable all-in price and terms, contained banks with strong credit ratings and is expected to give the Authority broad and liquid access to the markets.

"Bank commitments and current ratings from Moody's, S&P, and Fitch are as follows:

	Commitment	Current Rating
JPMorgan Chase Bank, N.A	$157,500,000	Aa1 / AA- / AA-
The Bank of Nova Scotia	$157,500,000	Aa1 / AA- / AA-
State Street Bank and Trust Company	$100,000,000	Aa2 / AA- / A+
Wells Fargo Bank, N.A.	$ 85,000,000	Aa2 / AA / AA-
The Bank of New York Mellon	$ 50,000,000	Aaa / AA / AA-
Total	$550,000,000	

"The JPMorgan-led syndicate would provide the credit facility for an annual commitment fee payable on the unused amount of the facility and annual administrative fees totaling approximately $3.6 million. In the event the Authority has to draw on the line, the interest rate (the 'Base Rate') would be the higher of the JPMorgan Prime Rate plus 1.5%, the Federal Funds rate plus 2.0%, or 7.5% for the first 180 days. After 180 days, the loan would convert to a two year term loan at the Base Rate plus 1.0%.

"JPMorgan's legal fees for execution of the Revolving Credit Agreement are not expected to exceed $33,000.

FISCAL INFORMATION

"The annual cost of the proposed line along with the Administrative Agent and legal fees will be paid from the Operating Fund. A portion of fees commensurate with the percentage of Commercial Paper Notes issued in support of the Energy Services program will be recovered from Energy Services program participants.

RECOMMENDATION

"The Treasurer recommends that the Trustees: (1) approve the execution of the 2011 Revolving Credit Agreement with the bank syndicate led by JPMorgan Chase Bank, N.A. with a borrowing capacity not to exceed $550 million and for an initial term not to exceed February 1, 2014, and (2) authorize an extension of such agreement not to exceed February 1, 2015.

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

"Mr. Brian McElroy presented highlights of staff's recommendations to the Trustees. In response to a question from Trustee Patrick Curley, Mr. McElroy said that there is no collateral associated with the revolving credit agreement. The agreement is a backing for the Authority's commercial note.

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

RESOLVED, That the Trustees authorize the execution by the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance or the Treasurer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, on behalf of the Authority, of the 2011 Revolving Credit Agreement between the Authority and JPMorgan Chase Bank, N.A. as Administrative Agent and the banks listed in the foregoing report of the President and Chief Executive Officer, with such Agreement having such terms and conditions as the executing officer deems necessary or advisable, such execution to be conclusive evidence of such determinations, provided that such Agreement shall have an initial term not exceeding February 1, 2014 and shall not exceed $550 million in borrowing capacity; and be it further

RESOLVED, That the Executive Vice President and Chief Financial Officer, the Senior Vice President – Corporate Planning and Finance or the Treasurer are, and each hereby is, authorized to execute an extension of the 2011 Revolving Credit Agreement, provided that such extension shall not in the aggregate extend the Agreement beyond February 1, 2015; 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.

8. 2011 Operating Budget and Operation and Maintenance, Capital and Energy Services Budgets

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the 2011 Operating Budget, Operations and Maintenance Budget ('O&M'), Capital Budget and Energy Services Budget for the Authority. The Operating Budget sets forth the expected revenues and expenses of the Authority (see attached Exhibit '8-A') and includes the recommended 2011 O&M Budget, the Capital Budget and the Energy Services Budget (see Attached Exhibits '8-B,' '8-C' and '8-D,' respectively) in the following amounts:

	2011 Budget ($ million)
O&M	$ 312.3
Capital	$ 177.8
Energy Services	$ 150.3

"For reference, a variance analysis comparing the current 2010 Forecast to the 2011 Operating Budget is detailed in Exhibit '8-A.'

BACKGROUND

"The Authority is committed to providing clean, low-cost and reliable energy consistent with its commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables and innovation, for the benefit of its customers and all New Yorkers. The 2011 budgets are intended to provide the Authority's operating facilities and support organizations with the resources needed to meet this overall mission and the Authority's strategic objectives.

"In approving the 2011 O&M, Capital and Energy Services budgets, the Trustees will be authorizing spending for 2011 operations, spending for capital projects and general plant purchases of $750,000 or less and the addition of 20 new succession planning positions. During the year, the President and Chief Executive Officer may authorize an additional 1% in the O&M budget, up to 15 new positions, capital projects of $3 million or less, or an increase in spending of no more than $1 million to a capital project previously approved by the Trustees. All other authorizations must be approved by the Trustees.

DISCUSSION

O&M Budget

"The base O&M budget of $312.3 million is unchanged from the 2010 budget with increases in pension and medical benefits, new succession planning positions and an additional scheduled maintenance outage offset by reductions throughout the organization.

"Payroll costs, which include salaries, overtime, and fringe benefits, account for $181.1 million, or approximately 58% of the budget. This represents an increase of $5.5 million over the 2010 budget of $175.6 million. The major factor contributing to the increase is the cost of benefits, mostly associated with greater pension contributions. The addition of 20 new succession planning positions is essentially offset by elimination of positions during 2010 and reductions in funding for temporary and seasonal personnel. The offsetting decrease of $5.5 million in non-payroll expenses for 2011 reflects reductions to routine expenditures, non-recurring work at the facilities and the R&D program.

"The Power Supply 2011 O&M budget is $1.8 million below the 2010 level primarily due to a reduction of non-recurring projects at the facilities. These decreased costs are mostly offset by an increase in scheduled plant outages. During 2011, the outage budget of $15.1 million includes $8.0 million for combustion turbine inspections and related work at the 500MW plant, and $7.1 million for a combustion turbine generator overhaul at Flynn. Major non-recurring projects include Heat Recovery Steam Generator (HRSG) repairs at Flynn ($1.4 million), Niagara's Unit #2 Standardization ($1.4 million), RMNPP Headgate Refurbishment ($1.2 million) and CTG Air Duct Inlet Duct Rework at Flynn ($1.0 million).

"The Headquarters support and Research & Development budgets total $1.8 million above 2010 level due to increased fringe benefits, implementation of a new Energy Commodity Risk Software System and an increase in Energy Efficiency studies and analyses.

"The Astoria Energy budget totals $14.9 million and represents the contractual O&M costs for the plant, located in New York City, which is expected to be in commercial operations in June 2011. These costs will be recovered from NYPA's New York City Governmental customers via a long term contract.

<u>Capital Budget</u>

"The 2011 Capital budget totals $177.8 million, a decrease of $18.8 million from 2010.

"Significant capital projects for 2011 include the St. Lawrence Life Extension and Modernization ('LEM') ($24.2 million), the Robert Moses Restacking ($16.6 million), Niagara/St. Lawrence Relicensing Implementation ($14.6 million), Lewiston Pump Generating Plant LEM ($13.6 million), and the Robert Moses Power Project Unit Standardization ($9.2 million).

"The Capital budget includes $14.0 million of minor additions and general plant purchases that will be authorized by approval of this budget.

<u>Energy Services Budget</u>

"The Energy Conservation/Renewable projects total $150.3 million, an increase of $20.0 million over the 2010 budget. These expenditures will be subsequently recovered over time from the benefitted customers. The budget includes increased funding for energy efficiency projects for NYPA customers and other eligible entities as the Authority strives to support Governor Paterson's 45x15 plan, which calls for New York State to meet 45 percent of its electricity needs through improved energy efficiency and clean, renewable energy by 2015.

<u>Operating Budget</u>

"The 2011 Operating Budget sets forth the expected revenues and expenses of the Authority on a Project/Market Area basis and serves as the basis for the Authority's financial reporting during the year. Expected revenues received from customers are based on contracts and tariffs that are approved by the Trustees. Market-based sales of any surplus energy from the Authority's generating facilities or purchases made on behalf of customers (except for those made through previously approved purchased power agreements) are assumed to be transacted at the market clearing price in the wholesale market. Projected expenses for O&M are detailed above. The Other Expenses category largely reflects various accruals (e.g., Other Post-Employment Benefit prior service obligations) and other miscellaneous expenses for which Trustee approval is sought on a case-by-case basis (e.g., Power for Jobs Rebates, North Country Power Discount Program, etc.). Also reflected in the 2011 Operating Budget are continuing contributions to New York State of $65 million, which are the same level as the Legislature authorized for State Fiscal Year 2010-2011. Such contribution will only be made if authorized by the Legislature and upon a determination (not requested at this time) by the Trustees that the payment would be feasible and advisable at the time of such disbursement.

FISCAL INFORMATION

"Payment of O&M expenses will be made from the Operating Fund. Payment for Capital and Energy Services expenditures will be made from the Capital Fund and the Energy Conservation Construction and Effectuation Fund, respectively. Monies of up to $116.8 million from the Operating Fund will be transferred to the Capital Fund for capital expenditures, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. The 2011 Operating Budget shows adequate earnings levels so that the Authority may maintain its financial goals for cash flow and reserve requirements.

RECOMMENDATION

"The Vice President – Financial Planning and Budgets and the Director - Budgets recommend approval of the 2011 Operation and Maintenance, Capital and Energy Services budgets and the Operating Budget 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 with the recommendation."

Before the presentation of staff's recommendations, President Kessel said that he wanted provide a synopsis of the Budget to the Board. He briefly outlined the budget and said that it was important to note that the Authority's O&M budget is flat as compared to last year's. He added that even though the budget is the same amount that is currently budgeted for fiscal year 2010, in preparing the budget, staff did not eliminate any critical projects and took into consideration the Authority's goal to maintain and operate its facilities at a high level of efficiency and continue its major capital improvements, including the Life Extension and Modernization programs. President Kessel will be working closely with Ms. McCarthy and Messrs. Quiniones, Russak and Hopkins to manage the budget. President Kessel said that he highly recommend that the Board approved the Budget.

President Kessel then asked Mr. Quiniones to address the Board. Mr. Quiniones said that he had several discussions with President Kessel regarding the budget. He said that the Authority would continue to invest in its infrastructure and he would also be monitoring the budget closely. He opined that if the Authority continues to be creative and innovative, work smarter and make adjustments, as necessary, it will be able to manage its assets safely and reliably.

Mr. Russak presented highlights of staff's recommendations to the Trustees. Trustee Nicandri said that although rate increases were deferred because of the state of the economy, the proposed budget would not impact the Authority's ability to maintain its current level of investment and capital projects and, therefore, he was in

favor of voting for it. Trustee O'Luck noted that the Authority will be key to the state's coming out of the economic downturn. He will support staff's recommendation. Trustee Curley said that he supports the budget. Chairman Townsend said that they also support staff's recommendation.

On behalf of the Trustees, Chairman Townsend wished staff happy holidays.

