

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

June 29, 2010

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at 95 Perry Street, Buffalo, New York, at approximately 11:00 a.m.

Members of the Board present were:

Michael J. Townsend, Chairman
Jonathan F. Foster, Vice Chairman
D. Patrick Curley, Trustee
Eugene L. Nicandri, Trustee
Mark O’Luck, Trustee

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Terryl Brown	Executive Vice President and General Counsel
Francine Evans	Executive Vice President, Chief Administrative Officer and Chief of Staff
Elizabeth McCarthy	Executive Vice President and Chief Financial Officer
Edward A. Welz	Executive Vice President and Chief Engineer – Power Supply
Thomas Antenucci	Senior Vice President – Power Supply Support Services
Bert J. Cunningham	Senior Vice President – Corporate Communications
Steve DeCarlo	Senior Vice President – Transmission – WPO
Paul Finnegan	Senior Vice President – Public, Governmental and Regulatory Affairs
James F. Pasquale	Senior Vice President – Marketing and Economic Development
Donald A. Russak	Senior Vice President – Corporate Planning and Finance
Joan Tursi	Senior Vice President – Enterprise Shared Services – WPO
Paul Belnick	Vice President – Energy Services
Jordan Brandeis	Vice President – Power Resource Planning and Acquisition
John L. Canale	Vice President – Project Management
Michael Huvane	Vice President – Marketing
Karen Pasquale	Vice President – Enterprise Shared Services – WPO
Dennis Eccleston	Chief Information Officer – WPO
Karen Delince	Corporate Secretary
Thomas Concadoro	Director – Accounting – WPO
Mark O’Connor	Director – Real Estate
Michael Saltzman	Director – Media Relations – WPO
James Bejarano	Program Manager – Energy Services
Michael Mitchell	Project Manager – Power Supply Support Services – WPO
Timothy Muldoon	Manager – Business Power Allocations and Compliance – WPO
Len Walker	Special Projects Manager – Procurement – WPO
Janis Archer	Strategy Change Specialist – Finance
Elise Cusack	Community Liaison – Erie Harbor and Special Projects – President’s Office
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
Paul Pasquarello	Photography Services Supervisor – Video and Photographic Services
Christopher J. Fahey	Deputy Chief of Staff for Special Projects – Congressman Brian Higgins’ Office
Anthony D. Mancinelli	Attorney – Harter Secrest & Emery LLP
Luc Nadeau	Regional General Manager – Norampac
Yadu R. Banjara	Engineer, Voith Hydro
David Robinson	<i>Buffalo News</i>

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

1. Consent Agenda

Chairman Michael Townsend said that the Economic Development Power Allocation Board had recommended that the Authority's Trustees approve items 1b (Power for Jobs Program – Extended Benefits) and 1e (Transfers of Industrial Power) at their meeting earlier in the month.

President Richard Kessel said that, in the interest of full disclosure, several Power for Jobs customers had also been customers of the Long Island Power Authority when he was there.

Trustee D. Patrick Curley recused himself from the vote on item 1c (Allocation of 12,700 kW of Hydropower) with respect to International Imaging.

President Kessel said that the item related to Power for Jobs Extended Benefits, Energy Cost Savings Benefit Awards and Economic Development Power Program Contract Extensions was being pulled from the agenda because new legislation extending or replacing those programs had not been enacted prior to the meeting. Chairman Townsend said that he hoped the Legislature would take action within the next couple of days on these programs and that failure to enact such legislation would be disastrous for many New York State companies that depend on these programs.

a. Approval of the Minutes

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

b. Power for Jobs Program – Extended Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve electricity savings reimbursement payments (rebates) for 44 Power for Jobs (‘PFJ’) customers listed in Exhibit ‘1b-A.’ The rebates are calculated for historical periods only. These customers have been recommended to receive such rebates by the Economic Development Power Allocation Board (‘EDPAB’). In addition, the Trustees are requested to approve payment for PFJ Restitution to the company listed in Exhibit ‘1b-B.’ This company has been evaluated for Restitution and is due a payment. The Trustees have approved similar extended benefit payments at past Trustees’ meetings.

BACKGROUND

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

“The PFJ program originally made 400 megawatts (‘MW’) of power available and was to be phased in over three years. As a result of the initial success of the program, the Legislature amended the PFJ statute to accelerate the distribution of the power and increase the size of the program to 450 MW. In May 2000, legislation was enacted that authorized additional power to be allocated under the program. Legislation further amended the program in July 2002.

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

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

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

“In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006. Chapter 645 of the Laws of 2006 included provisions extending program benefits until June 30, 2007. Chapter 89 of the Laws of 2007 included provisions extending program benefits until June 30, 2008. Chapter 59 of the Laws of 2008 included provisions extending the program benefits until June 30, 2009. Chapter 217 of the Laws of 2009 included provisions extending the program benefits until May 15, 2010. Recently, an ‘extender’ law was executed modifying the expiration of the program to June 2, 2010.

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

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

cost of electricity of the electric corporation.’ Customers eligible to apply for restitution are those that chose to extend their PFJ electric service contract beyond January 1, 2007 but terminated their service on June 30, 2007, June 30, 2008 or on or after June 30, 2009.

DISCUSSION

“At its meeting on June 16, 2010, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 44 businesses listed in Exhibit ‘1b-A.’ Collectively, these organizations have agreed to retain more than 30,000 jobs in New York State in exchange for the rebates. These recommended payments are for rebate periods prior to the expiration of the program. All PFJ rebate customers are eligible for payments through the program’s expiration on June 2, 2010.

“The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit ‘1b-A’ in a total amount currently not expected to exceed \$5.2 million. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates to the companies listed in Exhibit ‘1b-A’ in the future for other rebate months.

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

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

“Staff has evaluated one additional customer for Restitution. This customer is eligible for Restitution payment and is presented for approval as listed in Exhibit ‘1b-B.’

FISCAL INFORMATION

“Funding of rebates for the companies listed in Exhibit ‘1b-A’ is not expected to exceed \$5.2 million. Payments will be made from the Operating Fund. To date, the Trustees have approved \$220.1 million in rebates.

“Funding of Restitution payments to the company listed in Exhibit ‘1b-B’ is not expected to exceed \$200,000. Payment will be made from the Operating Fund. This is the eighth payment request to date, which will bring the total approved for PFJ Restitution payments to \$6.8 million. Additional requests will follow based on subsequent evaluation of other Restitution-eligible customers.

RECOMMENDATION

“The Executive Vice President and Chief Financial Officer and the Senior Vice President – Marketing and Economic Development recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit ‘1b-A’ and Power for Jobs Restitution to the customer listed in Exhibit ‘1b-B.’

“The Executive Vice President and General Counsel and I concur in the recommendation.”

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

WHEREAS, the Economic Development Power Allocation Board (“EDPAB”) has recommended that the Authority approve electricity savings reimbursements to the Power for Jobs (“PFJ”) customers listed in Exhibit “1b-A”;

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

RESOLVED, That based on staff’s recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$5.2 million, and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

RESOLVED, That based on staff’s recommendation, it is hereby authorized that payments be made for PFJ Restitution payment as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$200,000 and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payment; and be it further

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

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

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

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

Line	Company	City	County	IOU	KW	Job Committed	Jobs in Application	Over (under)	% Over (under)	Compliance	Recommended Allocation (KW)	Type	Service
1	Belmont Metals, Inc.	Brooklyn	Kings	Con Ed	400	83	81	-2	-2%	Yes	400	Large	Manufacturer of non-ferrous metals
2	Display Producers, Inc.	Bronx	Bronx	Con Ed	215	197	97	-100	-51%	Yes*	215	Small	Display cases
3	Greater Jamaica Development Corp.	Jamaica	Queens	Con Ed	375	151	144	-7	-5%	Yes	375	NFP	Urban & community development
4	IBM - Westchester	Armonk	Westchester	Con Ed	3,870	2,115	1,998	-117	-6%	Yes	3,870	Large	Computer manufacturer
5	Norampac New York City, Inc	Maspeth	Queens	Con Ed	600	204	181	-23	-11%	Yes*	600	Large	Corrugated paper packaging and displays
6	NYU Medical Center	New York	New York	Con Ed	4,000	11,364	12,387	1,023	9%	Yes	4,000	NFP	Medical center
7	S. R. Guggenheim Museum	New York	New York	Con Ed	475	418	298	-120	-29%	Yes*	475	NFP	Art museum
	Total Con-Ed		Subtotal	7	9,935	14,532	15,186				9,935		
8	Enzo Clinical Labs, Inc.	Farmingdale	Suffolk	LIPA	200	357	369	12	3%	Yes	200	Small	Medical lab
9	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	3,137	3,071	-66	-2%	Yes	800	NFP	Healthcare center
10	Kozy Shack, Inc.	Hicksville	Nassau	LIPA	1,000	270	250	-20	-7%	Yes	1,000	Large	Manufacturer of puddings & snacks
11	Standard Microsystems Corp.	Hauppauge	Suffolk	LIPA	1,050	449	440	-9	-2%	Yes	1,050	Large	Computer circuits and other components
12	Ultimate Precision Metal	Farmingdale	Suffolk	LIPA	250	116	89	-27	-23%	Yes*	250	Small	Manufactures controlled enclosures
	Total LIPA		Subtotal	5	3,300	4,329	4,219				3,300		
13	Associated Brands, Inc.	Medina	Cortland	N. Grid	1,000	303	300	-3	-1%	Yes	1,000	Large	Manufacturer of dry food products
14	BorgWarner Morse TEC	Cortland	Herkimer	N. Grid	1,500	209	115	-94	-45%	Yes*	1,500	Large	Manufacturer of auto components
15	Burrows Paper Corp.	Little Falls	Fulton	N. Grid	1,000	178	179	1	1%	Yes	1,000	Small	Produces light weight specialty paper
16	Carville National Leather Corp.	Johnstown	St. Lawrence	N. Grid	200	33	36	3	9%	Yes	200	NFP	High quality tanning and leather finishing
17	Clarkson University	Potsdam	Cortland	N. Grid	1,500	664	681	17	3%	Yes	1,500	Large	Institution of higher education
18	Cortland Line Co., Inc.	Cortland	Onondaga	N. Grid	450	83	60	-23	-28%	Yes*	450	Large	Monofilament, and braided fishing lines
19	Crucible Industries LLC	Syracuse	Madison	N. Grid	4,000	682	682	0	0%	Yes	4,000	Large	Specialty steel manufacturer
20	Dielectric Laboratories, Inc.	Cazenovia	Erie	N. Grid	400	193	167	-26	-13%	Yes*	400	Small	Ceramic capacitors and ceramic packaging
21	Eastman Machine Company	Buffalo	Cattaraugus	N. Grid	300	98	87	-11	-11%	Yes*	300	Large	Textile cutting and spreading equipment
22	Fitzpatrick & Weller, Inc.	Ellicottville	Washington	N. Grid	1,000	86	81	-5	-6%	Yes	1,000	Large	Lumber & wood components
23	G L & V Sandy Hill Inc.	Hudson Falls	Onondaga	N. Grid	750	99	85	-14	-14%	Yes*	750	Small	Foundry & machine shop
24	Higbee Inc.	Syracuse	Oneida	N. Grid	100	47	42	-5	-11%	Yes	100	Large	Gaskets and sealing products
25	HMI Metal Powders	Clayville	Cortland	N. Grid	500	111	109	-2	-2%	Yes	500	Large	Manufacturer of specialty powders
26	Intertek Testing Services	Cortland	Erie	N. Grid	600	311	353	42	14%	Yes	600	Small	Independent test lab
27	Keystone Corporation	Buffalo	Onondaga	N. Grid	300	41	40	-1	-2%	Yes	300	Large	Fabricated metal products
28	Kilian Manufacturing Corporation	Syracuse	Lewis	N. Grid	400	144	123	-21	-15%	Yes*	400	NFP	Manufacturer of ball bearings
29	Lewis County General Hospital	Lowville	Albany	N. Grid	200	418	458	40	10%	Yes	200	Large	Medical center
30	Luvata Buffalo, Inc.	Buffalo	Albany	N. Grid	5,000	617	540	-77	-12%	Yes*	5,000	Small	Metal manufacturing
31	Lydall Manning	Green Island	Onondaga	N. Grid	1,100	114	103	-11	-10%	Yes	1,100	Small	Specialty paper manufacturer

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

32	Meloon Foundries, Inc.	Syracuse	Albany	N. Grid	275	52	42	-10	-19%	Yes*	275	Large	Non-ferrous sand casting foundry
33	Mohawk Paper Mills	Cohoes	Fulton	N. Grid	2,250	415	393	-22	-5%	Yes	2,250	NFP	Manufacturer of text and cover papers
34	Nathan Littauer Hospital & Nursing Home	Gloversville	Albany	N. Grid	400	698	720	22	3%	Yes	400	Large	Hospital and nursing home
35	Norlite Corp.	Cohoes	Erie	N. Grid	500	69	69	0	0%	Yes	500	Large	Manufacturer of brass fittings
36	Oldcastle Precast Inc.	South Bethlehem	Oneida	N. Grid	160	67	60	-7	-10%	Yes	160	Small	Precast products and installation
37	Rome Specialty Company, Inc.	Rome	Erie	N. Grid	135	17	13	-4	-24%	Yes*	135	Large	Manufacturer of fishing tackle
38	Sorrento Lactalis, Inc.	Buffalo	Onondaga	N. Grid	1,500	510	461	-49	-10%	Yes	1,500	Small	Produces cheese and whey products
39	Syracuse Casting Sales Corp.	Cicero	Onondaga	N. Grid	300	98	85	-13	-13%	Yes*	300	Large	Products for accessing subterranean vaults
40	Syracuse Plastics, Inc.	Liverpool	Onondaga	N. Grid	400	42	43	1	2%	Yes	400	NFP	Maker of plastic parts and components
41	Syracuse University	Syracuse	Oneida	N. Grid	2,000	4,575	4,648	73	2%	Yes	2,000	Large	Institution of higher education
42	Turbine Engine Components Technologies	Whitesboro	Oneida	N. Grid	1,200	288	234	-54	-19%	Yes*	1,200	Large	Precision forging plant
	Total National Grid		Subtotal		30	29,420	11,262	11,009			29,420		
43	Ultralife Batteries, Inc.	Newark	Wayne	NYSEG	1,440	483	489	6	1%	Yes	1,440	Large	Manufacturers batteries
	Total NYSEG		Subtotal		1	1,440	483	489			1,440		
44	XLI Corporation	Rochester	Monroe	RGE	175	75	70	-5	-7%	Yes	175	Small	Makers of precision machine components
	Total RG&E		Subtotal		1	175	75	70			175		

Total	44	44,270	30,681	30,973
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44,270

*Company had all or part of their allocation restored through the reconsideration process, or will not have this month's benefits reduced based on program policy and procedures.

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

Line	Company	City	County	IOU	KW	Type	Restitution Period		Program Status	Restitution Payments	Service
							Time Frame	Months			
1	North Lawrence Dairy, Inc.	North Lawrence	St. Lawrence	Grid	1,000	Large	Jan 06 - Jun 09	42-months	Rebate	\$190,879	Food processor

<i>National Grid Subtotal</i>				1,000						\$190,879	
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Grand Total

1,000

190,879

c. Allocation of 12,700 kW of Hydropower

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve an allocation of available Replacement Power (‘RP’) totaling 12,700 kW to three industrial companies who are committing to invest capital and create new jobs in Western New York.

BACKGROUND

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

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

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

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

DISCUSSION

“Staff recommends and the Advisory Group supports Replacement Power allocations being awarded to the three companies set forth in Exhibit ‘1c-A.’ The exhibit shows, among other things, the amount of power requested, the recommended allocation and additional employment and capital investment information. In total, these expansion projects commit \$390 million in capital investment and will create 155 new jobs, thus helping to maintain and diversify the industrial base of Western New York.

“International Imaging Materials, Inc. produces thermal transfer ribbons, inks and coatings at its Amherst facility. The company’s project involves purchasing and installing specialized equipment in its existing facility to increase capacity and enable it to enter a new market. The capital investment is \$1.8 million and the project would result in the creation of 10 jobs. The associated capital investment-per-MW ratio of \$2.6 million and the jobs-per-MW ratio of 14 are both lower than the average ratios for allocations since the formation of the Advisory Group. Two of three existing allocations reported 2009 job levels below the company’s agreed upon job commitments due to the difficult economy of the last two years. However, the company has added 16 more employees than last year’s reported monthly average, and currently employs 326 people. Additionally, the Authority recently offered contract extensions to the existing allocations with a modified job commitment to be more in line with the company’s business environment. International Imaging believes this project will allow the company to capture new market opportunities, enabling it to grow the business and deepen the facility’s roots in Western New York.

“Klein Steel Services Inc. proposes to build a steel armor manufacturing capability at its Tonawanda plant in order to enter a new market for the company. The company will use a patented process to produce thinner and better armor plating for the U.S. military, saving both fuel and lives. The expansion project is expected to cost \$8.2 million and will result in the creation of 37 direct jobs. The associated capital investment-per-MW ratio of \$4.1 million and the jobs-per-MW ratio of 19 are both lower than the average ratios for allocations since the formation of the Advisory Group. The allocation would allow Klein Steel Services Inc. to nearly double its employment in Tonawanda, as well as to significantly grow its business. The company, founded in Rochester and with operations only in New York State, has a total of 210 employees at its Tonawanda, Rochester and Syracuse facilities. Each facility and the existing jobs would be positively impacted by a successful expansion in Tonawanda.

“Norampac proposes to invest \$380 million to build a state-of-the-art ‘green’ corrugated cardboard manufacturing facility. The company’s project is a major capital investment and is being supported by a comprehensive incentive offering coordinated by Empire State Development Corporation. The capital investment-per-MW ratio of \$38 million is well above the historic average, while the project’s 108 new jobs results in a jobs-per-MW ratio of 11, lower than the historic average. This expansion will ensure the viability of the company’s existing Niagara Falls facility and provide long-term economic benefits to the City of Niagara Falls and the regional economy.

“Additional information on each project is contained in the application summaries attached as Exhibits ‘1c-A-1’, ‘1c-A-2’, and ‘1c-A-3’.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocation of 12,700 kW of hydropower to the companies listed in Exhibit ‘1c-A.’

“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 allocation of 12,700 kW of Replacement Power, as detailed in Exhibit “1c-A,” be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

New York Power Authority
 Replacement Power
 Recommendation for Allocation

Exhibit Number	Company Name	Program	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
A-1	International Imaging Materials, Inc.	RP	Amherst	Erie	1,000	10	\$1,800,000	\$57,000	700	5 Years
A-2	Klein Steel Services Inc.	RP	North Tonawanda	Erie	4,000	37	\$8,200,000	\$36,300	2,000	5 Years
A-3	Norampac, Inc.	RP	Niagara Falls	Niagara	35,000	108	\$380,000,000	\$82,000	10,000	5 Years
Total RP Recommended						10	\$390,000,000		12,700	

APPLICATION SUMMARY
Replacement Power

Company:	International Imaging Materials, Inc.
Location:	Amherst
County:	Erie
IOU:	National Grid
Business Activity:	Ink, coatings and thermal transfer ribbon manufacturing
Project Description:	The company is planning to bid on new business requiring additional specialized coating capacity. Project would include installation of a multi-station coater, oxidizer system and ancillary equipment within its current facility.
Existing Allocation(s):	1,000 kW and 1,250 kW EP allocations 250 kW RP allocation
Power Request:	1,000 kW
Power Recommended:	700 kW
Job Commitment:	
Existing:	326 jobs
New:	10 jobs
New Jobs/Power Ratio:	14 jobs/MW
New Jobs - Avg. Wage and Benefits:	\$57,000
Capital Investment:	\$1.8 million
Capital Investment/MW:	\$2.6 million/MW
Other ED Incentives:	None
Summary:	International Imaging Materials is proposing to increase its coating capacity in order to be able to capture new business. A hydropower allocation makes Western New York attractive for installation of this expansion project by allowing the company to manufacture within cost parameters for this market. Alternatively, the company is considering outsourcing its manufacturing to Europe (Belgium or Italy).

APPLICATION SUMMARY
Replacement Power

Company: Klein Steel Services Inc.

Location: Tonawanda

County: Erie

IOU: National Grid

Business Activity: Specialty steel services

Project Description: The company is proposing a project expansion within its existing facility to manufacture super lightweight steel armor using a patented process. The three-phased project would include installation of a manual plate feeding production line, automating that line and adding a second and third production line.

Existing Allocation(s): None

Power Request: 4,000 kW

Power Recommended: 2,000 kW

Job Commitment:

Existing: 47 jobs

New: 37 jobs

New Jobs/Power Ratio: 19 jobs/MW

New Jobs - Avg. Wage and Benefits: \$36,300

Capital Investment: \$8.2 million

Capital Investment/MW: \$4.1 million/MW

Other ED Incentives: Support from Town of Tonawanda Economic Development Dept.

Summary: Klein Steel Services is proposing to expand its business by manufacturing steel armor plate for the U. S. military through a patented process at its existing facility. A hydropower allocation would enable this expansion project to be undertaken in Tonawanda, adding 37 jobs while securing the company's 210 existing jobs and business operations at its Tonawanda, Rochester and Syracuse locations.

APPLICATION SUMMARY
Replacement Power

Company: Norampac, a Division of Cascades Canada, Inc.

Location: Niagara Falls

County: Niagara

IOU: National Grid

Business Activity: Recycled paper products and specialty packaging

Project Description: Norampac proposes to construct a new state-of-the-art facility to make "green" corrugated packaging. The project includes building a two-story 250,000-sq.-ft. facility adjacent to the company's Niagara Falls plant and purchasing and installing paper making machinery and equipment.

Existing Allocation: None (Norampac Industries has 1,600 kW Expansion Power and 11,600 kW High Load Factor allocations at the adjacent property)

Power Request: 35,000 kW

Power Recommended: 10,000 kW

Job Commitment:

Existing:	0 jobs
New:	108 jobs

New Jobs/Power Ratio: 11 jobs/MW

New Jobs - Avg. Wage and Benefits: \$82,000

Capital Investment: \$380 million

Capital Investment/MW: \$38 million/MW

Other ED: The company has received an incentive package with lead support from Empire State Development, as well as Niagara County and National Grid.

Summary: Norampac proposes to invest \$380 million to build a new state-of-the-art "green" corrugated packaging manufacturing facility and to create an associated 108 new jobs. The plant would use cutting-edge technology to produce lightweight packaging material from 100% recycled cardboard. Several sites are being considered (Pennsylvania, Michigan and Ontario). An allocation of hydropower would enable the company to cost-effectively produce in Niagara Falls and therefore is critical in making this large capital investment decision.

d. Proposed Preservation Power Contract – Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a 1,300 kW allocation of Preservation Power (‘PP’) to Florelle Tissue Corporation (‘Florelle’) and to authorize a public hearing, pursuant to Section 1009 of the Public Authorities Law, on the proposed contract (‘Contract’) for the allocation.

BACKGROUND

“In 2005, the New York State Legislature enacted, and the Governor signed, Chapter 313 of the Laws of 2005, which established the Preservation Power program set forth in Section 1005(13) of Public Authorities Law. Preservation Power allows businesses in Northern New York State to be served with low-cost hydroelectric power from the Authority’s St. Lawrence/FDR Power Project. This program governs the allocation of any power relinquished from the block of 490 MW of St. Lawrence/FDR Project firm and interruptible power currently sold to Alcoa and General Motors – Powertrain. The law authorizes allocation of power to businesses in Franklin, Jefferson and St. Lawrence counties and applies the same allocation criteria as pertain to allocations of Replacement and Expansion Power.

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

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

“On November 24, 2008, the Authority, National Grid, Empire State Development Corporation (‘ESDC’) and Franklin, Jefferson and St. Lawrence counties signed a Memorandum of Understanding (‘MOU’) that outlines the process to coordinate marketing and allocating PP. The entities noted above formed the Northern New York Advisory Group (‘Advisory Group’) with the intent of better using the value of this resource to improve the economy of Northern New York and the State of New York. Nothing in the MOU changes the legal requirements applicable to the allocation of PP and the Authority’s Trustees are the sole decision makers regarding allocations of PP, subject only to the Governor’s contract approval role under Section 1009 of the Public Authorities Law.

DISCUSSION

“Florelle, a Canadian company, is proposing to purchase, refurbish and re-open a now vacant and dormant paper mill in Jefferson County. The company would produce paper from pulp and convert that into paper towels, napkins, and tissues and export 95% of the plant’s output back to Canada. An allocation of PP is a major factor in the decision to move forward with this project and any future capital investment. The Brownsville mill had previously employed over 60 people that were all laid off when the plant closed in mid-2008. With the facility reopening, Florelle’s paper mill would help reinvigorate the local economy and provide jobs to the displaced workers previously employed at the mill.

“Authority staff has completed a review of Florelle’s application for PP. Staff recommends and the Advisory Group supports an allocation of 1,300 kW of PP providing the electrical requirements for their plant operations, for a term of five years, as set forth in Exhibit ‘1d-A.’ The recommended hydropower allocation is in consideration of Florelle’s agreement to invest \$3.5 million to purchase, renovate and equip the paper mill. The company’s investment includes \$1.85 million in machinery and equipment and \$300,000 in renovations and building

improvements. In addition, the company agrees to create 75 jobs as a result of this project. Further details of the application are included in Exhibit '1d-B.'

"The company has applied for various other economic development incentives and has garnered broad community and agency support. Florelle has applied for and has pending or confirmed support from Jefferson County Industrial Development Agency, Jefferson County Local Development Corp., North Country Alliance, Development Authority of the North Country, NY Business Development Corp. Zone Capital Fund and ESDC.

"The proposed Contract is attached as Exhibit '1d-C.' The firm electric service under the contract will be equivalent to that provided to all other Authority firm hydropower customers and subject to pro-rata curtailment when there is insufficient generation at the Niagara and St. Lawrence/FDR facilities to meet the energy requirement of the firm hydropower customers.

"The allocation amount will be subject to an enforceable employment commitment of 75 jobs after three years of operation, and continuing over the term of the Contract, which includes an annual job report to be submitted by Florelle to the Authority. A job compliance threshold of 90% will apply. Should Florelle's actual jobs reported fall below the compliance percentage, the Authority has the right to reduce the hydropower allocation on a pro-rata percentage basis.

"The rates for PP are also contained in Exhibit '1d-C,' 'Schedule of Rates for Sale of Firm Power to Preservation Power Customers - Service Tariff No. 10.' The Contract will have a five-year term from the initial start of power takedown.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocation of 1,300 kW of Preservation Power to Florelle Tissue Corporation as detailed in Exhibit '1d-A', and that the Trustees authorize a public hearing on the Preservation Power Contract with Florelle Tissue Corporation to be held at the Frank S. McCullough, Jr. Hawkins Point Visitors Center at the St. Lawrence/FDR Project in Massena, New York on August 12, 2010 from 2:00 p.m. to 4:00 p.m. and 7:00 p.m. to 9:00 p.m. It is further recommended that, pursuant to Section 1009 of the Public Authorities Law, the Corporate Secretary be authorized to transmit copies of the proposed contract to the Governor and legislative leaders, and to arrange for the publication of a notice of public hearing in six newspapers throughout the State in accordance with the Public Authorities Law.

"The Executive Vice President and General Counsel, the Senior Vice President – Marketing and Economic Development, 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 allocation of 1,300 kW of Preservation Power, as detailed in Exhibit "1d-A," be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Trustees hereby authorize a public hearing on the terms of the proposed contract for the sale of Preservation Power to Florelle Tissue Corporation to be held at the Frank S. McCullough, Jr. Hawkins Point Visitors' Center at the St. Lawrence/FDR Project in Massena, New York on August 12, 2010 from 2:00 p.m. to 4:00 p.m. and 7:00 p.m. to 9:00 p.m.; and be it further

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit copies of the proposed contract to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the

Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee, pursuant to Section 1009 of the Public Authorities Law; and be it further

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

RESOLVED, That the 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 contract with Florelle 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.

New York Power Authority
 Preservation Power
 Recommendation for Allocation

	Company Name	Program	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term
1	Florelle Tissue Corporation	PP	Brownville	Jefferson	1,300	75	\$3,500,000	\$39,500	1,300	5 Years
	Total PP Recommended					75	\$3,500,000		1,300	

APPLICATION SUMMARY
Preservation Power

Company: Florelle Tissue Corporation

Location: Brownville

County: Jefferson

IOU: National Grid

Business Activity: Paper mill

Project Description: The company is planning to purchase and refurbish a vacated paper mill. The project would renovate and equip a 95,000-sq.-ft. building with paper making and converting machinery and equipment. Florelle will invest \$3.5 million to purchase and equip the facility to get it up and running.

Existing Allocation(s): None

Power Request: 1,300 kW

Power Recommended: 1,300 kW

Job Commitment:

Existing: 0 jobs

New: 75 jobs

New Jobs/Power Ratio: 58 jobs/MW

New Jobs - Avg. Wage and Benefits: \$39,500

Capital Investment: \$3.5 million

Capital Investment/MW: \$2.7 million/MW

Other ED Incentives: JCIDA (pending loan + PILOT); JCLDC (pending grant); North Country Alliance (pending loan); Development Authority of the North Country (pending grant); NY Business Development Corp. Zone Capital Fund (pending loan); Empire State Development (pending application)

Summary: Florelle Tissue Corporation is proposing to purchase, refurbish and reopen a vacant paper mill in Jefferson County. The renovated and newly equipped plant would produce paper from pulp and convert it into paper towels, napkins and tissue. With the facility reopening, Florelle's paper mill will employ 75 people and help reinvigorate the local economy. An allocation of Preservation Power is a major factor in the decision to move forward with this project.

