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

July 26, 2011

Table of Contents

	Subject	Page No.	Exhibit
1.	Approval of the July 26, 2011 Meeting Agenda	3	
2.	**Consent Agenda:**	4	
	a. Minutes of the Regular Meeting held on June 28, 2011	5	
	b. Transmission System – Life Extension and Modernization Program – Contract Award	6	
	Resolution		
Discussion Agenda:			
3.	Q&A on Reports from:		
	a. President and Chief Executive Officer	9	"3a-A"
	b. Chief Operating Officer	11	"3b-A"
	c. Chief Financial Officer	12	"3c-A"
4.	Proposed Expansion Power Contracts – Notice of Public Hearing Resolution	13	"4-A"; "4-A-1" – "4-A-3"; "4-B-1" – "4-B-2"
5.	Annual Review of Hydropower Allocation Job Compliance Resolution	18	"5-A-1" – "5-A-3"
6.	Power for Jobs and Energy Cost Savings Benefits Programs Compliance Review Resolution	28	"6-A-1" – "6-A-2" "6-B-1" – "6-B-2"
7.	Increase in Hydroelectric Preference Power Rates – Notice of Proposed Rule Making and Reinstatement of Tariff Provisions for Preference and Industrial Power Rates Resolution	31	"7-A"
8.	Niagara Power Project – Lewiston Pump Generating Plant Life Extension and Modernization Program – Static Excitation Systems Procurement – Contract Award Resolution	38	
9.	Procurement (Services) Contract – EME Group, WSP Flack & Kurtz and Horizon Energy Services – Retro-Commissioning Resolution	40	

	Subject	Page No.	Exhibit
10.	Contract Award for Energy Efficient Window Replacement (Furnish/Deliver/Install) Project for NYC Health and Hospitals Corporation - Coney Island Hospital Resolution	44	
11.	Amended and Restated Ninth Supplemental Resolution Authorizing 2011 Revenue Bonds Resolution	47	"11-A-1" – "11-A-3"
12.	Amendments to the Authority's Governance Committee Charter Resolution	48	"12-A"
13.	Amendments to the Authority's By-laws Resolution	49	"13-A" & "13-B"
14.	Department Procedure Requiring Trustee Approval of Competitive Solicitations for Power Supply Products Resolution	50	"14-A"
15.	Motion to Conduct an Executive Session	51	
16.	Motion to Resume Meeting in Open Session	52	
17.	Election of Acting President and Chief Executive Officer Resolution	53	
18.	Request for Proposal for a Search for President and Chief Executive Officer Resolution	54	
19.	Next Meeting	55	
	Closing	56	

July 26, 2011

Minutes of the Regular Meeting of the Power Authority of the State of New York held via videoconference at the following participating locations at approximately 11:40 a.m.

1) New York Power Authority, 123 Main Street, White Plains, NY
2) New York Power Authority, St. Lawrence/FDR Power Project, Massena, NY

The Members of the Board present were:

Michael J. Townsend, Chairman
Jonathan F. Foster, Vice Chairman
D. Patrick Curley, Trustee
John S. Dyson, Trustee
R. Wayne LeChase, Trustee
Eugene L. Nicandri, Trustee
Mark O'Luck, Trustee

Richard M. Kessel	President and Chief Executive Officer
Gil C. Quiniones	Chief Operating Officer
Judith C. McCarthy	Acting General Counsel
Francine Evans	Executive Vice President, Chief Administrative Officer and Chief of Staff
Elizabeth McCarthy	Executive Vice President and Chief Financial Officer
Edward Welz	Executive Vice President and Chief Engineer – Power Supply
Jordan Brandeis	Senior Vice President – Power Resource Planning and Acquisition
Thomas Antenucci	Senior Vice President – Power Supply Support Services
Steve DeCarlo	Senior Vice President – Transmission
Thomas DeJesu	Senior Vice President – Public and Governmental Affairs
Paul Finnegan	Senior Vice President – Public, Governmental and Regulatory Affairs
James Pasquale	Senior Vice President – Marketing and Economic Development
Donald Russak	Senior Vice President – Corporate Planning and Finance
Joan Tursi	Senior Vice President – Corporate Support Services
Paul Belnick	Acting Senior Vice President – 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
John Kahabka	Vice President – Environmental, Health and Safety
Joseph Leary	Vice President – Community and Government Relations
Patricia Leto	Vice President – Procurement
Lesly Pardo	Vice President – Internal Audit
Christine Pritchard	Vice President – Media Relations and Corporate Communications
Frank Ryan	Vice President – Emergency Management
Scott Scholten	Vice President and Chief Risk Officer
John Suloway	Vice President – Project Development, Licensing and Compliance
Karen Delince	Corporate Secretary
Brian McElroy	Treasurer
Jill Anderson	Director – Supply Acquisition and Renew Energy
Jenny Liu	Director – Generation Resource Management – Energy Resource Management
Mike Lupo	Director – Marketing Analysis and Administration
Michael Saltzman	Director – Media Relations
Keith Hayes	Manager – Business Marketing and Economic Development
Christine Schmitt	Tolling Agreement Manager – Energy Resource Management
Rino Trovato	Program Manager – Energy Services
Timothy Sheehan	Special Counsel
Sarah Barish-Straus	Special Assistant – Project Development, President's Office
Lenny Catalino	Lead Account Executive – Business and Municipal Marketing

Lorna M. Johnson	Assistant Corporate Secretary
Sheila Baughman	Senior Secretary – Corporate Secretary's Office
Brian Wilkie	Legal Analyst
John V. Connorton, Jr.	Hawkins Delafield & Wood LLP
Tony Modafferi	Executive Director – MEUA
Kevin Brocks	Partner – Read and Laniado, LLP
Richard E. Skiera	Managing Director – Topstone Capital Advisors, Inc.
Scott Fairclough	Managing Director – Topstone Capital Advisors, Inc.

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

Introduction

Chairman Michael Townsend welcomed the Trustees and staff to the meeting. He also welcomed Mr. Kevin Brocks, Partner at Read and Laniado, LLP and Mr. Tony Modafferi, Executive Director of MEUA, to the meeting.

1. Approval of the July 26, 2011 Meeting Agenda

On motion made and seconded the Agenda for the Meeting was approved.

2. <u>Consent Agenda</u>

Chairman Townsend said the Economic Development Power Allocation Board had recommended that the Authority's Trustees approve item 6 (Power for Jobs and Energy Cost Savings Benefits Programs Compliance Review) at their meeting held on July 25, 2011.

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

The Minutes of the Regular Meeting held on June 28, 2011were unanimously adopted.

b. Transmission System – Life Extension and Modernization Program – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a contract to Quanta Technology ('Quanta') of Raleigh, NC, in the amount of $1,279,800 to perform a condition assessment of the Authority's existing Transmission System assets.

BACKGROUND

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

"The Authority's Transmission System assets are reaching their end-of-design life and are in need of upgrades to comply with regulatory requirements and to maintain reliability. A series of conditions within the Authority's Transmission System outline the need to develop an overall program for performing an assessment in accordance with items listed in the Power Supply Long Range Work Plan.

The Authority sought to procure the services of an Engineering Consultant to:

1. Assess the overall condition of its transmission equipment and assets;
2. Provide recommendations for upgrade or replacement, as necessary, taking into account industry practices;
3. Prioritize work and develop schedule for implementation;
4. Develop cost estimates for addressing each task.

"The results of the assessment will allow the Authority to prioritize future work to ensure the continued reliability of its Transmission System. This prioritization will provide the Authority with added information to better utilize its financial and personnel resources.

