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

December 15, 2011

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Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the Clarence D. Rappleyea Building, 123 Main Street, White Plains, New York at approximately 11:00 a.m.

The Members of the Board present were:

Michael J. Townsend, Chairman
D. Patrick Curley, Trustee
John S. Dyson, Trustee
R. Wayne LeChase, Trustee
Eugene L. Nicandri, Trustee
Mark O'Luck, Trustee - NYO

Gil C. Quiniones	Acting President and Chief Executive Officer
Judith C. McCarthy	Executive Vice President and General Counsel
Edward Welz	Acting Chief Operating Officer
Donald Russak	Acting Chief Financial Officer
Thomas Antenucci	Senior Vice President – Power Supply Support Services
Thomas DeJesu	Senior Vice President – Public, Governmental and Regulatory Affairs
James Pasquale	Senior Vice President – Marketing and Economic Development
Joan Tursi	Senior Vice President – Corporate Support Services
Paul Belnick	Vice President – Energy Services – Energy Services and Technology
John Canale	Vice President – Project Management
Thomas Davis	Vice President – Financial Planning and Budgets
Dennis Eccleston	Vice President – Information Technology/Chief Information Officer
Michael Huvane	Vice President – Marketing – Business and Municipal Marketing
John Kahabka	Vice President – Environmental, Health and Safety
Joseph Leary	Vice President – Community and Government Relations
Lesly Pardo	Vice President – Internal Audit
Patricia Leto	Vice President – Procurement
Scott Scholten	Vice President and Chief Risk Officer – Energy Risk Assessment and Control
John Suloway	Vice President – Project Development, Licensing and Compliance
Vincent Esposito	Assistant General Counsel – Legislative and Regulatory Affairs
Karen Delince	Corporate Secretary
Jill Anderson	Director – Business Integration
Robert Hopkins	Director – Budgets
Mike Lupo	Director – Marketing Analysis and Administration
Michael Nash	Director – Engineering and Design
Michael Saltzman	Director – Media Relations
Russell Bahm	Director of Operations, Site Administration Holtsville
Paul Tartaglia	Regional Manager SENY, Site Administration Poletti
Gary Schmid	Manager – Network Services Infrastructure
Kevin O'Keeffe	Manager – Video Production Services – Media Relations
Steven Weiner	Manager O&M – Budgets
Ruth Colon	Senior Business Integration Project Manager
Linda Payne	Senior Pricing and Power and Contract Analyst – Power Contracts
Egle Travis	Pricing and Power Contract Analyst II – Marketing Analysis and Administration
Lorna M. Johnson	Assistant Corporate Secretary
Sheila Baughman	Senior Secretary – Corporate Secretary's Office
Michael Schneider	Contractor – Media Relations
Anthony Fazio	Contractor
Mikey Wade	Intern – President's Office

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

<u>Introduction</u>

Chairman Michael Townsend welcomed the Trustees and staff to the meeting.

1. ***<u>Approval of the December 15, 2011 Meeting Agenda</u>***

On motion made and seconded, the agenda for the meeting was approved.

2. <u>Consent Agenda</u>:

On motion made and seconded, the Consent Agenda was approved. Trustee Curley recused himself as regards the vote on item #2c – Allocations of Expansion Power – as it relates to MOD-PAC Corporation.

a. <u>Approval of the Minutes</u>

The Minutes of the Regular Meeting held on November 15, 2011 were unanimously adopted.

b. Village of Marathon – Revised Retail Rates – Notice of Adoption

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

"The Board of the Village of Marathon ('Village Board') has requested the Trustees to approve revisions to the Village of Marathon's ('Village') retail rates for each customer service classification. These revisions will result in additional total annual revenues of about $84,000 or 6.3 percent.

BACKGROUND

"The Village Board has requested the proposed rate increase to provide additional revenues to meet forecasted increases in operation and maintenance expenses and additional debt payment requirements. The current rates have been in effect since September 2007.

"The Village Board has planned upgrades to the electric system amounting to $330,000. With the proposed upgrades the system will complete the implementation of a capital program that started in 2007 and after completion the system will be able provide reliable service to its customers. The upgrades will be directed primarily at its distribution system, the renovation of the electric garage and the purchase of a bucket truck. The Village is planning to debt-finance $265,000 or 80% of its capital program.

"Under the new rates, an average residential customer who currently pays about 6.6 cents per kWh will pay about 7.0 cents after the increase. A small commercial customer that currently pays 7.3 cents per kWh will pay 7.8 cents and large commercial customers that presently pay 5.1 cents per kWh will pay 5.4 cents after the increase.

DISCUSSION

"The proposed rate revisions are based on a cost-of-service study requested by the Village and prepared by Authority staff. A public hearing was held by the Village on August 22, 2011. No ratepayer comments were received at the public hearing. The Village Board has requested that the proposed rates be approved.

"Pursuant to the approved procedures, the Senior Vice President – Marketing and Economic Development requested that the Corporate Secretary file a notice for publication in the New York *State Register* of the Village's proposed revision in its retail rates. Such notice was published on October 12, 2011. No comments concerning the proposed action have been received by the Authority's Corporate Secretary through November 28, 2011, the end of the public comment period.

"An expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits '2b-A,' '2b-B' and '2b-C,' respectively.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the attached schedule of rates for the Village of Marathon be approved, as requested by the Board of the Village of Marathon, to take effect beginning with the first full billing period following the date this resolution is adopted.

"It is also recommended that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the Secretary of State for publication in the New York *State Register* and to file such other notice as may be required by statute or regulation.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

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

RESOLVED, That the proposed rates for electric service for the Village of Marathon, as requested by the Board of the Village of Marathon, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the Acting President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to file a Notice of Adoption with the Secretary of State for publication in the New York *State Register* and to file any other notice required by statute or regulation; and be it further

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

c. Allocations of Expansion Power

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of 400 kilowatts ('kW') of available Expansion Power ('EP') to MOD-PAC Corporation as described herein and in Exhibit '2c-A.' The allocation of hydropower will support capital expansion of $6.0 million and the creation of 45 jobs in Western New York. The Trustees are also requested to approve a modification to the EP allocation awarded to Nestle Purina PetCare Company on June 30, 2009.

BACKGROUND

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

"Each application for an allocation of EP and RP must be evaluated under criteria that include but need not be limited to, those set forth in PAL Section 1005(13)(a), which details general eligibility requirements. Among the factors 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.

"The Authority works closely with business associations, local distribution companies, and economic development entities to garner support for the projects to be recommended for allocations of Authority hydropower. Discussions routinely occur with National Grid, Empire State Development Corporation, the Buffalo Niagara Enterprise, Niagara County Center for Economic Development and Erie County Industrial Development Agency to coordinate other economic development incentives that may help bring projects to New York State. Staff confers with these entities to help maximize the value of hydropower to improve the economy of Western New York and the State of New York.

DISCUSSION

"At this time, there is 11,075 kW of unallocated EP and 24,868 kW of unallocated RP that is available to be awarded to businesses under the criteria set forth in PAL Section 1005(13)(a). The MOD-PAC Corporation ('MOD-PAC') submitted an application for hydropower requesting 400 kW to serve a proposed production equipment expansion within its existing Buffalo facility. MOD-PAC is a publicly traded company that produces folding cartons, packaging, and printed products for various industries. The company practices energy efficient manufacturing operations as well as participating in sustainability initiatives through its certifications with the Sustainable Forestry Initiative and other green organizations.

"MOD-PAC would make a total capital investment of $6.0 million to purchase and install a large specialized printing press, two die cutters and a sheeter, as well as to build a new substation with associated electrical equipment. The company's facility is currently isolated from the electric grid, having all of its electrical needs met by its cogeneration plant. A substantial part of the project plan is to reconnect to the grid by investing in the necessary electrical infrastructure to support the facility's current and projected new electric load from this expansion project. Specifically, MOD-PAC expects to spend $1.5 million to build a new substation and line extension with parallel switching gear. The remaining expansion project costs break down as follows: $2.5 million for the printing press; $1.5 million for two die cutters; and $0.5 million for the sheeter; for a total investment of $6 million.

"MOD-PAC, which currently has a headcount of 360 employees, commits to add 45 new jobs to its payroll as a result of this project. The job creation ratio for a recommended amount of 400 kW is 112.5 new jobs per MW. This ratio is well above the recent historic average of 16.7 new jobs per MW. The total project investment of $6.0 million results in a capital investment ratio of $15.0 million per MW. This ratio is below the recent historic average of $23.0 million per MW.

"MOD-PAC operates at its Buffalo facility and recognizes the value of a solid work force in Western New York. To increase competitiveness, the company is open to pursuing alternative strategies, including expansion outside of New York State if production costs cannot be contained. An allocation of hydropower would support MOD-PAC's commitment to expansion at its Western New York location, enabling the creation of 45 jobs and adding to the 360 existing high-quality jobs at its Buffalo facility. Staff recommends an allocation of 400 kW be awarded to MOD-PAC in return for an investment of $6.0 million and creation of 45 jobs at its Buffalo facility.

"On June 30, 2009, the Trustees awarded Nestle Purina PetCare Company ('Nestle Purina') a 1,000 kW allocation of EP for a $50 million project expansion at its Dunkirk facility. Along with the capital investment, the company committed to create 15 new jobs above its current employment level of 327 jobs in return for the allocation. Nestle Purina applied for this hydropower allocation to support an expansion project to manufacture a new, innovative and proprietary pet food product line. The Dunkirk facility was competing with several sister facilities of Nestle S.A., the parent company that has sixty facilities worldwide. The proposed project involved sophisticated new technologies and required a complex construction plan that would integrate a new multi-story processing tower with its existing manufacturing facilities.

"Although the plant began engineering planning and site preparation and completed some building renovations and reconfiguration associated with the project, the project was put on hold in mid-2010. Due to the preparation for the proposed project, however, the Dunkirk plant was able to demonstrate to its corporate management that the facility was in a position to quickly capitalize on several alternative projects that Nestle S.A. was looking to implement. Nestle Purina was able to convince its corporate management to bring expanded production capabilities and associated investments for nine new or improved product formulations to the Dunkirk plant.

"Nestle Purina built a 100,000 square-foot warehouse expansion, purchased and installed a new production line and reconfigured two existing production lines. Because of these actions and the need to contain production costs, Nestle Purina submitted a request to begin using the EP allocation as soon as possible. Authority staff performed a project review and determined that in completing the alternative projects, the company invested $24.0 million or 48% of the original project's capital investment commitment. The company has added 12 jobs for the new production capacity, or 80% of the 15 new jobs that were committed for the original project.

"Based on these results, staff recommends the allocation be reduced from 1,000 kW to 500 kW, with the company's job creation commitment remaining at 15 new jobs in addition to base employment level of 327 employees. The job creation ratio for a revised allocation amount of 500 kW is 30 new jobs per MW or slightly less than double the recent historic average of 16.7 new jobs per MW. The total project investment of $24 million results in a capital investment ratio of $48 million per MW. This ratio is more than double the recent historic average of $23.0 million per MW. Nestle Purina has an existing 3,400 kW allocation of EP that is in compliance.

"Through June 30, 2013, the EP allocations for both MOD-PAC and Nestle Purina will be delivered by National Grid under the Authority's and National Grid's existing Expansion Power sale-for-resale agreement. Standard three-party allocation agreements between the customer, the Authority and National Grid, as offered to all EP resale customers located in National Grid service territory, will effectuate the sale and delivery of the EP allocations to the customers until that time. The allocation amounts will be subject to enforceable employment commitments of 405 jobs in the case of MOD-PAC and 342 jobs in the case of Nestle Purina. The contracts include annual job reporting requirements and a standard job compliance threshold of 90%. Should the Customers' actual jobs reported fall below the compliance threshold, the Authority has the right to reduce the allocation on a pro-rata basis. For July 1, 2013 and beyond, the allocations will be sold to the customers under a direct sale arrangement, the contract for which may be brought before the Trustees for approval at that time.

SUMMARY

"Staff recommends an EP allocation totaling 400 kW be awarded to MOD-PAC for a $6.0 million capital expansion and the creation of 45 new jobs at MOD-PAC's Buffalo facility. Staff also recommends a reduction, from 1,000 kW to 500 kW, to the EP allocation previously awarded to Nestle Purina for a revised $24.0 million capital expansion and the creation of 15 new jobs. Both recommendations are described in Exhibit '2c-A' showing, among other things, the amount of power requested by the applicant, the recommended and revised allocation amounts and the applicant's commitment to job creation and capital investment. Additional information on the projects is contained in the application summaries attached as Exhibits '2c-A-1' and '2c-A-2.'

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocation of hydropower totaling 400 kW to MOD-PAC Corporation and a modification to the previously approved hydropower allocation to Nestle Purina PetCare Company, reducing the allocation from 1,000 kW to 500 kW, as detailed in Exhibit '2c-A.'

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

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

RESOLVED, That the allocation of 400 kW of Expansion Power to MOD-PAC Corporation, as detailed in Exhibit "2c-A" be, and hereby is, approved on the terms set forth in the foregoing report of the Acting President and Chief Executive Officer; and be it further

RESOLVED, That the reduction to the allocation of Expansion Power to Nestle Purina PetCare Company from 1,000 kW to 500 kW, as detailed in Exhibit "2c-A" be, and hereby is, approved on the terms set forth in the foregoing report of the Acting President and Chief Executive Officer; and be it further

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

**d. Procurement (Services) and Other Contracts –
Business Units and Facilities –
<u>Awards, Extensions and Additional Funding</u>**

The Acting President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve the award and funding of the multiyear procurement (services) and other contracts listed in Exhibit '2d-A,' as well as the continuation and funding of the procurement (services) contracts listed in Exhibit '2d-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.

<u>BACKGROUND</u>

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

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

"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.

<u>DISCUSSION</u>

<u>Awards</u>

"The terms of these contracts will be more than one year; therefore, the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from $75,000 to $35 million. Except as noted, these contract awards do <u>not</u> obligate the Authority to a specific level of personnel resources or expenditures.

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

<u>Extensions</u>

"Although the firms identified in Exhibit '2d-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 '2d-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:

Business Services

Treasury

"The contract with **PFM Asset Management, LLC ('PFM') (Q11-5134; PO# TBA)** would provide for financial management consulting services with respect to the Other Post-Employment Benefits ('OPEB') and Nuclear Decommissioning Trust ('NDT') Funds. Services include, but are not limited to, providing advice and analysis regarding the management of such Funds, assisting the Authority in updating its investment policy and guidelines for management of the Trusts, reviewing and recommending appropriate asset allocation and rebalancing, selecting managers providing investment of assets, performance reporting, monitoring portfolio compliances, and any other services required to manage trust investments. The consultant may also be requested, from time to time, to perform special analytical work or provide advice with respect to investment or other asset management issues of particular importance to the Authority. Since the existing contract is expiring and the need for such services is ongoing, bid documents were prepared by staff and were downloaded electronically from the Authority's Procurement website by 57 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; two proposals were received and evaluated. Based on criteria that included, but were not limited to, portfolio management experience, technical analysis capabilities, qualifications of primary and support personnel, fee schedule and consulting style, both firms were deemed qualified and capable of providing such services. Staff recommends award of a contract to PFM, the lower-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on or about February 14, 2012 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, $895,000. (It should be noted that such fees will be paid directly from the respective Trusts.)

CSS / Enterprise Shared Services

Information Technology

"The contracts with **Linwood C. Scott Jr., Inc. T/A LCSJ Communications, Inc. ('LCSJ') and TCE Systems, Inc. ('TCE') (Q11-5080; PO#s TBA)** would provide for the services of temporary engineering personnel specializing in radio frequency ('RF') technology and microwave communications, when such supplemental services are needed to support improvement projects undertaken by the Authority. Bid documents were downloaded electronically from the Authority's Procurement website by 33 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; two proposals were received and evaluated, based on the experience and capabilities of the bidders and the technical merits of their proposals, as further set forth in the Award Recommendation documents. Both firms were found to be technically qualified and their proposals offered viable RF and microwave technology temporary engineering personnel at competitive rates. Staff recommends award of contracts (master outline agreements) to both firms. As specific positions are required, the Authority will request résumés of candidates based on the requirements and experience required for each position from both prequalified firms. The hiring supervisor will review the submitted résumés, interview candidates and select the most qualified individual for the required position at the contractual hourly rate, subject to successful completion of a required background check. Commitments will be made through individual Purchase Order Releases issued to the firm that successfully places a candidate, as each required position is bid between the two prequalified firms. Such competition is expected to benefit the Authority by providing a variety of qualified talent at competitive rates. The contracts would become effective on or after January 1, 2012 for an intended term of up to three years, subject to the Trustees' approval, which is hereby requested. Both contracts will expire on December 31, 2014, regardless of their duration. Approval is also requested for the aggregate total amount expected to be expended for the term of the contracts, $300,000. Total commitments and expenditures for the contracts will also be tracked against the approved aggregate total. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. It should also be noted that TCE is a New York State-certified Minority/Woman-owned Business Enterprise ('M/WBE').

"The contracts with **Oracle America, Inc. ('Oracle') and PowerRunner, LLC ('PowerRunner') (Q11-5060; PO#s TBA)** would provide for maintenance and support services for the new Long-Term Market Forecast ('LTMF') software / system purchased and implemented under separate contracts with both firms (not included in this request). The contracts for maintenance and support services for each firm's respective software comprising the LTMF system would become effective as follows: upon completion of the first year of maintenance included with the software purchase, a 4-year maintenance contract with Oracle would commence on or about November 15, 2012) and a 5-year maintenance contract with PowerRunner would commence upon acceptance by the Authority of the software / system implementation (currently projected to be on or about March 1, 2012). Bid documents (which included the purchase of software and implementation, as well as maintenance and support services) were downloaded electronically from the Authority's Procurement website by 19 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one joint proposal, submitted by a partnership of PowerRunner and Oracle, was received and evaluated, as further set forth in the Award Recommendation documents. Based on the selection of both firms to provide their respective software / system and implementation services, staff now recommends award of corresponding multi-year maintenance contracts to both Oracle and PowerRunner. Each firm is uniquely qualified to perform maintenance services to support its respective software / system. The maintenance contracts would become effective per the aforementioned projected schedule for an intended term of up to four years for Oracle and up to five years for PowerRunner, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amounts expected to be expended for the term of the contracts, $216,000 for Oracle and $348,300 for PowerRunner, respectively.

"The contract with **Gotham Technology Group, LLC ('Gotham') (Q11-5117; PO# TBA)** would provide for maintenance services to support InfoBlox network hardware appliances purchased and implemented under a separate contract with Gotham. Bid documents (which included the purchase of such hardware and implementation services, as well as maintenance and support services) were downloaded electronically from the Authority's Procurement website by 26 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one proposal was received and evaluated, as further set forth in the Award Recommendation documents. Based on the selection of Gotham to provide the InfoBlox hardware and implementation services, staff now recommends award of a corresponding multi-year maintenance contract to Gotham. Such contract would become effective on or about December 16, 2011 for an intended term of up to five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $77,818.

"The contract with **ReadSoft, Inc. ('ReadSoft') (Q11-4904-A; PO# TBA)** would provide for an Accounts Payable automation system, software implementation and integration services, and five years of maintenance services (to commence upon acceptance by the Authority of system implementation, currently projected to be not later than September 30, 2012). The purpose of this software solution is to automate and improve the Authority's SAP Accounts payable process, by capturing various types of incoming images and data and attaching them to SAP documents, with the capability of integrating them with the Authority's Content Management System. To this end, bid documents (as revised to include the Software-as-a-Service, 'SaaS,' solution as an alternate approach) were downloaded electronically from the Authority's Procurement website by 48 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; five firms submitted proposals that were evaluated by a team of Authority staff. Two proposals were determined to be not fully responsive and were eliminated from further consideration. The remaining proposals were evaluated in greater detail, as further set forth in the Award

Recommendation documents. Based on the foregoing, staff recommends award of a contract to ReadSoft, the lowest most technically acceptable bidder, which fully satisfied the core functional requirements. The contract would become effective on or about December 16, 2011 for an intended term of up to five years and nine months, 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, $496,000.

Law

Corporate Secretary's Office
(on behalf of MED and Power Supply – Environmental Division)

"The Authority is required to publish notice of public hearings on proposed contracts for the sale of power, public forums, certain prospective allocations of power, allocations of economic development power recommended by the Economic Development Power Allocation Board, as well as notices relating to permitting and other environmental actions and various events that affect communities. The unique and specialized services that media advertising firms provide ensure timely, cost-effective compliance with such statutory mandates and internal Authority procedures. The contract with **Creative Media Agency, LLC ('Creative Media') (Q11-5108; PO# TBA)** would provide media advertising services for the placement of such mandatory legal notices and public advertisements for the Authority in newspapers and periodicals in New York City and throughout New York State, primarily on behalf of the Marketing and Economic Development Business Unit and the Environmental Division. Such services may include, but are not limited to: advertising design, preparation and proofs, as well as affidavits of publication. Bid documents were downloaded electronically from the Authority's Procurement website by 18 firms, including those that may have responded to a notice in the New York State *Contract Reporter*. Three proposals were received and evaluated, as further set forth in the Award Recommendation documents. Staff recommends award of a contract to Creative Media, which is qualified to perform such services, fully met the bid requirements and has provided efficient and reliable services under an existing contract for such work. The new contract would become effective on or about January 1, 2012 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, $600,000.

MED Energy Efficiency Resources & Technology Services

Energy Services

"The contract with **Dialight Corporation ('Dialight') (Q11-5128; PO# TBA)** would provide for the furnishing and delivery of Light Emitting Diode ('LED') bulbs to be used for replacement of incandescent series bulbs and compact fluorescent tunnel lights for the New York City Transit ('NYCT') subway tunnels, as part of the Authority's Energy Services Program. An initial release order, in the amount of $250,000, for three thousand pieces will be issued to Dialight for testing by NYCT to determine if the product is acceptable. Upon approval by NYCT, the Authority will issue releases for the remainder of the material in accordance with NYCT's needs. In the event that the material is deemed unacceptable by NYCT, no further releases will be issued to Dialight and the contract will be cancelled. If the material is considered unacceptable due to performance issues (i.e., excessive failure rate, low light level, electrical problems, environmental failure, etc.), the bulbs will be returned to the vendor at no cost to the Authority or NYCT. Bid documents were downloaded electronically from the Authority's Procurement website by 30 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; three proposals were received and evaluated. The apparent low bidder submitted an incomplete proposal, failed to meet the bid requirements and follow-up requests for requisite information from Authority staff, and therefore was deemed non-responsive and was not considered further. The next lowest-priced bid, submitted by Dialight, was then evaluated in greater detail. Based on its experience, resources and capability to perform such work, staff recommended award of a contract to Dialight, the lowest-priced qualified bidder, which fully meets the bid requirements and has performed satisfactorily while supplying other LED items under a prior contract for energy efficiency work. The contract would become effective on or about December 16, 2011 for an intended term of approximately 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. It should be noted that all costs will be recovered by the Authority.

Renewable Energy Resources & Technology

"The contract with **UTC Power Corporation ('UTC') (Q11-5102; PO# TBA)** would provide for operations and maintenance services for the current fleet of Authority-owned fuel cell power plants ('FCPPs') providing clean, reliable power in the greater New York City and Westchester County metropolitan area. Services include, but are not limited to, scheduled preventative and unscheduled maintenance to support the ongoing operation of the FCPPs, remote monitoring, off-site technical support, and major overhauls. Since the existing contract is expiring and the need for such services is ongoing, bid documents were prepared by staff and were downloaded electronically from the Authority's Procurement website by 23 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one proposal was received and evaluated. Reasons for the lack of other proposals include, but are not limited to: not their scope of work, unable to meet specification requirements, lack of relevant experience or expertise, or downloaded the documents for information purposes only. UTC is the original equipment manufacturer of the fuel cells and, as such, is uniquely qualified to provide the required monitoring, diagnostics and maintenance services for the FCPPs. Additionally, a re-examination by staff of FCPP operations and maintenance indicated that outsourcing such services continues to be more economical and prudent. Staff therefore recommends award of a contract to UTC, which is highly qualified to perform such services, fully meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on or about January 1, 2012 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, $3 million.

Power Supply

"The contract with **Access Health Systems ('AHS') (C11-185257; PO# TBA)** would provide for various medical examinations and related medical services for employees at the Clark Energy Center, as required by all applicable safety and health standards, federal or state requirements or Authority policy. Services include, but are not limited to, annual physicals, pre-employment physicals, return-to-work examinations, fitness-for-duty testing, on-the-job injury examinations, as well as testing for respirator clearance and fit, lyme titer and other specialized tests, where applicable, flu and hepatitis B vaccinations and medical consultations or other medical services, as may be requested. Since the existing contract is expiring and the need for such services is ongoing, bid documents were prepared by staff and were downloaded electronically from the Authority's Procurement website by 15 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one proposal was received and evaluated. Reasons for the lack of other responses include lack of geographic proximity or the bid documents were downloaded for information purposes only. Based on its experience and reasonable pricing, staff recommends award of a contract to AHS, which is qualified to perform such services, meets all the bid requirements and has provided excellent service under an existing contract for such work. The new contract would become effective on or about January 1, 2012 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, $150,000.

"The contract with **Anderson Medical, P.C. dba Emergency One ('Emergency One') (B11-126393; PO# TBA)** would provide for on-site annual physicals and other medical examinations and services for employees at the Blenheim-Gilboa Project. Since the existing contract is expiring and the need for such services is ongoing, bid documents were prepared by staff and were downloaded electronically from the Authority's Procurement website by 27 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; two proposals were received and evaluated. Staff recommends award of a contract to Emergency One, the lower-priced bidder, which is qualified to perform such services and meets the bid requirements. The contract would become effective on or about January 1, 2012 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, $75,000. It should be noted that Anderson Medical is a New York State-certified Minority/Woman-owned Business Enterprise ('M/WBE').

"The contracts with **AON Fire Protection Engineering ('AON') and Walter T. Gorman, PE, PC ('WT Gorman') (Q11-5111; PO#s TBA)** would provide for engineering permitting services to support multiple projects at the Authority's plants and facilities in the Southeastern New York ('SENY') Region, on an 'as needed' basis. Such services include, but are not limited to, serving as the Engineer of Record and Permitting Consultant to ensure compliance with all applicable permitting requirements for power plants issued by the New York City Department of Buildings ('NYC DOB') and the New York City Fire Department ('NYC FD'). Bid documents were downloaded electronically from the Authority's Procurement website by 88 firms, including those that may have responded to a notice in the New York State *Contract Reporter.* Three proposals were received and evaluated on criteria that included, but were not limited to: experience with New York City agencies, public works projects and power plant operation, demonstrated expertise in NYC DOB permitting requirements pertaining to power plants and NYC FD testing, commissioning and permitting requirements for power plants. Staff recommends award of contracts to AON and WT Gorman, the most technically qualified bidders, which have the requisite experience and expertise to perform such services and meet the bid requirements, as further set forth in the Award Recommendation documents. Both firms demonstrated a complete understanding of the work required by the Authority and have the best relevant experience on similar projects with good references from the NYC DOB. Furthermore, both firms have also provided satisfactory services under existing contracts for such work and have worked successfully with such agencies. Based on the large amount of work that is anticipated, the award of contracts to both firms would ensure sufficient coverage, especially during peak workload periods; additionally, the rates would be more competitive based on the disciplines required for each task. The new contracts would become effective on or about January 1, 2012 for an intended term of up to three 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. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures.

"The contract with **AquatiPro LLC, a Division of Sentry Equipment Corp. ('AquatiPro') (Q11-5124; PO# TBA)** would provide for maintenance services for online process chemistry panel analyzers at the 500 MW Plant. Services include, but are not limited to, preventative maintenance and reports for pH, conductivity, silica, phosphate, and dissolved oxygen and sodium analyzers, on a monthly or 'as needed' basis, as well as parts and training of the Authority's plant technician/s in maintaining such analyzers. Bid documents were prepared by staff and were downloaded electronically from the Authority's Procurement website by 12 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one proposal was received and evaluated. Reasons for the lack of other responses include, but are not limited to, the work was not in their scope of services or the bid documents were downloaded for information purposes only. Staff recommends award of a contract to AquatiPro, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on or about January 1, 2012 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, $200,000.

"The contract with **Gomez and Sullivan Engineers, PC ('GSE') (Q11-5106; PO# TBA)** would provide for compliance and implementation services required to fulfill the Authority's commitments made in connection with the relicensing of the Niagara Power Project ('Project'). Although a number of implementation projects required by the new license, Comprehensive Settlement Offer and New York State Department of Environmental Conservation's Section 401 Water Quality Certification have been completed, many other such projects and activities have yet to be implemented. Most of this work is related to environmental habitat improvement projects and recreational enhancement projects in the vicinity of the Project and the Niagara River Basin. The support of a compliance and implementation services consultant continues to be necessary in order to assist Authority staff with the ongoing implementation of such commitments by providing design development, permitting and contracting support and construction oversight, as well as maintenance planning and records turnover for all such projects. Since the existing contract is expiring and the need for such services is ongoing, bid documents were prepared by staff and were downloaded electronically from the Authority's Procurement website by 64 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one additional firm obtained the bid documents without downloading. One proposal was received and evaluated. Reasons for the lack of other proposals include, but are not limited to: unable to submit a competitive bid, key personnel unavailable, not their scope of work, present work load too heavy or downloaded for information purposes only. GSE proposed a team of four highly qualified engineering firms to serve in principal design and project management roles, with qualified specialty subcontractors to support them, as needed. Key personnel from each firm have been closely involved in both the relicensing and the compliance and implementation efforts to date. The team has firsthand knowledge of all project elements, has worked together efficiently for many years and possesses the required expertise and depth in the multiple technical disciplines described in the RFQ, as well as the required project management skills and resources. The GSE team's past performance with respect to Niagara relicensing and compliance and implementation activities has been excellent, and their proposed approach to the remaining scope of the implementation work is sound and consistent with the Authority's needs. GSE has a strong understanding of the entire project and its environmental resources, is familiar with various stakeholders at federal, state and local levels, and has first-hand knowledge of the Authority's Niagara Compliance Information System, which they assisted in developing and which they will turn over to the Authority upon completion of all implementation projects. All these factors will allow for smooth and seamless transition into the next phase of license implementation. Based on the foregoing reasons, staff recommends award of a contract to Gomez & Sullivan, which is qualified to perform such services, meets the bid requirements and has provided excellent service under an existing contract for such work. The new contract would become effective on or about March 1, 2012 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 million.

"The contract with **Hudson Technologies Company ('Hudson Technologies') (A11-125919; PO# TBA)** would provide for refrigerant recovery and evacuation services for the inlet chiller system, which is critical to the efficient operation of the Authority's 500 MW Plant. Services include, but are not limited to, providing the requisite qualified personnel and equipment, tools and materials for the recovery, decontamination, storage, evacuation and supply of R-22 refrigerant. Since the existing contract is expiring and the need for such services is ongoing, bid documents were prepared by staff and were downloaded electronically from the Authority's Procurement website by 10 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; one proposal was received and evaluated. Reasons for the lack of other proposals include, but are not limited to: unable to perform the entire scope of work, unable to meet the bid requirements or downloaded for information purposes only. Based on its ability and resources to perform the work (including both the expertise and the specialized equipment) in accordance with the Authority's specifications and all applicable safety, environmental and other regulations, staff recommends award of a contract to Hudson Technologies, which is highly qualified to perform such services, meets the bid requirements and has provided excellent service under an existing contract for such work. The new contract would become effective on or about January 17, 2012 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, $2.5 million.

"The contracts with **L.J. Gonzer Associates ('Gonzer'), Metro Tech Consulting Services, Inc. ('Metro Tech'), NPTS, Inc. ('NPTS') and Rotator Staffing Services, Inc. ('Rotator') (Q11-5100; PO#s TBA)** would provide for the services of temporary engineering personnel to support the Authority's Projects and facilities throughout the state, on an 'as needed' basis. Services may include engineers, technicians and support personnel in the following disciplines: electrical, mechanical, civil/structural, licensing, environmental, chemical, construction and construction management, cost and scheduling, instrumentation and control, estimating, quality assurance/quality control and code compliance; as well as procurement professionals, engineering aides and clerical aides. Tasks may include, but are not limited to: performing engineering calculations; system design; preparation of engineering sketches and drawings; preparation of procedures, schedules, purchasing specifications; review of design drawings; construction supervision; field engineering, testing, and procurement/contract administration. Such personnel will also continue to be used to support the Authority during outages, as well as non-outage maintenance and construction activities for several long-term capital projects, including the Life Extension and Modernization ('LEM') and upgrade programs for the St. Lawrence/FDR, Niagara and Blenheim-Gilboa Projects. Staff estimates that approximately 25 such temporary engineering personnel work under such contracts to provide continued support for the ongoing LEM programs, and also to provide additional support, including environmental, code compliance and construction support at the White Plains Office, as needed. Since the existing contracts were reaching their compensation limit and, based on current and anticipated staffing projections, the need for such services is ongoing, these services were rebid. Bid documents were downloaded electronically from the Authority's Procurement website by 76 firms, including those that may have responded to a notice in the New York State *Contract Reporter;* 13 proposals were received and evaluated, as further set forth in the Award Recommendation documents. Based on their mark-up rates for existing and new personnel, staff recommends the award of contracts to four firms: Gonzer, Metro Tech, NPTS and Rotator, the lowest-priced bidders, which are qualified to perform such work and meet the bid requirements. These mark-up rates (which include Federal and State unemployment taxes, FICA, Workers' Compensation insurance, overhead and fee) are among the lowest in the industry. Additionally, two of these firms have provided satisfactory services (personnel) under existing contracts for such work. The new contracts would become effective on or about January 1, 2012 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, $20 million. Such contracts will be closely monitored for utilization levels, available approved funding and combined total expenditures. It should be noted that Metro Tech and NPTS are New York State-certified Minority/Woman-owned Business Enterprises ('M/WBEs').

"The contract with **NAES Corporation ('NAES') (Q11-5091; PO# TBA)** would provide for operations and maintenance ('O&M') support services for 10 gas turbine units (LM6000s) and related equipment installed at the Small Clean Power Plants in six locations within the Boroughs of New York City. (The Brentwood, Long Island unit is operated and maintained by Authority personnel from the Richard M. Flynn Power Plant.) O&M support by the contractor continues to be required to provide ongoing operating and prevention and maintenance activities, verify site integrity, troubleshoot problems and related activities; to support outage-related activities and to provide additional support during the peak summer season, as may be required. Since the existing contract is expiring and the need for such services is ongoing, bid documents were prepared by staff and were downloaded electronically from the Authority's Procurement website by 42 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; five proposals were received and evaluated, as further set forth in the Award Recommendation documents. Based on its experience, ability to perform the work, qualifications and resources, staff recommends award of a contract to NAES, the lowest technically qualified bidder, which fully meets the bid requirements and has provided excellent service under an existing contract for such work. The new contract would become effective on or about January 1, 2012 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, $35 million (including adjustments for labor cost increases, inflation, emergencies and unforeseen events).

"Pursuant to 19 NYCRR 1204, each State agency is charged with providing, at a minimum, an annual fire safety inspection for each building within its custody in an effort to determine compliance with the Uniform Fire Prevention and Building Code ('UFPBC'). An inspection report must also be prepared by the agency, violations corrected and re-inspected and a corrective action plan prepared and maintained for any violations that remain uncorrected. The Authority has been fulfilling such requirements through a contract with the **New York State Department of Homeland Security and Emergency Services - Office of Fire Prevention and Control ('OFPC').** Pursuant to Section 156 of the Executive Law, OFPC has the authority and responsibility for providing fire safety inspections at State-regulated facilities, upon the request of the State agency. OFPC has the personnel, training and equipment to assume the fire and safety inspections of such facilities and the Authority is requesting OFPC to undertake the responsibility to conduct fire safety inspections for, and at, certain facilities under the Authority's control. The existing contract is expiring and the need for such services is ongoing. Based on the foregoing reasons and OFPC's reasonable pricing, as well as its satisfactory services provided under the existing contract, staff recommends award of a new contract to **OFPC (PO# TBA)** on a single-source basis. Such contract would provide for the services of a trained, experienced and certified fire protection specialist to perform inspections and various other fire safety-related services for the Authority statewide, in compliance with all applicable State fire codes, laws and regulations. Services include, but are not limited to: (1) initial inspection of each Authority owned or operated facility statewide (consisting of fire and life safety inspections, issuance of certificates of compliance and assistance in devising corrective actions, as needed; (2) re-inspection of those facilities found to need corrective actions during initial inspections, as well as assistance in preparing responses to any safety complaints, as needed and (3) consultative services (including, but not limited to, a customized fire safety employee training program, fire safety and emergency response planning and evaluation drills), as may be requested by the Authority. The new contract would become effective on or about January 1, 2012 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, $175,000.

"The contract with **RFJ Insulation Contractor, Inc. ('RFJ') (Q11-5123; PO# TBA)** would provide for all labor, supervision, tools, equipment and materials to install new insulation and repair existing insulation at the Authority's Richard M. Flynn Plant and the Small Clean Power Plants, on an 'as needed' basis. Since the existing contract is expiring and the need for such services is ongoing, bid documents were prepared by staff and were downloaded electronically from the Authority's Procurement website by 44 firms, including those that may have responded to a notice in the New York State *Contract Reporter*; three proposals were received and evaluated. Staff recommends award of a contract to RFJ, the lowest-priced bidder, which is qualified to perform such services, meets the bid requirements and has provided satisfactory service under an existing contract for such work. The new contract would become effective on or about January 1, 2012 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, $240,000.

Contract Extensions and Additional Funding:

CSS / Enterprise Shared Services

Information Technology
(on behalf of the Corporate Secretary's Office)

"At their meeting of December 16, 2008, the Trustees approved the award of a contract to **Directors Desk, LLC (a NASDAQ OMX Group Company) (4500169664)** to provide for a Boardroom Portal Service (a secure online platform for access to documents and related information management features) for use by the Trustees and Corporate Secretary's Office staff. Services also include 24/7 support, an assigned account manager and training. The original award, which was competitively bid, became effective on January 31, 2009 for a three-year term, in the amount of $75,000. The externally-hosted web-based portal provides a secure and efficient platform for the Corporate Secretary's Office and the Trustees to communicate and collaborate on scheduling, agenda items and presentation materials. It reduces hard copy printing and shipping costs and streamlines preparations for meetings. Directors Desk fulfills current business requirements and the Trustees have adopted it. Staff therefore recommends a two-year extension of the subject contract in order to provide for the continuation of such services and the existing working environment. The current contract amount is $56,250 (of the approved total $75,000); staff anticipates that additional funding in the amount of $18,750 will be required for the extended term. It should be noted that the proposed cost for the extension maintains the original pricing. The Trustees are requested to approve an extension of the subject contract through December 31, 2013, as well as the additional funding requested.

Information Technology
(on behalf of Human Resources)

"At their meeting of September 23, 2008, the Trustees approved the award of a contract to **SilkRoad technology, inc. (4600002056)** to provide for web-based software and services to support eRecruitment, applicant tracking and onboarding functions for the Authority's Human Capital and Development Employment Group at the Authority's White Plains Office and the Human Resources Departments at the Facilities. The original award, which was competitively bid, became effective on September 29, 2008 for a three-year term, in the amount of $150,400; the initial term was subsequently extended by six months due to a prolonged implementation period. Services include externally hosting the software for the Authority to provide turnkey services, including requisitioning, candidate acquisition, applicant tracking and onboarding, as well as communication management reporting/ analytics, data management, application integration and application security to support these activities. A two-year extension of the subject contract is now requested in order to continue such services and support the aforementioned HR functions. The current contract amount is $150,400; staff anticipates that additional funding in the amount of $78,000 may be required for the extended term. The Trustees are therefore requested to approve an extension of the subject contract through March 28, 2014, as well as the additional funding requested.

<u>FISCAL INFORMATION</u>

"Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2012 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

"The Deputy General Counsel, the Senior Vice President – Power Supply Support Services, the Vice President – Energy Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Environment, Health and Safety, the Vice President – Technical Compliance, the Vice President – Procurement, the Vice President – Information Technology/Chief Information Officer, the Vice President and Controller, the Treasurer, the Director – Marketing Analysis and Administration, 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 (services) and other contracts to the companies listed in Exhibit '2d-A' and the extension and additional funding of the procurement (services) contracts listed in Exhibit '2d-B,' for the purposes and in the amounts discussed within the item and/or listed in the respective exhibits.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services and other contracts set forth in Exhibit "2d-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the Acting 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 "2d-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 Acting President and Chief Executive Officer; and be it further

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

3. Discussion Agenda:

a. Report of the Acting President and Chief Executive Officer

Acting President and Chief Executive Officer Quiniones provided an update of the Authority's performance, as reflected in the corporate performance matrix developed by Authority staff, and highlighted some of the key initiatives.

Key Issues

Operations

Acting President and Chief Executive Officer Quiniones said that the Authority is working with Long Island Power Authority and National Grid to repair the Y49 345 kV transmission line and it is expected to return to service on January 1, 2012.

Environmental Incidents

Acting President and Chief Executive Officer Quiniones said that while the Authority exceeded its "stretch goals" for environmental incidents, it is performing above industry standard, a move in the right direction.

Economic Development - ReChargeNY Program

Acting President and Chief Executive Officer Quiniones said that the deadline to submit applications the first segment of the ReChargeNY program was November 30th. The Authority received 924 applications and staff is in the process of reviewing the applications for completeness. Staff is also working with the Governor's office and the Empire State Development Corporation ("ESD") to reopen the process for restarting future rounds of the process.

In response to a question from Trustee Eugene Nicandri, Acting President and Chief Executive Officer Quiniones said that the Authority is not an official member of the Regional Councils. He also stated that the ReChargeNY Program is one of the incentives available to businesses in the various regions of the State. In response to further question from Trustee Nicandri, Acting President and Chief Executive Officer Quiniones said that Mr. James Pasquale, Senior Vice President of Marketing and Economic Development and staff attended meetings of the Regional Councils and works with ESD and the Governor's office to ensure that the Authority is fully integrated in the ReChargeNY application process.

In response to a question from Chairman Townsend, Acting President and Chief Executive Officer Quiniones said that Authority staff has contacted existing customers who have submitted incomplete applications to assist them with their applications; staff has also contacted existing customers who have not submitted an application, encouraging them to apply for power in future segments of the application process.

In response to a question from Trustee O'Luck, Acting President and Chief Executive Officer Quiniones said that staff is working with customers who submitted incomplete applications in order to ensure that their applications are accurate and complete.

Hudson Transmission Partners Project ("HTP")

Acting President and Chief Executive Officer Quiniones said that construction has started on the HTP project; he visited the site and the work is going well. The estimated completion date for the project is July 2013. He added that the project will provide energy security, reliability and diversity in the city and state.

2012 Budget

Acting President and Chief Executive Officer Quiniones said that, with the guidance of the Trustees, the Authority's budget for 2012 is completed and the Board will be asked to approve it at this meeting. He said that the budget is in alignment with the Governor's goal for the Authority to invest in its critical and aging infrastructure and to stimulate job creation in the state. He added that the projected year-end Revenue is $2.7 billion and the projected year-end Net Income is $228 million.

b. <u>Report of the Acting Chief Operating Officer</u>

Acting Chief Operating Officer, Mr. Edward Welz, provided highlights of the report to the Trustees.

<u>Performance Measures</u>

System-wide Net Generation exceeded projections.

<u>Key Issues</u>

- ***Y49 345 kV Transmission Line Failure – Repairs on the Y49 transmission line continues; scheduled to be back in service January 2012.***
- ***Succession Planning – Working on succession planning and overall staffing of the Department.***
- ***Operational Efficiencies – Planning restructuring the energy control center.***
- ***Blenheim-Gilboa and Vischer Ferry – Tropical Storm Damage – to date, $700,000 has been spent on repairs as a result of the damages from Tropical Storm Irene. Projected remediation cost for repairs at B-G and Vischer Ferry Plants is $13 million.***
- ***St. Lawrence-FDR Life Extension and Modernization – Unit 19 scheduled to return to service on April 18, 2012.***
- ***Lewiston Pump Generating Project Outage – Scheduled to return to service in October 2012.***
- ***Niagara Unit 2 Standardization – Scheduled to return to service on July 12, 2012.***
- ***Flynn Outage – Repairs completed – returned to service.***
- ***NERC CIP Standard for 2011 – completed self certification for NERC CIP standards in October.***

c. Report of the Acting Chief Financial Officer

Acting Chief Financial Officer, Mr. Donald Russak, provided highlights of the report to the Trustees. He said that the Authority continues to perform well financially.

Net Income

- ***Net income through November 2011 was $217 million, which was $52 million higher than budgeted. This was due primarily to higher generation levels and higher market based sales at the Niagara and St. Lawrence facilities.***
- ***Net Income for the month of November ($6.4 million) was $3 million below the previous forecast, reflecting lower than forecasted energy prices for the month of November.***
- ***Year-end net income is currently projected to be $228 million, $49 million above the 2011 budget.***

Financial Metrics

- ***Key financial metrics, cash-flow (debt service coverage) and liquidity, remain on target – at or above the median for like-entities, i.e., AA rated wholesale public power organizations.***

4. 2012 Operating Budget and Filing of the 2012-2015 Four-Year Financial Plan Pursuant to Regulations of the Office of the State Comptroller

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the 2012 Operating Budget, Operations and Maintenance ('O&M') Budget, Capital Budget and Energy Services Budget for the Power Authority. The Operating Budget sets forth the expected revenues and expenses of the Authority and includes the recommended 2012 O&M Budget, the Capital Budget and the Energy Services Budget (see attached Exhibits '4-A,' '4-B,' '4-C' and '4-D,' respectively) in the following amounts:

2012 Budget	($ million)
O&M	$ 345.1
Capital	$ 166.7
Energy Services	$ 200.0

"Also, in accordance with regulations of the Office of the State Comptroller ('OSC'), the Trustees are requested to approve the 2012-2015 Four-Year Financial Plan ('Four-Year Financial Plan' – see attached Exhibit '4-E') and authorize: (i) submitting the approved Four-Year Financial Plan to OSC, (ii) posting the approved Four-Year Financial Plan on the Authority's website and (iii) making the approved Four-Year Financial Plan available for public inspection at not less than five convenient public places throughout New York State.

BACKGROUND

"The Authority is committed to providing clean, low-cost and reliable energy consistent with its commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables and innovation, for the benefit of our customers and all New Yorkers. The 2012 Budgets are intended to provide the Authority's operating facilities and support organizations with the resources needed to meet this overall mission and the Authority's strategic objectives while holding down administrative costs.