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

RESOLVED, That the 2011 Operating Budget, specifically including the 2011 budgets for Operation and Maintenance, Capital and Energy Services expenditures, as discussed in the foregoing report of the President and Chief Executive Officer, are hereby approved; and be it further

RESOLVED, That up to $116.8 million of monies in the Operating Fund are hereby authorized to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations as amended and supplemented, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Financial 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.

2011 Operating Budget
($ Millions)

	Operating Budget 2011
Operating Revenues:	
Customer Revenues	2,068.7
NYISO Market Revenues	620.9
Total Operating Revenues	2,689.6
Operating Expenses:	
Purchased Power	923.1
Fuel oil and gas	295.6
Wheeling Expenses	543.4
O&M Expenses	316.3
Other Expenses	135.5
Depreciation and Amortization	194.9
Total Operating Expenses	2,408.7
NET OPERATING REVENUES	**280.9**
Other Income:	
Investment Income	32.4
Other Income	88.4
Total Other Income	120.9
Non-Operating Expenses	
Interest & Other Expenses	157.5
Contributions to State	65.0
Total Non-Operating Expense	222.5
NET INCOME	**179.3**

2010 – 2011 Plan Variance

($ Millions)

	Original Budget 2010	Forecast 2010	Budget 2011	2010 Forecast vs. 2011 Budget Variance
Operating Revenues:				
Customer Revenues	$2,062.1	$1,963.2	$2,068.7	$105.5
NYISO Market Revenues	$749.0	$592.6	$620.9	$28.3
Total Operating Revenues	$2,811.1	$2,555.8	$2,689.6	$133.8
Operating Expenses:				
Purchased Power	$955.7	$934.3	$923.1	($11.2)
Fuel oil and gas	$340.8	$221.1	$295.6	$74.5
Wheeling Expenses	$519.9	$522.1	$543.4	$21.3
O&M Expenses	$301.5	$295.6	$316.3	$20.7
Other Expenses	$141.7	$132.0	$135.5	$3.5
Depreciation and Amortization	$160.3	$164.0	$194.9	$30.9
Total Operating Expenses	$2,419.9	$2,269.1	$2,408.7	$139.6
NET OPERATING REVENUES	**$391.2**	**$286.7**	**$280.9**	**($5.8)**
Other Income:				
Investment Income	$34.5	$51.1	$32.4	($18.7)
Other Income	$101.7	$88.9	$88.4	($0.5)
Total Other Income	**$136.2**	**$140.0**	**$120.9**	**($19.1)**
Non-Operating Expenses				
Interest & Other Expenses	$112.3	$99.1	$157.5	$58.4
Contributions to State	$107.0	$147.0	$65.0	($82.0)
Total Non-Operating Expense	**$219.3**	**$246.1**	**$222.5**	**($23.6)**
NET INCOME	**$308.1**	**$180.6**	**$179.3**	**($1.3)**

New York Power Authority
Operating Budget for Total NYPA
For the Year ended December 31, 2011
($ in 000's)

	Niagara	St. Lawrence	B-G	SENY	SCPP	Market Supply Power	Flynn	Transmission	Eliminations & Adjustments	Total
Operating Revenues:										
Customer Revenues	$225,349	$110,256	$10,251	$1,450,290	$8,668	$151,617	$90,250	$59,042	($37,026)	$2,068,696
NYISO	$105,890	$42,947	$51,898	$281,734	$71,595	$7,801	$0	$114,897	($55,847)	$620,915
Total Operating Revenues	**$331,239**	**$153,203**	**$62,149**	**$1,732,024**	**$80,263**	**$159,418**	**$90,250**	**$173,939**	**($92,873)**	**$2,689,610**
Operating Expenses:										
Purchased Power	$10,271	$28,649	$26,627	$635,757	$1,626	$117,195	$0	$0	($98,634)	$721,492
Ancillary Services	$25,966	$14,802	$113	$56,260	$106	$10,926	$0	$0	$0	$108,173
Transmission Congestion	$24,813	$5,323	$0	$50,215	$0	$13,089	$0	$0	$0	$93,440
Fuel Consumed - Oil & Gas	$0	$0	$0	$203,062	$30,625	$0	$61,884	$0	$0	$295,572
Wheeling	$6,979	$979	$0	$525,963	$0	$9,089	$360	$0	$0	$543,369
Site O&M and Administrative Expenses	$81,586	$34,513	$30,535	$70,919	$14,056	$2,070	$19,037	$74,420	$0	$327,136
Other Expenses	$25,339	$9,466	$3,023	$13,262	$360	$44,845	$1,746	$7,960	$29,450	$135,450
Depreciation & Amortization	$31,905	$17,655	$8,891	$66,885	$19,060	$803	$5,256	$44,463	$0	$194,917
Allocation to Capital	($3,128)	($1,377)	($1,316)	($1,673)	($157)	($98)	($332)	($2,803)	$0	($10,883)
Total Operating Expenses	**$203,731**	**$110,010**	**$67,873**	**$1,620,650**	**$65,677**	**$197,919**	**$87,951**	**$124,039**	**($69,184)**	**$2,408,666**
Net Operating Revenues	**$127,508**	**$43,193**	**($5,724)**	**$111,374**	**$14,586**	**($38,502)**	**$2,299**	**$49,899**	**($23,689)**	**$280,945**
Non-Operating:										
Investment Income and Realized Gains	$0	$0	$0	$0	$0	$0	$0	$0	$39,427	$39,427
Entergy Time Payments	$0	$0	$0	$0	$0	$0	$0	$0	$87,954	$87,954
Mark to Market Adjustments	$0	$0	$0	$0	$0	$0	$0	$0	($7,000)	($7,000)
Other Income	$0	$0	$0	$0	$0	$0	$480	$0	$0	$480
Total Non-Operating Income	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$480**	**$0**	**$120,381**	**$120,861**
Contributions to State	$0	$0	$0	$0	$0	$0	$0	$0	$65,000	$65,000
Interest and Other Expenses	$34,090	$18,592	($75)	$71,643	$10	$5	$20	$15,865	$17,311	$157,460
Total Non- Operating Expenses	$34,090	$18,592	($75)	$71,643	$10	$5	$20	$15,865	$82,311	$222,460
Net Income (loss)	**$93,418**	**$24,601**	**($5,649)**	**$39,731**	**$14,576**	**($38,506)**	**$2,760**	**$34,034**	**$14,380**	**$179,345**

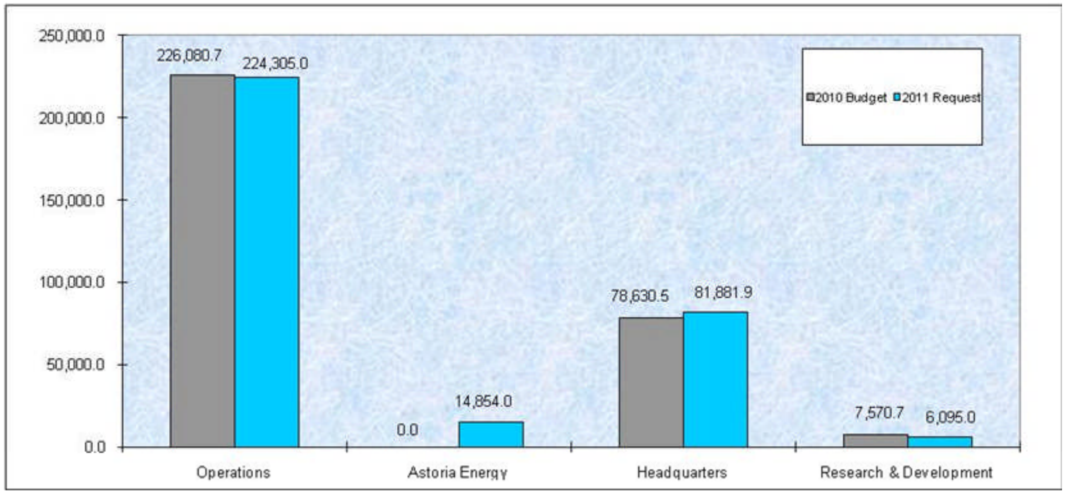
O&M
2011 BUDGET
($ THOUSANDS)

	2010 Budget	2011 Budget	INCREASE / (DECREASE) $'s	%
EXECUTIVE OFFICE				
Executive	3,094	3,062	(31)	(1.0%)
Law	7,928	8,000	71	0.9%
Internal Audit	1,747	1,936	189	10.8%
Public & Governmental Affairs	423	225	(198)	(46.8%)
Public, Governmental & Regulatory Affairs	1,713	1,605	(108)	(6.3%)
Corporate Communications	3,853	4,222	369	9.6%
Human Resources	5,519	5,224	(295)	0.0%
Office Total	**24,277**	**24,274**	**(2)**	**(0.0%)**
BUSINESS SERVICES				
EVP Business Services	572	762	189	33.1%
Controller	4,673	4,960	287	6.2%
Finance	4,987	4,556	(431)	(8.6%)
Treasury	1,418	1,321	(97)	(6.8%)
Energy Risk Assessment & Control	62	351	290	470.6%
Office Total	**11,712**	**11,950**	**239**	**2.0%**
ENTERPRISE SHARED SERVICES				
VP Enterprise Shared Services	0	230	230	N/A
Procurement	2,600	2,785	185	7.1%
Real Estate	521	442	(79)	(15.2%)
Information Technology	19,171	21,148	1,977	10.3%
Office Total	**22,292**	**24,605**	**2,313**	**10.4%**
CORPORATE SUPPORT SERVICES				
SVP Corporate Support Services	505	422	(83)	(16.4%)
Corporate Support	8,028	7,864	(164)	(2.0%)
Fleet Management	1,167	915	(252)	(21.6%)
Office Total	**9,700**	**9,202**	**(498)**	**(5.1%)**

	2010 Budget	2011 Budget	INCREASE / (DECREASE) $'S	%
ENERGY MARKETING & BUSINESS DEVELOPMENT				
EVP EM & BD	209	0	(209)	(100.0%)
Energy Services	5,083	5,969	886	17.4%
Marketing	3,299	4,022	723	21.9%
Power Resource Planning & Acq.	2,058	1,860	(199)	(9.7%)
Office Total	**10,650**	**11,851**	**1,201**	**11.3%**
ENERGY RESOURCE MANAGEMENT	**1,409**	**1,357**	**(52)**	**(3.7%)**
POWER SUPPLY				
Operations Shared Services	16,446	18,855	2,409	14.6%
Clark	14,978	12,638	(2,339)	(15.6%)
Blenheim-Gilboa	18,993	17,584	(1,409)	(7.4%)
Poletti	6,000	1,577	(4,423)	(73.7%)
500MW	21,968	27,204	5,237	23.8%
Flynn	7,919	15,770	7,851	99.1%
SENY	5,753	5,723	(30)	(0.5%)
SCPP	14,281	12,513	(1,768)	(12.4%)
Niagara	48,829	50,800	1,971	4.0%
St. Lawrence	27,563	20,962	(6,601)	(23.9%)
Small Hydros	4,729	5,133	404	8.5%
Transmission Lines	37,214	34,188	(3,026)	(8.1%)
Office Total	**224,672**	**222,948**	**(1,724)**	**(0.8%)**
RESEARCH & DEVELOPMENT	**7,571**	**6,095**	**(1,476)**	**(19.5%)**
TOTAL NYPA	**312,282**	**312,282**	**(0)**	**(0.0%)**

O & M
2010 – 2011 Summary

$ Thousands



HIGHLIGHTS

* The 2011 base request of $312.3 million, which excludes $14.9 million for Astoria Energy, is flat to the 2010 approved budget. When including the O&M component of the Astoria Energy facility lease payment, which is fully recovered in customer rates, the 2011 request is $327.1 million.