DISCUSSION

"The Authority issued an advertisement to procure bids in the New York State *Contract Reporter* and bid packages were available as of May 2, 2011. The bid documents were downloaded by 107 potential bidders and 9 potential bidders participated in a site visit on May 13, 2011.

"The following proposals were received on June 2, 2011:

Bidder	Location	Base Bid	Final Bid
Quanta Technology	Raleigh, NC	$1,374,816	$1,279,800
Hatch	Amherst, NY	$1,306,500	$1,423,400
TRC Engineers	Liverpool, NY	$1,582,103	$1,582,103
Mott MacDonald	Westwood, MA	$1,925,189	$1,925,189
Vanderweil	Boston, MA	$4,140,712	$4,140,712
Shaw	New York, NY	$4,268,345	$4,268,345

"Following a review of the proposals, the Authority recommends an award to the lowest-priced and technically qualified bidder, Quanta.

"Quanta will focus on the evaluation of the following projects:

- CEC Switchyard Life Extension & Modernization
- Massena Switchyard Life Extension & Modernization
- Niagara Switchyard Life Extension & Modernization
- Corten Structure Member Reinforcement
- PV20 Line Assessment, Replacement and Upgrade
- Tower Painting - Complete System Painting

"These projects have been determined to require a large financial investment to provide anticipated maintenance. Quanta will be responsible for performing risk of failure assessment and providing the Authority with interim and final reports detailing the areas to be addressed immediately within the next three years; short-term, within the next three to five years; and long-term, within the next five to ten years.

"The scope of work will include field inspections and extensive reviews of maintenance records and studies. The work will be coordinated by Project Management and Transmission staff. As part of the deliverable, the consultant will provide preliminary schedules and cost estimates for implementing its recommendations.

"Recommendations received from Quanta will be reviewed by the Authority and budgeted accordingly in future fiscal years.

"In 2010, the Authority issued a similar Request for Proposal ('RFP') and awarded a contract to Quanta. Quanta was engaged with the Authority until the end of 2010, at which point funding constraints necessitated the need to postpone the project activities.

FISCAL INFORMATION

"Payments will be made from the Authority's Operating Fund.

RECOMMENDATION

"The Executive Vice President and Chief Engineer – Power Supply, the Senior Vice President – Power Supply Support Services, the Senior Vice President – Transmission, the Vice President – Project Management and the Vice President – Procurement recommend that the Trustees authorize the amount of $1,279,800 for the award of a contract to Quanta Technology to perform a condition assessment of the Authority's Transmission System.

"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 President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Quanta Technology of Raleigh, NC, in the amount of $1,279,800, to perform a condition assessment of the Authority's Transmission System, as recommended in the foregoing report of the President and Chief Executive Officer, as listed below:

Contractor	**Contract Approval**
Quanta Technology **Raleigh, NC**	**$1,279,800**

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

3. a. <u>Report of the President and Chief Executive Officer</u>

President Kessel said that he was resigning as the Authority's President and Chief Executive Officer. He said that he had mixed feelings about his decision and that it was a pleasure to work with the Board members with whom he had a great relationship. He also enjoyed working with the Executive Management team, Authority staff and union leaders. He said that one of his mandates when he came on board was to visit all of the Authority's facilities and he has done that. President Kessel then highlighted some of his accomplishments since his appointment, which include the following:

1. ***The Hudson Transmission Project, a major asset for the Authority;***
2. ***Saving ALCOA from closing its facility in Massena, New York;***
3. ***Lowering of electric bills for businesses in Western New York;***
4. ***Revitalizing Western New York, including the Erie Harbor Waterfront;***
5. ***Negotiating with Yahoo! for its facility in Western New York;***
6. ***Working with local officials and successfully negotiating expansion and replacement power contracts;***
7. ***Setting records with energy efficiency projects in downstate New York.***

President Kessel said that when he came on board, the officials at upstate New York were skeptical about his appointment; however, during his tenure he has worked hard to turn that around through visits to the regions and meetings with local businesses and officials. He said that the Authority needed to focus on the needs of upstate New York, especially the North Country and Western New York, as they face real economic challenges and need the help of the Authority.

President Kessel ended by saying that it was a pleasure working for Governor Paterson who recommended him for the position and Governor Cuomo on the Recharge New York Program. He also said that he appreciated all of the staff's support and cooperation and for the friendships that will be with him for a long time to come.

Chairman Townsend said that it was with deep regret that he received President Kessel's resignation. He said that he appreciated President Kessel's efforts on behalf of the Authority during his tenure. President Kessel has energized the staff and has worked very hard to revitalize the economy of upstate New York. He ended by saying that he has utmost respect for him and will miss him.

Trustee John Dyson said that he endorsed Chairman Townsend's remarks and added that the Authority owe a debt of gratitude to President Kessel for the work he has done on behalf of the Authority.

Chairman Townsend added that, after conferring with the Trustees, Mr. Gil Quiniones will act as President and Chief Executive Officer on an interim basis, effective September 6, 2011 and that a professional search firm will be engaged for the search of a new President and Chief Executive Officer. He then asked Ms. Judith McCarthy to formulate motions for formal trustee approval at the end of the meeting.

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

Mr. Gil Quiniones echoed the remarks made to President Kessel and thanked him for the work he has done on behalf of the Authority. He then provided highlights of the report to the Trustees. He said that the Authority's net generation and its transmission availability has increased; the audit related to the North American Electric Reliability Corporation's ("NERC") requirements continues to go well and the Life Extension and Modernization ("LEM") of the Authority's hydroelectric assets are also going well – the LEM of Unit 24 at the St. Lawrence project has been completed and the work on Unit 19 has been deferred. He ended by saying that the Authority's business assets are doing well.

c. Report of the Chief Financial Officer

Ms. Elizabeth McCarthy provided highlights of the financial report to the Trustees. She said that the Authority's financial condition remains very strong. For the period ended June 30, 2011, Net Income was $72 million, which is $7.8 million higher than budgeted. To date, O&M expenses were lower than budgeted; however, it is expected that it will correct itself over time. Other operating expenses were higher than budgeted due to the unbudgeted voluntary contributions to the state and as a result of the extension of the Power for Jobs program. For the year 2011, Net Income is estimated to be approximately $200 million. She continued that, at the end of the reporting period, the Authority had $1.117 billion in cash and liquidity, an increase of $48 million from the beginning of the year, which has been invested in a variety of instruments with a variety of maturities. The T&D and Power Supply capital programs are approximately $30 million behind budget while capital expenditures for Energy Efficiency programs are about $13 million over budget. As of June 30, 2011, the Authority's debt is $1.87 billion, which is down $55 million from the beginning of the year.

In response to a question from Trustee Nicandri, Ms. McCarthy said that, year- to-date, Net Income is approximately $8 million over budget and that at the end of the year it is expected to be approximately $20 million over budget. In response to further question from Trustee Nicandri, Ms. McCarthy said that, if needed, staff will ask for the Board's approval to adjust the O&M budget at the September Trustees' meeting. Trustee Dyson added that, as an addition to the remarks by Trustee Nicandri, the Authority needs to maintain its facilities in top condition and it should not allow artificial ceilings on its budget to delay maintenance of its facilities.

4. Proposed Expansion Power Contracts – Notice of Public Hearing

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve allocations of 3,000 kW, 300 kW and 200 kW of Expansion Power ('EP'), respectively, to M&T Bank Corporation ('M&T'), Moog, Inc. ('Moog') and Try-It Distributing Co., Inc. ('Try-It'). The Trustees are also requested to authorize a public hearing pursuant to §1009 of the Public Authorities Law ('PAL') on the proposed contracts ('Contracts') for the allocations to Moog and Try-It.