POWER AUTHORITY
OF THE
STATE OF NEW YORK

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

**AGREEMENT FOR THE SALE OF
PRESERVATION POWER AND ENERGY**

TO FLORELLE TISSUE CORPORATION

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 1 of Article 5 of the New York Public Authorities Law, 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 Preservation Power and Energy (“Agreement”) to Florelle Tissue Corporation, having offices at 350 Flint road, Unit 1, North York, Ontario M3J2J4 (“Customer”). The Authority and the Customer are from time to time referred to in this Agreement individually as a “Party” or collectively as the “Parties” and agree as follows:

RECITALS

WHEREAS, the Authority is authorized to sell hydroelectric power produced by the St. Lawrence-FDR Power Project known as Preservation Power (or “PP”), as further defined in this Agreement, to qualified businesses in New York State in accordance with PAL § 1005(5) and (13);

WHEREAS, PP consists of 490 megawatts (“MW”) of firm hydroelectric power and associated energy produced by the St. Lawrence-FDR Power Project;

WHEREAS, St. Lawrence-FDR Power Project hydroelectric power plays an important role in providing competitively priced power for sale to attract and retain business investment and to promote economic development in New York State;

WHEREAS, the Authority has the authority under PAL § 1005(13)(a) to award and extend allocations of PP 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, the Customer has applied for an allocation of PP for use at facilities located at 1 Bridge Street, Brownville, New York 13615 defined in Article I of this Agreement as the “Facility”);

WHEREAS, on June 29, 2010, the Authority’s Board of Trustees (“Trustees”) approved a 1,300 kilowatt allocation of PP to the Customer for a five year term (defined in Article I of this Agreement as the “Allocation”), as further described in this Agreement;

WHEREAS, the provision of Electric Service (defined in Article I of this Agreement) associated with the Allocation is an unbundled service separate from the transmission and delivery service necessary for the Customer to receive the Allocation which will be performed by the Customer’s local utility company;

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:

Article I. Definitions

- A. **Agreement** means this Agreement as further described in the preamble, including all documents and other matters attached to and incorporated into the Agreement.
- B. **Allocation** refers to the total amount of PP and associated energy set forth in Schedule A to this Agreement awarded to the Customer.
- C. **Contract Demand** has the meaning set forth in the Service Tariff.
- D. **Electric Service** is Firm Power and Firm Energy associated with the Allocation and sold to the Customer in accordance with the provisions of this Agreement, the Service Tariff, and the Rules.
- E. **Facility** means the 95,000 square foot building located at 1 Bridge Street, Brownville, New York 13615.
- F. **Firm Energy** has the meaning set forth in the Service Tariff.
- G. **Firm Power** has the meaning set forth in the Service Tariff.
- H. **FERC** means the Federal Energy Regulatory Commission (or any successor organization).
- I. **FERC License** means the license issued by FERC to the Authority for the continued operation and maintenance of the St. Lawrence Project, pursuant to Section 15 of the Federal Power Act, which became effective October 22, 2003 after expiration of the Project's original license issued in 1953.
- J. **Hydro Projects** is a collective reference to the Authority's Niagara Project and St. Lawrence-FDR Project.
- K. **International Joint Commission** (or **IJC**) refers to the entity with responsibility to prevent and resolve disputes between the United States of America and Canada under the *1909 Boundary Waters Treaty* and pursues the common good of both countries as an independent and objective advisor to the two governments. The IJC rules upon applications for approval of projects affecting boundary or transboundary waters and may regulate the operation of these projects.

- L. **Load Serving Entity** (or **LSE**) means an entity designated by a retail electricity customer to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO Tariffs, rules, manuals and procedures.
- M. **NYISO** means the New York Independent System Operator, Inc. or any successor organization.
- N. **NYISO Charges** has the meaning set forth in the Service Tariff.
- 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. **PAL** means the New York Public Authorities Law.
- Q. **Preservation Power** (or **PP**) has the meaning set forth in the Service Tariff.
- R. **Niagara Project** means the Authority's Niagara Power Project, FERC Project No. 2216.
- S. **Rules** refers to the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York), as may be modified from time to time by Authority.
- T. **Service Tariff** means the Authority's Service Tariff No. 10, as may be modified from time to time by the Authority, which contains, among other things, the rate schedule establishing rates and other commercial terms for sale of Electric Service to Customer under this Agreement.
- U. **St. Lawrence Project** means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.
- V. **Schedule A** refers to the Schedule A to this Agreement entitled "Preservation Power Allocation" which is attached to and made part of this Agreement.
- W. **Schedule B** refers to the Schedule B to this Agreement entitled "Preservation Power Commitments" which is attached to and made part of this Agreement.
- X. **Schedule C** refers to Schedule C to this Agreement entitled "Applicable Representations Concerning Local Utility" which is attached to and made part of this Agreement.
- Y. **Substitute Energy** means energy that the Authority provides at the request of the Customer to replace hydroelectric power that would otherwise have been supplied to the Customer under this Agreement.
- Z. **Taxes** have the meaning set forth in the Service Tariff.

- AA. **Unforced Capacity** (or **UCAP**) is the electric capacity required to be provided by Load Serving Entities to serve electric load as defined by the NYISO Tariffs, rules, manuals and procedures.

Article II. Electric Service

- A. The Authority shall provide Electric Service to the Customer to enable the Customer to receive the Allocation in accordance with this Agreement, the Service Tariff and the Rules. The Customer shall not be entitled to receive Electric Service for any PP Allocation that is not specified in Schedule A.
- 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 and the Allocation may be modified by the Authority if the amount of Firm Power and Firm Energy available for sale as PP from the St. Lawrence 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 PP customers, as applicable, based on the terms of such ruling, order, or decision. The Authority will use reasonable efforts to provide at least thirty (30) days prior written notice to the Customer of any such modification unless such notice is inconsistent with such ruling, order or decision.
- D. The Contract Demand may not exceed the Allocation.

Article III. Rates, Terms and Conditions

- A. The Authority will provide Electric Service to the Customer based on the rates, terms and conditions established in accordance with this Agreement, the Service Tariff and the Rules.
- B. The Service Tariff and the Rules may be amended from time to time by the Authority. The Authority shall provide at least thirty (30) days prior written notice to the Customer of any proposed change in the Service Tariff or the Rules. No subsequent amendment to the Service Tariff or the Rules shall affect the determination of rates for PP to the Customer during the term of the Agreement except insofar as otherwise authorized by this Agreement. This provision shall not limit the Authority's discretion to determine rates applicable to allocations of power and energy awarded to the Customer beyond or in addition to the Allocation.
- C. Notwithstanding any provision of this Agreement to the contrary, the power and energy rates shall be subject to increase by the Authority at any time upon 30 days prior written notice to Customer if, after consideration by the Authority of its legal obligations, the marketability of the output or use of the St. Lawrence 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 rates 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 that are subject to the Service Tariff 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.

Article IV. Billing Methodology

- A. The billing methodology for the Allocation shall be determined on a "load factor sharing" basis in a manner consistent with the local electric utility's applicable tariffs.
- B. The Authority shall render bills for power and energy by the tenth (10th) business day of the month for charges due for the previous month. Such bills shall include the NYISO Charges and Taxes (as such terms are defined in the Service Tariff) associated with the Allocation. NYISO Charges and Taxes billed to the Customer are subject to adjustments consistent with any subsequent NYISO re-billings to Authority.
- C. All other provisions with respect to billing are set forth in the Service Tariff.

Article V. Transmission and Delivery of Power and Energy

- A. The Customer shall responsible for securing arrangements with its local utility for transmission and delivery service associated with the Allocation unless otherwise agreed to by the Parties.
- B. The Customer will pay its local utility for transmission and delivery service associated with the Allocation in accordance applicable contracts and all applicable tariffs, rulemakings, and orders, in order to deliver to the Customer the 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.
- C. Each Party makes the representations, if any, contained in Schedule C to this Agreement concerning this Agreement and any agreement between the Authority, the Customer and the Customer's local utility company.

- D. 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 as may be required under the applicable local utility company tariffs. In no event shall the Authority act as the LSE for the power and energy consumed by Customer other than Electric Service (inclusive of Substitute Energy, if any) sold by the Authority under this Agreement. The Customer understands and acknowledges that it will be responsible to the Authority for all charges and other costs incurred by the Authority associated with the provision of Electric Service to enable the Customer to receive the Allocation, including charges and costs contained in the NYISO Tariffs or other applicable tariffs (including local utility company tariffs), regardless of whether such charges and costs are transmission-related. Such charges and costs are in addition to the charges for power and energy.

Article VI. Preservation Power Customer Commitments

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

Article VII. Rules and Service Tariff; Conflicts

The Rules and the Service Tariff 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 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.

Article 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 the Customer of any curtailments referenced in Article VIII.A of this Agreement that could impact Customer's Electric Service under this Agreement.
- C. Upon written request by the Customer, the Authority will provide Substitute Energy to the Customer to replace the hydroelectricity that would otherwise have been supplied under this

Agreement. The provision of Substitute Energy may be terminated by the Authority or the Customer on fifteen (15) days' prior written notice.

- D. 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.
- E. 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.

Article IX. Additional Allocations

- A. Upon application by the Customer, the Authority may award additional allocations of PP to the Customer at such rates and on such terms and conditions as set forth in the Service Tariff. Once the Customer agrees to purchase Electric Service associated with such additional allocations, the Authority will produce modified Schedules A and B which will reflect any such additional allocations and other pertinent terms as appropriate. The Authority will furnish the Customer with any such modified Schedules within thirty (30) days of the commencement of Electric Service for any such additional allocation.
- B. The Customer shall furnish such documentation and other information as the Authority requests to enable the Authority to evaluate whether any additional allocations should be made to the Customer and the terms of any additional allocation.

Article X. Notification

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

To: The Authority

Michael J. Huvane
Director, Marketing
New York Power Authority
123 Main Street
White Plains, New York 10601
Telephone: (914) 390-8117
Facsimile: (914) 390-8156
Electronic mail: michael.huvane@nypa.gov

To: Customer

Mr. Haralampos Minas
President
Florella Tissue Corporation
1 Bridge Street
Brownville, New York 13615
Telephone: _____
Facsimile: _____
Electronic mail: _____

- 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.

Article XI. Applicable Law

Any claim, suit, action or any other proceeding in law or equity arising under, or in any way relating to 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 rulings by the IJC and without regard to conflicts of law provisions.

Article 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.

Article XIII. Successors and Assigns; Resale of PP

- A. This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained.
- B. The Customer may not resell any PP that it has purchased from the Authority under this Agreement.

Article XIV. Previous Agreements and Communications

This Agreement shall constitute the sole and complete agreement of the Parties hereto with respect to the sale of PP, and supersedes all previous communications between the Parties hereto, either oral or written, with respect to the sale of PP. No modifications 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.

Article XV. 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.

Article XVI. Severability and Voidability

- A. If any term or provision of this Agreement is 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 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.

Article XVII. Term, Modification, Termination and Effect

- A. Electric Service under this Agreement shall continue with respect to an Allocation until the earliest of: (1) termination by the Customer with respect to all of the Allocation upon at least thirty (30) days prior written notice to the Authority; (2) termination by Authority pursuant to the Rules upon required notice; or (3) expiration of the Allocation by its own term as specified in Schedule A.
- B. The Customer may exercise a partial termination of the Allocation upon at least thirty (30) days prior written notice to the Authority. The termination shall be effective commencing with the first "Billing Period" as defined in the Service Tariff following the required notice.
- C. The Authority may modify or terminate Electric Service hereunder or modify the quantities of power and energy associated with an Allocation: (1) if such termination 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 or in the Rules.
- D. This Agreement shall become legally binding and effective only upon satisfaction of the following conditions precedent: (1) receipt of approval of this Agreement by the Authority Board of Trustees; (2) receipt of approval of this Agreement by the Governor of the State of New York pursuant to PAL § 1009; and (3) execution of this Agreement by the Authority and the Customer.

Article 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:

FLORELLE TISSUE CORPORATION

BY: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY: _____

Title: _____

Date: _____

**SCHEDULE A TO AGREEMENT FOR THE SALE OF PRESERVATION
POWER AND ENERGY TO FLORELLE TISSUE CORPORATION**

PRESERVATION POWER ALLOCATIONS

Customer: Florelle Tissue Corporation

Facility: 1 Bridge Street, Brownville, NY 13615

<u>Type of Allocation</u>	<u>Allocation (kW)</u>	<u>Expiration Date</u>
Preservation Power	1,300	5 years after initial delivery of the Allocation

TOTALS: 1,300 kW

**SCHEDULE B TO AGREEMENT FOR THE SALE OF PRESERVATION
POWER AND ENERGY TO FLORELLE TISSUE CORPORATION**

PRESERVATION POWER COMMITMENTS

ARTICLE I. EMPLOYMENT COMMITMENTS

A. Base Employment Level

The Customer agrees to create and maintain the employment level (the “Base Employment Level”) set forth in the Appendix to this Schedule.

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 Customer employees and contractor employees at the Facility, 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 Customer employees and contractor employees 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.

ARTICLE 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.C 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 defined in the Service Tariff) for PP 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.C 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. 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.

ARTICLE III. CAPITAL INVESTMENT

The Customer agrees to undertake the Capital Expansion Program set forth in the Appendix to this Schedule.

ARTICLE IV. ENERGY EFFICIENCY AUDITS AND 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 but in any event not less than once every five years. 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

I. Base Employment Level

The Customer will employ seventy-five (75) persons at the Facility (“Base Employment Level”), within three years of the initial delivery of the Allocation to the Facility.

The Base Employment Level shall be the number of full-time positions held by employees and contractors of the Customer assigned to the Facility. The number of full-time Customer employees and contractor employees shall not include part-time positions (less than 35 hours per week); provided, however, that two part-time employees each working 20 hours per week or more shall be counted as one full-time 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.

II. Capital Expansion Program

The Customer will purchase a 95,000 square foot building located at in Brownville, NY, and refurbish the building and associated property to serve as a paper mill and manufacturing facility (defined in Article 1 of the Agreement as “Facility”). The Customer will purchase and install machinery and equipment, including paper-making and converting machinery and ancillary equipment. (collectively, Machinery & Equipment”) at the Facility to enable the Customer to produce paper from pulp and to process the paper into paper towel, napkin, and tissue products.

The estimated Start Dates and the Completion Dates for the Capital Expansion Program are as follows:

Phase	Description	Start Date	Completion Dates
A	Facility purchase, renovations and equipment orders	September 2010	December 31, 2010
B	Machinery & Equipment installation	October 2010	December 31, 2010
C	Commencement of converting operation	December 2010	January 31, 2011
D	Commencement of paper making operation	January 2011	January 31, 2011

The Customer’s total capital investment in the Capital Expansion Program will total at least \$3.5 million.

The Authority shall have the right to inspect the Facility and to request pertinent information from the Customer for the purpose of verifying the progress of the Capital Expansion Program and the Customer's compliance with Capital Expansion Program requirements at reasonable times during the Capital Expansion Program and prior to the takedown of the Allocation by the Customer. The Customer shall provide the Authority with Facility access and pertinent information requested by the Authority for these purposes.

In the event the Customer fails satisfy the requirements for the Capital Expansion Program, the Authority, in its sole discretion, may reduce or cancel the Allocation.

Upon request of the Customer, the Authority, in its sole discretion, may consent to modifications to the Capital Expansion Program requested by the Customer, including but not limited to modifications to Start Dates and Completion Dates and to the scope of the Capital Expansion Program.

**SCHEDULE C TO AGREEMENT FOR THE SALE OF PRESERVATION
POWER AND ENERGY TO FLORELLE TISSUE CORPORATION**

APPLICABLE REPRESENTATIONS CONCERNING LOCAL UTILITY

Local Utility: National Grid

Representations:

None.



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

**Schedule of Rates for Sale of Firm Power to
Preservation Power Customers**

Service Tariff No. 10

Date of Issue: _____, 2010

Date Effective: _____ 2010

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Schedule of Rates for Firm Power Service

I. Applicability

To sales of Preservation Power (as defined below) directly to a qualified business Customer (as defined below) for firm power service.

II. Abbreviations and Terms

A. The following abbreviations are used:

kW	kilowatt(s)
kW-mo.	kilowatt-month
kWh	kilowatt-hour(s)
MWh	megawatt-hour(s)
NYISO	New York Independent System Operator, Inc. or any successor organization
PAL	New York Public Authorities Law
OATT	Open Access Transmission Tariff

B. The term "Agreement" means an executed Agreement for the Sale of Preservation Power and Energy between the Authority and the Customer (each as defined below).

C. The term "Annual Adjustment Factor" or "AAF" shall have the meaning set forth in Section V herein.

D. The term "Authority" means the Power Authority of the State of New York, a corporate municipal instrumentality and a political subdivision of the State of New York created pursuant to Chapter 772 of the New York Laws of 1931 and existing and operating under Title 1 of Article 5 of the PAL, also known as the "New York Power Authority."

E. The term "Customer" means a business customer who has received an allocation for Preservation Power from the Authority and who purchases Preservation Power directly from the Authority.

F. The term "Electric Service" means the power and energy provided to the Customer in accordance with the Agreement, this Service Tariff and the Rules.

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- G. The term "Preservation Power" means Firm Power and Firm Energy made available under this Service Tariff by the Authority from the Project for sale to the Customer for business purposes pursuant to PAL § 1005(5) and (13).
- H. The term "Firm Power" means capacity (kW) that is intended to be always available from the Project subject to the curtailment provisions set forth in the Agreement between the Authority and the Customer and this Service Tariff. Firm Power shall not include peaking power.
- I. The term "Firm Energy" means energy (kWh) associated with Firm Power.
- J. The term "Load Serving Entity" or "LSE" shall have the meaning set forth in the Agreement.
- K. The term "Project" means the Authority's St. Lawrence-FDR Power Project, FERC Project No. 2000.
- L. The term "Rate Year" or "RY" means the period from July 1 through June 30 of the following year.
- M. The term "Rules" means 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.
- N. The term "Service Tariff" means this Service Tariff No. 10.

All other capitalized terms and abbreviations used but not defined herein shall have the same meaning as set forth in the Agreement.

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III. Monthly Rates and Charges

A. Preservation Power Base Rates

The monthly base rates for demand and energy charges paid by Customer to Authority shall be:

<u>Rate Year</u>	<u>Demand Charge</u> \$/kW-mo.	<u>Energy Charge</u> \$/MWh
2010	6.15	10.52
2011	6.71	11.48
2012	7.32	12.52
2013	7.99	13.66

Beginning with the 2014 Rate Year (July 1, 2014), and for each Rate Year thereafter, such rates shall be subject to an Annual Adjustment Factor set forth in Section V herein.

B. Preservation Power Rates No Lower Than Rural/Domestic Rate

At all times the applicable base rates for demand and energy determined in accordance with Sections III.A and V of this Service Tariff shall be no lower than the rates charged by the Authority for the sale of hydroelectricity for the benefit of rural and domestic customers receiving service in accordance with the Niagara Redevelopment Act, 16 U.S.C. § 836(b)(1) and PAL § 1005(5) (the "Rural/Domestic Rate"). This provision shall be implemented as follows: if the base rates, as determined in accordance with Sections III.A and V of this Service Tariff, are lower than the Rural/Domestic Rate on an average \$/MWh basis, each set of rates measured at 80% load factor which is generally regarded as representative for Preservation Power Customers, then the base rates determined under Sections III.A and V of this Service Tariff will be revised to make them equal to the Rural/Domestic Rate on an average \$/MWh basis. However, the base rates as so revised will have no effect until such time as these base rates are lower than the Rural/Domestic Rate.

C. Monthly Base Rates Exclude Delivery Service Charges

The monthly base rates set forth in this Section III exclude any applicable costs for delivery services provided by the local electric utility.

Date of Issue: _____, 2010

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D. Minimum Monthly Charge

The minimum monthly charge shall equal the product of the demand charge and the contract demand (as defined herein). Such minimum monthly charge shall be in addition to any NYISO Charges or Taxes (each as defined herein) incurred by the Authority with respect to the Customer's Allocation.

E. Billing Period

Any period of approximately thirty (30) days, generally ending with the last day of each calendar month but subject to the billing cycle requirements of the local electric utility in whose service territory the Customer's facilities are located.

F. Billing Demand

The billing demand shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

G. Billing Energy

The billing energy shall be determined by applying the applicable billing methodology to total meter readings during the billing period. See Section IV.E, below.

H. Contract Demand

The contract demand of each Customer will be the amount of Preservation Power, not to exceed the Customer's Allocation, provided to such Customer by the Authority in accordance with the Agreement. The minimum Contract Demand for any Preservation Power Allocation is 100 kW.

Date of Issue: _____, 2010

Date Effective: _____ 2010

IV. General Provisions

A. Character of Service

Alternating current; sixty cycles, three-phase.

B. Availability of Energy

1. Subject to Section IV.B.2, the Authority shall provide to the Customer in any billing period Firm Energy associated with Firm Power. The offer of Firm Energy for delivery shall fulfill the Authority's obligations for purposes of this provision whether or not the Firm Energy is taken by the Customer.
2. 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 NYPA's Firm Power customers served from the Hydro Projects, hydropower curtailments (*i.e.* reductions) in the amount of Firm Power and Firm Energy to which the Customer is entitled shall be applied on a *pro rata* basis to all Firm Power and Firm Energy customers served from the Hydro Projects. Reductions as a percentage of the otherwise required Firm Power and Firm Energy sales will be the same for all Firm Power and Firm Energy customers served from the Hydro Projects. The Authority shall be under no obligation to deliver and will not deliver any such curtailed energy to the Customer in later billing periods. The Customer will receive appropriate bill credits as provided under the Rules.

C. Delivery

For the purpose of this Service Tariff, Firm Power and Firm Energy shall be deemed to be offered when the Authority is able to supply Firm Power and Firm Energy to the Authority's designated NYISO load bus. If, despite such offer, there is a failure of delivery caused by the Customer, NYISO or local electric utility, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

D. Adjustment of Rates

To the extent not inconsistent with the Agreement, the rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to the Customer.

Date of Issue: _____, 2010

Date Effective: _____ 2010

E. Billing Methodology and Billing

Unless otherwise specified in the Agreement, the following provisions shall apply:

1. The billing methodology to be used to render bills to the Customer related to its Allocation shall be determined in accordance with the Agreement and delivery agreement between the Authority and, as applicable, the Customer or local electric utility or both.
2. Billing Demand – Unless separately metered, the billing demand charged by the Authority to each Customer will be the highest 15-minute integrated demand during each billing period recorded on the Customer's meter multiplied by a percentage based on load factor sharing, as applicable.
3. Billing Energy – Unless separately metered, the kilowatt-hours charged by the Authority to each Customer will be the total number of kilowatt-hours recorded on the Customer's meter for the billing period multiplied by a percentage based on load factor sharing, as applicable.

F. Payment by Customer to Authority

1. Demand and Energy Charges, Taxes

The Customer shall pay the Authority for Firm Power and Firm Energy during any billing period the higher of either (i) the sum of (a), (b) and (c) below or (ii) the monthly minimum charge as defined herein:

- a. The demand charge per kilowatt for Firm Power specified in this Service Tariff or any modification thereof applied to the Customer's billing demand (as defined in Section IV.E, above) for the billing period; and
- b. The energy charge per MWh for Firm Energy specified in this Service Tariff or any modification thereof applied to the Customer's billing energy (as defined in Section IV.E, above) for the billing period; and
- c. A charge representing reimbursement to the Authority for all applicable Taxes incurred by the Authority as a result of providing Preservation Power allocated to the Customer.

Date of Issue: _____, 2010

Date Effective: _____ 2010

2. Transmission Charge

The Customer shall compensate the Authority for all transmission costs incurred by the Authority with respect to the Allocation, including such costs that are charged pursuant to the OATT.

3. NYISO Transmission and Related Charges ("NYISO Charges")

The Customer shall compensate the Authority for the following NYISO Charges assessed on the Authority for services provided by the NYISO pursuant to its OATT or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with providing Electric Service to the Customer:

- A. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
- B. Marginal losses;
- C. The New York Power Authority Transmission Adjustment Charge ("NTAC");
- D. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT;
- E. Any and all other charges, assessments, or other amounts associated with deliveries to Customers or otherwise associated with the Authority's responsibilities as a Load Serving Entity for the Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or under other applicable tariffs; and
- F. Any charges assessed on the Authority with respect to the provision of Electric Service to Customers for facilities needed to maintain reliability and incurred in connection with the NYISO's Comprehensive System Planning Process (or similar reliability-related obligations incurred by the Authority with respect to Electric Service to the Customer), applicable tariffs, or required to be paid by the Authority in accordance with law, regardless of whether such charges are assessed by the NYISO or another third party.

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

Date of Issue: _____, 2010

Date Effective: _____ 2010

4. Taxes Defined

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

5. Substitute Energy

The Customer shall pay for Substitute Energy, if applicable, as specified in the Agreement.

6. Payment Information

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

G. Adjustment of Charges

1. Distribution Losses

The Authority will make appropriate adjustments to compensate for distribution losses of the local electric utility.

2. Transformer Losses

If delivery is made at transmission voltage but metered on the low-voltage side of the Customer's substation, the meter readings will be increased two percent to compensate for transformer losses.

3. Power Factor

Power factor is the ratio of real power (kW) to apparent power (kVa) for any given load and time. The Authority may require the Customer to maintain a power factor of not less than 90%, lagging or leading, at the point of delivery, or as may otherwise be imposed upon the Authority by the local electric utility providing delivery and/or NYISO.

Date of Issue: _____, 2010

Date Effective: _____ 2010

H. Conflicts

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

I. Customer Resales Prohibited

The Customer may not resell any quantity of Preservation Power.

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Date Effective: _____ 2010

v. Annual Adjustment Factor

A. Adjustment of Rates

1. The AAF will be based upon a weighted average of three indices described below. For each new Rate Year, the index value for the latest available calendar year ("Index Value for the Measuring Year") will be compared to the index value for the calendar year immediately preceding the latest available calendar year (the Index Value for the Measuring Year -1"). The change for each index will then be multiplied by the indicated weights. As described in detail below, these products are then summed, producing the AAF. The AAF will be multiplied by the base rate for the current Rate Year to produce the base rates for the new Rate Year."

Index 1, "BLS Industrial Power Price" (35% weight): The average of the monthly Producer Price Index for Industrial Electric Power, commodity code number 0543, not seasonally adjusted, as reported by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS") electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 1, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

Index 2, "EIA Average Industrial Power Price" (40% weight): The average weighted annual price (as measured in cents/kWh) for electric sales to the industrial sector in the ten states of CT, MA, ME, NH, NJ, NY, OH, PA, RI and VT ("Selected States") as reported by Coal and Electric Data and Renewables Division; Office of Coal, Nuclear, Electric and Alternate Fuels; Energy Information Administration ("EIA"); U.S. Department of Energy Form EIA-861 Final Data File. For Index 2, the Index Value for the Measuring Year will be the index for the calendar year two years preceding July 1 of the new Rate Year.

Index 3, "BLS Industrial Commodities Price Less Fuel" (25% weight): The monthly average of the Producer Price Index for Industrial Commodities less fuel, commodity code number 03T15M05, not seasonally adjusted, as reported by the U.S. Department of Labor, BLS electronically on its internet site and consistent with its printed publication, "Producer Price Index Detailed Report". For Index 3, the Index Value for the Measuring Year will be the index for the calendar year immediately preceding July 1 of the new Rate Year.

Date of Issue: _____, 2010

Date Effective: _____ 2010

2. Annual Adjustment Factor Computation Guide

- Step 1: For each of the three Indices, divide the Index Value for Measuring Year by the Index Value for the Measuring Year-1.
- Step 2: Multiply the ratios determined in Step 1 by percentage weights for each Index. Sum the results to determine the weighted average. This is the AAF.
- Step 3: Multiply the current Rate Year base rate by the AAF calculated in Step 2 to determine the new Rate Year base rate.

The foregoing calculation shall be performed by the Authority consistent with the sample presented in Section V.B below.

3. The Authority shall provide the Customer with notice of any adjustment to the current base rate per the above and with all data and calculations necessary to compute such adjustment by June 15th of each year to be effective on July 1 of such year, commencing in 2014. The values of the latest officially published (electronically or otherwise) versions of the indices and data provided by the BLS and EIA as of June 1 shall be used notwithstanding any subsequent revisions to the indices.
4. If during the term of the Agreement any of the three above indices ceases to be available or ceases to be reflective of the relevant factors or of changes which the indices were intended by the Parties to reflect, the Customer and the Authority shall mutually select a substitute Index. The Parties agree to mutually select substitute indices within 90 days, once notified by the other party that the indices are no longer available or no longer reflect the relevant factors or changes with the indices were intended by the Parties to reflect. Should the 90-day period cover a planned July 1 rate change, the current base rates will remain in effect until substitute indices are selected and the adjusted rates based on the substitute indices will be retroactive to the previous July 1. If unable to reach agreement on substitute indices within the 90-day period, the Parties agree to substitute the mathematic average of the PPI—Intermediate Materials, Supplies and Components (BLS Series ID WPUSOP2000) and the PPI-- Finished Goods (BLS Series ID WPUSOP3000) indices for one or more indices that have ceased to be available and shall assume the percentage weighting(s) of the one or more discontinued indices as indicated in Section V.A.1.