"The OSC implemented regulations in March 2006 addressing the preparation of annual budgets and four-year financial plans by 'covered' public authorities, including the Authority. (See 2 NYCRR Part 203 ('Part 203')). These regulations establish various procedural and substantive requirements, discussed below, relating to the budgets and financial plans of public authorities. The Budget and Four-Year Financial Plan have been prepared in accordance with these regulations.

"In approving the 2012 O&M, Capital and Energy Services Budgets, the Trustees will be authorizing spending for 2012 operations, spending for capital projects and general plant purchases of $750,000 or less and the addition of 12 new positions in various functions in Plant Operations. In accordance with the Authority's Expenditure Authorization Procedures, the President and Chief Executive Officer may, during course of the year, authorize an additional 1% in the O&M Budget, up to 15 new positions, capital projects of $3 million or less, or an increase in spending of no more than $1 million to a capital project previously approved by the Trustees. All other spending authorizations must be approved by the Trustees.

DISCUSSION

O&M Budget

"The base O&M Budget of $345.1 million (Exhibit '4-B') reflects a renewed focus on the effective operation and maintenance of the Authority's critical investments in New York State's electric infrastructure while holding down overhead costs.

"The 2012 O&M Budget for Operations provides $206 million for baseline, or recurring, work. In addition to the baseline work, scheduled maintenance outages at the 500 MW Plant and the Small Clean Power Plants (totaling $13 million) and planned enhancements in non-recurring maintenance work at the operating facilities (totaling $37 million) are designed to support high reliability goals. Some of the major non-recurring projects include: Preliminary Engineering – Transmission System Assessment, ($4.0 million); Gowanus Bulkhead and Sinkhole Repairs, ($2.8 million); Niagara's Moses Units #2 and #13 Standardization, ($1.3 million); and the Niagara Headgate Refurbishment, ($1.2 million).

"Cuts in the budget for the support functions of $3.1 million enabled the overhead budget to remain flat as it offset significant increases in New York State pension costs and medical benefits. Reductions in payroll, ($1.3 million), in contract and consulting services, ($1.2 million) and in contributions, sponsorships and other miscellaneous costs, ($0.6 million) are reflected in the Budget request.

"Payroll costs, which include salaries, overtime and fringe benefits, account for $195.2 million, or 56.6% of the budget, down from 58.0% last year. Overall, headcount at the Authority will decline by 14 positions. While 12 new positions are being proposed in various areas of plant operations, the net elimination of a total of 26 positions in headquarters and succession planning transitional positions will more than offset the newly requested positions.

"The Astoria Energy II budget totals $25.8 million and represents the contractual O&M costs for the plant, which was placed in commercial operations in New York City in July 2011. These costs are being recovered from the Authority's New York City Governmental customers, who are the beneficiaries of the output of this plant, via a long-term contract.

<u>Capital Budget</u>

"The 2012 Capital Budget (Exhibit '4-C') totals $166.7 million, a decrease of $11.1 million from 2011. Of this amount, $118 million – or 70% of the total – represents planned investments in the Authority's Upstate New York facilities at Niagara and St. Lawrence, as well as in its statewide Transmission network. Significant capital projects for 2012 include the St. Lawrence Life Extension and Modernization ('LEM'), ($20.2 million), the Lewiston Pump Generating Plant LEM, ($26.1 million), the Robert Moses Restacking, ($7.1 million), Niagara/St. Lawrence Relicensing Implementation, ($12.9 million) and the Robert Moses Power Project Unit Standardization, ($5.6 million).

"The Capital Budget includes $8.9 million of minor additions and general plant purchases that will be authorized by approval of this budget.

<u>Energy Services Budget</u>

"The budget for Energy Services and Technologies (Exhibit '4-D') totals $200.0 million, an increase of $50 million over the 2011 budget. These expenditures will be subsequently recovered over time from the benefiting customers. The budget includes increased funding for energy efficiency projects for Authority customers and other eligible entities as the Authority strives to support Governor Cuomo's improved energy efficiency and clean, renewable energy goals.

<u>Operating Budget</u>

"The 2012 Operating Budget (Exhibit '4-A') sets forth the expected revenues and expenses of the Authority on a Project/Market Area basis and serves as the basis for the Authority's financial reporting during the year. Expected revenues received from customers are based on contracts and tariffs that are approved by the Trustees. Market-based sales of any surplus energy from the Authority's generating facilities or purchases made on behalf of customers (except for those made through previously approved purchased power agreements) are assumed to be transacted at the market clearing price in the wholesale market. Projected expenses for O&M are detailed above. The Other Expenses category largely reflects various accruals (e.g., Other Post-Employment Benefit prior service obligations) and other miscellaneous expenses for which Trustee approval is sought on a case-by-case basis (e.g., Power for Jobs Rebates, Recharge New York Residential Discount Program, etc.). Also reflected in the 2012 Operating Budget is an assumed level of contributions to New York State totaling $85 million. Of this amount, $60 million has been authorized by the Legislature for State Fiscal Year ('SFY') 2011-2012 and an additional $25 million is estimated for the Authority's calendar year 2012 operations as part of SFY 2012-2013. Any such contribution may only be made if authorized by the Legislature and upon a determination (not requested at this time) by the Trustees that the payment would be feasible and advisable at the time of such disbursement.

Four-Year Financial Plan

"Under Part 203 of the OSC Regulations, the Trustees are required to adopt a 2012 Budget and Four-Year Financial Plan (Exhibit '4-E'). The 2012 Budget, which is the first year of the Four-Year Financial Plan, is being brought to the Board for approval at this time. The remaining three years are indicative forecasts. The approved Four-Year Financial Plan must be available for public inspection not less than seven days before the commencement of the next fiscal year for a period of not less than 45 days and in not less than five convenient public places throughout the State. The approved Four-Year Financial Plan must also be submitted to OSC, via electronic filing through the Public Authorities Reporting Information System maintained by OSC and the Authority Budget Office, within seven days of approval by the Trustees. The regulations also require the Authority to post the Four-Year Financial Plan on its website.

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

"Other key elements that must be incorporated in each approved budget and Four-Year Financial plan are a description of the budget process and the principal assumptions, as well as a self-assessment of risks to the budget and financial plan. Additionally, the approved Four-Year Financial Plan must include a certification by the Chief Operating Officer.

FISCAL INFORMATION

"Payment of O&M expenses will be made from the Operating Fund. Payment for Capital and Energy Services expenditures will be made from the Capital Fund and the Energy Conservation Construction and Effectuation Fund, respectively. Monies of up to $136.1 million from the Operating Fund will be transferred to the Capital Fund for capital expenditures, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. The 2012 Operating Budget shows adequate earnings levels so that the Authority may maintain its financial goals for cash flow and reserve requirements.

"The Four-Year Financial Plan net income estimates for each of the years 2013 through 2015 are indicative forecasts and the Trustees are not being asked to approve any revenue and expenditure amounts for those years at this time.

RECOMMENDATION

"The Director of Budgets and the Director of Financial Planning recommend the Trustees approve the 2012 Operations and Maintenance, Capital and Energy Services Budgets and the Operating Budget as discussed herein and authorize (i) submitting the approved Four-Year Financial Plan to the Office of the State Comptroller in the prescribed format, (ii) posting the approved Four-Year Financial Plan on the Authority's website and (iii) making the approved Four-Year Financial Plan available for public inspection at not less than five convenient public locations throughout New York State.

"For the reasons stated, I recommend the approval of the above-requested actions by adoption of a resolution in the form of the attached draft resolution."

Mr. Donald Russak presented highlights of staff's recommendation to the Trustees. Responding to a question from Trustee Nicandri, Mr. Russak said that the Authority has a succession planning program in place, and, particularly at the Projects, part of that program allows a fully trained technical employee in a transitional position to transition to the position of a retiring employee, after which the transitional position is eliminated. This is an on-going process as part of the Authority's succession planning program.

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

RESOLVED, That the 2012 Operating Budget, specifically including the 2012 Budgets for Operation and Maintenance, Capital and Energy Services expenditures, as discussed in the foregoing report of the Acting President and Chief Executive Officer, are hereby approved; and be it further

RESOLVED, That up to $136.1 million of monies in the Operating Fund are hereby authorized to be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Sections 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations as amended and supplemented, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer; and be it further

RESOLVED, That pursuant to 2 NYCRR Part 203, the attached 2012-2015 Four-Year Financial Plan, including its certification by the Acting Chief Operating Officer, is approved in accordance with the foregoing report of the Acting President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to 2 NYCRR Part 203, the Corporate Secretary be, and hereby is, authorized to submit the approved Four-Year Financial Plan to the Office of the State Comptroller in the prescribed format, post the approved Four-Year Financial Plan on the Authority's website and make the approved Four-Year Financial Plan available for public inspection at not less than five convenient public places throughout New York State; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the Acting President and Chief Executive 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. Decrease in Westchester County Governmental Customer Rates – Notice of Adoption

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a modification in the rates for the sale of firm power to the Westchester County Governmental Customers ('Customers') in 2012. This proposed action is consistent with the rate-setting process set forth in the Supplemental Electricity Agreements executed by the Customers and the Authority and in accordance with the State Administrative Procedure Act ('SAPA').

"This proposed final action seeks approval to decrease the production rates of the Customers by 6.79% as compared to 2011 rates. The decrease would be effective with the January 2012 bills.

"Authority staff is also seeking final approval to correct the service tariff to clarify the production minimum billing provision.

BACKGROUND

"At their meeting of September 27, 2011, the Trustees directed the publication in the New York *State Register* ('*State Register*') of a notice that the Authority proposed to decrease the production rates by 2.71% and make technical corrections to clarify the production minimum billing provision contained in the service tariff. The *State Register* notice was published on October 12, 2011, as revised by an erratum published on November 2, 2011. In accordance with SAPA, a forty-five day comment period was established, ending on November 28, 2011. Since this proposal called for no rate increase to the Customers, in accordance with the Authority's policies and procedures, no public forum was held. There were no public comments received and the public record was closed on November 28, 2011.

DISCUSSION

"Based on further staff analysis, the final projected 2012 Cost-of-Service ('COS') is $35.20 million and the projected 2011 rate revenues are $37.76 million, resulting in an over-recovery of $2.57 million or 6.79%. This represents an additional decrease of $1.73 million from the proposed rate decrease discussed at the September 2011 Trustees' meeting.

"The decrease from the preliminary COS is primarily attributable to decreases in the projected market price of energy and capacity, as well as lower ancillary services costs. In addition, the final 2012 COS incorporated an updated 2012 sales and revenue forecast. The final projected 2012 revenue forecast is $0.19 million lower than the preliminary 2012 COS. The final 2012 rate revenues were calculated using the currently effective 2011 rates based on the new rate design approved by the Trustees at their June 28, 2011 Trustees' meeting, while the preliminary COS, issued to Customers in April 2011, used the old rate design.

"Staff is proposing a 6.79% reduction in base production revenues through customer rates to reflect the continued reduction in the power supply costs as contained in the currently effective 2011 rates.

"In 2012, the Customers will continue to be subject to an Energy Charge Adjustment, under which the Authority passes through all actual variable costs to the Customers. This cost-recovery mechanism employs a monthly charge or credit that reflects the difference between the projected variable costs of electricity recovered by the tariff rates and the monthly actual variable costs incurred by the Authority.

"The current 2011 and final 2012 proposed rates with the 6.79% overall reduction in revenues are shown in Exhibit '5-A.'

"The proposed technical corrections to the minimum bill provision are revenue-neutral. As no comments were received regarding these tariff changes, they should also be approved.

<u>FISCAL INFORMATION</u>

"The adoption of the 2012 production rate decrease would have no net effect on the Authority's financial position. The rate change would result in an estimated reduction in revenues of $2.57 million, which is offset by the forecasted reduction in costs. The Energy Charge Adjustment mechanism will protect the Authority's net revenues from the effects of movements in variable costs above those projected.

"The corrections to the minimum bill provision are revenue-neutral to the Authority.

<u>RECOMMENDATION</u>

"The Director – Market Analysis and Tariff Administration, recommends that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the New York State Department of State for publication in the New York *State Register* of a decrease in production rates for the Westchester County Governmental Customers.

"It is also recommended that the Senior Vice President – Marketing and Economic Development, or his designee, be authorized to issue written notice of adoption to the affected Customers.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

Mr. Mike Lupo presented highlights of staff's recommendation to the Trustees. In response to a question from Trustee Nicandri, Mr. Lupo said that, overall, the rates are at the level as that of the rates in 2005. The costs then were at $35.3 million in 2005 versus $35.2 million in 2012.

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

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

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

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

6. Withdrawal of Proposal to Increase New York City Governmental Customer Fixed Costs Component and Request to Adopt Rulemaking

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the withdrawal of a proposal contained in the Notice of Proposed Rulemaking ('NOPR') authorized by the Trustees at their September 27, 2011 meeting that would increase the Fixed Costs component of the production rates to be charged in 2012 to the New York City Governmental Customers ('NYC Governmental Customers' or 'Customers'). The result of the withdrawal of the proposed action is that the existing 2011 Fixed Cost value will remain in effect for 2012.

"NYPA staff is also seeking final approval of the proposals included in the NOPR to correct the service tariff to clarify the production minimum billing provision and to correct a typographical error in Table of Contents. Staff asks that the Corporate Secretary be directed to file a Notice of Adoption consistent with these recommendations.

BACKGROUND

"At their September 27, 2011 meeting, the Trustees authorized publication in the *New York State Register* ('*State Register*') of a notice that the Authority proposed to increase the Fixed Costs component of the production rates to be charged in 2012 to the Customers. As indicated in the September 27th Memorandum to the Trustees, the Customers' Long Term Agreements ('LTAs') establish two distinct cost categories: Fixed Costs and Variable Costs. Fixed Costs include Operation and Maintenance ('O&M'), Shared Services, Capital Cost, Other Expenses (*i.e.*, certain directly assignable costs) and a credit for investment and other income. The LTAs require the Authority to establish Fixed Costs based on cost-of-service principles; changes may be made only under a State Administrative Procedure Act ('SAPA') proceeding with the approval of the Trustees.

"As authorized by the Trustees, a *State Register* notice was published on October 12, 2011 in accordance with SAPA requirements. Since the proposed Fixed Costs component increase was greater than 2%, a public forum was held, in accordance with Authority policy, at the New York City office on November 17, 2011. The public comment period was closed on December 1, 2011. The City of New York ('City') is the only one of the eleven NYC Governmental Customers that made a verbal statement at the public forum and filed formal written comments during the SAPA process.

"Over the years, NYPA estimates that public facilities in New York City have saved hundreds of millions of dollars in their electric bills as NYPA customers. Based on Authority's internal customer savings analysis, it is estimated that in calendar year 2010 Customers saved $368 million in their production and $236 million in delivery bills when compared to estimated Con Edison retail rates and charges.[*]

DISCUSSION

"The November 17, 2011 public forum was conducted in accordance with the terms of the Policy and Procedures – Public Forum on Rate Proposals adopted by the Authority's Trustees at their meeting of November 27, 1990. Authority staff spoke at the forum to explain the procedures and summarize the results of the Fixed Costs component portion of the 2012 Cost-of-Service ('COS') Study. Aside from Authority staff, one individual representing the City attended the forum and made a statement in regards to the proposed Fixed Costs increase and asked for a short extension of the SAPA set public comment period to submit written comments. Exhibit '6-A' is the transcript from the public forum on the Authority's proposal to increase the Fixed Costs component of the production rates in 2012.

[*] The analysis used Customers actual 2010 billing determinants and applied corresponding Con Edison rates as published under Schedule for Electricity Service, P.S.C. No. 9. The results of the calculations were compared against NYPA's 2010 actual billed amounts for both production and delivery charged to Customers.

"Under the LTAs, Customers' concerns must be considered in a confidential process prior to presenting any proposed changes to the Fixed Costs to the Trustees or issuing them for public comment. Numerous Customer data requests were presented to staff, and in all cases, responses to relevant questions were provided to the Customers.

1. <u>Staff Analysis of Public Comments on Fixed Costs and Recommendations</u>

"Below is staff's analysis and recommendations addressing the public comments received on the Fixed Costs proposal, which are included in Exhibit '6-B.'

"First, staff provides a review of the recently concluded annual process with the NYC Governmental Customers that led to the proposed 2012 Fixed Costs and the Final 2012 COS. Second, staff provides its analysis and recommendations regarding five issues raised by the City in its comments filed on December 1, 2011. No other party filed comments. Two of the issues raised (Issues 3 and 4) concern only a request for more information and no specific relief is requested. NYPA has provided the information and accordingly makes no recommendations for Issues 3 and 4.

"<u>Staff Review of 2011 LTA Annual Process</u>: During this cycle of the LTA annual process, NYPA staff has provided the Customers with abundant verifying information via the issuance of a comprehensive Preliminary 2012 COS and its accompanying, explanative, staff report and by responding to numerous Customer data requests made during the discovery process.

"After distribution of the Preliminary 2012 COS on May 27, 2011, the City and the Metropolitan Transit Authority ('MTA') submitted numerous discovery requests. There were 32 discovery requests put forth by the City; many of these contained multiple parts, such that 81 responses and/or analyses were provided to the City. The MTA issued eight data requests that were answered. All responses and analyses were provided over various points during June through early September.

"In addition to the written responses, NYPA staff conducted conference calls with the Customers and their consultants on various COS issues. On August 25, 2011, pursuant to the terms of the LTA, NYPA and the Customers teleconferenced on the Fixed Costs. Particular focus was placed on the O&M and Shared Services expenses with the Customers voicing concerns about the adequacy of the data provided up until that point. In its comments, the City stated that 'this year, it did not receive details on the level of the Fixed Costs until two weeks before the expiration of the public comment period.' The City remarked that it did not have sufficient time to fully analyze and understand NYPA's proposal.

"These statements foster an impression that NYPA has not been responsive to the discovery process required in the LTA. In this current rate action, the City received budget information concerning the Fixed Costs that surpassed anything that had been provided in past LTA annual processes. For the first time, the Customers were provided with budget data prior to the completion of any Final COS, including the O&M and Shared Services expense information that is normally not available until the completion of NYPA's annual budget process.

"As staff has explained to the Customers, the Authority's annual budget cycle, which is finalized near the end of the year, is not 'in-sync' with the discovery process that occurs under the LTA, which takes place mid-year. As a result, only preliminary budget estimates can be provided for these expenses during the discovery process.

"However, to overcome this problem, NYPA staff offered to provide, for the first time, the full detail and back-up to the official NYPA budget estimates for the LTA Customers' O&M and Shared Services expenses as they came to finalization by NYPA's Budget Group in early to mid-November. Staff also offered to be on call to answer any Customer questions regarding the information that was to be provided. The Customers readily accepted NYPA's offers.

"The promised data was provided on November 14, 2011, along with the offer by staff to be available to answer any questions. In response, the City asked for a three-day extension to have more time to analyze the information, and this request was granted.

"Despite the provision of detailed, final budget data for Customer review; the offer by staff to be on call to answer any questions; and the granting of an extension of the public comment period, there were no follow-up inquiries from the City concerning the O&M and Shared Services expenses data provided.

Issue 1: Consistency of Proposed Fixed Costs With Trustees' Directives

"Comments: The City cited a July 26, 2011 press release in which NYPA announced a directive by the Board of Trustees to cut costs and a November 15, 2011 press release where NYPA reported that it reduced its overhead costs by $3 million, which comprises part of its plan to achieve its goal of a 10% reduction in costs. The City further stated that NYPA and the Board of Trustees should treat all of their O&M and Shared Services assessments in a manner commensurate with other NYPA customers. According to the City, O&M expenses should be reduced by $3.6 million and Shared Services expense by $3.0 million.

"Staff Analysis: The press releases cited by the City refer to targets that NYPA has set for certain headquarters expenses concerning salaries, consulting expenses, travel and other overhead expenses. Three million dollars of savings were achieved overall from those areas and they effectively offset increases in medical benefits and pension costs. The cost-cutting goal of 10% does not refer to NYPA's O&M expenses. In fact, the press releases highlight that the spending cuts in overhead will allow for a renewed focus on the maintenance and reliability of the Authority's generating and transmission facilities.

"The Shared Services expenses component of the Fixed Costs consists of the portion of the headquarters O&M budget not directly assignable to any facility or project, plus the Research and Development O&M budget, with those two components offset by the allocation of labor personnel costs to capital projects.

"These Shared Services estimates are based on the level of headquarters resources required to support the Customers and the proportional amount of corporate overhead allocated on the basis of labor assigned to the 500MW combined cycle unit and the Small Hydro projects.

"NYPA uses the same labor cost methodology to allocate the headquarters costs to other Authority facilities. This allocation methodology is consistent with the decision made in *Village of Bergen v. Power Auth. of State of N.Y.*, 249 A.D.2d 902 (4th Dep't 1998), *appeal den'd*, 97 N.Y.2d 606 (2001). The use of the labor cost approach to the allocation of overhead costs is fairly standard throughout the electric industry.

"Reasons for the increase of roughly $1 million in the Customers' Shared Services expense in the 2012 COS is an overall Authority-wide increase of $3.7 million in the Research and Development component and a slight shift in labor ratio allocation weighting amongst the Authority's facilities. This allocation shift reflects the typical annual change in relative labor costs that are the result of personnel movements at the facilities.

"Recommendation: NYPA uses the same Shared Services expenses allocation methodology for all its customers and the Shared Services expenses are derived from the 2012 annual budget that is presented to the Trustees today for their approval, in a separate action. Staff finds no basis for the City's proposed O&M reduction proposal of $3.6 million or their proposal for reduction in the Shared Services expense of $3.0 million.

Issue 2: Criticism of O&M Expense Levels

"Comments: Customers have performed an analysis showing the $/MWh of Fixed Costs as a function of generator output. The analysis shows a 100% per-unit increase from 2006 to present and estimates a 16.7% increase from 2011 to 2012.

"Staff Analysis: Staff does not disagree with the City's calculations, but questions their relevancy. Putting aside that changes in annual MWh can be driven by varying market conditions, outage durations, the arrival of new competitive generation stations, such as the AEII Project, and the retirement of the Poletti unit, the more important, even critical, factor is to keep NYPA's generators operating efficiently, economically and reliably. NYPA is putting a renewed focus on the maintenance and reliability of its generating and transmission facilities. NYPA staff and management work to develop O&M and Capital plans that will ensure this outcome with the Trustees providing fiduciary oversight of the process and plans. The conclusion of this collaborative effort is today's Trustees vote to approve the 2012 NYPA O&M budget. The O&M expenses associated with the 2012 COS is directly derived from the overall NYPA budget approved by the Trustees and ensures that the NYC Governmental Customers are treated in the same manner as the Authority's other customers.

"As noted in the background section to this Memorandum, the Customers saved $368 million in their production costs as a result of NYPA's generation assets and transmission contracts. The capability of maintaining the reliability of generation assets dedicated to the NYC Governmental Customers plays a formative role in bringing about this competitive margin.

"<u>Recommendation</u>: Staff recommends that the City's proposed O&M expense reduction of $3.6 million in the 2012 COS be rejected.

<u>Issue 3: Request for Additional Explanation and Justification for Certain 2012 Proposed Projects</u>

"<u>Comments</u>: The City raised concerns about the O&M expenses related to valve replacement and roof leaks at the 500 MW Project, and questioned why these activities are occurring so soon after the Project was placed in service in 2006. The City also asks why there is a relocation of temporary trailers on the 500 MW Project site when there is an existing Administration Building.

"<u>Staff Analysis</u>: Concerning the valve replacement issue, the 500 MW Project was engineered as a base load plant and generally runs in a cycling mode. Most valves installed in the plant were not designed for a cycling mode. The 500 MW Project has experienced a large number of valve failures which have delayed plant operations and caused emissions exceedances, premature maintenance work and forced outages. Upgrading to severe service valves has been successful at the Poletti Plant and throughout the power industry in reducing maintenance requirements, failures and forced outages.

"At the beginning of commercial operation of the 500 MW Project, office trailers and trailer restroom facilities were installed at the site for contractor use due to the administration building not being equipped with adequate facilities to house the contractors. The trailers were installed in close proximity to the plant under the Air Cooled Condenser. The trailers have become a semi-permanent installation which houses a fire suppression system (*i.e.* sprinkler system). This close proximity poses a life and safety issue that puts at risk the Air Cooled Condenser, a piece of equipment vital to the plant's operation. The trailers need to be relocated in order to mitigate this risk.

"The 2012 budgeted roof leak amount is meant to fix any leaks which occur at the 500 MW Project in order to protect valuable assets. NYPA's roofing consultant performed an assessment of the Project's roof and recommended replacement within the next few years based on its observed condition. The roof warranty expires in 2015 and repairs have been performed under the warranty and any emergent leaks will be investigated against warranty coverage.

<u>Issue 4: Certain Poletti-Related Costs</u>

"<u>Comments</u>: The City raised concerns about the Poletti-related decommissioning costs and stated that NYPA has told them that it does not have a plan. The City posited that the absence of a Poletti retirement plan raises questions regarding the cost effectiveness of expenditures to date.

"In a separate concern, the City asserted that NYPA was not responsive in its answer included in the January 2011 Memorandum to the Trustees (regarding the 2011 Fixed Costs) to the City's belief that any Poletti expenses incurred after January 2010 should be paid from the asset retirement fund.

"<u>Staff Analysis</u>: The City is mistaken in its view that NYPA lacks a decommissioning plan. In fact, in answer to a specific City data request, NYPA responded 'it is likely that the final recommended plan for the Poletti decommissioning will be completed by year's end (2011) or the early part of 2012. If the decommissioning costs are lower than those that have been forecasted for COS purposes, the Customers will either have the period of collection truncated or the annual assessed cost lowered.'

"Staff has reviewed its response in the January 2011 Memorandum and does not in agree with the City's assertion that NYPA did not adequately answer their concerns that all Poletti expenses incurred after January 2010 should be drawn from the asset retirement fund. Staff would be willing to explain the handling of any 2012 COS Poletti-related expenses, but the City has not questioned any specific costs. Indeed, the City's Exhibit '1' shows four projected Poletti-related costs in the 2012 COS and the City offered no proposed adjustments to any of these items.

<u>Issue 5: Request to Adjust Costs Related to the 500 MW Unit</u>

A. <u>Oil Inventory Carrying Cost</u>

"<u>Comments</u>: The City objected to the Oil Inventory Carrying Cost being included in the 2012 COS since it is a Variable Cost and not a Fixed Cost, and it is not an expense included in any of the cost categories shown on Attachment B to the LTA.

"<u>Staff Analysis</u>: The LTA allows additions to cost categories shown in Attachment B if they can be justified as reasonably incurred to provide service to the NYC Governmental Customers provided that such an addition to Fixed Costs is consistent with accepted regulatory methodologies.

"A standard cost-of-service rate base item is working capital. Working capital is capital that has been advanced by the utility in order to provide service. The Federal Energy Regulatory Commission ('FERC') accepts working capital as a legitimate cost item that can be put into the rate base when an electric utility develops its rates. A rate base item is capital on which a return can be earned. Those advances can take the form of cash, materials, supplies, and fuels. See 18 C.F.R. § 35.13(h)(12) ('Statement AL') (2011) for a more detailed description of the working capital components.

B. <u>500 MW Project 7A & 7B Turbine Repair</u>

"<u>Comments</u>: The City indicated that it has not been given information from NYPA and therefore 'has not been able to confirm the veracity of the annual amortization of the alleged, underlying $15.5 million capital expenditure' related to the 500 MW Project turbine repair.

"<u>Staff Analysis</u>: As noted by the City, the January 2011 Memorandum cited the amortization of the $15.5 million of capital expenditures to justify the $1.0 million capital cost charge. However, staff was not advised by the City during the 2012 discovery process that it was dissatisfied with the response provided in January 2011.

"Staff notes that the City presented written data requests for the following capital items: $0.54 million in capital additions, $0.25 million in minor capital additions, and $0.34 million in spare transformer amortization costs. These items, plus the 500 MW Project turbine repair amortization amount of $0.96 million, are all delineated under the same internally funded capital additions category on 'Figure 4I – Other Capital Cost' of the Preliminary 2012 COS.

"However, during the discovery process, the City issued no data requests regarding the turbine repair capital cost. Staff has always attempted to be as responsive as possible to all Customer data requests and makes every effort to answer the inquiries presented to us during the discovery process. Now that we understand the City's request, staff will move expeditiously to provide the City with this data.

C. <u>GE Litigation Expenses</u>

"<u>Comments</u>: The City requested that Fixed Costs be reduced for GE litigation by $0.2 million. The City claimed that since it was not given specific supporting documentation during the initial discovery they cannot verify the validity or magnitude of the claims and subsequent settlement and therefore the charges are not consistent with cost-of-service principles. The City also requested back-up data on legal fees and related costs, and claims that it should have access to outside counsel billing rates.

"Staff Analysis: As NYPA has indicated previously, the GE litigation was pursued on behalf of the Customers in an attempt to recover the costs overruns and delays relating to construction of the 500 MW Project. In October 2006, NYPA filed a complaint with the NY Supreme Court against GE and five of its subcontractors to recover damages resulting from delays and cost overruns due to inadequate engineering and design services and defective equipment. GE countered to seek recovery of damages due to delays in construction claimed to be caused by NYPA. The claim was settled in 2007 with GE giving credits to NYPA for future work at the 500 MW Project. The total cost of the litigation was $2.6 million. In its settlement agreement with GE, NYPA agreed to keep the matter confidential, which prohibits NYPA from disclosing the settlement terms to Customers or any other outside party. As has been explained to the Customers previously, maintaining this confidentiality is necessary to protect the Customers' best interests and NYPA cannot subject itself to legal action by violating these confidentiality provisions.

"However, NYPA has further reviewed this matter, and finds that while it has previously provided total legal cost data to Customers, billing rates and related information requested by the City is not covered by the confidentiality commitments referenced above. Accordingly, NYPA will retrieve this billing information, including outside counsel billing rates and the costs for experts such as forensic engineers, and provide it to the City as soon as possible.

"Recommendation: Staff recommends no changes in the 2012 COS for Oil Inventory Carrying Cost, 500 MW Project turbine repair and GE litigation costs. However, staff will provide back-up cost data for the turbine repair and requested information on billing rates and other costs related to the GE litigation as soon as possible.

Issue 6: Hudson Transmission Project-Related Expenses

"Comments: The City stated that there exists a non-binding term sheet which represents the understanding between NYPA and the City regarding a number of issues associated with the Hudson Transmission Project ('HTP'), including the allocation of the costs NYPA has incurred to date. According to the City, the City is not responsible for NYPA's costs related to HTP, other than RFP costs which have already been recovered.

"Staff Analysis: Staff reviewed the term sheet dated February 28, 2011 and concludes that the City's contention has merit.

"Recommendation: Staff will eliminate the $300,000 from the Other Expense category of the Final 2012 COS.

2. Staff Analysis of Public Comments on Minimum Billing and Recommendations

"Comments: The City, which was the only party that filed comments on the minimum bill proposal, maintained that the proposed changes to the minimum bill provision in NYPA's service tariff are unsupported and that NYPA has not verified that its proposal is revenue neutral. Furthermore, the City challenged the notion that NYPA may assess *any* production minimum charges, no matter how they are calculated.

"The City asks the Authority to reject the tariff amendments regarding the production minimum demand billing, re-evaluate the need for instituting production minimum billing at all, and if the Authority determines that production minimum bill charges are needed, that the Board of Trustees ensures that such provisions be implemented on a revenue-neutral basis.

"Staff Analysis: First, the Trustees should reject the City's claim that NYPA must 'justify the need for a Production minimum charge.' This claim has no foundation because a production minimum charge was already included in NYPA's tariff. The fact that NYPA had previously waived the implementation of this provision does not alter the fact that production minimum charges were lawfully permitted under the tariff. In fact, before NYPA implemented its rate redesign, which the Trustees' approved at their June 2011 meeting, NYPA could not be confident that minimum bill provisions would yield the desired, cost-based results. Only after NYPA implemented its rate redesign, which eliminated cross-subsidies between Customer service classes, did it make sense for NYPA to implement the minimum bill provision.

"The City's second claim is that NYPA is unjustified in making the proposed change to the minimum bill provision such that a minimum charge is applied to the demand portion of the bill only and that energy charges continue to apply. The City's claim that NYPA's proposal lacks a 'rationale' is belied by the facts, including the detailed discovery responses provided to the City which show that the proposed minimum bill provision is revenue neutral in practice.

"The City actually conceded that NYPA's 2011 example (a 'revenue flow-through' model showing the effects of the proposed minimum bill provision) demonstrated revenue neutrality to NYPA for calendar year 2011. The City described this as using 'hypothetical 2011' rates, but this severely minimizes the import of that demonstration because it was based on data used to derive the *actual* 2011 NYC Governmental Customer rates. This analysis showed that the proposed minimum demand charge leads to these specific effects: (i) increased billing determinants; (ii) an increase in NYPA's estimated 'total tariff revenues' which is used to calibrate rates downward; (iii) a rate decrease based on the incorporation of increased billing determinants; and (iv) no change to the total COS.

"NYPA also provided a similar revenue flow-through model demonstrating the same result for the preliminary 2012 COS. While the City remains 'concerned' that the impact of the proposed minimum bill provision may not be revenue neutral for 2012, as a matter of rate design, the methodology used is precisely the same as that contained in the 2011 example. Thus, there can be no question that NYPA staff presented substantial evidence and a rationale for its proposal. In response to the City's concerns, Exhibit '6-C' includes an updated revenue flow model using the final proposed 2012 COS. As expected, this demonstrates that the minimum demand charge results in revenue neutrality through the comparison of the proposed 2012 rates with and without minimum bill.[†]

"Furthermore, the proposed correction to the minimum demand charge is appropriate because it allows for allocation of proportional amounts of fixed charges based on customer usage patterns. Those accounts with usage patterns that vary significantly from month to month will trigger a minimum demand bill and, as NYPA explained in its September 27, 2011 Memorandum, the result will allow for a more fair recovery of the fixed costs amongst customers. The previous minimum bill provision was arguably defective because it could be interpreted to include energy charges in the calculation of the minimum charge. This does not appropriately recover the fixed costs of providing production service. The proposed minimum demand charge correction addresses this concern, and as such, is consistent with cost-causation principles. Moreover, the use of a minimum demand charge is commonly used within the electric utility industry.

"Recommendation: Staff recommends that the Trustees approve the proposed tariff corrections to clarify minimum demand bill provision. Staff has demonstrated that its proposal is revenue neutral to NYPA and adheres to cost-causation principles.

3. Final Recommendation on 2012 Fixed Costs

"Based on Customer comments received and further staff analysis, Authority staff recommends the withdrawal of the originally proposed Fixed Costs increase. The Fixed Costs for 2012 would remain at the current 2011 level. The withdrawal of the proposed increase represents a $3.4 million decrease from the proposed Fixed Costs estimate discussed at the September 27, 2011 Trustee meeting. While there would be no change in the total value of the Fixed Costs component, the specific cost items of the Fixed Costs vary as compared to 2011. There would be a $1.4 million increase in Shared Services and O&M, which would be offset by a $1.4 million decrease in Capital Costs and Other Expenses, resulting in no change in the total $159.7 million of the 2011 Fixed Costs subject to the NOPR. The Astoria Energy II ('AE II') plant lease costs, which have been separately agreed to between NYPA and the Customers and are outside this NOPR process, remain unchanged at $129 million and, when added to the Fixed Costs that are the subject of the NOPR, raise the total 2012 Fixed Costs component of the production rates to $288.7 million.

4. For Trustee Information: Description of Final 2012 COS and Customer Rates

"Because the Variable Costs component (*i.e.*, fuel and purchased power, risk management, New York Independent System Operator ('NYISO') ancillary services and O&M reserve, less a credit for NYISO revenues

[†] Included in Exhibit '6-C' are NYPA's discovery responses provided to the City on November 3, 2011 and November 14, 2011 that indicated the revenue-neutral effects of the minimum demand charge.

from Customer-dedicated generation) is developed in collaboration with the Customers in accordance with the provisions of the LTAs previously approved by the Trustees, staff is not requesting the Trustees' approval of the Variable Costs component of the production rates for 2012. Additionally the Authority passes through all Variable Costs to the Customers by way of the 'Energy Charge Adjustment ('ECA') with Hedging' cost-recovery mechanism which the Customers collectively selected for 2012. This cost-recovery mechanism offered under the LTA employs a monthly charge or credit that reflects the difference between the projected Variable Costs of electricity (*i.e.*, the Variable Costs recovered under the Customers' tariffs) and the monthly actual Variable Costs incurred by the Authority to serve the Customers.

"For the Trustees' information, the projected Variable Costs are expected to decrease 15.6% from 2011 levels. The final projected 2012 Cost of Service is $863.9 million and the projected 2011 rate revenues are $855.5 million, resulting in an under-recovery of $8.4 million or 1.0%. The forecasted Customer sales and revenues for 2012 include the effects of the production minimum demand bill, which in turn lowers the projected revenue shortfall by $9.4 million. Due to the expected collections resulting from the minimum demand bill, this has a lowering effect on final rates. In total, the minimum demand bill provision is revenue neutral to the Authority. The final rates are derived from the costs of combining the Fixed Costs described herein, AE II costs and the Variable Costs decrease. The current 2011 and final 2012 Customer rates with the 1.0% overall increase needed to recover the $8.4 million revenue shortfall are shown in Exhibit '6-D.'

<u>FISCAL INFOMATION</u>

"The withdrawal of the originally proposed Fixed Costs increase would have no net effect on Authority's financial position.

"The corrections to the minimum bill provision are revenue neutral to the Authority and will have no net effect on the Authority's finances.

<u>RECOMMENDATION</u>

"The Director – Market Analysis and Tariff Administration, recommends that the Trustees approve the withdrawal of the Authority's 2012 Fixed Costs proposal, and approve tariff modifications to effectuate the corrections to the minimum demand bill provision and eliminate typographical errors.

"It is also recommended that the Corporate Secretary be authorized to publish a Notice of Adoption of the Notice of Proposed Rulemaking, consistent with the discussion herein, in the *State Register.*

"The Trustees are also requested to authorize the Senior Vice President – Marketing and Economic Development, or his designee, to issue written notice of adoption and the revised tariff leaves, as necessary, to the affected customers.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

Mr. Mike Lupo presented highlights of staff's recommendation to the Trustees. In response to a question from Trustee Nicandri, Mr. Lupo said that the process in the rate analysis is identical to that used for the hydropower rates which was approved by the Trustees at the November 15th Meeting. In response to further question from Trustee Nicandri, Mr. Lupo said there is transparency in the process which includes the issuance of a Preliminary Report by Authority staff; Notice of the Proposed Rule making, opening a public comment period, a public forum and staff's analysis of customers' comments. He added that the analysis involved a

significant amount of collaborative effort between the Authority and the customers. Trustee Dyson added that he thought staff did a great job in responding to the customers' comments.

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

WHEREAS, on September 27, 2011, the Trustees authorized the Corporate Secretary to file a Notice of Proposed Rulemaking for publication in the *New York State Register* of the Authority's intention to increase the 2012 Fixed Costs component of the New York City Governmental Customers production rates, make corrections to the tariff provision concerning production minimum billing and make other ministerial tariff corrections; and

WHEREAS, such notice was duly published in the *New York State Register* on October 12, 2011; and

WHEREAS, Authority staff has received and responded to numerous data requests, and conducted a public forum on November 17, 2011 in accordance with Authority policy, at which forum interested parties were heard; and

WHEREAS, Authority staff recommends that the Fixed Costs proposal for 2012 be withdrawn and that the correction to the production minimum bill tariff provision and other ministerial tariff changes be adopted;

NOW THEREFORE BE IT RESOLVED, That the existing 2011 Fixed Costs value will remain in effect for 2012 and the tariff changes recommended herein are approved; and be it further

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

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

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

7. Extension of Hydropower Contracts with Upstate Investor-Owned Utilities for the Benefit of Rural and Domestic Consumers – Notice of Public Hearing

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the negotiation of contract extensions for the sale to Niagara Mohawk Power Corporation d/b/a National Grid ('National Grid'), New York State Electric and Gas Corporation ('NYSEG') and Rochester Gas and Electric Corporation ('RGE') (hereinafter referred to collectively as the 'Utilities') of a total of 360 MW of firm 'peaking' hydropower for terms of at least one year to as many as three years. Due to legislation enacted in 2011, the proposed contract extensions would no longer include the sale of firm hydropower to the Utilities. The extensions are subject to the public hearing and gubernatorial review process in Public Authorities Law ('PAL') § 1009. Accordingly, the Trustees are further requested to authorize a public hearing on the final proposed contract extensions and transmittal of the extension contracts to the Governor and legislative leaders, and the execution of the 2011 contract extensions providing for the sale of the allocations on a short-term basis pending completion of the public hearing process and gubernatorial approval of the 2011 extensions. The proposed contract extensions are attached as Exhibit '7-A' (National Grid), Exhibit '7-B' (NYSEG) and Exhibit '7-C' (RGE), respectively.

BACKGROUND

"In accordance with hydropower contracts signed with the Utilities in 1990 ('1990 Hydro Contracts') and subsequent contract extensions made annually, the Utilities have continued to purchase both firm power and firm peaking power from the St. Lawrence/FDR and Niagara Power Projects.

"The Utilities have purchased such power and energy at the Authority's cost-based hydropower rate, the benefits of which have been passed on to the Utilities' residential and small farm customers (also referred to as their rural and domestic or 'R&D consumers') without markup, through the electric service provided by the Utilities under their retail tariffs.

"The last extensions of the 1990 Hydro Contracts were approved by the Trustees at their December 2010 meeting and ultimately approved by the Governor. The 2010 extensions are set to expire on December 31, 2011.

"Since August 31, 2007, the original expiration date of the 1990 Hydro Contracts, the Authority's Trustees have been careful not to approve any long-term contract commitments for the sale of this hydropower in anticipation of enacted legislation providing for the creation of a new hydropower-based economic development program.

"Chapter 60 (Part CC) of the Laws of 2011 created the Recharge New York Power Program ('RNY Program'). This law authorized the Authority to use the firm hydropower previously allocated to the Utilities for the RNY Program. *See* PAL § 1005(13-a).

"Effective August 1, 2011, the Authority withdrew the firm power allocations from the Utilities in accordance with the withdrawal provisions of the 2010 extensions and the new law, and terminated the firm power allocations of 189 MW for National Grid, 167 MW for NYSEG and 99 MW for RGE.

DISCUSSION

"As a result of the use of the firm power for the RNY Program, the firm power is no longer available for allocation to the Utilities. However, the proposed 2011 contract extensions would continue the sale of 360 MW of firm peaking hydropower to the Utilities, which consists of 175 MW for National Grid, 150 MW for NYSEG and 35 MW for RGE. These peaking power allocations would continue to allow the Authority to pass on the benefits of the firm peaking power to the Utilities' R&D consumers. The Authority would continue to have a right to withdraw the firm peaking power on 30 days' written notice.

"As noted, the proposed 2011 extensions are subject to the public hearing and gubernatorial review process provided for in PAL §1009. Accordingly, staff further recommends that the Trustees authorize a public hearing on the proposed contract extensions. In addition, because the 2010 extensions are scheduled to expire on December 31, 2011, staff recommends that it be authorized to execute the 2011 contract extensions providing for the sale of the peaking power allocations on a short term basis pending completion of the public hearing process and gubernatorial approval of the 2011 extensions. In the unlikely event that gubernatorial approval is not received, the extensions would expire on the last day of the month following disapproval or the date by which the Governor is required to act on the contracts.

FISCAL INFORMATION

"The proposed 2011 contract extensions would provide that the Utilities continue to pay for firm peaking hydropower at the same rates they are currently charged, *i.e.*, the cost-based rates that are currently charged to the Authority's preference customers and determined in accordance with the Authority's rate-setting methodologies and principles. The Trustees approved a preference power rate increase at their November 2011 meeting, which became effective in the December 2011 billing period. The proposed 2011 extensions would incorporate the new preference power rates. Accordingly, there will be no fiscal impact to the Authority associated with these contract extensions.

RECOMMENDATION

"The Director – Marketing Analysis and Administration recommends that the Trustees (i) authorize staff to negotiate extensions of the 1990 Hydro Contracts for terms of at least one year to as many as three years as part of the proposed 2011 extensions; (ii) authorize the Corporate Secretary to convene public hearings on the final negotiated 2011 contract extensions and transmit copies of such extensions to the Governor and legislative leaders pursuant to PAL § 1009; and (iii) authorize staff to execute final negotiated 2011 contract extensions providing for the sale of the peaking power allocations on a short-term basis pending completion of the public hearing process and gubernatorial approval of the 2011 extensions.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

Mr. Mike Lupo presented highlights of staff's recommendation to the Trustees. In response to a suggestion from Trustee Mark O'Luck, Mr. Lupo said that, going forward, the Trustees be provided with a schedule of expected rate increases and contract extensions.

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

RESOLVED, That the Corporate Secretary be and hereby is authorized to convene public hearings on the final proposed contract extensions in accordance with the procedures set forth in Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit copies of final proposed contract extensions 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 Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized, subject to approval of the form thereof by the Executive Vice President and General Counsel, to negotiate and execute any and all documents necessary or desirable to implement the contract extensions with National Grid, New York State Electric and Gas Corporation and Rochester Gas and Electric Corporation as set forth in the foregoing report of the Acting President and Chief Executive Officer; and be it further

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

8. Procurement (Services) Contract – Governmental Customers and Statewide Energy Services Programs – Program Management and Implementation Services for Data Centers – Contract Award

The Acting President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of contracts for up to five years for program management and implementation services for data center energy services projects with the firms of Willdan Group, Inc. ('Willdan'), RCM Technologies, Inc. ('RCM'), Wendel Companies in affiliation with the LiRo Group, Ltd. ('Wendel/LiRo'), and SourceOne, Inc., for an aggregate amount of $30 million, in connection with the Governmental Customers Energy Services ('GCESP') and Statewide Energy Services ('SWESP') Programs. These funds will be disbursed from previously approved funding for both the GCESP and SWESP; therefore, no additional program funding is requested at this time. The contracts will cover a five-year period starting in January 2012 and ending on December 31, 2016. The cost of each project will be recovered from each participant in the GCESP and SWESP.

"The services for this award will be conducted primarily in the Boroughs of New York City, Westchester, Orange, Rockland, Putnam, Suffolk and Nassau Counties. However, projects throughout New York State are foreseeable.

BACKGROUND

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

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

"The Authority's mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, since the late 1980's the Authority has offered energy efficiency programs statewide. These programs have been very successful and to date the Authority has achieved over $135 million in annual customer savings.