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 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.

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

"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, 11,425 kW of unallocated EP and 23,818 kW of RP are available to be awarded to businesses under the criteria set forth in PAL Section 1005(13)(a). Staff recommends EP allocations totaling 3,500 kW be awarded to the companies set forth in Exhibit '4-A.' The exhibit shows, among other things, the amount of power requested by the applicants, the recommended allocation amounts, and the commitment to job creation and capital investment to be made by these companies. Additional information on each project is contained in the application summaries attached as Exhibits '4-A-1' through '4-A-3,'as well as in the individual expansion project descriptions below.

M&T Bank Corporation

"M&T is a financial holding company headquartered in Buffalo with over 4,900 employees in Western New York. The company competes nationally and internationally with banking and financial services companies including foreign and out-of-state financial institutions. M&T is proposing to purchase and upgrade a vacant data center in Amherst, New York, to serve as its existing and future primary data center needs. The upgraded facility would more than double the current data processing capability, supporting M&T business operations and product lines in all the states and foreign countries where the company does business. The expanded capacity would support the growth of the business, enabling the company to add 124 jobs in Western New York.

"The project would require significant electrical and mechanical infrastructure upgrades of the existing 59,000-square-foot facility, along with other physical plant improvements. M&T would relocate its current primary data center operations, also in Amherst, to the new facility, with the former data center remaining a major operations center for the bank, housing offices, back-office production functions and potential other uses. Additionally, one of the bank's data centers, currently located in Wilmington, Delaware, would be relocated to the new Amherst facility. The company is in the process of applying for tax incentives from the Amherst IDA.

"M&T has requested an allocation of 3,500 kW to support the anticipated electric demand of the proposed project. The company would commit to the creation of 124 new jobs, adding roughly $7.2 million to its annual payroll. The job growth would be associated across a multitude of areas of the business including securities and insurance products, risk management, administration and back-office functions. M&T's job ratio of 41.3 new jobs per megawatt ('MW'), based on a recommended allocation amount of 3,000 kW, is well above the recent historic average of 15.1 new jobs per MW for hydropower allocations approved by the Trustees since January 2009.

"The capital investment for this project includes $13.625 million, comprised of approximately $7.1 million for infrastructure upgrades, $4 million for cooling equipment upgrades and the remaining $2.475 million for uninterruptable power supply ('UPS') equipment. The project also includes a $38 million investment in new computer equipment (data servers, routers, storage devices and related hardware and software) over five years. The capital investment ratio for this project is $17.2 million per MW, which is below the recent two-year historical average of $23.0 million per MW for hydropower allocations approved by the Trustees since January 2009.

"While M&T has placed the majority of its core operations in the Buffalo area, and prefers to grow its primary data center operations in Western New York, it has been presented with options in Maryland, Virginia and Delaware, where the company also has business operations. Since electricity cost is a significant portion of the operating cost of any data center, an allocation of hydropower is critical to the decision to move forward with this project. A hydropower allocation would help offset the large up-front investment and help make this site a viable expansion solution. Staff recommends an allocation of 3,000 kW be awarded to M&T in return for an investment of $51.6 million and the creation of 124 new jobs in Western New York.

Moog Inc.

"Moog is a publically traded international company that is headquartered in Western New York. The company is a designer and manufacturer of precision motion controls for aerospace, defense, industrial and medical markets. The applicant has four existing allocations totaling 5,450 kW, serving roughly half of the company's East Aurora campus' electrical load. Its highest existing job commitment is 2,446 jobs and the allocations are all compliant.

"Moog submitted an application for hydropower, requesting 300 kW to serve a proposed new headquarters facility on its existing property. Moog would make a capital investment of $13.0 million to build and equip the two-story, 68,000-square-foot corporate-shared services building. The new building plan would enable various administrative functions across the campus to be relocated into one facility, freeing up space needed by manufacturing/operating business units. Gains in operational efficiency due to the project would support growth in the business.

"As a result of this project, the company would commit to creating 70 new jobs, adding over $6 million to its annual payroll. The job creation ratio is 233 new jobs per MW. This ratio is well above the recent historic

average of 15.1 new jobs per MW. The investment of $13 million for the project results in a capital investment ratio of $43.3 million per MW for a 300 kW allocation. This ratio is above the recent historic average of $23.0 million per MW.

"An allocation of hydropower would support Moog's commitment to Western New York. The company's plans will further solidify the nearly 2,500 existing high quality jobs and enable the creation of an additional 70 jobs. Staff recommends an allocation of 300 kW be awarded to Moog in return for an investment of $13.0 million and creation of 70 jobs at its facility.

Try-It Distributing Co., Inc.

"Try-It Distributing, founded in 1928 in Lackawanna, New York, is a family-owned wholesaler of beer and non-alcoholic beverages. The company has grown from 100 employees in the 1990's to over 240 at its Lancaster office and warehouse facility. To accommodate business growth and to attract new brands for distribution, the company needs to expand its warehouse operations. Try-It plans to invest $14 million to build an addition to its existing facility of over 100,000 square feet. A majority of the new facility will be warehousing and requires climate control equipment able to meet exacting standards of beverage product manufacturers.

"This expansion project would enable Try-It to create 23 new jobs above its current employment of 242. The jobs ratio for a recommended 200 kW allocation is 115 new jobs per MW, which is well above the recent historic average of 15.1 new jobs per MW. The investment of $14.0 million results in a capital investment ratio of $28.0 million per MW which is above the two-year historic average of $23.0 million per MW for hydropower allocations approved since January 2009.

"The Lancaster IDA is supporting this project with tax abatement incentives. Additionally, Try-It is working with NYSERDA on energy-efficient, new construction measures, as well as pursuing certain aspects of LEED certification applicable to warehousing facilities.

"The wholesale beverage industry is in consolidation mode with smaller, family-owned businesses not being able to keep up with demanding beverage producers and the scale of competition. The project would enable Try-It to increase operational efficiencies, add sales volume, reduce costs and acquire more brands for distribution. An allocation of hydropower is an important factor in Try-It's decision to expand operations because in its volume driven industry, operating costs are directly tied to sales, which, in turn, drives employment growth. Staff recommends an allocation of 200 kW be awarded to Try-It in return for a $14.0 investment and the creation of 23 new jobs.

Proposed Contracts

"The proposed Contracts for Moog and Try-It follow the standard commercial terms offered to EP and RP customers. The Authority will directly sell firm electric service from the Niagara plant, consisting of firm power (capacity) and energy service. Power service is subject to pro-rata curtailment when there is insufficient generation at the Niagara and St. Lawrence/FDR facilities. Delivery will be provided and billed directly to the Customers by the local utility, New York State Electric and Gas ('NYSEG'). Arrangements for the delivery will be agreed to by the Authority, the Customers and NYSEG prior to any delivery under the proposed Contracts. The Authority will continue to act as the Load Serving Entity and will bill the Customers for all ISO charges as it currently does for both direct sale and sale-for-resale billing procedures.