Date of Issue: _____, 2010

Date Effective: _____ 2010

B. Sample Computation of the AAF (hypothetical values for July 1, 2014 implementation):

STEP 1

Determine the Index Value for the Measuring Year (MY) and Measuring Year - 1 (MY-1) for Each Index

- Index 1 - Producer Price Index, Industrial Power

	Measuring Year <u>(2013)</u>	Measuring Year - 1 <u>(2012)</u>
January	171.2	167.8
February	172.8	167.6
March	171.6	168.2
April	173.8	168.6
May	175.1	171.6
June	185.7	180.1
July	186.4	182.7
August	184.7	179.2
September	185.5	181.8
October	175.5	170.2
November	172.2	168.8
December	171.8	166.6
Average	177.2	172.8
Ratio of MY/MY-1		1.03

- Index 2 – EIA Industrial Rate

<u>State</u>	<u>Revenues</u> (\$000s)	<u>Sales</u> (MWh)	<u>Avg. Rate</u> (cents/kWh)
<u>Measuring Year (2012)</u>			
CT	590,972	6,814,757	
MA	1,109,723	13,053,806	
ME	328,594	4,896,176	
NH	304,363	2,874,495	
NJ	1,412,665	15,687,873	
NY	2,001,588	26,379,314	
OH	3,695,978	78,496,166	
PA	3,682,192	63,413,968	
RI	152,533	1,652,593	
VT	<u>155,903</u>	<u>2,173,679</u>	
TOTAL	13,434,511	215,442,827	6.24

Measuring Year -1 (2011)

CT	579,153	6,678,462	
MA	1,076,431	12,662,192	
ME	310,521	4,626,886	
NH	298,276	2,817,005	
NJ	1,370,285	15,217,237	
NY	1,891,501	24,928,452	
OH	3,622,058	76,926,243	
PA	3,571,726	61,511,549	
RI	144,144	1,561,700	
VT	<u>152,785</u>	<u>2,130,205</u>	
TOTAL	13,016,880	209,059,931	6.23

Ratio of MY/MY-1 **1.00**

Date of Issue: _____, 2010

Date Effective: _____ 2010

- Index 3 – Producer Price Index, Industrial Commodities Less Fuel

	Measuring Year <u>(2013)</u>	Measuring Year -1 <u>(2012)</u>
January	190.1	187.2
February	190.9	188.0
March	191.6	188.7
April	192.8	189.9
May	194.7	191.8
June	195.2	192.3
July	195.5	192.3
August	196.0	193.1
September	196.1	193.2
October	196.2	193.8
November	196.6	193.7
December	196.7	194.0
Average	194.4	191.5
Ratio of MY/MY-1		1.02

STEP 2

Determine AAF by Summing the Weighted Indices

<u>Index</u>	<u>Ratio of MY to MY-1</u>	<u>Weight</u>	<u>Weighted Factors</u>
PPI Industrial Power	1.03	0.35	0.361
EIA Industrial Rate	1.00	0.40	0.400
PPI Industrial Commodities less fuel	1.02	0.25	<u>0.255</u>
AAF			1.016

Date of Issue: _____, 2010

Date Effective: _____ 2010

STEP 3

Apply AAF to Calculate the New Rate Year Base Rate

	<u>Demand</u> \$/kW-mo.	<u>Energy</u> \$/MWh
Current Rate Year Base Rate	7.99	13.66
New Rate Year Base Rate	8.12	13.88

Date of Issue: _____, 2010

Date Effective: _____ 2010

e. 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 eight existing customers that have either changed their corporate name for various business reasons or relocated their business operations to a different facility.

BACKGROUND

“Seven companies are requesting that the Trustees approve a transfer of their existing power allocation to a new corporate entity. The requests were made because of changes in their business names for various reasons, including merger, change in corporate ownership or for marketing purposes. These allocations will continue to be delivered to the same facilities. One customer is requesting a transfer of its power allocation to a new location to accommodate the company’s operational needs. 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.

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

DISCUSSION

“The proposed transferees are as follows:

BASF Catalysts LLC (‘BASF’) in Peekskill produces pigments for coatings, plastics and various cosmetics. **RMS Packaging, Inc. (‘RMS’)** acquired the Aurora Special Effects Film business from BASF and will be operating at BASF’s facility at 1050 Lower South Street in Peekskill. Confirmed by a County of Westchester Public Utility Service Agency (‘COWPUSA’) Resolution on May 7, 2010, COWPUSA will transfer a portion of one of BASF’s two Municipal Distribution Agency power allocations, specifically 210 kW formerly used by BASF at the site, to RMS. RMS agrees to meet all contract commitments made by BASF for the allocation through its expiration date.

Crucible Specialty Metals (‘Crucible Metals’), a division of Crucible Materials Corporation, has been operating as a steel manufacturer for specialty steel products in Syracuse for more than 130 years. A newly formed company, **Crucible Industries LLC (‘Crucible Industries’)**, acquired substantially all of Crucible Metals’ operating assets on October 23, 2009 as part of bankruptcy proceedings. Crucible Industries requested the transfer of the 4,000 kW Power for Jobs (‘PFJ’) Extended Benefits allocation in order to continue to receive an Electricity Savings Reimbursements (‘rebate’) until the program’s expiration date. Crucible Industries agrees to be held to Crucible Metals’ contract terms and commitments.

General Motors Corporation (‘GM’) has been operating various plants in Tonawanda producing automobile engines and vehicles since 1938. GM has a total of 20.7 MW of Expansion Power (‘EP’) and 2.7 MW of Replacement Power (‘RP’). The company emerged from bankruptcy proceedings in 2009, including a change of corporate name to **General Motors LLC**. The company will continue to honor its contract commitments with the Authority going forward.

Invitrogen Corporation (‘Invitrogen’) in Grand Island produces global biotechnology tools to improve personalized medicine, regenerative science, molecular diagnostics, agricultural and environmental research and 21st century forensics. Invitrogen has a total of 775 kW of RP. After merging with Applied Biosystems Inc. in late 2008, the company changed the name of the combined business to **Life Technologies**. Going forward Life Technologies will honor all contract commitments with the Authority.

PCB Machining Solutions in Lackawanna specializes in precision machine components for the industrial, medical, aerospace and defense industries. PCB Piezotronics, Inc. ('PCB'), its parent company, maintains headquarters and operations at a separate location in Depew. The customer will be consolidating precision machining resources into a vacant building adjacent to PCB headquarters, creating new operational efficiencies as well as providing room for growth and further investment. It is requesting a transfer of its 250 kW RP allocation from 100 Ridge Road, Lackawanna to the new facility at 3395 Walden Avenue, Depew. All existing Authority contract commitments will remain in effect.

Schenectady International in Schenectady, in operation since 1906, is one of the top manufacturers of chemical intermediates. Its name was changed to **SI Group, Inc.** ('SI Group') in 2006, with no transfer of ownership involved. SI Group has requested the transfer of its 1,500 kW PFJ Extended Benefits allocation in order to receive the rebate they are eligible for through the program's expiration date. The company continues to honor all Authority contract terms and commitments.

TAM Ceramics LLC ('TAM') in Niagara Falls has three product lines producing milled zircons, zirconia and titanates used in casting, glass melting and brake pad materials. TAM receives 2,100 kW of EP and 9,300 kW of RP. The company, which is a Delaware corporation, requests a transfer of its existing hydropower allocations to a new New York State corporate entity, **TAM Ceramics Group of NY, LLC** operating at the same location. The new company agrees to honor all Authority contract terms and commitments.

Ventre Packaging ('Ventre') in Syracuse has specialized in barbecue, seafood and spaghetti sauces since 1938. **Giovanni Food Company, Inc.** has acquired Ventre Packaging and will be continuing similar food manufacturing operations at the same location. The company will honor all terms and commitments of its 74 kW PFJ contract with the Authority.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the transfer of power allocations for eight 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 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 eight 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.

**f. Procurement (Services) Contracts –
Business Units and Facilities –
Awards and Extensions**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit ‘1f-A,’ as well as the continuation and funding of the procurement contracts listed in Exhibit ‘1f-B,’ in support of projects and programs for the Authority’s Business Units/Departments and Facilities. Detailed explanations of the recommended awards and extensions, 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, or the reasons for extension, the additional funding required and the projected expiration dates, are set forth in the discussion below.

BACKGROUND

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

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

“The Authority’s EAPs also require the Trustees’ approval when the cumulative change- order value of a personal services contract exceeds the greater of \$500,000 or 25% of the originally approved contract amount not to exceed \$500,000, or when the cumulative change-order value of a non-personal services, construction, equipment purchase or non-procurement contract exceeds the greater of \$1 million or 25% of the originally approved contract amount not to exceed \$3 million.

DISCUSSION

Awards

“The terms of these contracts will be more than one year; therefore, the Trustees’ approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from \$25,000 to \$7.5 million. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Extensions

“Although the firms identified in Exhibit ‘1f-B’ have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. The Trustees’ approval is required because the terms of these contracts will exceed one year including the extension, the term of extension of these contracts will exceed one year and/or because the cumulative change-order limits will exceed the levels authorized by the EAPs in forthcoming change orders. The subject contracts contain provisions

allowing the Authority to terminate the services at the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

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

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

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

Energy Services and Technology ('ES&T')

Research & Technology Development

"The contract with **EDM International, Inc. ('EDM')** (PO# TBA) would provide for maintenance, onsite repair, satellite communication service and GridWatch web data hosting for five sagometers installed in critical locations on the Authority's NATL transmission line. The sagometers enable the Authority to monitor and measure the sag of transmission conductors by measuring the clearance between the lowest portion of the energized conductor and the ground. Such measurements are available in real time, stored in the EDM GridWatch database and compared over time to detect any changes. This device/technology enables the Authority to identify the transmission line's unused capacity and increase power flow to satisfy peak demand, while still leaving enough ground clearance to comply with codes and provide safe and efficient operation of its power lines. The award is made on a sole-source basis, since EDM developed this system in collaboration with the Electric Power Research Institute ('EPRI') and holds the commercial license for this technology. As the original equipment developer, EDM is uniquely qualified to perform all such required services and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about July 1, 2010 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$75,000.

Engineering and Design

"The three contracts with **New York State Industries for the Disabled, Inc. ('NYSID')** (primary), **GSO Graphics, Inc. ('GSO')** and **Technical Digital Services ('TDS')** (Q09-4638; PO#s TBA) would provide for printing and reprographic services for engineering drawings to support the Authority's Energy Services projects, on an 'as needed' basis. Services include, but are not limited to, plotting from digital files provided on various electronic media; scale changes (reductions, enlargements); copying / printing on bond paper or mylar from hard-copy originals or digital files; finishing; scanning and pick-up and delivery services for those Energy Services projects that are implemented by Authority staff (rather than by Implementation Contractors). 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*; 1 other entity responded to the RFQ without downloading. Four proposals were received and evaluated. The bids were reviewed in detail and the cost of a typical project was calculated using each bidder's unit rates. Staff recommends award of a primary contract to NYSID as the 'Preferred Source' approved for such services pursuant to New York State law, and two additional contracts to GSO and TDS to ensure sufficient coverage for upstate and downstate projects, especially during peak workload periods. All three entities/firms are the lowest-priced evaluated bidders that are qualified to perform such services and meet the bid requirements. The contracts would become effective on or about July 1, 2010 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$100,000. Such

contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. It should also be noted that all costs will be recovered by the Authority.

Energy Services

“The two contracts with **RDS Industries, Inc. (‘RDS’)** and **Solar Liberty Energy Systems, Inc. (‘Solar Liberty’)** (**Q10-4753; PO#s TBA**) would provide for design, fabrication, delivery, installation (construction) and start-up services for solar photovoltaic (‘PV’) systems at four to seven sites throughout New York State, as part of the Authority’s Statewide Renewable Energy Program. To that end, bid documents were downloaded electronically from the Authority’s Procurement Web site by 48 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Bidders were required to submit proposals for a minimum of three geographic regions, including the Nassau County Public Safety Center (‘PSC’); 14 firms attended the mandatory walk-through. Four proposals were received and evaluated. Of this number, one proposal was incomplete; the bidder lacked the requisite experience and was not considered further. The remaining three responsive firms were determined to be qualified and their proposals were reviewed in greater detail, based on evaluation criteria that included relevant experience of the firm, design and construction management experience, qualifications of the support staff, familiarity with codes and permitting processes, financial resources, location(s) of support offices and proposal content and format. Staff also developed a pricing matrix that calculated the total system cost and compared the total installed cost for each bidder and each region. Based on the foregoing, staff recommends the award of contracts to two firms, Solar Liberty and RDS, the lowest-priced evaluated bidders, which are qualified to perform such services and meet the bid requirements. Both Solar Liberty and RDS are installers certified by the New York State Energy Research and Development Authority, whose proposals demonstrated relevant experience in the design and construction management of solar PV systems. These two firms offered the lowest overall pricing for the respective geographic regions (RDS for the Southeastern and New York City regions and Solar Liberty for the Northern, Central and Western regions, as well as the Nassau County PSC). Additionally, these firms are proven vendors that have successfully demonstrated their ability to satisfy the requirements of the Statewide Energy Services Program on other projects. The contracts would become effective on or about July 1, 2010 for an intended term of up to five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$1.7 million. At this time, the Nassau County PSC in Westbury, New York has been selected as the first implementation site, to be awarded to Solar Energy in the amount of \$420,000. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. The solar PV project is subject to a site installation agreement between the Authority and the selected recipients/sites. The Authority will be responsible for overall project implementation and will pay for project capital costs. Upon installation, the site will assume ownership of the solar PV system.

“The contract with **Sebesta Blomberg & Associates, Inc. (‘Sebesta Blomberg’)** (**Q10-4723; PO# TBA**) would provide for consulting services in connection with the Authority’s application to the United States Green Building Council for Leadership in Energy and Environmental Design – Existing Buildings (‘LEED-EB’) certification for the Authority’s Visitors’ Centers at the Niagara and Blenheim-Gilboa Power Projects and Hawkins Point in Massena. Such services include, but are not limited to, preparation of an existing conditions assessment report, minimum energy performance analysis, tabulation matrix, action items report and final LEED-EB documentation and submission for the three facilities, as well as development of ‘green’ organizational policies and training of building staff. Bid documents were downloaded electronically from the Authority’s Procurement Web site by 114 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 6 proposals were received and evaluated. Staff recommends award of a contract to Sebesta Blomberg, the lowest-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under a prior contract for such work. The new contract would become effective on or about July 1, 2010 for an intended term of up to four years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$182,174.

Enterprise Shared Services ('ESS')

Corporate Support Services

“The contract with **A&A Maintenance Enterprise, Inc. ('A&A') (Q10-4741; PO# TBA)** would provide for janitorial services for the Clarence D. Rappleyea Building (White Plains Office), including tenant space and parking garage. Since janitorial services are considered a ‘Preferred Source’ service pursuant to New York State law, a proposal was first sought from the New York State Industries for the Disabled (‘NYSID’). After reviewing the scope of work, NYSID determined that it could not meet the form, function and utility criteria prescribed in State law and thereby granted the Authority a release to proceed with its normal course of action for the procurement of such services. To that end, bid documents were downloaded electronically from the Authority’s Procurement Web site by 33 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 8 proposals were received and evaluated. Staff recommends award of a contract to A&A, the lowest-price bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about July 1, 2010 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, \$5.5 million.

“The three contracts with **B.A.C. Electrical Construction Co., Inc. ('BAC'), Healy Electric Contracting, Inc. ('Healy')** and **West-Fair Electric Contractors, Inc. ('West-Fair') (Q10-4712; PO# TBA)** would provide for on-call general electrical services for the Clarence D. Rappleyea Building, garage and grounds. Services include furnishing all labor and materials, equipment, tools, transportation and supervision for demolishing, removing, erecting, installing, connecting, testing, troubleshooting and placing in service various electrical apparatus in the building and parking garage or on the grounds, in accordance with all applicable federal, state and local laws, codes and ordinances, as well as industry standards. Bid documents were downloaded electronically from the Authority’s Procurement Web site by 33 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 5 proposals were received and evaluated. A Post-Bid Addendum was issued to request pricing for an additional classification. Staff recommends award of a contract to BAC, Healy and West-Fair, the lowest-priced bidders, which are qualified to perform such services, meet the bid requirements and have provided satisfactory services under existing or prior contracts for such work. The new contracts would become effective on or about July 1, 2010 for an intended term of up to five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$1 million.

Information Technology

“The contract with **Information Technology Corp. ('ITC') (Q10-4730; PO# TBA)** would provide for maintenance and on-site technical support of Authority Apple/Macintosh computer hardware and software for the Graphic Communication and Video Production Services groups. To that end, bid documents were downloaded electronically from the Authority’s Procurement Web site by 50 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 3 proposals were received and evaluated. Additional clarifications were sought through a Post-Bid Addendum and interview meetings with the two lowest-priced bidders. Based on the evaluation team’s review of the proposals and individual vendor interviews to determine each firm’s technical support experience, process, staffing levels and ability to meet the Authority’s needs, staff determined that the lowest-priced bidder did not have the requisite experience to support the Video Production Group’s environment and had a limited number of technical support staff to service this geographic area. Staff therefore recommends award of a contract to ITC, the lowest-priced qualified bidder that meets the bid requirements. The evaluation team reviewed ITC’s technical support process, including on-site and remote Help Desk support, and determined that the company had the ability, experience and resources to meet the technical needs of both the Graphics and Video Production groups, handle problem calls from either group and keep the two environments current. The contract would become effective on or about July 1, 2010 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, \$210,000.

Law Department

“The contract with **Stikeman Elliott, LLP (PO# TBA)** would provide for legal services in connection with the Canadian energy sector and cross-border transactional work. The existing contract for Canadian outside counsel was expiring and the need to retain a firm promptly made it impractical to solicit formal proposals for such legal services; therefore, the Authority’s legal staff performed an extensive and comprehensive competitive search for new Canadian outside counsel. Telephone interviews were conducted with partners from each of six law firms with a strong concentration in energy law. The areas of discussion included, but were not limited to, each firm’s background as it relates to energy and cross-border transactional work and any potential conflicts of interest with respect to current or previous work for Hydro Quebec and/or Hydro One. Based on a careful analysis of each firm’s subject matter expertise and qualifications, including its experience with cross-border transmission projects and energy law, as well as its contacts with Canadian government entities and representation of other utilities in matters involving Hydro Quebec, staff recommends the award of a contract to Stikeman Elliott. The firm is a recognized leader in the Canadian energy sector and also possesses a strong knowledge of the energy regulatory structure in New York State. Furthermore, it has direct experience with respect to cross-border transmission projects. Based in Toronto and Montreal, the firm also has an office in New York City, where a follow-up interview was conducted. Additionally, the firm is willing to negotiate rates based on specific projects the Authority may require. The contract would become effective on or about July 1, 2010 for an intended term of up to five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contract, \$150,000.

Power Supply

“The contract with **Allied Biological, Inc. of New Jersey (‘Allied Biological’) (Q10-4735; PO# TBA)** would provide for invasive plant species control services in connection with one of eight Habitat Improvement Projects pursuant to the New License for the Niagara Power Project. Services include, but are not limited to, treatment and control (consisting of mechanical cutting and/or herbicide application techniques) of invasive vegetation at four locations in the Buffalo/Niagara area (Buckhorn Island State Park, Tiffit Nature Preserve, Beaver Island State Park and Motor Island, in Niagara and Erie Counties). Bid documents were downloaded electronically from the Authority’s Procurement Web site by 29 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 2 proposals were received and evaluated. Staff recommends award of a contract to Allied Biological, the lower-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about July 1, 2010 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, \$293,000.

“The contract with **Aviation Services Unlimited, Inc. (‘ASU’) (RFQ 6000112562; PO# TBA)** would provide for helicopter patrol services to support high-voltage transmission line inspections. Services include providing a pilot and appropriate aircraft to transport one or more Authority personnel performing such inspections on a typical annual schedule, consisting of two complete patrols of approximately 1,400 miles of the Authority’s transmission lines located throughout New York State. Services may also include inspections of the Schoharie watershed and security patrols of the transmission lines and facilities, as needed. In addition, occasional emergency patrols may be required, for which a maximum two-hour response is required. All operations and maintenance must conform to Federal Air Regulations Part 135, as well as to additional qualifications, specifications and requirements specified by the Authority. Bid documents were downloaded electronically from the Authority’s Procurement Web site by 18 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 2 proposals were received and evaluated. Staff recommends award of a contract to ASU, the lower-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about July 1, 2010 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, \$800,000.

“The contract with **CARCO Group, Inc. (‘CARCO’) (Q10-4703; PO# TBA)** would provide for pre-employment and contractor background investigation services to support Authority operations at its offices and operating facilities statewide. The pre-employment screening program includes comprehensive background investigations for all new Authority employees, as well as all contractors requiring access to Authority facilities, with all costs for such services paid for by the Authority, to ensure that the background investigations are performed in accordance with Authority specifications, accurately, consistently, cost-effectively, thoroughly and in a timely manner. Pre-employment screening elements for new Authority employees include: employment history, education, criminal history, professional licenses, credit history and verification of identification, address, driver’s license and Social Security number. Contractor screening elements include identity verification and criminal conviction history. Services may also include additional pre-employment and contractor screening elements for military service and foreign nationals, where applicable and on a case-by-case basis, as well as identity verification and criminal history checks for certain other personnel, in compliance with the North American Electric Reliability Corporation’s security standards for Critical Infrastructure Protection (‘NERC CIP’). Bid documents were downloaded electronically from the Authority’s Procurement Web site by 60 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 9 proposals were received and evaluated; of this number, one bidder was not fully responsive and was not considered further. A Post-Bid Addendum, requesting bidders to resubmit their pricing proposals in response to the Authority’s amended requirements, was issued to the eight responsive bidders. Three bidders responded and were evaluated further; one of the two lowest-priced bidders was also invited to meet with Authority staff to further clarify its pricing. Additionally, staff calculated the projected costs for the two bidders with the lowest rates, based on the Authority’s historical usage of such services and the number of pre-employment and contractor background investigations. Based on its qualifications, experience, pricing and projected cost analysis, staff recommends award of a contract to CARCO, the lowest-priced evaluated bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. The new contract would become effective on or about July 1, 2010 for an intended term of up to five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$1.5 million.

“The contract with **CK Environmental, Inc. (RFQ 6000112202; PO# TBA)** would provide for Relative Accuracy Test Audits (‘RATA’ Testing) of the Continuous Emissions Monitoring Systems (‘CEMS’) at the Authority’s power plant sites in the Southeastern New York (‘SENY’) Region, in compliance with all applicable regulatory requirements and performance specifications. Services include, but are not limited to, testing for nitrous oxide, carbon monoxide, ammonia and oxygen to demonstrate the accuracy, precision and reliability of the CEMS system, required by the New York State Department of Environmental Conservation (‘NYS DEC’) to maintain each plant’s Title V Air Permit. Bid documents were downloaded electronically from the Authority’s Procurement Web site by 36 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 3 proposals were received and evaluated. Staff recommends award of a contract to CK Environmental, the lowest-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about July 1, 2010 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, \$306,750.

“The four contracts with **Equa-Tech Services, LLC (‘Equa-Tech’), HEPCO, Inc. (‘HEPCO’), L. J. Gonzer Associates (‘Gonzer’) and Rotator Staffing Services, Inc. (‘Rotator’) (Q10-4739; PO#s TBA)** would provide for temporary design and drafting personnel to support the Authority’s Power Supply engineering disciplines on all in-house O&M and capital projects, on an ‘as needed’ basis. A few examples of larger tasks include St. Lawrence and Niagara Project circuit breaker upgrades; Niagara Power Project (‘Niagara’), Clark Energy Center (‘CEC’) and Blenheim-Gilboa (‘B-G’) protective relay replacement projects; St. Lawrence/FDR Power Project (‘STL’) Life Extension and Modernization (‘LEM’) headgate and unit automation projects, Niagara Lewiston Pump Generating Plant (‘LPGP’) LEM and Robert Moses Niagara Power Project standardization projects. Services include, but are not limited to: developing drawings, designs and calculations to support the Authority’s design and modification activities; performing field verification and drawing update activities; document control activities to support design document coordination and data acquisition and input activities to generate and maintain the Cable and Raceway Systems, Bill of Materials, etc. Job classifications include various levels of design engineers, designers, drafters/CAD operators and design document coordinators, as well as technical clerks and planners/schedulers. Although such personnel will perform these services at the Authority’s White Plains Office

under the direction and supervision of Authority staff, services may apply to any and all of the Authority's facilities. Bid documents were downloaded electronically from the Authority's Procurement Web site by 40 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 9 proposals were received and evaluated. Staff recommends award of contracts to four firms, Equa-Tech, HEPCO, Gonzer and Rotator, the lowest-priced bidders, which are qualified to perform such services and meet the bid requirements. Additionally, two of these firms have provided satisfactory services under existing contracts for such work. The new contracts would become effective on or about July 1, 2010 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$7.5 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

"The contract with **General Physics Corp. ('GP') (RFQ 6000112289; PO# TBA)** would provide for the professional services of an instructor to develop and deliver training programs in mechanical trades for mechanical apprentices and journeymen at various Authority facilities. The qualified candidate must possess significant hands-on experience with both maintenance and training in various mechanical systems/components and related topics, as well as strong mechanical and analytical problem-solving skills in maintenance functions, good oral and written communication skills, etc. Bid documents were downloaded electronically from the Authority's Procurement Web site by 12 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 3 proposals were received and evaluated. Based on a thorough review of the qualifications and experience of the candidate proposed by the lowest-priced bidder (including follow-up clarifications with the firm and a conference call interview with the candidate to further clarify his experience), staff determined that he lacked the requisite knowledge and experience in several key mechanical areas specified in the RFP and therefore was not qualified to teach the core mechanical curriculum to Authority mechanical personnel. Staff therefore recommends award of a contract to GP, the lowest-priced qualified bidder, which meets the bid requirements. In addition to proposing a highly qualified candidate with extensive mechanical and training experience, GP is also providing an added benefit to the Authority by making its training materials available for the duration of the contract; this is expected to decrease development time for upgrading existing courses or developing new ones for the Authority and increase the quality of the resulting materials. The contract would become effective on or about July 1, 2010 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. (It should be noted that such services will be required on a full-time basis for the contract term.) Approval is also requested for the total amount expected to be expended for the term of the contract, \$700,000.

"The contract with **Greenman-Pedersen, Inc. ('GPI') (Q09-4650; PO# TBA)** would provide for consulting services in connection with the National Association of Corrosion Engineers ('NACE')-certified coating system evaluations, selection and application on equipment, structures and infrastructure surfaces. Services include field and home office technical support, on an 'as needed' basis, and involve, but are not limited to, inspections of Authority buildings, bridges, roadways, tunnels and transmission towers located throughout New York State, in compliance with NACE certification requirements; laboratory testing and analysis; development and/or review of coating specifications and inspection plans; preparation of detailed reports and recommendations for various applications, etc. Bid documents were downloaded electronically from the Authority's Procurement Web site by 29 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 5 proposals were received and evaluated. In order to develop a more accurate cost analysis, the four apparent lowest-priced bidders were also requested to provide pricing for a typical scenario based on the hourly rates submitted in their original proposals. Based on the foregoing, staff recommends award of a contract to GPI, 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 July 1, 2010 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, \$500,000.

"The three contracts with **LiRo Engineering, Inc. ('LiRo'), Sienna Environmental Technologies LLC ('Sienna'), a New York State-certified Minority/Woman-Owned Business Enterprise ('M/WBE')** and **Stohl Environmental LLC ('Stohl') (RFQ 6000111887; PO#s TBA)** would provide for environmental consulting services for the Niagara Power Project in connection with general plant maintenance, planned renovations and emergency response situations. Services include, but are not limited to: inspections for asbestos, lead, PCBs and other hazardous materials; sampling and laboratory analysis; abatement design; air sampling and project monitoring,

as may be required, with the capability of 2-hour response time and 24-hour availability to the site with appropriate personnel and sampling equipment. Bid documents were downloaded electronically from the Authority's Procurement Web site by 142 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Ten proposals were received and evaluated on their technical qualifications, as well as their cost proposals, which weighted each bid item as an estimated percentage of projected usage that was tabulated into a weighted average for each bidder. Based on their technical qualifications, experience, ability to perform the work and reasonable pricing, staff recommends award of contracts to three firms, LiRo, Sienna and Stohl, the lowest-priced evaluated bidders, which are qualified to perform such services and meet the bid requirements. The award of contracts to three firms is recommended due to the significant anticipated workload. Additionally, two of the proposed awardees are proven vendors that have provided satisfactory services under existing contracts for such work; their experience will allow projects to proceed without affecting project schedules while the new firm is brought up to working speed. The contracts would become effective on or about July 1, 2010 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$1.5 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

"The contract with **Monroe Extinguisher Co., Inc. ('Monroe') (RFQ 6000112731; PO# TBA)** would provide for services to maintain portable and wheeled fire extinguishers at the Niagara Power Project and any satellite locations that are part of the Project's normal business operations (e.g., boat docks, intake structures, ice boom areas). Services include, but are not limited to, annual on-site inspections (in compliance with NFPA-10 requirements), as well as recharging, hydrostatic testing, maintenance and other related services, on an 'as needed' basis. Bid documents were downloaded electronically from the Authority's Procurement Web site by 12 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; 3 proposals were received and evaluated. Staff recommends award of a contract to Monroe, the lowest-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about July 1, 2010 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the term of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$25,000.