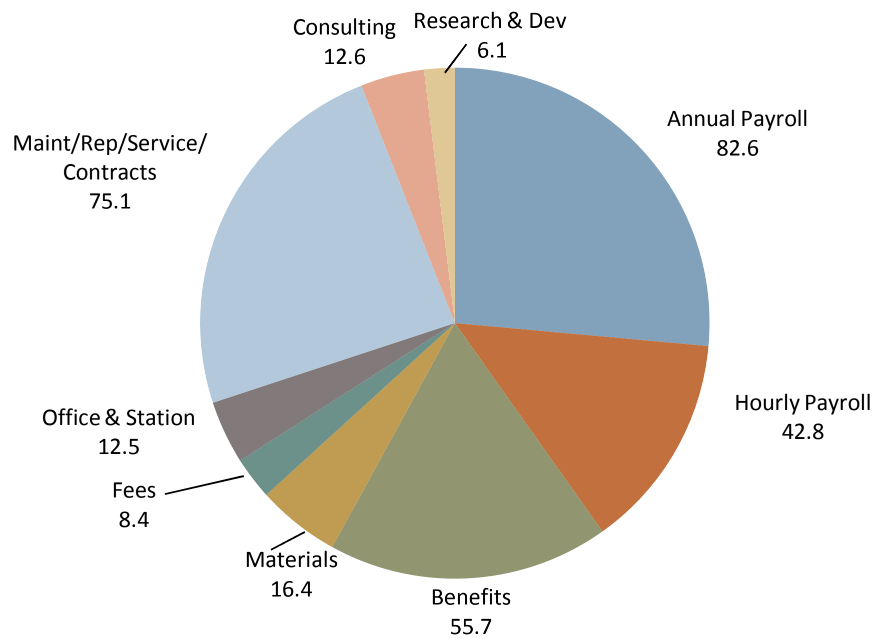
* The requested staffing level is for 1,733 positions, up 10 (0.6%) from January 2010. The increase represents twenty (20) new positions in Power Supply associated with succession planning, with some offset from an elimination of previous succession planning positions and positions in Poletti eliminated due to employees opting for the "Option A" retirement incentive package.

* Fringe Benefits (O&M Component) increase of $7.1 million is driven by a substantial increase in pension costs ($5.4 million) due to the performance of the New York State Retirement System portfolio from 2008 through mid-2010 and a $1.1 million increase in Medical Insurance.

* Planned outage costs for 2011 total $15.1 million which is $5.4 million more than the 2010 outage budget. The following is a breakdown of the outage request by facility:
  - 500MW $8.0 million
  - Flynn $7.1 million

O & M
2011 Budget by Cost Element

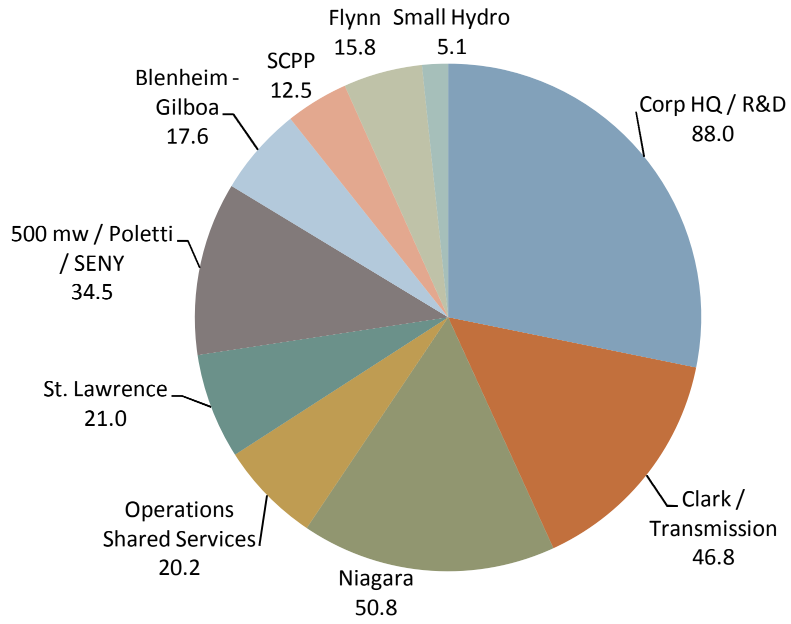
$312.3 million



O & M
2011 Budget by Facility

Exhibit "B"
December 13, 2010
Page 5 of 6

$312.3 million



O & M
Headcount 2010 - 2011

	01/01/10	09/30/10	2011 Request	1/1/10 - 2011 Inc/(Dec)
HEADQUARTERS				
Executive Offices	151	159	157	6
Business Services	108	109	109	1
Corporate Support Services	53	53	53	0
Enterprise Shared Services	152	153	153	1
Energy Marketing & Business Dev.	156	157	156	0
HEADQUARTERS TOTAL	**620**	**631**	**628**	**8**
OPERATIONS				
Energy Resource Management	53	54	54	1
Power Supply				
Operations Shared Services	258	266	285	27 *
Transmission / Clark	131	128	129	(2)
Blenheim-Gilboa	114	113	109	(5)
Poletti / 500 MW	87	80	71	(16)
R.M. Flynn	21	21	21	0
Niagara	263	260	261	(2)
St. Lawrence	176	176	175	(1)
OPERATIONS TOTAL	**1103**	**1098**	**1105**	**2**
NYPA TOTAL	**1723**	**1729**	**1733**	**10**

* *The increase includes 20 new succession planning positions.*

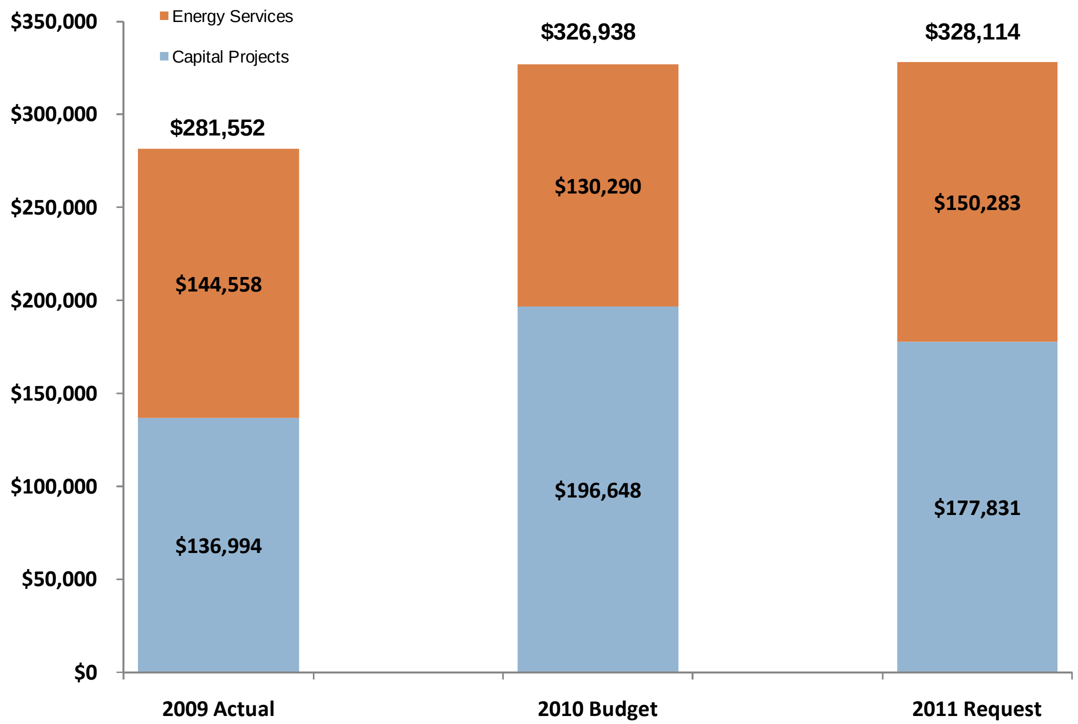
CAPITAL
2011 BUDGET
($ THOUSANDS)

	2010 CAPITAL BUDGET	2011 CAPITAL BUDGET	INCREASE / (DECREASE) $'s	INCREASE / (DECREASE) %
TRANSMISSION INITIATIVE	9,716	2,484	(7,232)	-74.44%
POWER SUPPLY				
TRANSMISSION	21,677	24,147	2,470	11.39%
NIAGARA*	62,126	62,818	692	1.11%
ST. LAWRENCE*	44,477	40,702	(3,775)	-8.49%
BLENHEIM- GILBOA	23,386	11,367	(12,019)	-51.39%
500 MW	7,143	7,350	207	2.90%
SCPP	3,195	228	(2,967)	-92.88%
FLYNN	5,026	5,378	352	7.00%
SMALL HYDRO PLANTS	254	7,807	7,553	>100%
SUB-TOTAL	176,999	162,280	(14,718)	-8.32%
HEADQUARTERS	19,650	15,551	(4,099)	-20.86%
TOTAL CAPITAL	196,648	177,831	(18,817)	-9.57%

* Includes Relicensing and Compliance Implementation Expense

2011 Capital & Energy Services Budget Summary

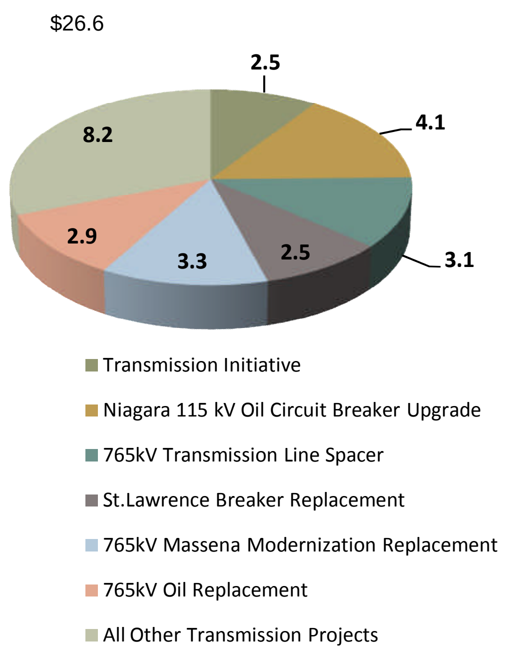
(thousands)