"Regarding compliance requirements of the Contracts, the allocation amount will be subject to an enforceable employment commitment of 2,567 jobs in the case of Moog and 265 jobs in the case of Try-It. The Contracts include annual job reporting requirements and a standard job compliance threshold of 90%. Should the Customer's actual jobs reported fall below the compliance threshold, the Authority has the right to reduce the allocation on a pro-rata basis. The rates, terms and conditions for the sale are contained in service tariffs applicable to all EP/RP allocations. Specifically, Service Tariffs EP-1 (EP) and NP-F1 (RP) are effective through June 30, 2013. Thereafter, Service Tariff No. WNY-1 is effective from July 1, 2013 until the expiration of the Customers' Contracts for both EP and RP service. The proposed Contracts are attached as Exhibits '4-B-1' and '4-B-2.'

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of hydropower, totaling 3,500 kW, to M&T Bank Corporation, Moog Inc., and Try-It Distributing, as detailed in Exhibit '4-A.' The Trustees are also requested to authorize a public hearing on the terms of the proposed Contracts for Moog and Try-It's allocations, attached as Exhibits '4-B-1' and '4-B-2,' on a date to be determined, at the Niagara Power Project's Power Vista Visitors' Center. It is further recommended that, pursuant to §1009 of the Public Authorities Law, the Corporate Secretary be authorized to transmit copies of the proposed contract to the Governor and legislative leaders and to arrange for the publication of a notice of public hearing in six newspapers throughout the State in accordance with the Public Authorities Law.

"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. James Pasquale presented highlights of staff's recommendation to the trustees. Chairman Townsend and Trustee Curley recused themselves from voting on this item.

The following resolution, as submitted by the President and Chief Executive Officer, was adopted by a vote of 5 to 2, with Chairman Townsend and Trustee Curley recusing themselves.

> **RESOLVED, That the allocation of 3,500 kW of Expansion Power to M&T Bank Corporation, Moog Inc. and Try-It Distributing Co., Inc., as detailed in Exhibit "4-A" be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it**
>
> **RESOLVED, That the Trustees hereby authorize a public hearing on the terms of the proposed contracts for the sale of Expansion Power to Moog Inc. and Try-It Distributing Co., Inc., to be held at the Niagara Power Project's Power Vista Visitors' Center; and be it further**
>
> **RESOLVED, That the Corporate Secretary be, and hereby is, authorized to transmit copies of the proposed contract to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee pursuant to §1009 of the Public Authorities Law; and be it further**
>
> **RESOLVED, That the Corporate Secretary be, and hereby is, authorized to arrange for the publication of a notice of public hearing in six newspapers throughout the State, all done in accordance with the provisions of §1009 of the Public Authorities Law; and be it further**
>
> **RESOLVED, That the Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized, subject to the approval of the form thereof by the Acting General Counsel, to enter into such agreements, and to do such other things, as may be necessary or desirable to implement the Contracts as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

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

5. Annual Review of Hydropower Allocation Job Compliance

The President and Chief Executive Officer submitted the following report:

SUMMARY

"Staff conducted the annual review of hydropower allocation job compliance covering the reporting period from January through December 2010. The Trustees are requested to take no action regarding 27 customers holding 36 allocations that were not meeting job commitments, as described in Section I, and as set forth in Exhibit '5-A-2.' The Trustees are also requested to approve reductions to allocations for three companies as described in Section II, and as set forth in Exhibit '5-A-3.'

BACKGROUND

"Each year staff performs a review of all in-service hydropower allocation contracts for compliance with agreed-upon job commitment levels. The contracts contain a customer commitment to retain and add a specific number of jobs. For compliance evaluation, customers are required, by contract, to report the monthly employment numbers for calendar year 2010 by March 1, 2011.

"If the reported twelve-month average employment level is below the compliance threshold of 90% of the job commitment (or below 80% of the 2-year average for 'vintage' customers, i.e., those having allocations prior to 1988), the Authority may reduce that customer's power allocation proportionately.

DISCUSSION

"In 2010, the Authority had 123 hydropower customers holding 217 Replacement Power ('RP'), Expansion Power ('EP') and Preservation Power ('PP') allocation contracts. Of these, a total of 104 customers held 189 contracts that required the customers to report job levels for 2010. The 189 contracts and allocation commitments reviewed by staff represent total power allocations of 1,048 MW and total employment commitments of 30,274 jobs. In the aggregate, these customers reported actual employment of 32,114 jobs. This represents 106% of the total job commitment for hydropower customers reporting in 2010.

"For the year 2010, a total of 137 of the 189 contracts reviewed were found to be compliant. These compliant contracts are held by 73 companies. Additionally, there are 11 companies with 12 contracts that, although reporting employment below their total commitment, contractually have more time to attain the commitment levels. These companies, included for information purposes, have newer allocations that are still within the time-frame allowed per contract to create the new jobs committed to when the allocations were awarded. These twelve contracts, together with the 137 compliant contracts, comprise 79% of the allocations reviewed and are listed in Exhibit '5-A-1.'

"Nevertheless, about 21% of the allocations reviewed were not meeting job commitments. Specifically, 30 customers with 40 contracts reported actual 2010 job levels below the compliance threshold. The main cause of this under-performance, as described by nearly every customer, was the continued effects of the economic downturn which began in 2008. During 2010, many customers were again faced with the difficulty of meeting their job commitments while trying to cope with the lasting effects of the 2008 – 2009 global financial crisis and national recession. Although some industries and companies experienced improving conditions in 2010, the businesses that did not meet job commitment levels cited continued challenges, including the loss of business stemming from decreased sales and demand, as well as, in some cases, increased costs for raw materials, labor and regulatory requirements. As the economy has struggled to grow, as evidenced by the persistently high national unemployment rate, so have non-compliant customers struggled to increase employment, as detailed in Section I and II and listed in Exhibit '5-A-2' and '5-A-3.'

"Staff recommends the Trustees take no action regarding 27 non-compliant customers holding 36 allocations, as described in Section I and as set forth in Exhibit '5-A-2.' Staff also recommends that the Trustees approve reductions to allocations as described in Section II and set forth in Exhibit '5-A-3.'

Section I
Non-Compliant Allocations to Continue with No Change

Buffalo Newspress Inc., Buffalo, Erie County
Allocation: 200 kW of EP
Jobs Commitment: 149 jobs

Background: Buffalo Newspress Inc. ('Buffalo Newspress'), founded in 1979, prints advertising inserts, brochures and weekly newspapers. Although an award-winning company, it operates in a declining industry. For the past year, Buffalo Newspress averaged 113.1 jobs, which is 75.9% of its contractual commitment and down 5 jobs from the previous year's average. During the 2008-2009 recession, the company experienced a drop in business of nearly 30% which resulted in significant layoffs. During 2010, Buffalo Newspress saw improved sales volume as business stabilized and began to turn around, however, not yet to the degree to increase hiring.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

C & S Wholesale Grocers, Inc., Lancaster, Erie County
Allocation: 550 kW of EP
Jobs Commitment: 682 jobs

Background: C & S Wholesale Grocers, Inc. ('CSWG') provides warehousing and distribution services to supermarket chains, independent grocers and military facilities across the nation. In 2010, CSWG averaged 583.8 jobs, or 85.6% of its contractual commitment. The company is below its job commitment due to the continued effects of, and slow recovery from, the recession which had a significant impact on employment levels in 2009. CSWG's 2010 average was 57 jobs higher than the previous year's average. It is important to note that the Board approved a reduction to CSWG's job commitment to 560 jobs for the extended term (2013 – 2020) during last year's WNY contract extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

CertainTeed, Buffalo, Erie County
Allocation: 3,100 kW of EP
Jobs Commitment: 157 jobs

Background: CertainTeed Corporation ('CertainTeed'), a wholly-owned subsidiary of the Saint–Gobain company, is a vinyl fence, deck and railing manufacturer. In 2010, CertainTeed averaged 120.3 jobs, or 76.6% of its contractual commitment. The company was directly impacted by the challenging economic conditions of the building industry, experiencing a significant reduction in demand for its products over the last several years. The company continues investing in research and development and capital equipment at its Buffalo facility and expects to increase employment as sales volume increases. It is important to note that the Board approved a reduction to CertainTeed's job commitment to 113 jobs for the extended term (2013 – 2020) during last year's WNY contract extension initiative.