"Data Center conservation measures involve unique solutions including, but not limited to, implementation of hot/cold aisle configuration and controlling air migration, implementation of economizer cooling, rack and server level liquid cooling, active/passive harmonic filtering, consolidation and server virtualization and high density blade servers and dual core processor servers. The Authority's program participants have expressed a great deal of interest in the implementation of these types of measures at their facilities. Since these measures are unique, this solicitation was done to obtain firms that specialize in this area.

DISCUSSION

"As the general contractor, the Authority contracts for the installation of Energy Services Program ('ESP') measures with Implementation Contractors ('ICs'). The services provided by the ICs complement the Authority's headquarters personnel resources. The ICs, experienced in Data Center technologies and industry-leading assessment tools, will identify gaps in infrastructure, recommend energy efficiency improvements and implement measures. To that end, the ICs will be responsible for complete turn-key Data Center Energy Efficiency ('DCEE') Technical Services, as required by the Authority, including on-site screening, feasibility audit development, design, construction management, installation, final report development and closeout.

"In addition, the ICs will be required to work directly with the customer/program participant from facility audit to the final acceptance of efficiency improvement measures.

Contractor Selection

"On July 1, 2011, the Authority advertised a Request for Proposals ('RFP') in the New York State *Contract Reporter* soliciting firms interested in providing program management and implementation services for Data Center Energy Services Projects in the downstate region. As a result of that advertisement and invitations to bid, 90 firms downloaded the RFP from the Authority's website. A mandatory bidders' conference was held on Wednesday, July 20, 2011 to explain the proposed scope-of-work and provide an opportunity for potential bidders to ask questions and seek clarification. Eighteen firms attended the mandatory pre-bid conference.

"Eight proposals were received for the program. A summary of the pricing submitted is attached as Exhibit '8-A.' The bids were evaluated based on a number of technical criteria and costs by a team of staff members. These criteria included experience, cost, support and references. Each proposal received a score of 0 to 5, with 5 being the highest score. A summary of the ratings is also attached as Exhibit '8-B.' The bids from Eaton and PTS were disqualified because they did not meet the commercial and/or experience requirements of the RFP; the bids from Lend Lease/ARUP and Johnson Controls were not considered further because of high pricing.

"Staff recommends the award of contracts to the following firms: Willdan Group, Inc., SourceOne Inc., RCM and Wendel/LiRo. These firms scored the highest and were also the lowest-cost, technically qualified bidders. The following is a summary of each recommended company:

Willdan

"Willdan, with offices nationally, including Nanuet, New York City and Long Island, is a recognized leader in providing the energy industry with reliable, compatible and user-friendly information technology ('IT') solutions. The company has demonstrated creative solutions, and proven frameworks; it also has experienced professionals on its staff. Willdan is a reputable contactor and is suitable for this program because of its years of experience in the IT industry involving Data Center management. The company is also the exclusive Data Center program management contractor for the New York State Energy Research and Development Authority ('NYSERDA'). Further, Willdan is knowledgeable of the Authority's Energy Services Program through its professional relationships with other state agencies. Willdan is a new Authority Contractor.

RCM

"RCM, with offices in New York City, has provided professional engineering services to commercial and government clients for many years. RCM capitalizes on its diverse engineering and technology platform to offer clients fully-integrated and coordinated design, construction management and consulting services. With more than 35 years experience delivering complex business IT and Data Center solutions and services; RCM has seen several technological and business process advances over the years. Because of its extensive knowledge and years of technical and business process experience, RCM integrates business consulting, software, training and IT services into proven business solutions in its market. RCM Technologies is also currently providing services to the Authority.

Wendel/LiRo

"Wendel also provides services in the greater New York State Region. For more than 20 years, Wendel has been providing innovative ideas to clients looking to stabilize their current and future operating expenses, particularly, IT infrastructures. The company's Energy Services team uses their engineering and construction expertise to develop Green Building Designs, including Data Centers, and deliver turn-key solutions that are both environmentally friendly and economically responsible. Wendel is performing energy services for the Authority.

"LiRo, an accredited Energy Services Company ('ESCO'), with offices throughout the State of New York and New Jersey, provides construction management, engineering, environmental, architectural and program management solutions. LiRo has experience in Data Center infrastructure and public building modeling. The company's reputation has led to its involvement with some of the country's top projects and landmarks, including the post 9/11 rebuilding of Lower Manhattan. LiRo is currently satisfactorily performing asbestos consulting services.

"The Wendel/LiRo affiliation will meet the Authority's need to be responsive to all the Authority's ESP participants.

SourceOne

"SourceOne, with offices in New York City, has dedicated energy efficiency experts and carbon consultants who are able to provide a full range of energy efficiency and carbon management services to the IT Industry. SourceOne identifies cost-saving energy conservation and planning opportunities and is able to support the Authority's clients through various programs with the goal of achieving a sustainable future. With expertise in Data Center energy auditing, renewable energy solutions, cogeneration, Leadership in Energy and Environmental Design ('LEED') certification, among others, SourceOne helps customers improve their operational efficiency to generate significant savings. SourceOne has active contracts with the Authority for other energy services projects.

FISCAL INFORMATION

"Funding for these contracts will be from previously approved funds in the GESP and SWESP in an amount not to exceed $20 million for the GCESP and $10 million for the SWESP and to be distributed, as applicable, for the particular project. This funding will be provided from the proceeds of the Authority's Commercial Paper Notes and/or the Operating Fund and will be recovered consistent with Energy Services and Technology Programs. Initially, each contractor will be allocated $5 million dollars to execute a key Data Center project.

RECOMMENDATION

"The Vice President – Energy Services and Technology and the Director of Engineering and Design – Energy Services recommend that procurement services contracts for program management and implementation services for Data Center Energy Services Projects be awarded to Willdan Group, Inc., RCM Technologies, Inc., Wendel Companies in affiliation with the LiRo Group, Ltd., and SourceOne, Inc.

"For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution."

Mr. Michael Nash provided highlights of staff's recommendation to the Trustees. In response to a question from Trustee Nicandri Mr. Nash said that an example of what can be done at the data centers include changing the power supply and reconfiguring conditioned air flow to the data center space to reduce the cooling requirement .

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, the Trustees hereby authorize the award of contracts in the amount of up to $30 million, in aggregate,

to Willdan Group, Inc., RCM Technologies, Inc., Wendel Companies in affiliation with the LiRo Group, Ltd., and SourceOne, Inc., to facilitate the development of the design, engineering equipment procurement, installation and financing for Data Center Energy Efficiency improvement projects in the Energy Services Programs; and be it further

RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and Expenditure Authorization Procedures, $30 million of the foregoing amount be allocated to the approved contracts for Willdan Group, Inc., RCM Technologies, Inc., Wendel Companies in affiliation with the LiRo Group, Ltd., and SourceOne, Inc. in the amounts for the purposes listed below:

Commercial Paper Program/Operating Fund	Ceiling	Expiration Date
1. Willdan Group, Inc.	Initial allocation of $5 M per contract up to $30 million (aggregate)*	01/31/2016
2. RCM Technologies, Inc.		
3. Wendel Companies in affiliation with the LiRo Group, Ltd.		
4. SourceOne, Inc.		

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

* A total of $30 million will be allocated to Willdan Group, Inc., RCM Technologies, Inc., Wendel Companies in affiliation with the LiRo Group, Ltd., and SourceOne, Inc. The final allocation will be determined as facilities are assigned based on performance and specialization.

9. <u>Informational Item: Richard M. Flynn Power Plant Maintenance Outage</u>

Mr. Russell Bahm presented highlights of the major maintenance outage at the Flynn Plant to the Trustees; this was followed by a video presentation of the maintenance work. Responding to a question from Trustee Nicandri, Mr. Bahm said that a major part of the work was done by contractors because it requires specialized skills. In response to further question from Trustee Nicandri, Mr. Welz said that staff at the Flynn Plant is highly skilled, however, the amount of work required to be done in a short, compressed, time-frame necessitated that it be performed by a contracted firm. Also, the entire staff at the Flynn Plant consists of 21 employees and it would not be cost-effective to hire more people at the Plant when the major maintenance of the plant is required to be done every four years. Mr. Bahm added that some of the work is done by staff in-house. Staff also provides oversight and support to the contractors.

10. Motion to Conduct an Executive Session

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

11. 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.

12. <u>Next Meeting</u>

The next regular meeting of the Trustees will be held on **Tuesday, January 31, 2012, at 11:00 a.m., at the Clarence D. Rappleyea Building, White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 1:30 p.m.

Karen Delince
Corporate Secretary

EXHIBITS

For

December 15, 2011
Trustees' Meeting

Exhibit "2b-A"
December 15, 2011

Village of Marathon

Expense and Revenue Summary

	Four-Year Average	2011	Proposed[1]
Purchase Power Expense (NYPA hydro and incremental)	$ 672,595	$ 726,517	$ 690,292
Distribution Expense (Village-owned facilities)	153,271	172,151	178,850
Depreciation Expense (On all capital facilities and equipment)	88,494	91,982	193,592
General and Administrative Expenses (Salaries, insurance, management services and Administrative expenses)	207,533	222,948	252,000
Total Operating Expenses	$ 1,121,893	$ 1,213,598	$ 1,314,734
Net Rate of Return – (Four year average - 7.0%, 2011 – 8.0%, proposed - 7.3%) (includes debt service on current and planned debt, cash reserves and contingencies)	98,761	148,613	145,293
Miscellaneous Revenue Credit	0	0	(41,810)
Total Cost of Service	$ 1,220,654	$ 1,362,211	$ 1,418,217
Revenue at Present Rates			1,334,241
Deficiency at Current Rates			**83,976**
Revenue at Proposed Rates			$ 1,418,217
Increase % at Proposed Rates			**6.3%**

[1] Based on five years historical and projected data.

Exhibit “2b-B”
December 15, 2011

Village of Marathon

Comparison of Present and Proposed Annual Total Revenues

Service Classification	Present Revenue	Proposed Revenue	% Increase
Service Classification No. 1 Residential	$ 758,214	$ 805,935	6.3%
Service Classification No. 2 Small Commercial	87,749	93,272	6.3%
Service Classification No. 3 Large Commercial	470,542	500,158	6.3%
Service Classification No. 4 Security Lights	4,697	4,992	6.3%
Service Classification No. 5 Street Lights	13,039	13,859	6.3%
Total System Revenue	**$ 1,334,240**	**$ 1,418,217**	**6.3%**

Exhibit "2b-C"
December 15, 2011

Village of Marathon

Comparison of Former and Adopted Net Monthly rates

Service Classification	Former[1] Rates	Adopted[1] Rates	Charge Type
Service Classification No. 1 Residential			
Customer Charge	$5.00	$6.00	(Monthly)
Energy Charge – Non-Winter (May-October)	$0.05000	$0.05896	(Per kWh)
Energy Charge – Winter (November-April) – First 1,000 kWh	$0.05000	$0.05896	(Per kWh)
Energy Charge – Winter (November-April) – Over 1,000 kWh	$0.06910	$0.07648	(Per kWh)
Service Classification No. 2 Small Commercial			
Customer Charge	$7.00	$8.00	(Monthly)
Energy Charge – Non-Winter (May-October)	$0.04940	$0.05228	(Per kWh)
Energy Charge – Winter (November-April)	$0.06660	$0.07763	(Per kWh)
Service Classification No. 3 Large Commercial			
Demand Charge	$5.50	$6.50	(Per KW)
Energy Charge – All Year	$0.02760	$0.03156	(Per kWh)
Service Classification No. 4 Security Lights			
Facilities Charge	$5.50	$5.87	(Per Lamp)
Energy Charge – All Year	$0.01190	$0.01648	(Per kWh)
Service Classification No. 5 Street Lights			
Facilities Charge	$5.37	$6.84	(Per Lamp)
Energy Charge – Non-Winter (May-October)	$0.01190	$0.00049	(Per kWh)

[1] Average annual purchased power adjustment (PPA) reflected in former and adopted rates.

New York Power Authority
Hydropower Allocation Recommendations

Exhibit "2c-A"
December 15, 2011

Recommendation for Expansion Power 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	MOD-PAC Corporation	EP	Buffalo	Erie	400	45	$6,000,000	$40,200	**400**	7 Years

Revised Recommendation for Expansion Power Allocation

						Original (June 30, 2009)			Revised			
Exhibit Number	Company Name	Program	City	County	Power Requested (kW)	Power Recommended (kW)	New Jobs	Estimated Capital Investment	Power Recommended (kW)	New Jobs (unchanged)	Actual Capital Investment	Contract Term (unchanged)
A-2	Nestle Purina PetCare Company	EP	Dunkirk	Chautauqua	1,000	**1,000**	15	$50,000,000	**500**	15	$24,000,000	5 Years

December 15, 2011
Exhibit "2c-A-1"

APPLICATION SUMMARY
Expansion Power

Company:	MOD-PAC Corporation
Location:	Buffalo, Erie County
IOU:	National Grid
Business Activity:	Folding cartons and specialty printed products
Project Description:	MOD-PAC's facility is currently isolated from the electric grid, having all of its electrical needs met by its cogeneration plant. Part of the project plan is to reconnect to the grid by investing in a new substation and line extension needed to support the facility's current and projected new electric load from this expansion project. The company will also expand production capacity by purchasing and installing a new printing press, two die cutters, and a sheeter.
Existing Allocation(s):	None
Power Request:	400 kW
Power Recommended:	400 kW
Job Commitment:	
Existing:	360 jobs
New:	45 jobs
New Jobs/Power Ratio:	112.5 jobs/MW
New Jobs - Avg. Wage and Benefits:	$40,200
Capital Investment:	$6.0 million
Capital Investment/MW:	$15.0 million/MW
Other ED Incentives:	Working with National Grid for infrastructure investment incentives
Summary:	MOD-PAC is pursuing strategies expand its business to support anticipated growth. The company needs to improve competitiveness through production and cost efficiencies. An allocation of hydropower would support MOD-PAC's commitment to growing at its Western New York location, enabling the creation of 45 jobs and adding to the 360 existing quality jobs at its one facility in Buffalo.

December 15, 2011
Exhibit "2c-A-2"

REVISED
APPLICATION SUMMARY
Expansion Power

Company:	Nestle Purina PetCare Company
Location:	Dunkirk, Chautaqua County
IOU:	National Grid
Business Activity:	Pet foods and pet care products
Project Description:	Nestle Purina's revised project involves expanding production capabilities at the Dunkirk plant including a 100,000 square foot warehouse expansion, a new production line and reconfiguration of two existing lines. The revised project and associated investment enables Nestle Purina to produce nine new or improved product formulations.
Existing Allocation(s):	3,400 kW Expansion Power
Power Request:	1000 kW
Power Recommended:	500 kW (revised)
Job Commitment:	
Existing:	327 jobs
New:	15 jobs
New Jobs/Power Ratio:	30 jobs/MW
New Jobs - Avg. Wage and Benefits:	$80,000
Capital Investment:	$24.0 million (revised)
Capital Investment/MW:	$48.0 million/MW
Other ED Incentives:	n/a
Summary:	Nestle Purina's Dunkirk facility competes with its parent corporation's 60 worldwide manufacturing operations to bring corporate investment projects to Western NY. The original project for this allocation did not move forward, however, the company was able to garner support for other project investments of $24 million to expand Dunkirk's production capabilities. The company commits to the original 15 new jobs with the reduced allocation of 500 kW.

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

EXHIBIT "2d-A"
December 15, 2011

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
BUSINESS SERVICES - TREASURY	**PFM ASSET MANAGEMENT, LLC** Philadelphia, PA (**Q11-5134**; PO# TBA)	02/14/12 (on or about)	Provide for financial management consulting services with respect to the OPEB and NDT Funds	02/13/17	B/P	*Note: represents total for up to 5-year term; the fees will be paid directly from the respective Trusts		est. **$895,000***
CSS / ESS - IT	**Q11-5080; 2 awards:** **1. LINWOOD C. SCOTT JR., INC. T/A LCSJ COMMUNI-CATIONS, INC.** Baltimore, MD **2. TCE SYSTEMS, INC. ♦** Astoria, NY (PO#s TBA)	01/01/12 (on or after)	Provide for services of temporary engineering personnel specializing in radio frequency tech-nology and microwave communications, on an "as needed" basis	12/31/14	B/S	*Note: represents aggregate total for up to 3-year term		**$300,000***
CSS / ESS - IT on behalf of MED - CUSTOMER LOAD FORE-CASTING	**Q11-5060; 2 awards:** **1. ORACLE AMERICA, INC.** Redwood City, CA **in partnership with**	11/15/12 (to commence upon comple-tion of 1st year of maintenance Included with soft-ware purchase)	Provide for mainte-nance and support services for each firm's respective software comprising the Long-Term Mar-ket Forecast system	11/14/16 (or up to 4 yrs after the actual effective date)	B/S	*Note: represents total for up to 4-year term		**$216,000***
	2. POWERRUNNER, LLC Brentwood, NH (PO#s TBA)	est. 03/01/12 (to commence upon acceptance by NYPA of system implement-ation, currently pro-jected to be on or about 3/01/12)		est. 02/28/17 (or up to 5 yrs after the actual effective date)		* Note: represents total for up to 5-year term		**$348,300***

♦ **M / WBE: New York State-certified Minority / Women-owned Business Enterprise (indicated by the ♦ symbol after the Company Name)**
1 **Award Basis: B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search**
2 **Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service**

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

EXHIBIT "2d-A"
December 15, 2011

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
CSS / ESS - IT	**GOTHAM TECHNO-LOGY GROUP, LLC** Montvale, NJ (**Q11-5117**; PO# TBA)	12/16/11 (on or about)	Provide for maintenance services to support InfoBlox network hard-ware appliances	12/15/16 (or up to 5 yrs after the actual effective date)	B/S	*Note: represents total for up to 5-year term		**$77,818***
CSS / ESS - IT on behalf of BUS. SERV. - A/P	**READSOFT, INC.** Metairie, LA (**Q11-4904-A**; PO# TBA)	12/16/11 (on or about)	Provide for Accounts Payable automation system, software imple-mentation & integration, and maintenance services	est. 09/30/17 (or up to 5 yrs after the actual start of mainte-nance)	B/S	*Note: represents total for up to 5.75-year term (includes software + implementation + 5 yrs of maintenance com-mencing upon acceptance by NYPA of system implementation)		**$496,000***
LAW - CSO on behalf of MED and POWER SUPPLY - ENVIRON. DIVISION	**CREATIVE MEDIA AGENCY, LLC** Mineola, NY **(Q11-5108;** PO# TBA**)**	01/01/12 (on or about)	Provide for media advertising services for the placement of mandatory legal and public ads in news-papers and periodi-cals throughout NYS	12/31/16	B/S	*Note: represents total for up to 5-year term		**$600,000***
MED ENERGY EFFIC. RESOURCES & TECH SERV. - ENERGY SERVICES	**DIALIGHT CORPORATION** Farmingdale, NJ **(Q11-5128;** PO# TBA**)**	12/16/11 (on or about)	Provide for furnishing and delivery of LED bulbs for NYCT subway tunnels, as part of the Energy Services Program	12/31/16	B/E	*Note: represents total for approximately 5-year term **All costs will be recovered by the Authority.**		**$5,500,000***
MED ENERGY EFFIC. RESOURCES & TECH SERV. - RENEWABLE ENERGY RES-SOURCES & TECH	**UTC POWER CORPORATION** South Windsor, CT **(Q11-5102;** PO# TBA**)**	01/01/12 (on or about)	Provide for operations and maintenance ser-vices for fuel cell power power plants ("FCPPs")	12/31/14	B/S	*Note: represents total for up to 3-year term		**$3,000,000***

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2	**Contract Type:**	**P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service**

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

EXHIBIT "2d-A"
December 15, 2011

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER SUPPLY - CEC	**ACCESS HEALTH SYSTEMS** Latham, NY (**C11-185257**; PO# TBA)	01/01/12 (on or about)	Provide for medical examinations and related medical services for CEC employees	12/31/14	B/P	*Note: represents total for up to 3-year term		**$150,000***
POWER SUPPLY - B-G	**ANDERSON MEDICAL PC dba EMERGENCY ONE ♦** Kingston, NY (**B11-126393**; PO# TBA)	01/01/12 (on or about)	Provide for on-site annual physicals and other medical examinations and services for B-G employees	12/31/14	B/P	*Note: represents total for up to 3-year term		**$75,000***
POWER SUPPLY- PROJECT MGMT + SENY Plants	**Q11-5111; 2 awards:** **1. AON FIRE PROTECTION ENGINEERING** Stamford, CT **2. WALTER T. GORMAN, PE, PC** Rockaway Park, NY (PO#s TBA)	01/01/12 (on or about)	Provide for engineering permitting services for the SENY plants	12/31/14	B/P	*Note: represents aggregate total for up to 3-year term		**$1,000,000***
POWER SUPPLY - 500 MW	**AQUATIPRO, LLC** (A Division of Sentry Equipment Corp.) Loveland, CO (**Q11-5124**; PO# TBA)	01/01/12 (on or about)	Provide for maintenance services for online process chemistry panel analyzers at the 500 MW Plant	12/31/16	B/S	*Note: represents total for up to 5-year term		**$200,000***
POWER SUPPLY - PROJECT MGMT + NIAGARA	**GOMEZ AND SULLIVAN ENGINEERS, PC** Utica, NY (**Q11-5106**; PO# TBA)	03/01/12 (on or about)	Provide for compliance and implementation services required to fulfill the Authority's commitments pursuant to the new license for the Niagara Project	02/28/17	B/P	*Note: represents total for up to 5-year term		**$5,000,000***

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2 **Contract Type:** **P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service**

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

EXHIBIT "2d-A"
December 15, 2011

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER SUPPLY - 500 MW	**HUDSON TECHNO-LOGIES COMPANY** Pearl River, NY (HQ) Stony Point, NY (Facility) **(A11-125919;** PO# TBA**)**	01/17/12 (on or about)	Provide for refrigerant recovery and evacuation services for the inlet chiller system at the 500 MW Plant	01/16/17	B/S	*Note: represents total for up to 5-year term		**$2,500,000***
POWER SUPPLY-PROJECT MANAGEMENT	**Q11-5100; 4 awards:** **1. L.J. GONZER ASSOCIATES** Cranford, NJ **2. METRO TECH CONSULTING SERVICES, INC. ♦** New York, NY **3. NPTS, INC. ♦** Buffalo, NY **4. ROTATOR STAFFING SERVICES, INC.** East Brunswick, NJ (PO#s TBA)	01/01/12 (on or about)	Provide for the services of temporary engineering personnel to support Authority programs and projects, as needed	12/31/16	B/S	*Note: represents aggregate total for up to 5-year term		**$20,000,000***
POWER SUPPLY - SCPPs	**NAES CORP.** Issaquah, WA (**Q11-5091**; PO# TBA)	01/01/12 (on or about)	Provide for operations and maintenance support services for the gas turbine units at the SCPPs	12/31/16	B/S	*Note: represents total for up to 5-year term		**$35,000,000***

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2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service

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

Plant Site	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
POWER SUPPLY - TECHNICAL COMPLIANCE	**NYS DIVISION OF HOMELAND SECURITY** & **EMERGENCY SERV. - OFFICE OF FIRE PRE-VENTION & CONTROL ("OFPC")** Albany, NY (PO# TBA)	01/01/12 (on or about)	Provide for fire prevention inspections and other fire safety-related services for all Authority facilities	12/31/16	Si/P	*Note: represents total for up to 5-year term		**$175,000***
POWER SUPPLY - FLYNN & SCPPs	**RFJ INSULATION CONTRACTOR, INC.** Brightwaters, NY (**Q11-5123**; PO# TBA)	01/01/12 (on or about)	Provide for installation of new insulation and repair of existing insu-lation at the Flynn Plant and SCPPs, as needed	12/31/16	B/S	*Note: represents total for up to 5-year term		**$240,000***

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1	**Award Basis:**	**B= Competitive Bid; S= Sole Source; Si= Single Source; C= Competitive Search**
2	**Contract Type:**	**P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement; A= Architectural & Engineering Service; L= Legal Service**

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

EXHIBIT "2d-B"
December 15, 2011

Plant Site/ Bus. Unit	Company Contract #	Start of Contract	Description of Contract	Closing Date	Award Basis[1] Contract Type[2]	Compensation Limit	Amount Expended To Date	Authorized Expenditures For Life Of Contract
CSS / ESS - IT	**DIRECTORS DESK, LLC** (a NASDAQ OMX Group Company) New York, NY **4500169664**	01/31/09	Provide for a Boardroom Portal Service – a secure online platform for access to documents and related information management features	12/31/13	B/S	**$56,250**	**$56,250**	**$93,750***
						***Note: includes previously approved total amount of $75,000 + CURRENT INCREASE OF $18,750**		
CSS / ESS - IT	**SILKROAD TECH-NOLOGY, INC.** Chicago, IL (HQ) Winston-Salem, NC (Branch Office) **4600002056**	09/29/08	Provide for web-based software and services to support eRecruitment, applicant tracking and onboarding functions for HR at WPO and Facilities	03/28/14	B/S	**$150,400** "Target Value"	**$134,772** "Released Amount"	**$228,400***
						***Note: includes previously approved amount of $150,400 + CURRENT INCREASE OF $78,000**		

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

New York Power Authority

Generating more than electricity

Acting President & Chief Executive Officer Report
Gil Quinones

December 15, 2011

Board of Trustees Meeting

New York Power Authority

President & CEO Report Overview

- Corporate Performance Measures

- Key Issues
  - Economic Development: ReChargeNY Implementation
  - Operations: Y49 Repair
  - Project Development: HTP Construction

- Key Statistics
  - Projected year-end financials

Corporate Performance Measures

NYPA OVERALL PERFORMANCE

NOVEMBER 2011

CORPORATE MEASURE	OWNER	YTD TARGET	YTD ACTUAL	STATUS Sep	STATUS Oct	STATUS Nov
POWER SUPPLY OPTIMIZATION						
Generation Market Readiness (%)	ED WELZ	99.4	**99.9**	Green	Green	Green
Transmission System Reliability* (%) * Reflects *monthly* performance	STEVE DECARLO	99.27	**95.43**	Green	Green	Red
Installed MWs to Meet Demand (MWs)	JOHN SULOWAY		New		Annual Measure	
FINANCIAL STRENGTH						
O&M Budget Performance ($ Millions)	BOB HOPKINS	286.3	**283.2**	Green	Green	Green
ENTERPRISE RISK AND COMPLIANCE						
Enterprise Risk (% Milestones achieved)	SCOTT SCHOLTEN	100	**95**	Green	Yellow	Green
Compliance Reporting (%)	JOE GRYZLO	75	**50**	Yellow		
Compliance Training (%)	JOE GRYZLO	75	**50**	Yellow		
Environmental Incidents (Units)	JOHN KAHABKA	25	**31**	Red	Red	Red
ECONOMIC DEVELOPMENT						
Jobs Created/Retained (# Jobs)	JIM PASQUALE	**1778**	**2020**	Green	Green	Green
ENERGY EFFICIENCY						
Energy Efficiency (MWHs)	PAUL BELNICK	69,300	**74,000**	Green	Green	Green
RENEWABLES						
Renewable Energy (MWHs)	BILL NADEAU	160,300	**174,360**	Green	Green	Green
WORKFORCE RENEWAL						
Succession Preparedness (% Milestones)	BUSINESS UNITS	80	**60**	Yellow		
SAFETY						
Recordable Incidence Rate** (Index) **Results based on 12 month rolling average	JOHN KAHABKA	1.00	**1.43**	Green	Green	Green
SUSTAINABILITY						
Sustainability Profile (Milestones met)	BRIAN ROSS	9	**12**	Green	Green	Green

LEGEND:
- Meeting Target (Green)
- Needs Monitoring (Yellow)
- Missing Target (Red)

Strategic Initiative Deliverables: YTD due: 71 YTD completed: 57

New York Power Authority

Key Issues

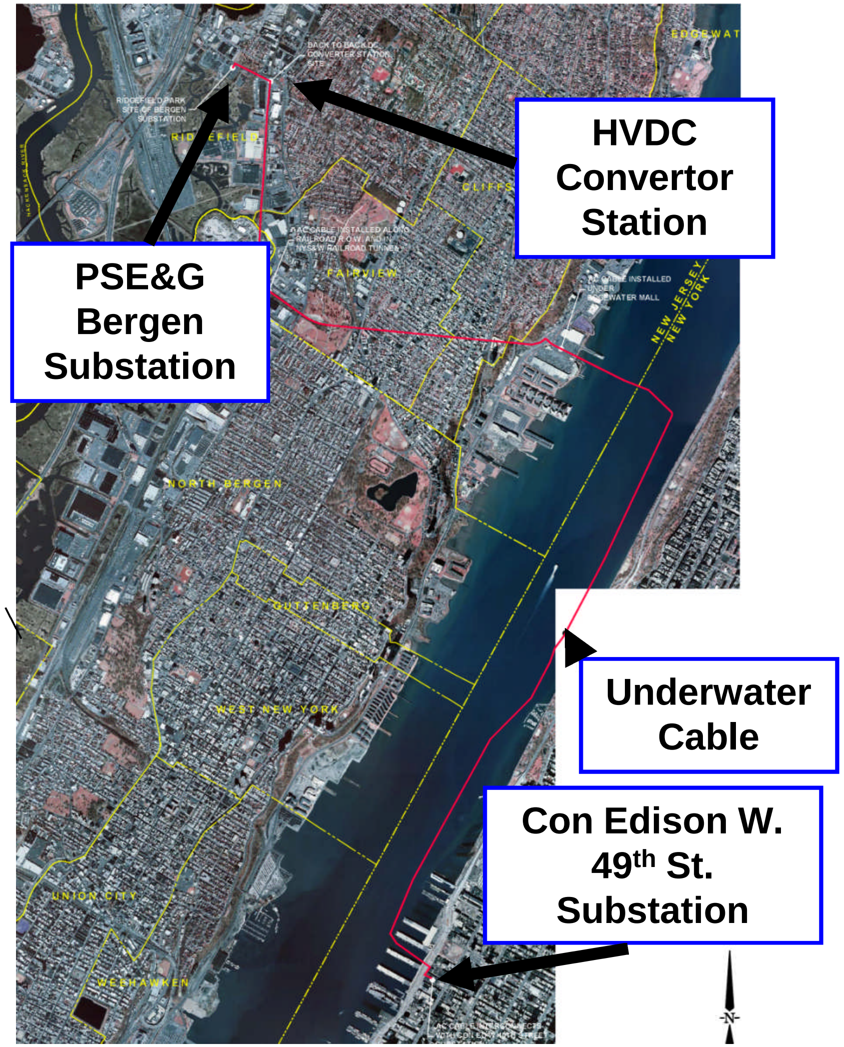
- Economic Development: ReChargeNY
  - Preliminarily, 921 applications submitted as complete
  - Additional applications still in the process
  - Next step: Application review with input from Regional Councils

- Operations:

  Y49 Repair
  - 345kV cable faulted on Nov. 11
  - Repair in progress on Long Island
  - Expected return to service on Dec. 31

Key Issues

- Hudson Transmission Partners
  - 345kV underwater cable installation in progress
  - From PSEG in New Jersey to Con Edison in Manhattan, under the Hudson River
  - Estimated commercial operation in summer 2013



Key Statistics

- 2012 Budget Submission:
  - $345 million Operations & Maintenance
  - $367 million Capital & Energy Services

- Projected Year-End Revenue
  - $2.7 billion

- Projected Year-End Net Income
  - $228 million

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New York Power Authority

Edward Welz
Acting Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES

FROM: EDWARD WELZ, ACTING CHIEF OPERATING OFFICER

DATE: DECEMBER 15, 2011

SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

****

This report covers performance of the Operations group in November.

Power Supply

Plant Performance

Systemwide net generation[1] was 2,552,071 megawatt-hours[2] (MWh) in November, compared to projected net generation of 2,230,700 MWh. Year-to-date net generation is 25,376,647 MWh, compared to the target of 23,268,791 MWh.

The fleet availability factor[3] was 91.0 percent in November and is 96.5 percent for the year. Generation market readiness factor[4] was 100.0 percent in November, compared with the monthly target of 99.4 percent. Year-to-date generation market readiness factor is 99.9 percent.

There were no significant unplanned generation events[5] in November.

Generation revenue in November was $143.7 million, with no loss of revenue for the month. Year-to-date lost opportunity cost is $2.31 million, about 0.12 percent of year-to-date generation revenue of $1,850.0 million.

Niagara River flows in November 2011 were above the historical average. They are expected to be above average in the beginning of 2012. St. Lawrence River flows during November 2011 were above forecast. River flows are expected to be at or above historical levels average for 2012.

Transmission Performance

Transmission reliability[6] in November was 95.43 percent, which was below the target of 99.27 percent. Year-to-date transmission reliability is 96.98 percent, below the target of 97.63 percent.

There were no significant unplanned transmission events[7] in November.

Environmental

There were no reportable events for November.

Year-to-date number of recordable environmental incidents is 31; the 2011 target is 27.

Relicensing – Niagara Power Project

The Empire State Development Corp. was briefed on the financial benefits to Western NY from Niagara Relicensing.

The ninety percent design for the Frog Island Habitat Improvement Project was presented and approved by the Ecological Standing Committee so that the regulatory permitting process can begin.

Exterior and interior construction work continues at Reservoir State Park including utilities at the new comfort station and Winter Pavilion and outdoor ice skating rink grading. Landscaping work was completed at the Niagara intakes, with shelter and kiosk fabrication for the intakes area still ongoing and planned for installation in February 2012.

Relicensing – St. Lawrence-FDR Power Project

Bids were received for construction of the Little Sucker Brook Habitat Improvement Project. Foundation walls were poured for the construction of the new pumphouse on the Wilson Hill Causeway. This work will continue through the winter, weather permitting. Construction of two new fishing piers in Waddington that will be compliant with the Americans with Disabilities Act continues started with the installation of pier foundations.

Relicensing – Blenheim-Gilboa Project

Phase One of Blenheim-Gilboa Project relicensing has commenced with the award of a contract to the Lead Relicensing Consultant who will be preparing the Preliminary Application Document to be filed by NYPA along with a Notice of Intent late in 2013.

Technical Compliance – NERC Reliability Standards

NYPA continues to implement its work plan for responding to a 2010 North American Electric Reliability Corporation[8] (NERC) Alert Recommendation that requires NYPA to review its current facility ratings methodology for their solely and jointly owned transmission lines to verify that the methodology used to determine facility ratings is based on actual field conditions (In particular line ground clearances). NYPA's assessment progressed as planned in November. The consultants performing the analyses of NYPA's transmission facilities confirmed that all studies will be completed by the end of 2011. NYPA will review the results of the analyses with the NYISO in January 2012 and discuss next steps. Any remediation plans will be coordinated with the NYISO and will be reported to NERC through the Northeast Power Coordinating Council[9] (NPCC).

In November, the industry cast final recirculation ballots and approved both the revised Bulk Electric System (BES) Definition and the Technical Principles for Demonstrating BES Exceptions. The NERC Board of Directors is expected to approve both in late January 2012 with FERC approval anticipated in March 2012. With the adoption of the new BES definition, NYPA has to provide NPCC with a Transition Plan for applying the NERC Reliability Standards to all BES transmission and generation assets, if any, according to the new definition. In NYPA's case, additional transmission elements will become part of the BES. NYPA's Transition Plan is currently under development and will be submitted to NPCC in January 2012.

Representatives from the NYISO and the New York Transmission Owners (NYTOs) continue to work together to plan for reliability compliance management obligations that could result from the revised BES definition. Discussions in November continued to focus on reaching agreement on the methodology for managing the requirements for Transmission Operator (TOP) and Transmission Planner (TP) registration for newly defined BES assets under the new definition. The NYISO and the NYTOs are developing a document that will be the basis for an agreement in which they will share the functional responsibility and compliance accountability for the NERC Reliability Standards and requirements applicable to new BES assets in New York. The impacts of the potential new functional registrations for NYPA continue to be monitored and reviewed by the NYPA staff.

Research & Technology Development (R&TD)

R&TD and Project Management awarded a contract to GE Bently for the Real Time Continuous Monitoring for Niagara Lewiston Pumped Generation Plant (LPGP). This is a joint project to install a condition monitoring system to measure the hydro generators' air-gap and shaft vibration to alert plant personnel of any abnormalities. This system is flexible and can incorporate future expansions.

R&TD (along with Power Supply and Public Affairs) hosted the November 9 Brown Bag Briefing by Arshad Mansoor (Senior Vice President, R&D, EPRI). R&TD also hosted the EPRI quarterly breakout meetings for the Environmental, Generation, and Power Delivery and Utilization program areas.

The review of the final Thermal Energy Storage Study report was completed and a presentation was prepared for disseminating the results and recommendations to Power Supply. The presentation will recommend proceeding with the initial design phase for a thermal energy storage system using ice harvester technology at the Astoria 500 MW plant.

Two maintenance procedures which required an outage of the 500-MW Combined Cycle Plant's combustion turbine and HRSG 7A and the Mark VI Controllers H7A and G7A respectively were performed. The first concerned the Desuperheater Performance Tuning and Optimization Project. The second was related to the Combustion Dynamic Monitoring (CDM) project and staff provided support to the Wood Group to install an additional modbus communication module for increasing data transfer from the Mark VI Controller for combustion turbine 7A to the CDM System.

R&TD staff held discussions with the contractor and the Computer Applications group regarding the Dynamic Line Rating project's secure date exchange with the SCADA/Energy Management System (EMS). Additional discussions took place with NYPA IT regarding wireless communications systems to be deployed.

Energy Resource Management

NYISO Markets

In November, Energy Resource Management bid more than 2.5 million MWh of NYPA generation into the NYISO markets, netting $49.5 million in power supplier payments to the Authority. Year-to-date net power supplier payments are $520.0 million.

Fuel Planning & Operations

In November, NYPA's Fuels Group transacted $16.3 million in natural gas and oil purchases, compared with $12.5 million in November 2010. Year-to-date natural gas and oil purchases are $236.5 million, compared with $194.3 million at this point in 2010. The total year-to-date $42.2 million increase is mainly attributed to the start up of Astoria Energy II Plant (+$41.5 million), increased fuel cost at the 500-MW Combined Cycle Plant (+$3.5 million), and increased generation at the Small Clean Power Plants (+$6.3 million) and the Richard M. Flynn Power Plant (+$3.5 million), which was offset by cessation of operations at the Poletti Power Project (-$12.6 million, the last day of operations was January 31, 2010).

GLOSSARY

[1] **Net Generation –** The energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped storage facility. Preliminary data in the COO report is provided by Accounting and subject to revision.

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

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

[4] **Generation Market Readiness Factor –** The availability of generating facilities for bidding into the New York Independent System Operator (NYISO) market. It factors in available hours and forced outage hours that 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] **Transmission Reliability –** A measurement of the impact of forced and scheduled outages on the statewide system's ability to transmit power.

[7] **Significant Unplanned Transmission Events –**Forced or emergency outages of individual transmission lines that 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 eight hours, or have a repair cost greater than $75,000.

[8] **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).

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New York Power Authority

Report of the Acting Chief Financial Officer

For the Eleven Months Ended November 30, 2011

New York Power Authority

Report of the Acting Chief Financial Officer
For the Eleven Months Ended November 30, 2011
Executive Summary

Results of Operations

Net income for the eleven months ended November 30, 2011 was $217.2 million which was $52.3 million higher than budgeted. Positive variances attributable to higher net margins on sales ($56.3 million), lower O&M ($5.2 million) and higher non-operating income ($38.6 million) were partially offset by higher other operating expenses ($48.7 million).

Net margins were higher primarily at St. Lawrence ($37.7 million) and Niagara ($34.9 million) due to higher generation and higher prices on market-based sales. Net generation at Niagara and St. Lawrence was 16% higher than budgeted for the month of November and 14% higher than budgeted for the year-to-date. These positives were partially offset by a lower net margin at Blenheim-Gilboa ($10.6 million) primarily due to lower prices on capacity sales. Lower O&M resulted primarily from lower payroll related costs associated with the high number of vacant positions, lower IT computer hardware and software costs, and the delayed start of the commercial operation date of Astoria Energy II. Non-operating income included a mark-to-market gain on the Authority's investment portfolio ($11.3 million), lower interest costs ($17.9 million) and the settlement of the spent nuclear fuel claim ($11 million) against the United States Department of Energy not included in the budget. The mark-to-market gain and lower interest costs resulted primarily from lower than budgeted market interest rates. Other operating expenses were higher due to additional Power for Jobs related voluntary contributions to New York State ($13.0 million) and the recognition of residential consumer discounts ($33.2 million) included in the Recharge New York (RNY) Power Program legislation. The additional Power for Jobs voluntary contribution includes $7.5 million relating to 2010 paid in June and accrual of a portion of the amount for 2011. On June 28, 2011, the Authority's Trustees authorized the use of revenues from the sale of withdrawn hydropower under the RNY legislation into the wholesale market or, as necessary, internal funds to fund the residential consumer discount program for its first six months.

Net income through November 2011 ($217.2 million) was $40.1 million higher than the comparable period in 2010 ($177.1 million). Lower voluntary contributions to New York State ($82 million) were partially offset by lower net operating income ($9.4 million) and lower non-operating income ($32.5 million) during the period. Year-to-date voluntary contributions were $65 million in 2011 compared to $147 million through November 2010. Net operating income was lower primarily due to higher retiree health benefits and higher Power for Jobs related contributions to New York State. Non-operating income in 2011 reflected a lower mark-to-market gain on the Authority's investment portfolio and higher interest costs (primarily Astoria II) than the comparable period in 2010.

Year-end Projection

Year-end net income is projected to be $228 million, or $49 million above the 2011 Budget of $179 million. Lower market energy prices compared to last month's forecast contributed to a slight decrease in projected net income from November, however, overall net income remains significantly above the Budget. Hydro generation remains the largest contributor to the increase in net income ($68 million) with a current forecast of 21.4 TWH for 2011 representing an increase of 12% over the 19.1 TWH in the Budget.

Additional factors affecting year-end net income positively include a $12 million increase in the market valuation of the authority's investment portfolio, an $11 million settlement received by NYPA from the Department of Energy regarding a spent nuclear fuel settlement, and an $8 million increase due to increased energy prices as compared to the official budget.

Partially mitigating these gains are a $15 million negative impact due to lower capacity prices, $8.5 million higher voluntary contributions related to the Power for Jobs Program, $6 million in additional operating and maintenance expenses and an estimated $6 million due to the overall effect of the Recharge New York program for 2011.

Cash & Liquidity

The Authority ended the month of November with total operating funds of $1,190 million as compared to $1,069 million at the end of 2010. The increase ($121 million) is primarily attributable to net cash from operations and payments received from Entergy partially offset by voluntary contributions to New York State and scheduled debt service payments. Additionally, in November, a contribution of $40 million was made to the OPEB Trust Fund.