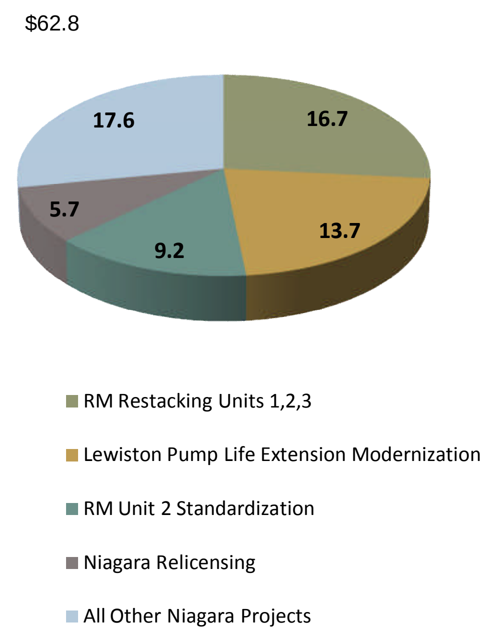
Capital Plan
2011 Major Initiatives

Over 70% of capital expenditures for 2011 are for Niagara, St. Lawrence and Transmission.

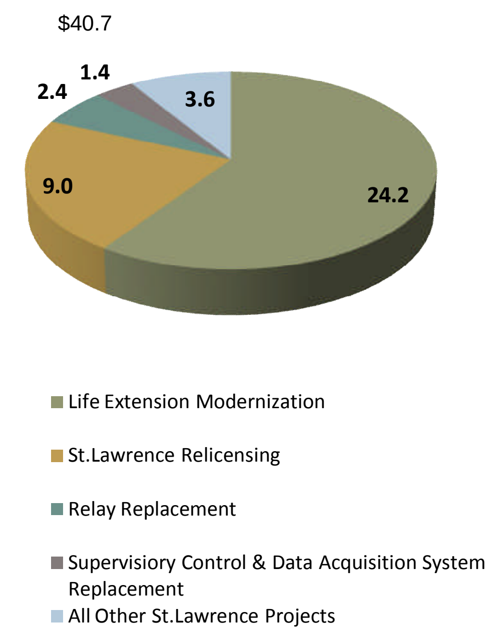
Transmission 2011
($ millions)



Niagara 2011
($ millions)



St. Lawrence 2011
($ millions)

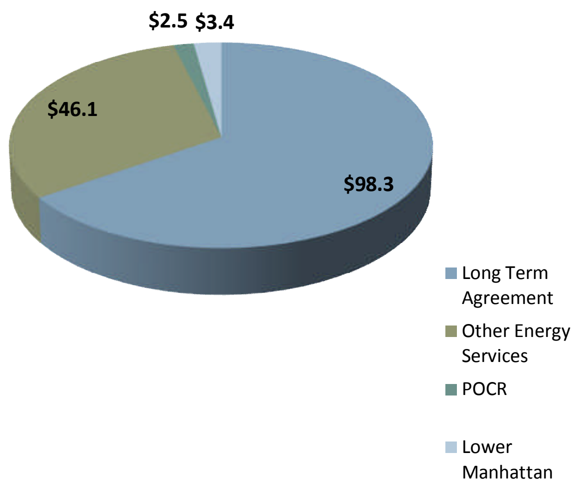


ENERGY SERVICES
2011 BUDGET
($ THOUSANDS)

	2010	2011	INCREASE / (DECREASE) $'S	%
LONG TERM SENY GOVERNMENTAL CUSTOMERS PROGRAM	83,292	98,306	15,015	18.03%
OTHER NYPA FUNDED PROGRAMS	41,134	46,057	4,922	11.97%
POCR FUNDED PROGRAMS	2,494	2,499	6	0.24%
LOWER MANHATTAN ENERGY INITIATIVE	3,300	3,420.0	120.0	3.64%
ADMINISTRATION	70	0	(70)	-100.00%
TOTAL ENERGY SERVICES	130,290	150,283	19,993	15.35%

2011 Energy Services Capital Plan Request

(millions)



Long Term SENY Governmental Customers Program:
The Long Term Energy Program includes the Governmental Services Program and the Peak Load Management Program. The Governmental Services Program encompasses energy efficiency and clean technology projects for the Authority's governmental customers in the downstate region. The Peak Load Management Program will be used to upgrade generation equipment and related systems at facilities of customers participating in the Peak Load Management Program.

Other Energy Services Programs:
Other programs that are part of the Energy Service capital plan include the Energy Service Program, NYPA facility efficiency program, the Municipal and Cooperative Electric Vehicle program and the Clean Air for Schools Program. These programs will provide public entities with a comprehensive mix of energy efficiency measures, which include, but are not limited to, lighting, boilers, chillers, motors, energy management systems, sensors and drive power improvements.

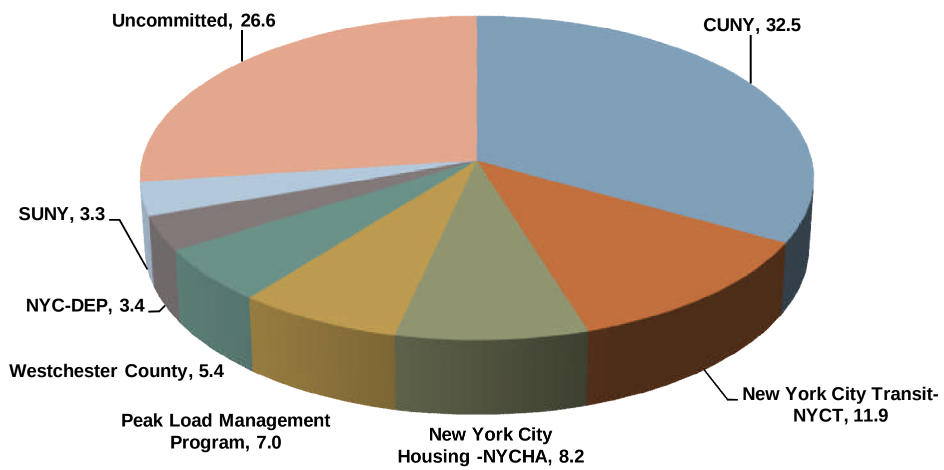
Petroleum Overcharge Restitution (POCR):
Grants will be provided to participants who implement energy efficient projects. Eligible measures include lighting, motors, roofing window replacement, fuel cells, energy management systems, HVAC and other projects that meet the eligibility criteria.

Lower Manhattan Energy Initiative Program:
The State of New York has appropriated $25.0 million for the Lower Manhattan Energy Independence Initiative (LMEI Account). These funds will be allocated to the Power Authority to fund energy efficiency measures and clean energy technologies for the World Trade Center (WTC) site. The 2011 planned expenditures are for the procurement of fuel cells and the WTC Memorial Foundation.

Energy Services Programs 2011 Long Term Governmental Services Program

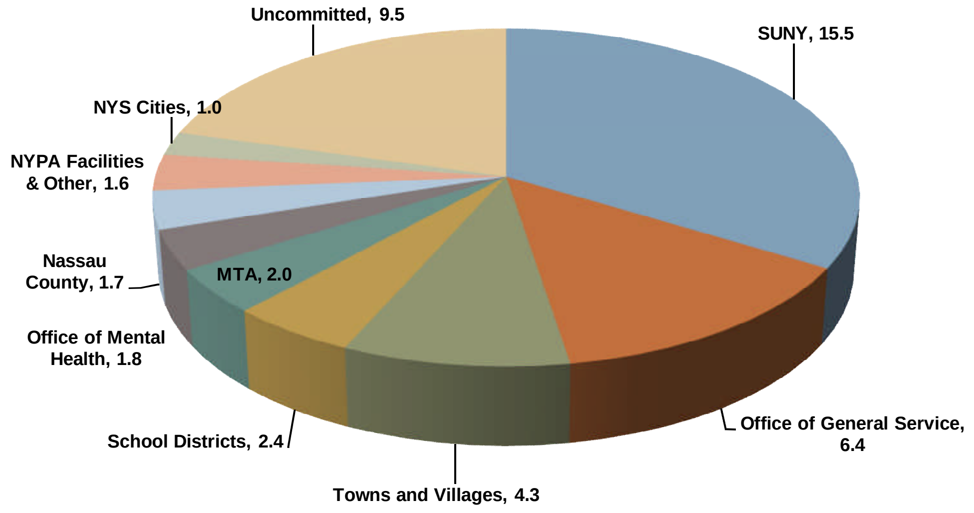
Exhibit "D"
December 13, 2010
Page 3 of 4

$98.3 million



Energy Services Programs
2011 Other Energy Services Programs

$46.1 million



9. Filing of the 2011-2014 Four-Year Financial Plan
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 the 2011-2014 Four-Year Financial Plan ('Four-Year Financial Plan') and authorize: (i) submitting the approved Four-Year Financial Plan to OSC, (ii) posting the approved Four-Year Financial Plan on the Authority's website and (iii) making the approved Four-Year Financial Plan available for public inspection at not less than five convenient public places throughout New York State.

BACKGROUND

"OSC implemented regulations in March 2006 addressing the preparation of annual budgets and four-year financial plans by 'covered' public authorities, including the Authority. (See 2 NYCRR Part 203 ('Part 203')). 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 Trustees are required to adopt a 2011 Budget and Four-Year Financial Plan (attached as Exhibit '9-A'). The 2011 Budget, which is the first year of the Four-Year Financial Plan, has been brought to the Board for approval in a companion item this month. The remaining three years are indicative forecasts. The approved Four-Year Financial Plan must be available for public inspection not less than seven days before the commencement of the next fiscal year for a period of not less than 45 days and in not less than five convenient public places throughout the State. The approved Four-Year Financial Plan must also be submitted to OSC, via electronic filing through the Public Authorities Reporting Information System maintained by OSC and the Authority Budget Office, within seven days of approval by the Trustees. The regulations also require the Authority to post the Four-Year Financial Plan on its website.

"Under Part 203, each approved 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 approved 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 approved Four-Year Financial Plan must include a certification (Exhibit '9-B') by the Chief Operating Officer.