Recommendation: Staff recommends that the Trustees take no action at this time.

Coyne Textile Services, Buffalo, Erie County
Allocation: 350 kW of EP
Jobs Commitment: 93 jobs

Background: Coyne Textile Services, ('CTS') is a family-owned business that provides textiles rental products (work uniforms, shop floor mats, etc.) and laundering services. For the past year, CTS averaged 40.5 jobs, or 43.5% of its contractual commitment. This is a slight decrease from the previous year. CTS was unable to increase its headcount last year citing the difficult economy and decline in its customer base. The company recently implemented a growth plan, certifying workers at its Buffalo location, to be more attractive to food-based customers

from restaurant, chain store and food processing plants. It is important to note also that the Board approved a reduction to CTS's job commitment to 52 jobs for the extended term (2013 – 2020) during last year's WNY contact extension initiative.

Recommendation: Staff recommends that the Trustees take no action at this time.

E.I. DuPont de Nemours & Co., Niagara Falls, Niagara County
Allocation: 3,000 kW of RP
Jobs Commitment: 260 jobs

Background: E.I. DuPont de Nemours & Co. ('DuPont') is a manufacturer of chemicals for the intermediate chemicals markets. For the past year, DuPont averaged 202.4 jobs, i.e., 77.8% of its contractual commitment. DuPont has two other allocations at this location exceeding compliance levels at 88% for a vintage allocation and another at 114.3%. In spite of the economic downturn, DuPont started to see improvements in 2010. The company increased its headcount by 27 jobs, from January to December's monthly average, and hired 9 more employees during the first quarter of 2011. It is important to note that the Board approved a reduction to DuPont's job commitment to 195 jobs for the extended term (2013 – 2020) during last year's WNY contract extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Ford Motor Company, Buffalo, Erie County
Allocations: 4,300 kW and 2,900 kW of EP
Jobs Commitments: 950 jobs

Background: Ford Motor Company ('Ford') opened its Buffalo Stamping Plant in 1950, where it manufactures doors, floor pans, quarter panels and some inner-body components. The components then go to other Ford assembly plants and distributions center throughout the U.S. and Canada. In 2010, Ford averaged 840.0 jobs, or 88.4% of its contractual commitment. The automotive industry has undergone a dramatic transformation over the past several years. The downturn in the economy has forced significant changes in the way Ford does business, which has adversely affected employment levels.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Global Abrasive Products, Inc., Lockport, Niagara County
Allocations: 150 kW of EP
Jobs Commitments: 45 jobs

Background: Global Abrasive offers a complete selection of abrasive products for metal and woodworking applications. For the past year, Global Abrasive averaged 39.7 jobs, i.e., 88.2% of its contractual commitment. The continued weakness in the overall economy is the primary factor influencing the company's employment levels. Global Abrasive's business had dropped 30% to 40% in 2009, and only came back 13% in 2010. The company expects to be able to meet its job commitment level in 2011.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Goodyear Dunlop Tires North American Ltd., Tonawanda, Erie County
Allocation: 800 kW & 850 kW of RP and 6,000 kW of EP
Jobs Commitment: 1449 jobs, 1422 jobs & 1412 respectively

Background: Goodyear Dunlop Tire Company N.A. ('Goodyear Dunlop') manufactures tires for automobiles, motorcycles and all-terrain vehicles at its Tonawanda facilities. For the past year, Goodyear averaged 1237.8 jobs, or 85.4%, 87.0% and 87.7% of its contractual commitments, respectively. The company is above commitment levels associated with its two vintage RP allocations (4,191 kW and 250 kW) and it is trending up with an increase of 53 jobs. It is important to note that the Board approved a reduction to Goodyear Dunlop's job commitment to 1,239 jobs for the extended term (2013 – 2020) during last year's WNY contract extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Greatbatch, Inc, Clarence/Alden, Erie County
Allocation: 1,500 kW of EP
Jobs Commitment: 368 jobs

Background: Greatbatch is a leading developer and manufacturer of battery and precision engineered components used in medical devices as well as for commercial applications. For the past year, Greatbatch averaged 316.9 jobs, i.e., 86.1% of its contractual commitment. Although the economic climate continued to be challenging during 2010, the company was able to increase employment by 5%, or about 15 jobs, through gains in new product growth. It is important to note that the Board approved a reduction to Greatbatch's job commitment to 333 jobs for the extended term (2013 – 2020) during last year's WNY contact extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Honeywell International, Buffalo, Erie County
Allocation: 300 kW of RP
Jobs Commitment: 168 jobs

Background: Honeywell International ('Honeywell'), a technology research and manufacturing conglomerate, develops and produces atmospherically safe fluorocarbons at its Buffalo facility. For the past year, Honeywell averaged 150 jobs, i.e., 89.3% of its contractual commitment. Honeywell is still very committed to its Buffalo facility, as seen by the increase in staffing levels as 2010 progressed. During the last quarter 2010, the company averaged 161 jobs and continues to trend up in 2011.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Ingram Micro Corporation, Williamsville, Erie County
Allocation: 900 kW of EP
Jobs Commitment: 1,525 jobs

Background: Ingram Micro Corporation ('Ingram') is a leading wholesale distributor of microcomputer products worldwide, including hardware, software and networking equipment. For the past year, Ingram averaged 1,223.3 jobs, i.e., 80.2% of its job commitment. Ingram reported that its business rebounded sharply and it was able to add 46 jobs in 2010. The company anticipates employment will continue to trend upward into 2011. Ingram continued to invest in its state-of-the-art facility to remain competitive. It is important to note also that the Board approved a reduction to Ingram's job commitment to 1,293 jobs for the extended term (2013 – 2020) during last year's WNY contact extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

International Imaging Materials, Inc., Amherst, Erie County
Allocations: 1,000 kW of EP and 250 kW of RP
Jobs Commitments: 499 jobs and 393 jobs, respectively

Background: International Imaging Materials, Inc. ('International Imaging'), in business since mid-1980, manufactures thermal transfer ribbons. For the past year, International Imaging averaged 325.9 jobs, i.e., 65.5% and 82.9% of its contractual commitments, respectively. This is an increase from the previous year. In 2010, the company was able to add an additional 11 employees and is cautiously optimistic about its growth in 2011. It is important to note that the Board approved a reduction to International Imaging's job commitment to 310 jobs for the extended term (2013 – 2020) during last year's WNY contract extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Lockheed Martin, Niagara Falls, Niagara County
Allocation: 250 kW of RP
Jobs Commitment: 45 jobs

Background: Lockheed Martin ('Lockheed') manufactures gravity gradiometer technology for the U. S. Navy and commercial use. For the past year, Lockheed averaged 35.7 jobs, i.e., 79.4% of its contractual commitment. Due to the state of the economy and restrictions on defense spending, the company did not experience much growth in 2010. The company managed to maintain about the same employment levels as the previous year and anticipate the same job levels throughout 2011.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Luvata Buffalo, Inc., Buffalo, Erie County
Allocation: 250 kW of RP
Jobs Commitment: 831 jobs

Background: Luvata Buffalo, Inc. ('Luvata') manufactures copper and brass sheets and rolls. For the past year, Luvata averaged 593 jobs, i.e., 71.4% of its contractual commitment. This is a significant increase, 48 jobs, from the previous year's average. Business improved during 2010 and the trend is positive. It is important to note that the Board approved a reset of all of Luvata's job commitments to 575 jobs for the extended term (2013 – 2020) during last year's WNY contract extension initiative.