New York Power Authority

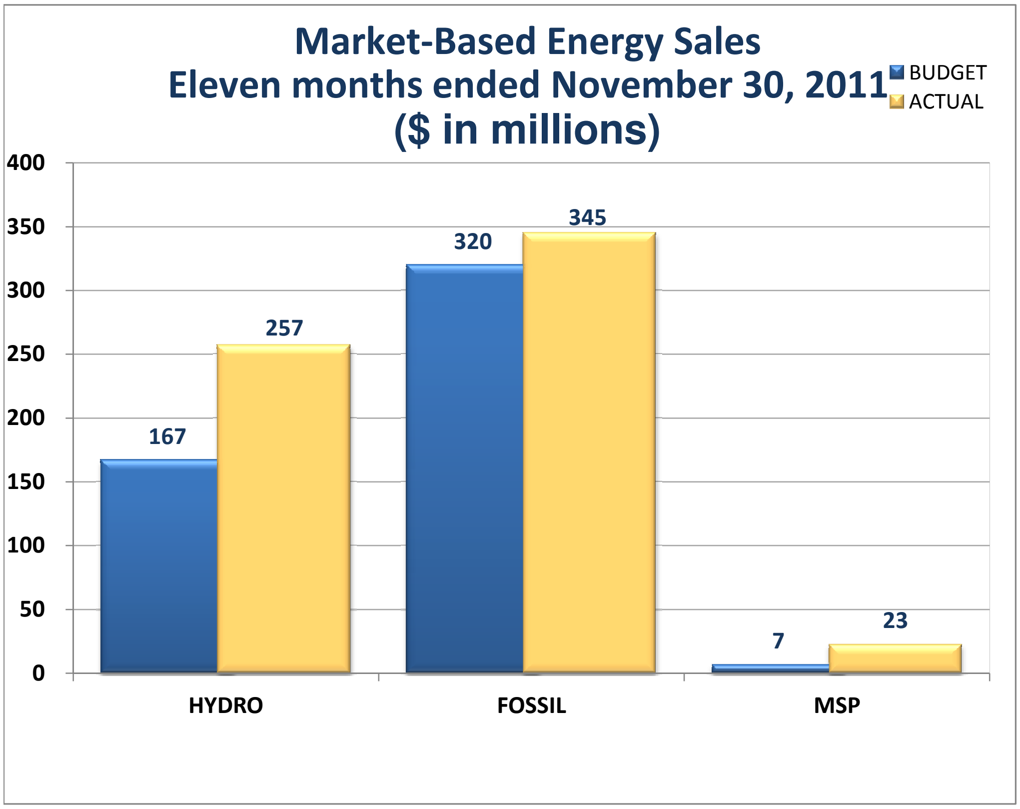
RESULTS OF OPERATIONS

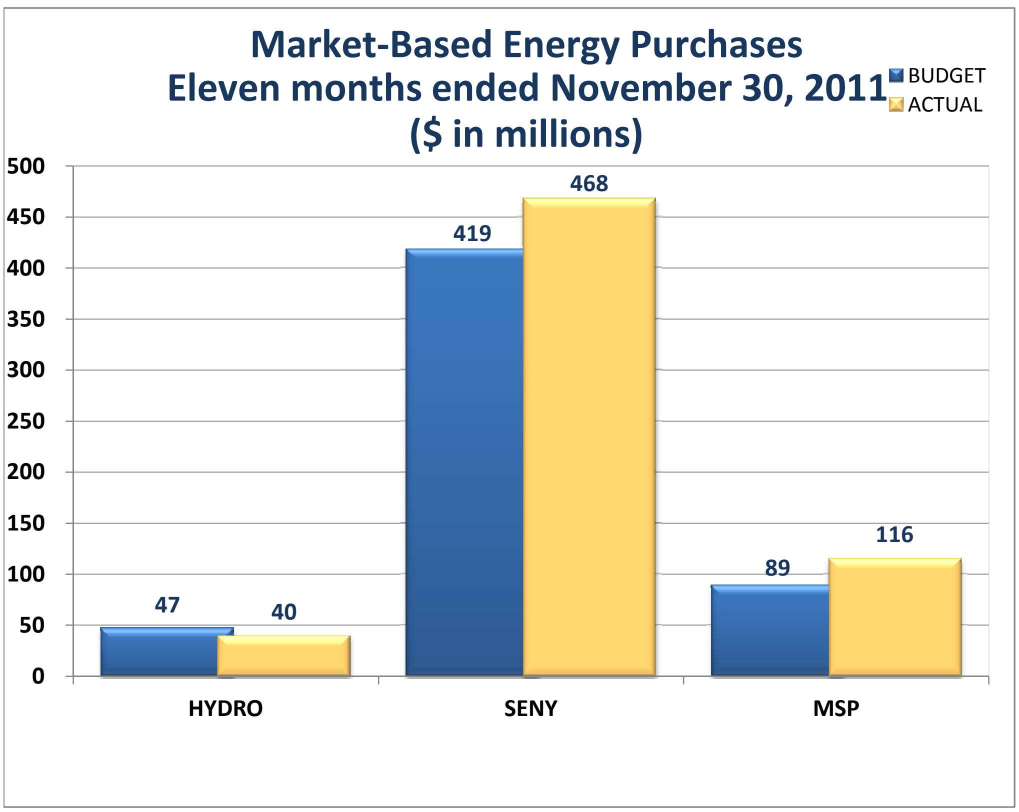
Net Income
Eleven Months ended November 30, 2011
($ in millions)

	Actual	Budget	Variance
Niagara	$103.8	$79.8	$24.0
St. Lawrence	43.1	24.7	18.4
Blenheim-Gilboa	(15.8)	(4.5)	(11.3)
SENY	36.9	35.9	1.0
SCPP	18.3	16.3	2.0
Market Supply Power	(49.8)	(35.5)	(14.3)
Flynn	6.6	2.2	4.4
Transmission	31.6	31.2	0.4
Non-facility	42.5	14.8	27.7
Total	**$217.2**	**$164.9**	**$52.3**

Major Factors	**Better (Worse)**
Niagara Primarily higher net margin on sales and lower O&M. Net margins were higher ($33.5) due to higher market based sales (12% higher net generation) partially offset by higher purchased power costs to support customer loads . Purchased power costs were higher due to an extended outage at an upstate transmission line early in the year. Lower O&M due to timing underruns in non-recurring projects were substantially offset by hydro subsidies related to the Recharge NY Power Program.	$24.0
St. Lawrence Higher net margin ($37.7) resulting from 16% higher generation and higher prices on market sales ($39/mwh vs $36/mwh), partially offset by hydro subsidies related to the Recharge NY Power Program ($18.3).	18.4
Blenheim-Gilboa Lower prices on capacity sales into the market.	(11.3)
Market Supply Power Primarily accruals and payment of voluntary contributions ($13.0) not in budget (extension of Power for Jobs program).	(14.3)
Flynn Primarily lower fuel costs due to lower prices.	4.4
Other facilities Includes positive variance at the SCPP's ($2.0) due to higher production and prices partially offset by higher O&M.	3.4
Non-facility (including investment income) Mark-to-market gain on the Authority's investment portfolio ($11.3) due to lower than budgeted market interest rates during the period and settlement of spent nuclear fuel claim ($11.0).	27.7
Total	**$52.3**

RESULTS OF OPERATIONS





REVENUES

SALES (MWH)	BUDGET	ACTUAL
Hydro*	3,401,296	6,050,574
Fossil	5,013,911	5,054,059
MSP	203,619	496,074
TOTAL	8,618,826	11,600,707
PRICES ($/MWH)		
Hydro*	$40.85	$40.96
Fossil	$56.59	$60.12
MSP	$34.79	$46.92
AVERAGE	$49.92	$49.56

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

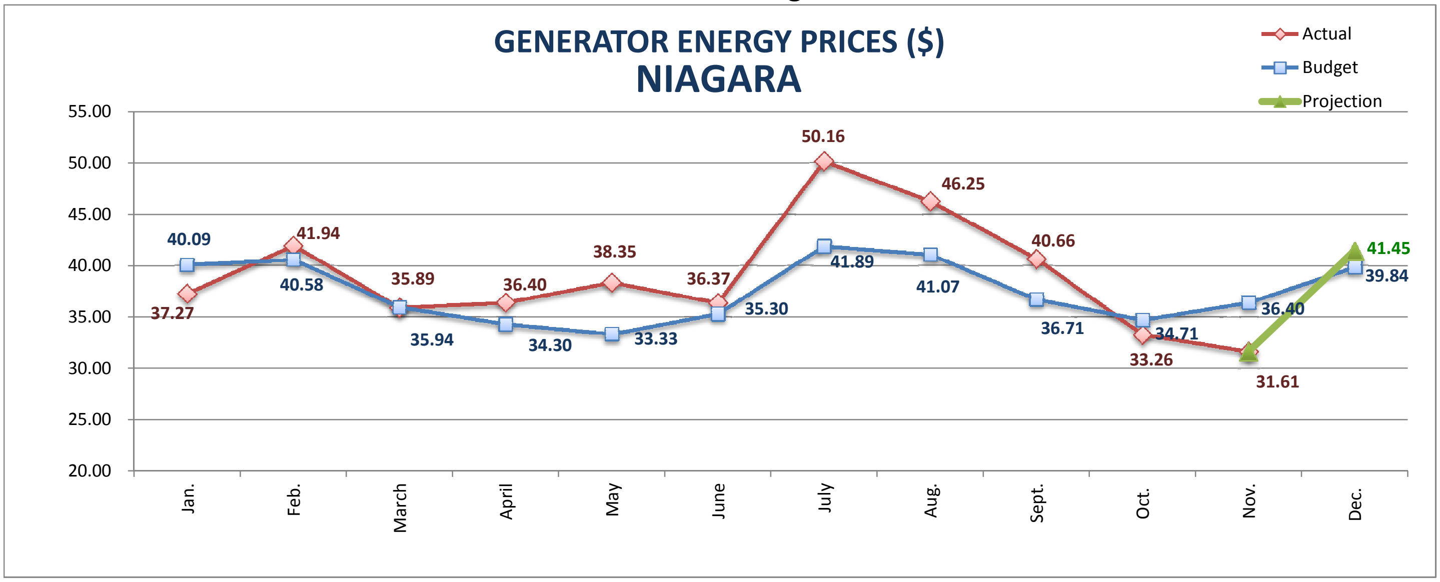
REVENUES

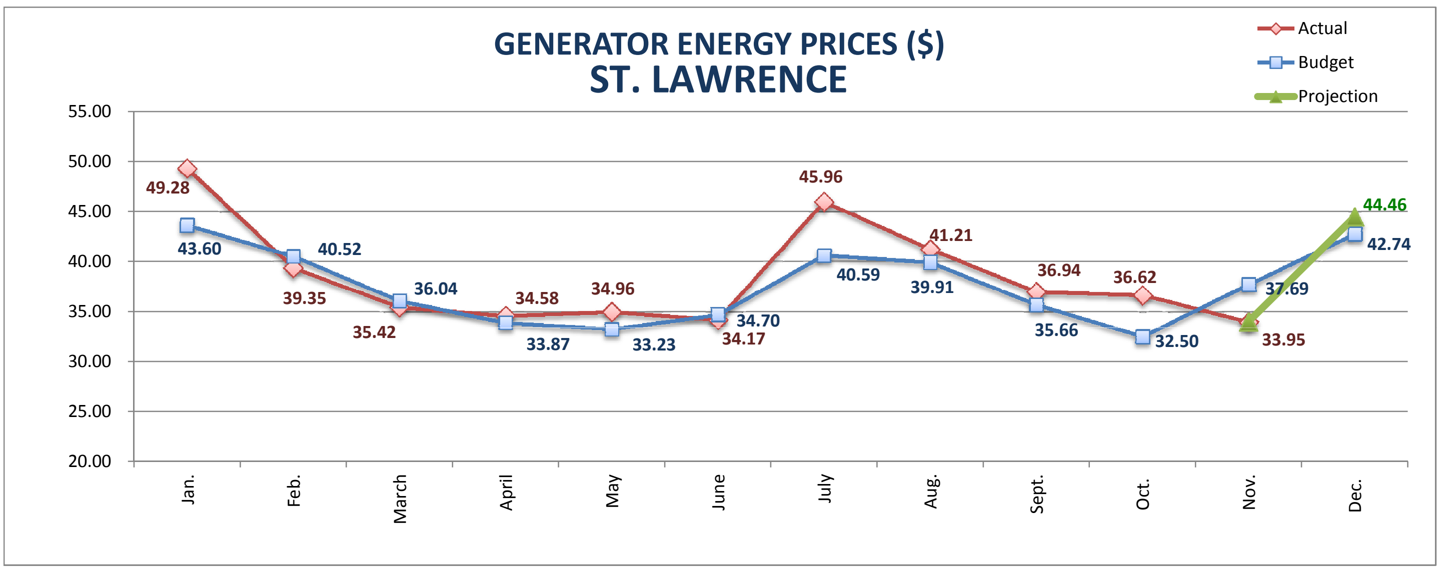
SALES (MWH)	BUDGET	ACTUAL
Niagara	1,697,410	3,646,887
St. Law.	1,046,658	2,029,367
PRICES ($/MWH)		
Niagara	$38.58	$39.05
St. Law.	$36.14	$38.57

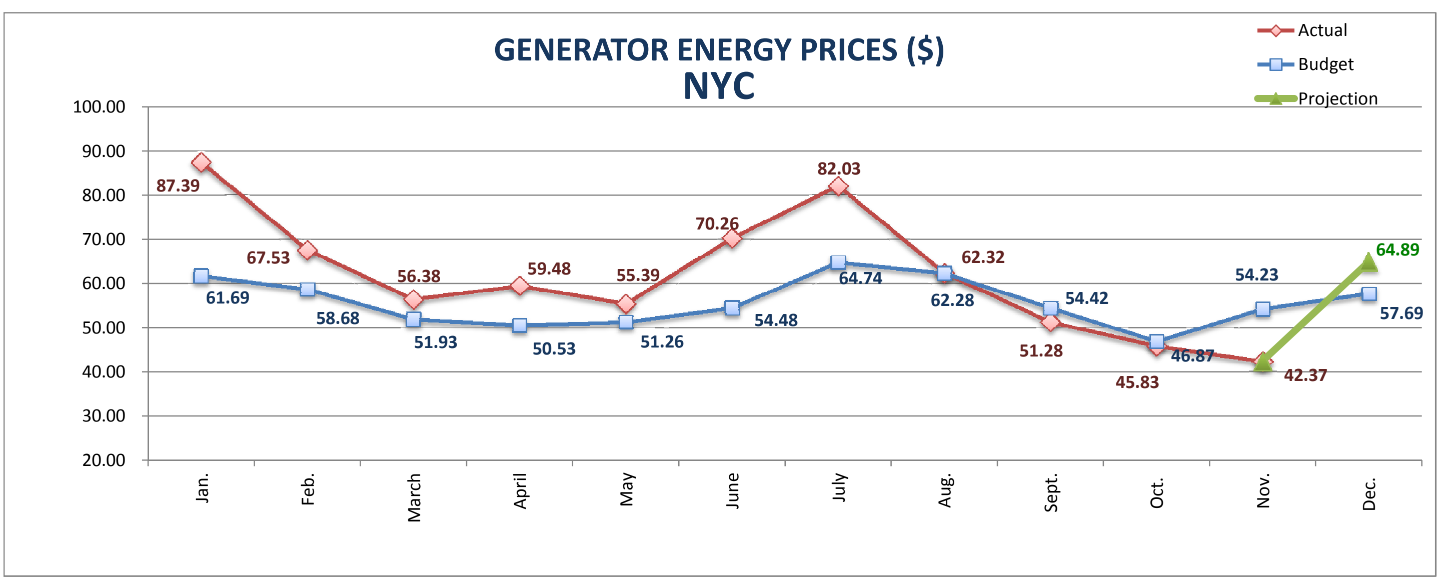
COSTS

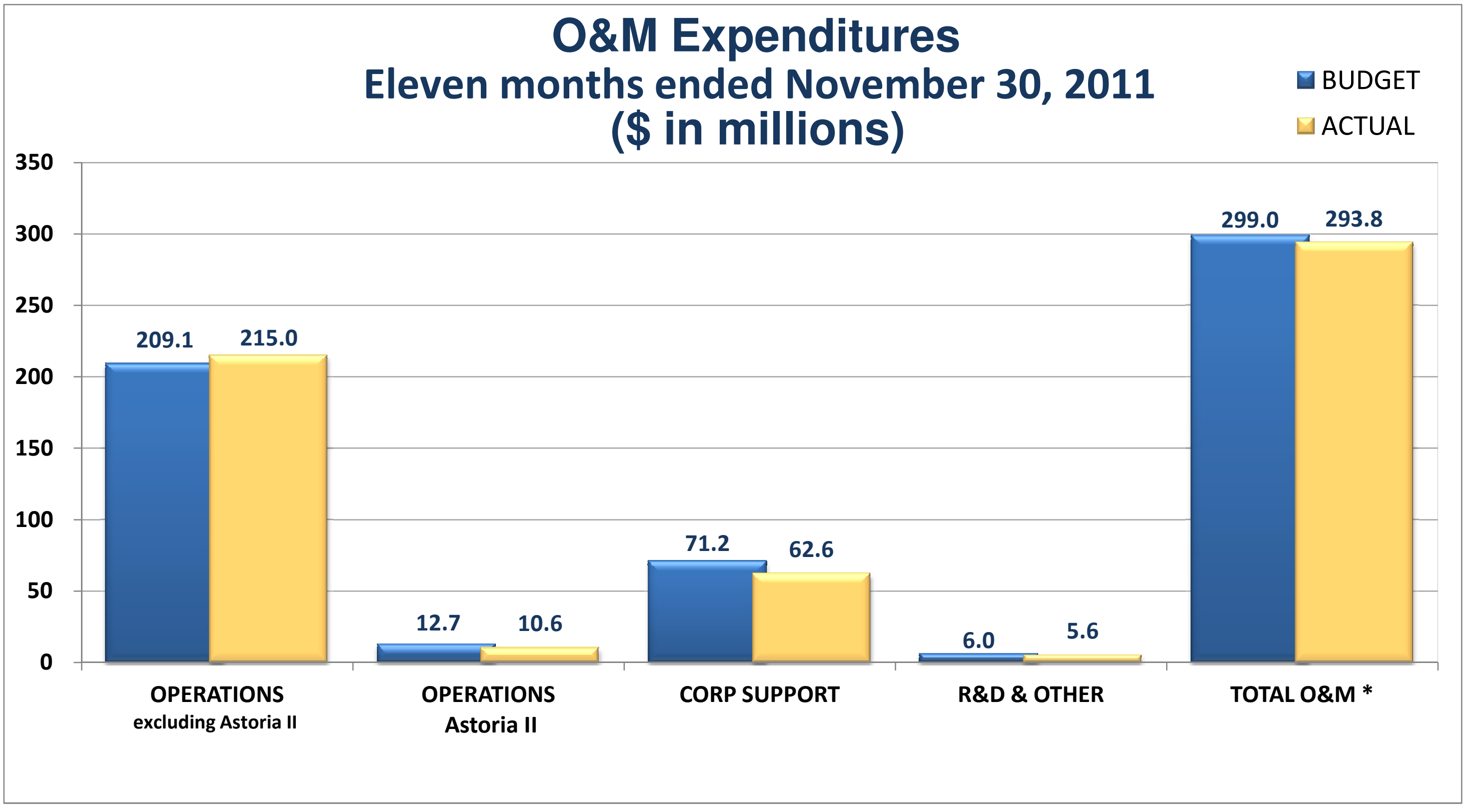
PURCHASES (MWH)	BUDGET	ACTUAL
Hydro	1,904,380	1,189,992
SENY	8,114,137	8,274,604
MSP	2,446,697	2,691,696
TOTAL	12,465,214	12,156,292
COSTS ($/MWH)		
Hydro	$24.78	$33.76
SENY	$51.58	$56.50
MSP	$36.46	$43.02
AVERAGE	$44.52	$51.29

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget







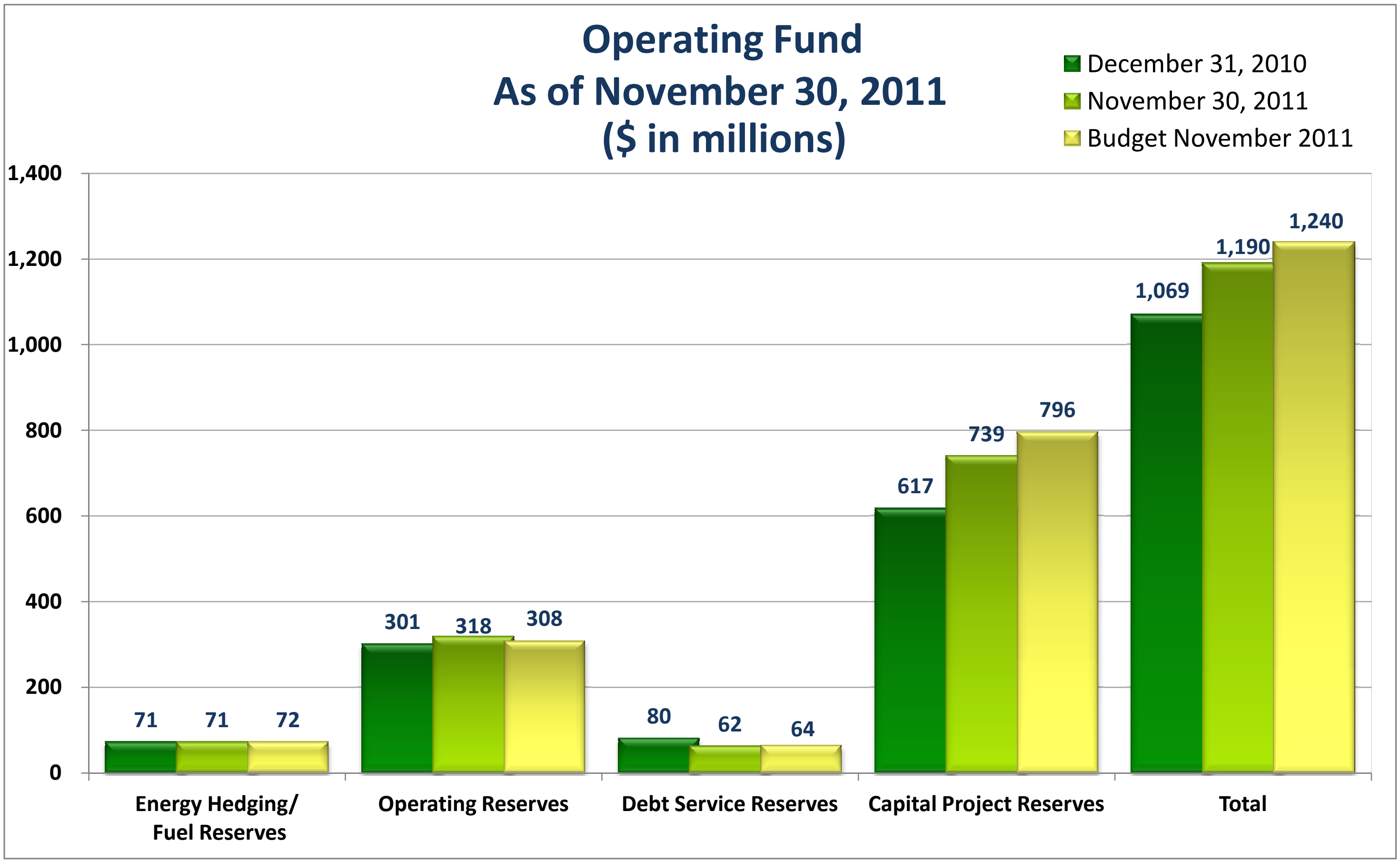


• Through November, O&M expenses were $5.2 lower than the budget.

• HQ Corporate Support was under budget by $8.6 due to lower than expected expenses for Human Resource contract services and employment agency fees, WPO building operations, computer software, hardware and services, and fuel cell maintenance.

• Operations expenditures excluding Astoria II were $5.9 higher than budgeted. Overruns totaling $11.7 at the Small Clean Power Plants ($7.4) and Operations Shared Services ($4.3) were offset by under-runs at Niagara ($4.5). Higher than anticipated expenditures at the SCPP's resulted from emergent work (Harlem River Step Up Transformer and Pouch Blade Repair). Operations Shared Services reflected less than anticipated labor charged to capital projects. These negatives were offset by timing under runs in non-recurring projects at Niagara and in recurring maintenance at St. Lawrence and the Small Hydro facilities ($2.3). Operations O&M was also lower by $2.1 for Astoria II as a result of a one-month delay in the commercial operation date.

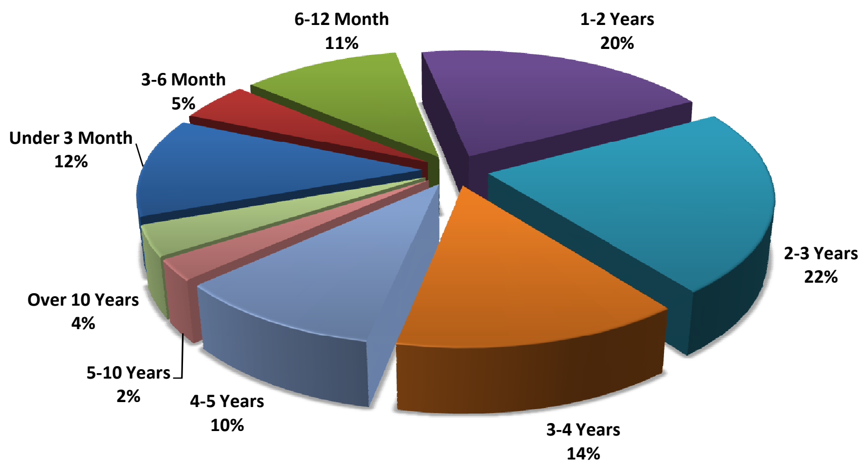
***** In September, the Trustees approved an additional $9.6 primarily for emergent work at the SCPP's and the transmission facilities. This amount is not included in the budgeted amounts above.



The increase of $121 in the Operating Fund (from $1,069 to $1,190) was primarily attributable to positive net cash provided by operating activities, the payments received from Entergy ($102) and the settlement of the spent nuclear fuel claim ($11), substantially offset by voluntary contributions to New York State ($73) and scheduled debt service payments. In addition, the Authority made a contribution of $40 to the OPEB Trust Fund, which was the primary reason for the negative variance from the budget.

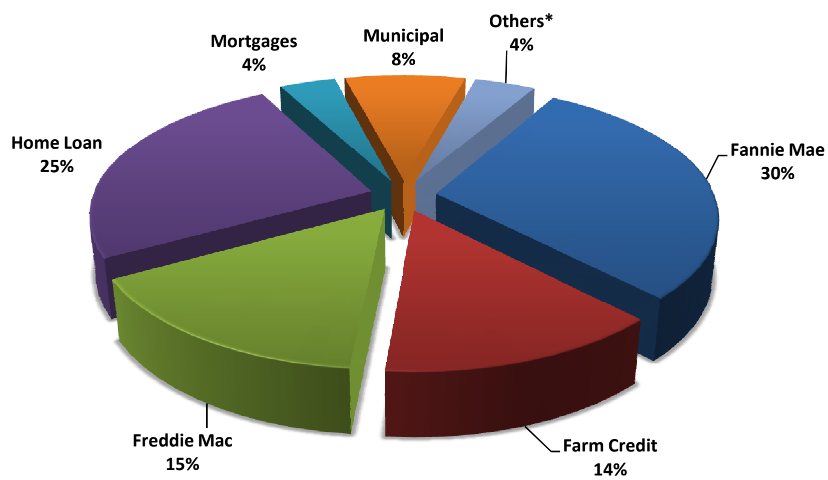
CASH AND LIQUIDITY
INVESTMENT PORTFOLIO

Maturity Distribution
As of November 30, 2011



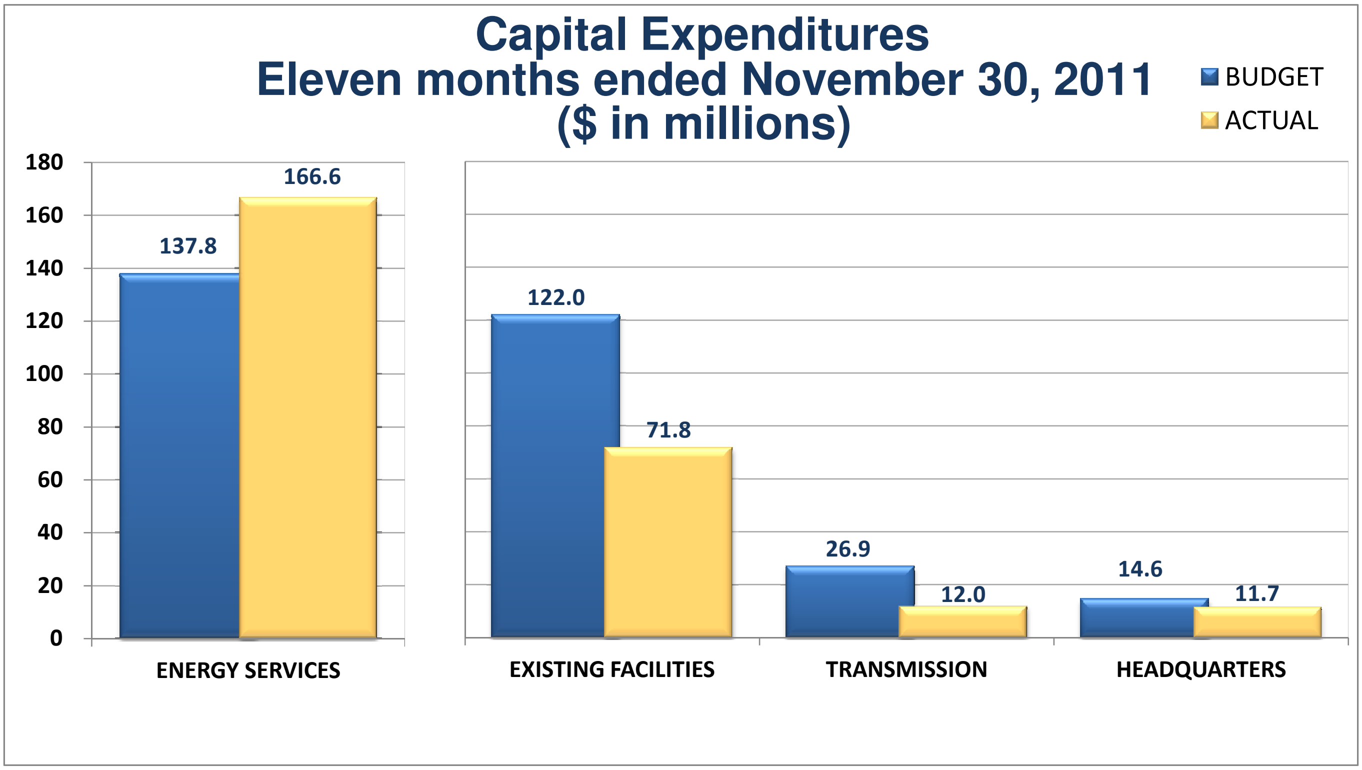
MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Month	$156.7
3-6 Month	61.2
6-12 Month	138.3
1-2 Years	260.5
2-3 Years	291.2
3-4 Years	178.4
4-5 Years	130.8
5-10 Years	32.4
Over 10 Years	47.3
Total	**$1,296.8**

Asset Allocation
As of November 30, 2011



ASSET ALLOCATION	
($ in millions)	
Fannie Mae	$382.0
Farm Credit	177.5
Freddie Mac	200.3
Home Loan	328.3
Mortgages	48.9
Municipal	106.6
Others*	53.2
Total	**$1,296.8**

*Includes CDs and Repos



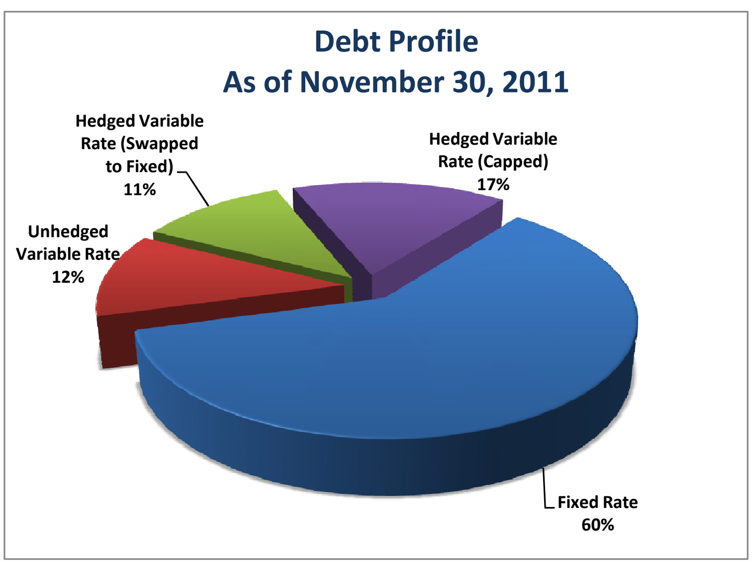
• Energy Services expenditures were over budget primarily due to accelerated construction activity in the Governmental Services Program (primarily Queens Supreme Court-Chiller).

• Existing facilities expenditures were under budget by $50.2 primarily due to the delays in permitting for projects related to the Niagara and St. Lawrence Relicensing Implementation and Compliance.

• Transmission expenditures were less than anticipated due to timing for several projects, primarily the 765 kv transmission line relay and switch replacements.

• Headquarters expenditures were less than budgeted due to timing for several IT projects.

• Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $25.0 for 2011. In November, the President authorized $2.9 for the St. Lawrence SCADA system replacement.



DEBT PROFILE	
($ in millions)	
Fixed Rate	$1,083.4
Unhedged Variable Rate	212.7
Hedged Variable Rate (Swapped to Fixed)	204.7
Hedged Variable Rate (Capped)	300.0
Total	**$1,800.8**

On September 21, 2011, the Authority priced and sold the Series 2011 A Bonds. The proceeds were used to current refund $77.2 of the Series 2000A bonds on November 15, 2011 and advance refund, on November 15, 2012, $41.7 of the Series 2002A bonds. The refunding transaction will result in $19.4 in present value savings or 16.3% of the par amount of bonds refunded. The transaction closed on October 6, 2011.

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of $71.9 million. Gains and losses on these positions are substantially passed through to customers as resulting hedge settlements are incorporated into and recovered through customer rates.

Year-to-Date 2011 Energy Derivative Settlements & Fair Market Valuation of Outstanding Positions

($ in Millions)

	Settlements	Fair Market Value			
	YTD[1]	2011	2012	>=2013	Total
NYPA	$ (0.45)	$ (0.21)	$ -	$ -	$ (0.21)
Customer Contracts	$ (71.41)	$ (7.34)	$ (102.52)	$ (93.56)	$ (203.42)
Total	**$ (71.86)**	**$ (7.55)**	**$ (102.52)**	**$ (93.56)**	**$ (203.63)**

[1] *Reflects November 2011 preliminary settlements.*

At the end of November, the fair market value of outstanding positions was valued at an unrealized loss of $203.6 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of January to December 2012 futures contracts and how they have traded since the beginning of 2010, while Exhibit 2 illustrates the average price of futures contracts for entire year 2013 since 11/30/2010.

Exhibit 1: Average January to December 2012 Forward Price

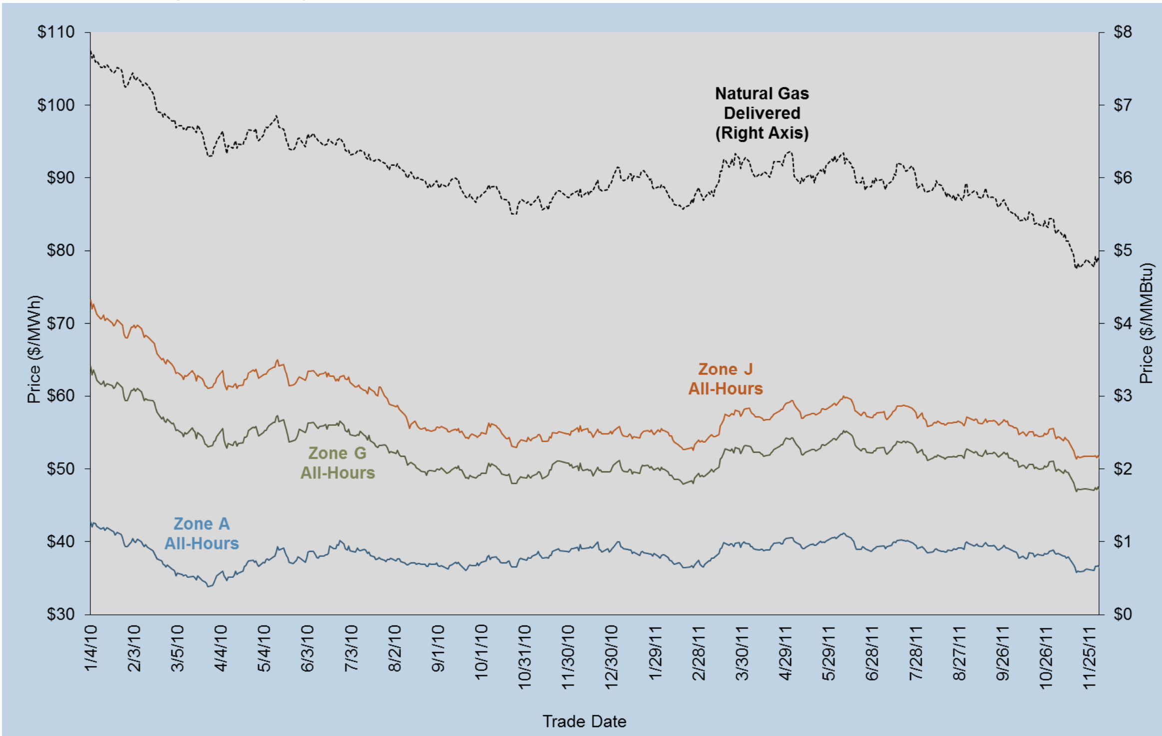
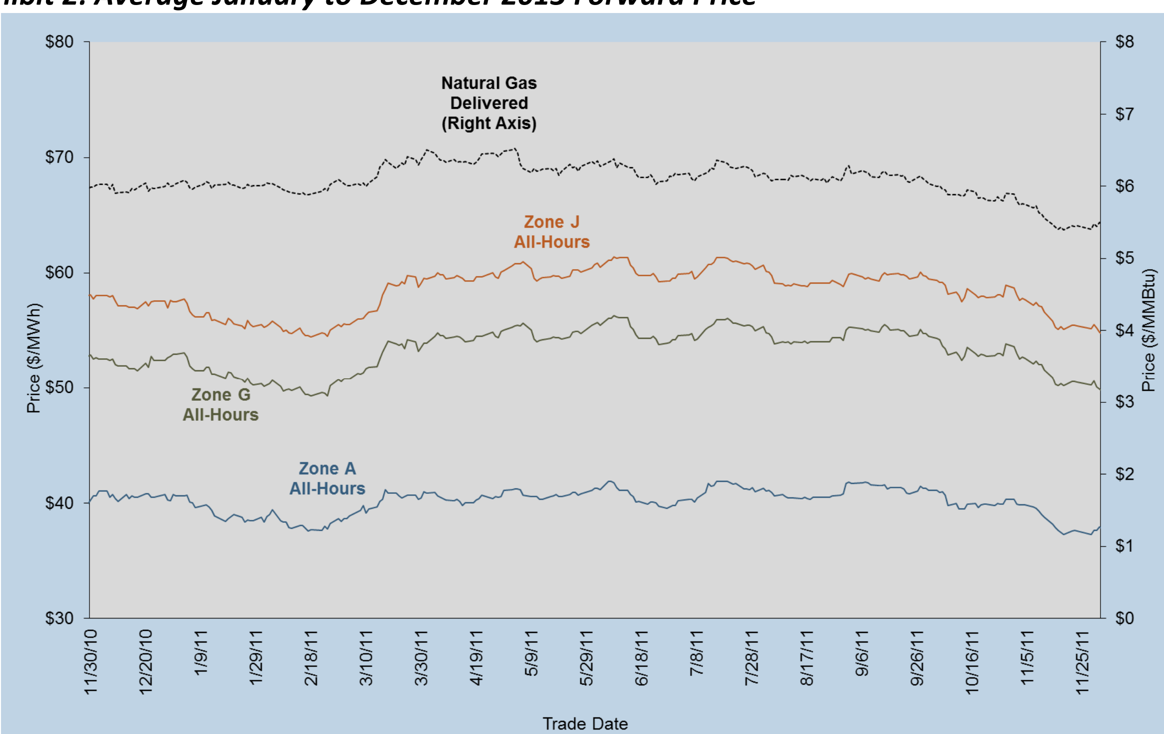


Exhibit 2: Average January to December 2013 Forward Price



STATEMENT OF NET INCOME
For the Eleven Months Ended November 30, 2011
($ in millions)

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,070.5	Customer	**$1,801.8**	**$1,888.0**	**($86.2)**
463.4	Market-based power sales	516.9	424.8	92.1
30.6	Ancillary services	22.9	26.3	(3.4)
114.9	NTAC and other	102.0	105.1	(3.1)
608.9	Total	**641.8**	**556.2**	**85.6**
2,679.4	**Total Operating Revenues**	**2,443.6**	**2,444.2**	**(0.6)**
	Operating Expenses			
804.7	Purchased power	752.5	736.6	(15.9)
295.6	Fuel consumed - oil & gas	236.4	263.8	27.4
108.2	Ancillary services	50.9	98.6	47.7
543.4	Wheeling	503.7	501.5	(2.2)
327.1	Operations and maintenance	293.8	299.0	5.2
194.9	Depreciation and amortization	172.7	176.7	4.0
135.5	Other expenses	173.2	124.5	(48.7)
(10.9)	Allocation to capital	(6.8)	(10.0)	(3.2)
2,398.5	**Total Operating Expenses**	**2,176.4**	**2,190.7**	**(14.3)**
280.90	**Net Operating Income**	**267.2**	**253.5**	**13.7**
	Nonoperating Revenues			
88.0	Post nuclear sale income	86.7	86.7	-
39.9	Investment income	34.5	36.3	(1.8)
(7.0)	Mark to market - investments	6.0	(5.2)	11.2
-	Other income	11.2	-	11.2
120.9	**Total Nonoperating Revenues**	**138.4**	**117.8**	**20.6**
	Nonoperating Expenses			
65.0	Contributions to New York State	65.0	65.0	-
157.5	Interest and other expenses	123.4	141.4	18.0
222.5	**Total Nonoperating Expenses**	**188.4**	**206.4**	**18.0**
$179.3	**Net Income**	**$217.2**	**$164.9**	**$52.3**

COMPARATIVE BALANCE SHEETS
November 30, 2011
($ in millions)

Assets		November 2011	November 2010	December 31, 2010
Current Assets				
	Cash	$0.1	$0.1	$0.1
	Investments in government securities	1,215.6	1,070.4	1,091.1
	Interest receivable on investments	5.5	5.7	5.5
	Accounts receivable - customers	205.9	223.4	204.0
	Materials and supplies, at average cost:			
	Plant and general	79.7	77.2	75.1
	Fuel	23.1	17.3	15.3
	Prepayments and other	202.8	161.2	190.5
	Total Current Assets	**1,732.7**	**1,555.3**	**1,581.6**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,078.2	1,012.6	1,032.4
	Other	80.2	87.8	83.3
	Total Restricted Funds	**1,158.4**	**1,100.4**	**1,115.7**
Capital Funds	Investment in securities and cash	108.1	149.6	144.8
	Total Capital Funds	**108.1**	**149.6**	**144.8**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,394.7	3,336.3	3,344.1
	Capital lease, less accumulated amortization	1,013.3	-	-
	Construction work in progress	105.4	111.3	123.3
	Net Utility Plant	**4,513.4**	**3,447.6**	**3,467.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	638.7	645.1	604.6
	Notes receivable - nuclear plant sale	141.8	155.7	157.1
	Total other noncurrent assets	**1,098.5**	**1,118.8**	**1,079.7**
	Total Assets	**$8,611.1**	**$7,371.7**	**$7,389.2**

Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	$868.1	$860.3	$881.7
	Short-term debt	362.4	311.9	323.2
	Total Current Liabilities	**1,230.5**	**1,172.2**	**1,204.9**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,110.7	1,151.2	1,151.2
	Adjustable rate tender notes	122.9	130.5	130.5
	Commercial paper	232.1	344.1	336.5
	Total Long-term Debt	**1,465.7**	**1,625.8**	**1,618.2**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,078.2	1,012.6	1,032.4
	Disposal of spent nuclear fuel	216.2	216.1	216.1
	Capital lease obligation	1,124.0	-	-
	Deferred revenues and other	278.2	347.5	316.5
	Total Other Noncurrent Liabilities	**2,696.6**	**1,576.2**	**1,565.0**
Net Assets	Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
	Net Income	217.2	177.1	180.7
	Total Net Assets	**3,218.3**	**2,997.5**	**3,001.1**
	Total Liabilities and Net Assets	**$8,611.1**	**$7,371.7**	**$7,389.2**

SUMMARY OF OPERATING FUND CASH FLOWS
For the Eleven Months Ended November 30, 2011
($ in millions)

Operating Fund	
Opening	$1,069.2
Closing	1,190.5
Increase/(Decrease)	**121.3**
Cash Generated	
Net Operating Income	267.2
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	172.7
Net Change in Receivables, Payables & Inventory	(81.8)
Other	(5.3)
Net Cash Generated from Operations	**352.8**
(Uses)/Sources	
Utility Plant Additions	(52.9)
Debt Service	
Issuance of 2011A Bonds	123.3
Defeasance of 2002A Bonds	(46.0)
Retirement of 2000A Revenue Bonds	(79.2)
Revenue Bonds Principal and Interest	(67.6)
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(61.6)
ART Notes	(7.6)
Investment Income	21.1
Contribution to OPEB Trust Fund	(40.0)
Entergy Value Sharing Agreement	72.0
Entergy IP2 Purchase Agreement	10.0
Entergy Additional Facilities Note	20.0
Voluntary Contributions to NY State	(72.5)
Other	(5.7)
Total (Uses)/Sources	**(231.5)**
Net Increase in Operating Fund	**$121.3**

2012 Operating Budget
($ Millions)

	Operating Budget 2012
Operating Revenues:	
Customer Revenues……	$2,173.0
NYISO Market Revenues……	695.9
Total Operating Revenues	2,869.0
Operating Expenses:	
Purchased Power……	825.8
Fuel oil and gas……	329.5
Wheeling Expenses……	610.2
O&M Expenses……	359.2
Other Expenses……	194.3
Depreciation and Amortization……	222.2
Total Operating Expenses	2,541.2
NET OPERATING REVENUES	**327.7**
Other Income:	
Investment Income……	31.4
Other Income……	87.5
Total Other Income	119.0
Non-Operating Expenses	
Interest & Other Expenses……	195.1
Contributions to State……	85.0
Total Non-Operating Expenses	280.1
NET INCOME	**$166.6**

2011 - 2012 Plan Variance

($ Millions)

	Original Budget 2011	Forecast 2011	Budget 2012	2011 Forecast vs. 2012 Budget Variance
Operating Revenues:				
Customer Revenues	$2,078.6	$1,995.2	$2,173.0	$177.9
NYISO Market Revenues	$600.7	$718.2	$695.9	($22.2)
Total Operating Revenues	$2,679.4	$2,713.3	$2,869.0	$155.6
Operating Expenses:				
Purchased Power	$912.8	$870.5	$825.8	($44.6)
Fuel oil and gas	$295.6	$288.5	$329.5	$41.0
Wheeling Expenses	$543.4	$550.0	$610.2	$60.2
O&M Expenses	$316.3	$324.8	$359.2	$34.5
Other Expenses	$135.5	$192.4	$194.3	$1.9
Depreciation and Amortization	$194.9	$191.1	$222.2	$31.1
Total Operating Expenses	$2,398.4	$2,417.3	$2,541.2	$124.0
NET OPERATING REVENUES	**$280.9**	**$296.0**	**$327.7**	**$31.7**
Other Income:				
Investment Income	$32.4	$44.3	$31.4	($12.8)
Other Income	$88.4	$99.1	$87.5	($11.6)
Total Other Income	**$120.9**	**$143.4**	**$119.0**	**($24.4)**
Non-Operating Expenses				
Interest & Other Expenses	$157.5	$139.2	$195.1	$55.9
Contributions to State	$65.0	$65.0	$85.0	$20.0
Total Non-Operating Expenses	**$222.5**	**$204.2**	**$280.1**	**$75.9**
NET INCOME	**$179.3**	**$235.2**	**$166.6**	**($68.6)**