FISCAL INFORMATION

"In an accompanying item dealing with the 2011 Operating Budget, the Trustees are asked to approve the 2011 Operating Budget, which is the first year of the Four-Year Financial Plan and serves as the basis for the Authority's financial reporting during the year. Conversely, the Four-Year Financial Plan net income estimates for each of the years 2012 through 2014, are indicative forecasts and the Trustees are not being asked to approve any revenue and expenditure amounts for those years at this time.

<u>RECOMMENDATION</u>

"The Vice President – Financial Planning and Budgets and the Director – Financial Planning recommend that the Trustees approve the Four-Year Financial Plan and authorize: (i) submitting the approved Four-Year Financial Plan to the Office of the State Comptroller in the prescribed format; (ii) posting the approved Four-Year Financial Plan on the Authority's website and (iii) making the approved Four-Year Financial Plan available for public inspection at not less than five convenient public locations throughout New York State.

"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 attached 2011-2014 Four-Year Financial Plan, including its certification by the Chief Operating Officer, is approved 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 submit the approved Four-Year Financial Plan to the Office of the State Comptroller in the prescribed format, post the approved Four-Year Financial Plan on the Authority's website and make the approved Four-Year Financial Plan available for public inspection at not less than five convenient public places throughout New York State; 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.

December 13, 2010

Exhibit "9-A"

New York Power Authority

2011-2014 Four-Year Financial Plan

In compliance with 2 NYCRR Part 203

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

The mission of the Power Authority of the State of New York ("NYPA" or "Authority") is to provide clean, low-cost and reliable energy consistent with its commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables 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.

The Authority 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 five 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. The Authority's five major generating facilities consist of two large hydroelectric facilities ("Niagara" and "St. Lawrence-FDR"), a large pumped-storage hydroelectric facility ("Blenheim-Gilboa"), the combined cycle electric generating plant located in Queens, New York (the "500-MW plant") and the Richard M. Flynn combined cycle plant located on Long Island ("Flynn").

To achieve its goal of promoting energy efficiency, NYPA implements its energy services programs for the benefit of its SENY governmental customers and generally 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.

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

The Power Authority of the State of New York (the "Authority" or "NYPA") is a corporate municipal instrumentality and political subdivision of the State of New York (the "State") created in 1931 by Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended (the "Act"), to help provide a continuous and adequate supply of dependable electric power and energy to the people of the State.

The Authority's operations are overseen by a Board of 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 a combination of construction funds, internally generated funds and the sale of bonds and notes to investors 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.

(b) Budget Process

The following is an outline of the budget process and the four-year financial plan for 2011-2014:

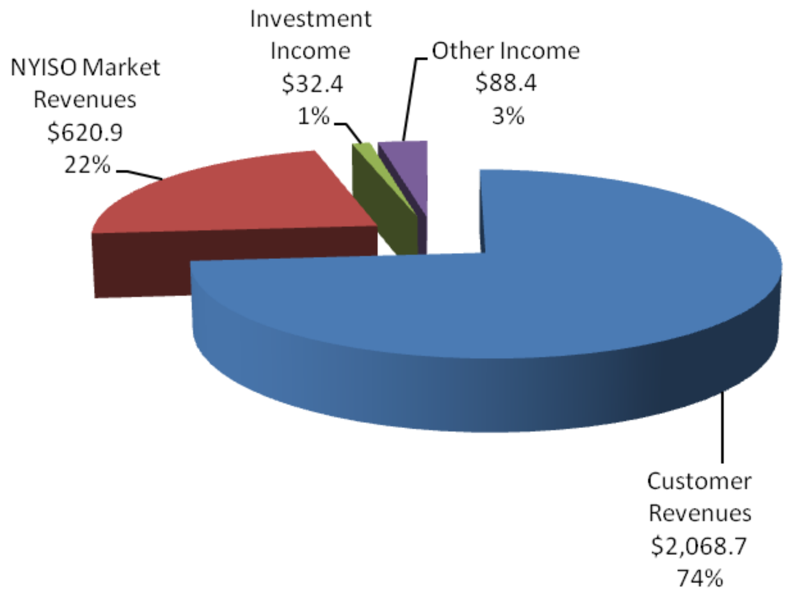
- During August – October 2010, develop forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During August – September 2010, developed preliminary operations & maintenance and capital expense targets.
- November 2, 2010 – post preliminary 2011 budget and 2011-2014 financial plan for public inspection at five convenient locations and on NYPA's internet website.
- During November 2010, finalize operations & maintenance expenses and capital costs estimates.
- During November 2010, integrate above data to produce final 2011 budget and 2011-2014 financial plan.
- December 13, 2010, seek authorization of NYPA's Trustees to approve the budget and financial plan; submit the information to the State Comptroller's Office; and make the document available for public inspection and on NYPA's internet website.

NYPA's Four-Year Projected Income Statements

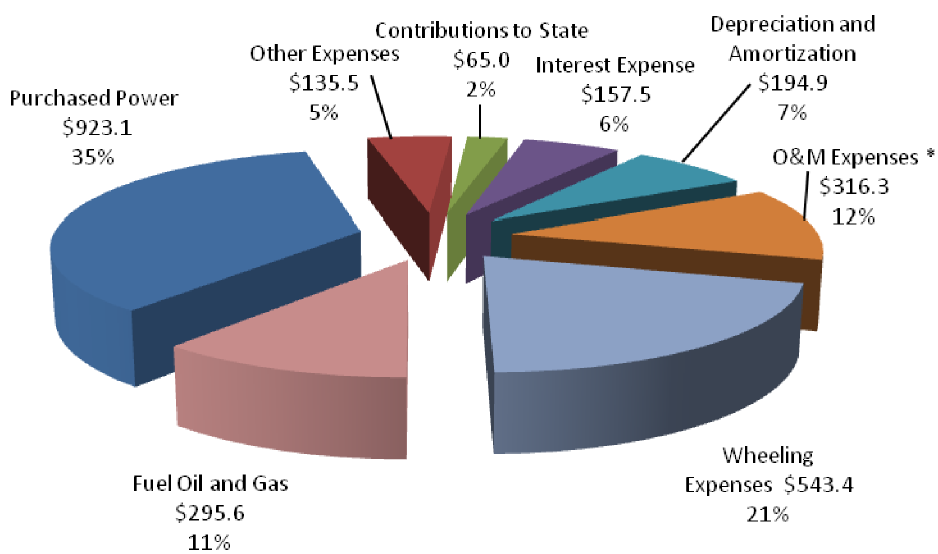
(in Millions)

	2011	2012	2013	2014
Operating Income:				
Customer Revenues	$2,068.7	$2,268.5	$2,332.6	$2,418.0
NYISO Market Revenues	$620.9	$721.9	$836.7	$855.7
Total Operating Income	$2,689.6	$2,990.4	$3,169.3	$3,273.7
Operating Expenses:				
Purchased Power	$923.1	$967.3	$1,010.0	$1,063.5
Fuel oil and gas	$295.6	$345.2	$414.6	$426.4
Wheeling Expenses	$543.4	$599.5	$614.9	$619.8
O&M Expenses	$327.1	$352.1	$360.3	$366.8
Other Expenses	$135.5	$129.9	$130.9	$136.6
Depreciation and Amortization	$194.9	$218.9	$219.5	$220.6
Allocation to Capital	($10.9)	($12.4)	($11.8)	($14.9)
Total Operating Expenses	$2,408.7	$2,600.5	$2,738.3	$2,818.6
NET OPERATING INCOME	**$280.9**	**$389.8**	**$431.0**	**$455.1**
Other Income:				
Investment Income	$32.4	$46.8	$66.0	$88.3
Other Income	$88.4	$87.5	$76.6	$75.4
Total Other Income	$120.9	$134.4	$142.5	$163.6
Non-Operating Expenses:				
Interest Expense	$157.5	$208.9	$211.5	$221.5
Contributions to State	$65.0	$65.0	$65.0	$65.0
Total Non-Operating Expenses	$222.5	$273.9	$276.5	$286.5
NET INCOME	**$179.3**	**$250.3**	**$297.0**	**$332.2**

2011 Budget – Sources
(in Millions)



2011 Budget – Uses
(in Millions)



* Reflects NYPA's Base O&M Expenses ($312.3 million) plus the O&M component of the Astoria Energy facility lease payment ($14.9 million) less the Allocation to Capital ($10.9 million).

NYPA's Four-Year Statement of Cash Flows

	2011	2012	2013	2014
Cash flows from Operating Activities:				
Received from customers for the sale of power, transmission and wheeling	**$2,659.3**	**$2,928.9**	**$3,110.7**	**$3,218.4**
Disbursements for:				
Purchased Power	($922.9)	($967.3)	($1,010.0)	($1,063.5)
Operations and Maintenance	($311.1)	($333.5)	($342.1)	($345.3)
Fuel oil and gas	($295.6)	($345.2)	($414.6)	($426.4)
Wheeling of Power by other utilities	($543.4)	($599.5)	($614.9)	($619.8)
Other Expenses	($168.4)	($239.9)	($266.7)	($228.9)
Spent Fuel Liability Expense	($1.2)	($3.4)	($5.7)	($8.1)
Total Disbursements	**($2,242.6)**	**($2,488.8)**	**($2,654.0)**	**($2,691.9)**
Net cash provided by operating activities	**$416.7**	**$440.1**	**$456.7**	**$526.4**
Cash flows from capital and related financing activities:				
Earnings received on capital fund investments	$4.3	$1.4	$1.4	$1.3
Issuance of commercial paper	$0.0	$0.0	$0.0	$0.0
Issuance of General Purpose Bonds	$0.0	$0.0	$302.0	$0.0
Repayment of Notes	($8.1)	($8.7)	($9.4)	($10.2)
Retirement of Bonds	($41.3)	($43.7)	($49.0)	($52.5)
Repayment of Commercial Paper	($45.0)	($37.3)	($36.5)	($31.2)
Gross additions to capital assets	($179.0)	($194.9)	($191.1)	($226.3)
Interest paid, net	($77.0)	($74.8)	($74.9)	($89.5)
R&D Expenses	($6.1)	($6.3)	($6.4)	($6.5)
Change in Construction Fund	$64.7	$55.1	($240.1)	$99.6
Net cash used in capital and related financing activities	**($287.6)**	**($309.2)**	**($304.0)**	**($315.3)**
Cash flows from noncapital - related financing activities:				
Energy conservation program payments received from participants	$178.2	$218.4	$166.1	$219.3
Energy conservation program costs	($150.8)	($200.1)	($200.1)	($250.1)
Issuance of commercial paper	$142.9	$188.1	$190.7	$241.3
Repayment of commercial paper	($177.1)	($217.8)	($165.7)	($218.9)
Interest paid on commercial paper	($4.7)	($7.1)	($9.9)	($13.9)
Other Postemployment Benefits (OPEB) funding	$0.0	$0.0	$0.0	$0.0
Contributions to New York State	($65.0)	($65.0)	($65.0)	($65.0)
Temporary asset transfer to New York State	$0.0	$0.0	$0.0	$103.0
Entergy Value sharing agreement	$72.0	$72.0	$72.0	$72.0
Entergy notes receivable	$30.0	$30.0	$20.0	$20.0
Net cash used in noncapital - related financing activities	**$25.5**	**$18.4**	**$8.0**	**$107.8**
Cash flows from investing activities:				
Earnings received on investments	$28.5	$76.1	$62.5	$85.8
Purchase of investment securities	$0.0	$0.0	$0.0	$0.0
Sale of investment securities	$0.0	$0.0	$0.0	$0.0
Net cash provided by (used in) investing activities	**$28.5**	**$76.1**	**$62.5**	**$85.8**
Net increase (decrease) in cash	**$183.2**	**$225.4**	**$223.3**	**$404.7**

(c) Budget Assumptions

NYISO Revenue and Expenses

The Authority schedules power for 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 for which the energy revenues are projected based on available forward price curves while the capacity revenues are estimated using the NYISO demand curve formula.