"The three contracts with **Navigant Consulting, Inc. ('Navigant'), Quanta Technology, LLC ('Quanta')** and **System Operations Success International, LLC ('SOS Int'l') (Q10-4732; PO# TBA)** would provide for consulting services to assist the Authority's Reliability Standards and Compliance ('RSC') Group with meeting new reliability standards and criteria set forth by the North American Electric Reliability Corporation ('NERC') and the Northeast Power Coordinating Council ('NPCC'), in compliance with the Energy Policy Act of 2005 and certain other regulatory requirements. Services include, but are not limited to, conducting internal assessments of reliability standards related to the Authority's NERC compliance registries; internal spot check assessments of the Authority's compliance with selected NERC reliability standards; internal reviews of existing documentation prior to self-certifications; preparation and support activities associated with NPCC audits, spot checks and compliance violation investigations or self-reporting/mitigation plans; review and update of existing RSC internal compliance assessment processes covering pre-audit preparation, on-site audit and post-audit activities, including managing findings and recommendations and developing compliance training materials. To that end, bid documents were downloaded electronically from the Authority's Procurement Web site by 46 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Eight proposals were received and evaluated on criteria that included, but were not limited to, responsiveness to the RFP; demonstrated knowledge, experience and expertise of the firm (bidder) and its proposed project team, especially with respect to the NERC and NPCC Compliance Monitoring and Enforcement Program ('CMEP'), NERC and NPCC reliability standards and criteria applicable to the Authority and working knowledge of the Authority's reliability compliance program, facilities and policies. The evaluation team determined that three firms demonstrated the very high level of extensive, in-depth, specialized knowledge, experience, expertise and skills required to support the Authority's reliability compliance program and to ensure its compliance with regulatory requirements with respect to the NERC/NPCC Reliability Standards and Criteria and the CMEP. The other proposals demonstrated limited knowledge or experience in certain required areas of the work scope; additionally, one firm had a conflict of interest and another was a startup organization with very limited work history and experience. Based on the foregoing, staff recommends award of contracts to the following three firms: Navigant, Quanta and SOS Int'l, the most technically qualified bidders, which meet the bid requirements and the Authority's needs. Furthermore, these three firms also demonstrated knowledge of NPCC regional reliability

standards and criteria, which often differ from those of other regions. The award of contracts to three firms would enable the Authority to benefit from their respective complementary strengths (e.g., SOS Int'l was the only bidder with NERC-related training certification), thereby affording additional benefits to the Authority. The contracts would become effective on or about July 1, 2010 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, \$5 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

“The contract with **Shaw Environmental, Inc. ('Shaw')** (RFQ 6000111520; PO# TBA) would provide for routine weekly zebra mussel sampling and testing/analysis services to determine veliger densities in the vicinity of the Niagara Power Project. Services comprise all labor, supervision, equipment and material to complete a weekly sampling program for zebra mussel veligers during the zebra mussel growth season, also including weekly oral updates and an annual written report that describes the methods, sampling results, seasonal trends and comparison of results between sampling locations, as well as conducting studies of adult zebra mussel veliger mortality percentages and chlorine treatment efficiency and other consulting services, as may be required. 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*; 2 proposals were received and evaluated. Staff also developed a cost analysis based on the proposed rates and the projected usage for each type of service. Based on the foregoing, staff recommends award of a contract to Shaw, the lower-priced evaluated bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about July 1, 2010 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$125,000.

“The contract with **Upstate Metrology, Inc. (RFQ 6000110747; PO# TBA)** would provide for all labor, supervision, equipment, supplies, pickup and delivery service for the calibration, repair and certification of Instrumentation & Control ('I&C') test and measurement equipment for the Niagara Power Project. Bid documents were downloaded electronically from the Authority's Procurement Web site by 13 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Two proposals were received and evaluated; of this number, one was not fully responsive and was not evaluated further. Based on its qualifications, experience and reasonable pricing, staff recommends award of a contract to Upstate Metrology, which is qualified to perform such services, meets the bid requirements and has provided satisfactory services under an existing contract for such work. It should also be noted that Upstate Metrology has offered a discount of 3%, 7% and 10% , respectively, for the second through fourth years of the contract. The new contract would become effective on or about July 1, 2010 for an intended term of up to four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$50,000.

Contract Extensions and/or Additional Funding:

Energy Services and Technology

Energy Services

“The contract with **Riverdale Electrical Services, Inc. ('Riverdale')** (4500176421) provides for lighting and sensor installation services at One and Two United Nations Plaza (United Nations Development Corp.), as part of the Authority's Energy Services Program. The contract, which was competitively bid, became effective on July 21, 2009 for a one-year term, in the amount of \$951,298. High security requirements resulted in lack of access when the General Assembly was in session and limited access at other times, and also precluded the addition of a planned second crew. Due to delays caused by these and other factors (such as material delivery delays), staff estimates that an eight-month extension will be required to complete all necessary work. The current contract amount is \$951,298; staff anticipates that additional funding in the amount of \$100,000 will be required for the extended term, due to an increased number of motion sensor installations necessitated by field conditions. The Trustees are requested to approve the extension of the subject contract through March 31, 2011 and the additional funding requested, thereby increasing the approved contract value to \$1,051,298. All costs will be recovered by the Authority.

Renewable Energy

“At their meeting of March 27, 2007, the Trustees ratified and approved the award of a contract to **UTC Power Corp. (4500133448)**, and funding in the amount of \$1,728,920, to provide for the continuation of operations and maintenance (‘O&M’) services for 14 fuel cell power plants (‘FCPPs’) providing clean, reliable power in the greater New York City metropolitan area. The subject contract was awarded on a sole-source basis, since UTC is the original equipment manufacturer of the fuel cells and, as such, is the only qualified provider of the required monitoring, diagnostics and maintenance services for these fuel cells. The contract became effective on January 1, 2007 for a term of up to five years (comprised of a five-year term for the newer customer-owned FCPPs and a three-year term for the older/existing Authority-owned FCPPs, based on the most favorable pricing). Staff re-examined whether Authority staff should take over this function and determined that outsourcing such services continues to be more economical and prudent. Although the approved contract term for maintaining the customers’ FCPPs is valid through December 31, 2011, the approved term for the Authority-owned FCPPs was expiring at the end of 2009 and a six-month extension through June 30, 2010 was authorized in accordance with the Authority’s Guidelines for Procurement Contracts and EAPs. An additional 18-month extension through December 31, 2011 is now requested (making the contract term for both Authority-owned and customer-owned FCPPs coterminous). The current contract amount is \$2,096,554, which includes an additional \$367,634 authorized in accordance with the EAPs. Staff anticipates that additional funding in the amount of \$958,718 will be required to support 15 FCPPs (including the newly installed FCPPs at the Suffolk State Office Building and the White Plains Office) for the duration of the contract. The Trustees are requested to ratify the interim extension through June 30, 2010 and to approve the extension through December 31, 2011 for operation and maintenance of the 12 Authority-owned FCPPs, as well as the additional funding requested, thereby increasing the approved contract value to \$3,055,272. Costs will be recovered by the Authority for services provided for the three customer-owned FCPPs.

Enterprise Shared Services

Information Technology

“At their meeting of March 27, 2007, the Trustees approved the award of a contract to **Veolia ES Technical Solutions, LLC (‘Veolia’) (4600001762)** to provide for asset management and recycling services for the Authority’s used computers and other electronic equipment, on an ‘as needed’ basis. Services include pick-up, loading, transport, reselling and/or recycling of surplus electronic equipment including, but not limited to, cathode ray tubes, computer monitors, central processing units, typewriters, calculators, keyboards, Universal Power Supply units, etc. The contract, which was competitively bid, became effective on February 21, 2007 for a term of approximately four years (through December 31, 2010), in the approved amount of \$100,000. The contractor has provided satisfactory services at reasonable rates. Given the extensive environmental audit/evaluation/approval process required for any proposed new recycling/disposal facility, staff concluded that it would not be prudent or cost-effective to rebid services at this time. Since the need for such services is ongoing, a five-year extension of the subject contract is now requested to continue services on an ‘as needed’ basis (making this contract coterminous with the group of eight environmental waste disposal contracts discussed below). The current ‘Target Value’ is \$100,000; based on historical and projected usage, staff estimates that additional funding in the amount of \$150,000 may be required for the extended term. The Trustees are requested to approve the extension of the subject contract through December 31, 2015 and the additional funding requested, thereby increasing the approved contract value to \$250,000.

Power Supply

“The contract with **Johnson Controls, Inc. (4500176607)** provides for turnkey services in connection with the replacement of the fire alarm/detection system at the CEC. Such services include engineering/design and construction, including all labor, material, equipment and supervision required to furnish, deliver, install, test and commission the new replacement fire alarm system and to remove the existing system at the CEC. The contract, which was competitively bid, became effective on July 20, 2009 for a term of up to one year, in the amount of \$363,343 (from the approved total of \$381,510). An extension of less than six months is now requested due to additional time required to finalize the design documents in order to commence the installation. The current contract

amount is \$363,343; staff anticipates that no additional funding in excess of the approved total amount will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through December 31, 2010, with no additional funding requested.

“The contract with **Mihai Radu Architects, PLLC (4500171846)** provides for architectural/engineering (‘A/E’) services in connection with the replacement of roofing systems at the Poletti site. In addition to the base scope of work for design of the Administration Building roofing system (Phase I), the RFP also requested optional pricing for design of ancillary building roofs at the Poletti site, as well as the 500 MW plant and Power House roofs. Rather than awarding the entire scope of work, staff obtained initial authorization in the amount of \$41,400 for work associated with Phase I (\$19,400) plus a time-and-material allowance for A/E services to support interim repairs of existing faulty roofs, as necessary. The subject contract became effective on April 1, 2009 for an initial one-year term. The consultant has proven to be competent in the performance of work released to date and an interim extension through June 29, 2010 was subsequently authorized in accordance with the Authority’s Guidelines for Procurement Contracts. Staff now recommends expansion of the contract scope to include Phases II and III, as set forth in the RFP and addressed in the consultant’s proposal; Phase IV will not be performed due to the Poletti decommissioning. An additional extension of three years and nine months is therefore requested to complete the designated additional work items for Phases II and III. The current contract amount is \$41,400; staff estimates that additional funding in the amount of \$120,000 may be required for the extended term. The Trustees are requested to ratify the interim extension through June 29, 2010 and to approve the extension of the subject contract through March 31, 2014, as well as the additional funding requested, thereby increasing the approved contract value to \$161,400.

“At their meeting of December 15, 2009, the Trustees approved the award of three-year contracts to **Miller Environmental Group, Inc. (‘MEG’) (4600002193)** and **WRS Environmental Services, Inc. (4600002194)**, in the aggregate amount of \$600,000, to provide for general environmental services for the Authority’s SENY plants (including Poletti, 500 MW, Flynn and the Small Clean Power Plants). Such services consist primarily of cleaning process equipment, including but not limited to tanks, oil/water separators, economizers, burners, etc; transporting and disposing of hazardous materials generated by such cleaning and providing environmental and safety training to the Authority, as may be required. In February 2010, initial environmental work associated with the deconstruction of the demineralized water plant at the Poletti site was assigned to MEG and performed under the subject contract. It was anticipated that such work, comprising primarily the cleaning and flushing of tanks and vessels, was all that was necessary to perform the clean-up operation. After mobilization and commencement of work, the full magnitude of the clean-up and disposal effort became evident as several unforeseen conditions came to light, e.g., questionable integrity of the neutralization pit containment walls; presence of liquids, sludge or waste in all vessels that required both evacuation and cleaning; expansion of areas requiring asbestos and lead abatement and additional waste handling and disposal issues due to the nature of the waste streams. These conditions exposed added environmental hazards and liabilities requiring immediate attention and forced a quick change to the original scope and approach. In order to respond to these conditions, MEG mobilized large equipment and waste containment vessels on site, incurring daily rental and demurrage costs. The cost of work performed totaled \$696,400, which exceeded the original estimated cost (\$198,200) and expended the funding previously approved by the Trustees for the subject contracts at a highly accelerated rate. Additional funding in the amount of \$124,600 was therefore authorized in accordance with the Authority’s EAPs to cover these costs. Since the subject contracts were not established as the primary means to provide for environmental support services relating to deconstruction/decommissioning activities, but rather were intended to provide for general, on-call environmental services, management has determined that deconstruction-related services be addressed in a new and separate RFP and that the subject contracts for general environmental services be made financially whole, remain open for the originally approved term and be used for their originally intended purpose. The current authorized aggregate ‘Target Value’ is \$724,600 (which also includes approximately \$28,200 released for general environmental services). Additional funding in the amount of \$600,000 is now requested to provide general environmental services for the remaining contract term (through December 31, 2012). The Trustees are requested to approve the additional funding requested, thereby increasing the approved aggregate contract value to \$1,324,600.

“At their meeting of September 26, 2006, the Trustees approved the award of a contract to **NAES Corporation (formerly North American Energy Services) (4500133069)** to provide for the operation and maintenance (‘O&M’) of the New York City Department of Environmental Protection’s (‘NYC DEP’) East Delaware and Neversink hydroelectric facilities (‘Facilities’). The original award, which was competitively bid, became effective on November 29, 2006 for an initial term of 19 months, with an option to extend for 2 additional years. (There are provisions in the contract to extend the contract term for additional periods of time, to a maximum of nine additional years; requests to exercise any such further renewal options and approval of additional funding beyond the current levels will be presented to the Trustees for review and approval as needs arise.) At their meeting of October 30, 2007, the Trustees approved an additional \$3.61 million to implement capital projects necessary for the proper maintenance and operation of the Facilities. At their meeting of March 25, 2008 the Trustees approved a two-year extension through June 30, 2010 and an additional \$2.4 million to exercise the contract option for the continuation of such O&M services, increasing the compensation ceiling to \$8,154,167. An additional \$680,000 for capital projects was subsequently authorized in accordance with the Authority’s EAPs. Since the need for such services is ongoing and the contract provides the aforementioned option for additional extension(s), a two-year extension is now requested to provide for the continuation of such services through June 30, 2012. The current contract amount is \$8,834,167; staff anticipates that an additional \$2.6 million will be required to cover the O&M portion for the extended term. In addition, \$815,790 will be required for the fiscal year 2011 capital projects that have been identified and agreed to by NYC DEP. The Trustees are requested to approve extension of the subject contract through June 30, 2012, as well as the additional funding requested, thereby increasing the approved contract value to \$12,249,957. All contract renewals between the Authority and NAES are subject to the Operating Agreement between the Authority and NYC DEP. The City of New York, acting through NYC DEP, will reimburse the Authority for all direct and administrative costs.

Continuation and Funding of eight contracts for Regulated/Hazardous Waste Disposal and Transport Services for all Operating Facilities

“Federal and state regulations attach joint and several liabilities to the generators of hazardous wastes, so that the Authority, as a waste generator, continues to share any liability for such waste even though a vendor has accepted it for disposal. In fact, the Authority, in the worst case, could be held to share liability for all other non-Authority waste found at such vendor’s site, if the vendor did not manage the site properly.

“Authority operating projects, through the course of their normal operating practices, generate hazardous waste (such as waste solvents, used transformer oil, used lubricating oil, waste laboratory chemicals and contaminated soils), as well as other regulated waste materials. In order to act in an environmentally responsible manner and to limit the Authority’s potential long-term liability for costly remediation of contaminated disposal facilities and associated litigation, the Environment, Health & Safety (‘EH&S’) Division has instituted a program of stringent review, inspection and evaluation of solid and hazardous waste treatment, disposal, recycling and transportation vendors and facilities.

“Furthermore, the complexity of applicable laws and regulations requires that the commercial terms associated with these types of contracts must be thoroughly reviewed by the Law Department, the Procurement Division and Corporate Finance/Risk Management to ensure that the Authority’s liability and long-term cost exposure are carefully controlled.

“While it is important for the Authority to approve multiple disposal outlets for each of its waste streams so its waste disposal needs are met and it is not overly dependent on any one vendor or facility, it is also important that the Authority not contribute waste to more facilities than are necessary, since a certain amount of liability risk is incurred at each one.

“The vendors and facilities listed below have been approved by the Environmental Division for use by the Authority. The approval process consists of a multimedia environmental audit of individual facilities, discussions with appropriate federal and state regulatory agencies concerning each facility’s compliance record and an evaluation of available financial and insurance records by Corporate Finance/Risk Management. Depending on the type of

material handled, the audit covers various environmental areas, including air, water, hazardous waste, chemical and oil bulk storage and emergency response. The purpose of the audit is to determine compliance with applicable laws and regulations, and to assess the risk level of site contamination that could result from the facility's waste management practices. Facility approval is based on an evaluation of these elements and subsequent determination by EH&S that the potential for harm to the environment from facility operations is minimal, and, therefore, that risk of liability to the Authority is minimal.

"In order to avoid duplicative effort among the operating and capital projects, which, in turn, could lead to contradictory terms and conditions, standard 'framework' contracts are established with vendors that have been approved through the process described above. The Authority's best interests in the area of waste treatment and disposal are served thereby in that these contracts establish a clear definition of services to be rendered and properly apportion both short- and long-term liability between the vendor and the Authority.

"Once these 'framework' contracts are in place, proposals for individual tasks can be competitively solicited from approved contractors holding such contracts by any Authority facility as specific needs arise. In the event of an emergency, a commitment can be rapidly made under these established contractual conditions with an approved contractor most capable of accepting the wastes on an expedited basis.

"Given the unique nature of these services and the limited number of firms qualified to perform them, as well as the complexity of regulatory requirements and associated commercial terms, and the rigorous audit/evaluation/approval process, the optimal recommended approach is to continue these contracts for a coterminous duration, extending them through December 31, 2015. Based on the foregoing, the Trustees are requested to approve the extension of contracts for Regulated/Hazardous Waste Disposal and Transport services with the following eight firms: **AERC.com, Inc. dba AERC Recycling Solutions (4600001403)**, **Clean Harbors Environmental Services, Inc. (4600001339)**, **CWM Chemical Services, LLC ('CWM') (4600001393)**, **DuPont Secure Environmental Treatment (4600001740)**, **Heritage Environmental Services, LLC (4600001229)**, **TCI of NY, LLC (4600001738)**, **United Oil Recovery, Inc. (Norlite Corp., a subsidiary) (4600001457)** and **United Oil Recovery, Inc. dba United Industrial Services (4600001839)**. These contracts are subject to termination by the Authority at any time. Appropriate environmental audits will continue to be conducted during this period, and any decline in quality of service will result in termination of the contract. The current aggregate Released Amount is \$2,915,257 (of the previously approved aggregate amount of \$5 million). The Trustees are also requested to approve an increase in funding associated with the continuation of these contracts in the estimated additional aggregate amount of \$5 million, thereby increasing the approved aggregate total to \$10 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. Due to the unforeseen nature of the conditions that may be encountered during dismantling/decommissioning activities, as well as existing and forthcoming regulatory requirements, staff cannot project the total amount of funding that may be required for such services. Additional Trustees' approval will be sought for any such additional services and funding that may be required in excess of the amount requested.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2010 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. Funding for the solar PV initiative will be drawn primarily from the \$21 million Renewable Energy Program approved by the Trustees on July 29, 2008; any additional required funds would be provided through the existing Statewide Energy Services Program.

RECOMMENDATION

“The Deputy General Counsel, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Project Development and Management, the Vice President – Environment, Health and Safety, the Vice President – Technical Compliance, the Vice President – Project Development, Licensing and Compliance, the Vice President – Procurement, the Chief Information Officer, the Chief Technology Officer, the Director – Engineering and Design (ES&T), the Director – Corporate Support Services, the Manager – Renewable Energy, the Regional Manager – Northern New York, the Regional Manager – Central New York, the Regional Manager – Western New York, the Regional Manager – Southeastern New York and the General Manager – Clark Energy Center recommend that the Trustees approve the award of multiyear procurement contracts to the companies listed in Exhibit ‘1f-A,’ and the extension and/or additional funding of the procurement contracts listed in Exhibit ‘1f-B,’ for the purposes and in the amounts discussed within the item and/or listed in the respective exhibits.

“The Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services, the Senior Vice President – Energy Services and Technology, the Senior Vice President – Corporate Support Services, the Senior Vice President – Transmission, 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 contracts set forth in Exhibit “1f-A,” attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contracts listed in Exhibit “1f-B,” attached hereto, are hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
ENERGY SERV. & TECHNOLOGY-R&TD	EDM INTERNATIONAL, INC. Fort Collins, CO (PO# TBA)	07/01/10 (on or about)	Provide for maintenance, onsite repair, satellite communication service and GridWatch web data hosting for sagometers on the Authority's NATL transmission line	06/30/14	S/S			\$75,000*
						*Note: represents total for up to 4-year term		
ENERGY SERV. & TECHNOLOGY-Engineering & Design	Q09-4638; 3 awards: 1. GSO GRAPHICS INC. New York, NY 2. NYS INDUSTRIES FOR THE DISABLED, INC. (primary) Albany, NY 3. TECHNICAL DIGITAL SERVICES Long Island City, NY (PO#s TBA)	07/01/10 (on or about)	Provide for printing and reprographic services for engineering drawings for Energy Services projects implemented by Authority staff	06/30/15	B/S			\$100,000*
						*Note: represents aggregate total for up to 5-year term All costs will be recovered by the Authority.		
ENERGY SERV. & TECHNOLOGY-Energy Services	Q10-4753; 2 awards: 1. RDS INDUSTRIES, INC. Flushing, NY 2. SOLAR LIBERTY ENERGY SYSTEMS Buffalo, NY (PO#s TBA)	07/01/10 (on or about)	Provide for design, fabrication, delivery, installation & start-up of solar photovoltaic systems throughout NYS, as part of the Statewide Renewable Energy Program	06/30/15	B/C			\$1,700,000*
						*Note: represents aggregate total for up to 5-year term Funding will be provided primarily from the \$21 million Renewable Energy Program.		
ENERGY SERV. & TECHNOLOGY-Energy Services	SEBESTA BLOMBERG & ASSOCIATES, INC. Woburn, MA (Q10-4723; PO# TBA)	07/01/10 (on or about)	Provide for LEED certification consulting services for Niagara, B-G and Hawkins Point Visitors Centers	06/30/14	B/P			\$182,174*
						*Note: represents total for up to 4-year term		

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2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
ENTERPRISE SHARED SERVICES - Corp Supp Serv	A & A MAINTENANCE ENTERPRISE, INC. Yonkers, NY (Q10-4741; PO# TBA)	07/01/10 (on or about)	Provide for janitorial services for the Rappleyea Building (WPO), including tenant space and garage	06/30/15	B/S			\$5,500,000*
						*Note: represents total for up to 5-year term		
ENTERPRISE SHARED SERVICES - Corp Supp Serv	Q10-4712; 3 awards: 1. B.A.C. ELECTRICAL CONSTRUCTION CO. White Plains, NY 2. HEALY ELECTRIC CONTRACTING, INC. White Plains, NY 3. WEST-FAIR ELECTRIC CONTRACTORS, INC. Hawthorne, NY (PO#s TBA)	07/01/10 (on or about)	Provide for general electrical services for the Rappleyea Building, garage and grounds	06/30/15	B/S			\$1,000,000*
						*Note: represents aggregate total for up to 5-year term		
ENTERPRISE SHARED SERVICES - IT	INFORMATION TECHNOLOGY CORP. Rochelle Park, NJ (Q10-4730; PO# TBA)	07/01/10 (on or about)	Provide for maintenance and on-site technical support for Apple / Maintosh computer hardware and software	06/30/13	B/S			\$210,000*
						*Note: represents total for up to 3-year term		
POWER SUPPLY- Project Dev., Licensing & Compliance / NIAGARA	ALLIED BIOLOGICAL, INC. OF NEW JERSEY Hackettstown, NJ (Q10-4735; PO# TBA)	07/01/10 (on or about)	Provide for invasive plant species treatment and control services for Habitat Improvement Project, per New License requirements for NIA.Project	06/30/13	B/S			\$293,000*
						*Note: represents total for up to 3-year term		

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
POWER SUPPLY-TRANSMISSION	AVIATION SERVICES UNLIMITED, INC. Oriskany, NY (6000112562; PO# TBA)	07/01/10 (on or about)	Provide for helicopter patrol services to support high-voltage transmission line inspections	06/30/13	B/S			\$800,000*
						*Note: represents total for up to 3-year term		
POWER SUPPLY-TECHNICAL COMPLIANCE - Corp Security	CARCO GROUP, INC. Holtsville, NY (Q10-4703; PO# TBA)	07/01/10 (on or about)	Provide for background investigation services to support Authority operations statewide	06/30/15	B/S			\$1,500,000*
						*Note: represents total for up to 5-year term		
POWER SUPPLY-EH&S + SENY Plants	CK ENVIRONMENTAL, INC. Canton, MA (6000112202; PO# TBA)	07/01/10 (on or about)	Provide for Relative Accuracy Test Audits (RATA) of Continuous Emissions Monitoring System at SENY sites	06/30/15	B/S			\$306,750*
						*Note: represents total for up to 5-year term		
POWER SUPPLY-ENGINEERING - Design & Drafting	Q10-4739; 4 awards: 1. EQUA-TECH SERVICES, LLC Riverhead, NY 2. HEPCO, INC. Saddle Brook, NJ 3. LJ GONZER & ASSOCIATES Cranford, NJ 4. ROTATOR STAFFING SERVICES, INC. East Brunswick, NJ (PO#s TBA)	07/01/10 (on or about)	Provide for temporary Design & Drafting personnel to support the Authority's engineering disciplines on all in-house projects, on an "as needed" basis	06/30/15	B/S			\$7,500,000*
						*Note: represents aggregate total for up to 5-year term		

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
POWER SUPPLY-TECHNICAL COMPLIANCE / O&M Training	GENERAL PHYSICS CORP. Tampa, FL (6000112289; PO# TBA)	07/01/10 (on or about)	Provide for instructor to develop and deliver training programs in mechanical trades for mechanical apprentices and journeymen at Authority facilities	06/30/13	B/P			\$700,000*
							*Note: represents total for up to 3-year term (full-time)	
POWER SUPPLY-TECHNICAL COMPLIANCE	GREENMAN-PEDERSEN, INC. Babylon, NY (HQ) Albany, NY (Branch Office) (Q09-4650; PO# TBA)	07/01/10 (on or about)	Provide for consulting services in connection with NACE-certified coating system evaluations, selection and application	06/30/15	B/P			\$500,000*
							*Note: represents total for up to 5-year term	
POWER SUPPLY-NIAGARA	6000111887; 3 awards: 1. LIRO ENGINEERING INC. Syosset, NY 2. SIENNA ENVIRONMENTAL TECHNOLOGIES LLC Buffalo, NY 3. STOHL ENVIRONMENTAL LLC Blasdell, NY (PO#s TBA)	07/01/10 (on or about)	Provide for environmental consulting services for the Niagara Project	06/30/14	B/P			\$1,500,000*
							*Note: represents aggregate total for up to 4-year term	
POWER SUPPLY-NIAGARA	MONROE EXTINGUISHER CO., INC. Rochester, NY (6000112731; PO# TBA)	07/01/10 (on or about)	Provide for services to maintain fire extinguishers at the Niagara Project	06/30/14	B/S			\$25,000*
							*Note: represents total for up to 4-year term	

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
POWER SUPPLY-TECHNICAL COMPLIANCE / Reliability Standards & Compl.	Q10-4732; 3 awards: 1. NAVIGANT CONSULTING, INC. Westbury, NY 2. QUANTA TECHNOLOGY, LLC Raleigh, NC 3. SYSTEM OPERATIONS SUCCESS INTERNATIONAL Charlotte, NC (PO#s TBA)	07/01/10 (on or about)	Provide for consulting services in connection with meeting new NERC and NPCC reliability standards and criteria, in compliance with regulatory requirements	06/30/15	B/P			\$5,000,000* *Note: represents aggregate total for up to 5-year term
POWER SUPPLY-NIAGARA	SHAW ENVIRONMENTAL, INC. Tonawanda, NY (6000111520; PO# TBA)	07/01/10 (on or about)	Provide for zebra mussel testing and consulting services for the Niagara Project	06/30/14	B/P			\$125,000* *Note: represents total for up to 4-year term
POWER SUPPLY-NIAGARA	UPSTATE METROLOGY, INC. Rochester, NY (HQ) (6000110747; PO# TBA)	07/01/10 (on or about)	Provide for calibration services for I&C equipment at the Niagara Project	06/30/14	B/S			\$50,000* *Note: represents total for up to 4-year term
LAW	STIKEMAN ELLIOTT, LLP Toronto, Ontario and Montreal, Quebec Canada + New York City	07/01/10 (on or about)	Provide for legal services in connection with Canadian energy law, cross-border transactional work, etc.	06/30/15	C/P			\$150,000* *Note: represents total for up to 5-year term

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Procurement (Services) Contracts – Extensions and/or Additional Funding
 (For Description of Contracts See "Discussion")

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
Contracts in support of Headquarters Business Units and the Facilities:								
ENERGY SERVICES & TECHNOLOGY - Energy Services	RIVERDALE ELECTRIC-AL SERVICES, INC. Bronx, NY 4500176421	07/21/09	Provide for lighting and sensor installation services at One and Two United Nations Plaza (UN Dev. Corp.)	03/31/11	B/C	\$951,298	\$292,698	\$1,051,298*
						*Note: includes originally approved amount of \$951,298 + CURRENT INCREASE OF \$100,000 All costs will be recovered by the Authority.		
ENERGY SERVICES & TECHNOLOGY - Renewable Energy	UTC POWER CORP. South Windsor, CT 4500133448	01/01/07	Provide for maintenance services for Fuel Cell Power Plants	12/31/11	S/S	\$2,096,554	\$1,573,402	\$3,055,272*
						*Note: includes \$1,728,920 previously approved by the Trustees + an additional \$367,634 authorized per the EAPs + CURRENT INCREASE OF \$958,718. Costs for services provided for three customer-owned FCPPs will be recovered by the Authority.		
ENTERPRISE SHARED SERVICES - IT + POWER SUPPLY-EH&S	VEOLIA ES TECHNICAL SOLUTIONS, LLC Port Washington, WI (HQ) and Stoughton, MA (Facility) 4600001762	02/21/07	Provide for asset management and recycling services for used computers and electronic equipment	12/31/15	B/S	\$100,000 ("Target Value")	\$50,000 ("Released Amount")	\$250,000*
						*Note: includes \$100,000 previously approved by the Trustees + CURRENT INCREASE OF \$150,000		
POWER SUPPLY-Project Mgmt / CEC	JOHNSON CONTROLS, INC. Albany, NY 4500176607	07/20/09	Provide for services in connection with replacement of the fire alarm system at CEC	12/31/10	B/C	\$363,343	\$92,500	\$381,510*
						*Note: represents originally approved amount of \$381,510; no additional funding requested		

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Procurement (Services) Contracts – Extensions and/or Additional Funding
 (For Description of Contracts See "Discussion")

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
POWER SUPPLY- Project Mgmt / Poletti	MIHAI RADU ARCHITECTS, PLLC New York, NY 4500171846	04/01/09	Provide for architectural/ engineering services in connection with replacement of Poletti roof systems	03/31/14	B/P	\$41,400	\$26,905	\$161,400*
						*Note: includes originally approved amount of \$41,400 + CURRENT INCREASE OF \$120,000		
POWER SUPPLY- EH&S + Project Mgmt / SENY Plants	2 related contracts: 1. MILLER ENVIRON- MENTAL GROUP, INC. Calverton, NY 4600002193 2. WRS ENVIRON- MENTAL SERVICES Yaphank, NY 4600002194	01/04/10	Provide for general environ- mental services for SENY plants	12/31/12	B/S	\$724,600 (aggregate "Target Value")	\$724,599 (aggregate "Released Amount")	\$1,324,600*
						*Note: includes \$600,000 previously approved by the Trustees + an additional \$124,600 authorized per the EAPs + CURRENT INCREASE OF aggregate \$600,000		
POWER SUPPLY- Project Mgmt	NAES CORP. (formerly North American Energy Services) Issaquah, WA 4500133069	11/29/06	Provide for the operation and maintenance of the NYC DEP's East Delaware and Neversink hydroelectric facilities	06/30/12	B/S	\$8,834,167	\$6,687,775	\$12,249,957*
						*Note: includes \$8,154,167 previously approved by the Trustees + an additional \$680,000 authorized per the EAPs + CURRENT INCREASE OF \$3,415,790 All direct and administrative overhead costs will be reim- bursed to the Authority by the City of New York, acting through NYC DEP.		