2012 Operating Forecast by Project ($ Thousands)

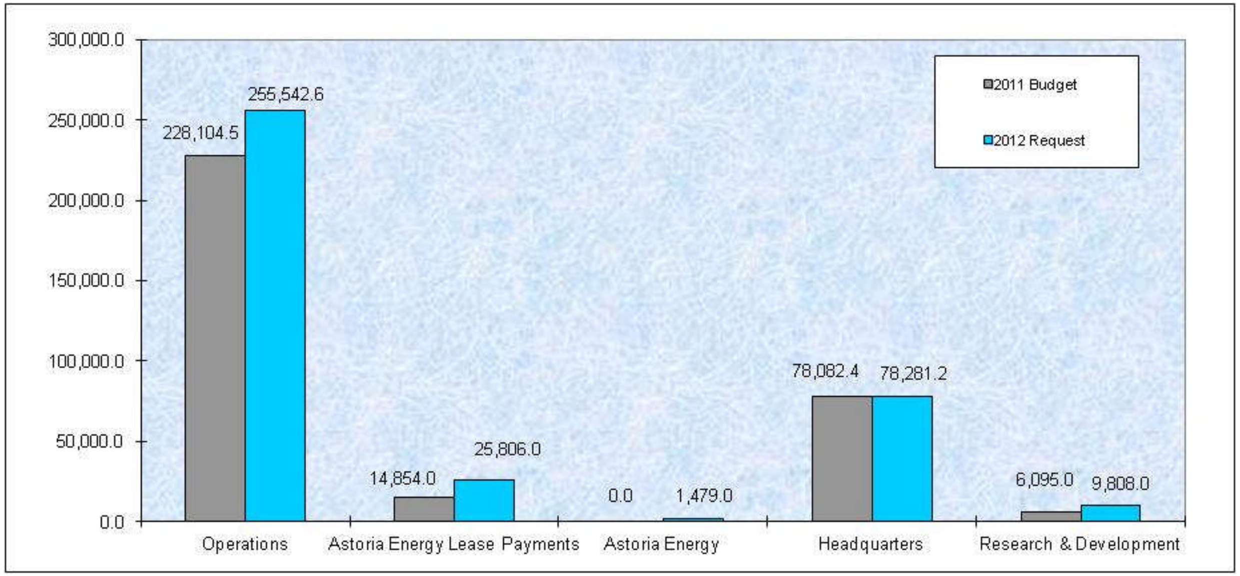
	Niagara	St. Lawrence	B-G	SENY	SCPP	Market Supply Power & RNY	Flynn	Transmission	Eliminations & Adjustments	Total
Operating Revenues:										
Customer	240,336	112,423	10,381	1,562,825	0	141,816	101,882	60,486	(57,113)	2,173,037
Market- Based Sales	144,821	64,403	28,948	328,779	67,060	5,962	0	0	(91,228)	548,745
Ancillary Services	17,491	1,455	1,929	7,277	707	0	0	0	0	28,859
NTAC and Other	0	0	0	0	0	0	0	118,331	0	118,331
Total ISO	162,313	65,858	30,876	336,057	67,767	5,962	0	118,331	(91,228)	695,936
Total Operating Revenues	**402,649**	**178,280**	**41,257**	**1,898,882**	**67,767**	**147,779**	**101,882**	**178,818**	**(148,341)**	**2,868,973**
Operating Expenses:										
Purchased Power	15,464	16,867	13,464	636,231	1,814	123,989	0	0	(154,102)	653,727
Ancillary Services	20,876	12,746	67	35,573	126	7,120	0	0	0	76,507
Transmission Congestion	30,325	8,156	0	50,601	0	6,489	0	0	0	95,571
Fuel Consumed - Oil & Gas	0	0	0	229,448	30,486	0	69,570	0	0	329,503
Wheeling	7,578	1,315	0	596,522	0	4,421	360	0	0	610,196
Operations and Maintenance - NYPA	55,663	24,512	20,105	43,982	23,449	1,410	10,303	53,833	0	233,257
Operations and Maintenance - Lease	0	0	0	25,806	0	0	0	0	0	25,806
Administrative Expenses	31,304	14,164	13,470	19,096	1,678	1,140	4,285	26,717	0	111,854
Other Expenses	46,238	30,920	2,774	13,462	345	76,075	1,867	6,971	15,618	194,270
Depreciation & Amortization	36,067	19,363	9,176	90,756	19,377	837	5,423	41,223	0	222,223
Allocation to Capital	(3,265)	(1,477)	(1,405)	(1,994)	(175)	(119)	(447)	(2,787)	0	(11,670)
Total Operating Expenses	**240,252**	**126,565**	**57,651**	**1,739,483**	**77,100**	**221,362**	**91,361**	**125,958**	**(138,485)**	**2,541,246**
Net Operating Revenues	**162,398**	**51,716**	**(16,394)**	**159,399**	**(9,333)**	**(73,583)**	**10,521**	**52,860**	**(9,857)**	**327,727**
Investment Income	0	0	0	0	0	0	0	0	41,447	41,447
Post Nuclear Sale Income	0	0	0	0	0	0	0	0	86,901	86,901
Mark to Market Adjustments	0	0	0	0	0	0	0	0	(10,000)	(10,000)
Other Income	0	0	0	0	0	0	648	0	0	648
Investment and Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**648**	**0**	**118,348**	**118,996**
Contributions to State	0	0	0	0	0	0	0	0	85,000	85,000
Interest and Other Expenses	28,395	18,450	(118)	119,368	5	4	15	12,424	16,560	195,105
Nonoperating Expenses	**28,395**	**18,450**	**(118)**	**119,368**	**5**	**4**	**15**	**12,424**	**101,560**	**280,105**
Net Income (loss)	**$ 134,002**	**$ 33,265**	**$ (16,276)**	**$ 40,030**	**$ (9,338)**	**$ (73,587)**	**$ 11,154**	**$ 40,436**	**$ 6,932**	**$ 166,618**

O & M 2011-2012 Budget ($ Thousands)

	2011 Budget	2012 Budget	INCREASE/(DECREASE) $'s	%
EXECUTIVE OFFICE				
Executive	2,468.6	1,811.3	(657.3)	(26.6%)
Law	7,999.9	7,667.6	(332.3)	(4.2%)
Internal Audit	1,935.9	1,981.7	45.9	2.4%
Public, Governmental & Regulatory Affairs	1,829.5	1,807.1	(22.4)	(1.2%)
Corporate Communications	4,222.1	4,198.9	(23.2)	(0.6%)
Office Total	**18,456.0**	**17,466.6**	**(989.4)**	**(5.4%)**
BUSINESS SERVICES				
EVP Business Services	761.6	420.2	(341.4)	(44.8%)
Controller	4,960.2	4,889.0	(71.2)	(1.4%)
Finance	4,555.9	4,911.0	355.1	7.8%
Treasury	1,321.5	1,143.2	(178.2)	(13.5%)
Energy Risk Assessment & Control	351.2	55.0	(296.2)	(84.3%)
Office Total	**11,950.4**	**11,418.4**	**(532.0)**	**(4.5%)**
CORPORATE SUPPORT SERVICES				
SVP Corporate Support Services	652.7	781.1	128.4	19.7%
Corporate Support Services	7,864.5	8,466.6	602.2	7.7%
Fleet Management	915.0	1,063.8	148.9	16.3%
Procurement	2,857.2	3,056.5	199.3	7.0%
Real Estate	369.9	450.5	80.6	21.8%
Information Technology	21,147.7	22,097.3	949.6	4.5%
Human Resources	5,224.4	5,152.4	(72.0)	0.0%
Office Total	**39,031.2**	**41,068.2**	**2,037.1**	**5.2%**
ENERGY MARKETING & ECONOMIC DEV.				
Energy Services	4,622.8	4,191.9	(430.9)	(9.3%)
Marketing	4,022.0	4,136.1	114.1	2.8%
Office Total	**8,644.8**	**8,328.0**	**(316.8)**	**(3.7%)**

	2011 Budget	2012 Budget	INCREASE/(DECREASE) $'s	%
ENERGY RESOURCE MANAGEMENT	**2,314.8**	**2,200.1**	**(114.7)**	**(5.0%)**
POWER SUPPLY				
Operations Shared Services	21,697.0	22,974.2	1,277.2	5.9%
Clark	12,638.0	23,806.5	11,168.4	88.4%
Blenheim-Gilboa	17,584.2	20,105.4	2,521.2	14.3%
Poletti	1,576.7	0.0	(1,576.7)	(100.0%)
500MW	27,204.4	31,564.5	4,360.1	16.0%
Flynn	15,770.0	10,303.4	(5,466.7)	(34.7%)
SENY	5,723.5	5,526.8	(196.7)	(3.4%)
SCPP	12,513.2	23,448.8	10,935.6	87.4%
Niagara	50,799.9	55,663.0	4,863.1	9.6%
St. Lawrence	20,961.9	24,512.1	3,550.2	16.9%
Small Hydros	5,132.7	5,411.6	278.8	5.4%
Transmission Lines	34,188.0	30,026.3	(4,161.6)	(12.2%)
Office Total	**225,789.7**	**253,342.5**	**27,552.8**	**12.2%**
Astoria Energy II O&M	**0.0**	**1,479.0**	**1,479.0**	**N/A**
Research & Development	**6,095.0**	**9,808.0**	**3,713.0**	**60.9%**
TOTAL NYPA	**312,281.9**	**345,111.0**	**32,829.1**	**10.5%**
Astoria Energy II Lease	**14,854.0**	**25,806.0**	**10,952.0**	**73.7%**
TOTAL NYPA Includes Astoria II Lease	**327,135.9**	**370,917.0**	**43,781.1**	**13.4%**

O & M: 2011 – 2012 Summary ($ Thousands)



HIGHLIGHTS

* *The 2012 base request of $345.1 million, which excludes $25.8 million for Astoria Energy lease payments, is $32.8 million (10.5%) greater than the 2011 approved budget. When including the O&M component of the Astoria Energy facility lease payment, which is fully recovered in customer rates, the 2012 request is $370.9 million.*

* *The requested staffing level is for 1,715 positions, down 14 (-0.8%) from January 2011. The decrease represents the elimination of twenty eight (28) transitional positions during 2011 and four (4) permanent positions in the 2012 budget request with some offset from the addition of six (6) new positions during 2011 and twelve (12) new positions for Power Supply in the 2012 budget request.*

* *Fringe Benefits (O&M Component) increase of $9.5 million is mostly driven by a substantial increase in pension costs ($4.6 million) due to the performance of the New York State Retirement System portfolio from 2008 through mid-2011 and a $3.8 million increase in Medical Insurance.*

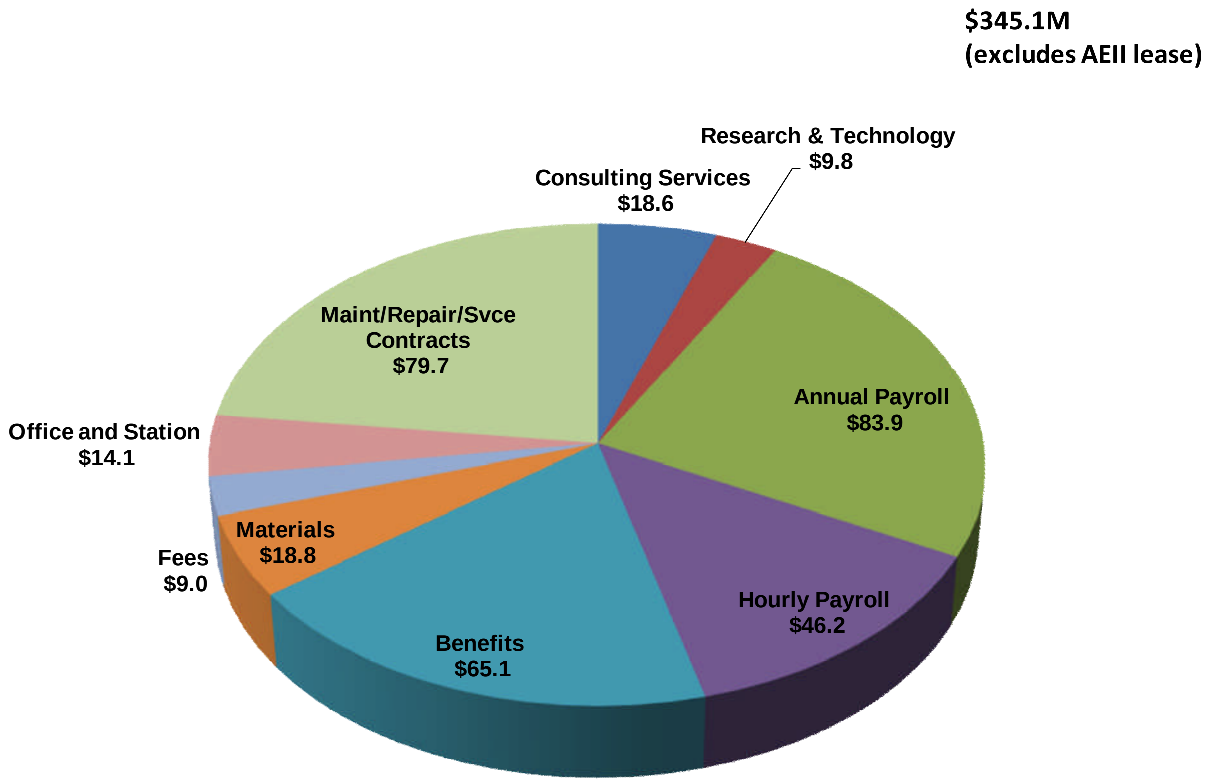
* *Planned outage costs for 2012 total $13.2 million which is $1.8 million less than the 2011 outage budget. The following is a breakdown of the outage request by facility:*

-	*500MW*	*$10.1 million*
-	*SCPP's*	*$3.0 million*
-	*Flynn*	*$0.1 million*

* *HQ request is essentially flat with 2011. Increases in benefits are offset by recent position reductions and other overhead savings.*

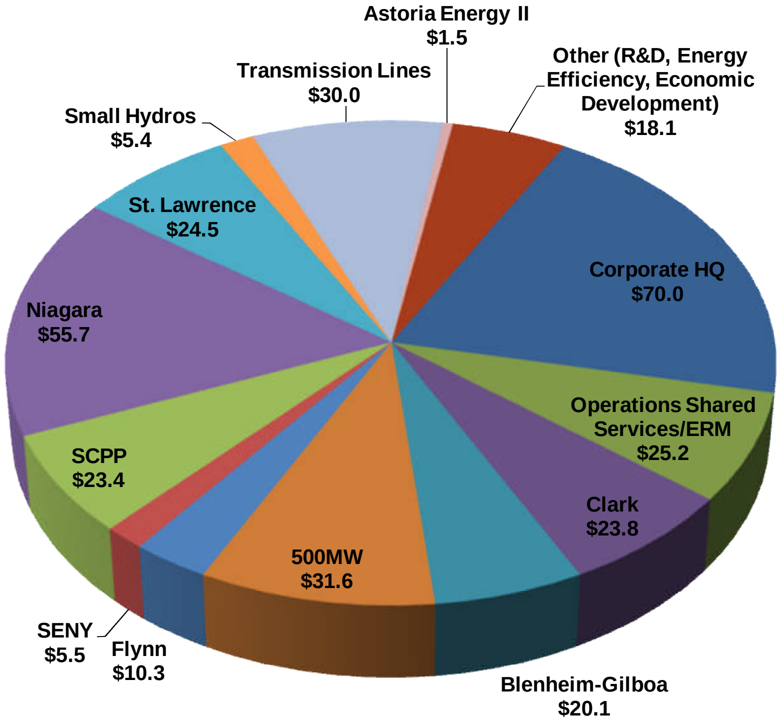
* *The increase in Operations mainly reflects an increase of over $15 million in non-recurring work and an increase in fringe benefits.*

O & M: 2012 Budget by Cost Element
($ Millions)



O & M: 2012 Budget by Facility
($ Millions)

$345.1M



* Astoria does not reflect annual Lease payments

O & M: Headcount 2011 – 2012

- **A net decrease of 14 positions reflects:**
  - **The request for 12 new positions in Operations included in the 2012 Budget; plus**
  - **Six positions added during 2011; offset by**
  - **Elimination of 4 permanent positions and 28 transitional positions**

	01/01/11	09/30/11	2012 Request	1/1/11-2012 Inc/(Dec)
Headquarters				
Executive Offices	122	120	117	(5)
Business Services	109	109	108	(1)
Corporate Support Services	240	242	244	4
Marketing & Economic Development	137	142	142	5
Headquarters Total	**608**	**613**	**611**	**3**
Operations				
Energy Resource Management	59	59	56	(3)
Power Supply				
Operations Shared Services	302	278	284	(18)
Transmission/Clark	128	127	128	0
Blenheim-Gilboa	109	110	109	0
Poletti/500MW	69	68	67	(2)
R.M. Flynn	21	21	22	1
Niagara	260	258	260	0
St. Lawrence	173	173	178	5
Operations Total	**1,121**	**1,094**	**1,104**	**(17)**
NYPA Total	**1,729**	**1,707**	**1,715**	**(14)**

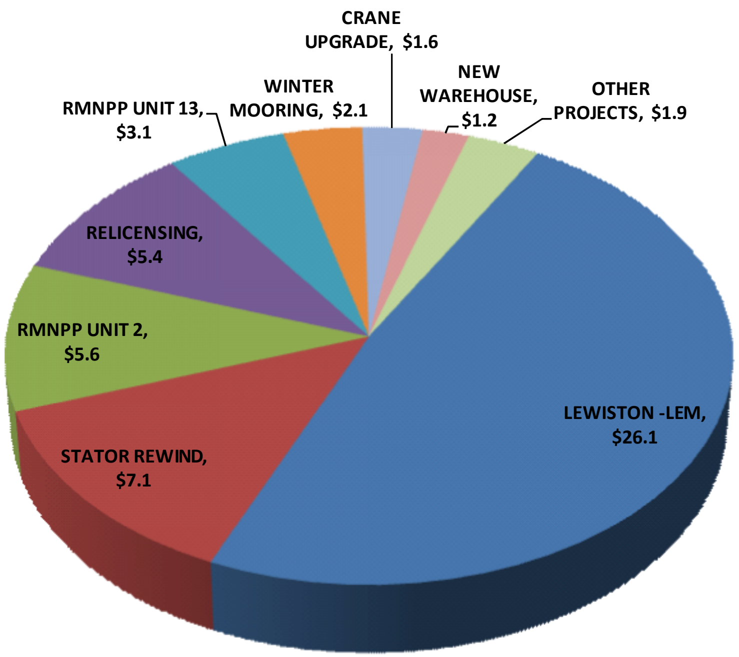
Capital 2011 - 2012 Budget ($ Thousands)

	2011 CAPITAL BUDGET	2012 CAPITAL BUDGET	INCREASE / DECREASE	% CHANGE
TRANSMISSION INITIATIVE	*2,484*	*0*	*(2,484)*	*-100.00%*
POWER SUPPLY				
TRANSMISSION	*24,147*	*28,307*	*4,160*	*17.23%*
*NIAGARA**	*62,818*	*54,139*	*(8,679)*	*-13.82%*
*ST. LAWRENCE**	*40,702*	*35,457*	*(5,245)*	*-12.89%*
*BLENHEIM- GILBOA**	*11,367*	*7,281*	*(4,086)*	*-35.95%*
500 MW	*7,350*	*9,708*	*2,358*	*32.08%*
SCPP	*228*	*3,570*	*3,342*	*>100%*
FLYNN	*5,378*	*3,365*	*(2,013)*	*-37.43%*
SMALL HYDRO PLANTS	*7,807*	*4,218*	*(3,589)*	*>100%*
SUB-TOTAL	*162,280*	*146,045*	*(16,235)*	*-10.00%*
HEADQUARTERS	*15,551*	*20,701*	*5,150*	*33.12%*
TOTAL CAPITAL	*177,831*	*166,746*	*(11,085)*	*-6.23%*

* Includes Relicensing and Compliance / Implementation Expense

Niagara Project
2012 Capital Budget Request ($ Millions)

TOTAL NYPA CAPITAL	= $166.7 MILLION
NIAGARA INITIATIVES	= $ 54.1 MILLION / 32.5% OF TOTAL

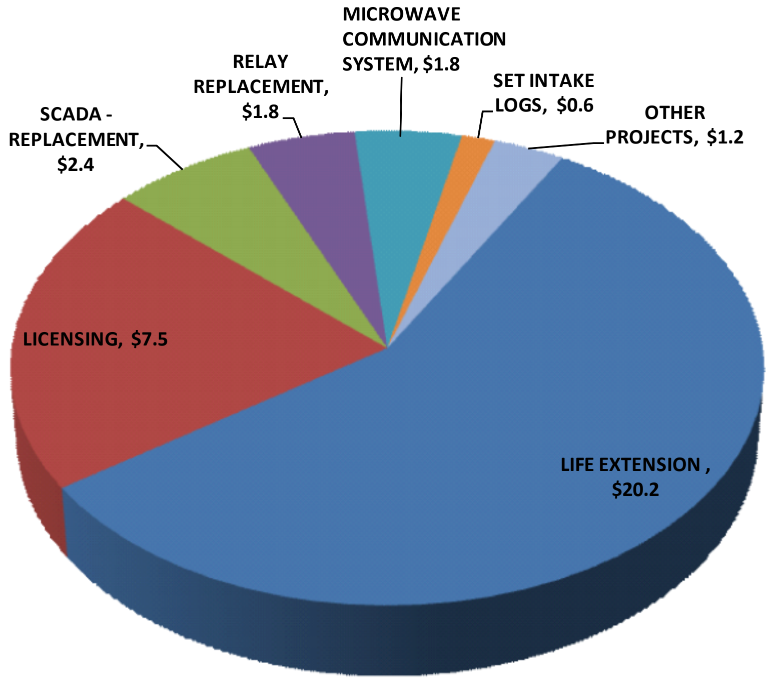


Major Niagara Projects

LEWISTON PUMP GENERATION PLANT-LIFE EXTENSION	$ 26.1
NIAGARA STATOR REWIND - (NEC)	$ 7.1
RMNPP UNIT 2 STANDARDIZATION	$ 5.6
NIAGARA RELICENSING - COMPLIANCE & IMPLEMENTATION	$ 5.4
RMNPP UNIT 13 STANDARDIZATION	$ 3.1
NIAGARA - WINTER MOORING SITE	$ 2.1
LPGP 5 TON TRAVELING CRANE UPGRADE	$ 1.6
NEW NIAGARA WAREHOUSE	$ 1.2
ALL OTHER NIAGARA PROJECTS	$ 1.9
TOTAL NIAGARA	$ 54.1

St. Lawrence Project
2012 Capital Budget Request ($ Millions)

TOTAL NYPA CAPITAL	= $166.7 MILLION
ST. LAWRENCE INITIATIVES	= $ 35.5 MILLION / 21.3% OF TOTAL

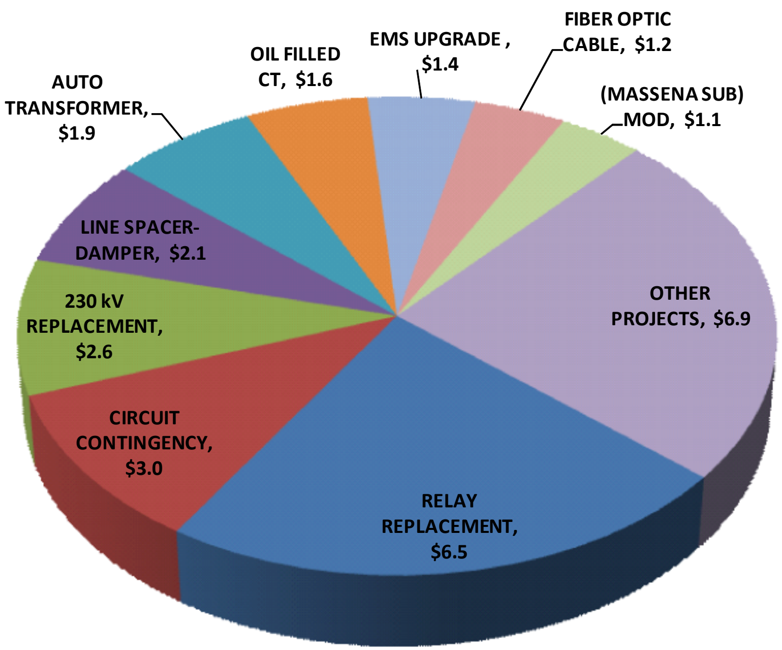


Major St. Lawrence Projects

ST. LAWRENCE LIFE EXTENSION	$ 20.2
ST. LAWRENCE LICENSING COMPLIANCE & IMPLEMENTATION	$ 7.5
SCADA - COMPLETE SYSTEM REPLACEMENT	$ 2.4
ST. LAWRENCE RELAY REPLACEMENT PROGRAM	$ 1.8
ST. LAWRENCE MICROWAVE COMMUNICATION SYSTEM	$ 1.8
ADDITIONAL SET INTAKE STOP LOGS	$ 0.6
ALL OTHER ST. LAWRENCE PROJECTS	$ 1.2
TOTAL ST. LAWRENCE	$ 35.5

Transmission Facilities
2012 Capital Budget Request ($ Millions)

TOTAL NYPA CAPITAL = $166.7 MILLION
TRANSMISSION INITIATIVES = $ 28.3 MILLION / 17.0% OF TOTAL



Major Transmission Projects

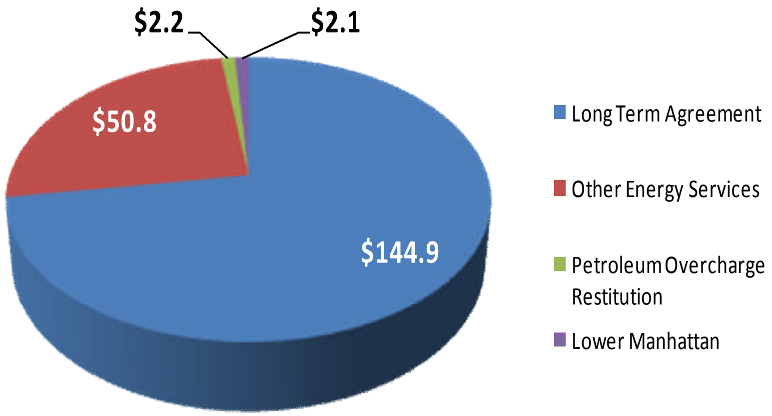
NIAGARA RELAY REPLACEMENT PROGRAM	$ 6.5
MOSES-WILLIS DOUBLE CIRCUIT CONTINGENCY	$ 3.0
MA1 & MA2 LINE - 230 kV REPLACEMENT	$ 2.6
765kV TRANS LINE SPACER-DAMPER REPLACEMENT	$ 2.1
MASSENA 765/230kV AUTOTRANSFORMER REPLACEMENT	$ 1.9
MASSENA 765kV OIL FILLED CT REPLACEMENT	$ 1.6
EMS UPGRADE	$ 1.4
FIBER OPTIC CABLE LINE BETWEEN L33P/L34P	$ 1.2
765kV (MASSENA SUB) MOD REPLACEMENT	$ 1.1
ALL OTHER TRANSMISSION PROJECTS	$ 6.9
TOTAL TRANSMISSION	$ 28.3

ENERGY SERVICES
2012 BUDGET ($ Thousands)

	2011 Budget	2012 Budget	INCREASE/(DECREASE) $'s	%
Long Term SENY Governmental Customers Program	98,306	144,921	46,615	47.42%
Other NYPA Funded Programs	46,057	50,756	4,699	10.20%
POCR Funded Programs	2,499	2,195	(304)	-12.16%
Lower Manhattan Energy Initiative	3,420	2,128	(1,292)	-37.78%
TOTAL ENERGY SERVICES	**$ 150,282**	**$200,000**	**$49,718**	**33.08%**

2012 Energy Services Capital Plan Request ($ Millions)

$200 million



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

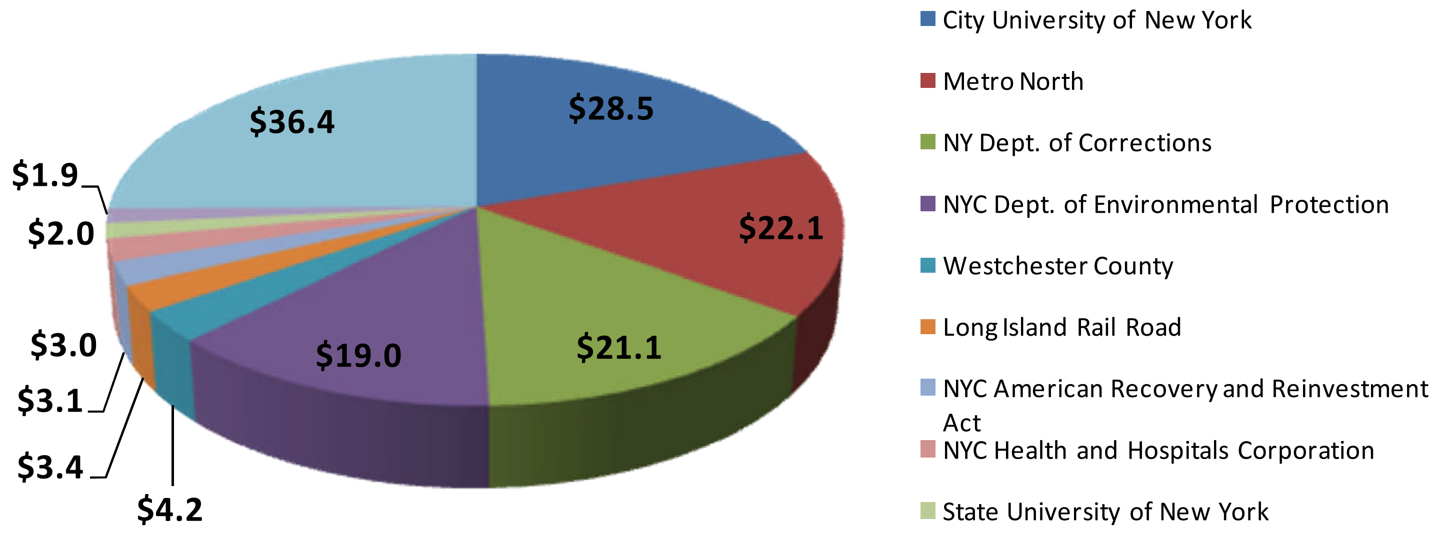
Other Energy Services Programs:
Other programs that are part of the Energy Service capital plan include the Energy Service Program, NYPA facility efficiency program, the Municipal and Cooperative Electric Vehicle program and the Clean Air for Schools Program. These programs will provide public entities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

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

Lower Manhattan Energy Initiative Program:
The State of New York has appropriated $25.0 million for the Lower Manhattan Energy Independence Initiative (LMEI Account). These funds will be allocated to the Power Authority to fund energy efficiency measures and clean energy technologies for the World Trade Center (WTC) site. The 2012 planned expenditures are for the procurement of fuel cells and the WTC Memorial Foundation.

Energy Services
2012 Long Term Agreement Program ($ Millions)

$145 million



Energy Services
2012 Other Energy Services Programs ($ Millions)

$51 million

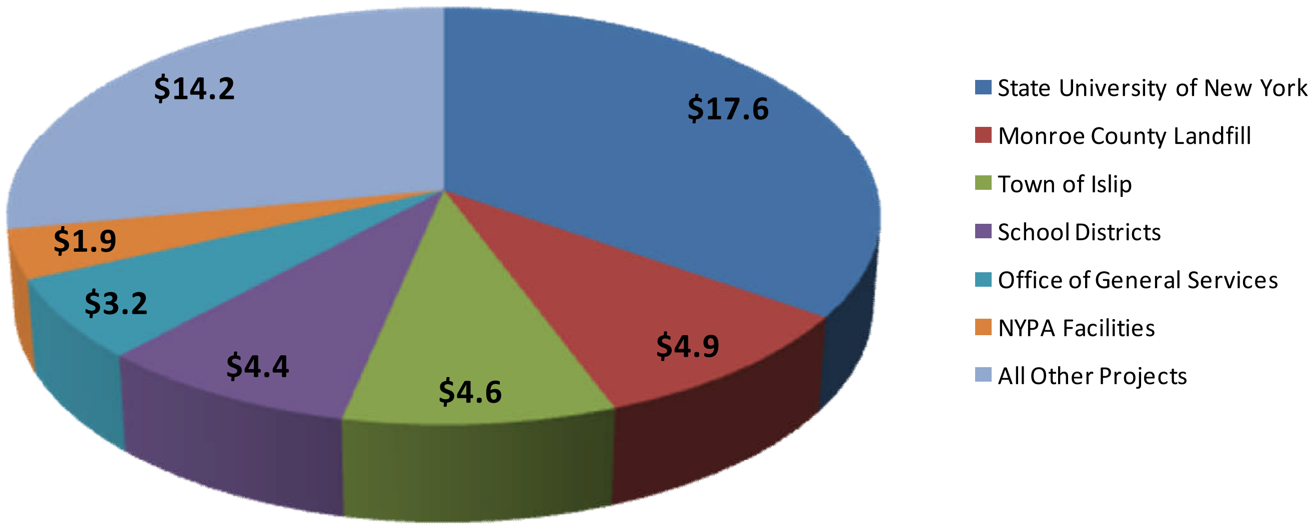


Exhibit 4-E
December 15, 2011

New York Power Authority

2012-2015 Budget and Financial Plan

In compliance with 2 NYCRR Part 203

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

The mission of the Power Authority of the State of New York ("NYPA" or "Authority") is to provide clean, low-cost and reliable energy consistent with its commitment to the environment and safety, while promoting economic development and job development, energy efficiency, renewables and innovation, for the benefit of its customers and all New Yorkers. The Authority's financial performance goal is to have the resources necessary to achieve its mission, to maximize opportunities to serve its customers better, and to preserve its strong credit rating.

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

To provide electric service, the Authority owns and operates five major generating facilities, eleven small gas-fired electric generating facilities, and five small hydroelectric facilities in addition to a number of transmission lines, including major 765-kV and 345-kV transmission facilities. The Authority's five major generating facilities consist of two large hydroelectric facilities ("Niagara" and "St. Lawrence-FDR"), a large pumped-storage hydroelectric facility ("Blenheim-Gilboa"), the combined cycle electric generating plant located in Queens, New York (the "500-MW plant") and the Richard M. Flynn combined cycle plant located on Long Island ("Flynn").

To provide additional electric generation capacity to the Authority's NYC Governmental Customers, NYPA entered into a long-term electricity supply agreement with Astoria Energy II LLC in 2008 for the purchase of the output of an Astoria, Queens based natural-gas fueled generating plant. The new 550-MW plant ("Astoria Energy II plant") entered into commercial operation on July 1, 2011.

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

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

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

The Authority's operations are overseen by a Board of Trustees. NYPA's Trustees are appointed by the Governor of the State, with the advice and consent of the State Senate. The Authority is a fiscally independent public corporation that does not receive State funds or tax revenues or credits. NYPA generally finances construction of new projects through a combination of internally generated funds and the sale of bonds and notes to investors and pays related debt service with revenues from the generation and transmission of electricity. Income of the Authority and properties acquired by it for its projects are exempt from taxation.

(b) Budget Process

The following is an outline of the budget process and the four-year financial plan for 2012-2015:

- During July – October 2011, develop forecasts of electric prices (both energy and capacity) and fuel expenses; NYPA customer power and energy use; NYPA customer rates; generation levels at NYPA power projects reflecting scheduled outages; and purchased energy & power requirements and sources.
- During July – September 2011, developed preliminary operations & maintenance and capital expense targets.

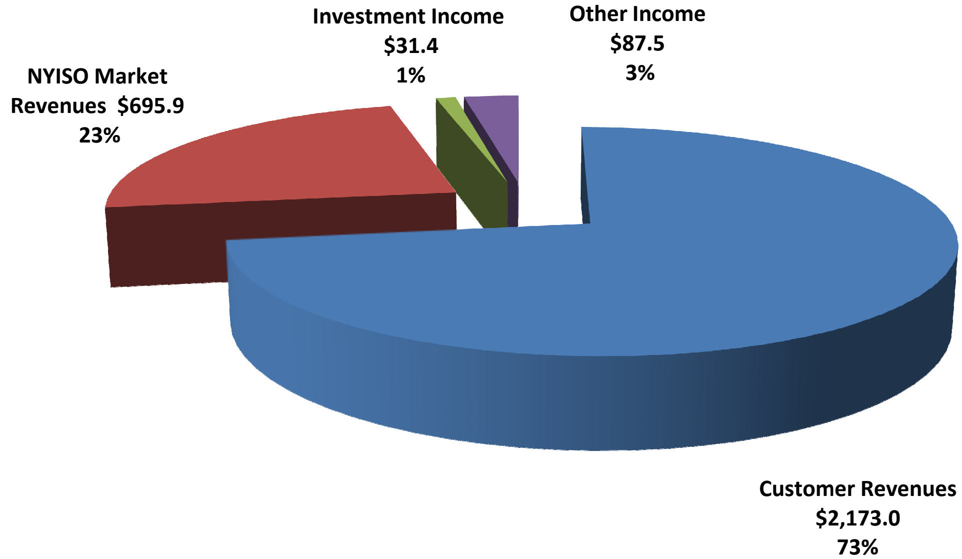
- November 2, 2011 – post proposed 2012 budget and 2012-2015 financial plan for public inspection at five convenient locations and on NYPA's internet website.
- During November 2011, finalize operations & maintenance expenses and capital costs estimates.
- During November 2011, integrate above data to produce final 2012 budget and 2012-2015 financial plan.
- December 15, 2011, seek authorization of NYPA's Trustees to approve the 2012 budget and 2012-2015 financial plan; submit the information to the State Comptroller's Office; and make the document available for public inspection and on NYPA's internet website.

NYPA's Four-Year Projected Income Statements

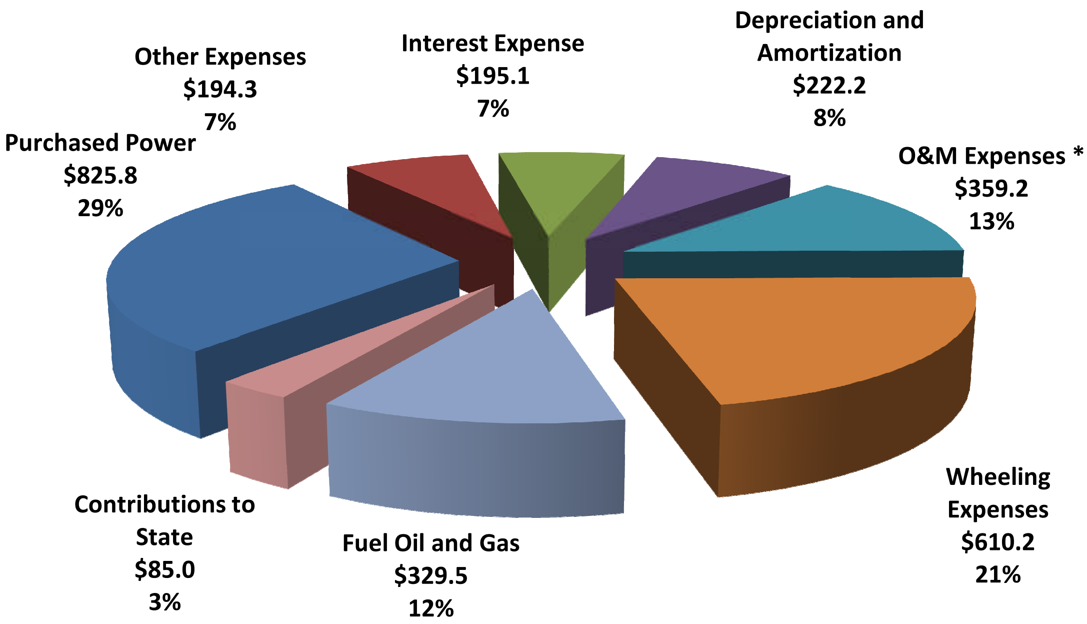
(in Millions)

	2012	2013	2014	2015
Operating Income:				
Customer Revenues	$2,173.0	$2,210.0	$2,313.0	$2,368.4
NYISO Market Revenues	$695.9	$714.1	$740.3	$764.7
Total Operating Income	$2,869.0	$2,924.1	$3,053.4	$3,133.1
Operating Expenses:				
Purchased Power	$825.8	$823.7	$869.8	$896.9
Fuel oil and gas	$329.5	$355.2	$365.1	$366.8
Wheeling Expenses	$610.2	$627.9	$635.0	$642.5
O&M Expenses	$370.9	$425.6	$476.2	$492.3
Other Expenses	$194.3	$161.7	$150.4	$125.4
Depreciation and Amortization	$222.2	$222.2	$223.7	$224.1
Allocation to Capital	($11.7)	($13.8)	($13.0)	($13.0)
Total Operating Expenses	$2,541.2	$2,602.5	$2,707.2	$2,734.9
NET OPERATING INCOME	**$327.7**	**$321.6**	**$346.2**	**$398.2**
Other Income:				
Investment Income	$31.4	$34.1	$34.0	$38.1
Other Income	$87.5	$76.6	$75.4	$4.5
Total Other Income	$119.0	$110.6	$109.3	$42.7
Non-Operating Expenses:				
Interest Expense	$195.1	$194.5	$204.7	$200.5
Contributions to State	$85.0	$65.0	$65.0	$65.0
Total Non-Operating Expenses	$280.1	$259.5	$269.7	$265.5
NET INCOME	**$166.6**	**$172.8**	**$185.8**	**$175.3**

2012 Budget – Sources
(in Millions)



2012 Budget – Uses
(in Millions)



* Reflects NYPA's Base O&M Expenses ($345.1) plus the O&M component of the Astoria energy facility lease payment ($25.8) less the Allocation to Capital ($11.7).

NYPA's Four-Year Statement of Cash Flows

(in Millions)

Cash flows from Operating Activities:	**2012**	**2013**	**2014**	**2015**
Received from customers for the sale of power, transmission and wheeling	**$ 2,807.1**	**$ 2,865.2**	**$ 2,997.7**	**$ 3,081.1**
Disbursements for:				
Purchased Power	(825.8)	(823.7)	(869.8)	(896.9)
Operations and Maintenance	(359.2)	(406.8)	(453.2)	(469.2)
Fuel oil and gas	(329.5)	(355.2)	(365.1)	(366.8)
Wheeling of Power by other utilities	(610.2)	(627.9)	(635.0)	(642.5)
Other Expenses	(289.6)	(294.8)	(249.7)	(226.2)
Total Disbursements	**(2,414.4)**	**(2,508.4)**	**(2,572.8)**	**(2,601.6)**
Net cash provided by operating activities	**392.8**	**356.8**	**424.9**	**479.4**
Cash flows from capital and related financing activities:				
Earnings received on capital fund investments	1.4	0.5	0.7	0.7
Issuance of commercial paper	0.0	45.5	73.0	83.9
Issuance of General Purpose Bonds	0.0	0.0	0.0	202.4
Repayment of Notes	(8.2)	(8.8)	(9.5)	(10.3)
Retirement of Bonds	(43.9)	(49.0)	(51.9)	(54.4)
Repayment of Commercial Paper	(37.3)	(36.6)	(31.4)	(217.6)
Gross additions to capital assets	(166.7)	(198.2)	(196.5)	(214.8)
Interest paid, net	(66.0)	(63.0)	(66.8)	(69.0)
Change in Construction Fund	31.8	10.9	4.2	5.0
Net cash used in capital and related financing activities	**(288.9)**	**(298.8)**	**(278.3)**	**(274.0)**
Cash flows from noncapital - related financing activities:				
Energy conservation program payments received from participants	137.4	180.1	291.2	264.9
Energy conservation program costs	(200.0)	(219.7)	(195.4)	(179.4)
Issuance of commercial paper	197.4	212.5	181.7	179.0
Issuance of Bonds for HTP	0.0	100.0	0.0	0.0
Repayment of commercial paper	(136.7)	(179.5)	(290.8)	(264.5)
Interest paid on commercial paper	(4.8)	(7.6)	(9.9)	(9.8)
Other Postemployment Benefits (OPEB) funding	(15.0)	(15.0)	(15.0)	(15.0)
Contributions to New York State	(85.0)	(65.0)	(65.0)	(65.0)
New York State Temporary asset transfer	0.0	0.0	103.0	0.0
Entergy Value sharing agreement	72.0	72.0	72.0	74.5
Entergy notes receivable	30.0	20.0	20.0	20.0
Payment for HTP System Upgrade	0.0	(200.0)	0.0	0.0
Net cash used in noncapital - related financing activities	**(4.7)**	**(102.2)**	**91.8**	**4.6**
Cash flows from investing activities:				
Earnings received on investments and other Receipts	30.8	30.6	31.5	38.4
Sale/(Purchase) of investment securities	(130.0)	13.6	(269.8)	(248.5)
Net cash provided by (used in) investing activities	**(99.3)**	**44.2**	**(238.3)**	**(210.0)**
Net increase (decrease) in cash	**$0.0**	**$0.0**	**$0.0**	**$0.0**

(c) Budget Assumptions

NYISO Revenue and Expenses

Based upon scheduled customer power needs and available electricity generated by NYPA's operating assets, the Authority buys and sells energy in an electricity market operated by the NYISO. The majority of NYPA's operating expenses are due to various NYISO purchased power charges in combination with generation related fuel expenses. A significant amount of the Authority's revenues results from sales of the Authority's generation into the NYISO market for which the energy revenues are projected based on available forward price curves while the capacity revenues are estimated using the NYISO demand curve formula.

Customer and Project Revenue

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

St. Lawrence-FDR and Niagara Customers. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to municipal electric systems, rural electric cooperatives, industrial and other business customers, certain public bodies, investor-owned utilities, and out-of-state customers. The charges for firm and firm peaking power and associated energy sold by the Authority, as applicable, to the municipal electric systems and rural electric cooperatives in New York State, two public transportation agencies, three investor-owned utilities for the benefit of rural and domestic customers, and seven out-of-state public customers have been established on the basis of the cost to serve these loads.

In March 2009, the Authority's Trustees approved the deferral for recovery in the future of a proposed hydropower rate increase for these customers that was scheduled to go into effect on May 1, 2009. The deferral amounted to approximately $18.5 million through the end of 2010. The 2012-2015 financial plan reflects the four-year rate plan approved by the Authority's Trustees in November 2011 to recover the cost of providing service to these customers and to begin the recovery of the deferral amount.

Niagara's expansion and replacement power industrial customers and St. Lawrence-FDR's industrial customers may aggregate to as much as 1,081mw or 41% of the firm capacity of the plants. The rates are subject to annual adjustment based on the average of three contractually agreed upon economic indices reflecting changes in industrial energy prices. In March 2009, the Authority suspended the application of these indices so as to avoid rate increases, and effective September 1, 2011, the application of these indices was reinstated by the Authority. For the years in the four year plan, these rates are assumed to adjust annually in accordance with the contracts.

In August 2010, new legislation established a Western New York Economic Development Fund Benefit program and authorized the Authority to fund the program from net earnings from the Authority's sale of unallocated, relinquished, and withdrawn Expansion Power and Replacement Power into the wholesale market. Net earnings are defined as any excess revenues earned from such power allocated to the wholesale market over the revenues that would have been received had the power been sold at the Expansion Power and Replacement Power rates. Proceeds from the fund may be used to support eligible projects undertaken within a 30-mile radius of the Niagara plant that qualify under applicable criteria. The law authorizes the Authority to administer this new program with assistance from public and private entities. Payments from the Power Authority to the fund have been incorporated into this four-year plan and are estimated to range between $6.1 million in 2012 declining to $0 by 2015 when the power is assumed to be fully sold.