Customer and Project Revenue

The customers served by the Authority and the rates paid by such customers vary with the NYPA facilities designated to serve such loads. These customers are served under contracts and tariffs approved by the Trustees.

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 on the basis of the cost to serve these loads. These customers represent approximately 1,456 mw or 53% of the plants' firm capacity.

In March 2009, the Authority's Trustees approved the deferral for recovery in the future of a proposed hydropower rate increase for these customers that was scheduled to go into effect on May 1, 2009. In August 2010, the Authority announced that these rates would remain unchanged at least through the end of 2010, at which time the rate levels would be re-evaluated. The deferral amounts to approximately $18.5 million through the end of 2010. The 2011-2014 financial plan assumes rate changes annually beginning June 1, 2011 sufficient to recover the cost of producing service to these customers and to recover the deferral amount over a four year period.

Niagara's expansion and replacement power industrial customers and St. Lawrence-FDR's industrial customers aggregate to as much as 1,185 mw or 43% of the firm capacity of the plants. The rates are subject to annual adjustment based on the average of three contractually agreed upon economic indices reflecting changes in industrial energy prices. In March 2009, the Authority's Trustees withdrew a proposed 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 August 2010, the Authority announced that these rates would remain unchanged through at least the end of 2010, at which time the rate levels would be re-evaluated. This rate freeze is assumed to continue until May 1, 2011. For the remaining years in the four year plan, these rates are assumed to adjust annually in accordance with the contracts.

In August 2010, new legislation established a Western New York Economic Development Fund, which is to be funded from net earnings from the Authority's sale of unallocated, relinquished, and withdrawn Expansion Power and Replacement Power into the wholesale market. Net earnings are defined as any excess revenues earned from such power allocated to the wholesale market over the revenues that would have been received had the power been sold at the Expansion Power and Replacement Power rates. Proceeds from the fund will be used to support eligible projects undertaken within a 30-mile radius of the Niagara plant that qualify under applicable criteria. The Authority will administer this new program with the assistance of a group of public and private entities known as the Western New York Advisory Group. Payments from the Power Authority to the fund have been incorporated into this four-year plan beginning in September 2010 and are estimated to range between $2 million and $10 million per year during the plan period.

SENY Governmental Customers. Capacity from the Authority's 500 mw plant and the five small hydroelectric plants, together with capacity and energy purchased by the Authority in the NYISO markets, are sold to various municipalities, school districts and public agencies in New York City and Westchester County. Sales into the NYISO of energy generated by Authority resources at the 500-MW plant and the small hydro projects offset the cost of the energy purchased. A set amount of capacity from the Blenheim-Gilboa project is also dedicated to serving a segment of this customer class. It is assumed that the Astoria Energy II plant under construction and which NYPA has executed a power purchase agreement will enter into commercial operation in June 2011 and the Kensico small hydro facility will be decommissioned by December 31, 2013.

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 modifies 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, are captured through annual contractual pricing adjustment mechanisms. The NYC governmental customers have committed to pay for any supply secured for them by the Authority which results from a collaborative effort.

In 2007, the Authority entered into a new supplemental electricity supply agreements with 104 governmental customers in Westchester County. Under these agreements, the Westchester governmental customers remain full requirements customers of NYPA through at least December 31, 2011. The Westchester County customers can terminate the contract upon one year's notice effective no sooner than January 1 following such notice. 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. For purposes of the four-year financial plan, it is assumed that the New York City and Westchester governmental customers will continue to be served and rates will be set on the basis of the cost to serve these loads.

Market Supply Power Customers. The Authority administers an array of power programs for economic development that supply power to businesses and not-for-profit institutions in New York State. Currently more than 300,000 jobs across the State are linked to these power programs. For a number of these programs, such as Power for Jobs, Economic Development Power, High Load Factor Power, and Municipal Distribution Agency Power, 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. The Authority, as authorized by legislation, provides electricity savings reimbursements to certain of the Power for Jobs customers, which is calculated as the difference between the current cost of electricity to such customer and the cost of electricity under a prior Power for Jobs contract period. Customers under the Economic Development Power, High Load Factor Power, and Municipal Distribution Agency Power programs are eligible for Energy Cost Savings Benefits discounts which result from the net earnings of the sale into the wholesale market of certain amounts of hydroelectric power as authorized by law, which, along with other funds of the Authority as deemed feasible and advisable by the Authority's Trustees, may be used for such discounts.

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 continue to extend such programs throughout the 2011-2014 forecast period. Accordingly, the business customers and the not-for-profit institutions are modeled as continuing to be served.

Blenheim-Gilboa Customers. 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") and provides another 250 MW to the Authority's New York City governmental customers, the rates for which are reset periodically on the basis of cost, with the remainder of the plant's capacity used to meet the requirements of some of the Authority's other business and governmental customers and to provide services in the NYISO market at the projected NYISO capacity rate.

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.

For the 2011-2014 financial plan, it is assumed the installed capacity of the SCPPs is used by the Authority to meet its customers' 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.

Transmission Projects. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, 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 established to effect 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 annual revenue requirement via the NTAC, TSC or through existing customer contracts. For purposes of the four-year financial plan, it is assumed that the Authority rates are set to at its annual revenue requirement of $165 million in 2011, with its annual revenue requirement increasing for the first time since 1999 to $190 million for the years 2012 – 2014.

Purchased Power Expenses

Capacity, energy and NYISO ancillary service purchases made on behalf of customers (except for those made through previously approved purchased power agreements) are assumed to be transacted at the market clearing price in the wholesale market. For purposes of developing the financial plan, projected energy rates are based on available forward price curves while the capacity rates are estimated using the NYISO demand curve formulas.

Fuel Expenses

Fossil-fuel purchases in the plan for are based on expected net generation levels determined through the use of an economic dispatch model for the Authority's plants and on available forward price curves for the fuel. Fuel expenses also include the costs associated with emission credit requirements under the Regional Greenhouse Gas Initiative ('RGGI'). The RGGI requires the Authority to buy emission credits for its fossil-fuel plants. The projections for RGGI costs are based on historical emission rates and forecasted consumption of natural gas and oil with such costs recovered either through specific customer contract pass-through provisions or from the wholesale market.

Wheeling Expenses

Wheeling (i.e., the transmission and/or delivery of power and energy to customers over the lines of a third party) expenses are based contractual and/or tariff rates of the service provider and are recovered through pass-through provisions in customer contracts.

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. It is assumed that the Authority's investment portfolio will earn an average of 2.95% over the four-year forecast period.

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 and Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corp. were rated Aaa by Moody's Investors Services and AAA by Standard & Poor's and Fitch Ratings. 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 and other income of $15.9 million in 2011, $14.9 million in 2012, $3.8 million in 2013 and $2.6 million in

2014. On a cash basis the Authority projects to receive $30 million payments in each year from 2010 through 2012 and $20 million in 2013 and 2014. In addition, the Authority entered into two "value sharing agreements" ("VSAs") with the Entergy subsidiaries whereby the Authority is entitled to receive annual payments up to a maximum of $72 million. For purposes of the 2011-2014 financial plan, it has been assumed that the maximum payment of $72 million will be received in each year.

Operations and Maintenance Expenses

NYPA's O&M plan for 2011 is flat as compared to the 2010 O&M budget, excluding the O&M component of the Astoria Energy facility lease payment. Exclusive of planned maintenance outage costs and non-recurring spending, the anticipated budgets for 2012 - 2014 include moderate increases.

Operations and Maintenance Forecast by Cost Element

(in Millions)

	2011	2012	2013	2014
Payroll				
Regular Pay	$ 144.3	$ 147.5	$ 149.7	$ 150.0
Overtime	$ 7.7	$ 8.0	$ 8.2	$ 8.4
Other Payroll	$ 2.1	$ 2.1	$ 2.2	$ 2.3
Total Payroll	**$ 154.1**	**$ 157.6**	**$ 160.1**	**$ 160.7**
Benefits				
Employee Benefits	$ 34.8	$ 35.9	$ 37.5	$ 39.1
Pension	$ 21.9	$ 27.0	$ 27.0	$ 27.0
FICA	$ 11.3	$ 11.6	$ 12.0	$ 12.4
Total Benefits	**$ 68.0**	**$ 74.5**	**$ 76.4**	**$ 78.5**
Materials/Supplies	**$ 16.4**	**$ 16.9**	**$ 17.4**	**$ 18.0**
Fees	**$ 8.4**	**$ 8.4**	**$ 8.4**	**$ 8.4**
Office & Station	**$ 13.3**	**$ 13.3**	**$ 13.3**	**$ 13.3**
Maintenance Repair & Service Contracts	**$ 80.3**	**$ 83.3**	**$ 83.5**	**$ 83.0**
Consultants	**$ 12.6**	**$ 12.6**	**$ 12.6**	**$ 12.6**
Charges to:				
Outside Agencies	$ (5.2)	$ (5.3)	$ (5.5)	$ (5.7)
Capital Programs	$ (41.8)	$ (41.4)	$ (39.1)	$ (36.0)
Total Charges	**$ (47.0)**	**$ (46.7)**	**$ (44.6)**	**$ (41.7)**
Research & Development	**$ 6.1**	**$ 6.3**	**$ 6.5**	**$ 6.7**
Subtotal	**$ 312.3**	**$ 326.2**	**$ 333.7**	**$ 339.5**
Astoria Energy II	**$ 14.9**	**$ 25.9**	**$ 26.6**	**$ 27.3**
TOTAL NYPA O&M	**$ 327.1**	**$ 352.1**	**$ 360.3**	**$ 366.8**

Depreciation and Amortization Expenses

Depreciation of capital assets is generally provided on a straight-line basis over the estimated lives of the various classes of capital assets. The related depreciation provisions at December 31, 2009 expressed as a percentage of average depreciable capital assets was 2.6%.