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Procurement (Services) Contracts – Extensions and/or Additional Funding
 (For Description of Contracts See "Discussion")

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
POWER SUPPLY - EH&S	8 Waste Disposal Contracts:		Provide for Disposal services of Regulated / Hazardous Waste for all Authority operating facilities	12/31/15	B/S	\$2,915,257 (aggregate ("Released Amount")) *Note: includes originally approved amount of approx. \$5 million + CURRENT INCREASE OF aggregate \$5 million		\$10,000,000*
	<ol style="list-style-type: none"> 1. AERC.com, Inc. dba AERC RECYCLING SOLUTIONS Allentown, PA 4600001403 2. CLEAN HARBORS ENVIRONMENTAL SERVICES, INC. Norwell, MA (HQ) Glenmont, NY (Regional Office) 4600001339 3. CWM CHEMICAL SERVICES, LLC Model City, NY 4600001393 4. DuPont SECURE ENVIRONMENTAL TREATMENT Wilmington, DE (HQ) Deepwater, NJ (Facility) 4600001740 							

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 2 Contract Type: P= Personal Service; S= (Non-Personal) Service, C= Construction; E= Equipment; N= Non-Procurement

Procurement (Services) Contracts – Extensions and/or Additional Funding
 (For Description of Contracts See "Discussion")

EXHIBIT "1f-B"
 June 29, 2010

<u>Plant Site/ Bus. Unit</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of Contract</u>
	5. HERITAGE ENVIRONMENTAL SERVICES, LLC Indianapolis, IN (HQ) East Liverpool, OH (Facility) 4600001229							
	6. TCI OF NY, LLC Hudson, NY 4600001738							
	7. UNITED OIL RECOVERY (NORLITE Corp., a subsidiary) Meriden, CT (HQ) Cohoes, NY (Subsidiary Facility) 4600001457							
	8. UNITED OIL RECOVERY dba UNITED INDUSTRIAL SERVICES Meriden, CT 4600001839		Provide for Transport of hazardous materials and hazardous, universal and industrial waste from designated Authority and customer sites to NYPA-approved waste disposal facilities, as needed					

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

g. Authorization to Hold Lease for Offshore Property for LI-NYC Offshore Wind Project

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the execution of a Lease (‘Lease’) with the Bureau of Ocean Energy Management, Regulation and Enforcement (‘BOE’), formerly known as the Minerals Management Service (‘MMS’) of Herndon, VA, a federal bureau within the United States Department of Interior, for approximately 64,500 acres of land underwater in the Outer Continental Shelf (‘OCS’) of the Atlantic Ocean. The proposed lease includes an area approximately 13 to 15 miles offshore of Long Island, New York and would run for a term of 25 years. An application fee of \$16,000 based on a price of \$0.25 per acre is required when submitting the Lease application. Annual rent will be negotiated with BOE and is expected to be approximately \$3 per acre, resulting in an approximate annual rent of \$200,000.

BACKGROUND

“The Authority is a member of the Long Island – New York City Offshore Wind Collaborative (‘Collaborative’) along with Consolidated Edison Company of New York, Inc. (‘Con Edison’), the Long Island Power Authority (‘LIPA’) and other New York City and New York State governmental entities. The Collaborative is pursuing the development of up to 700 MW of offshore wind by 2015. The concept for the offshore wind project emanates from New York State Governor David A. Paterson’s Renewable Energy Task Force and is consistent with the Governor’s ‘45 by 15’ program, which established a goal of the State meeting 45% of its electricity needs through improved energy efficiency and renewable sources by the year 2015.

“The Collaborative issued a Request for Expressions of Interest (‘RFEI’) in July 2009 and is preparing to issue a Request for Proposals (‘RFP’) this year. The Authority intends to assign its Lease rights to the project developer selected from the RFP, and would seek the Trustees’ approval for property disposition at a future date, if necessary. At that time, the project developer would take over all financial obligations associated with the Lease for the duration of its term.

“The Collaborative identified a project development site approximately 13 miles off the shore of Long Island in the OCS, an area under the jurisdiction of BOE. BOE is responsible for granting leases for environmentally responsible renewable energy, including offshore wind facilities, on the OCS and has been in discussions with the Collaborative for such a lease. Offshore property within the first 3 miles falls within New York State’s jurisdiction; federal jurisdiction extends from 3 miles to 200 miles offshore. The proposed Lease for which the Authority will be filing an application would allow for turbines placed up to approximately 15 miles off the coast, a distance that reduces the visual impact from the shoreline.

DISCUSSION

“BOE requires that the Lease be held in the name of one entity. As a government entity, the Authority may be the best suited among Collaborative members to hold the Lease from BOE and as such may be the most likely to be awarded the Lease on a non-competitive basis in accordance with BOE’s non-competitive award process. LIPA is prohibited from holding a lease in federal waters as Public Authorities Law §1020(f) restricts LIPA’s acquisition of real property to areas within the State, which only includes up to three miles offshore. The Authority is not precluded from leasing property outside of New York State or holding a lease in federal waters. Con Edison is a private entity and its application for the Lease could result in BOE requiring a competitive lease award process, which places BOE in the position of potentially selecting the wind farm developer, instead of such selection being accomplished through the Collaborative’s RFP process. The Collaborative intends to use the RFP solicitation to select the successful wind farm developer, and to secure the Lease through BOE’s non-competitive process.

FISCAL INFORMATION

“Funds required to support the Lease application fee and annual rent will come from the 2010 Approved Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Additionally, BOE requires a \$100,000 performance bond to be issued by the Lease holder at the time of the Lease award. Con Edison and LIPA will reimburse the Authority for their one-third share of all expenses associated with the Lease in accordance with the Memorandum of Understanding between NYPA, LIPA and Con Edison executed in May 2010, and approved by the Office of New York State Comptroller in June 2010.

RECOMMENDATION

“The Vice President – Power Resource Planning and Acquisition recommends that the Trustees approve entering into a Lease with the Bureau of Ocean Energy Management, Regulation and Enforcement, formerly known as the Minerals Management Service, on terms substantially in accordance with the foregoing.

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

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

RESOLVED, That the President and Chief Executive Officer or the Vice President – Power Resource Planning and Acquisition be, and hereby is, authorized to enter into a lease with the Bureau of Ocean Energy Management, Regulation and Enforcement, formerly known as the Minerals Management Service, on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer, subject to the approval of the lease documents by the Executive Vice President and General Counsel or her designee; and be it further

RESOLVED, That the Vice President – Power Resource Planning and Acquisition be, and hereby is, authorized on behalf of the Authority to execute any and all agreements, papers or instruments that may be deemed necessary or desirable to carry out the foregoing, subject to the approval of the form thereof by the Executive Vice President and General Counsel or her designee; 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.

2. Discussion Agenda

a. Report of the President and Chief Executive Officer

President Kessel welcomed Ms. Elise Cusack to the meeting. He said that the Authority has kept its word to have offices in Buffalo and is hosting its first meeting there today. He also said that he was very proud of the work the Authority was doing in Buffalo, for instance, the Erie Harbor Project, and around the State.

President Kessel said that the Authority's recent ribbon-cutting for its office in Buffalo (which was attended by Mayor Byron Brown, Trustee Curley and former Trustee Elise Cusack) was symbolic of the Authority's commitment to work with the City of Buffalo, Erie County and all of Western New York. He said that this was roughly his 40th trip to Western New York since he started at the Authority in October 2008. President Kessel cited the Erie Canal Harbor Development project as further evidence of the Authority's commitment to Western New York.

President Kessel said that without action by the Legislature to enact a replacement for the Power for Jobs program, the Authority would be unable to help dozens of companies desperately in need of its help. He said that it appeared that the best that could be hoped for this late in the legislative session was that the current program would be extended once again.

Yesterday, the hottest day of the year to date, set a record for electricity usage. President Kessel said that a significant heat wave would severely challenge New York State, but that thanks to the efforts of the Authority's Power Supply business unit, the Authority's generation and transmission facilities were in excellent shape to deal with such a challenge.

President Kessel said that Mr. Rick Turner, the Authority's Regional Manager for Northern New York, briefed management on his staff's response to the 5.0 earthquake last week and that the handout from that briefing was being shared with the Trustees. Trustee Eugene Nicandri said that there had been no North Country outages as a result of the earthquake, thanks to the Authority's readiness, and that the emergency response team at the St. Lawrence Power Project had checked the dikes and other systems related to the power plant to ensure that the earthquake had not caused any damage. President Kessel said that Mr. Francis Ryan, who is in charge of emergency management at the Authority, is putting together an emergency plan that will be brought before the Trustees at their September meeting.

President Kessel said that Mr. Donald Russak and Ms. Janis Archer were going to make a 10-minute presentation to the Trustees on how the Authority judges its performance in every key area. Mr. Russak introduced Ms. Archer, who said that the Authority's mission statement had been revised recently to reflect its economic development and renewable energy focus. She said that each of the nine strategic goals stemming from the mission statement had one or more performance measures with 2010 year-end targets. The Authority's commitment to these goals is evidenced by its monthly monitoring of these performance measures. Defining the actions needed to achieve the goals had resulted in 43 strategic initiatives. Trustee Jonathan Foster requested that the monthly performance report be included with the Trustees' materials for their monthly meetings. Trustee Mark O'Luck suggested that quarterly performance reports might be more useful for the Trustees.

President Kessel's community outreach activities since the May Trustees' Meeting included:

- *Hauppauge Industrial Association Trade Show on Long Island (5/26)*
- *Meeting with Congressman Steve Israel on Long Island (6/1)*
- *Lunch with employees at St. Lawrence Power Project, St. Lawrence River Development press conference and agreement signing at Visitors' Center, meeting with Daily Courier-Observer and Ogdensburg Journal editorial board (6/2)*
- *Citizens' Budget Commission meeting and MTA/NYC Transit press event (6/3)*
- *Great Lakes Offshore Wind project press event and meeting with Buffalo News editorial board (6/4)*
- *Stroock speech – EAC (6/8)*
- *Lazard speech – NYC (6/9)*
- *Blenheim-Gilboa ("B-G") Life Extension and Modernization news conference, meeting with B-G staff (6/10)*
- *Meeting with Michael White of the Long Island Regional Planning Council (6/11)*
- *Tour of Astoria Energy plant construction site, which is employing 350 trades people; the plant is expected to be commercially operational by the summer of 2011 (6/14)*
- *ECO Partners speech, Vision Long Island awards event (6/18)*
- *Long Island Business Council speech, Yahoo! event (6/22)*
- *Summer Preparedness news conference with City University of New York (6/23)*

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- *Get Listed event, meeting with Mayor Minor and news conference (Syracuse) (6/24)*
- *Meeting with Alcoa management and unions (also attended by Trustee Nicandri) – went very well (Massena) (6/25)*

b. Report of the Chief Operating Officer

Mr. Gil Quiniones provided the following report:

The four-year Blenheim-Gilboa Life Extension and Modernization program was completed approximately \$10 million under budget and ahead of schedule on May 22. On May 7 the Flynn Plant was shut down due to problems with the combustion turbine generator rotor. NYPA is investigating the failure and Flynn is currently scheduled to return to service on August 15.

POWER SUPPLY

Plant Performance

Systemwide net generation¹ in May was 1,923,851 megawatts² (MWh), compared to projected net generation of 2,176,604 MWh. For the year, actual net generation is 10,166,879 MWh, below the year-to-date net generation target of 10,772,701 MWh.

The fleet availability factor³ was 93.2 percent during May and is 93.2 percent for the year. The generation market readiness factor⁴ was 99.8 percent, above the monthly target of 99.4 percent. For the year, generation market readiness is also 99.8 percent.

There were no significant unplanned generation events⁵ in May and only a few unscheduled outages⁶. The total lost opportunity cost of all unscheduled outages was \$600.00, compared with generation revenue of \$149.6 million. The year-to-date lost opportunity cost is \$0.12 million compared to generation revenue of \$745.6 million.

The Flynn Plant was shut down for a maintenance outage⁷ on May 7 due to problems with the combustion turbine generator rotor. The event was considered a maintenance outage by the New York Independent System Operator⁸ (NYISO) because the unit was removed from service upon approval of the system operator and did not fail while in-service. The damaged part was shipped to Siemens repair shop in Charlotte, NC, for further evaluation, which resulted in the decision to rewind the rotor with new copper. Siemens and NYPA are currently engaged in extensive technical analysis to determine the root cause of the rotor failure. The Flynn Plant is currently scheduled to return to service on August 15. The estimated revenue impact to NYPA is a loss ranging between \$8.2 million to \$9.0 million, and repair expenses are estimated to be about \$2.5 million (\$1.8 million in capital costs).

River flows at the Niagara project were below historical averages in May, and are forecasted 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 St. Lawrence-FDR, flows were below forecast and are expected to be below historical averages for the rest of the year.

Transmission Performance

Transmission reliability⁹ in May was 87.86 percent, which was under the target of 87.92 percent. The year-to-date actual reliability is 93.8 percent, below the target of 94.8 percent. Performance has been affected by some outages not anticipated in 2010, several forced outages¹⁰, and some scheduled outages¹¹ that have taken longer than expected.

There were no significant unplanned transmission events¹² in May.

Life Extension and Modernization Programs

Work on the 13th of the 16 units at the St. Lawrence-FDR project was started on schedule as part of the project's Life Extension and Modernization¹³ (LEM) program on December 19, 2009. The unit's original return to service date of July 30 will be delayed until September 21. The delay is the result of conditions not encountered with any of the previous 12 units including deficient original manufacturing of parts that require upgrading as well as other issues. The 2013 scheduled completion date for the LEM project remains unchanged.

Work on the fourth and final unit at Blenheim-Gilboa was completed under budget and ahead of schedule, and the unit was declared ready for commercial operation on May 22.

Transmission Initiative

NYPA staff is continuing to work with National Grid, Con Edison, and the Long Island Power Authority, regarding a proposed transmission line that would deliver power from Canada and upstate renewable energy projects to New York City.

The preliminary results of the base case Economic Benefits Analysis conducted by PA Consulting are under review by NYPA and National Grid. These results indicate that there is a net benefit in state-wide production costs with the construction of the Transmission Initiative. Several sensitivities will be conducted

covering different scenarios including varying natural gas cost projections, load projections, and the inclusion of other transmission projects.

SUNY-Canton Project

As described in last month's COO report, NYPA is working with the State University of New York at Canton on assessing options to relocate the section of Moses-Adirondack¹⁴ (MA1 and MA2) line on their campus to accommodate athletic fields. The draft final report on routing options was prepared by the consultants, Commonwealth Associates, and it is currently under review by NYPA staff.

Organizational Realignment

The preliminary assessment of potential operational interfaces between the Power Generation and Transmission groups has been issued and is being reviewed internally. A preliminary presentation of the results of the study was made to NYPA senior staff, and based on this discussion it was agreed to review the process by which NYISO technical committee documentation is communicated. This will start in July. The final report is scheduled to be completed in the third quarter of 2010.

Blenheim-Gilboa Power Project Relicensing

The Federal Energy Regulatory Commission¹⁵ (FERC) approved an amendment to the non-capacity license for the Blenheim-Gilboa Pump Storage Power Project. The amendment removes from the license three transmission lines (Gilboa-Fraser, Gilboa-Leeds and Gilboa-New Scotland) originally built to interconnect the Project to the transmission network. The lines are now integrated into the New York State transmission grid and are controlled by the NYISO and no longer linked just to the Project. Removing the lines from the license eliminates potential conflicts during the relicensing process and reduces a layer of permitting authority (i.e. FERC) if the rights-of-ways were to be used for new facilities or other purposes.

Environmental

There were three environmental events in May. Two events occurred at the Niagara Power Project. At the Administration Building, there was a release of two pounds of refrigerant from the air conditioning system. At the Robert Moses Niagara Power Plant, the Unit No. 4 transformer released approximately 10 gallons of insulating oil while being serviced due to a loose pressure relief valve.

At the St. Lawrence-FDR Power Project, a Petroleum Bulk Storage program inspection by the New York State Department of Environmental Conservation resulted in a citation for not having properly color coded the tank fuel injection point.

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

Technical Compliance – NERC Reliability Standards

As discussed in last month's COO report, NYPA reported potential non-compliance and submitted mitigation plans to the Northeast Power Coordinating Council¹⁶ (NPCC) for two standards that apply to facility ratings methodology¹⁷ and data for NYPA's generation and transmission assets, and one standard that applies to NYPA's Critical Infrastructure Protection¹⁸ program. All three of these standards are in the North American Electric Reliability Council's¹⁹ (NERC) top ten of the most violated standards in the industry. NYPA engaged with the NPCC in March and April regarding the content of the five mitigation plans associated with these self reports. In May, the NPCC approved three of the five plans and submitted them to NERC, which approved and submitted them to FERC. The other two mitigation plans were modified and resubmitted to NPCC on June 1.

On May 7, NYPA reported a second potential violation related to the Critical Infrastructure Protection program and submitted a mitigation plan to NPCC. NYPA is waiting for NPCC approval of its plan.

A NERC Reliability Standards Compliance awareness training program has been developed and will be delivered to all employees by the end of July 2010. The objective of this training is to raise employee awareness about NERC standards and requirements and NYPA's obligations to comply with them.

ENERGY RESOURCE MANAGEMENT

NYISO Markets

For May, ERM bid more than 1,911,793 MWh of NYPA generation into the NYISO markets, netting \$33.1 million in power supplier payments to the Authority. ERM has bid more than 9,706,096 MWh year-to-date netting \$178.1 million in power supplier payments.

Although energy prices in upstate New York have increased relative to the past few months, Niagara and St. Lawrence's production is still below expectations due to lower river flows. Production is 10 percent lower

than what was experienced at the same time last year. It is expected that flows will remain lower than forecasted, contributing to the net revenue shortfall.

At Blenheim-Gilboa, May production revenues are higher due to growing peak and off-peak differentials but overall still low due to fewer economic hours of opportunity.

Energy prices have increased downstate with weather being a sensitive factor in the upcoming summer capability period. The Small Clean Power Plants (SCPPs) and the 500MW Combined Cycle Plant are now exceeding year to date forecasted net income. The 500MW Plant has managed to gain ground from the previous shortfall created by the unexpectedly high January gas costs.

Fuel Planning & Operations

In May, NYPA's Fuels Group transacted \$12 million in natural gas and oil purchases, compared with \$25 million in May 2009. Year-to-date natural gas and oil purchases are \$100 million compared with \$157 million year-to-date in May 2009. The reduction is mainly attributed to the retirement of the Poletti unit.

Regional Greenhouse Gas Initiative

On June 9, NYPA participated in Auction 8 of the Regional Greenhouse Gas Initiative²⁰ (RGGI) CO₂ Budget Trading Program. The price of RGGI allowances cleared at \$1.88/ton for vintage year 2010 in Auction 8, which is just above the \$1.86/ton price floor established by the program. That is down from the record \$3.51/ton price netted in the March 2009 auction. The decline has been primarily driven by the economic downturn resulting in lower energy demand and natural gas prices.

In the event that a federal program is instituted and incorporates the current proposal for an exchange rate based on annual auction weighted-average for all previously secured regional allowances, the 2010 year-to-date RGGI auction weighted-average is \$1.97/ton.

OFFICE OF THE CHIEF OPERATING OFFICER

Sustainability Action Plan

NYPA continues to make progress on implementing the 41 action items laid out in the Sustainability Action Plan. In May, NYPA selected consultants to assist in the feasibility analysis of obtaining Leadership in

Energy and Environmental Design²¹ ratings for NYPA's three visitor centers, including audits of non-process water²² use at the facilities. Other recent advances include the installation of two Osprey nesting platforms at Niagara and the launch of the first phase of NYPA's new mentoring program. In addition, the White Plains Office Green Team hosted a documentary screening on recycling to help educate employees on this important issue.

New York City Climate Adaptation Task Force

As mentioned in the March COO report, NYPA has been actively involved in the New York City Climate Adaptation Task Force, convened by Mayor Bloomberg. The Task Force provided input and feedback into the New York City Panel on Climate Change report titled "Climate Change Adaptation in New York City: Building a Risk Management Response" released on May 27 by the Mayor. The report includes New York City-specific climate change projections, tools to help entities identify climate vulnerabilities and develop adaptation strategies, and recommendations on how to foster an effective climate resilience program. The Task Force is continuing its work focused on critical infrastructure in New York City and will formally release its own report by year-end.

GLOSSARY

- ¹ *Net generation* – The energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped storage facility.
- ² *Megawatt hour (MWh)* – The amount of electricity needed to light ten thousand 100-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 *Outage* – An outage exists whenever a unit is not synchronized to the grid system and not in a Reserve Shutdown state. An outage starts when the unit is either desynchronized from the grid or when it moves from one unit state to another (for example, goes from a reserve shutdown to a maintenance outage.) The outage ends when the unit is synchronized to the grid or moves to another unit state. An outage is Planned if it was submitted in advance for a predetermined duration. An outage is Scheduled if it was either submitted in advance (Planned) or can be delayed a few days (Maintenance).
- ⁷ *Maintenance Outage* – An outage that can be deferred beyond the end of the next weekend (Sunday at 2400 hours), but requires that the unit be removed from service, another NERC-defined outage classification, or Reserve Shutdown state before the next Planned Outage (PO). Characteristically, a maintenance outage can occur any time during the year, has a flexible start date, may or may not have a predetermined duration, and is usually much shorter than a PO. Maintenance Outages are considered Unplanned but Scheduled Outages.
- ⁸ *New York Independent System Operator (NYISO)* – A not-for-profit organization that operates New York State’s transmission system, administers the state’s wholesale electricity markets and engages in planning to ensure the future reliability of the statewide power system.
- ⁹ *Transmission reliability* – A measurement of the impact of forced and scheduled outages on the statewide system’s ability to transmit power.
- ¹⁰ *Forced Outages* – An outage that requires immediate removal of a unit from service. This outage is considered Unplanned and Unscheduled.
- ¹¹ *Scheduled Outages* – An outage is Scheduled if it was either submitted in advance (Planned) or can be delayed a few days (Maintenance).
- ¹² *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.
- ¹³ *Life Extension and Modernization programs*—Major undertakings in which all the turbines at the St. Lawrence-Franklin D. Roosevelt and Blenheim-Gilboa projects are being replaced and the generators and other components significantly refurbished. The programs are intended to ensure that the projects operate at maximum efficiency far into the future.

¹⁴ *Moses-Adirondack line – Two 230 kV circuits, MA1 and MA2, that connect the Robert Moses Power Dam at the St. Lawrence-FDR Power Project in Massena, NY, to the Adirondack substation in Lewis County.*

¹⁵ *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.*

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 *Facilities ratings methodology – NERC standard FAC-008-1, titled “Facilities Ratings Methodology”, ensures that Facility Ratings used in the reliable planning and operation of the Bulk Electric System are determined based on an established methodology or methodologies. The Transmission or Generator owner must document its methodology or methodologies for developing facility ratings according to NERC requirements, make these documents available to transmission operators and planners, reliability coordinators, and planning authorities, and respond to any written comments on the documents.*

¹⁸ *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.*

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 CO₂ emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO₂ Budget Trading Programs in each of the ten participating states. Regulated power plants can use a CO₂ 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 CO₂ emissions reduction program in the United States.*

²¹ *Leadership in Energy and Environmental Design (LEED) – A green building certification program administered by the US Green Building Council, an organization that promotes practices in building construction and redesign that contribute to human health, a clean environment and the efficient use of energy and water. LEED is a nationally-recognized system for rating buildings in the areas of energy efficiency, sustainable site development, water savings, materials and resources selection and indoor environmental quality. In January 2007, NYPA marked the White Plains building's designation as the first existing building in New York State to earn a LEED Gold rating, the second highest of four LEED categories.*

²² *Non-process water – Water used in facilities including sinks, showers, kitchens and toilets.*

c. Report of the Chief Financial Officer

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

Chairman Townsend said that he thought it might be useful for the Trustees to schedule a more detailed discussion of how the slippage in net revenue projections (due primarily to trends beyond the Authority's control, such as water levels and energy market prices) is affecting the Authority's commitments to the State and its plans for capital projects. President Kessel said that the Authority also needs to convey to the Legislature the limits of its ability to help the State with its budget deficit. Vice Chairman Foster said that he would like to discuss the Authority's capital budgeting projection for the next three to five years, as well as what steps the Authority can take to reduce its operating costs in view of the \$125 million projected budget shortfall. President Kessel said that Ms. Elizabeth McCarthy was preparing a presentation on these matters that would be presented to the Trustees in the near future. In response to a question from Trustee Eugene Nicandri, Ms. McCarthy said that water levels seem to have stabilized somewhat and that the level of volatility in market prices is within a manageable range. She said that staff is looking for ways to better manage this volatility. Responding to a question from Trustee Mark O'Luck, President Kessel said that he was interviewing a candidate for the Chief Risk Officer position on Thursday.

New York Power Authority

Report of the Chief Financial Officer

For the Five Months Ended May 31, 2010

**Report of the Chief Financial Officer
For the Five Months Ended May 31, 2010
Executive Summary**

Results of Operations

Net income for the five months ended May 31, 2010 was \$39.4 million which was \$30.3 million lower than budgeted. Results through May included lower net margins on sales (\$54.3 million) partially offset by lower O&M (\$12.7 million) and higher non-operating income (\$11.5 million). Net margins were lower at Niagara (\$46.5 million) and Blenheim-Gilboa (\$5.4 million) primarily due to lower volumes of market-based sales. Generation at Niagara was 8% lower than the forecast due primarily to lower than anticipated lake levels. In addition, at Niagara, average energy prices for sales into the market were approximately 20% lower than budgeted. Lower sales volumes at Blenheim-Gilboa were due to the limited price differential between peak and off-peak energy prices. O&M expenses were lower primarily due to timing differences related to the 500mw outage (budget assumed April, now scheduled for October) and non-recurring projects at St. Lawrence. Non-operating income included a positive variance (\$10.9 million) resulting from a mark-to-market gain on the Authority's investment portfolio due to a decrease in market interest rates as well as lower costs on variable rate debt.

Year-end Projection

Net income for 2010 is projected to be \$194 million, \$8 million below last month's forecast and \$114 million below the original budget of \$308 million. This month's update reflects a change in the duration of the Flynn outage (\$3 million), a reduction due to lower UCAP prices (\$2.4 million) and other miscellaneous items (\$3 million). While there was little change in the hydro generation projection this past month, the overall year-end results continue to be depressed by lower hydro generation and softer energy prices. The year-to-date precipitation in the Great Lakes area is only 60% of average, with the 2010 hydro generation forecast at 1.6 Twh below the official budget of 20.5 Twh. The estimated impact of this lower hydro generation is approximately \$68 million. Further exacerbating the drop in net income are lower energy prices (24% below official forecast) and lower capacity prices, resulting in reductions in net income of \$25 million and \$15 million, respectively. The current year-end projection also includes the continuation of the hydro rate freeze (\$7.5 million) and a \$7 million annual net income reduction as a result of the unplanned Flynn outage. Lower interest rates continue to mitigate somewhat the impact of lower generation and prices, with a resulting decrease in debt service expenses (\$7 million) and an increase in the mark-to-market valuation of the portfolio (\$7 million). In addition, the delay in spending related to the renewable energy program is reflected in this forecast (\$5 million).