SENY Governmental Customers. Capacity from the Authority's 500 mw plant and the five small hydroelectric plants, the contracted generation from the Astoria Energy II plant, together with capacity and energy purchased by the Authority in the NYISO markets, are sold to various municipalities, school districts and public agencies in New York City and Westchester County. Sales into the NYISO of energy generated by Authority resources at the 500-MW plant and the small hydro projects offset the cost of the energy purchased. A set amount of capacity from the Blenheim-Gilboa project is also dedicated to serving a segment of this customer class.

It is assumed that the Kensico small hydro facility will be decommissioned by December 31, 2013.

In 2005, the Authority and its major New York City governmental customers entered into long-term supplemental electricity supply agreements ("2005 LTA"). Under the 2005 LTA, the NYC governmental customers agreed to purchase their electricity from the Authority through December 31, 2017, with the NYC governmental customers having the right to terminate service from the Authority at any time on three years' notice and, under certain limited conditions, on one year's notice, provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply the NYC governmental customers.

Under the 2005 LTA, the Authority modifies rates annually through a formal rate proceeding if there is a change in fixed costs to serve the New York City governmental customers. Generally, changes in variable costs, which include fuel and purchased power, are captured through annual contractual pricing adjustment mechanisms.

In 2007, the Authority entered into new supplemental electricity supply agreements with 104 governmental customers in Westchester County resulting in the Westchester governmental customers remaining full requirements customers of NYPA. The Westchester County customers can terminate the contract upon one year's notice effective no sooner than January 1 following such notice. The Authority may modify the rates charged the customer pursuant to a specified procedure; an energy charge adjustment mechanism is applicable; the customer is committed to pay for any supply resources secured for it by the Authority under a collaborative process; and NYPA will continue to make available financing for energy efficiency projects and initiatives, with costs thereof to be recovered from the customer. For purposes of the four-year financial plan, it is assumed that the New York City and Westchester governmental customers will continue to be served and rates will be set on the basis of the cost to serve these loads.

Market Supply Power Customers. The Authority administers an array of power programs for economic development that supply power to businesses and not-for-profit institutions in New York State. Currently more than 300,000 jobs across the State are linked to these power programs. For a number of these programs, such as Power for Jobs, Economic Development Power, High Load Factor Power, and Municipal Distribution Agency Power, the Authority has no physical assets to supply power and energy to these customers and NYPA must buy these products in the NYISO market or negotiate bilateral arrangements with other power suppliers. The Authority, as authorized by legislation, provides electricity savings reimbursements to certain of the Power for Jobs customers, which is calculated as the difference between the current cost of electricity to such customer and the cost of electricity under a prior Power for Jobs contract period. Customers under the Economic Development Power, High Load Factor Power, and Municipal Distribution Agency Power programs are eligible for Energy Cost Savings Benefits discounts which result from the net earnings of the sale into the wholesale market of certain amounts of hydroelectric power as authorized by law, which, along with other funds of the Authority as deemed feasible and advisable by the Authority's Trustees, may be used for such discounts.

Legislation enacted into law in March 2011 creates a new economic development power program to commence July 1, 2012, the Recharge New York Power Program ("RNYPP"), to replace and expand upon the Authority's Power for Jobs and Energy Cost Savings Benefits programs. This is a new, permanent power program administered by the Authority and the Economic Development Power Allocation Board ("EDPAB"). The RNYPP will utilize 455 MW of hydropower from the Authority's Niagara and St. Lawrence-FDR projects combined with up to 455 MW of market-based power purchases. The 455 MW of hydropower was, until August 1, 2011, provided to residential and farm customers of three upstate utilities. The power will be available for allocation to eligible new and existing businesses and not-for-profit corporations under contracts of up to seven years effective no sooner than July 1, 2012. The legislation also temporarily extends the Power for Jobs and ECSB Programs through June 30, 2012, at which time those programs will end and be replaced with the RNYPP. The PFJ and ECSB Program customers that do not receive RNYPP allocation will be eligible to apply for certain "transitional electricity discounts". These transitional discounts, payable if deemed feasible and advisable by the Authority's Trustees, will gradually decline to zero by June 30, 2016. The RNYPP legislation also authorizes the Authority, as deemed feasible and advisable by its Trustees, to provide annual funding of $100 million for the first three years following withdrawal of the hydropower from the residential and farm customers, $70 million for the fourth year, $50 million for the fifth year, and $30 million each year thereafter, for the purpose of funding a residential consumer discount program for those customers that had received the hydropower that will be utilized in the RNYPP.

Blenheim-Gilboa Customers. The Authority has a contract for the sale of 50 MW of firm capacity from the Blenheim-Gilboa plant to the Long Island Power Authority ("LIPA") and provides another 250 MW to the Authority's New York City governmental customers, the rates for which are reset periodically on the basis of cost, with the remainder of the plant's capacity used to meet the requirements of some of the Authority's other business and governmental customers and to provide services in the NYISO market at the projected NYISO capacity rate.

Small Clean Power Plants ("SCPPs"). To meet capacity deficiencies and ongoing local requirements in the New York City metropolitan area, which could have also adversely affected the statewide electric pool, the Authority placed in operation, in the summer of 2001, eleven 44-MW natural-gas-fueled SCPPs at various sites in New York City and one site in the service territory of LIPA.

For the 2012-2015 financial plan, it is assumed the installed capacity of the SCPPs is used by the Authority to meet its customers' NYISO-mandated installed capacity needs or, if not needed for that purpose, is subject to sale to other users via bilateral arrangements or by sale into the NYISO capacity auction. NYPA sells the energy produced by the SCPPs into the NYISO energy market.

Flynn. The Flynn Project is a combined-cycle facility with a nameplate rating of 164 MW. The Authority is supplying the full output of the Project to LIPA pursuant to a capacity supply agreement between the Authority and LIPA, which commenced in 1994 and had an initial term of 20 years. Amendment No. 7, effective as of January 1, 2009, sets forth pricing terms subject to expiration in 2014 should the customer elect to initiate the termination clause by 2012. Otherwise, this contract may extend to 2020. As of December 31, 2014 the current pricing agreement ends with LIPA. For planning purposes, current pricing and dispatch levels have been modified and incorporated in the 2015 Flynn forecast.

Transmission Projects. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edic transmission line, and the 345-kV Long Island Sound Cable.

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

With the implementation of the NYISO arrangement in November 1999, all transmission service over the Authority's facilities is either pursuant to the NYISO tariffs or pre-existing Authority contracts, with NYPA realizing its annual revenue requirement via the NTAC, TSC or through existing customer contracts.

Hudson Transmission Project. Following a request for proposals issued by the Authority in March 2005, the Authority executed a firm transmission capacity purchase agreement with Hudson Transmission Partners, LLC ("HTP") in April 2011. HTP is constructing a 345 kV underground/submarine transmission line extending from Bergen County, New Jersey to Con Edison's West 49th Street substation in midtown Manhattan. The transmission line will serve to improve electric system reliability and promote network security by enhancing New York City's transmission infrastructure and its access to generation resources outside of the City. Construction of the transmission line commenced in May 2011 and completion of construction is expected to be July 1, 2013.

Purchased Power Expenses

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

Fuel Expenses

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

Wheeling Expenses

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

Investment and Other Income

Investment Income. Investment of the Authority's funds is administered in accordance with the applicable provisions of the Bond Resolution and with the Authority's investment guidelines. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law. It is assumed that the Authority's investment portfolio will earn an average of 1.90% over the four-year forecast period.

The Authority's investments are restricted to (a) collateralized certificates of deposit, (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which is rated in any of the three highest long-term rating categories, or the highest short-term rating category, by nationally recognized rating agencies. The Authority's investments in the debt securities of Federal National Mortgage Association and Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corp. were rated Aaa by Moody's Investors Services, AAA by Fitch Ratings and AA+ by Standard & Poor's. All of the Authority's investments in U.S. debt instruments are issued or explicitly guaranteed by the U.S. Government.

<u>Other Income.</u> On November 21, 2000 ("Closing Date"), the Authority sold its nuclear plants (Indian Point 3 and James A. FitzPatrick Projects) to two subsidiaries of the Entergy Corporation for cash and non-interest bearing notes totaling $967 million, maturing over a 15-year period. The present value of these payments recorded on the Closing Date, utilizing a discount rate of 7.5%, was $680 million. On an accrual basis the Authority expects to recognize interest and other income of $15.9 million in 2011, $14.9 million in 2012, $3.8 million in 2013, $2.6 million in 2014, and $1.2 million in 2015. On a cash basis the Authority projects to receive $30 million payments in 2011 and 2012, and $20 million in 2013-2015. In addition, the Authority entered into two "value sharing agreements" ("VSAs") with the Entergy subsidiaries whereby the Authority is entitled to receive annual payments up to a maximum of $72 million. Also, if the licenses of JAF and/or IP3 are extended, the Decommissioning Agreements provide for annual payments of $2.5 million per plant each year beyond the expiration dates. JAF's license has been extended past the original date of October 17, 2014, and beginning in 2015 the forecast includes the receipt of $2.5 million in additional revenue. For purposes of the 2012-2015 Financial Plan, it has been assumed that the maximum payment of $72 million will be received in each year for the VSA, and an additional $2.5 million will be received in 2015 for the JAF license extension.

Operations and Maintenance Expenses

NYPA's preliminary O&M plan by cost element for 2012 - 2015 is as follows:

Operations and Maintenance Forecast by Cost Element
(in Millions)

	2012	2013	2014	2015
Payroll				
Regular Pay	$ 144.0	$ 144.5	$ 146.3	$ 148.2
Overtime	$ 9.4	$ 9.8	$ 10.1	$ 10.5
Other Payroll	$ 2.6	$ 2.7	$ 2.8	$ 2.9
Total Payroll	$ 156.1	$ 157.0	$ 159.2	$ 161.5
Benefits				
Employee Benefits	$ 39.7	$ 41.0	$ 42.5	$ 44.0
Pension	$ 27.0	$ 29.0	$ 33.0	$ 36.0
FICA	$ 11.5	$ 11.6	$ 12.0	$ 12.4
Total Benefits	$ 78.2	$ 81.6	$ 87.5	$ 92.4
Materials/Supplies	$ 18.8	$ 19.2	$ 19.6	$ 20.0
Fees	$ 9.0	$ 9.2	$ 9.4	$ 9.6
Office & Stationary	$ 14.8	$ 15.1	$ 15.4	$ 15.7
Maintenance Repair & Service Contracts	$ 85.4	$ 98.3	$ 104.8	$ 110.6
Consultants	$ 18.6	$ 18.9	$ 19.3	$ 19.7
Charges To:				
Outside Agencies	$ (4.7)	$ (4.8)	$ (4.9)	$ (5.0)
Capital Programs	$ (40.8)	$ (38.7)	$ (38.0)	$ (38.0)
Total Charges	$ (45.5)	$ (43.5)	$ (42.8)	$ (42.9)
Research & Development	$ 9.8	$ 10.2	$ 10.5	$ 10.9
Subtotal	**$ 345.1**	**$ 366.0**	**$ 382.8**	**$ 397.3**
Astoria Energy II	$ 25.8	$ 26.5	$ 27.2	$ 27.9
HTP	$ -	$ 33.0	$ 66.2	$ 67.0
Total NYPA O&M	$ 370.9	$ 425.6	$ 476.2	$ 492.3

Depreciation and Amortization Expenses

Depreciation of capital assets is generally provided on a straight-line basis over the estimated lives of the various classes of capital assets. The related depreciation provisions at December 31, 2010 expressed as a percentage of average depreciable capital assets was 2.6%.

Other Expenses

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

(d) Self – Assessment of Budgetary Risks

Regulatory Risks

In 2005, the U.S. Fish and Wildlife Service (''FWS'') initiated a status review under the Endangered Species Act (16 U.S.C. 1531 et seq.) to determine if listing the American eel as threatened or endangered is warranted. American eels are a fish species that migrate between freshwater and the ocean, and their wide range includes the Atlantic seaboard of the United States and Canada and the Great Lakes' drainages. In findings issued February 2, 2007, the FWS determined that such a listing is not warranted. In 2010, the FWS was again petitioned to list the American eel and a preliminary determination concerning whether to conduct another status review is pending before the FWS. In the event the FWS were to determine in the future to list the American eel as threatened or endangered, such a determination could potentially result in significant additional costs and operational restrictions on hydroelectric generating facilities located within the range of the species, including the Authority's St. Lawrence-FDR Project.

The Regional Greenhouse Gas Initiative ("RGGI") is a cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide emissions by 10% by 2018. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires electricity generators to hold carbon dioxide allowances in a compliance account in a quantity that matches their total emissions of carbon dioxide for the compliance period. The Authority's Flynn, SCPPs, 500-MW, and the contracted Astoria Energy II plants are subject to the RGGI requirements. NYPA has participated in program auctions commencing in September 2008 and expects to recover its RGGI costs through its power sales revenues. NYPA is monitoring potential federal programs that are under discussion and debate for their potential impact on RGGI in the future.

There is concern by individuals, the scientific community and Congress regarding possible environmental damage resulting from the use of fossil fuels. The Authority's 500-MW Plant, Flynn plant and its SCPPs use fossil fuels as does the Astoria Energy II plant. Congressional and regulatory action for the increased regulation of air, water and contaminants is periodically considered, and there are a number of pending legislative and regulatory proposals which may affect the electric utility industry including the Authority. The impact on the Authority's operations of any such proposals is not presently predictable or quantifiable.

On July 6, 2011, the Environmental Protection Agency ("EPA") finalized the Cross-State Air Pollution Rule ("CSAPR"). The CSAPR requires eastern states, including New York, to improve air quality by reducing power plant emissions that cross state lines and contribute to fine particle pollution and ground level ozone (NOX, ozone season and annual limits, and SO_2, annual limit only). The impact on the Authority's operations of the CSAPR cannot be fully predicted at the present time pending finalization by the EPA of allowances to the States, which will be further allocated to individual units. It is expected that the allocation of allowances will not impact operation of the Authority's fossil-fired generating units nor the Astoria Energy II plant.

The Power Authority's Board of Trustees has in general broad rate setting authority for its power sales agreements with customers. With respect to its transmission facilities, however, the Authority adopted an open access transmission tariff, which has been filed with the Federal Energy Regulatory Commission ("FERC") as part of the NYISO's Open Access Transmission Tariff. In an Order issued January 27, 1999, FERC approved the use of the Authority's present transmission system revenue requirement in developing the rates for service under the NYISO tariff and declined to set the revenue requirement for hearing. Such action does not, however, foreclose further review by FERC of any modifications of the Authority's transmission system revenue requirement.

Legislative and Political Risks

A series of legislative enactments call for the Authority to subsidize business customers and the State's general fund. Legislation enacted into law, as part of the 2000-2001 State budget, as amended in subsequent years, has authorized the Authority, "as deemed feasible and advisable by the trustees", to make a series of "voluntary contributions" into the State treasury in connection with the Power for Jobs Program and for other purposes as well. Beginning December 2002 through October 2011, the Authority has made voluntary contributions to the State of $469 million in connection with the Power for Jobs Program and an additional $342 million unrelated to the Power for Jobs Program. Further, the Authority has approved Power for Jobs reimbursement payments of $241 million for the years 2005-2010 and expects such payments will not exceed $50 million for 2011. The Power for Jobs Program will continue through June 30, 2012, at which time it will be replaced by the RNYPP. Additional Power for Jobs reimbursements are not expected to exceed $26 million in 2012.

For planning purposes, the 2012-2015 financial plan assumes that the Authority makes a voluntary contribution to the State in the amount of $85 million for 2012 and $65 million each year thereafter.

Approval of any such payments to the State's general fund and/or to subsidize customers requires legislation authorizing such payments and is conditional upon the Trustees' determination that such payments are "feasible and advisable". The Trustees' decision as to whether and to what extent such payments are feasible and advisable will be made based on the exercise of their fiduciary responsibilities and in light of the requirements of the Authority's Bond Resolution, other legal requirements, and all the facts and circumstances known to them at the time of the decision.

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

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

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

Hydroelectric Generation Risk

For the 2012-2015 financial planning timeframe, the Authority's net income is highly dependent upon generation levels at its Niagara and St. Lawrence-FDR Projects. The generation levels themselves are a function of the hydrological conditions prevailing on the Great Lakes, primarily, Lake Erie (Niagara Project) and Lake Ontario (St. Lawrence-FDR Project). Long-term generation levels at the two hydroelectric projects are about 20.2 terawatt-hours ("TWH") annually. The Authority's hydroelectric generation forecast is 20.26 TWH in 2012 and 19.90 TWH in 2013, 2014 and 2015. However, these generation amounts are forecasted values, and hydrological conditions can vary considerably from year to year. During the recent ten year period from 2001-2010, hydroelectric generation averaged 19.9 TWH and, in a number of the years, was below the long-term average and manifested considerable volatility.

The Authority conducted high and low hydroelectric generation sensitivities for 2012-2015 that estimated the potential net income that could result over a reasonable range of hydroelectric generation occurrences. The effects on estimated net income, assuming all other factors remain unchanged, were as follows:

	Low Generation		**High Generation**	
	Net Hydroelectric Generation	NYPA Net Income *(in Millions)*	Net Hydroelectric Generation	NYPA Net Income *(in Millions)*
2012	18.00 TWH	$89.62	21.50 TWH	$209.95
2013	18.00 TWH	$106.06	21.50 TWH	$229.06
2014	18.00 TWH	$115.77	21.50 TWH	$249.20
2015	18.00 TWH	$101.65	21.50 TWH	$239.80

Electric Price and Fuel Risk

Through its participation in the NYISO market, NYPA is subject to electric energy price, fuel price and electric capacity price risks that impact the revenue and purchased power streams of its facilities and customer market areas. Such volatility can potentially have detrimental effects on NYPA's financial condition. To mitigate downside effects, many of NYPA's customer contracts provide for the complete or partial pass-through of these costs and to moderate cost impacts to its customers, NYPA hedges market risks via the use of financial instruments and physical contracts. Hedges are transacted by NYPA to mitigate the cost of energy or related products needed to meet customer needs; to mitigate risk related to the price of energy and related products sold by NYPA; to mitigate risk related to margins (electric sales versus fuel use) where NYPA owns generation or other capacity; and mitigation of geographic cost differentials of energy procured or sold for transmission or transportation to an ultimate location. Commodities to be hedged include, but are not limited to, natural gas, natural gas basis, electric energy, electric capacity and electric basis.

Litigation Risk

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

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

Litigation in the case had been stayed to permit time for passage of such legislation and to await decisions of appeals in two relevant New York land claims litigations, involving the Cayuga and Oneida Nations, to which the Authority was not a party. In May 2006, the U.S. Supreme Court declined to review the U.S. Court of Appeals' (Second Circuit) decision in Cayuga Indian Nation et al. v Pataki et al. (2005) that had reversed a verdict awarding the Cayugas $248 million in damages and also dismissed the Cayuga land claim. The basis for the Second Circuit's dismissal of the land claim was that the Cayugas had waited too long to bring their land claim (laches). The Authority had raised the defense of laches in its answer in the St. Regis litigation and in November 2006 the Authority and the State moved to dismiss the St. Regis Mohawks' complaints as well as the United States' complaint on similar delay grounds. The Mohawks and the Federal government filed papers opposing those motions in July 2007. Litigation has been stayed and resolution of the pending defense motions had been awaiting a decision by the Court of Appeals for the Second Circuit in a related land claim litigation involving similar defense motions. On August 9, 2010, the Second Circuit issued a decision in the related case (Oneida), thereby lifting the stay in the St. Regis litigation. The Second Circuit, in the Oneida case, dismissed both the Native American and U.S. claims in their entirety finding, among other things, that those claims were barred by equitable principles as articulated in the earlier Cayuga and other decisions. U.S. Magistrate Lowe then ordered all parties in the St. Regis case to submit supplemental briefs and, thereafter, oral argument on the pending motions was held before him on June 17, 2011. U.S. Magistrate Lowe is expected to issue his report and recommendation to U.S. District Court Judge Neal McCurn within several months of the oral argument. Adverse decisions of a certain type in this case could adversely affect Authority operations and revenues.

In May 2009, the County of Niagara, "on behalf of its residents", and several individuals commenced an Article 78 lawsuit in Niagara County Supreme Court against the Authority, its Trustees, the State of New York, and the State Comptroller. The lawsuit challenges on numerous grounds the legality of the two temporary asset transfers totaling $318 million and two voluntary contributions totaling $226 million (except as such contributions relate to the Power for Jobs Program) discussed above. Among other things, the lawsuit seeks judgment providing for the return to the Authority of any such monies that have been paid; prohibiting such asset transfers and voluntary contributions in the future; directing the Authority to utilize such returned monies only for "statutorily permissible purposes"; directing the Authority to "rebate" to certain customers receiving hydropower from it some portion, to be determined, of the monies returned to the Authority; and directing that the Authority submit to an audit by the State Comptroller. No temporary or preliminary injunctive relief is sought in the petition. Petitioners later served an amended petition that simply dropped the State Comptroller from the caption. By decision dated October 5, 2009, the court granted a cross-motion by petitioners to further amend the petition so as to remove the Comptroller from the amended petition's prayer for relief. The pleading was never filed. By decision dated December 23, 2009, the court denied respondents' motions to dismiss the petition and granted petitioners' motion to file a complaint and serve discovery demands. Petitioners subsequently filed such complaint and discovery demands. The complaint contains new causes of action including unjust enrichment, conversion, breach of a fiduciary duty, and claims of deceptive acts and practices. The Authority filed a motion to dismiss and the State filed an answer; petitioners filed a partial motion for summary judgment; and respondents filed opposition papers to said motion. However, on March 5, 2010, the Appellate Division (Fourth Department) granted respondents' motions for permission to appeal the lower court's decision dated December 23, 2009.

By decision dated March 25, 2011, the Appellate Division reversed the lower court's ruling of December 23, 2009 and dismissed the amended petition in its entirety and denied petitioners' motion for leave to serve a complaint and discovery demands. On April 28, 2011, petitioners filed a motion with the Court of Appeals seeking leave to appeal and the Authority and the State opposed that motion. By decision dated September 13, 2011, the Court of Appeals denied petitioners' motion. It appears unlikely that petitioners will seek further judicial review.

Strategic Initiatives

The Authority is considering several projects, which are in varying stages of review and/or development. These initiatives include consideration of the following: a potential new transmission line that would deliver power from Canada and upstate New York to the New York City area; an off-shore wind generating facility in the Atlantic Ocean off of Long Island; and the potential development of 100 MW of solar photovoltaic systems throughout the state. Contractual arrangements, if any, for the Authority to undertake these initiatives or for customers to take the related power are still to be determined. As a result, the financial plan does not reflect any costs or revenues with respect to these initiatives except for certain study-related costs.

(e) Revised Forecast of 2011 Budget

(in Millions)

	Original Budget 2011	Forecast 2011	Variance Better/(Worse) 2011
Operating Revenues:			
Customer Revenues	$2,078.6	$1,995.2	($83.5)
NYISO Market Revenues	$600.7	$718.2	$117.5
Total Operating Revenues	$2,679.3	$2,713.3	$34.0
Operating Expenses:			
Purchased Power	$912.8	$870.5	$42.4
Fuel oil and gas	$295.6	$288.5	$7.1
Wheeling Expenses	$543.4	$550.0	($6.7)
O&M Expenses	$316.3	$324.8	($8.5)
Other Expenses	$135.5	$192.4	($57.0)
Depreciation and Amortization	$194.9	$191.1	$3.8
Total Operating Expenses	$2,398.4	$2,417.3	($18.9)
NET OPERATING REVENUES	**$280.9**	**$296.0**	**$15.1**
Other Income:			
Investment Income	$32.4	$50.0	$10.6
Other Income	$88.4	$93.4	$11.9
Total Other Income	**$120.9**	**$143.4**	$22.5
Non-Operating Expenses			
Interest & Other Expenses	$157.5	$139.2	$18.2
Contributions to State	$65.0	$65.0	$0.0
Total Non-Operating Expense	**$222.5**	**$204.2**	**$18.2**
NET INCOME	**$179.3**	**$235.2**	**$55.8**

(f) Reconciliation of 2011 Budget and 2011 Revised Forecast

The 2011 year-end net income projection is $235.2 million, which is $55.8 million above the budget. The primary drivers of this variance are increased hydro generation, higher energy prices, a litigation settlement with the U.S. Department of Energy, and an increase in the mark-to-market value of NYPA's investment portfolio. Hydro generation for 2011 is currently estimated at 21.3 TWH, approximately 12% greater than the 19.1 TWH forecasted in the Budget, while market prices for energy have increased by approximately 11% as compared to budget. Partially mitigating the net income impact of these key drivers is a reduction in capacity revenue due to a decline in Rest-Of-State and New York City capacity prices.

(g) Statement of 2010 Financial Performance

New York Power Authority
Net Income - Actual vs. Budgeted
For the Year ended December 31, 2010
($ in millions)

	Actual	Budget	Variance Favorable/ (Unfavorable)
Operating Revenues			
Customer	$ 1,953	$ 2,062	$ (109)
NYISO Market Revenues	615	749	(134)
Total Operating Revenues	**2,568**	**2,811**	**(243)**
Operating Expenses			
Purchased Power	931	956	25
Fuel Consumed - Oil & Gas	224	341	117
Wheeling	528	520	(8)
Operations & Maintenance	443	443	-
Depreciation & Amortization	163	160	(3)
	2,289	**2,420**	**131**
Operating Income	**279**	**391**	**(112)**
Nonoperating Revenues and Expenses			
Nonoperating Revenues			
Investment Income	41	34	7
Other income	97	102	(5)
Total Nonoperating Revenues	**138**	**136**	**2**
Nonoperating Expenses			
Contribution to New York State	147	107	(40)
Interest and Other Expenses	89	112	23
Total Nonoperating Expenses	**236**	**219**	**(17)**
Nonoperating Income (Loss)	**(98)**	**(83)**	**(15)**
Net Income	**$ 181**	**$ 308**	**$ (127)**

Net income for the year ended December 31, 2010 was $181 which was $127 below budget. The primary drivers of the budget variance for the year included lower operating income ($112) primarily due to lower production at the Authority's hydro facilities and lower prices on market-based sales; and a higher than anticipated voluntary contribution to New York State ($40). These items were partially offset by positive variances including lower interest and other expenses ($23) due to lower interest rates. Variances in fuel and purchased power costs are offset through revenues as variances are reflected in customer rates.

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

	2012	2013	2014	2015
Headquarters	659	650	642	634
Power Generation	874	855	835	815
Transmission	165	161	157	154
R&D	17	17	17	17
TOTAL	**1,715**	**1,683**	**1,651**	**1,620**

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

As the Authority is projecting positive net income for the 2012-2015 financial plan period, there are no planned gap-closing programs.

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

See discussion in “Other Income” section.

(k) Shift in Material Resources

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

(l) Debt Service

Projected Debt Outstanding (FYE)

(in Thousands)

	2012	2013	2014	2015
Revenue Bonds	1,040,230	1,091,600	1,040,366	1,189,095
Adjustable Rate Tender Notes	114,765	105,940	96,410	86,115
Commercial Paper Notes	580,986	616,835	540,412	303,073
TOTAL	**1,735,981**	**1,814,375**	**1,677,188**	**1,578,283**

Debt Service as Percentage of Pledged Revenues (Accrual Based)

(in Thousands)

	2012		2013		2014		2015	
	Debt Service	% of Rev.	Debt Service	% of Rev.	Debt Service	% of Rev.	Debt Service	% of Rev.
Revenue Bonds	$100,066	3.35%	$103,968	3.43%	$110,082	3.48%	$112,027	3.53%
Adjustable Rate Tender Notes	$9,346	0.31%	$10,346	0.34%	$11,593	0.37%	$12,809	0.40%
Commercial Paper Notes	$42,998	1.44%	$45,771	1.51%	$45,241	1.43%	$33,081	1.04%
Total Debt Service	$152,410	5.10%	$160,085	5.27%	$166,915	5.28%	$157,917	4.97%

New York Power Authority
Planned Use of Debt Issuances
$ 000

TYPE	Amount	Assumed Interest Rate	Project / Description
Period January 1, 2012 - December 31, 2012			
Tax Exempt Commercial Paper	$188,042.0	0.50%	Energy Services Program
Taxable Commercial Paper	$5,030.0	0.77%	Energy Services Program
Total Issued 2012	$193,072.0		
Period January 1, 2013 - December 31, 2013			
Tax Exempt Commercial Paper	$202,436.0	1.00%	Energy Services Program
Taxable Commercial Paper	$5,415.0	1.54%	Energy Services Program
Taxable Commercial Paper	$45,457.0	1.54%	Robert Moses Niagara Power Plant / Transmission
Taxable Fixed Rate Bonds	$100,000.0	6.75%	Transmission
Total Issued 2013	$353,308.0		
Period January 1, 2014 - December 31, 2014			
Tax Exempt Commercial Paper	$172,457.0	1.75%	Energy Services Program
Tax Exempt Commercial Paper	$2,632.0	1.75%	Robert Moses Niagara Power Plant
Taxable Commercial Paper	$4,613.0	2.69%	Energy Services Program
Taxable Commercial Paper	$70,377	2.69%	Robert Moses Niagara Power Plant / Transmission
Total Issued 2014	$250,079.0		

Period January 1, 2015 - December 31, 2015

Tax Exempt Commercial Paper	$171,075.0	2.50%	Energy Services Program
Tax Exempt Commercial Paper	$2,880.0	2.50%	Robert Moses Niagara Power Plant
Taxable Commercial Paper	$4,576.0	3.85%	Energy Services Program
Taxable Commercial Paper	$81,037.0	3.85%	Robert Moses Niagara Power Plant / Transmission
Tax-Exempt Fixed Rate Bonds	$5,513.0	5.00%	Robert Moses Niagara Power Plant
Taxable Fixed Rate Bonds	$196,871.0	7.25%	Robert Moses Niagara Power Plant / Lewiston Pump Generating Plant / Transmission
Total Issued 2015	$461,952.0		

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

Scheduled Debt Service Payments (Accrual based)

Outstanding (Issued) Debt

	Principal	Interest	Total
2012	89,343,460	62,576,930	151,920,390
2013	94,307,239	61,485,192	155,792,431
2014	91,898,371	56,855,002	148,753,374
2015	78,923,806	48,474,885	127,398,691

Proposed Debt

	Principal	Interest	Total
2012	-	489,471	489,471
2013	68,253	4,224,276	4,292,529
2014	538,757	17,623,166	18,161,923
2015	699,079	29,818,950	30,518,029

Total Debt

	Principal	Interest	Total
2012	89,343,460	63,066,401	152,409,860
2013	94,375,492	65,709,468	160,084,960
2014	92,437,129	74,478,168	166,915,297
2015	79,622,885	78,293,835	157,916,720

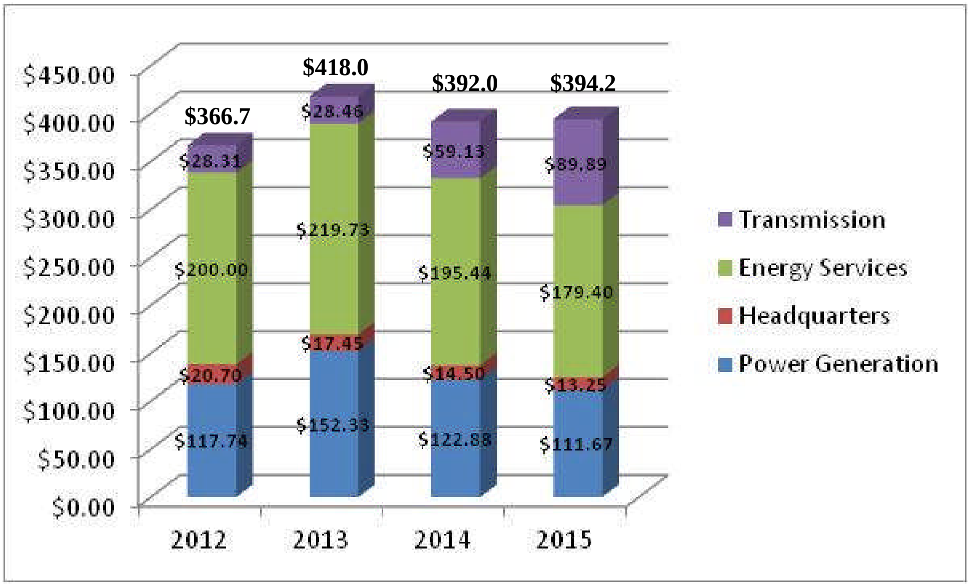
(m) Capital Investments and Sources of Funding

The Authority currently estimates that it will expend approximately $1.6 billion for various capital improvements over the financial plan period 2012-2015. The Authority anticipates that these expenditures will be funded using existing construction funds, internally-generated funds and additional borrowings. Such additional borrowings are expected to be accomplished through the issuance of additional commercial paper notes and/or the issuance of long-term fixed rate debt. Projected capital requirements during this period include:

In Millions	2012	2013	2014	2015
Lewiston Pump Generation Plant- Life Extension & Modernization (LEM)	$26,123.2	$46,841.6	$54,494.8	$46,783.7
Moses Adirondack (MA1 & MA2 line) - 230 in kind replacement	$2,652.2	$6,729.0	$10,532.3	$38,618.3
St. Lawrence Life Extension & Modernization (LEM)	$20,248.1	$6,958.8	$1,747.4	$1,722.0
Black Start 500 mw	$2,222.0	$25,449.6	$1,539.1	$0.0
St. Lawrence Synchronous Condenser Refurbishment	$0.0	$7,750.0	$9,500.0	$9,500.0
RMNPP: Stator Rewind and Restack Project - Phase III	$0.0	$0.0	$10,671.8	$11,676.3
500 mw Spare Rotor	$1,294.1	$18,283.4	$2,356.9	$0.0
St. Lawrence Moses Switchyard (LEM)	$0.0	$0.0	$10,673.0	$10,673.0
Blenheim Gilboa Relicensing	$2,641.3	$4,944.3	$6,259.6	$6,757.3
IT Initiatives	$3,479.1	$4,000.0	$4,000.0	$4,000.0
St. Lawrence Licensing Compliance & Implementation	$7,534.3	$3,253.1	$1,637.1	$1,515.6
Niagara Switchyard (LEM)	$0.0	$0.0	$6,500.0	$6,500.0
St. Lawrence Stator Rewinds	$0.0	$0.0	$6,200.0	$6,700.0
General Plant Fleet	$2,565.9	$3,150.0	$3,150.0	$3,150.0
St. Lawrence Generator Step-up Transformer Replacement	$138.0	$184.1	$5,726.6	$5,752.1
Clark Energy Center (CEC) Switchyard (LEM)	$0.0	$0.0	$5,200.0	$5,200.0
Massena Substation Switchyard (LEM)	$0.0	$0.0	$5,200.0	$5,200.0
Niagara Relicensing - Compliance & Implementation	$5,368.1	$1,049.3	$1,368.0	$2,407.5
Niagara Relay Replacement Program	$6,532.9	$937.6	$952.9	$968.8
Energy Services	200,000.0	219,728.2	195,444.6	179,400.5
Other (**Project less than $9.0 million**)	$85,947.2	$68,711.8	$48,799.7	$47,683.6
Grand Total	**366,746.4**	**417,970.7**	**391,953.7**	**394,208.7**

***** Other includes, but is not limited to, the following: Niagara Stator Rewind (NEC), SCPP Black Start (Hellgate, Harlem River, Vernon), RMNPP Unit 13 Standardization, NERC Compliance Security Upgrades, SCPP Spare LM 6000, Enterprise Infrastructure Purchases, Vischer Ferry Units 3 & 4 LEM, Astoria New Infrastructure & Installation, EMS Upgrades, Massena 765/230 kV Autotransformer Replacement, RMNPP Unit 2 Standardization, Crescent Units 3 & 4 LEM, PV 20 Line Assessment/Replacement and Upgrade, Niagara Control Room Modifications, 765kV Massena Substation MOD Replacement, MA1 and MA2 Structure Replacement and General Plant Expenses.

2012-2015 Capital Investments
(in millions)



WESTCHESTER GOVERNMENTAL CUSTOMERS

Exhibit A

Service Tariff No. 200 Rate Comparison (Current vs Proposed)

	DEMAND ($/kW)		ENERGY (¢/kWh)											
			SUMMER		SUMMER ON PEAK		SUMMER OFF PEAK		WINTER		WINTER ON PEAK		WINTER OFF PEAK	
Service Classification	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
SC 62 Conventional	0.00	0.00	6.902	6.240					5.826	5.697				
SC 66 Conventional	0.00	0.00	5.604	5.604					5.604	5.604				
SC 68 Conventional	1.80	1.99	6.901	6.083					5.826	5.541				
SC 69 Conventional	1.42	1.52	7.118	6.195					6.043	5.653				
SC 69 TOD	2.05	2.13			7.792	7.231	5.562	4.630			6.373	6.292	5.107	4.773
SC 82 Conventional	1.80	1.99	6.901	6.083					5.826	5.541				

Service Tariff No. 200 Demand Standby Rate Comparison (Current vs Proposed)

	CONTRACT DEMAND ($/kW per month)				AS USED DEMAND ($/kW per day)			
	Low Tension		High Tension		Low Tension		High Tension	
Service Classification	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
SC 69 TOD	0.164	0.170	0.157	0.163	0.062	0.064	0.060	0.062

Service Tariff No. 200 Energy Credit Standby Rate Comparison (Current vs Proposed)

	ENERGY CREDIT (¢/kWh)							
	SUMMER ON PEAK		SUMMER OFF PEAK		WINTER ON PEAK		WINTER OFF PEAK	
Tension	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
High Tension	5.750	5.958	3.948	4.014	5.180	5.725	3.975	4.381
Low Tension	5.509	5.708	3.783	3.846	4.963	5.486	3.809	4.198

<u>**Withdrawal of Proposal to Increase New York City Governmental Customer Fixed Costs Component and Request to Adopt Rulemaking**</u>

Exhibit 'A'

Transcript from November 17, 2011 Public Forum

POWER AUTHORITY OF THE STATE OF NEW YORK

- -x

NYPA PUBLIC FORUM

IN THE MATTER OF THE PROPOSED NEW YORK CITY GOVERNMENTAL CUSTOMER RATE INCREASE

- -x

DATE: November 17, 2011

TIME: 11:00 A.M. TO 3:00 P.M.

LOCATION: 501 Seventh Avenue
New York, New York

REPORTED BY:
GRETCHEN A. MILTON

* * *

APPEARANCES:

JAMES F. PASQUALE, Senior Vice President of Marketing and Economic Development
New York Power Authority

KAREN DELINCE, Corporate Secretary
New York Power Authority

HELLE MAIDE, Director of Key Accounts
New York Power Authority

SUSAN COHEN, Assistant Commissioner,
The City of New York
Department of Citywide Administrative Services, Division of Energy Management

GINA HARWOOD, Corporate Finance
New York Power Authority

* * *

MS. DELINCE: Good morning. My name is Karen Delince, and I am the Corporate Secretary for the New York Power Authority. This public forum is being conducted pursuant to a Power Authority policy adopted by the Trustees in 1990. 11:05:47 11:05:47 11:05:51 11:05:52 11:05:55 11:05:58 11:05:59

This forum is not required by law, and it is held in addition to the State Administrative Procedure (SAPA) process. SAPA requires a 45-day public comment period, which began October 12, with the publication of a notice in the State Register. This comment period will end on November 28. 11:06:02 11:06:04 11:06:06 11:06:11 11:06:14 11:06:16 11:06:18 11:06:22 11:06:24

The purpose of this forum is to offer affected customers and the general public an opportunity to present data, views, and positions to the Trustees to consider, prior to taking final action, on the proposed fixed-cost component of the production rate increase to the New York City 11:06:25 11:06:30 11:06:30 11:06:34 11:06:34 11:06:36 11:06:40 11:06:43

Governmental Customers. 11:06:47
A complete transcript of the 11:06:47
proceeding will be taken and provided 11:06:49
to the Authority's Trustees, along 11:06:51
with any written comments submitted, 11:06:54
by November 28th. In addition, the 11:06:57
transcript of the forum will be made 11:07:00
available to the public at the 11:07:03
Authority's White Plains office, and 11:07:04
on the Authority's website at 11:07:06
www.nypa.gov. 11:07:08
If you plan to make an oral 11:07:11
statement at this forum and have not 11:07:14
yet filled out a card, please see 11:07:17
Lorna Johnson at the sign-in desk. 11:07:20
We ask that you give copies of 11:07:22
your written statement to the reporter 11:07:24
and to Lorna Johnson before or after 11:07:25
you deliver your remarks. 11:07:29
If you would like to submit 11:07:34
additional comments, send them to the 11:07:34
Corporate Secretary at the New York 11:07:38
Power Authority, 123 Main Street, 11P, 11:07:39
White Plains, New York 10601. It may 11:07:43

also be faxed to (914) 390-8040, or 11:07:47
e-mailed to 11:07:53
secretarys.office@nypa.gov. 11:07:58
At this point, I will turn the 11:08:00
proceedings over to Mr. James 11:08:01
Pasquale, the Authority's Senior 11:08:05
Vice President of Marketing and 11:08:06
Economic Development, who will provide 11:08:08
additional details on the proposed 11:08:10
fixed cost rate increase. 11:08:12
I will then call on speakers, 11:08:14
starting with any elected officials. 11:08:16
When called, please state your full 11:08:20
name and who you represent, for the 11:08:22
record. 11:08:22
Thank you. 11:08:22
Mr. Pasquale. 11:08:24
MR. PASQUALE: Thank you, 11:08:27
Ms. Delince. Good morning. 11:08:27
As Ms. Delince said, my name is 11:08:27
James F. Pasquale, and I am the Senior 11:08:32
Vice President of Marketing and 11:08:32
Economic Development at the New York 11:08:34
Power Authority. 11:08:36

I am here today to present an 11:08:37
overview of the proposed change to the 11:08:39
Fixed Costs component of the 11:08:41
production rates to be charged in 2012 11:08:43
to the Authority's New York City 11:08:46
Governmental Customers, referred to 11:08:46
hereinafter as the, "Customers." 11:08:51

In 2005, the Authority and the 11:08:53
Customers entered into supplemental 11:08:58
agreements for the purchase of 11:08:59
electric service through December 11:09:00
31st, 2017. These agreements, the 11:09:02
2005 Long-Term Agreements, or LTAs, 11:09:06
replaced prior supplemental agreements 11:09:11
entered into during the mid-1990s with 11:09:14
the Customers. 11:09:16

The LTAs established a new 11:09:18
relationship between the Authority and 11:09:20
the Customers that reflects the costs 11:09:21
of procuring electricity in the 11:09:23
marketplace managed by New York 11:09:25
Independent System Operator, or NYISO. 11:09:29
The LTAs define specific cost 11:09:30
categories with respect to providing 11:09:34

electric service, and prescribe a 11:09:36
collaborative process for acquiring 11:09:38
resources, managing risk, and 11:09:39
selecting a cost-recovery mechanism. 11:09:40
The LTAs separate all costs into 11:09:43
two distinct categories: Fixed Costs 11:09:47
and Variable Costs. Fixed Costs 11:09:53
include Operation and Maintenance, and 11:09:53
Shared Services, Capital Costs, Other 11:09:55
Expenses, that is certain directly 11:09:58
assignable costs, and a credit for 11:10:00
investment and other income. 11:10:03
Under the LTAs, the Authority 11:10:05
must establish Fixed Costs based on 11:10:07
Cost-of-Service Principals, and make 11:10:10
changes only under a rate case filing, 11:10:12
in accordance with the State 11:10:14
Administrative Procedure Act or SAPA 11:10:17
requirements. In addition, the LTAs 11:10:18
contemplate that year-to-year changes 11:10:23
in Fixed Costs will be reviewed by the 11:10:24
Customers in advance of the filing 11:10:27
made under SAPA. Authority staff must 11:10:29
consider the Customers' concerns 11:10:32

before presenting any proposed changes 11:10:33
to the Fixed Costs to the Trustees, or 11:10:35
issuing proposed changes for public 11:10:39
comment. 11:10:41

Based on the preliminary 2012 11:10:43
cost-of-service that was presented to 11:10:44
the Customers in May, the projected 11:10:46
increase in Fixed Costs is 11:10:48
$132.4 million, compared to the Final 11:10:52
2011 Cost-of-Service. Of that amount, 11:10:54
$129 million is a pass-through of the 11:10:57
payments to Astoria Energy II, or 11:11:00
AE II. Although such AE II costs are 11:11:05
included in the Preliminary 2012 11:11:07
Cost-of-Service, they are not the 11:11:09
subject of this forum or the SAPA 11:11:11
process. Recovery of NYPA's AE II 11:11:13
costs were separately agreed to 11:11:16
through contracts between NYPA and the 11:11:19
Customers. 11:11:21

The non-AE II Fixed Costs are 11:11:22
projected to increase by $3.4 million, 11:11:25
or 2.1 percent, compared to the final 11:11:27
2011 Cost-of-Service, and are the 11:11:30

subject for review under the SAPA 11:11:33
proceeding. 11:11:35
Contributors to the additional 11:11:35
Fixed Costs are increases in O&M, 11:11:38
3.6 million, and Shared Services of 11:11:41
0.7 million; offset by a reduction in 11:11:45
Other Expenses, .9 million. 11:11:47
All of the New York City 11:11:51
Governmental Customers would be 11:11:54
subject to this proposed increase in 11:11:54
the Fixed Costs component of their 11:11:57
production rates. 11:11:58
The final 2012 production rates 11:11:59
that will be incorporated into the 11:12:02
tariffs will be a combination of the 11:12:04
Trustee-approved Fixed Costs and the 11:12:07
Variable Costs that are determined 11:12:09
outside of the SAPA process. 11:12:10
I also want to note that we are 11:12:12
currently working on providing updated 11:12:14
2012 cost estimates to Customers, and 11:12:16
the Authority will accept your 11:12:19
comments on the proposed 2011 Fixed 11:12:20
Costs through November 28th, 2011. 11:12:23

Authority staff will consider all 11:12:25
concerns that have been raised at this 11:12:27
public forum, and any comments filed 11:12:29
with Authority, and, if necessary, 11:12:32
return to the Trustees at the December 11:12:34
15th, 2011 meeting to request approval 11:12:36
of a rate modification for 2012. 11:12:47
We look forward to receiving your 11:12:47
comments. I will now turn the forum 11:12:47
back to Ms. Delince. 11:12:47
MS. DELINCE: Thank you. We have 11:12:48
Susan Cohen present. 11:12:53
MS. COHEN: Good morning. My 11:12:53
name is Susan Cohen, and I'm an 11:13:00
Assistant Commissioner in the Division 11:13:00
of Energy Management of New York 11:13:04
Department of Citywide Administrative 11:13:07
Services. 11:13:07
These comments are submitted on 11:13:11
behalf of -- and we are otherwise 11:13:13
known as DCAS -- these comments are 11:13:13
submitted on behalf of the City and 11:13:17
DCAS, which holds a long-term contract 11:13:22
for the purchase of electricity for 11:13:22

New York City agencies, as well as The 11:13:22
Health and Hospitals Corporation, The 11:13:26
City University of New York, a number 11:13:28
of cultural institutions, and the 11:13:30
City's library systems. 11:13:30

Our purchases from NYPA represent 11:13:34
approximately 44 percent of 11:13:34
Governmental Customers Group subject 11:13:36
to the proposed rate increase. 11:13:38

The City will be submitting 11:13:40
detailed written comments, but in the 11:13:43
meantime, I would like to take this 11:13:44
opportunity to make three brief 11:13:45
comments. 11:13:45

First, we recognize that this is 11:13:48
a period of transition to a new Power 11:13:49
Authority administration. The City 11:13:52
looks forward to a good working 11:13:54
relationship to help us achieve mutual 11:13:56
goals of reliable power provided as 11:13:59
cleanly, and at as a low cost as 11:14:01
possible. 11:14:01

Second, it is important to make 11:14:04
clear that the proposed rule-making 11:14:07

notice is not a small-cost matter to 11:14:08
the New York City Governmental 11:14:12
Customers. The costs at issue go 11:14:14
beyond the 3.2 million mentioned in 11:14:16
the notice, and, therefore, our 11:14:17
comments will address all Fixed Costs, 11:14:20
which are in the neighborhood of 11:14:22
290 million. 11:14:24

In difficult budget times, costs 11:14:25
of this magnitude require detailed 11:14:27
attention to assure that, in the end, 11:14:29
electricity rates that cover these 11:14:31
costs are appropriate and consistent 11:14:33
with our Long-Term Agreement and best 11:14:36
industry practices. 11:14:37

We are certainly pleased to note, 11:14:38
in fact, that NYPA's preliminary May 11:14:40
projection of total 2012 Fixed Costs 11:14:43
of 292.1 million were just updated 11:14:46
this week to 288.9 million. That 11:14:50
indeed is good news, and we will 11:14:54
continue to review information that is 11:14:56
being provided in response to City 11:14:58
data requests to see whether we 11:15:00

believe addition reductions can be made. 11:15:04 11:15:04

Finally, because revised information on the 2012 Cost-of-Service was only provided mid-November, less than two weeks before the public comments are due, the City respectfully requests that NYPA extend the public comment period by three days, to December 1st, 2011. 11:15:04 11:15:06 11:15:08 11:15:09 11:15:10 11:15:12 11:15:15 11:15:18

MS. DELINCE: Thank you, Ms. Cohen. Any other speakers? 11:15:24 11:15:29

MR. PASQUALE: Off the record. 11:15:35

(Discussion held off the record.) 11:15:35

(A recess was taken.) 11:15:35

MS. DELINCE: The November 17th 2011 public forum on New York governmental customer rates is now closed.