Recommendation*: Staff recommends that the Trustees take no action at this time.*

Malyn Industrial Ceramics, Inc., Clarence, Erie County
Allocation: 150 kW of EP
Jobs Commitment: 13 jobs

Background: Malyn Industrial Ceramics ('Malyn') is a low-cost producer of advanced ceramic components. For the past year, Malyn averaged 10 jobs, i.e. 76.9% of its contractual commitment. The company gave back 175 kW of its original 325 kW EP allocation which represented a 54% reduction in its contract allocation and the Board approved a job commitment reduction based proportionally to the reduced contract demand. Due to the state of the economy Malyn continues to struggle to grow but is confident the current job commitment will be attained.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Niagara Ceramics Corporation, Buffalo, Erie County
Allocations: 250 kW & 600 kW of RP & 250 kW of EP
Jobs Commitments: 190 jobs

Background: Niagara Ceramics Corporation ('Niagara Ceramics'), founded in 2003, produces dinnerware. For the past year, Niagara Ceramics averaged 120.5 jobs, i.e., 63.4% of its contractual commitments. This is an increase of 15 jobs from the previous year. In September of last year, Niagara Ceramics had to slow operation due to an unusual slowdown in its incoming order volume. This continued through the holiday season and into the first quarter of 2011. Recently, the company started to see an increase in volume, mainly attributed to its exposure at national trade shows. The company plans to add additional employees during the 2nd quarter 2011. It is important to note that the Board approved a reduction to Niagara Ceramics' job commitment to 140 jobs for the extended term (2013 – 2020) during last year's WNY contract extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Niagara LaSalle Corporation, Buffalo, Erie County
Allocation: 700 kW and 700 kW of RP respectively
Jobs Commitment: 164 jobs and 92 jobs respectively

Background: Niagara LaSalle Corporation ('Niagara LaSalle') manufactures cold-finished and thermal-treated steel bars. Niagara LaSalle averaged 72.9 jobs, i.e., 44.5% and 79.3% of its contractual commitments, respectively. This is an average decrease of 5 jobs from the previous year. In 2009, the total business volume of shipments for Niagara LaSalle Corporation declined 44%, with the Buffalo facility registering a 38% sales decline from the prior year. The company was forced to reduce staffing levels at all its facilities, including 38 employees between January and December 2009. Conditions stabilized in 2010 and the company recalled employees to its workforce in January 2011. The company is optimistic that sales volume and employment levels will increase in the near future.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Nuttall Gear Company, Niagara Falls, Niagara County
Allocation: 350 kW of EP
Jobs Commitment: 135 jobs
Background: Nuttall Gear Company ('Nuttall') manufactures enclosed gear drives for industrial, commercial, transportation and utility applications. For the past year, Nuttall averaged 94.2 jobs, or 69.8% of its contractual commitment. This is an average increase of 6 jobs from the previous year. The company was forced to operate with fewer employees in 2010 due to continuing soft economic conditions. Nuttall is trending up towards its job commitment, adding 12 employees between January 2010 and December 2010.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

PEMCO – Precision Electro Minerals Co., Inc., Niagara Falls, Niagara County
Allocation: 800 kW of RP
Jobs Commitment: 22 jobs
Background: PEMCO – Precision Electro Minerals Co., Inc. ('PEMCO') makes and sells fused silica for use in the foundry and refractory industry. For the past year, PEMCO averaged 17 jobs, i.e., 77.3% of its contractual commitment. This is an average increase of 13 jobs over the previous year. During the last quarter of 2010, the company reached a headcount of 21 jobs and has maintained this level for the first quarter of 2011. The company anticipates a continued trend upwards above its commitment level this year.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Protective Industries, Inc., Buffalo, Erie County
Allocation: 250 kW of EP
Jobs Commitment: 310 jobs

Background: Protective Industries ('PI') manufactures plastic caps, plugs and temperature-control equipment through plastic injection molding and vinyl dip molding and extrusion. For the past year, the company averaged 258 jobs, or 83.2% of its contractual commitment. This is an average increase of 24 jobs from the previous year. Due to economic conditions, PI found it necessary to reduce its workforce in 2009. However, the company experienced a relatively good rebound in 2010, ending the year with 33 more jobs than were on payroll at the beginning of the year. Business has improved and the company remains optimistic about the continuing trend up toward its commitment in 2011.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Rosina Food Products, Inc., Cheektowaga, Erie County
Allocation: 200 kW of EP
Jobs Commitment: 270 jobs

Background: Rosina Food Products Inc., ('Rosina Food') manufactures food products that are distributed nationally from its production facility in Buffalo. For the past year, Rosina Food averaged 221.6 jobs, or 83.1% of

its contractual commitment. The company's overall sales volume declined in 2010, due to the 'soft' national economy and competitive pressures. Also, unseasonable weather conditions during the company's peak months limited produce supply that resulted in less product availability. The company has made a significant financial investment of $1.2 million in equipment and improvements to the facility for a new product line. It has recently hired an additional 13 employees to support this new line. The company is confident it can exceed the job commitment level for 2011 and beyond. It is important to note that the Board approved a reduction to Rosina Food's job commitment to 235 jobs for the extended term (2013 – 2020) during last year's WNY contact extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

RubberForm Recycled Products, LLC, Lockport, Niagara County
Allocation: 500 kW of EP
Jobs Commitment: 30 jobs

Background: RubberForm Recycled Products, LLC ('RubberForm') is a start-up company manufacturing products made from 100% New York recycled crumb rubber, such as traffic sign bases, parking lot wheel stops, speed bumps, dock bumpers and various other products. For the past year, RubberForm averaged 12.5 jobs, i.e. 42% of its contractual commitment. This is an increase from the previous year of 5 jobs on average. In 2009, RubberForm placed a freeze on hiring due to economic effects of the recession. Business conditions improved in 2010 and the company was recently awarded a multi-year contract.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Special Metals Corporation, Dunkirk, Chautauqua County
Allocation: 1,000 kW of EP
Jobs Commitment: 81 jobs

Background: Special Metals Corporation ('SMC') is a world leader in super-alloy technology, using vacuum induction melting methods to produce super-alloys for military and civilian use in jet engine turbines. For the past year, SMC averaged 72.3 jobs, i.e., 89.3% of its commitment. Additionally, the company has been above the 90% threshold since May of last year.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

TAM Ceramics Group of New York, LLC, Niagara Falls, Niagara County
Allocations: 7,000 kW of RP & 500 kW of EP
Jobs Commitments: 100 jobs

Background: TAM Ceramics Group of New York, LLC ('TAM') is a supplier of dielectric powder to the passive electronic component industry and zirconia-based ceramic powders to the industry. For the past year, TAM averaged 52 jobs, i.e. 52% of its job commitment. These two allocations are 'vintage' contracts with an 80% job ratio based on a two-year average. In April 2010, TAM completed a management buyout of the facility and recently celebrated its one-year anniversary of the new TAM. Now, effectively a start-up operation, the company is currently working on a project that would require a multi-million dollar investment and hiring of 15 to 50 additional employees. In 2010, TAM gave back 3,900 kW and was granted a job reduction from 152 jobs to 100 jobs. The company is optimistic that, with continued investments and projected sales growth over the next year, it will be able to meet its job commitment levels.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