Cash & Liquidity

The Authority ended the month of May with total operating funds of \$900 million as compared to \$907 million at the end of 2009. The decrease of \$7 million was primarily attributed to a \$119.5 million voluntary contribution to New York State and scheduled debt service payments, partially offset by positive net cash provided by Operating Activities and the Value Sharing payment of \$72 million received from Entergy on January 15th. 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 \$1.03 billion, an increase of \$123 million during the year, but approximately \$106 million below budgeted level.

Energy Risk

At May 31, 2010, the fair market value of outstanding energy derivatives was an unrealized loss of \$243 million for financial contracts extending through 2017. Year to date, financial energy derivative settlements resulted in a realized net loss of \$35 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.

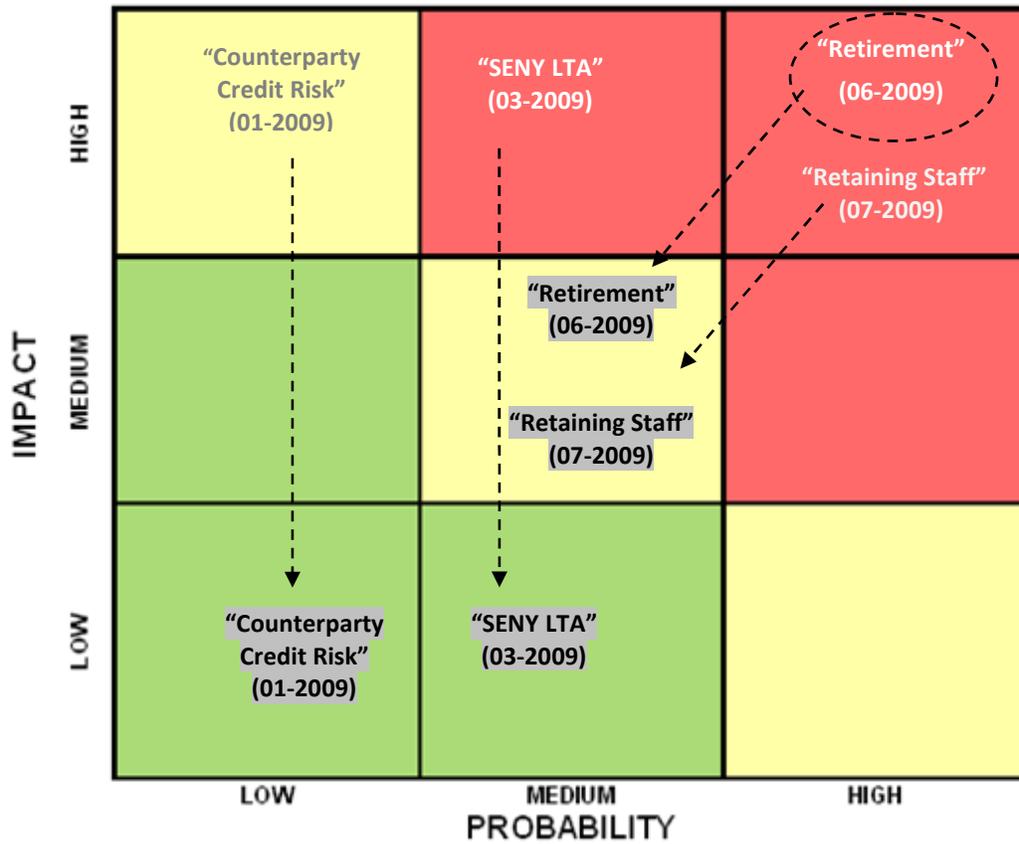
Enterprise Risk

On May 20, 2010, the Enterprise Risk Committee (ERC) approved a new risk response plan for “Staff Turnover due to Retirement” (06-2009). The risk response strategy is to continue to prepare the organization to identify and address leadership gaps via the succession planning process. Programs already instituted such as Knowledge Loss Risk Assessment (KLRA), knowledge transfer, recruitment strategy, and mentoring will better prepare employees to succeed vacated positions. The predominant actions that will achieve the desired future state include the following:

1. Create development plans based on successor readiness.
2. All Business Unit Leaders will be responsible for reporting on the progress of the completion of the development plans for all identified successors to the Executive Leadership Team on a Quarterly basis.
3. NYPA will establish a formal mentoring program.

The ERC has approved response plans for four of the top ten critical risks identified. As shown in the table below, these risk response plans project a reduction in the probability and potential impact of these critical risks. It is anticipated that the risk response plans for the six remaining critical risks will be completed, presented and approved by the ERC by September 30, 2010. The Enterprise Risk team continues to work with Risk Owners and Supporting Risk Owners to complete risk response plans in support of the Enterprise Risk program strategic milestones.

Figure 1: Critical Risk Assessment Matrix (Heat Map)

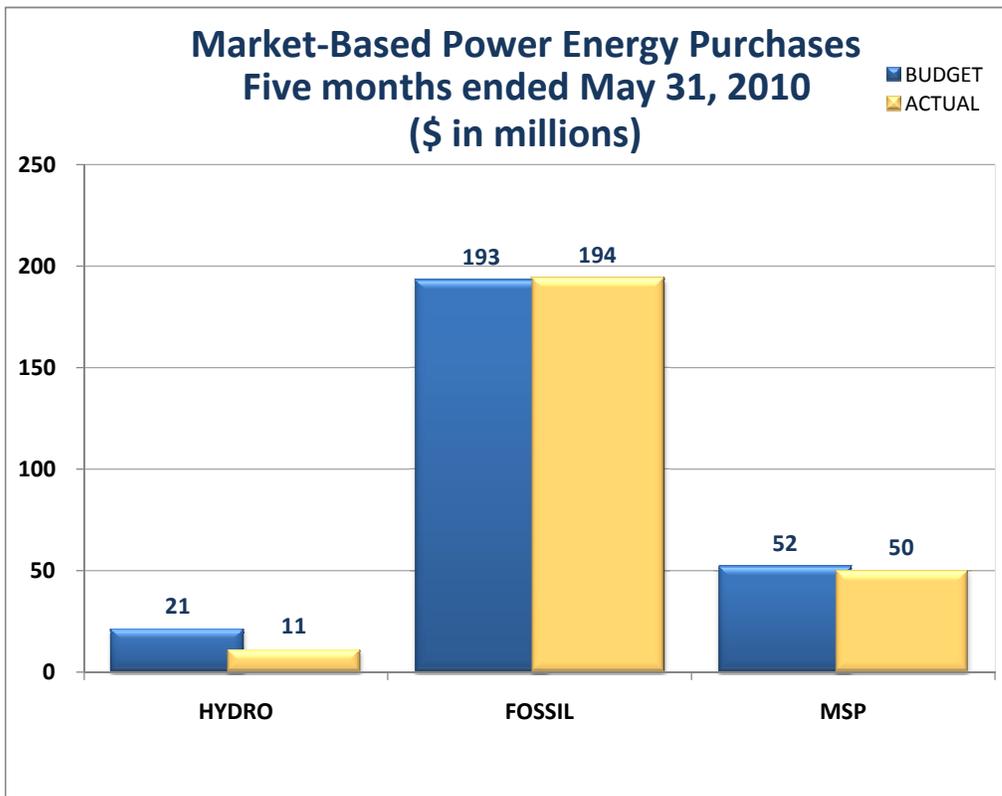
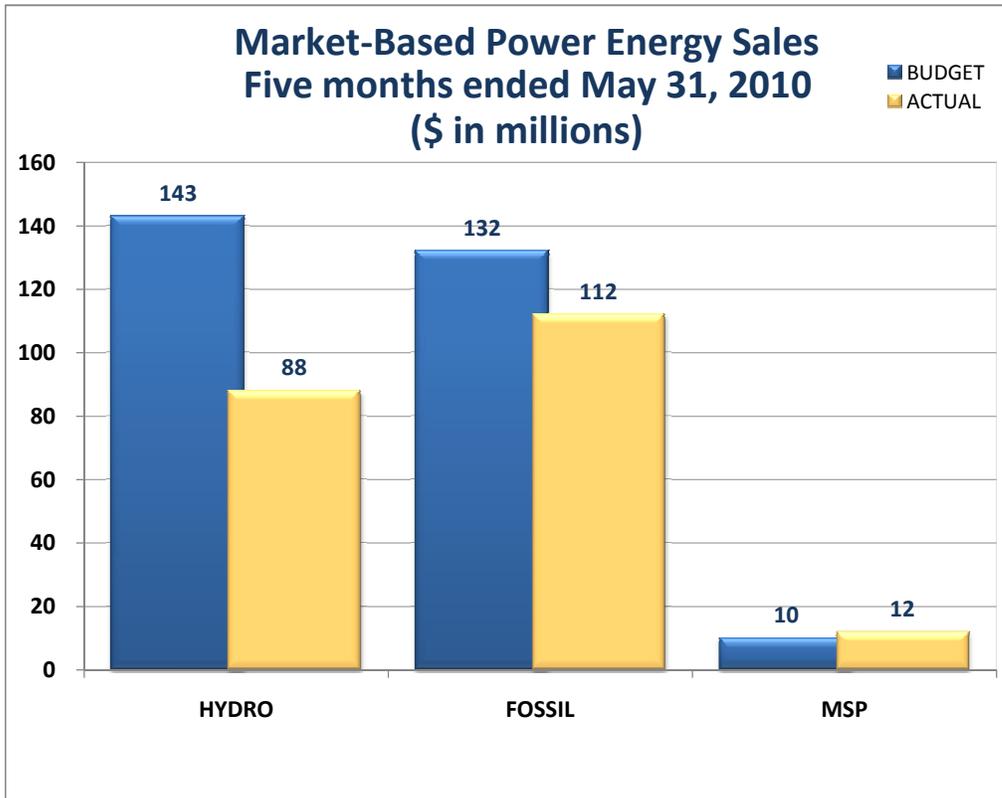


Net Income
Five Months ended May 31, 2010
(\$ in millions)

	Actual	Budget	Variance
Niagara	\$45.8	\$89.9	(\$44.1)
St. Lawrence	13.1	14.9	(1.8)
Blenheim-Gilboa	(0.5)	4.3	(4.8)
SENY	23.3	21.8	1.5
SCPP	1.0	0.5	0.5
Market Supply Power	(14.5)	(16.6)	2.1
Flynn	8.8	5.8	3.0
Transmission	14.2	12.2	2.0
Non-facility*	(51.8)	(63.1)	11.3
Total	\$39.4	\$69.7	(\$30.3)

* Includes a contribution of \$107 to NY State (Actual & Budget).

<u>Major Factors</u>	<u>Better (Worse)</u>
<p><u>Niagara</u> Lower net margins on sales (\$46.5) primarily due to lower volumes available resulting from lower generation (8%). In addition, average energy prices for sales into the market were approximately 20% lower than budgeted (\$37/mwh actual vs. \$46/mwh budgeted).</p>	(\$44.1)
<p><u>St. Lawrence</u> Lower net margins on sales (\$5.5) resulting from lower prices for sales into the market partially offset by lower O&M due to timing differences in non-recurring projects.</p>	(1.8)
<p><u>Blenheim-Gilboa</u> Lower net revenues as a result of lower volumes due to the limited price differential between peak and off-peak energy prices.</p>	(4.8)
<p><u>Flynn</u> Higher net margin on sales primarily due to lower than anticipated fuel costs as a result of lower prices on natural gas and fuel mix. (Note: On May 7th the Flynn plant was taken out of service for unscheduled maintenance and is not expected to be back in service until mid-August).</p>	3.0
<p><u>Transmission</u> Includes lower O&M due to timing differences in recurring maintenance.</p>	2.0
<p><u>Other facilities</u> Higher net income at SENY (lower O&M due to a timing difference related to 500 MW outage) and MSP (lower purchased power costs due to lower prices).</p>	4.1
<p><u>Non-facility (including investment income)</u> Primarily positive variance related to a mark-to-market gain (\$10.9) on Authority's investment portfolio due to a decrease in market interest rates.</p>	11.3
Total	(\$30.3)



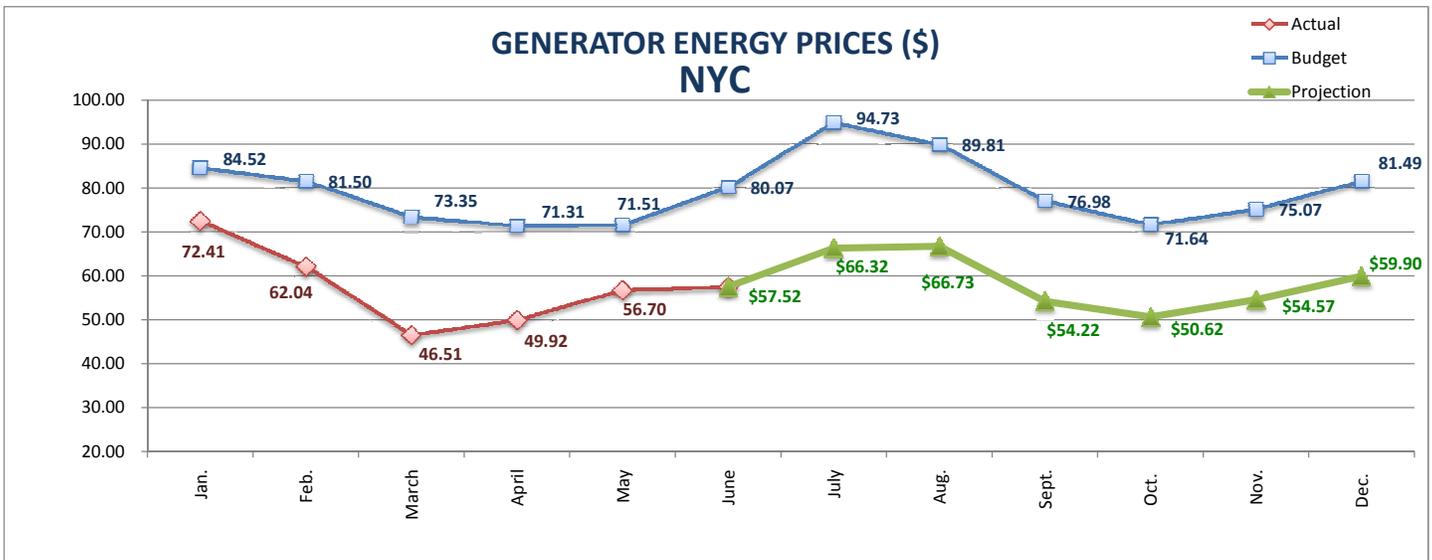
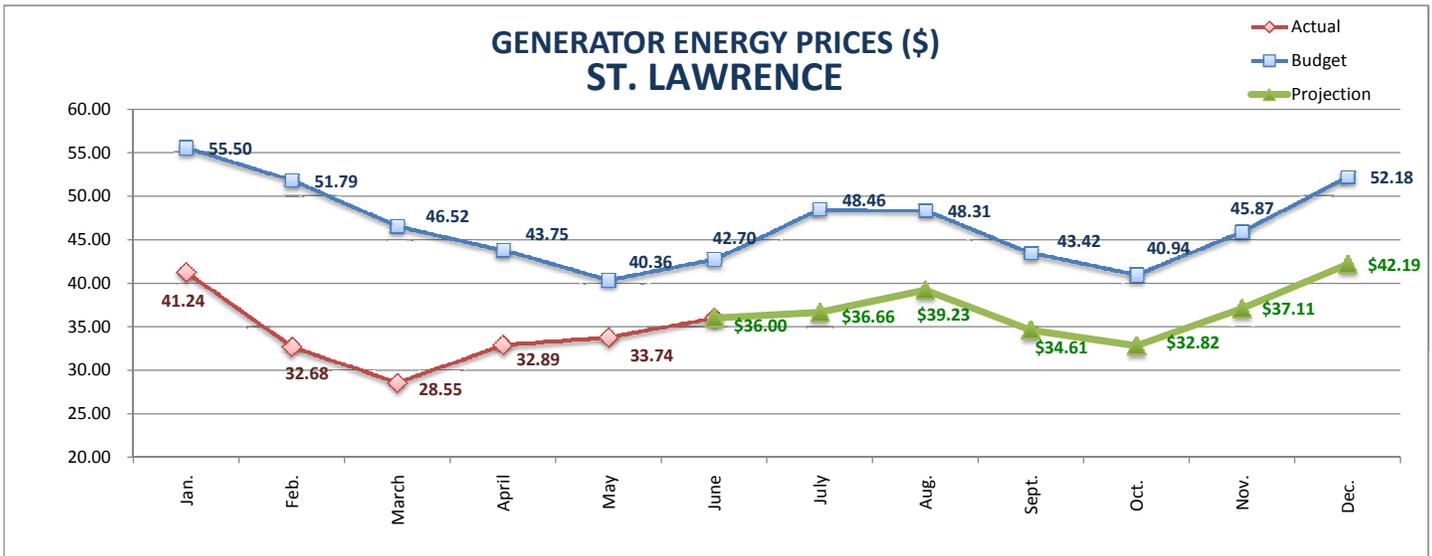
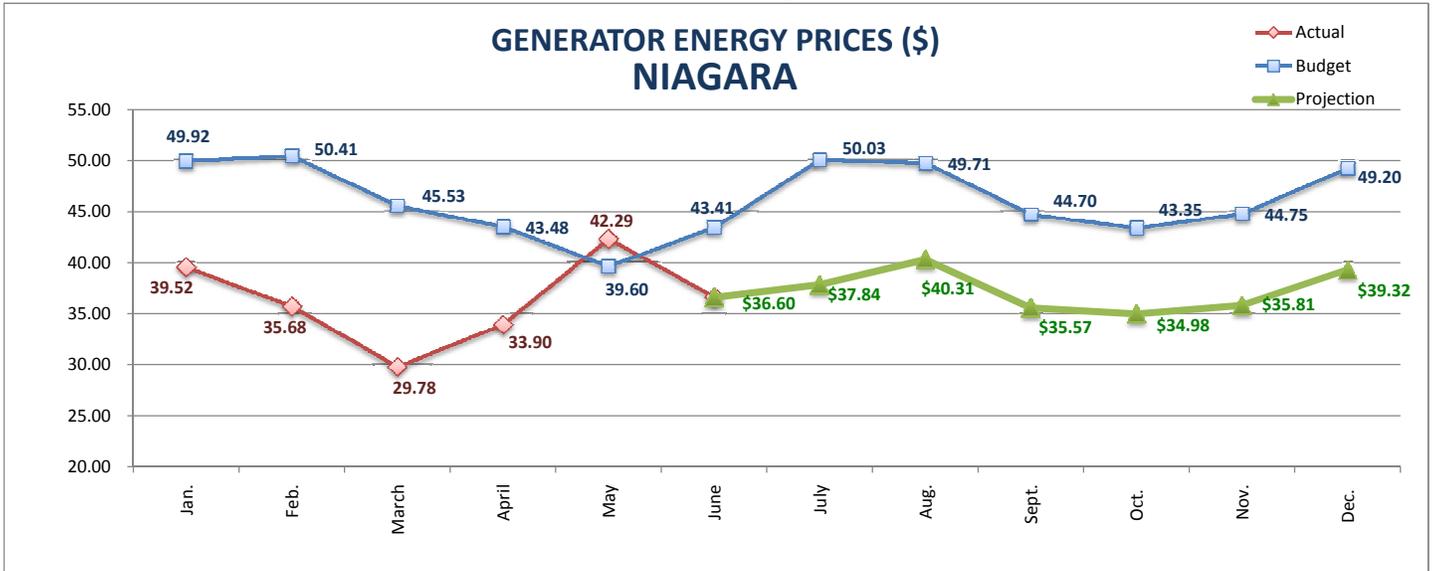
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	2,588,550	1,930,104
Fossil	1,465,599	1,526,233
MSP	238,756	319,525
TOTAL	4,292,905	3,775,862
PRICES (\$/MWH)		
Hydro*	\$55.42	\$45.51
Fossil	\$89.40	\$73.52
MSP	\$42.75	\$38.13
AVERAGE	\$66.63	\$56.21

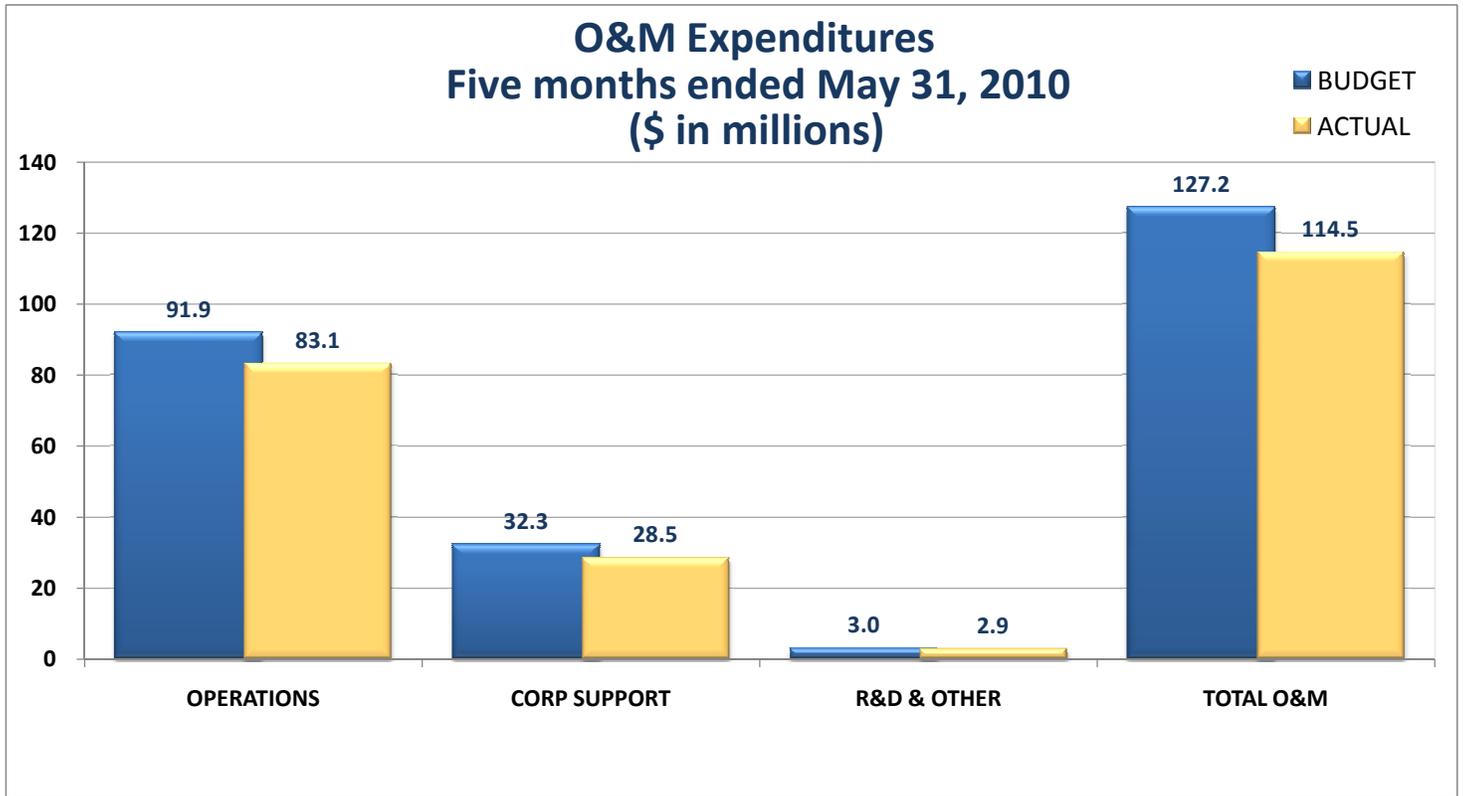
* Includes Niagara, St. Lawrence, B-G, and Small Hydro.

REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,321,361	882,014
St. Law.	882,050	882,587
PRICES (\$/MWH)		
Niagara	\$46.05	\$36.74
St. Law.	\$43.79	\$34.44

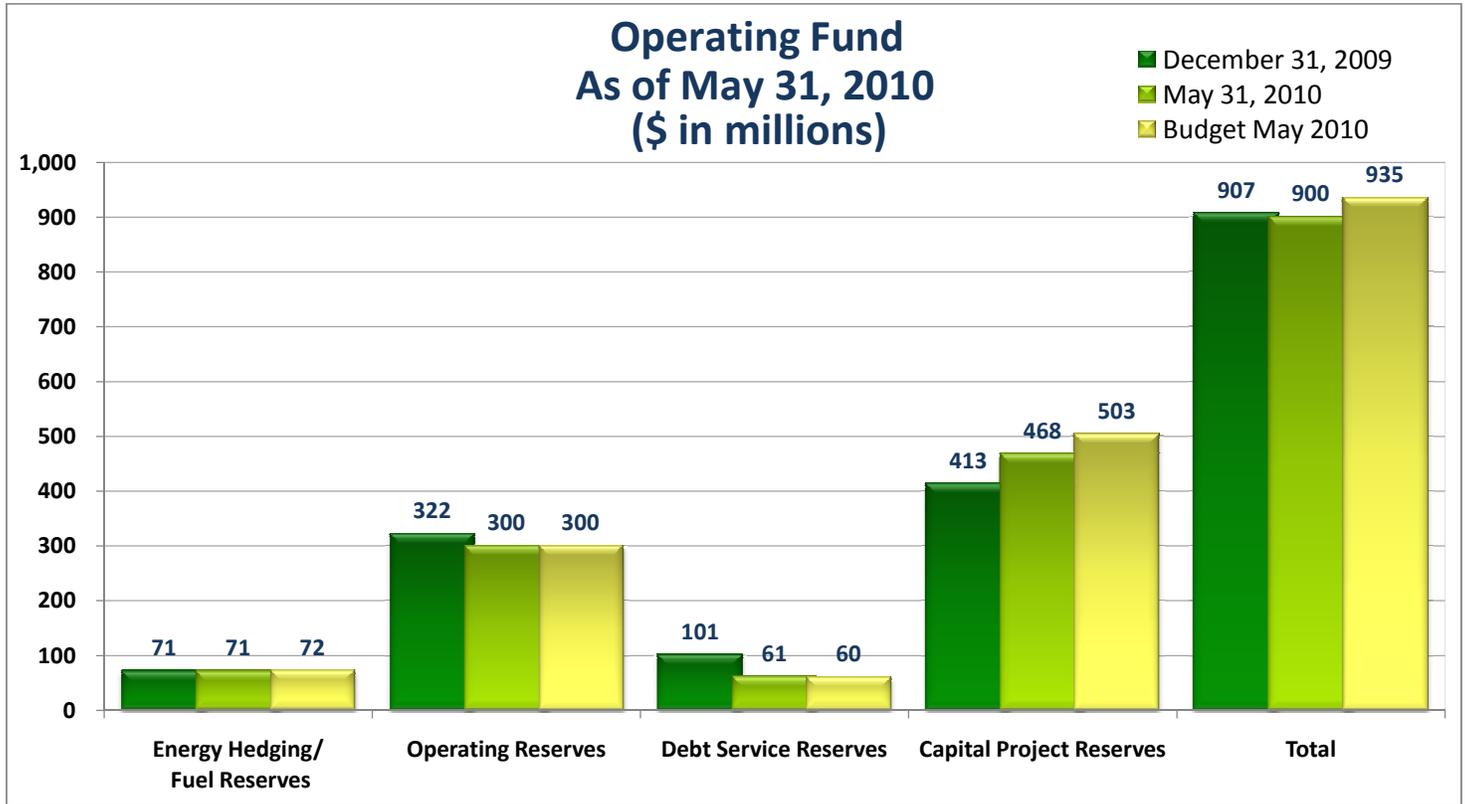
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	666,586	459,836
SENY	3,652,200	3,806,516
MSP	1,187,709	1,227,315
TOTAL	5,506,495	5,493,667
COSTS (\$/MWH)		
Hydro	\$31.43	\$24.58
SENY	\$52.75	\$50.96
MSP	\$44.13	\$40.33
AVERAGE	\$48.31	\$46.38

RESULTS OF OPERATIONS
Energy Prices
Actual vs Budget

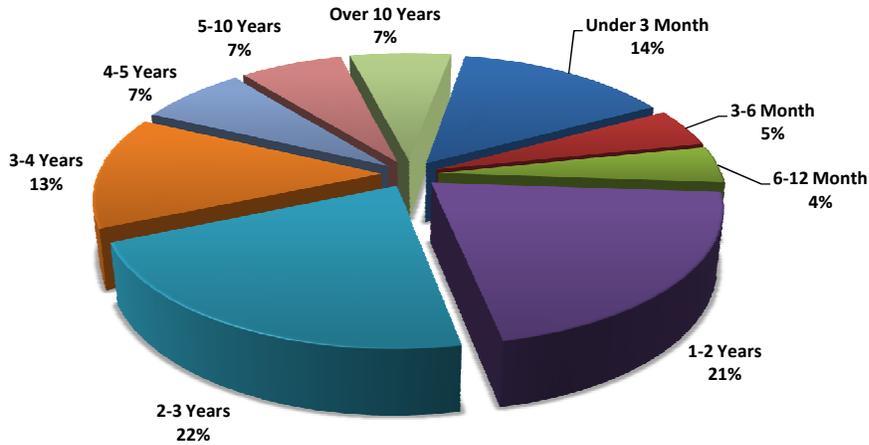




- Through May, O&M expenses were \$12.7 lower than the budget.
- Operations expenditures were \$8.8 lower than budgeted due primarily to timing for contractor services for the 500 MW unit. In addition, through May, there were lower than expected expenditures for non-recurring work at St. Lawrence and recurring maintenance at Flynn and the Transmission facilities.
- Corporate Support expenses were under budget by \$3.8 due mostly to under spending for fuel cell maintenance, legal consultants, timing for telecommunication equipment and computer software, and payroll due to unfilled vacancies, as well as higher than anticipated rental income.