(TIME NOTED: 3:01 P.M.)

I N D E X

CERTIFICATION

I, GRETCHEN A. MILTON, a Notary Public for and within the State of New York, do hereby certify:

That the within transcript is a true and accurate record of the proceedings.

I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of November, 2011.

____
GRETCHEN A. MILTON

* * *

Withdrawal of Proposal to Increase New York City Governmental Customer Fixed Costs Component and Request to Adopt Rulemaking

Exhibit 'B'

Customer Comments

COUCH WHITE
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Telecopier: (518) 426-0376
email: aconway@couchwhite.com

December 1, 2011

<u>VIA E-MAIL AND OVERNIGHT DELIVERY</u>

Ms. Karen Delince
Corporate Secretary
New York Power Authority
123 Main Street, 11-P
White Plains, New York 10601

Re: SAPA No. PAS-41-11-00029-P – Rates for the Sale of Power and Energy

Dear Ms. Delince:

Enclosed please find the Comments of the City of New York on the New York Power Authority's proposal to increase the Fixed Costs component of the production rates for NYC Governmental Customers and to change the production minimum billing provision of the NYC Governmental Customers' tariff effective January 2012. These comments are submitted in response to the notice published in the <u>State Register</u> on October 12, 2011.

If you have any questions regarding these comments, please feel free to contact me.

Sincerely,

COUCH WHITE, LLP

Adam T. Conway

ATC/glm
Enclosure
cc: Ms. Edna Wells Handy, Commissioner, DCAS (via email, w/encs.)
Mr. Mitch Gipson, Chief of Staff, DCAS (via email, w/encs.)
Ms. Ariella Maron, Deputy Commissioner, DCAS Energy Management (via email, w/encs.)
Ms. Susan Cohen, Asst. Commissioner, DCAS Energy Management (via email, w/encs.)
Mr. Sergej Mahnovski (via email, w/encs.)
Mr. James Pasquale (via email, w/encs.)
Ms. Helle Maide (via email, w/encs.)
Amy Levine, Esq. (via email, w/encs.)

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POWER AUTHORITY
OF THE STATE OF NEW YORK

Rates for the Sale of Power and Energy **SAPA No. PAS-41-11-00029-P**

<u>COMMENTS OF</u>
<u>THE CITY OF NEW YORK</u>

December 1, 2011

COUCH WHITE, LLP
540 BROADWAY
ALBANY, NEW YORK 12207
Telephone: (518) 426-4600
Telecopier: (518) 426-0376

PRELIMINARY STATEMENT

The City of New York ("City") urges the Board of Trustees of the New York Power Authority ("NYPA") to make some adjustments to the level of Fixed Costs to be included in the 2012 Cost-of-Service for the City and other New York City Governmental Customers ("NYC Customers"). Some of the proposed costs have not been adequately supported, and the supporting information provided for others indicates that they appear to be overstated or improperly imposed. The City respectfully requests that the Board of Trustees take the actions discussed herein, including reducing the Fixed Costs by at least $8.2 million as identified on Exhibit 1, to ensure that the 2012 Cost-of-Service, and particularly the Fixed Costs, are just and reasonable.

The City also urges the Board of Trustees to review and consider changing the process by which the Fixed Costs are set. This year, the City did not receive details on the level of the Fixed Costs until two weeks before the expiration of the public comment period. To echo the comments made by the City at the recent public forum, this process involves a significant amount of costs to the City, and two weeks is not a sufficient period of time for the City to fully analyze and understand NYPA's proposal. Indeed, for this reason, some of the comments presented herein are based on a lack of information, and the City can do no more than request that the Board of Trustees confirm the veracity and reasonableness of the costs at issue.

With respect to the proposal to revise the Production minimum bill provisions of NYPA's Tariff,[1] the City notes that the tariff amendments are substantive in nature and not mere "technical changes." The City requests that the Board of Trustees carefully review the revised Production minimum bill proposal to ensure that there is an actual need for a Production demand

[1] New York Power Authority First Revised Electric Service Tariff for New York City Governmental Customers, Service Tariff No. 100, effective July 2011 Bill Period ("Tariff").

minimum charge, and, to the extent such a charge is needed, that it is being implemented on a revenue neutral basis.

PROCEDURAL SETTING

A. Fixed Costs

On May 27, 2011, NYPA distributed its *"Preliminary Staff Report – New York City Governmental Customers Annual Planning and Pricing Process Analysis, Including Preliminary 2012 Cost-of-Service"* ("Preliminary Report") to the City and other NYC Customers. On June 6, 2011, the City submitted discovery requests to NYPA related to the Preliminary Report. With respect to the questions seeking justification for the Fixed Cost items included therein, most of NYPA's responses were, in pertinent part, as follows:

> As explained over the past several years, the estimates in the Cost of Service are preliminary based upon conservative projections. Specifics will be available once the budget process is completed and the Trustees approve the budget.

As of the date of these comments, while the City did receive a revised 2012 Cost-of-Service that reflected somewhat reduced Fixed Costs from those presented in the Preliminary Report, it still has not received the supporting documentation on which certain of the Fixed Cost categories were based (primarily the items for which the above response was initially provided) that are still relevant to its understanding of the justification of the level of Fixed Costs.

On October 13, 2011, the City sent a letter to the Secretary of NYPA requesting "the complete text of the proposed rules and the scientific and statistical studies, reports and analyses that served as the basis for the proposed rule and any supporting data … associated with the fixed cost changes." NYPA responded to this request on the close of business on November

14, 2011, the same day it sent the revised 2012 Cost-of-Service, thereby providing the City only two weeks to review, analyze, and understand NYPA's proposal.

B. Production Minimum Charge

Last year, NYPA commenced a process to consider re-designing the production and delivery components of the rates it charges the City. Much of that process occurred during the first six months of 2011. In general, the process was reasonable, with the parties working collaboratively to understand and improve the proposed re-design. Indeed, as part of the process, NYPA provided several iterations of its cost of service studies and analyzed service class and customer-specific rate impacts based on different rate structures.

As part of the re-design, NYPA decided to implement a Production minimum charge in order to better collect its Fixed Costs. The Production minimum charge was discussed at NYPA's March 29, 2011 Board of Trustees meeting and approved at the June 28, 2011 Board of Trustees meeting. Throughout the time period in which this matter was discussed by the parties and considered by the Board of Trustees, the Production minimum charge was designed to be an alternative to the combined demand and energy charges. Indeed, at no time during the rate re-design process did NYPA or its consultants ever indicate that the Production minimum charge would apply only to demand charges.

At some point in time after the Board of Trustees approved the rate re-design, NYPA apparently decided to modify the nature of the minimum charge and apply it solely to demand charges. The City first learned of this change in late summer, in preparing for the electronic billing changes that would accompany the minimum charges. In response to the City's concerns that this change could result in an over-collection or a rate shift to demand from energy, NYPA has proposed to amend its Tariff to reflect this new construct. Although NYPA describes the amendments as "technical corrections," they constitute a substantively different type of Production minimum charge than had previously been approved.

C. Proposed Rulemaking

On September 27, 2011, the Board of Trustees adopted a resolution proposing to: (1) increase the Fixed Costs component of the 2012 Cost-of-Service by $3.4 million or 2.1%; and (2) modify the Production minimum bill provisions of the Tariff. As required by the State Administrative Procedure Act ("SAPA"), on October 12, 2011, NYPA published notice of its proposed rulemaking in the New York State Register ("SAPA Notice").

The City recently learned that NYPA may abandon the portion of the rulemaking which pertains to the Fixed Costs. The City nevertheless provides the following comments on the proposed Fixed Costs to the Board of Trustees because it believes that the level included in the 2012 Cost-of-Service, even if unchanged from 2011, is too high and should be reduced.

DISCUSSION

POINT I

THE BOARD OF TRUSTEES SHOULD REDUCE THE LEVEL OF FIXED COSTS FOR 2012

A. THE LEVEL OF FIXED COSTS IS INCONSISTENT WITH THE BOARD OF TRUSTEES' DIRECTIVE

Because NYPA is not subject to regulatory oversight, it continues to be critically important for NYPA's senior executives and Board of Trustees to carefully scrutinize the Fixed Costs NYPA seeks to recover from its customers. Given current economic conditions and the financial constraints confronting the City and other NYC Customers, it is equally important for NYPA to reduce its costs wherever and whenever possible.

To this end, the City was pleased to read NYPA's July 26, 2011 press release, in which NYPA announced a directive by the Board of Trustees to cut costs.[2] The press release stated that NYPA's goal is to match the 10% reduction in spending that Governor Cuomo mandated for State agencies as part of his 2011-2012 budget.[3] The City was also pleased to see that the Board of Trustees has taken action to achieve such cost reductions. For example, in a press release issued on November 15, 2011, NYPA reported that it reduced its overhead costs by $3 million, which comprised part of its plan to achieve its goal of a 10% reduction in costs.[4] In contrast to this goal and the Board of Trustees' directives, the 2012 Cost-of-Service that the City received from NYPA on November 14 does not reflect absolute cost reductions in key categories (*i.e.*, cost reductions compared to 2011 levels); the fact that it includes reductions from the cost levels set forth in the Preliminary Report is inapposite because of NYPA's caveats that those cost levels lacked support and were likely to change.

According to the press releases, the categories of costs NYPA intended to reduce include salaries, consulting expenses, travel, and other overheads. The comparable Fixed Cost components to these categories are Operations and Maintenance ("O&M") and Shared Services expenses. Contrary to the information and plans described in the press releases, the latest 2012 Cost-of-Service indicated that O&M expenses are increasing by 1.2% and Shared Services expenses are increasing by 5.2%.

NYPA and the Board of Trustees should treat all of their customers similarly. Achievement of the Board of Trustees' goal of a 10% reduction in costs would mean a decrease of $3.6 million in O&M expenses and $3.0 million in Shared Services expenses. The City

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2 http://www.nypa.gov/Press/2011/110726b.html

3 http://www.governor.ny.gov/press/020111transformationplan

4 http://www.nypa.gov/Press/2011/111115a.html

therefore requests that the Board of Trustees direct NYPA to reduce the above categories of Fixed Costs in a manner that is commensurate with the reductions recently achieved for NYPA's other customers and which shows progress towards the 10% goal.

B. THE TREND IN O&M EXPENSE LEVELS MUST CHANGE

Last year, the City presented information to the Board of Trustees on the trend in the level of Fixed Costs over time. In analyzing this information, NYPA Staff expressed concerns with the nature of comparison conducted by the City. NYPA Staff also asserted that it is improper to compare changes in Fixed Costs over time; instead, they argued, the comparison should look at the total cost of the supply portfolio assuming that it contained no generating facilities and the total cost of the portfolio as it actually exists.[5]

If the purpose of the analysis were to determine the overall value of the generating assets operated by NYPA for the benefit of the City and other NYC Customers, the City might agree that the approach advocated by NYPA Staff is the correct approach. However, to understand how the actual costs charged to the City and other NYC Customers are changing over time, it is necessary to examine the level of those costs over time. NYPA Staff is correct that market conditions may influence certain aspects of those costs, but NYPA's own actions and cost controls have an equal, or perhaps greater, impact on the cost levels. Also, while NYPA asserted that it operates its generating assets only when it is economically beneficial to do so, the analysis it provided on November 15, 2011 does not support that assertion. Indeed, NYPA's own analysis indicates that it has operated its 500 MW combined cycle unit ("500 MW unit") since 2008 when it was not economically beneficial to do so (*i.e.*, the operation of the unit resulted in either a net loss or net zero revenues).

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5 Minutes Of The Regular Meeting Of The Power Authority Of The State Of New York, dated January 25, 2011 ("January 25, 2011 Minutes"), p. 36.

In an attempt to address the prior concerns raised by NYPA Staff, the City has performed a different analysis this year. Instead of examining all Fixed Costs, the City has limited its analysis to O&M expenses. This approach removes the concern regarding the allocation of overheads and other shared services, as well as debt service amortizations. Instead, it compares only the costs of operating the generating facilities dedicated to serving the NYC Customers and shows how those costs have changed over time.[6]

The results show an increase in the average level of O&M expense, on a per unit basis as a function of generator output, from a 2006 level of $5.93/MWh to a projected 2012 level of $11.83/MWh. This represents an increase of nearly 100% since 2006. The increase from 2011 to 2012 is 16.7%.[7]

Accordingly, the City requests that the Board of Trustees examine ways to reduce or reverse the trend in O&M expenses, similar to the manner in which it is reducing costs for its other customers, as noted above. Exhibit 2 shows the full detailed results of the City's analysis.

C. SOME OF THE PROPOSED PROJECTS FOR 2012 REQUIRE ADDITIONAL EXPLANATION AND JUSTIFICATION

The information recently provided by NYPA in support of the 2012 Cost-of-Service gives rise to some questions regarding the projects NYPA intends to undertake. Because of the limited period the City has had this information, it has not been able to seek or obtain additional information regarding these projects. Accordingly, the City raises its concerns here and requests that the Board of Trustees confirm the reasonableness and propriety of the projects.

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[6] The costs and output from the Astoria Energy II facility are excluded from this analysis because they are treated separately by NYPA.

[7] Because the annual O&M expenses are associated with differing levels of production, reviewing them on a straight dollar basis could create a false impression as to their reasonableness. As the above analysis demonstrates, the lack of change between the level of O&M expenses in 2011 and 2012 does not provide a meaningful comparison.

NYPA recently revealed its plan to replace the roof of the 500 MW unit in 2015-2016, when the plant will only be 10 years old. The City does not understand why the roof requires replacement so soon. It therefore requests that the Board of Trustees examine this planned expenditure, including whether a claim can and should be made against the roofing contractor for inadequate installation.[8]

NYPA proposes to replace the major valves in the 500 MW unit over a three-year period to reduce maintenance, failures, and forced outages. It is not clear whether the superior valves were available when the unit was constructed, and if so, why they were not installed initially. As with the roof, the City requests that the Board of Trustees examine why valves that are less than 10 years old are already experiencing failures, and whether there is any recourse available against the valve manufacturer (or installer).

A third project involves the relocation of temporary trailers on the site. NYPA proposes to spend almost $500,000 to relocate them. However, NYPA already has an Administration Building on the site, as well as a number of auxiliary buildings. The Administration Building was originally intended to house the employees responsible for operating, maintaining, and supporting the Charles A. Poletti Generating Station ("Poletti"), but Poletti will have been retired for almost two years as of January 1, 2012 and most of those workers have been reassigned to the 500 MW unit or other positions within NYPA. Moreover, NYPA has previously reported that it needs fewer people to operate, maintain, and support the 500 MW unit than it needed for Poletti. The City therefore requests that the Board of Trustees examine why NYPA cannot use the Administration Building to support the operation of the 500 MW unit, and why the trailers continue to be needed.

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[8] The information provided also indicates that the roof has already experienced a series of leaks, and that NYPA is budgeting for repairs of additional leaks in 2012.

In its November 15 press release, Trustee John Dyson observed that NYPA and the Board of Trustees are "sharpening [] our collective pencils to make sure that every dollar is spent wisely and that we get the most out of our resources." The City urges the Board of Trustees to follow a similar path and sharpen their pencils again when they review the 2012 Cost-of-Service. At a minimum, the Board of Trustees should ensure that the aforementioned projects are justified and the expenditures are appropriate.

D. THERE ARE QUESTIONS SURROUNDING CERTAIN POLETTI-RELATED COSTS

Since at least 2006, and presumably for years before then, some portion of the rates paid by the City and other NYC Customers to NYPA were placed into an asset retirement fund for Poletti. As noted above, Poletti will have been retired for almost two years as of January 1, 2012. Therefore, any expenses associated with the retirement and dismantlement of Poletti should come from that retirement fund. The City raised this issue with NYPA last year, but the Staff Analysis contained in the January 25, 2011 Minutes does not contain any response to the City's assertion. The City requests that the Board of Trustees explain why expenses related to Poletti are not recovered from the asset retirement fund.

The City's second concern with the Poletti-related costs pertains to NYPA's expenditures related to the decommissioning and dismantlement of the power plant. NYPA reported that it planned to spend almost $11 million in 2011, and an unspecified amount in 2012 on decommissioning projects and preparatory work for the dismantlement of Poletti. The City asked NYPA for a copy of its plan for the decommissioning and dismantlement of Poletti to understand the scope of work, time frame, and expected cost. In response, NYPA stated that it does not have a plan and no final decisions regarding the work have been made.

The absence of a Poletti retirement plan raises questions regarding cost-effectiveness of the expenditures to date, and whether there could be savings associated with a more comprehensive, coordinated approach. Consistent with the cost control efforts discussed earlier, the Board of Trustees should carefully scrutinize the deconstruction plan for Poletti to ensure that its cost is minimized to the extent possible.

E. THE COSTS RELATED TO THE 500 MW UNIT SHOULD BE ADJUSTED

The City objects to three of the capital costs and one expense item related to the 500 MW unit included in the 2012 Cost-of-Service.

1. Oil Inventory Carrying Cost

This cost is not a Fixed Cost and should be removed. Section II.B.1.b of the Long Term Agreement defines "variable costs" as including "the expected cost of fuel … incurred by NYPA to serve the NYC Governmental Customers." In response to a similar objection raised by the City last year, NYPA Staff responded that "the Authority seeks only to recover the lost opportunity costs related to investing in these assets on the Customers' behalf since the funding for these items comes from the Authority's operating reserves."[9]

This response does not address the City's objection, nor does it provide any basis to classify this cost as a Fixed Cost. The above-quoted language from the Long Term Agreement is clear that the cost of fuel is a Variable Cost, not a Fixed Cost. The carrying charge on the oil inventory is part of the cost of the fuel; it is not a separate and distinct expense. Additionally, it is not an expense included in any of the cost categories shown on Attachment B to the Long Term Agreement. Section II.B.1.a of the Long Term Agreement further proves that

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[9] January 25, 2011 Minutes, p. 37.

this cost is not a Fixed Cost; it provides "[a]dditions to the cost categories shown in Attachment B, such as other costs ***not included within the Variable Costs*** below, … [emphasis added]."

2. <u>500 MW 7A & 7B Turbine Repair</u>

This cost is identical to a cost NYPA included in the 2011 Cost-of-Service. The City questioned that cost, asking for "an updated accounting of the total financial impact (excluding hedges) associated with the 500 MW CCU 7A & 7B turbine repair. In doing so, please include the total cost of the repair and the total insurance reimbursement…."[10] NYPA's response to that request was "[s]ee footnote to 'O&M Reserve' tab."[11] The explanation provided in that footnote was:

> The O&M Reserve was drawn down to provide funding relating to the 500 MW CCU 2008 outage. The outage cost NYPA some $6 million not covered under the LTSA with the Wood Group. An additional [*sic*] $1 million was spent to support other 500 MW CCU emerging work. The $7 million in outage related costs was offset by insurance settlement of $4.7 million. The actual 2008 O&M costs for the Small Hydro projects came in approximately $1 million over the COS primarily associated with the FERC mandated structure repairs. Poletti actuals came in $0.3 million above the COS. In total NYPA actual O&M costs totaled $8.3 million above the amount provided in the COS. Applying the $2.2 million in the reserve NYPA spent $6.1 million above the amount recovered through rates.

As can be seen from the foregoing, the City's request was broadly stated. In response, though, NYPA never made any mention of any capital cost aspect of the repair.

Based on the foregoing information for the 2011 Cost-of-Service, the City could not understand why NYPA included $1.0 million as a capital cost for the 500 MW unit turbine

[10] 2011 Cost-of-Service, Information Request NYC-12e.

[11] 2011 Cost-of-Service, NYPA Response to NYC-12e.

repair. Therefore, the City objected to the inclusion of that cost. In response to the City's objection, NYPA Staff claimed that the $1.0 million "represents the amortization of recovering the $15.5 million capital portion of the repair cost…."[12]

This year, the Preliminary Report contains the exact same language as the 2011 Preliminary Report, as cited above. Additionally, the 2012 O&M Reserve worksheet provided by NYPA contains the exact same footnote as in the 2011 O&M Reserve worksheet provided last year, also as cited above. The City has not been given any information regarding the claimed $15.5 million capital cost, and there is no mention of it in any of the information NYPA has provided.

For all of the foregoing reasons, the City has not been able to confirm the veracity of the annual amortization of the alleged, underlying $15.5 million capital expenditure. Unless and until NYPA is able to provide documentation regarding the capital expenditure related to the turbine repair, this amortization cost should be removed.

3. GE Litigation Expenses

Last year, the City and the Metropolitan Transportation Authority requested supporting documentation regarding this item. In response, NYPA stated that it had commenced litigation against General Electric and five subcontractors related to the design, engineering, and construction of the 500 MW unit. The case was settled within approximately a year, with NYPA incurring $2.6 million in legal fees and costs that it now seeks to recover from the City and other NYC Customers. However, NYPA asserted that the City and other NYC Customers were prohibited from knowing the terms or value of the settlement or the amount of time and effort spent by NYPA's outside counsel on this case.

[12] January 25, 2011 Minutes, p. 38.

The City explained that because of the dearth of information, it was impossible to determine the validity or magnitude of NYPA's claims and General Electric's counterclaims, the reasonableness of the settlement, or whether the legal fees and costs were reasonable and prudently incurred. [13]

In response to the City's objection to this cost, NYPA Staff provided the following one-sentence explanation:

> It is staff's position that both of these agreements were necessary to protect the Customers' best interests and the Authority cannot subject itself to legal action by violating these confidentiality agreements. [14]

Neither NYPA Staff nor the Board of Trustees ever responded to the City's contention that the level of legal fees was unreasonable. This year, NYPA has not provided any additional information to justify these expenses. The City continues to contend that the GE litigation fees should be removed or reduced because they have not been justified to the City or other NYC Customers. Accordingly, the amortized expense level should be removed, or at least reduced by 50%, to $200,000.

F. THE CITY IS NOT LIABLE FOR NYPA'S HUDSON TRANSMISSION PROJECT-RELATED EXPENSES

Last year, the City objected to the inclusion of expenses related to the Hudson Transmission Project ("HTP") as not properly recoverable via the Fixed Cost component of the

[13] NYPA refused to provide the billing rates for its outside counsel, although it never claimed that piece of information was subject to any confidentiality agreement. Inasmuch as the case was settled within a year, the City asserted that the legal fees appeared to be excessive, equating to approximately 3,460 to 5,200 hours of work (based on an assumed hourly rate of $500 to $750).

[14] January 25, 2011 Minutes, p. 39. According to the discussion of this issue, NYPA entered into two confidentiality agreements, one with General Electric and one with one or more unidentified parties.

Cost-of-Service. Because NYPA's renewed interest in the HTP in 2009 was separate from any request for proposals issued pursuant Section XI of the Long Term Agreement, the City asserted that it was not responsible for NYPA's HTP-related expenses.

NYPA Staff disagreed with the City's position, in part because of the absence of any agreed-upon understanding that the City would not be responsible for such costs. Although the City did not agree with NYPA's rationale last year, that rationale clearly does not apply today. While there is not a binding agreement between NYPA and the City, there does exist a non-binding term sheet which represents the understanding between NYPA and the City regarding a number of issues associated with the HTP, including the allocation of the costs NYPA has incurred to date. Under the term sheet, the City is not responsible for NYPA's costs related to the HTP, other than RFP costs which have already been recovered. Given this change in the facts and circumstances surrounding the HTP, the HTP-related expenses should be removed from the Cost-of-Service.

POINT II

THE PROPOSED CHANGES TO THE PRODUCTION MINIMUM CHARGES ARE NOT PROPERLY SUPPORTED AND SHOULD NOT BE ADOPTED

A. THE RULEMAKING CONTAINS UNSUPPORTED MATERIAL CHANGES TO THE PRODUCTION MINIMUM BILLING PROVISION

The SAPA Notice states that the NYPA is proposing "technical corrections to the production minimum billing provision of the Customers' tariff to become effective January 2012." However, the full text of the proposed tariff amendments demonstrates that the changes to the Production minimum billing provisions are material, substantive changes.

The "Production minimum bill" provisions are set forth in Section VI.B of the Tariff. As noted above, the convention used by NYPA throughout the Tariff is that capitalized terms have the meanings defined therein. As used in Section VI.B, "Production" is such a term, which Section II of the Tariff defines as "[a]uthority supply of power and energy, excluding Delivery Service and Third-Party Supplier power and energy." Thus, according to the plain language of the Tariff, "Production" includes demand and energy, so a "Production minimum charge," if it applies, must be the alternative to all demand and energy charges.

This interpretation of the Tariff is consistent with NYPA's prior presentations of this matter to the Board of Trustees. According to the Minutes from the Board's March 29, 2011 meeting, NYPA described the term Production as "*i.e.*, demand and energy."[15] Similarly, Exhibit 3-A attached to those Minutes states that "[a]dditional features of the production rate redesign Recommended Plan are: … Implementation of minimum billing charges in 2010."[16] These descriptions of the minimum charges indicate that they are comprehensive in scope, and NYPA's comment to the Board of Trustees that its proposal "has widespread support among the Customers"[17] was accurate only if the Production minimum charges include <u>all</u> Production-related costs.[18]

On September 8, 2011, NYPA provided information to the City regarding its plans to implement the Production minimum charges, which indicated that NYPA intended to apply the minimum charges solely to demand. The narrative presentation implied that any revenue over-collection might possibly flow back to customers later through the reconciliation mechanism for Variable Costs, or result in a transfer of rates from demand to energy. The City

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15 Minutes Of The Annual Meeting of The Power Authority Of The State of New York, dated March 29, 2011 ("March 29 Minutes"), p. 47.

16 *Id.* at Exhibit 3-A, p. 2.

17 *Id.* at p. 48.

18 During the rate re-design process, none of the iterations of the cost of service studies and service class and customer impacts performed by NYPA and its consultants examined a Production demand-only minimum charge.

raised concerns about NYPA's reinterpretation of Section VI.B in a letter to NYPA dated September 14, 2011. Instead of addressing the City's concerns, NYPA re-wrote Section VI.B to be consistent with NYPA's new application of the Production minimum charge. If the re-written Production minimum charge is approved by the Board of Trustees, this charge will be different from the Production minimum charge that was authorized by the Board of Trustees as part of the rate re-design process approved in June 2011.

B. NYPA HAS NOT DEMONSTRATED A NEED TO COLLECT MINIMUM CHARGES

In its presentation to the Board of Trustees on September 27, 2011, NYPA Staff stated that the purpose for implementing a Production minimum charge is to "achieve a more appropriate recovery of the Fixed Costs component through the customer production demand charges that will lower the estimated revenue shortfall and rate increase for 2012."[19] If NYPA believed that its Production rates, and particularly its Production minimum charges, needed to be modified to better collect Fixed Costs, it should have addressed this concern through the rate re-design process. It did not do so. While NYPA may change its Tariff, it is well-established that it must provide a rationale for doing so.[20]

Further, the documentation provided by NYPA on November 3 and 14, 2011 does not show a material shortfall or justify the need for a Production minimum charge. The documentation provided by NYPA on November 3, 2011 compared NYPA's preliminary revenue forecast for 2012 both with and without the minimum charges. Without the minimum charge, the analysis showed that NYPA would over-collect its Cost-of-Service by \$0.7 million. With the minimum charge, NYPA would over-collect its Cost-of-Service by \$10.0 million. The

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[19] Minutes of the Regular Meeting of the Power Authority of the State of New York, dated September 27, 2011, p. 25.

[20] *See, e.g., Matter of Charles A. Field Delivery Serv. v. Roberts,* 66 N.Y.2d 516 (1985).

documentation provided on November 14, 2011, which used historical information, showed that NYPA's shortfall was approximately $9 million, or about one percent of its total revenues, and that inclusion of the minimum charges would produce an overcollection of $4.5 million. Taken collectively, this information does not demonstrate a compelling or immediate need for the Production minimum charge.

C. NYPA HAS NOT VERIFIED THAT ITS NEW CONSTRUCT WILL BE REVENUE NEUTRAL

The information that NYPA provided to the City on September 8, 2011 included a table suggesting a $10 million overcollection (for all NYC Customers) with the implementation of a Production demand-only minimum charge. However, as noted above, NYPA has maintained that the Production minimum charge, as well as the Production demand-only minimum charge, would be revenue neutral. NYPA did not provide billing determinants (units and rates) in its November 3, 2011 data response to the City, but it did eventually provide an example using hypothetical 2011 rates showing revenue neutrality. Because NYPA has not provided preliminary 2012 rates or any calculation showing the effect of implementing the minimum charge on those 2012 rates, the City remains concerned that the 2012 rate design may not be revenue neutral.

NYPA maintains that the rate calculations will be finalized during the rate setting process to occur once the 2012 Cost-of-Service is finalized in December 2011. However, the rate setting process is part of the Cost-of-Service process, not a separate and distinct process. The Board of Trustees should require NYPA Staff to produce a worksheet showing the 2012 rates and confirming that the implementation of any Production minimum charges will be revenue neutral. That worksheet should be provided to the City immediately, as well.

For the foregoing reasons, the City urges the Board of Trustees to reject the proposed tariff amendments that would convert the Production minimum charge to a "Demand" minimum charge and to reconsider the need to institute any Production minimum charges at this time. In the event the Board of Trustees determines that it is appropriate to institute such charges, the City requests that the Board ensure that they are implemented on a revenue neutral basis.

CONCLUSION

The City respectfully requests that the NYPA Board of Trustees adjust the level of Fixed Costs and address the proposed modifications to the Production minimum charges in accordance with the discussion and recommendations set forth herein.

Dated: December 1, 2011
Albany, New York

Respectfully submitted,

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EXHIBIT 1

New York Power Authority
2012 NYC Govt. Customers Fixed Costs

Line	Description	NYPA Projected Poletti	NYPA Projected 500 MW	NYPA Projected Small Hydro	NYPA Projected Other	NYPA Projected Total	NYC Adjusted Poletti	NYC Adjusted 500 MW	NYC Adjusted Small Hydro	NYC Adjusted Other	NYC Adjusted Total	Total Reduction
	O&M Expense (Figure 2)											
1	Total Site Payroll	$ -	$ 11.1	$ 3.1	$ -	**$ 14.2**	$ -	$ 11.1	$ 3.1	$ -	**$ 14.2**	
2	Direct Purchases	-	1.2	0.2	-	**1.4**	-	1.2	0.2	-	**1.4**	
3	Store Issues	-	0.5	0.1	-	**0.6**	-	0.5	0.1	-	**0.6**	
4	Fees & Dues	-	0.2	0.0	-	**0.2**	-	0.2	0.0	-	**0.2**	
5	Office & Station Expense	-	0.6	0.2	-	**0.8**	-	0.6	0.2	-	**0.8**	
6	Contracted Services	-	7.3	0.6	-	**7.9**	-	7.3	0.6	-	**7.9**	
7	Consultants	-	0.5	0.6	-	**1.0**	-	0.5	0.6	-	**1.0**	
8	Other Expenses	-	-	-	-	**-**	-	-	-	-	**-**	
9	Amortized LT Service Agreement	-	6.7	-	-	**6.7**	-	6.7	-	-	**6.7**	
10	Total	$ -	$ 28.2	$ 4.6	$ -	**$ 32.8**	$ -	$ 28.2	$ 4.6	$ -	**$ 32.8**	
11	Reduction to reach 90% of 2011 Level										**$ (3.6)**	
12	**Adjusted O&M Expense Level**	2011 Level = $32.4 million - 10% Red. = $29.2 million									**$ 29.2**	**$ (3.6)**
	Shared Services Expense (Figure 3)											
13	Allocation to Headquarters	$ -	$ 9.9	$ 2.1	$ -	**$ 12.1**	$ -	$ 9.9	$ 2.1	$ -	**$ 12.1**	
14	Research & Development	-	1.0	0.2	-	**1.2**	-	1.0	0.2	-	**1.2**	
15	Allocation to Capital	-	(1.1)	(0.2)	-	**(1.4)**	-	(1.1)	(0.2)	-	**(1.4)**	
16	Headquarters Direct Support	-	-	-	9.0	**9.0**	-	-	-	9.0	**9.0**	
17	Total	$ -	$ 9.8	$ 2.1	$ 9.0	**$ 20.9**	$ -	$ 9.8	$ 2.1	$ 9.0	**$ 20.9**	
18	Reduction to reach 90% of 2011 Level										**$ (3.0)**	
19	**Adjusted Shared Services Expense Level**	2011 Level = $19.9 million - 10% Red. = $17.9 million									**$ 17.9**	**$ (3.0)**
	Capital Cost (Figure 4)											
20	Fixed Debt	$ 3.7	$ 43.6	$ 0.1	$ -	**$ 47.5**	$ 3.7	$ 43.6	$ 0.1	$ -	**$ 47.5**	
21	Variable Debt	-	21.5	5.6	-	**27.1**	-	21.5	5.6	-	**27.1**	
22	Bond Deferral	11.6	-	1.9	-	**13.5**	11.6	-	1.9	-	**13.5**	
23	Greene County Overhead Debt	-	-	-	0.4	**0.4**	-	-	-	0.4	**0.4**	
24	Arthur Kill Overhead Debt	-	-	-	0.0	**0.0**	-	-	-	0.0	**0.0**	
25	White Plains Office HQ	-	-	-	-	**-**	-	-	-	-	**-**	
26	Project Studies Debt	-	-	-	0.1	**0.1**	-	-	-	0.1	**0.1**	
27	Y2K (Year 2000 Project)	-	-	-	0.1	**0.1**	-	-	-	0.1	**0.1**	
28	Small Hydro Interest Rate SWAP Exp.	-	-	0.5	-	**0.5**	-	-	0.5	-	**0.5**	
29	500 MW Inv. Carrying Cost	-	0.2	-	-	**0.2**	-	0.2	-	-	**0.2**	
30	Oil Inventory Carrying Cost	-	0.1	-	-	**0.1**	-	-	-	-	**-**	
31	NYMEX Margin Carrying Cost	-	-	-	-	**-**	-	-	-	-	**-**	
32	Poletti M&S Inv. Write Off - 7 Year Amort.	1.3	-	-	-	**1.3**	1.3	-	-	-	**1.3**	
33	Capital Additions	-	-	-	0.5	**0.5**	-	-	-	0.5	**0.5**	
34	Minor Capital Additions	-	-	-	0.3	**0.3**	-	-	-	0.3	**0.3**	
35	Spare Transformer	-	-	-	0.3	**0.3**	-	-	-	0.3	**0.3**	
36	500 MW 7A & 7B Turbine Repair	-	1.0	-	-	**1.0**	-	-	-	-	**-**	
37	Total	$ 16.7	$ 66.4	$ 8.2	$ 1.7	**$ 93.0**	$ 16.7	$ 65.3	$ 8.2	$ 1.7	**$ 91.9**	**$ (1.1)**
	Other Expenses											
38	Demand Side Management	$ -	$ -	$ -	$ 0.4	**$ 0.4**	$ -	$ -	$ -	$ 0.4	**$ 0.4**	
39	2008 IRP Study	-	-	-	-	**-**	-	-	-	-	**-**	
40	Govt. Customer Load Research Study	-	-	-	-	**-**	-	-	-	-	**-**	
41	CRA Risk Audit Report	-	-	-	-	**-**	-	-	-	-	**-**	
42	RFP#5 Actual Expense	-	-	-	0.0	**0.0**	-	-	-	0.0	**0.0**	
43	Govt. Cust. Load Research Study	-	-	-	0.3	**0.3**	-	-	-	0.3	**0.3**	
44	Rate Design Study	-	-	-	0.6	**0.6**	-	-	-	0.6	**0.6**	
45	GE Litigation - 500 MW (7-Year Write off)	-	0.4	-	-	**0.4**	-	0.2	-	-	**0.2**	
46	2008 500 MW UCAP	-	-	-	-	**-**	-	-	-	-	**-**	
47	Hudson Transmission Project	-	-	-	0.3	**0.3**	-	-	-	-	**-**	
48	Other Post Employ. Benefits (OPEB)	-	-	-	3.6	**3.6**	-	-	-	3.6	**3.6**	
49	Asset Retirement Charge	3.9	3.8	-	-	**7.7**	3.9	3.8	-	-	**7.7**	
50	Special Studies Expense	-	-	-	-	**-**	-	-	-	-	**-**	
51	Keep Cool Program	-	-	-	-	**-**	-	-	-	-	**-**	
52	Fish Studies	-	-	-	-	**-**	-	-	-	-	**-**	
53	NYS Cost Recovery Fee	-	-	-	-	**-**	-	-	-	-	**-**	
54	Total	$ 3.9	$ 4.2	$ -	$ 5.2	**$ 13.3**	$ 3.9	$ 4.0	$ -	$ 4.9	**$ 12.8**	**$ (0.5)**
55	Investment & Other Income (Credits)	$ -	$ -	$ -	$ (0.0)	**$ (0.0)**	$ -	$ -	$ -	$ (0.0)	**$ (0.0)**	**$ -**
56	Total Fixed Cost Adjustments											**$ (8.2)**
57	TOTAL FIXED COSTS					**$ 159.9**					**$ 151.7**	
58	Projected Poletti Generation (MWh)					**-**					**-**	
59	Projected 500 MW Sales (MWh)					**2,626,176**					**2,626,176**	
60	Projected Small Hydro Sales (MWh)					**147,223**					**147,223**	
61	PROJECTED SALES (MWh)					**2,773,399**					**2,773,399**	
62	PER UNIT COSTS					**$ 57.66**					**$ 54.69**	

EXHIBIT 2

New York Power Authority

Identification of Historical/Current Per Unit O&M Fixed Cost Levels

Line	Description	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011 [1]	Projected 2012
1	Total O&M Fixed Costs	$ 29.9	$ 31.9	$ 39.8	$ 42.2	$ 31.9	$ 32.4	$ 32.8
2	Actual/Projected Sales of Generating Units (MWh)	5,043,336	5,256,891	4,910,569	4,520,248	3,145,404	3,199,115	2,773,399
3	Per Unit Fixed Costs ($/MWh)	$ 5.93	$ 6.06	$ 8.10	$ 9.34	$ 10.15	$ 10.14	$ 11.83
4	Per Unit % Change - year-over-year		2.2%	33.6%	15.3%	8.7%	-0.2%	16.7%
5	Per Unit % Change Cumulative		2.2%	36.6%	57.6%	71.3%	71.0%	99.6%

Notes:
[1] Actual through June 2011 and projection for remaining six months. Based on information from NYPA's July 2011 Monthly COS Report.

Withdrawal of Proposal to Increase New York City Governmental Customer Fixed Costs Component and Request to Adopt Rulemaking

Exhibit 'C'

Part 1:

Minimum Demand Charge Impacts
2012 Cost of Service

MINIMUM BILL IMPACTS FOR 2012 COST OF SERVICE

2012 Demand Rates - Without Minimum Bill

Line		Customer Class	COS Variable	COS Fixed	Demand Forecast kW	Fixed $ / kW
		Unit Cost of Service				
1	**SC62**	General Small	$ 841,442	$ 299,224	0	$ 0.00
4	**SC65**	Elec Traction Systems & Platform Lighting	55,497,988	26,983,363	2,386,107	11.31
5	**SC66**	Public Street Lighting	346,103	28,893	0	0.00
6	**SC68**	Multiple Dwellings - Redistribution - Conventional	63,965,209	39,039,969	2,168,276	18.01
7	**SC68TOD**	Multiple Dwellings - Redistribution - Time of Day	4,897,786	3,408,297	170,803	19.95
8	**SC69**	General Large - Conventional	28,552,415	13,624,643	1,028,567	13.25
9	**SC69TOD**	General Large - Time of Day	56,156,614	24,737,337	1,814,101	13.64
10	**SC80**	NYC Public Street Lighting	15,468,329	1,295,259	716,307	1.81
11	**SC82**	Multiple Dwellings Space Heating	464,099	170,841	13,545	12.61
12	**SC85**	Transit Substation	105,198,119	59,214,530	4,026,332	14.71
13	**SC91**	NYC Public Bldgs - Conventional	128,155,622	65,060,767	5,749,290	11.32
14	**SC91TOD**	NYC Public Bldgs - Time of Day	75,303,065	38,926,615	2,536,630	15.35
15	**SC93**	NYC Public Bldgs - Schools - Conventional	552,256	264,612	30,112	8.79
16	**SC93TOD**	NYC Public Bldgs - Schools - Time of Day	326,799	84,422	16,623	5.08
17	**SC98**	NYC Public Bldgs - Pollution Control - Conventional	23,751	7,628	1,572	4.85
18	**SC98TOD**	NYC Public Bldgs - Pollution Control - Time of Day	39,476,556	16,228,288	1,114,729	14.56
19	**TOTAL SYSTEM**		**$ 575,226,155**	**$ 289,374,688**	**21,772,994**	**$ 13.29**

2012 Demand Rates - With Minimum Bill Included

Line		Customer Class	COS Variable	COS Fixed	Demand Forecast kW	Additional Demand from Min Bill kW	Total Forecast including min bill kW	Fixed $ / kW
		Unit Cost of Service						
1	**SC62**	General Small	$ 845,250	$ 284,189	0	0	**0**	$ 0.00
4	**SC65**	Elec Traction Systems & Platform Lighting	55,429,359	27,269,467	2,386,107	165,455	**2,551,562**	10.69
5	**SC66**	Public Street Lighting	346,391	27,720	0	0	**0**	0.00
6	**SC68**	Multiple Dwellings - Redistribution - Conventional	63,860,352	39,441,327	2,168,276	149,586	**2,317,862**	17.02
7	**SC68TOD**	Multiple Dwellings - Redistribution - Time of Day	4,681,213	4,238,309	170,803	55,357	**226,160**	18.74
8	**SC69**	General Large - Conventional	28,316,800	14,097,134	1,028,567	99,192	**1,127,759**	12.50
9	**SC69TOD**	General Large - Time of Day	56,360,928	24,377,341	1,814,101	77,892	**1,891,993**	12.88
10	**SC80**	NYC Public Street Lighting	15,481,247	1,242,657	716,307	0	**716,307**	1.73
11	**SC82**	Multiple Dwellings Space Heating	456,529	201,095	13,545	3,475	**17,020**	11.82
12	**SC85**	Transit Substation	105,953,014	56,122,960	4,026,332	0	**4,026,332**	13.94
13	**SC91**	NYC Public Bldgs - Conventional	127,706,773	66,987,896	5,749,290	519,432	**6,268,721**	10.69
14	**SC91TOD**	NYC Public Bldgs - Time of Day	75,248,759	39,144,310	2,536,630	161,992	**2,698,622**	14.51
15	**SC93**	NYC Public Bldgs - Schools - Conventional	545,815	292,801	30,112	5,320	**35,432**	8.26
16	**SC93TOD**	NYC Public Bldgs - Schools - Time of Day	324,876	94,837	16,623	3,304	**19,927**	4.76
17	**SC98**	NYC Public Bldgs - Pollution Control - Conventional	23,718	7,768	1,572	123	**1,696**	4.58
18	**SC98TOD**	NYC Public Bldgs - Pollution Control - Time of Day	39,645,131	15,544,877	1,114,729	11,488	**1,126,217**	13.80
19	**TOTAL SYSTEM**		**$ 575,226,155**	**$ 289,374,688**	**21,772,994**	**1,252,616**	**23,025,610**	**$ 12.57**

New York Power Authority
New York Customers
Comprehensive Cost Based Demand Rates

Line		Customer Class	2012 Demand Rates - Without Minimum Bill $/kW	2012 Demand Rates - With Minimum Bill Included $/kW	2012 with Min Demand Rates vs. Final 2012
1	**SC62**	General Small	$ 0.00	$ 0.00	$ -
4	**SC65**	Elec Traction Systems & Platform Lighting	$ 11.31	$ 10.69	$ (0.62)
5	**SC66**	Public Street Lighting	$ 0.00	$ 0.00	$ -
6	**SC68**	Multiple Dwellings - Redistribution - Conventional	$ 18.01	$ 17.02	$ (0.99)
7	**SC68TOD**	Multiple Dwellings - Redistribution - Time of Day	$ 19.95	$ 18.74	$ (1.21)
8	**SC69**	General Large - Conventional	$ 13.25	$ 12.50	$ (0.75)
9	**SC69TOD**	General Large - Time of Day	$ 13.64	$ 12.88	$ (0.75)
10	**SC80**	NYC Public Street Lighting	$ 1.81	$ 1.73	$ (0.07)
11	**SC82**	Multiple Dwellings Space Heating	$ 12.61	$ 11.82	$ (0.80)
12	**SC85**	Transit Substation	$ 14.71	$ 13.94	$ (0.77)
13	**SC91**	NYC Public Bldgs - Conventional	$ 11.32	$ 10.69	$ (0.63)
14	**SC91TOD**	NYC Public Bldgs - Time of Day	$ 15.35	$ 14.51	$ (0.84)
15	**SC93**	NYC Public Bldgs - Schools - Conventional	$ 8.79	$ 8.26	$ (0.52)
16	**SC93TOD**	NYC Public Bldgs - Schools - Time of Day	$ 5.08	$ 4.76	$ (0.32)
17	**SC98**	NYC Public Bldgs - Pollution Control - Conventional	$ 4.85	$ 4.58	$ (0.27)
18	**SC98TOD**	NYC Public Bldgs - Pollution Control - Time of Day	$ 14.56	$ 13.80	$ (0.76)

Notes:
Both sets of rates include impacts of the PLM payments.