The Carriage House Companies - Dunkirk Facility, Dunkirk, Chautauqua County
Allocation: 500 kW of EP
Jobs Commitment: 199 jobs

Background: The Carriage House Companies ('Carriage House/Lakeside') is a storage facility for both raw materials and finished products associated with syrups. For the past year, Lakeside averaged 169.3 jobs, or 85.1% of its contractual commitment. This is an increase from the previous year of about 12 jobs. The company operates a sister facility in nearby Fredonia, which also has a hydropower allocation. Taken together, the company's commitment is 639 jobs and actual jobs reported for both were 672 jobs for 2010, representing a combined average of 105.2%.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Tulip Corporation, Niagara Falls, Niagara County
Allocations: 300 kW of EP and 1,200 kW of RP
Jobs Commitments: 110 jobs and 122 jobs respectively

Background: Tulip Corporation ('Tulip'), an injection-molding company, recycles rubber and plastic and manufactures battery cases for the major battery manufacturers. For the past year, Tulip averaged 75.5 jobs, or 68.6% of its EP allocation and 61.9% of its RP allocation commitments. The RP allocation is a 'vintage' contract, with an 80% ratio threshold. This represents an increase of 20 jobs from the previous year. Tulip continues to aggressively pursue growth in its reprocessed material line, an emerging industrial jar markets. The company stated that continued hydropower availability is vital to its recovery effort and increased employment. During the last quarter of 2010 the company's average job count was 92 jobs and it continues to trend up towards its contractual commitment in 2011. It is important to note that the Board approved a reduction to Tulip's job commitment to 70 jobs for the extended term (2013 – 2020) during last year's WNY contract extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Washington Mills Electro Minerals Corp., Niagara Falls, Niagara County
Allocation: 9,700 kW of RP
Jobs Commitment: 171 jobs

Background: Washington Mills Electro Minerals Corp. ('Washington Mills') manufactures abrasive grains for sandpaper and grinding wheels. For the past year, Washington Mills averaged 109.1 jobs, i.e., 63.8% of its commitment. This is a decrease of about 14 jobs from the previous year. The economic difficulties have hit the company's industry particularly hard. Market conditions in most of its businesses have been unfavorable and this decline in volume has affected its workforce. Some of Washington Mills product lines have lost approximately 60% of its sales volume. The company is experiencing a slow recovery in sales volume, but remains hopeful sales will turn around with the economy, leading to increased hiring. It is important to note that the Board approved a reduction to the company's job commitment to 107 jobs for the extended term (2013 – 2020) during last year's WNY contract extension initiative.

Recommendation: *Staff recommends that the Trustees take no action at this time.*

Section II
Allocations to Be Reduced

APP Pharmaceuticals LLC, Grand Island, Erie County
Allocation: 700 kW of RP
Jobs Commitment: 508 existing jobs and 60 new jobs

Background: APP Pharmaceuticals, LLC ('APP') develops, manufactures and markets injectable pharmaceutical products. The company has 2,000 kW of RP in service and is compliant, reporting 582 jobs in 2010. The company was awarded a 700 kW RP allocation in June 2008, based on a commitment to invest $25 million for a business expansion and the creation of 60 new jobs. The project entailed two programs: a small facility and equipment

expansion and the purchase of a facility next door. Staff reviewed the project and has determined that the company spent nearly 50% of the committed capital investment to complete the purchase of the facility. However, the existing facility expansion was delayed and ultimately canceled. Although not completing the full project, APP has already met the job creation commitment. Based on this outcome, staff is recommending a 200 kW reduction to the 700 kW allocation. The job commitment for the resulting 500 kW RP allocation will remain at 568 jobs.

Recommendation: *Staff recommends that the Trustees approve a reduction of 200 kW from the original award of 700 kW.*

Contract Pharmaceuticals Limited Niagara, Buffalo, Erie County
Allocation: 250 kW of RP
Jobs Commitment: 329 jobs

Background: Contract Pharmaceuticals Limited Niagara ('CPL'), a Canadian company, is a contract manufacturer of dermatological products and various cold medicines under contract for other companies. For 2010, CPL averaged 283.7 jobs, or 85.6% of its contractual commitment. This is a slight increase, up 4 jobs from the previous year. CPL also has a 750 kW EP allocation that met its 265 job commitment (107.1%). Due to a decline in contract manufacturing orders, the company announced its decision to close the facility at the end of 2011. CPL will continue operating until that time and has requested the Authority allow continued use of the allocations until manufacturing ceases at the facility. Staff recommends a reduction to the 250 kW allocation based on the reported job shortfall.

Recommendation: *Staff recommends that the Trustees reduce the 250 kW RP allocation down to 200 kW.*

Quebecor World Buffalo, Inc., Depew, Erie County
Allocation: 4,000 kW and 1,000 kW of EP
Jobs Commitment: 810 jobs and 1,015 jobs respectively

Background: Quebecor World Buffalo, Inc. ('Quebecor') manufactures paperback books, magazines and tab-size inserts. For the past year, Quebecor averaged 527 jobs, or 65.7% of its 810 job commitment and 52% of its 1,015 job commitment. Both allocations are both 'vintage' contracts with an 80% job ratio. The company announced a decision to close the facility by the end of 2011 and has requested the Authority allow continued use of the allocations until manufacturing ceases at the facility. Staff recommends a reduction to the total 5,000 kW based on the reported job shortfalls.

Recommendation: *Staff recommends that the Trustees reduce the 4,000 kW allocation down to 3,150 kW and the 1,000 kW allocation down to 0 kW.*

RECOMMENDATION

"The Senior Vice President – Marketing and Economic Development recommends that the Trustees take no action on 27 customers holding 36 allocations as described in Section I and as set forth in Exhibit '5-A-2' and recommends that the Trustees approve reductions to allocations as described in Section II and as set forth in Exhibit '5-A-3.'

"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 President and Chief Executive Officer, was unanimously adopted.

> **RESOLVED, That the Trustees hereby take no action with respect to companies and power allocations as set forth in Exhibit "5-A-2" and reduce the power allocations of three customers as set forth in Exhibit "5-A-3" and as described in the foregoing report of the President and Chief Executive Officer; and be it further**

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating 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 Acting General Counsel.

6. Power for Jobs and Energy Cost Savings Benefits Programs Compliance Review

The President and Chief Executive Officer submitted the following report:

SUMMARY

"Staff conducted its annual review of job compliance for Power for Jobs ('PFJ') and Energy Cost Savings Benefit ('ECSB') program customers. The review compared employment levels reported in the customers' recent applications to extend program benefits through June 30, 2012 to contractual job commitments. Eighty one percent of these customers, or 402 of 498 allocations, were found to be in compliance, with the remaining 96 allocations found to be non-compliant.

"Upon review of the job compliance for all customers continuing in the programs, staff recommends that the Trustees take no action at this time to reduce the allocations found to be non-compliant for the PFJ and ECSB customers, as detailed in Exhibits '6-B-1' and '6-B-2.'

BACKGROUND

"The PFJ program provides either power or electricity savings reimbursements to businesses and not-for-profit corporations that have agreed to retain or create jobs in New York State. Under the program's requirements, businesses could have their benefits reduced if they fail to meet their contractual job commitments.