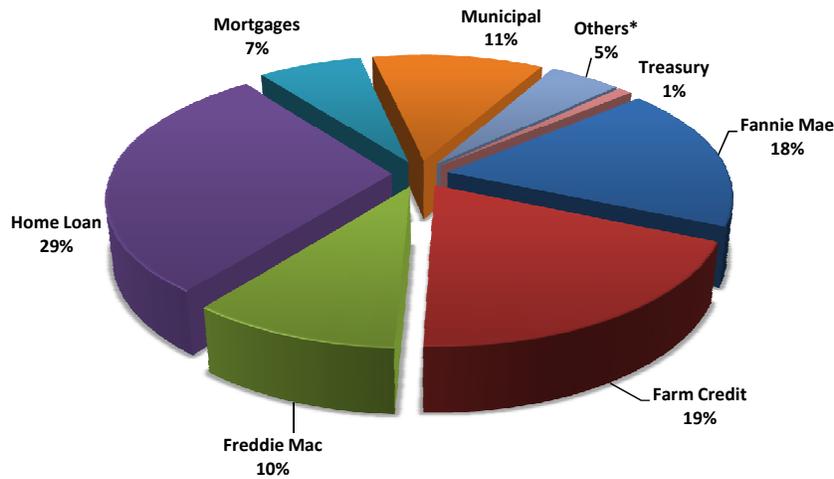


The year-to-date decrease of \$7 in the Operating Fund (from \$907 to \$900) was primarily attributable to a \$119.5 voluntary contribution to New York State and scheduled debt service payments, partially offset by positive net cash provided by Operating Activities and the Value Sharing payment of \$72 received from Entergy in January. The variance from budget is a result of lower net income for the period.

**Maturity Distribution
As of May 31, 2010**

MATURITY DISTRIBUTION

(\$ in millions)

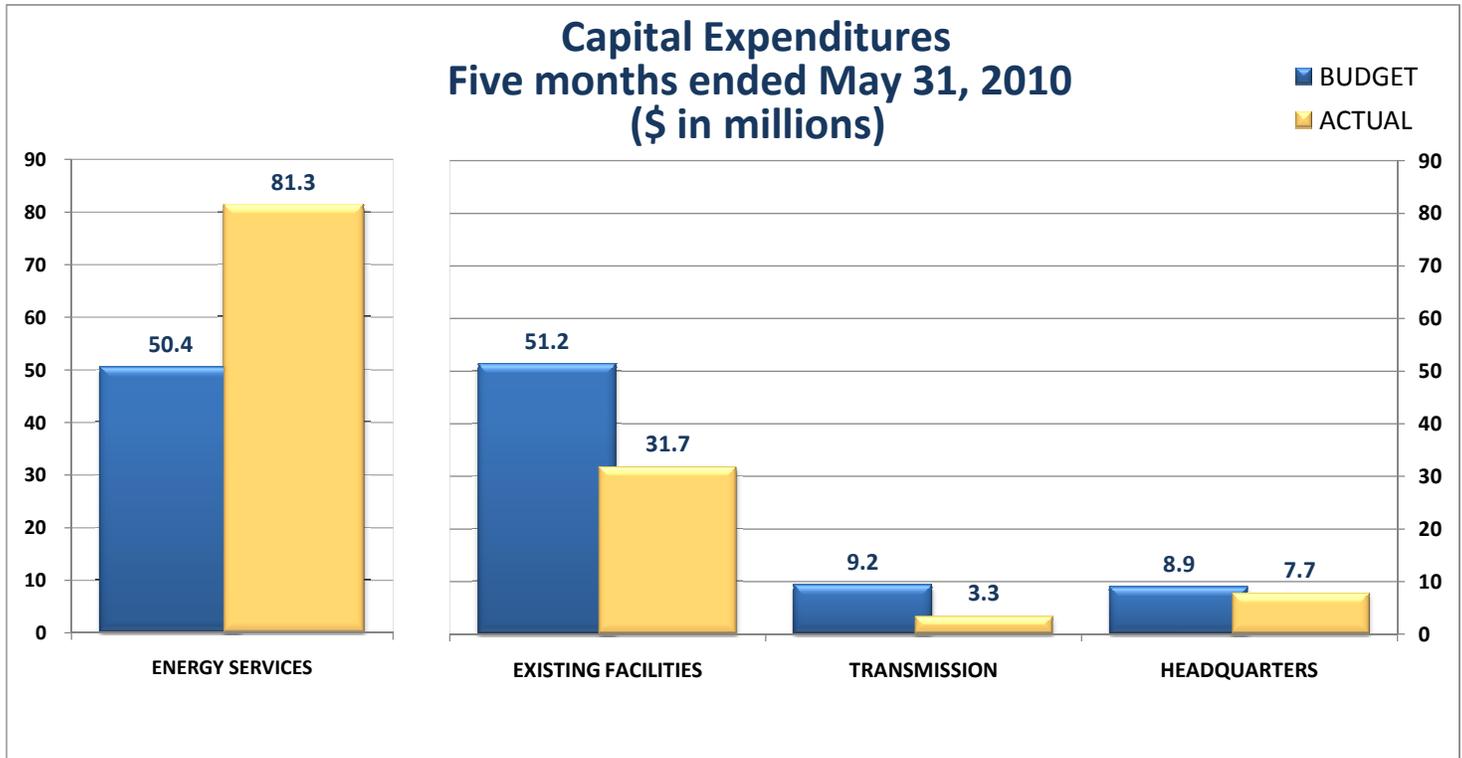
Under 3 Months	\$154.3
3-6 Months	49.9
6-12 Months	47.4
1-2 Years	224.4
2-3 Years	234.2
3-4 Years	145.7
4-5 Years	77.0
5-10 Years	73.8
Over 10 Yrs	72.6
Total	\$1,079.4

**Asset Allocation
As of May 31, 2010**

ASSET ALLOCATION

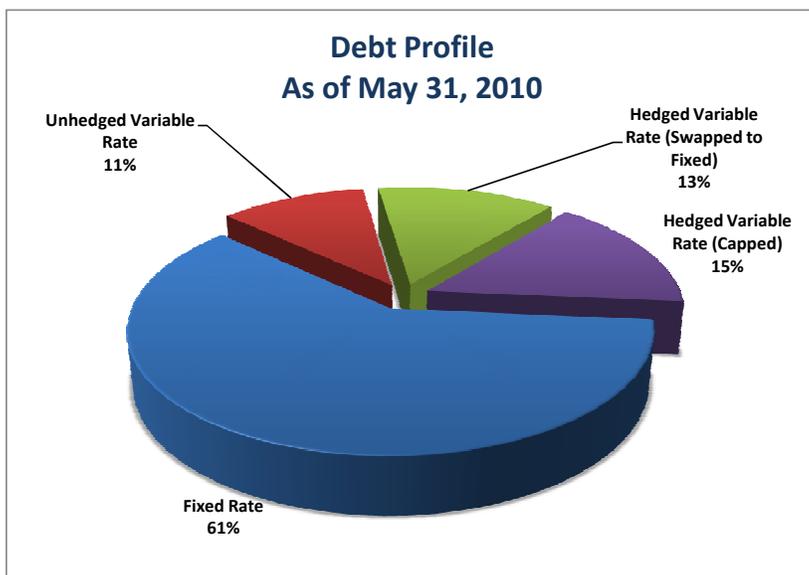
(\$ in millions)

Fannie Mae	\$189.9
Farm Credit	207.1
Freddie Mac	107.4
Home Loan	313.6
Mortgages	74.9
Municipal	124.1
Others*	52.4
Treasury	10.0
Total	\$1,079.4

*Includes CDs and Repos



- Energy Services expenditures exceeded the budget by \$30.9 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 B-G and St. Lawrence life extension and modernization projects.
- Transmission was under budget due to timing differences related to the Niagara 115 kv OCB upgrade project.
- Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of \$15.9 for the year to date. There were no new expenditures authorized in May.



DEBT PROFILE	
(\$ in millions)	
Fixed Rate	\$1,173.4
Unhedged Variable Rate	\$209.9
Hedged Variable Rate (Swapped to Fixed)	\$257.1
Hedged Variable Rate (Capped)	\$300.0
Total	\$1,940.4

ENERGY DERIVATIVES

Results

Year-to-date financial energy derivative settlements resulted in a net loss of \$35.24 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 is subject to virtually full cost recovery, whereby the resulting hedge settlements are 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	\$ (35.19)	\$ (50.98)	\$ (64.32)	\$ (127.78)	\$ (243.08)
Total	\$ (35.24)	\$ (50.98)	\$ (64.32)	\$ (127.78)	\$ (243.08)

¹ Based on Updated Final Settlements for April & Preliminary Settlement Figures through May 2010.

At the end of May, the fair market value of outstanding positions was valued at an unrealized loss of \$243.08 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of futures contracts for the balance of 2010 (June to December 2010) and how they have traded since 2009, while Exhibit 2 illustrates the average price of futures contracts for 2011. Cooler temperatures experienced during the middle of May, together with forecasts calling for an active hurricane season, pushed energy prices higher, but the market rally was tempered as milder weather prevailed towards the end of the month.

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

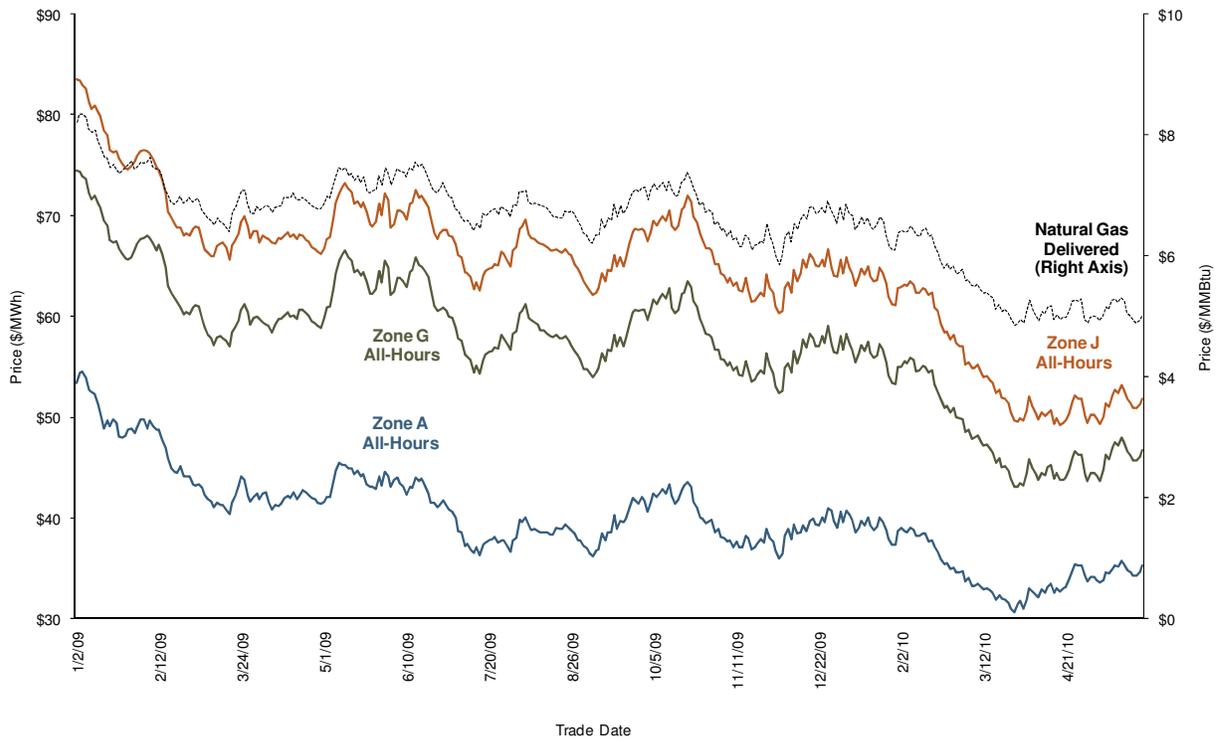
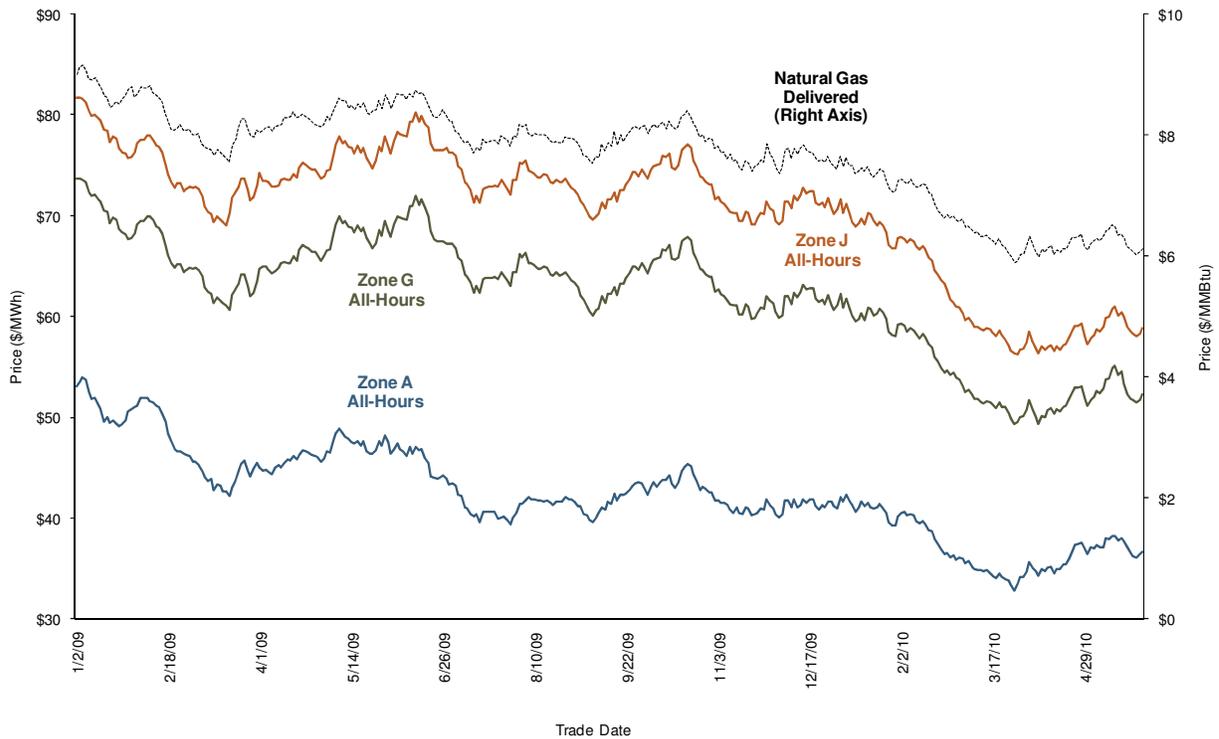


Exhibit 2: Average January to December 2011 Forward Price as Traded



STATEMENT OF NET INCOME
For the Five Months Ended May 31, 2010
(\$ in Millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
\$2,052.0	Customer	\$767.4	\$807.9	(\$40.5)
601.8	Market-based power sales	157.4	219.2	(61.8)
54.4	Ancillary services	15.4	25.6	(10.2)
102.9	NTAC and other	48.0	42.9	5.1
759.1	Total	220.8	287.7	(66.9)
2,811.1	Total Operating Revenues	988.2	1,095.6	(107.4)
	Operating Expenses			
864.8	Purchased power	324.1	330.9	6.8
340.8	Fuel consumed - oil & gas	100.1	140.9	40.8
91.0	Ancillary services	28.1	37.0	8.9
519.9	Wheeling	181.1	177.7	(3.4)
312.3	Operations and maintenance	114.5	127.2	12.7
160.3	Depreciation and amortization	69.0	66.8	(2.2)
141.7	Other expenses	56.1	58.2	2.1
(10.8)	Allocation to capital	(3.8)	(3.9)	(.1)
2,420.0	Total Operating Expenses	869.2	934.8	65.6
391.10	Net Operating Income	119.0	160.8	(41.8)
	Nonoperating Revenues			
88.9	Post nuclear sale income	43.1	43.1	-
53.1	Investment income	17.2	22.0	(4.8)
(5.8)	Mark to market - investments	8.4	(2.4)	10.8
136.2	Total Nonoperating Revenues	68.7	62.7	6.0
	Nonoperating Expenses			
107.0	Contributions to New York State	107.0	107.0	-
112.3	Interest and other expenses	41.3	46.8	5.5
219.3	Total Nonoperating Expenses	148.3	153.8	5.5
(83.1)	Net Nonoperating Income (Loss)	(79.6)	(91.1)	11.5
\$308.0	Net Income	\$39.4	\$69.7	(\$30.3)

**COMPARATIVE BALANCE SHEETS
May 31, 2010**

		May 2010	May 2009	December 2009
Assets				
Current Assets				
	Cash	\$0.1	\$0.1	\$0.1
	Investments in government securities	919.8	762.9	913.4
	Interest receivable on investments	5.3	5.2	5.8
	Accounts receivable - customers	214.0	248.5	158.7
	Materials and supplies, at average cost:			
	Plant and general	85.0	82.3	82.3
	Fuel	17.6	30.0	21.7
	Prepayments and other	120.6	297.7	124.4
	Total Current Assets	1,362.4	1,426.7	\$1,306.4
Noncurrent Assets				
	Restricted Funds			
	Investment in decommissioning trust fund	959.4	818.4	942.4
	Other	93.3	100.4	94.1
	Total Restricted Funds	1,052.7	918.8	1,036.5
	Capital Funds			
	Investment in securities and cash	180.2	219.2	189.2
	Total Capital Funds	180.2	219.2	189.2
	Net Utility Plant			
	Electric plant in service, less accumulated depreciation	3,290.6	3,347.8	3,347.8
	Construction work in progress	174.8	147.3	144.8
	Net Utility Plant	3,465.4	3,495.1	3,492.6
	Other Noncurrent Assets			
	Receivable - NY State	318.0	215.0	318.0
	Deferred charges, long-term receivables and other	673.7	430.9	545.6
	Notes receivable - nuclear plant sale	141.2	153.7	170.1
	Total other noncurrent assets	1,132.9	799.6	1,033.7
	Total Noncurrent Assets	5,831.2	5,432.7	5,752.0
	Total Assets	\$7,193.6	\$6,859.4	\$7,058.4
Liabilities and Net Assets				
Current Liabilities				
	Accounts payable and accrued liabilities	\$826.3	\$925.3	\$776.5
	Short-term debt	294.7	273.1	289.2
	Total Current Liabilities	1,121.0	1,198.4	1,065.7
Noncurrent Liabilities				
	Long-term Debt			
	Revenue bonds	1,191.8	1,231.8	1,192.7
	Adjustable rate tender notes	130.5	137.5	137.5
	Commercial paper	341.8	421.3	413.3
	Total Long-term Debt	1,664.1	1,790.6	1,743.5
	Other Noncurrent Liabilities			
	Nuclear plant decommissioning	959.4	818.4	942.4
	Disposal of spent nuclear fuel	215.9	215.6	215.8
	Deferred revenues and other	373.4	209.3	270.5
	Total Other Noncurrent Liabilities	1,548.7	1,243.3	1,428.7
	Total Noncurrent Liabilities	3,212.8	3,033.9	3,172.2
	Total Liabilities	4,333.8	4,232.3	4,237.9
Net Assets				
	Accumulated Net Revenues - January 1	2,820.4	2,566.8	2,566.9
	Net Income	39.4	60.3	253.6
	Total Net Assets	2,859.8	2,627.1	2,820.5
	Total Liabilities and Net Assets	\$7,193.6	\$6,859.4	\$7,058.4

SUMMARY OF OPERATING FUND CASH FLOWS
For the Five Months Ended May 31, 2010
(\$ in millions)

Operating Fund	
Opening	\$906.8
Closing	899.9
	<hr/>
Increase/(Decrease)	(6.9)
 Cash Generated	
Net Operating Income	119.0
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	69.0
Net Change in Receivables, Payables & Inventory	(39.4)
Other	(2.4)
 Net Cash Generated from Operations	 146.2
 (Uses)/Sources	
Utility Plant Additions	(31.3)
Debt Service	
Commercial Paper 2	(67.6)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(5.4)
ART Notes	(7.3)
Investment Income	10.9
Energy Value Sharing Agreement	72.0
Voluntary Contribution to NY State	(119.5)
Other	(4.9)
	<hr/>
Total (Uses)/Sources	(153.1)
 Net Decrease in Operating Fund	 (6.9)

3. Niagara Power Project – Robert Moses Power Plant – Intake Deck Hatch and Concrete Repair – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a multiyear contract to Scrufari Construction of Niagara Falls, New York, in the amount of \$1,615,050 for the repair of the concrete intake deck and hatch covers at the Robert Moses Niagara Power Project (‘RMNPP’).

BACKGROUND

“In accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services contracts exceeding a one-year term require Trustees’ approval.

“The intake deck is located on top of the RMNPP, east of the New York State Route 104 roadway bridge. The intake deck, which is 1,120 feet long and 50 feet wide, comprises 13 intakes and 2 abutments. There are two bays per intake and each bay has a removable concrete hatch. The concrete hatch allows maintenance access to the hoist machinery gallery below the intake deck. The deck hatches are leaking above critical head gate hoists, voltage regulators and unit control boards. If any of these systems were to fail as a result of exposure to moisture, generation output would be limited. An inspection/survey of the concrete condition of the entire intake deck completed in August 2006 indicated that the following work needs to be performed:

- Replacement of concrete hatch seal strips.
- Blast cleaning/repainting of hatch steel frames.
- Repair of delaminated concrete (on deck’s underside and topside).
- Cleaning/repair of drainage system as necessary.

“The first phase of a five-year repair program, which included the repair of the underside of eight bays and associated hatches with the most active water leaks, was successfully completed in 2009.

DISCUSSION

“The Authority issued an advertisement in the New York State *Contract Reporter* and bid packages were available as of March 9, 2010. A total of 55 potential bidders downloaded the bid documents and 9 potential bidders attended a prebid meeting and site tour at the site on March 16, 2010. The following three proposals were received on April 7, 2010:

<u>Bidder</u>	<u>Location</u>	<u>Lump Sum</u>
Scrufari Construction	Niagara Falls, NY	\$1,615,050
Gerace Construction	Midland, MI	\$1,650,420
BVR Construction	Rochester, NY	\$1,835,040

“The three bid proposals were reviewed by an evaluation committee comprising staff from Engineering, Procurement and Project Management. Following an extensive review process, the committee recommends award of this contract to Scrufari Construction, which submitted the lowest-cost technically acceptable bid.

“Scrufari Construction has demonstrated knowledge of the scope of work and is capable of completing the project in a timely manner. Scrufari Construction has also performed successfully on other Authority projects and has demonstrated its ability to adhere to schedule and budget.

“Funding in the amount of \$450,000 has been included in the 2010 approved O&M Budget. Future-year funding will be included in the O&M Budget requests for those years.

FISCAL INFORMATION

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

RECOMMENDATION

“The Senior Vice President – Power Supply Support Services, the Vice President – Procurement, the Vice President – Engineering, the Vice President of Project Management and the Regional Manager – Western New York recommend that the Trustees approve award of a multiyear contract to Scrufari Construction of Niagara Falls, New York for \$1,615,050 for the concrete repair of the intake deck and hatch covers at the Robert Moses Niagara Power Project.

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

Mr. John Canale presented the highlights of staff’s recommendation to the Trustees. Chairman

Townsend said that he was gratified to see that a local company had been awarded the contract for this project.

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, approval is hereby granted to award a multiyear contract to Scrufari Construction of Niagara Falls, New York for \$1,615,050 for the repair of the concrete intake deck and hatch covers at the Robert Moses Niagara Power Project, as recommended in the foregoing report of the President and Chief Executive Officer;

<u>Contractor</u>	<u>Contract Approval</u>
Scrufari Construction	<u>\$ 1,615,050</u>

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.

4. Niagara Power Project – Robert Moses Power Plant – Intake Gates and Draft Tube Gates Refurbishment – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a multiyear contract to Hohl Industrial Services, Inc. (‘Hohl’) of Tonawanda, New York, in the amount of \$18.7 million for the refurbishment of 27 intake gates and six draft tube gates at the Robert Moses Power Plant (‘RMNPP’) at the Niagara Power Project.

BACKGROUND

“In accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services contracts in excess of \$3 million and contracts exceeding a one-year term require Trustees approval.

“Each of the 13 turbines at the RMNPP is supplied by a 24-foot-diameter penstock. At the head of the dam, the inlet to each penstock can be isolated by a pair of identical intake gates, which total 26 plus one spare. These gates are also used as part of the unit emergency shutdown system, which is designed to prevent unit runaway. At the tail race of the dam, the discharge of each turbine can be isolated by three draft tube gates (also referred to as lower stop logs), six of which need repair.

“The steel structural members and skin plates of these gates are protected from corrosion by an applied coating system. After approximately 50 years of operation, the coating system has failed and the gates are exhibiting signs of significant corrosion and deterioration. In addition, the deterioration of the rubber seals on these gates has made it increasingly difficult to obtain an adequate seal, which is critical to the safety of taking the unit out of service for maintenance. These gates have been in service since the commissioning of the Niagara Power Project. Since that time, minor repairs and replacement of the rubber seals have been performed on some of the gates, but a complete refurbishment has never been performed.

“This contract includes replacing the rubber seals, reconditioning the grease delivery system to the wheels, refurbishing the gate structural and skin plate components and recoating each gate to ensure proper functionality and extend their useful life. The intake gate refurbishment program will be performed sequentially, with one gate being refurbished in 2010 and two gates completed each year following; the project will be completed in 2023 (27 intake gates in total). Three of the existing draft tube gates will be refurbished in 2013 and the other three will be refurbished in 2014.

DISCUSSION

“The Authority issued an advertisement to procure bids in the New York State *Contract Reporter* and bid packages were available as of November 30, 2009. The bid documents were downloaded by 31 potential bidders and 14 potential bidders participated in a site visit on December 10, 2009. The following seven proposals were received on January 28, 2010:

<u>Bidder</u>	<u>Location</u>	<u>Lump Sum</u>
Hohl Industrial Services, Inc. (‘Hohl’)	Tonawanda, NY	\$14,075,022
Apollo Steel Corp.	Niagara Falls, NY	\$14,472,549
Spensieri Diversified, LLC	Syracuse, NY	\$19,605,375
Gerace Construction Co., Inc.	Midland, MI	\$20,214,708

<u>Bidder</u>	<u>Location</u>	<u>Lump Sum</u>
White Marine, Inc.	Perth Amboy, NJ	\$31,042,786
Sentry Metal Services	Niagara Falls, NY	\$32,573,712
Phoenix Construction & Development	Corfu, NY	Non-responsive

“The seven proposals were reviewed by an evaluation committee comprising staff from Engineering, Procurement and Project Management. Following an extensive review process, the committee recommends award of this contract to Hohl, which submitted the lowest-cost technically acceptable bid.

“Hohl has demonstrated knowledge of the scope of work and is capable of completing the project in a timely manner. Hohl has also performed successfully on other Authority projects and has demonstrated its ability to adhere to schedule and budget.

“Upon award, the Authority will exercise alternate material options that will result in a reduction in the overall cost and a revised contract amount of \$13,345,890. An additional \$5.3 million above the revised bid amount is requested to allow for escalation in labor and materials based on indices reported by the U. S. Department of Labor Rates over the term of the contract, for a total contract award amount of \$18.7 million.

“Funding in the amount of \$600,000 has been included in the 2010 approved O&M Budget. Future-year funding will be included in the O&M Budget requests for those years.

FISCAL INFORMATION

“Payment associated with this project will be made from the Authority’s O&M Budget.

RECOMMENDATION

“The Senior Vice President – Power Supply Support Services, the Vice President – Procurement, the Vice President – Engineering, the Vice President of Project Management and the Regional Manager – Western New York recommend that the Trustees approve award of a multiyear contract to Hohl Industrial Services, Inc. of Tonawanda, New York for \$18.7 million to refurbish 27 intake gates and six draft tube gates at the Robert Moses Niagara Power Project.

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

Mr. Canale presented the highlights of staff’s recommendation to the Trustees. In response to a question from Trustee Curley, Mr. Canale said that this project was classified as an operation and maintenance project because it involved repair and maintenance, while the Lewiston Pump Generating Plant Life Extension and Modernization Program was considered a capital project because it involved the complete replacement of components and systems. President Kessel said that this project had also been awarded to a Western New York company in keeping with the Authority’s commitment to help Western New York.

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, approval is hereby granted to award a multiyear contract to Hohl Industrial Services, Inc. of Tonawanda, New York in the amount of \$18.7 million for refurbishment of 27 head gates and six draft gates at the Robert Moses Niagara Power Project, as recommended in the foregoing report of the President and Chief Executive Officer;

<u>Contractor</u>	<u>Contract Approval</u>
Hohl Industrial Services, Inc.	<u>\$18.7 million</u>

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.

5. Niagara Power Project – Lewiston Pump Generating Plant Life Extension and Modernization Program – Approval and Expenditure Authorization and Pump Turbine – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a Life Extension and Modernization (‘LEM’) program for the estimated cost of \$460 million to renovate and modernize the Lewiston Pump Generating Plant (‘LPGP’). The modernization will enhance plant performance in the New York Independent System Operator (‘NYISO’) market, and maintain a reliable and competitive power production facility.