Withdrawal of Proposal to Increase New York City Governmental Customer Fixed Costs Component and Request to Adopt Rulemaking

Exhibit 'C'

Part 2:

NYPA Data Responses from November 3, 2011 and November 14, 2011

NEW YORK POWER AUTHORITY
DATA RESPONSE TO CITY OF NEW YORK
I.D. No. PAS-41-11-00029-P

Please see the explanation below and the attached table in support of the production minimum demand bill tariff proposal.

Explanation of Minimum Demand Bill Revenue Flow Through COS and its Revenue Neutrality to NYPA

To illustrate minimum demand bill revenue flow and its revenue neutrality to NYPA, the attached table includes parts of the 2012 NYC Preliminary Cost-of-Service ("COS") which was distributed to the Customers with the Preliminary 2012 Staff Report in May 2011. Scenario 1 contains lines 91-98 from Figure 1 and entire Figure 13 of the COS module. As originally indicated in the Staff Report, Scenario 1 (parts of the Preliminary 2012 COS) does not include estimated minimum bill revenues. Scenario 2, which includes minimum bill revenues, was created by NYPA staff to illustrate revenue neutrality to NYPA after implementing production minimum demand bill.

Under Scenario 1 in the attached table, the difference between the projected 2012 revenue (*i.e.* "Total Tariff Revenue") and the total fixed and variable costs (*i.e.* "Total Cost-of-Service") is $0.7 million and translates to an overall production rate decrease of 0.1%. Under Scenario 2, the difference between the projected 2012 revenues, including those to be received from minimum billing, and the total fixed and variable costs is $10 million and translates to an overall production rate decrease of 1.2%. (The incremental effect of the minimum bill is an additional $9.4 million in projected revenue.) This example indicates that minimum bill revenues flow back to customers which results in a rate *decrease*, and revenue neutrality to NYPA. Note that under Scenario 2, projected 2012 revenue (Total Tariff Revenue) increases, but NYPA's 2012 Total Cost-of-Service does not; this is the intended result under NYPA's minimum demand bill.

Introducing minimum demand bill, increases estimated billed demand (kW) values used in the billing determinant forecast for 2012. In the rate setting process, which will conclude once the Final 2012 COS is finalized in December 2012, the rate calculation is based on the forecasted billing determinants for 2012 including the increased demand (kw) values from minimum demand billing. The higher billing determinants used in the rate development drive the rates down. Minimum bill does not affect the amount of cost to be recovered, as the total revenue requirement remains unchanged. Any under/over recovery of revenue resulting from a variance between the forecasted and actual billing determinants shall be reconciled through the monthly Energy Charge Adjustment mechanism.

Minimum Demand Bill Revenue flow through COS

Scenario 1

2012 Preliminary NYC COS

Figure 1A - SENY 2012 Embedded Cost of Service NYC Governmental Customer Breakout (without AEII)

**Costs exclude AEII*

(91)	***Total Fixed Cost***	*$*	***163.1***
(92)	***Total Variable Cost***	*$*	***688.4***
(93)	***Total Cost-of-Service***	*$*	***851.5***
(94)	***Total Variable Cost $/MWH***	*$*	***71.6***
(95)	***Total Cost $/MWH***	*$*	***88.6***
(96)	***Total Tariff Revenue (@ 2011 Rates)***	$	852.2
(97)	***TOTAL REVENUE SHORTFALL***	$	0.7
(98)	***Proposed Rate Increase (Decrease)***		***(0.1%)***

2012 Preliminary Revenue forecast

2012 Customer Revenues at 2011 Existing Rates

Ln #			Figure 13 $ millions
	Demand Revenues		
(1)	SC62	General Use - Small	$ -
(2)	SC64	Commercial and Industrial Redistribution	$ 11.0
(3)	SC65	Electric Traction and Breakdown Service	$ 27.1
(4)	SC66	Public and Private Street Lighting	$ -
(5)	SC68/82	Multiple Dwelling - Redistribution	$ 30.4
(6)	SC69	General Use - Large	$ 20.7
(7)	SC80	New York City Street Lighting	$ 8.7
(8)	SC85	New York City Transit Authority	$ 51.5
(9)	SC91/93/98	New York City Public Building Light and Power	$ 98.1
(10)	***Subtotal***		***$ 247.4***
(11)	PLM Payment		(0.8)
(12)	***Total Net Demand Revenues***		***$ 246.7***
	Energy Revenues		
(13)	SC62	General Use - Small	$ 1.6
(14)	SC64	Commercial and Industrial Redistribution	$ 29.8
(15)	SC65	Electric Traction and Breakdown Service	$ 61.5
(16)	SC66	Public and Private Street Lighting	$ 0.4
(17)	SC68/82	Multiple Dwelling - Redistribution	$ 67.5
(18)	SC69	General Use - Large	$ 61.4
(19)	SC80	New York City Street Lighting	$ 14.9
(20)	SC85	New York City Transit Authority	$ 105.4
(21)	SC91/93/98	New York City Public Building Light and Power	$ 263.1
(22)	***Total Energy Revenues***		***$ 605.5***
(23)	***Total Customer Revenues at Existing Rates***		***$ 852.2***

Scenario 2

2012 Preliminary NYC COS with minimum bill revenues

**Costs exclude AEII*

(91)	***Total Fixed Cost***	*$*	***163.1***
(92)	***Total Variable Cost***	*$*	***688.4***
(93)	***Total Cost-of-Service***	*$*	***851.5***
(94)	***Total Variable Cost $/MWH***	*$*	***71.6***
(95)	***Total Cost $/MWH***	*$*	***88.6***
(96)	***Total Tariff Revenue including minimum demand bill(@ 2011 Rates)***	$	861.5
(97)	***TOTAL REVENUE SHORTFALL***	$	10.0
(98)	***Proposed Rate Increase (Decrease)***		***(1.2%)***

2012 Preliminary Revenue forecast with minimum bill

2012 Customer Revenues at 2011 Existing Rates

Ln #			Figure 13 $ millions	$ millions min bill revenues
	Demand Revenues			
(1)	SC62	General Use - Small	$ -	$ -
(2)	SC64	Commercial and Industrial Redistribution	$ 11.0	$ 0.2
(3)	SC65	Electric Traction and Breakdown Service	$ 27.1	$ 0.8
(4)	SC66	Public and Private Street Lighting	$ -	$ -
(5)	SC68/82	Multiple Dwelling - Redistribution	$ 30.4	$ 1.9
(6)	SC69	General Use - Large	$ 20.7	$ 1.3
(7)	SC80	New York City Street Lighting	$ 8.7	$ -
(8)	SC85	New York City Transit Authority	$ 51.5	$ -
(9)	SC91/93/98	New York City Public Building Light and Power	$ 98.1	$ 5.2
(10)	***Subtotal***		***$ 247.4***	***$ 9.4***
(11)	PLM Payment		(0.8)	
(12)	***Total Net Demand Revenues***		***$ 246.7***	
	Energy Revenues			
(13)	SC62	General Use - Small	$ 1.6	
(14)	SC64	Commercial and Industrial Redistribution	$ 29.8	
(15)	SC65	Electric Traction and Breakdown Service	$ 61.5	
(16)	SC66	Public and Private Street Lighting	$ 0.4	
(17)	SC68/82	Multiple Dwelling - Redistribution	$ 67.5	
(18)	SC69	General Use - Large	$ 61.4	
(19)	SC80	New York City Street Lighting	$ 14.9	
(20)	SC85	New York City Transit Authority	$ 105.4	
(21)	SC91/93/98	New York City Public Building Light and Power	$ 263.1	
(22)	***Total Energy Revenues***		***$ 605.5***	
(23)	min bill		9.4	
(24)	***Total Customer Revenues at Existing Rates***		***$ 861.5***	

2011 COS -Final Approved

(83)	*Total Fixed Cost*		*$ 159.7*	
(84)	*Total Variable Cost*		*$ 681.2*	
(85)	*Total Cost-of-Service*		*$ 840.87*	*ET: 2011 Revenue Requirement*
(86)		*Total Variable Cost $/MWH*	*$ 71.9*	
(87)		*Total Cost $/MWH*	*$ 88.7*	
(88)	*Total Tariff Revenue (@ 2010 Rates)*		*$ 831.9*	*ET: 2011 Forecast Revenue*
(89)	*TOTAL REVENUE SHORTFALL*		*$ (9.0)*	
(90)	*Proposed Rate Increase (Decrease)*		*1.08%*	*ET: Overall rate increase for 2011*

Line	Customer Class		COS Variable	COS Fixed	Total Forecast kW	Fixed $ / kW	PLM Adjustment	Final 2011 Demand Rates $/kW
	Unit Cost of Service							
1	**SC62**	General Small	$ 954,291	$ 178,826	0	$ 0.00000	$ -	**$ 0.00**
2	**SC64**	Comm & Indus Redistribution - Conventional	1,054,951	223,469	28,208	7.92213	$ (0.49)	**$ 7.43**
3	**SC64TOD**	Comm & Indus Redistribution - Time of Day	32,289,133	7,482,575	854,487	8.75680	$ 0.34	**$ 9.10**
4	**SC65**	Elec Traction Systems & Platform Lighting	65,873,756	12,441,692	2,439,249	5.10062	$ 0.03	**$ 5.13**
5	**SC66**	Public Street Lighting	346,312	18,789	0	0.00000	$ -	**$ 0.00**
6	**SC68**	Multiple Dwellings - Redistribution - Conventional	73,956,725	18,314,194	2,118,864	8.64340	$ 0.04	**$ 8.68**
7	**SC68TOD**	Multiple Dwellings - Redistribution - Time of Day	6,233,387	1,671,298	171,591	9.74003	$ 0.03	**$ 9.77**
8	**SC69**	General Large - Conventional	32,858,644	7,779,214	1,053,168	7.38649	$ 0.05	**$ 7.43**
9	**SC69TOD**	General Large - Time of Day	35,570,007	9,317,505	998,659	9.33001	$ (0.23)	**$ 9.10**
10	**SC80**	NYC Public Street Lighting	15,596,519	728,329	722,580	1.00796	$ 0.03	**$ 1.04**
11	**SC82**	Multiple Dwellings Space Heating	509,394	97,807	14,377	6.80323	$ 0.04	**$ 6.84**
12	**SC85**	Transit Substation	128,131,715	30,622,923	4,161,029	7.35946	$ 0.04	**$ 7.39**
13	**SC91**	NYC Public Bldgs - Conventional	153,757,116	39,639,466	5,803,512	6.83025	$ 0.03	**$ 6.86**
14	**SC91TOD**	NYC Public Bldgs - Time of Day	92,465,021	23,320,252	2,509,648	9.29224	$ 0.03	**$ 9.32**
15	**SC93**	NYC Public Bldgs - Schools - Conventional	634,962	181,264	29,493	6.14606	$ 0.03	**$ 6.18**
16	**SC93TOD**	NYC Public Bldgs - Schools - Time of Day	330,719	41,510	13,572	3.05854	$ 0.03	**$ 3.08**
17	**SC98**	NYC Public Bldgs - Pollution Control - Conventional	25,791	7,447	2,092	3.56024	$ 0.03	**$ 3.59**
18	**SC98TOD**	NYC Public Bldgs - Pollution Control - Time of Day	40,590,507	7,622,876	1,011,956	7.53281	$ 0.03	**$ 7.56**
19	**TOTAL SYSTEM**		$ 681,178,950	**$ 159,689,436**	**21,932,484**	**$ 7.28096**		

2011 COS - if minimum demand billing was implemented

(83)	*Total Fixed Cost*		*$ 159.7*	
(84)	*Total Variable Cost*		*$ 681.2*	
(85)	*Total Cost-of-Service*		*$ 840.87*	*ET: 2011 Revenue Requirement*
(86)		*Total Variable Cost $/MWH*	*$ 71.9*	
(87)		*Total Cost $/MWH*	*$ 88.7*	
(88)	*Total Tariff Revenue (@ 2010 Rates)*		*$ 845.3*	*ET: 2011 Forecast Revenue with minimum bill*
(89)	*TOTAL REVENUE SURPLUS*		*$ 4.5*	
(90)		*Proposed Rate Increase (Decrease)*	*(0.53%)*	*ET: Overall rate Decrease for 2011*

Line	Customer Class		COS Variable	COS Fixed	Original Forecast kW	Minimum Demand kW	Total Forecast including min bill kW	Fixed $ / kW	PLM Adjustment	2011 Demand Rates (w min bill) $/kW
	Unit Cost of Service									
1	**SC62**	General Small	$ 954,291	$ 178,826	0	0	**0**	$ 0.00	$ -	**$ 0.00**
2	**SC64**	Comm & Indus Redistribution - Conventional	1,054,951	223,469	28,208	39	**28,247**	$ 7.91	$ (0.49)	**$ 7.42**
3	**SC64TOD**	Comm & Indus Redistribution - Time of Day	32,289,133	7,482,575	854,487	20,956	**875,443**	$ 8.55	$ 0.34	**$ 8.89**
4	**SC65**	Elec Traction Systems & Platform Lighting	65,873,756	12,441,692	2,439,249	163,554	**2,602,803**	$ 4.78	$ 0.03	**$ 4.81**
5	**SC66**	Public Street Lighting	346,312	18,789	0		**0**	$ 0.00	$ -	**$ 0.00**
6	**SC68**	Multiple Dwellings - Redistribution - Conventional	73,956,725	18,314,194	2,118,864	147,824	**2,266,689**	$ 8.08	$ 0.04	**$ 8.12**
7	**SC68TOD**	Multiple Dwellings - Redistribution - Time of Day	6,233,387	1,671,298	171,591	54,720	**226,310**	$ 7.38	$ 0.03	**$ 7.42**
8	**SC69**	General Large - Conventional	32,858,644	7,779,214	1,053,168	97,998	**1,151,166**	$ 6.76	$ 0.05	**$ 6.80**
9	**SC69TOD**	General Large - Time of Day	35,570,007	9,317,505	998,659	55,974	**1,054,633**	$ 8.83	$ (0.23)	**$ 8.60**
10	**SC80**	NYC Public Street Lighting	15,596,519	728,329	722,580		**722,580**	$ 1.01	$ 0.03	**$ 1.04**
11	**SC82**	Multiple Dwellings Space Heating	509,394	97,807	14,377	3,434	**17,810**	$ 5.49	$ 0.04	**$ 5.53**
12	**SC85**	Transit Substation	128,131,715	30,622,923	4,161,029	0	**4,161,029**	$ 7.36	$ 0.04	**$ 7.39**
13	**SC91**	NYC Public Bldgs - Conventional	153,757,116	39,639,466	5,803,512	513,404	**6,316,916**	$ 6.28	$ 0.03	**$ 6.31**
14	**SC91TOD**	NYC Public Bldgs - Time of Day	92,465,021	23,320,252	2,509,648	160,037	**2,669,684**	$ 8.74	$ 0.03	**$ 8.76**
15	**SC93**	NYC Public Bldgs - Schools - Conventional	634,962	181,264	29,493	5,255	**34,747**	$ 5.22	$ 0.03	**$ 5.25**
16	**SC93TOD**	NYC Public Bldgs - Schools - Time of Day	330,719	41,510	13,572	3,269	**16,841**	$ 2.46	$ 0.03	**$ 2.49**
17	**SC98**	NYC Public Bldgs - Pollution Control - Conventional	25,791	7,447	2,092	122	**2,214**	$ 3.36	$ 0.03	**$ 3.40**
18	**SC98TOD**	NYC Public Bldgs - Pollution Control - Time of Day	40,590,507	7,622,876	1,011,956	11,350	**1,023,306**	$ 7.45	$ 0.03	**$ 7.48**
19	**TOTAL SYSTEM**		$ 681,178,950	**$ 159,689,436**	**21,932,484**	**1,237,935**	**23,170,418**	**$ 6.89**		

New York Power Authority
New York Customers
Comprehensive Cost Based Demand Rates

Line	Customer Class		Final 2011 Demand Rates $/kW	2011 Demand Rates (w min bill) $/kW	2011 with Min Demand Rates vs. Final 2011
1	**SC62**	General Small	$ 0.00	$ 0.00	$ -
2	**SC64**	Comm & Indus Redistribution - Conventional	$ 7.43	$ 7.42	$ (0.01)
3	**SC64TOD**	Comm & Indus Redistribution - Time of Day	$ 9.10	$ 8.89	$ (0.21)
4	**SC65**	Elec Traction Systems & Platform Lighting	$ 5.13	$ 4.81	$ (0.32)
5	**SC66**	Public Street Lighting	$ 0.00	$ 0.00	$ -
6	**SC68**	Multiple Dwellings - Redistribution - Conventional	$ 8.68	$ 8.12	$ (0.56)
7	**SC68TOD**	Multiple Dwellings - Redistribution - Time of Day	$ 9.77	$ 7.42	$ (2.36)
8	**SC69**	General Large - Conventional	$ 7.43	$ 6.80	$ (0.63)
9	**SC69TOD**	General Large - Time of Day	$ 9.10	$ 8.60	$ (0.50)
10	**SC80**	NYC Public Street Lighting	$ 1.04	$ 1.04	$ -
11	**SC82**	Multiple Dwellings Space Heating	$ 6.84	$ 5.53	$ (1.31)
12	**SC85**	Transit Substation	$ 7.39	$ 7.39	$ -
13	**SC91**	NYC Public Bldgs - Conventional	$ 6.86	$ 6.31	$ (0.56)
14	**SC91TOD**	NYC Public Bldgs - Time of Day	$ 9.32	$ 8.76	$ (0.56)
15	**SC93**	NYC Public Bldgs - Schools - Conventional	$ 6.18	$ 5.25	$ (0.93)
16	**SC93TOD**	NYC Public Bldgs - Schools - Time of Day	$ 3.08	$ 2.49	$ (0.59)
17	**SC98**	NYC Public Bldgs - Pollution Control - Conventional	$ 3.59	$ 3.40	$ (0.20)
18	**SC98TOD**	NYC Public Bldgs - Pollution Control - Time of Day	$ 7.56	$ 7.48	$ (0.08)

Withdrawal of Proposal to Increase New York City Governmental Customer Fixed Costs Component and Request to Adopt Rulemaking

Exhibit 'D'

Current 2011 and Proposed 2012 Customer Production Rates

NEW YORK CITY GOVERNMENTAL CUSTOMERS

Exhibit 'D'

Service Tariff No. 100 Rate Comparison (Current vs Proposed)

	DEMAND ($/kW)		ENERGY (¢/kWh)											
			SUMMER		SUMMER ON PEAK		SUMMER OFF PEAK		WINTER		WINTER ON PEAK		WINTER OFF PEAK	
Service Classification	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
SC 62 Conventional	0.00	0.00	8.717	8.347					7.641	7.804				
SC 65 Conventional	5.13	10.69	7.765	6.458					6.708	5.926				
SC 66 Conventional	0.00	0.00	6.440	6.576					6.440	6.576				
SC 68 Conventional	8.68	17.02	7.744	6.028					6.668	5.486				
SC 68 TOD	9.77	18.74			8.960	7.075	6.692	4.429			7.517	6.120	6.229	4.574
SC 69 Conventional	7.43	12.50	7.806	6.344					6.732	5.803				
SC 69 TOD	9.10	12.88			8.787	7.595	6.568	5.006			7.375	6.661	6.115	5.148
SC 69 KIAC TOD	9.10	12.88			6.730	6.494	4.511	3.906			5.138	5.560	4.058	4.048
SC 80 Conventional	1.04	1.73	6.072	6.088					6.072	6.088				
SC 82 Conventional	6.84	11.82	7.517	6.362					6.441	5.820				
SC 85 Conventional	7.39	13.94	8.050	6.441					7.006	5.915				
SC 91 Conventional	6.86	10.69	8.220	6.553					7.145	6.011				
SC 91 TOD	9.32	14.51			9.008	7.602	6.740	4.957			7.565	6.647	6.277	5.102
SC 93 Conventional	6.18	8.26	8.202	6.527					7.138	5.991				
SC 93 TOD	3.09	4.76			8.606	8.034	6.362	5.416			7.178	7.089	5.904	5.560
SC 98 Conventional	3.59	4.58	7.958	6.444					6.885	5.902				
SC 98 TOD	7.56	13.80			8.577	7.580	6.347	4.979			7.158	6.641	5.892	5.122

Service Tariff No. 100 Demand Standby Rate Comparison (Current vs Proposed)

	CONTRACT DEMAND ($/kW per month)				AS USED DEMAND ($/kW per day)			
	Low Tension		High Tension		Low Tension		High Tension	
Service Classification	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
SC 68 TOD	0.782	1.499	0.736	1.412	0.296	0.567	0.278	0.534
SC 69 TOD	0.728	1.031	0.697	0.988	0.275	0.390	0.264	0.373
SC 91 TOD	0.745	1.160	0.702	1.093	0.282	0.439	0.266	0.413
SC 93 TOD	0.247	0.381	0.235	0.362	0.093	0.144	0.089	0.137
SC 98 TOD	0.605	1.104	0.579	1.058	0.229	0.417	0.219	0.400

Service Tariff No. 100 Energy Credit Standby Rate Comparison (Current vs Proposed)

	ENERGY CREDIT (¢/kWh)							
	SUMMER ON PEAK		SUMMER OFF PEAK		WINTER ON PEAK		WINTER OFF PEAK	
Tension	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
High Tension	5.886	5.988	3.948	4.014	5.180	5.725	3.975	4.359
Low Tension	5.594	5.692	3.752	3.815	4.924	5.441	3.778	4.143

2011 Amendment to and Extension of Service Agreement of Niagara Mohawk Power Corporation under Service Tariff No. 41 and ST No. 42

This 2011 Amendment to 1990 Hydropower Contract, dated this ___ day of __________, 2011 is made between Niagara Mohawk Power Corporation, d/b/a National Grid ("Company") and the Power Authority of the State of New York ("Authority").

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "Service Agreement under ST No. 41 and ST No. 42").

WHEREAS, Company and Authority have previously modified and extended the Service Agreement under ST No. 41 and ST No. 42, most recently by the "2010 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42" (the "2010 Amendment").

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 189 MW of Firm Hydroelectric Power and Energy allocated under Service Tariff No. 41 and terminated service under the Company's Service Agreement under ST No. 41 and ST No. 42 with respect to all 189 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the "Firm Power and Energy Withdrawal/Termination").

WHEREAS, Company and Authority agree to further modify and extend certain terms of the Company's Service Agreement under ST No. 41 and ST No. 42 as follows:

1) As a result of the Authority's Firm Power and Energy Withdrawal/Termination, the amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 is zero (0). The Firm Peaking Power allocation of 175 MW under Service Tariff No. 42 will remain unchanged.

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

> "The rates charged by the Authority under this Agreement shall be established In accordance with this Article.
>
> The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November 15, 2011, except as otherwise provided for below.
>
> Company waives any challenges to any of the following methodologies and principles used by the Authority to set future preference power rates, numbers (i) through (vii) as set forth in the "January 2003 Report on Hydroelectric Production

Rates" as modified by the April 2003 "Staff Analysis of Public Comments and Recommendations":

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

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

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

(iv) Allocation of Indirect Overheads.

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

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

(vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

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

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

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

> "Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for In the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions until December 31, 2012, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days' prior written notice to Company."

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

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

8) This amendment shall be referred to as the "2011 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42".

9) Continuation of service under this 2011 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law. If the Governor disapproves this 2011 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2011 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Section 1009, service will cease on the last day of the month following the month during which such timeframe expired.

Except as expressly provided in this 2011 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42, the Service Agreement under ST No. 41 and ST No. 42 shall remain unchanged and in full force and effect.

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

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

This 2011 Amendment to the Company's Service Agreement under ST No. 41 and ST No. 42 may be signed in any number of counterparts, each of which shall be an original, with the same effect as If the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2011 Amendment shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2011 Amendment shall take effect upon the expiration of the 2010 Amendment and continue on a month to month basis.

AGREED:

Niagara Mohawk Power Corporation, d/b/a National Grid

By: ____________________

Title: ____________________

Date: ____________________

Power Authority of the State of New York

By: ____________________

Title: ____________________

Date: ____________________

ACCEPTED:

By: ____________________

Michael J. Townsend
Chairman

Date: ____________________

2011 Amendment to 1990 Hydropower Contract

This 2011 Amendment to 1990 Hydropower Contract, dated this ___ day of __________, 2011 is made between New York State Electric and & Gas Corporation ("Company") and the Power Authority of the State of New York ("Authority").

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Hydropower Contract").

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

WHEREAS, Company and Authority have previously modified and extended the 1990 Hydropower Contract, most recently by the "2010 Amendment to 1990 Hydropower Contract" (the "2010 Amendment").

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 167 MW of Firm Hydroelectric Power and Energy allocated under Service Tariff No. 41 and terminated service under the 1990 Hydropower Contract with respect to all 167 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the "Firm Power and Energy Withdrawal/Termination").

WHEREAS, Company and Authority agree to further modify and extend certain terms of 1990 Hydropower Contract as follows:

1) As a result of the Authority's Firm Power and Energy Withdrawal/Termination, the amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 is zero (0). The Firm Peaking Power allocation of 150 MW under Service Tariff No. 42 will remain unchanged.

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

> "The rates charged by the Authority under this Agreement shall be established In accordance with this Article.
>
> The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November

15, 2011, except as otherwise provided for below.

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

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

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

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

(iv) Allocation of Indirect Overheads.

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

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

(vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

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

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

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

> “Service under this contract shall commence at 12:01 A.M. on January 1, 1990 and shall continue unless cancelled as provided for In the "Withdrawals of Power and/or Energy" or the "Cancellation or Reduction" provisions until December 31, 2012, subject to earlier termination by the Authority with respect to any or all of the quantities of power and energy provided hereunder on at least thirty (30) days’ prior written notice to Company.”

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

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

8) This amendment shall be referred to as the “2011 Amendment to the 1990 Hydropower Contract”.

9) Continuation of service under this 2011 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law. If the Governor disapproves this 2011 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2011 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Section 1009, service will cease on the last day of the

month following the month during which such timeframe expired.

Except as expressly provided in this 2011 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2011 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2011 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as If the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2011 Amendment to the 1990 Hydropower Contract shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2011 Amendment to the 1990 Hydropower Contract shall take effect upon the expiration of the 2010 Amendment and continue on a month to month basis.

AGREED:

New York State Electric & Gas Corporation

By:________________________________
Name: Joseph J. Syta
Title: Vice President, Controller and Treasurer

Date: _____________________

By:________________________________
Name: Mark S. Lynch
Title: President

Date: _____________________

Power Authority of the State of New York

By: _____________________

Title: _____________________

Date: _____________________

ACCEPTED:

By: ______________________

Michael J. Townsend
Chairman

Date: ______________________

2011 Amendment to 1990 Hydropower Contract

This 2011 Amendment to 1990 Hydropower Contract, dated this ___ day of __________, 2011 is made between Rochester Gas and Electric Corporation ("Company") and the Power Authority of the State of New York ("Authority").

WHEREAS, the Company and the Authority are parties to an agreement dated February 22, 1989 under which the Authority sells certain quantities of hydroelectric power and energy from Authority's Niagara and St. Lawrence Projects to Company for resale to its rural and residential consumers (the "1990 Hydropower Contract").

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

WHEREAS, Company and Authority have previously modified and extended the 1990 Hydropower Contract, most recently by the "2010 Amendment to 1990 Hydropower Contract" (the "2010 Amendment").

WHEREAS, by letter dated June 29, 2011, Authority withdrew all 99 MW of Firm Hydroelectric Power and Energy allocated under Service Tariff No. 41 and terminated service under the 1990 Hydropower Contract with respect to all 99 MW of Firm Hydroelectric Power and Energy, effective August 1, 2011, for use in the Recharge New York Power Program created pursuant to Chapter 60 (Part CC) of the Laws of 2011 (the "Firm Power and Energy Withdrawal/Termination").

WHEREAS, Company and Authority agree to further modify and extend certain terms of 1990 Hydropower Contract as follows:

1) As a result of the Authority's Firm Power and Energy Withdrawal/Termination, the amount of Firm Hydroelectric Power and Energy allocated to Company under Service Tariff No. 41 is zero (0). The Firm Peaking Power allocation of 35 MW under Service Tariff No. 42 will remain unchanged.

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

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

   The Authority shall charge and Company shall pay the preference power rates adopted by the Authority on November 15, 2011, as such rates may be revised from time to time. Company waives any and all objections, suits, appeals or other challenges to the preference power rates adopted by the Authority on November

15, 2011, except as otherwise provided for below.

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

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

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

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

(iv) Allocation of Indirect Overheads.

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

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

(vii) Rate Stabilization Reserve (RSR) methodology.

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

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

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

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

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

8) This amendment shall be referred to as the “2011 Amendment to the 1990 Hydropower Contract”.

9) Continuation of service under this 2011 Amendment to the 1990 Hydropower Contract shall be subject to ultimate approval by the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law. If the Governor disapproves this 2011 Amendment to the 1990 Hydropower Contract, service will cease on the last day of the month following the month during which the Governor disapproved this 2011 Amendment to the 1990 Hydropower Contract. If the Governor takes no action within the time frame provided for in Section 1009, service will cease on the last day of the

month following the month during which such timeframe expired.

Except as expressly provided in this 2011 Amendment to the 1990 Hydropower Contract, the 1990 Hydropower Contract as modified by the February 14, 2008 Letter Agreement shall remain unchanged and in full force and effect.

This 2011 Amendment to the 1990 Hydropower Contract shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts and to be performed in such state, without regard to conflict of laws principles.

This 2011 Amendment to the 1990 Hydropower Contract may be signed in any number of counterparts, each of which shall be an original, with the same effect as If the signature thereto and hereto were upon the same instrument.

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Public Authorities Law, and upon execution by the Chairman of the Authority, this 2011 Amendment to the 1990 Hydropower Contract shall come into full force and effect, provided however that pending such gubernatorial approval and execution this 2011 Amendment to the 1990 Hydropower Contract shall take effect upon the expiration of the 2010 Amendment and continue on a month to month basis.

AGREED:

Rochester Gas and Electric Corporation

By:________________________________
Name: Joseph J. Syta
Title: Vice President, Controller and Treasurer

Date: ____________________

By:________________________________
Name: Mark S. Lynch
Title: President

Date: ____________________

Power Authority of the State of New York

By: ____________________

Title: ____________________

Date: ____________________

ACCEPTED:

By: ____________________

Michael J. Townsend
Chairman

Date: ____________________

December 15, 2011
EXHIBIT "8-A"

NYPA DATA CENTER ENERGY EFFICIENCY PROGRAM IC CONTRACT
FEE SCHEDULE COMPARISON

	Lend Lease / ARUP	EATON	JOHNSON CONTROLS	PTS	RCMT	SOURCE ONE	LiRo/WENDEL	WILLDAN
Letter Report (LUMP SUM)	$16,000	$9,000	$15,000	$3,500	$4,000	$4,000	$3,500	$2,500
Facility Audit (LUMP SUM)								
0 to 10 thousand sqft	$31,000	$55,000	$55,000	$21,000	$30,000	$40,000	$25,000	$20,000
10 to 50 thousand sqft	$69,000	$85,000	$90,000	$44,000	$40,000	$60,000	$40,000	$25,000
Above 50 thousand sqft	$98,500	$115,000	$140,000	$65,000	$50,000	$80,000	$55,000	$30,000
Feasibility Study (LUMP SUM)								
0 to 10 thousand sqft	$55,000	$47,500	$135,000	$24,000	$50,000	$60,000	$30,000	$50,000
10 to 50 thousand sqft	$78,500	$70,000	$225,000	$48,000	$65,000	$80,000	$45,000	$57,000
Above 50 thousand sqft	$121,500	$97,500	$300,000	$72,000	$75,000	$100,000	$60,000	$65,000
Design & Construction Fee (% OF L&M COST)								
Below $1.5MM	50.00%	9.00%	52.00%	12.00%	20.00%	20.00%	18.00%	18.75%
$1.5MM to $5MM	29.00%	7.50%	50.00%	8.00%	18.00%	18.00%	17.00%	17.25%
$5MM to $10MM	28.00%	5.80%	48.00%	6.00%	16.00%	17.00%	16.00%	14.25%
Above $10MM	27.00%	5.10%	48.00%	5.00%	15.00%	16.00%	15.00%	13.50%
Construction Mgmt Only Fee (% OF L&M COST)								
Below $1.5MM	27.00%	33.00%	NO BID	12.00%	12.00%	15.00%	13.00%	10.25%
$1.5MM to $5MM	16.00%	34.00%	NO BID	10.00%	11.00%	13.00%	10.00%	9.50%
$5MM to $10MM	16.00%	34.00%	NO BID	8.00%	10.00%	12.00%	9.00%	8.75%
Above $10MM	16.00%	32.00%	NO BID	7.00%	9.00%	11.00%	8.00%	7.75%
Enviro Waste Mgmt Fee (% OF REMEDIATION COST)								
$0 to $50,000	16.00%	33.00%	NO BID	NO BID	15.00%	25.00%	15.00%	12.50%
$50,000 to $100,000	16.00%	32.00%	NO BID	NO BID	14.00%	22.00%	14.00%	11.75%
Over $100,000	16.00%	30.00%	NO BID	NO BID	13.00%	20.00%	13.00%	10.50%
Blended Rate (FIXED)*	$205	$195	$164	$140	$140	$170	$95	$163

* This is a levalized man-hour rate that tells us the balance of experience for the individuals assigned to the project. It will help us compare each bidder. If for some reason we require hourly services we will have this number as a reference.

December 15, 2011

Exhibit "8-B"

New York Power Authority
Energy Services Program

Proposal Evaluation Form Summary

Inquiry No: **Q-11-5086JB**

Contract: **IC for DCEE Projects**

Evaluator's Name:

Evaluator's Title:

Evaluator's Signature:

Date: **November 21, 2011**

The following grading system is to be used: (Weighted Grade Percent) 0 = Bad 1 = Poor 2 = Marginal 3 = Satisfactory 4 = Good 5 = Excellent		BID PROPOSAL GRADING											
		Lend Lease / ARUP		**JOHNSON CONTROLS**		**RCMT**		**SOURCE ONE**		**LiRo / WENDEL**		**WILLDAN**	
Criteria (See Note 1.)	Weight %	Grade	Ext	Grade	Ext	Grade	Ext	Grade	Ext	Grade	Ext	Grade	Ext
Capability	35%	4.5	1.575	4	1.4	5	1.75	4.375	1.53125	4	1.4	4.5	1.575
Price	25%	1.25	0.3125	0.25	0.0625	4	1	3.25	0.8125	4.75	1.1875	4.25	1.0625
Experience	25%	4.125	1.03125	3.75	0.9375	4.5	1.125	3.25	0.8125	4.25	1.0625	5	1.25
Quality of Work	15%	4	0.6	4.25	0.6375	4.25	0.6375	3.375	0.50625	4	0.6	4.75	0.7125
TOTALS	**100%**		**3.51875**		**3.0375**		**4.5125**		**3.6625**		**4.25**		**4.6**

Note(s):
1. Criteria are descriped on "Description" tab.

Richard M. Flynn Power Plant

• Located @ 607 Union Ave in Holtsville, New York. Roughly central Suffolk County. Neighbors with National Grid Holtsville Gas Turbines (~500 MW), LIPA Gas Storage Facility, and Northville Liquid Fuel Depot.

• Constructed approximately from 1992 – 1994.

• First Commercial Power in May, 1994.

• Powered by:
-Siemens V84.2 Gas Turbine Westinghouse/Mitsubishi Steam Turbine.
-Nooter Erickson Heat Recovery Steam Generator.
-Siemens T3000 Controls.

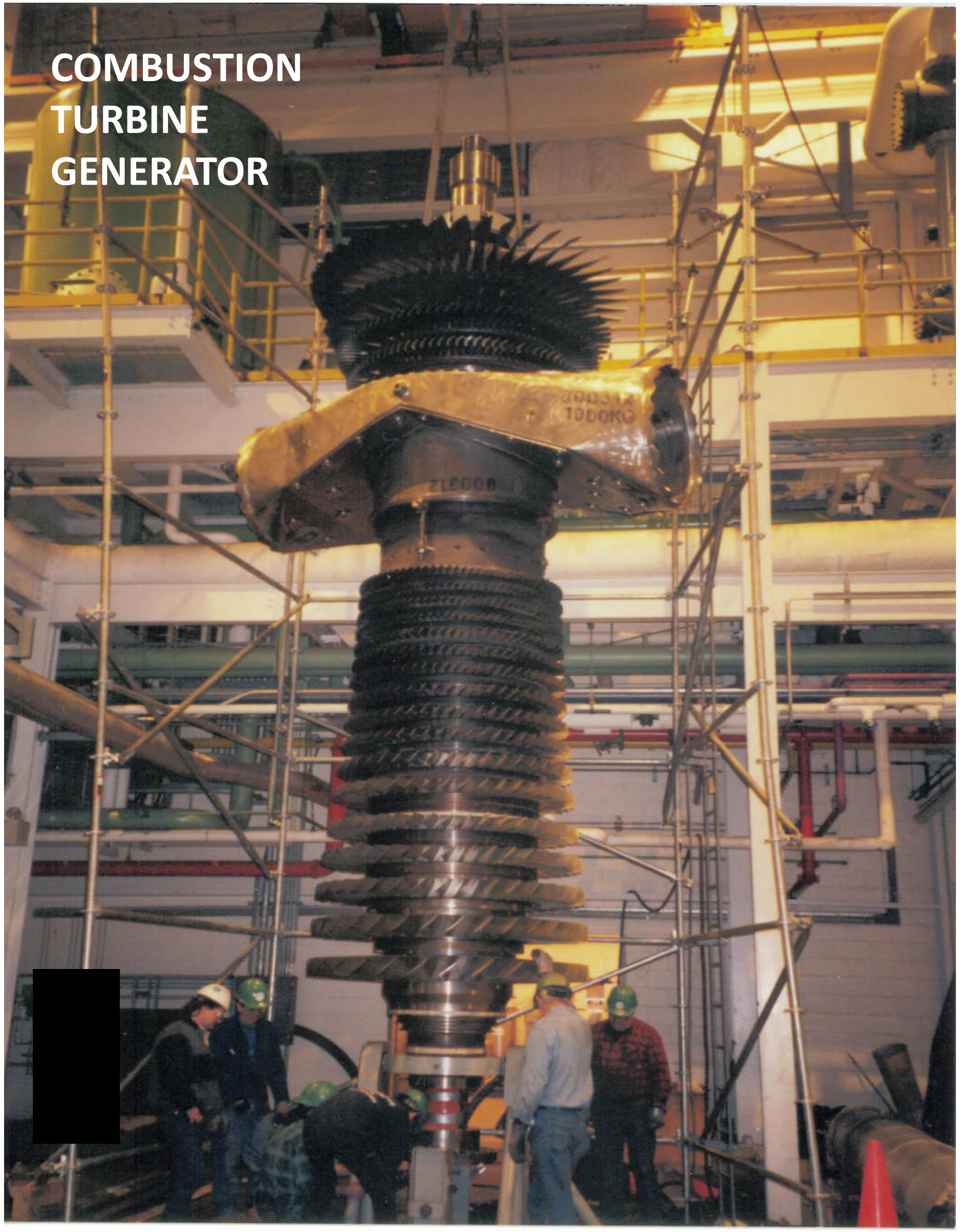
• NYPA has a capacity supply agreement with Long Island Power Authority.

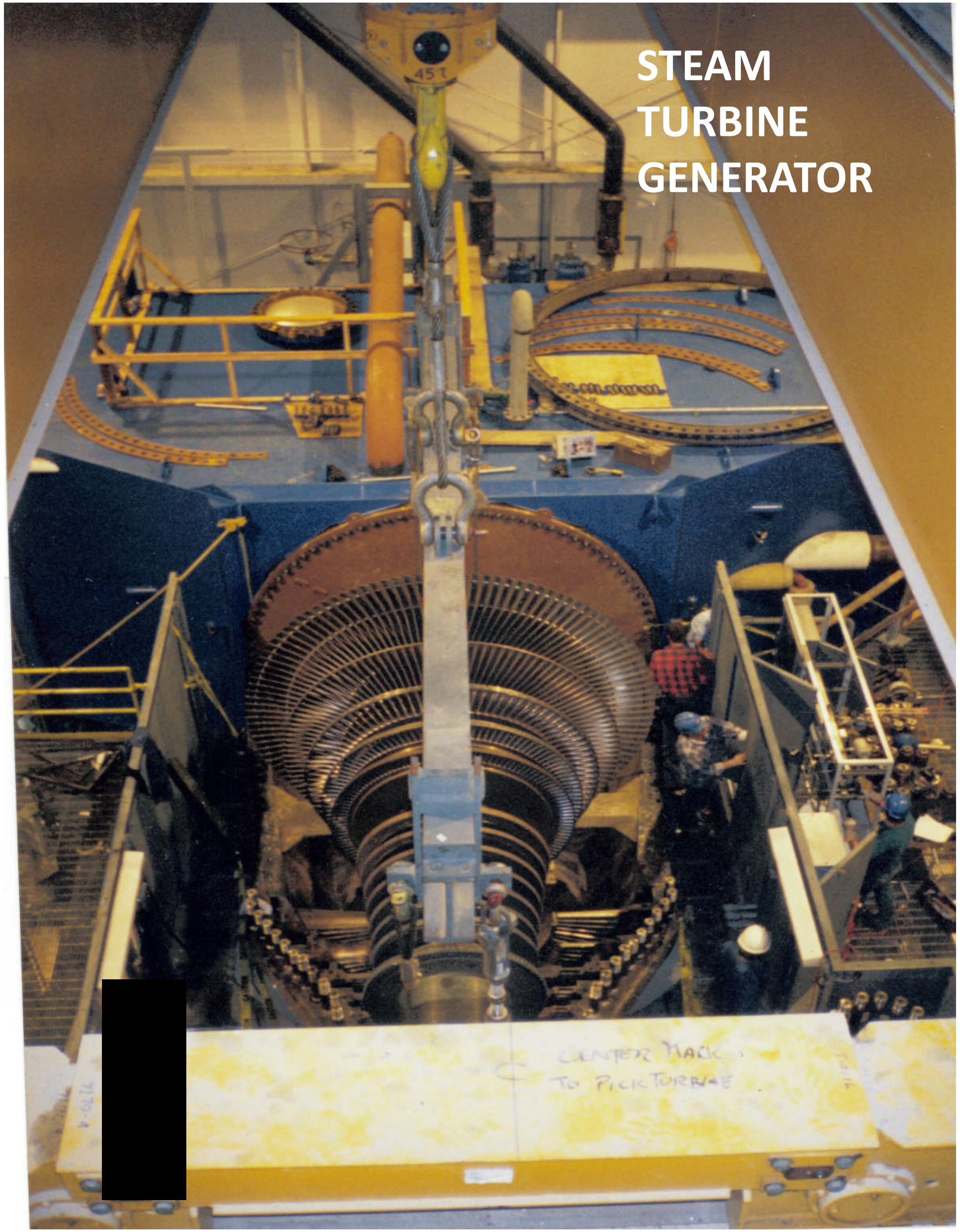
• Plant has dual fuel capability and can switch fuels while producing power.

• Northville Lease:
-23,600 bbl tank in Holtsville.
-97,561 bbl tank in Setauket.

• Scheduled Outage Cycle:
Major Outages occur once per 4 years based on Gas Turbine. Steam Turbine every 8 years.
Minor Outages (1-2 days), 3 to 4 times per year.

COMBUSTION TURBINE GENERATOR


COMBUSTION
TURBINE
GENERATOR


STEAM
TURBINE
GENERATOR
45 t
CENTER MARK
TO PICK TURBINE

AIR INLET DUCT REPAIRS

Flynn 2011 Major Outage Scope

- Combustion Turbine Generator
- Steam Turbine Generator Repairs
- Heat Recovery Steam Generator Repairs
- Air Inlet Duct Repairs
- Cooling Tower Repairs
- Cooling Tower Variable Speed Drives
- GSU Bushings (Transformers)
- Station Batteries 125 VDC
- Protective Relays (G.E. & Siemens)
- Gas Turbine Excitation and Starting System
- Gas Turbine Controls Upgrade (T3000 Platform)

Flynn 2011 Major Outage

(October 1 – November 28, 2011)

Prime Contractors

- Siemens (Gas Turbine, Steam Turbine, Controls)
- Fresh Meadow (HRSG Repairs, Air Inlet Duct Repairs)

NYPA Support to Flynn Staff

- Project Management – Steve Wilhelm, Andrea Luongo, Vincent Malvarosa
- Engineering – Gene Szpynda, Rob Musial, Bob Schwabe, Wai Ming Yee, Alex Echeverria, Duane Kobobel, Katie O'Toole
- Procurement – Pat Leto, Kevin King, Jennifer Travis
- Environmental – Angela Sabet
- Quality Assurance – Karl Jacobs, Brad Broder
- Fuel Scheduling – Rod Mullin, Maritza Salcedo, Lou Stanco


11.29.2011