Other Expenses

The Other Expenses category largely reflects various accruals (e.g., Other Post-Employment Benefit prior service obligations) and other miscellaneous expenses for which Trustee authorization is sought on a case-by-case basis (e.g., Power for Jobs Rebates, Industrial Incentive Awards Program costs, etc.).

(d) Self – Assessment of Budgetary Risks

Regulatory Risks

In 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. In 2010, the FWS was again petitioned to list the American eel and a preliminary determination concerning whether to conduct another status review is pending before the FWS. 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 by 10% by 2018. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires 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 Flynn, SCPPs, and 500-MW plant are subject to the RGGI requirements. The Astoria Energy II 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. NYPA has participated in program auctions commencing in September 2008 and expects to recover its RGGI costs through its power sales revenues. NYPA is monitoring potential federal programs that are under discussion and debate for their potential impact on RGGI in the future.

Comprehensive energy legislation passed in the U.S. House of Representatives on June 26, 2009 (Waxman-Markey) that 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 sun-setting 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.

The Power Authority's Board of Trustees has in general broad rate setting authority for its power sales agreements with customers. With respect to its transmission facilities, however, the Authority adopted an open access transmission tariff, which has been filed with the Federal Energy Regulatory Commission ("FERC") as part of the NYISO's Open Access Transmission Tariff. 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 and declined to set the revenue requirement for hearing. Such action does not, however, foreclose further review by FERC of any modifications of the Authority's transmission system revenue requirement.

Legislative and Political Risks

A series of legislative enactments call for the Authority 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, has authorized the Authority, "as deemed feasible and advisable by the trustees", to make a series of "voluntary contributions" into the State treasury in connection with the Power for Jobs Program and for other purposes as well. Beginning December

2002 through the end of State Fiscal Year 2009-2010, the Authority has made voluntary contributions to the State of $461.5 million in connection with the Power for Jobs Program and an additional $237 million unrelated to the Power for Jobs Program. Furthermore, by legislation enacted in May 2010, the Authority was authorized to make an additional voluntary contribution of $65 million unrelated to the Power for Jobs Program for State Fiscal Year 2010-2011, of which $40 million was paid in August 2010 for a cumulative total of $277 million of such payments. The remaining $25 million is expected to be considered for payment in the first quarter of 2011. In addition, the Authority has approved Power for Jobs reimbursement payments of $203 million for the years 2005-2009 and expects such payments will not exceed $47 million for 2010. For planning purposes, the 2011-2014 financial plan assumes that the Authority makes a voluntary contribution to the State in the amount of $65 million each year.

Approval of any such payments to 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 Authority's Bond Resolution, other legal requirements, and all the facts and circumstances known to them at the time of the decision.

In addition to the authorization for the voluntary contributions, the Authority was authorized by February 2009 budget legislation 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 other conditions, 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 provided 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 other conditions, at the earlier of when required for operating, capital or debt service obligations of the Authority or September 30, 2014. Both temporary transfers were authorized by the Authority's Trustees and made in 2009. The financial plan reflects the return of this $103 million amount in September 2014.

For the 2011-2014 financial plan, the Authority is assuming that it will continue to provide service to the Market Supply Power business customers as it does currently. Forecasted voluntary subsidies and payments to the Market Supply Power Customers and the State's general fund are subject to the "feasible and advisable" conditions and limitations of the preceding paragraphs.

A number of legislative proposals have been introduced to extend or alter the Authority's role in providing lower cost power for economic development purposes, including the potential 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 proposals will be enacted into law and how they would affect the Authority's estimated net income 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 receive greater voluntary contributions and which attempt to constrain the discretion of or bypass the Authority's Trustees could negatively affect net income and possibly harm the Authority's bond rating.

Hydroelectric Generation Risk

For the 2011-2014 financial plan period, the Authority's net income is 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 Project). Long-term generation levels at the two hydroelectric projects are about 20.2 terawatt-hours ("TWH") annually. The Authority's hydroelectric generation forecast is 19.14 TWH in 2011, 19.78 TWH in 2012, 19.70 TWH in 2013 and 19.70 TWH in 2014. However, these generation amounts are expected values and hydrological conditions can vary considerably from year to year. During a recent ten year period, 2000-2009, hydroelectric generation was in a number of the years below the long-term average and manifested considerable volatility.

Net Hydroelectric Generation		
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
2009	21.5	TWH
2010*	19.6	TWH

(* - Projected)

Poor hydrological conditions would adversely affect the Authority's estimated net income for the financial plan horizon and could compel NYPA's Trustees to lower or not approve any contributions to the discretionary subsidy policy described previously.

The Authority conducted high and low hydroelectric generation sensitivities for 2011-2014 that estimated the potential net income that could result over a reasonable range of hydroelectric generation occurrences. The effects on estimated net income, assuming all other factors remain unchanged, were as follows:

	Low Generation		**High Generation**	
	Net Hydroelectric Generation	NYPA Net Income *(in Millions)*	Net Hydroelectric Generation	NYPA Net Income *(in Millions)*
2011	17.65 TWH	$ 133.8	20.17 TWH	$ 213.4
2012	18.23 TWH	$ 200.2	21.16 TWH	$ 292.2
2013	18.15 TWH	$ 246.3	21.08 TWH	$ 346.3
2014	18.15 TWH	$ 282.8	21.08 TWH	$ 383.8

Electric Price and Fuel Risk

Through its participation in the NYISO market, NYPA is subject to electric energy price, fuel price and electric capacity price risks that impact the revenue and purchased power streams of its facilities and customer market areas. Such volatility can potentially have detrimental effects to NYPA's net income, particularly since the NYPA-served customer load energy needs are greater than its generating resources. To mitigate downside net income effects, many of NYPA's customer contracts provide for the complete or partial pass-through of these costs and to moderate cost impacts to its customers, NYPA hedges market risks via the use of financial instruments and physical contracts. Hedges are transacted by NYPA to mitigate the cost of energy or related products needed to meet customer needs; to mitigate risk related to the price of energy and related products sold by NYPA; to mitigate risk related to margins (electric sales versus fuel use) where NYPA owns generation or other capacity; and mitigation of geographic cost differentials of energy procured or sold for transmission or transportation to an ultimate location. Commodities to be hedged include, but are not limited to, natural gas, natural gas basis, electric energy, electric capacity and electric basis.

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 ("St. Regis litigation"). 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.

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. Litigation has been stayed and resolution of the pending defense motions had been awaiting a decision by the Court of Appeals for the Second Circuit in a related land claim litigation involving similar defense motions. On August 9, 2010, the Second Circuit issued its decision in such related land claim litigation and determined that the plaintiffs' claims were barred by equitable defenses. The Authority is unable to predict the outcome of the St. Regis litigation but believes it has meritorious defenses or positions with respect thereto. However, adverse decisions of a certain type could adversely affect Authority operations and revenues.

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 two voluntary contributions totaling $226 million (except as such contributions relate to the Power for Jobs Program) discussed above. 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. Petitioners later served an amended petition that simply dropped the State Comptroller from the caption. By decision dated October 5, 2009, the court granted a cross-motion by petitioners to further amend the petition so as to remove the Comptroller from the amended petition's prayer for relief. The pleading was never filed. By decision dated December 23, 2009, the court denied respondents' motions to dismiss the petition and granted petitioners' motion to file a complaint and serve discovery demands. Petitioners subsequently filed such complaint and discovery demands. The complaint contains new causes of action including unjust enrichment, conversion, breach of fiduciary duty, and claims of deceptive acts and practices. The Authority filed a motion to dismiss and the State filed an answer; petitioners filed a partial motion for summary judgment; and respondents filed opposition papers to said motion. However, on March 5, 2010, the Appellate Division (Fourth Department) granted respondents' motions for permission to appeal the lower court's decision dated December 23, 2009; that appeal is now pending before the Appellate Division; and the lower court has indicated it will await the outcome of that appeal before deciding the Authority's motion to dismiss the complaint. The Authority is unable to predict the outcome of this matter but believes it has meritorious defenses with respect to the claims asserted in the petition and complaint. However, adverse decisions of a certain type could adversely affect Authority revenues.

Strategic Initiatives

The Authority is considering several projects, which are in varying stages of review and/or development. These initiatives include consideration of the following: entering into a contract for capacity on a proposed new transmission line between New Jersey and Manhattan for the benefit of its NYC Customers; a potential new transmission line that would deliver power from Canada and upstate New York to New York City; an off-shore wind generating facility in the New York waters of the Great Lakes and a second off-shore wind generating facility in the Atlantic Ocean off of Long Island; and the potential development of 100 MW of solar photovoltaic systems throughout the state. Contractual arrangements, if any, for the Authority to undertake these initiatives or for customers to take the related power are still to be determined. As a result, the financial plan does not reflect any costs or revenues with respect to these initiatives.

(e) Revised Forecast of 2010 Budget

(in Millions)

	Original Budget 2010	Forecast 2010	Variance Better/(Worse) 2010
Operating Revenues:			
Customer Revenues	$2,062.1	$1,963.2	($98.9)
NYISO Market Revenues	$749.0	$592.6	($156.4)
Total Operating Revenues	$2,811.1	$2,555.8	($255.3)
Operating Expenses:			
Purchased Power	$955.7	$934.3	$21.4
Fuel oil and gas	$340.8	$221.1	$119.7
Wheeling Expenses	$519.9	$522.1	($2.2)
O&M Expenses	$301.5	$295.6	$5.9
Other Expenses	$141.7	$132.0	$9.7
Depreciation and Amortization	$160.3	$164.0	($3.7)
Total Operating Expenses	$2,419.9	$2,269.1	$150.8
NET OPERATING REVENUES	**$391.2**	**$286.7**	**($104.5)**
Other Income:			
Investment Income	$34.5	$51.1	$16.6
Other Income	$101.7	$88.9	($12.8)
Total Other Income	**$136.2**	**$140.0**	**$3.8**
Non-Operating Expenses			
Interest & Other Expenses	$112.3	$99.1	$13.2
Contributions to State	$107.0	$147.0	($40.0)
Total Non-Operating Expense	**$219.3**	**$246.1**	**($26.8)**
NET INCOME	**$308.1**	**$180.6**	**($127.5)**

(f) Reconciliation of 2010 Budget and 2010 Forecast

The 2010 year-end net income projection is $181 million, which is $127 million below the official budget. The primary drivers of this variance are lower hydro flows ($38 million), lower market prices ($51 million) and an additional $40 million voluntary contribution made to New York State. Hydro generation for 2010 is currently estimated at 19.6 TWh, approximately 1 TWh below forecast, while market prices for capacity and energy are both down by 20% from the official budget.