“The Trustees are further requested to authorize capital expenditures of \$131 million to initiate engineering, procurement, construction and delivery of long-lead-time components and to approve an award of a 10-year contract to Hitachi Power Systems America, Ltd. (‘Hitachi’), Basking Ridge, NJ, in the amount of \$174 million (including \$20 million in selected options and \$39 million in escalation) to replace 12 pump turbine runners, which includes model development, testing, manufacturing and overhaul of 12 turbines. At this time, Hitachi will only be authorized to proceed with the first six pump turbines at a value of \$76 million. The subsequent release of the next six pump turbines will be subject to Trustee approval.

“Additionally, the Trustees are requested to issue a Declaration of Intent expressing the Authority’s intent to reimburse, to the maximum extent permitted under Internal Revenue Service regulations, such expenditures with future tax-exempt bond or note issuances.

BACKGROUND

“In accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services contracts in excess of \$3 million and contracts exceeding a one-year term require Trustees approval.

“Power Generation staff conducted an analysis of LPGP which entered service in 1961 and concluded that a Life Extension and Modernization Program (‘Program’), including the replacement of the 12 pump turbines with a modern design, should be undertaken.

“The objective of the Program is to replace and/or rehabilitate aging generation equipment, most of which dates to 1961. A secondary objective is to increase pump and turbine efficiency, increase pump flows, increase turbine output, and increase the smooth operating range of the pump turbines. Together, these improvements to the pump turbine design would allow for improved operating efficiency, increases in the amount of production re-timed to peak demand periods, and an increase in the peaking capacity of the overall Niagara Power Project.

“Work on the first unit to undergo an overhaul under this Program would begin in the winter of 2012 and be completed in approximately eight to nine months; units 2 through 12 will be completed in approximately seven to eight months each, with the 12th and final unit being completed in the winter of 2020.

“The modest increase in plant capacity as a result of the new pump turbines also requires the Authority to file an application with the Federal Energy Regulatory Commission (‘FERC’) for a non-capacity amendment. Licensing staff foresees no issues that will prevent the issuance of the amendment.

“The Program schedule calls for the award of a contract to the recommended bidder in July 2010 for the design, fabrication and installation of 12 pump turbine runners, along with ancillary equipment and the rehabilitation of components not being replaced. The release of additional construction funds for other Program contracts such as, but not limited to, generator, excitation, controls, air, water, fire protection and ventilation systems will be requested at a later time. The current funding request will be for the work associated with the first six pump turbines, generator

step up transformers procurement and transformer transfer car. Funding for the next six units will be requested later in the Program, as will future contract awards and anticipated escalation costs for material, labor and currency.

DISCUSSION

Turbine Replacement

“A request for proposals (‘RFP’) was issued on December 28, 2009 describing the scope of design, testing, fabrication, unit disassembly, field machining, component rehabilitation and unit reassembly for the new pump turbine runners and associated equipment. Bids were solicited prior to request for approval of the program so that guaranteed performance could replace performance estimates and firm pricing could be established. The RFP limited the replacement runner to the existing seven-blade design due to concerns of introducing vibrations into the machines, but allowed considerable latitude in the modification of embedded components. The RFP also required the replacement of all turbine head covers and wicket gates, which have shown signs of fatigue damage, which is expected at this age.

“On April 29, 2010, proposals were received from six bidders in response to public advertisement. The six bids received are summarized below:

Description	Hitachi	Voith	American Hydro	Alstom (Note 1)	Andritz	Toshiba
Total Price for Equipment and Services (without escalation or options)	\$115,075,000	\$154,166,610	\$148,494,800	\$165,701,521	\$165,181,161	\$243,425,109
Incremental Performance Value (per specification formula) – Note 2	\$15,834,500	\$36,504,911	\$5,904,036	\$22,628,643	\$7,420,000	-\$4,504,000
Schedule Evaluation (per specification parameters) – Note 3	\$0	\$3,650,000	\$0	\$0	\$0	\$0
Net Evaluated Price (without escalation) – Note 4	\$104,240,500 (Note 5)	\$114,011,699	\$142,590,764	\$143,072,878	\$157,761,161	\$247,929,109
Total Evaluated Price for Equipment and Services (with escalation at 4.5%/yr)	\$137,428,334	\$170,326,897	\$194,379,314	\$190,988,733	\$205,570,304	\$326,662,552

Note 1 – Alstom also provided an alternate bid with nearly a \$10 million savings, with all procurement of steel from China, but at a longer delivery schedule. This would not alter the lowest price ranking.

Note 2 – The increased efficiency of the new pump-turbines would result in more energy being produced using the same amount of water. In a like manner, more water can be pumped using the same energy. The new turbines would also be able to provide slightly higher operating capacity and will have a greater operating range. All of the performance improvements proposed were evaluated based on additional energy generated, saved or production re-timed, based on a methodology set forth in the specifications and made available to the bidders, in 2010 dollars. The results are listed above as ‘Incremental Performance Value’ for each bidder.

Note 3 – For the evaluation, each bidder’s schedule was also evaluated based on being able to meet or improve on the required outage duration for a unit. Each working-day improvement on the schedule was valued at \$10,000.

Note 4 – The summation of ‘Total Bid Price for Equipment and Services,’ ‘Schedule Evaluation’ offset by the ‘Incremental Performance Value’ is the ‘Net Evaluated Price.’

Note 5 – Hitachi has proposed a currency adjustment on a portion of the work after the first 6 units. Staff evaluated this item and added a \$5 million adjustment.

“An Evaluation Committee (‘Committee’) with representatives from the Niagara staff, Procurement, Engineering, Quality Assurance and Project Management extensively evaluated and analyzed all the bids and met with the lowest three base bidders to obtain additional information and to review all the pertinent factors to determine the lowest evaluated and technically qualified proposal.

“All bidders were determined to have submitted technically complete bids and the performance improvements guaranteed by all the vendors were substantiated in their proposals. The Authority has previously worked with five of the six bidders (including Andritz under the GE Hydro and Sulzer-Escher Wyss names) and considers all to be qualified to perform the required work. Only Toshiba has not worked with the Authority in the past.

“Hitachi was determined to be the lowest-cost qualified bidder. The Committee then pursued resolution with Hitachi on issues of vibrations, quality assurance, field machining, site supervision and manpower, as well as commercial issues, including the value of currency fluctuations between the US dollar and the Japanese Yen for equipment that will be coming from Japan for the last six pump turbines. Hitachi’s proposal provided for firm fixed costs for the fabrication and installation of the first three pump turbines. The release of the next three pump turbines will be subject to material and labor escalation and the remaining six pump turbines will be subject to material and labor escalation as well as currency escalation. All escalation amounts will be based on Bureau of Labor indices as stated in the RFP. The Committee also evaluated all the bids based on an overall escalation rate of 4.5% per year.

“Hitachi was also the low bidder for the replacement of the 4 pump turbine runners at the Authority’s Blenheim-Gilboa (‘BG’) facility during the recent LEM Program, which has just been successfully completed.

“Accordingly, based on Hitachi’s low price, performance guarantees and technically acceptable proposal, the Trustees are requested to approve award of a 10-year contract for furnishing and installing the 12 pump turbines and associated work to Hitachi in the amount of \$174 million (this includes selected options and escalation).

Engineering, Procurement, Construction, Direct and Indirect Costs

“The Trustees are also requested to approve expenditures for engineering, procurement, construction and Authority direct and indirect costs to continue the orderly planning, design and implementation of the work as follows (includes pump turbine contract):

	Total Estimated (\$000)	Current Request (\$000)	Balance to be Authorized (\$000)
Preliminary Engineering/Licensing	\$250	\$250	\$0
Engineering and Design	\$14,000	\$5,000	\$9,000
Procurement/Materials	\$157,000	\$43,000	\$113,000
Construction	\$251,000	\$69,000	\$183,000
Authority Direct/Indirect	\$38,000	\$14,000	\$24,000
Total Authorization Requested	\$460,000	\$131,000	\$329,000

“Current funding request includes approximately 40% of the anticipated engineering costs. The procurement will include generator work, generator circuit breakers, excitation equipment, generator step-up transformers and governor control system. Construction funds provide for work on the pump turbines and generator equipment and miscellaneous plant equipment.

“Funding in the amount of \$4.2 million has been included in the 2010 approved Capital Budget, of which \$900,000 has been previously authorized by the President and Chief Executive Officer to proceed with engineering associated with the generator step-up transformers and transformer transfer car. Future-year funding will be included in the Capital Budget requests for those years.

FISCAL INFORMATION

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

RECOMMENDATION

“The Senior Vice President – Power Supply Support Services, the Vice President – Procurement, the Vice President – Engineering, the Vice President – Project Management and the Regional Manager – Western New York recommend that the Trustees approve a program for an estimated cost of \$460 million for the Lewiston Pumped Generating Plant Life Extension and Modernization Program, authorize capital expenditures of \$131 million and approve the award of a 10-year contract in the amount of \$174 million, including selected options and escalation as provided for in the Request For Proposal, to Hitachi Power Systems America, Ltd. for fabricating and installing 12 pump turbine runners and ancillary equipment.

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

Mr. Canale presented the highlights of staff’s recommendation to the Trustees. In response to a question from Trustee O’Luck, Mr. Canale said that the Authority would have the option of terminating the contract with Hitachi after the completion of each of the turbines, in which event the work would have to be rebid. Responding to another question from Trustee O’Luck, Mr. Canale said that supervisory staff from Hitachi’s subcontractor would be hiring the workers for the project from a local union hall and that the contract included an escalation clause to manage labor costs. Trustee Nicandri said that the Life Extension and Modernization program makes sense from a risk management perspective because of the increased possibility of a major incident due to the plant being 50 years old. Trustee O’Luck said that because \$500 million is a lot of money, he felt a cost/benefit analysis of replacing the plant should have been done. Mr. Canale said that the pump turbines at the Lewiston plant had been overhauled in the 1990s and that, while the plant was still robust, the failure of unit #1 last year meant it was time to reinvest in the plant’s infrastructure. Ms. McCarthy said that an extensive cost/benefit analysis had been done. Mr. Gil Quiniones said that it was generally more prudent to invest in extending the life of the plant rather than retiring it, since the life extension involves newer, more efficiently designed technologies.

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

RESOLVED, That in accordance with the Authority's Expenditure Authorization Procedures, program approval for the estimated cost of \$460 million and capital expenditures of \$131 million are hereby approved for the Niagara Power Project's Lewiston Pump Generation Plant Life Extension and Modernization as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a 10-year contract to Hitachi Power Systems America, Ltd., Basking Ridge, NJ, in the amount of \$174 million to design, fabricate and install 12 pump turbine runners and ancillary equipment, with authorization to release \$76 million for the first six pump turbines for the Niagara Power Project's Lewiston Pump Generation Plant Life Extension and Modernization , as recommended in the foregoing report of the President and Chief Executive Officer;

<u>Contractor</u>	<u>Contract Approval</u>
Hitachi Power Systems America, Ltd.	<u>\$174,000,000</u>

AND BE IT FURTHER RESOLVED, That the Authority, in accordance with Treasury Regulation Section 1.150-2, hereby declares its official intent to finance as follows:

The Authority intends to reimburse to the maximum extent permitted by law with the proceeds of tax-exempt obligations to be issued by the Authority all expenditures made and which may be made in connection with the LEM Program project described in the foregoing report of the President and Chief Executive Officer, with the maximum principal amount of obligations to be issued for such project expected to be \$460 million;

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all 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. Niagara Power Project – Acquisition of Real Property for Winter Mooring of Ice Boom Vessels

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the acquisition in fee simple by purchase, eminent domain or transfer of jurisdiction real property located in the City of Buffalo, Erie County, New York.

“This proposed parcel is as generally shown and set out in Exhibit ‘6-A’ and consists of approximately 15.14± acres. The purpose of this acquisition is to moor the Authority’s barge, ice breaker and one of the tugboats used for critical ice boom operations during the winter months.

BACKGROUND

“The Niagara River Ice Boom operation (‘Ice Boom’) is a critical component of the Niagara Power Project in Lewiston. Since 1964, by Order of Approval from the International Joint Commission, the Ice Boom has been installed in the late fall and removed in the spring of each year. When installed, the Ice Boom spans approximately 8,800 feet across the outlet of Lake Erie and reduces the amount of ice being released from Lake Erie into the Niagara River.

“The Ice Boom is used to facilitate the formation of a natural ice arch across the end of Lake Erie, thus reducing the frequency and duration of the ice runs from Lake Erie into the Niagara River. Historically, the ice runs in the Niagara River have caused ice jams, resulting in the loss of generating power, shoreline flooding and significant damage to shoreline structures. Ontario Power Generation and the Authority share equally the cost of the Ice Boom operation.

“To facilitate this operation, the Authority owns and maintains a barge, two tugboats and an ice-breaking vessel to annually install, operate, remove and maintain the Ice Boom. Since 1991, the Authority has leased mooring space from Ganco, Inc., which operates a marina near the mouth of the Buffalo River. Ganco has placed the property on the market and is no longer willing to lease the mooring space to the Authority.

DISCUSSION

“Over the past several years, the Authority has conducted an extensive search for alternative winter mooring sites and has identified this location as best suited for the Authority’s short- and long-term needs for the below- enumerated reasons.

Location: This site, near the mouth of the Buffalo River, allows for safe winter access to the Ice Boom installation area and is somewhat sheltered from the winds off Lake Erie, along with being proximate to the recently acquired Ice Boom storage site.

Existing Facilities: Since the Authority has used this area since 1991, Authority staff is familiar with the existing facilities.

FISCAL INFORMATION

“The proposed purchase price, based on appraisals and negotiations, is approximately \$4.4 million. Payment for acquisition of the new mooring site will be made from the Authority’s Capital Fund. The acquisition costs for this property will be consistent with its appraised value and negotiation and in accordance with current Expenditure Authorization Procedures.

RECOMMENDATION

“The Vice President – Project Management and the Director – Real Estate recommend that the Trustees approve the acquisition of the real property located at 32 Fuhrmann Boulevard, Buffalo, New York, as set forth in Exhibit ‘6-A.’

“The Chief Operating Officer, the Executive Vice President and Chief Engineer – Power Supply, the Executive Vice President and General Counsel, the Senior Vice President – Power Supply Support Services, the Vice President – Environment, Health and Safety, the Vice President – Enterprise Shared Services and I concur in the recommendation.”

Mr. Mark O’Connor presented the highlights of staff’s recommendation to the Trustees. In response to a question from Chairman Townsend, Mr. Kessel said that the selected site for the winter mooring was acceptable to the City of Buffalo. He commended Mr. Paul Finnegan for his comprehensive approach to the work on the ice boom project. Trustee Nicandri said that he understood that the local community had asked the Authority to do something different in terms of ice boom storage and that his only concern was that this property would be coming off the tax roll. President Kessel said that the community realized this. Trustee Curley said that the zoning was appropriate for the winter mooring in this particular area of the city. He thanked Mr. Christopher Fahey of Congressman Brian Higgins’ office for his help with this project.

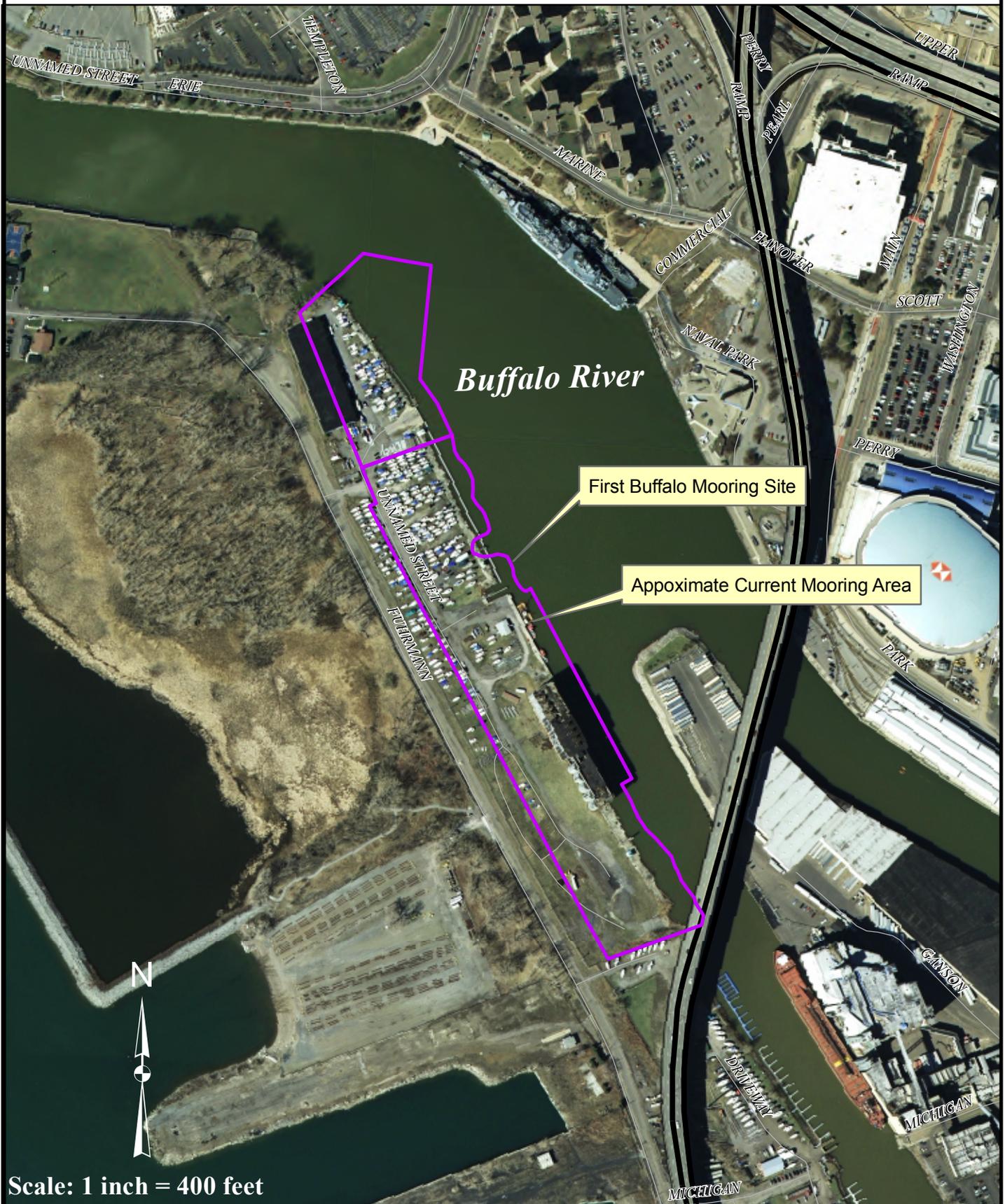
The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds and determines that it is necessary or convenient to acquire in fee the real property generally shown on Exhibit “6-A” attached hereto, and that such real property is required for public use; and it is hereby determined that such real property is reasonably necessary for securing, maintaining and operating the Authority’s ice breaker, tugboat and barge, which are essential for the safe and efficient operation of the Niagara Power Project; and be it further

RESOLVED, That the Vice President – Enterprise Shared Services be, and hereby is, authorized to take all necessary steps to acquire in fee the real property generally shown in Exhibit “6-A” through purchase, eminent domain and/or transfer of jurisdiction, at a price approved by the President and Chief Executive Officer, together with any easements and/or other interests necessary or convenient for full enjoyment of the property; 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.

First Buffalo Ice Breaker Mooring Site



Scale: 1 inch = 400 feet

EXHIBIT A



Proposed Ice Breaker Mooring & New Ice Boom Storage Sites



First Buffalo Ice Breaker Mooring Site

New Ice Boom Storage Site
(Formerly Killian Trucking)

Lake Erie



Scale: 1 inch = 1000 feet

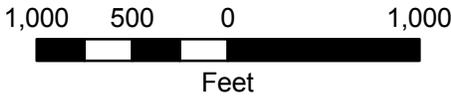


EXHIBIT A OVERVIEW

7. Authorization to Execute Power Purchase Agreement with Albany Energy LLC to Provide Energy and Capacity for the Village of Solvay

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the execution of a Master Power Purchase and Sale Agreement (‘MPPSA’), between the Authority and Albany Energy LLC (‘Albany Energy’) for the Authority to purchase approximately 7.2 MW of net energy and capacity produced from three landfill gas facilities in Albany, New York, on behalf of the Village of Solvay (‘Solvay’).

BACKGROUND

“Albany Energy was the successful bidder on a Request for Proposals (‘RFP’) issued on behalf of Solvay. Solvay is a full-requirements municipal customer of the Authority. The purchase of 7.2 MW of renewable generation from Albany Energy under the MPPSA will supplement the hydroelectric energy allocation that provides the bulk of Solvay’s energy requirements.

“Under the agreements with the Authority’s full-requirements municipal customers, the Authority allocates the available hydroelectric power among such customers and fulfills their remaining requirements, when needed, through daily purchases from the New York Independent System Operator (‘NYISO’) daily and hourly spot markets.

“Solvay recently approached the Authority requesting that, in lieu of spot market purchasing, the Authority explore the possibility of securing dedicated energy supplies from one or more sources in order to provide price stability against market fluctuations.

“On September 2, 2009, in consultation with Solvay, the Authority issued an RFP for energy supplies of up to 35 MW to commence as early as January 1, 2011, and no later than December 31, 2013, for a term of up to 20 years. The RFP stated a preference for supplies from renewable sources. Proposals offering Unforced Capacity (‘UCAP’) were permitted provided the UCAP was bundled with the energy supplies.

“The Authority received bids from 13 prospective suppliers financial (5) and physical (8) energy supplies. In some instances UCAP was bundled with the energy supplies. In the case of the physical bids, six offered supplies from specified existing or proposed renewable sources. Three of these were from wind power, one from photovoltaic solar, one from wood biomass combustion and one from landfill gas combustion.

DISCUSSION

“A team of Authority staff, in consultation with representatives from Solvay, analyzed the proposals and agreed that only one of the physical-supply bidders, Albany Energy, provided an offer that met the criterion of providing energy at a stable and economically competitive price. Albany Energy’s bid is for seven years commencing on the commercial operation date, targeted to be April 1, 2011. The company’s generation resource is internal-combustion generator sets fueled by methane captured from landfill gas and the facility’s metered interconnection point with NYISO is located in Zone F. Under this agreement, the net output is 7.2 MW and it also includes the provision of associated UCAP and ancillary services. The Authority also secured a no-cost option to extend the purchase agreement for an additional 10-year period, exercisable on or before June 30, 2016.

“The cost of energy (with the associated UCAP and ancillary services) purchased under the recommended seven-year MPPSA would be passed through to Solvay. By purchasing this energy from the Authority, Solvay would reduce the uncertainty associated with fluctuating market prices. Details of the proposed purchase agreement are provided in the Confidential Term Sheet provided to the Trustees under separate cover.

“Should the Authority wish to exercise the option to extend the MPPSA for an additional period of 10 years, the Trustees’ approval would be requested.

“Of the three landfill facilities providing the products under the proposed contract, two (Albany and Albany 1, 2.8 MW gross nameplate capacity) are already in commercial operation. Albany Energy has represented that the third, Albany 2 (4.8 MW gross nameplate capacity), will be in operation by April 1, 2011 subject to the final issuance of a Title V Air Permit and completion of an interconnection study. There are provisions in the contract to address any failure of Albany 2 to reach the commercial operation date of April 1, 2011.

“In conjunction with the proposed transaction with Albany Energy, the Authority has executed an extension to Solvay’s incremental power supply agreement. Under this extension, Solvay authorizes the execution of the MPPSA on its behalf; agrees to forego its right to terminate its current incremental power supply agreement with the Authority for the term of the MPPSA and agrees to pay all costs and bear all risks associated with the MPPSA. The executed agreement extension has been provided to the Trustees under separate cover.

FISCAL INFORMATION

“The cost components of the seven-year MPPSA are provided in the Confidential Term Sheet. The costs of the energy and UCAP purchased by the Authority under the proposed MPPSA will be passed through to Solvay in accordance with the terms and conditions of the agreement extending Solvay’s incremental power agreement.

RECOMMENDATION

“The Vice President – Power Resource Planning and Acquisition recommends that the Trustees authorize the President and Chief Executive Officer or his designee to execute a Master Power Purchase and Sale Agreement with Albany Energy LLC for the Authority to purchase 7.2 MW of energy and capacity from landfill gas facilities operated by Albany Energy LLC on behalf of the Village of Solvay for the prices and term set forth in the Confidential Term Sheet.

“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 – Energy Risk Assessment and Control and I concur in the recommendation.”

Mr. Jordan Brandeis presented the highlights of staff’s recommendation to the Trustees. President Kessel said that the Authority was very pleased to be able to help its municipal customer, the Village of Solvay, with this project. He said that staff followed the Authority’s standard competitive procurement process to select the contractor for the project, despite the inappropriate pressure brought to bear on him and other Authority staff by lobbyists for one of the other bidders. In response to a question from Vice Chairman Foster, Ms. Terryl Brown said that no changes needed to be in the Authority’s procurement process, which works as long as the contractor is selected according to the criteria in the Request for Proposals.

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

WHEREAS, the Authority has contractual obligations to serve the energy needs of various full-requirements municipal entities within the State of New York, the Village of Solvay (“Solvay”) being one such entity; and

WHEREAS, the source of energy to be provided to these customers to supplement their hydroelectric allocations has been and continues to include daily purchases from the New York Independent System Operator (“NYISO”) daily and hourly spot markets; and

WHEREAS, at the request of, and in cooperation with, the Village of Solvay, the Authority issued a Request for Proposals (“RFP”) for energy supplies of up to 35 MW to supplement said customer’s energy needs; and

WHEREAS, as a result of such RFP, the Authority-Solvay team identified Albany Energy LLC (“Albany Energy”) as the successful bidder, offering approximately 7.2 MW of net energy and associated capacity and ancillary services from landfill gas generation facilities located in Albany, New York; and

WHEREAS, the prices and commercial terms offered by Albany Energy compare favorably with projections of market energy prices and the purchase would reduce the uncertainty for Solvay associated with fluctuating market prices; and

WHEREAS, Solvay has authorized the Authority to enter into such purchase on its behalf, agreeing to assume all risk relating thereto and to pay all costs arising out of the transaction for the term of the Master Power Purchase and Sale Agreement (“MPPSA”); and

WHEREAS, by purchasing from a landfill gas generation facility (a renewable source of generation), the Authority and Solvay are furthering the State’s “45 by 15” plan, which calls for New York State to meet 45% of its electricity needs through improved energy efficiency and clean renewable energy by 2015;

NOW, THEREFORE, BE IT RESOLVED, That the President and Chief Executive Officer, or his designee, is hereby authorized on behalf of the Authority to negotiate and execute agreements between the Authority and Albany Energy LLC, as described in the Term Sheet provided under separate cover to the Trustees, including: (a) the MPPSA and any transactions, schedules or confirmations related to such MPPSA, and (b) any other consents, agreements or other transactions as are necessary or ancillary to such MPPSA; and be it further

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

8. **New York State and Local Employees' Retirement System – Retirement Incentive**

Ms. Brown presented the highlights of staff's recommendation to the Trustees. President Kessel said that it was appropriate to give staff who want to retire the chance to do so, particularly given the difficult circumstances of the last two years during which there have been no raises. He said that in targeting positions for Part A of the retirement incentive, management was looking at the Authority's future and its ability to operate effectively, safely and reliably. Responding to a question from Vice Chairman Foster, Ms. Brown said that Part A could cost the Authority up to \$18 million. In response to another question from Vice Chairman Foster, Ms. McCarthy said that the \$1.1 million cost per \$1 million in salary of employees retiring under Part B (the 25/55 option) represented payment over five years to the New York State and Local Employees' Retirement System. Vice Chairman said he needed a better understanding of the money that would be both spent and saved by implementing either or both parts of the incentive. Trustee O'Luck said that he also needed more details on how the finances would work. Trustee Nicandri said that he was concerned about the potential loss of institutional knowledge if the incentive was adopted and that it would have been preferable to have backfilled the positions to be vacated previously. In response to another question from Vice Chairman Foster, President Kessel said that there would be a positive effect on the Authority's budget if some positions were eliminated as a result of the retirement incentive. Chairman Townsend said that he felt comfortable with the resolution as written, saying that the overriding concern was the poor morale among employees. Trustee Nicandri said that he would vote in favor of the item with the caveat that he was concerned about replacing the institutional knowledge of the retiring employees. Vice Chairman Foster and Trustee O'Luck said that they could not in good conscience vote for the item because the information on which they would base their votes was incomplete. The item was tabled for additional consideration at a Special Meeting to be held in July or August.

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

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

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

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

11. **Resolution – Transfer to State Treasury**

Ms. Brown presented the highlights of staff's recommendation to the Trustees that the Authority make a voluntary contribution of \$40 million to the State's general fund. Chairman Townsend said that staff had presented the Trustees with a detailed analysis of the effect of such a contribution on the Authority's financial situation. Vice Chairman Foster said that it had been represented that no further requests for voluntary contributions would be made by New York State during the remainder of calendar year 2010. The Trustees voted 4 to 1 to approve the transfer of funds, with Trustee Nicandri voting against it.

12. Next Meeting

Chairman Townsend said that the next meeting of the Trustees would be held at a location to be determined in Syracuse on Tuesday, September 28, 2010.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 2:40 p.m.

A handwritten signature in black ink, appearing to read "Karen Delince". The signature is fluid and cursive, with a large initial "K" and "D".

Karen Delince
Corporate Secretary