Partially mitigating the net income impact of these additional expenses are a reduction in O&M expenses and fairly significant movements in interest rates that have affected Investment Income and Interest and Other Expenses.

(g) Statement of 2009 Financial Performance
(in Millions)

	Actuals 2009	Budget 2009*	Variance Better/(Worse) 2009
Operating Revenues:			
Customer	$1,843	$2,082	($239)
NYISO Market Revenues	$752	$956	($204)
Total Operating Revenues	$2,595	$3,038	($443)
Operating Expenses:			
Purchased Power	($905)	($1,156)	$251
Fuel Consumed - Oil and Gas	($366)	($516)	$150
Wheeling	($436)	($442)	$6
Operations & Maintenance	($438)	($409)	($29)
Depreciation and Amortization	($164)	($161)	($3)
Total Operating Expenses	($2,309)	($2,684)	$375
Operating Income	**$286**	**$354**	**($68)**
Nonoperating Revenues and Expenses			
Nonoperating Revenues:			
Investment Income	$32	$39	($7)
Other Income	$100	$91	$9
Total Nonoperating Revenues	$132	$130	$2
Nonoperating Expenses:			
Contribution to New York State	($70)	($70)	$0
Interest and Other Expenses	($95)	($106)	$11
Total Nonoperating Expenses	($165)	($176)	$11
Nonoperating Income (Loss)	**($33)**	**($46)**	**$13**
NET INCOME	**$253**	**$308**	**($55)**

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

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

	2011	2012	2013	2014
Headquarters	665	665	665	665
Power Generation	885	875	865	855
Transmission	166	166	166	166
R&D	17	17	17	17
TOTAL	**1,733**	**1,723**	**1,713**	**1,703**

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

As the Authority is projecting positive net income for the 2011-2014 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)

	2011	2012	2013	2014
Revenue Bonds	1,173,285	1,130,285	1,383,725	1,331,535
Adjustable Rate Tender Notes	122,935	114,765	105,940	96,410
Commercial Paper Notes	545,162	473,824	460,353	446,614
TOTAL	**1,841,382**	**1,718,874**	**1,950,018**	**1,874,559**

Debt Service as Percentage of Pledged Revenues (Accrual Based)

(in Thousands)

	2011		2012		2013		2014	
	Debt Service	% of Rev.	Debt Service	% of Rev.	Debt Service	% of Rev.	Debt Service	% of Rev.
Revenue Bonds	$104,761	3.73%	$105,206	3.37%	$111,050	3.35%	$130,414	3.79%
Adjustable Rate Tender Notes	$9,118	0.32%	$10,833	0.35%	$12,552	0.38%	$14,144	0.41%
Commercial Paper Notes	$54,475	1.94%	$50,762	1.62%	$53,774	1.62%	$52,207	1.52%
Total Debt Service	**$168,354**	**5.99%**	**$166,801**	**5.34%**	**$177,376**	**5.35%**	**$196,765**	**5.72%**

Planned Use of Debt Issuances

(in Thousands)

TYPE	Amount	Assumed Interest Rate	Project / Description
Period January 1, 2011 - December 31, 2011			
Tax Exempt Commercial Paper	$137,257.0	0.75%	Energy Services Program
Taxable Commercial Paper	$5,648.0	1.15%	Energy Services Program
TOTAL ISSUED 2011	**$142,905.0**		
Period January 1, 2012 - December 31, 2012			
Tax Exempt Commercial Paper	$183,421.0	1.75%	Energy Services Program
Taxable Commercial Paper	$4,631.0	2.69%	Energy Services Program
TOTAL ISSUED 2012	**$188,052.0**		
Period January 1, 2013 - December 31, 2013			
Tax Exempt Commercial Paper	$184,307.0	2.75%	Energy Services Program
Taxable Commercial Paper	$6,347.0	4.23%	Energy Services Program
Tax-Exempt Fixed Rate Bonds	$70,810.0	5.00%	Lewiston Pump Generating Plant
Taxable Fixed Rate Bonds	$231,140.0	7.50%	Lewiston Pump Generating Plant / Transmission
TOTAL ISSUED 2013	**$492,604.0**		
Period January 1, 2014 - December 31, 2014			
Tax Exempt Commercial Paper	$235,077.0	3.75%	Energy Services Program
Taxable Commercial Paper	$6,249.0	5.77%	Energy Services Program
TOTAL ISSUED 2014	**$241,326.0**		

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.

Scheduled Debt Service Payments (Accrual Based)

Outstanding (Issued) Debt

	Principal	Interest	Total
2011	94,398,826	73,406,905	167,805,731
2012	89,686,656	72,893,395	162,580,051
2013	94,669,130	67,912,570	162,581,700
2014	92,274,556	57,526,479	149,801,035

Proposed Debt

	Principal	Interest	Total
2011	-	547,190	547,190
2012	-	4,221,149	4,221,149
2013	204,865	14,589,437	14,794,302
2014	1,616,784	45,347,065	46,963,849

Total Debt

	Principal	Interest	Total
2011	94,398,826	73,954,095	168,352,921
2012	89,686,656	77,114,544	166,801,200
2013	94,873,995	82,502,007	177,376,002
2014	93,891,341	102,873,544	196,764,885

(m) Capital Investments and Sources of Funding

The Authority currently estimates that it will expend approximately $1.6 billion for various capital improvements over the financial plan period 2011-2014. 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	2011	2012	2013	2014
Lewiston Pump Generation Plant Life Extension & Modernization ("LEM")	$13.7	$21.4	$46.7	$54.4
Transmission Initiative - Licensing and Design	$2.5	$23.3	$33.3	$23.3
Moses Adirondack ("MA1 & MA2") Line In Kind Replacement	$0.0	$6.7	$10.5	$38.6
St. Lawrence LEM	$24.2	$16.4	$6.2	$0.0
St. Lawrence Moses Switchyard LEM	$0.0	$0.0	$10.7	$10.7
Niagara Switchyard LEM	$0.0	$6.5	$6.5	$6.5
IT Initiatives	$4.8	$4.5	$4.5	$5.0
St. Lawrence Licensing Compliance & Implementation	$9.0	$4.3	$2.7	$1.6
Robert Moses Restack/Rewind - Units 1, 2, 3 Phase II	$16.6	$0.0	$0.0	$0.0
CEC Switchyard LEM	$0.0	$5.2	$5.2	$5.2
Blenheim Gilboa Relicensing	$1.8	$2.0	$5.3	$6.3
Niagara Relicensing - Compliance & Implementation	$5.7	$5.2	$1.0	$1.4
General Plant Fleet	$3.1	$3.2	$3.2	$3.2
RMNPP Unit 2 Standardization	$9.2	$2.3	$0.0	$0.0
RMNPP: Stator Rewind and Restack Project - Phase III	$0.0	$0.0	$0.0	$10.7
Massena Sub Switchyard LEM	$0.0	$0.0	$5.2	$5.2
RMNPP Unit 13 Standardization	$0.5	$7.8	$2.0	$0.0
Astoria - New Infrastructure & Installation	$2.9	$6.4	$0.0	$0.0
Energy Services	$150.3	$200.1	$200.1	$250.1
Other (Projects less than $9 million)*	$83.7	$79.8	$48.0	$54.3
GRAND TOTAL	**$328.1**	**$395.0**	**$391.1**	**$476.4**

* Other includes, but is not limited to, the following: Niagara Stator Rewind (Phase I), Massena 735/230Kv Autotransformer Replacement, St. Lawrence Synchronous Condenser Refurbishment, Crescent Units 3 & 4 LEM, Vischer Ferry Units 3 & 4 LEM, St. Lawrence Generator Step-Up Transformer Replacement, Traveling Bridge Cranes Upgrade, 765Kv (Massena Sub) Mod Replacement, St. Lawrence Stator Rewinds, 765Kv Trans Line Spacer-Damper Replacement, Spare LM 6000, PV-20 Line Assessment/Replacement/Upgrade, Black Start 500 MW, Massena 765Kv Oil Filled Transformer Replacement and General Plant Expenses.

2011-2014 Capital Investments
(in millions)

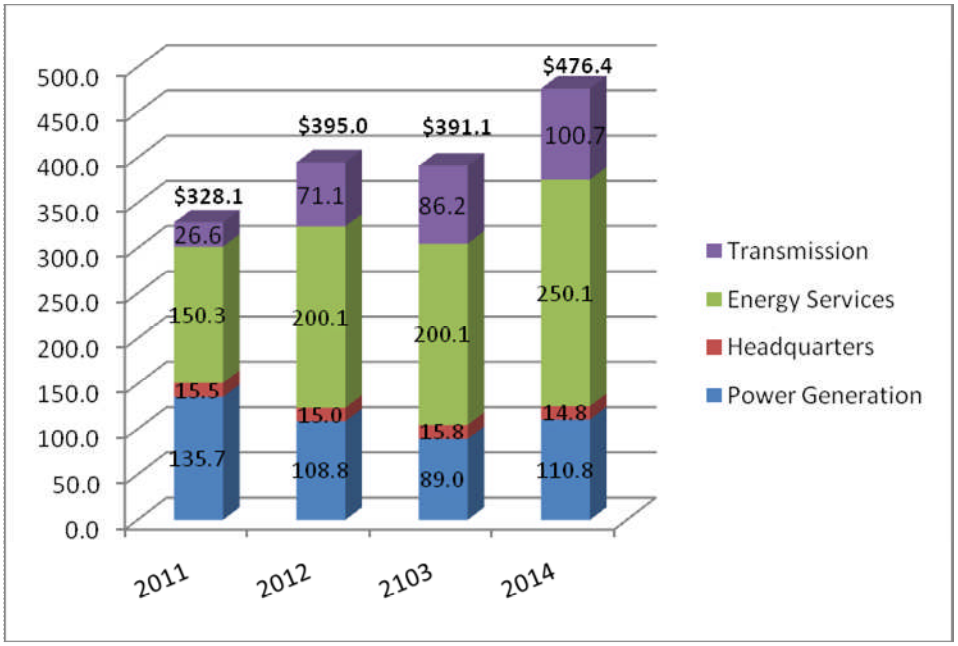


Exhibit "B"
December 13, 2010

Certification of Assumptions and Method of Estimation for Budget and Financial Plan 2011-2014 in accordance with the Comptroller's Regulation § 203.9 Certification

December 13, 2010

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 2011-2014" 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. Quinones 12-7-10

Gil Quiniones
Chief Operating Officer

10. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, January 25, 2011 at 11:00 a.m. at the Clarence D. Rappleyea Building, White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 2:25p.m.

Karen Delince
Corporate Secretary