"The ECSB program provides a rate discount to customers participating in the Economic Development Power, High Load Factor and Municipal Distribution Agency power programs. These businesses may also have their benefits reduced if they fail to meet their contractual job commitments.

"On April 14, 2011, the Governor signed legislation authorizing a new economic development power program called 'Recharge New York' to begin service on July 1, 2012. The legislation also authorized an extension of the PFJ and the ECSB programs through June 30, 2012. In light of the desire to minimize disruption in receipt of program benefits, the legislation required expedited extensions of PFJ and ECSB benefits and deferral of the job compliance review until after the applicant had been awarded extended benefits.

"At its meeting on April 21, 2011, the Economic Development Power Allocation Board ('EDPAB') recommended that the Authority's Trustees approve the extension of benefits for 427 PFJ and 86 ECSB program customers through June 30, 2012, including a recommendation to defer job compliance review until on or before June 30, 2011.

"The Trustees approved the extension of both the PFJ and ECSB program allocations at their April 22, 2011 meeting. In addition, the Trustees also approved EDPAB's recommendation to defer the job compliance review until on or before June 30, 2011.

"Upon request, at its June 27, 2011 meeting, EDPAB allowed more time for a compliance review to be completed.

DISCUSSION

"Upon extension of the PFJ and ECSB programs, applications were sent to existing PFJ and ECSB customers. Four hundred and twelve PFJ customers submitted applications to the Authority requesting extension of their contracts. Fifteen PFJ customers chose to opt out of the program or did not submit an application. The customers continuing in the program reported a total of 234,150 jobs as compared to 232,182 jobs, an aggregate of their commitments. Thus, current PFJ participants reported employment levels at 101% of job commitments, in aggregate.

"All ECSB customers submitted applications to the Authority requesting extension of their allocations and program benefits. The customers reported a total of 61,306 jobs as compared to 61,451 jobs, an aggregate of its

commitments. Thus, current ECSB participants reported employment levels at nearly 100% of job commitments, in aggregate.

"Eighty-one percent of the customers in the PFJ and ECSB programs are compliant, as detailed in Exhibits '6-A-1' and '6-A-2.' The remaining nineteen percent, comprised of seventy-eight PFJ allocations, and eighteen EDP, MDA, or HLF allocations receiving ECSB benefits, are not job compliant, as detailed in Exhibits '6-B-1' and '6-B-2.'

"At its meeting on July 25, 2011, EDPAB recommended the Trustees take no action on non-compliant PFJ and ECSB allocations at this time. EDPAB also resolved to preserve the ability to revisit job compliance action, if deemed necessary and appropriate, at a future time. Based on EDPAB's recommendation, and in consideration of the state of the economy along with the short-term nature of these extended benefits, staff recommends that the Trustees take no action at this time on the companies that were non-compliant, as detailed in Exhibits '6-B-1' and '6-B-2,' while preserving the ability to revisit job compliance action for these allocations at a future time.

"Staff also advises the Trustees that, in the case of ECSB, only customers deemed to be in substantial compliance are eligible for consideration to receive allocations under Recharge New York.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees take no action at this time on Power for Jobs and Energy Cost Savings Benefit customers that are non-compliant, as detailed in Exhibits '6-B-1' and '6-B-2,' while preserving the ability to revisit job compliance action for these allocations at a future time.

"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. James Pasquale presented highlights of staff's recommendation to the trustees. In response to a question from Trustee O'Luck, Mr. Pasquale said that the Authority intends to conduct extensive marketing for the Recharge New York ("RNY") program so that companies that were not a part of the Power for Jobs ("PFJ") or Energy Cost Savings Benefit ("ECSB") programs will have an opportunity to apply for power under the new program.

In response to concerns expressed by Trustee Nicandri as to possible conflict of interest with him being a member of both EDPAB and the Board of Trustees, Ms. Judith McCarthy said that, in the interest of caution, he can recuse himself from voting on this item today and she will get back to him with a response regarding his concerns.

Trustees Nicandri, Curley and LeChase recused themselves from voting on this item.

The following resolution, as submitted by the President and Chief Executive Officer, was adopted by a vote of 4 to 3 with Trustees Nicandri, Curley and LeChase recusing themselves.

> **WHEREAS, the Economic Development Power Allocation Board ("EDPAB") has recommended that the Authority Trustees take no action at this time on Power for Jobs ("PFJ") customers and Energy Cost Savings Benefit ("ECSB") customers that are non-compliant, as**

detailed in Exhibits "6-B-1" and "6-B-2," while preserving the ability to revisit job compliance action for these allocations at a future time;

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

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

7. Increase in Hydroelectric Preference Power Rates – Notice of Proposed Rule Making and Reinstatement of Tariff Provisions for Preference and Industrial Power Rates

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve a Notice of Proposed Rule Making ('NOPR') to increase the rates for preference power supplied from the Niagara and St. Lawrence Hydroelectric Projects ('Hydro Projects'). In accordance with the requirements of the State Administrative Procedure Act ('SAPA'), the Trustees are also requested to direct the Corporate Secretary to publish the NOPR in the *New York State Register*. This proposed rate action would, if approved, implement the first preference power rate increase since May 2008, as the Trustees in March 2009 withdrew a previous NOPR which sought to raise such rates effective May 2009.

"The Authority's preference rates apply generally to sales to forty-seven municipal electric systems, four rural electric cooperatives (collectively, 'M&C customers'), three upstate investor-owned utilities (for the benefit of their residential customers), the 'Neighboring States' customers[1] and the Niagara Project relicensing host communities. In total, 1,892 MW of power and energy sold by the Authority is currently subject to the preference power rate. Staff recommends that the proposed rates be phased-in over a 42-month period from November 2011 through April 30, 2015. This three and a half-year rate proposal will help mitigate customer bill impacts to a great extent.

"Further, the Trustees are requested to authorize the Secretary to schedule a public forum for obtaining the views of interested parties, consistent with Authority ratemaking policy. After the 45-day comment period required under SAPA, Authority staff will address any filed comments, including any comments raised at the public forum, and return to the Trustees to seek final adoption of the revised preference power rates, which is anticipated to occur at the October 25, 2011 Trustee meeting.

"The Trustees are also requested to approve the removal of their earlier suspension of two annual contract-based rate adjustment mechanisms: the Rate Stabilization Reserve (or 'RSR')[2] applicable to preference power rates and the price indices applicable to the production rates for a number of classes of Authority industrial customers receiving hydroelectric power. Such suspensions were approved at the March 31, 2009 Trustee meeting affecting sales to Replacement Power ('RP') and Expansion Power ('EP') customers and sales to General Motors ('GM') and ALCOA/Reynolds.

BACKGROUND

Preference Power Rates

"At their April 24, 2007 meeting, the Trustees adopted a two-year rate plan for the 2007 and 2008 rate years which extended from May 1, 2007 to April 30, 2009. No increase to these rates has occurred since May 2008, the start of the final rate year under the two-year plan.

"Though the Trustees authorized a NOPR in January 2009 to increase the preference power rates for rate years 2009 and 2010, this was later withdrawn. That proposal called for increasing revenues in the 2009 rate year by $9.7 million as compared to the rates in effect in the 2008 rate year and increasing revenues in the 2010 rate year by $14.6 million as compared to the rates in effect in the 2008 rate year. Based on public comments, consideration of the national economic downturn and the extent to which the downturn had adversely affected the region's customers, the Trustees, on March 31, 2009, approved the withdrawal of the NOPR, deferring the recovery of costs. This action also included a suspension of the RSR, a contractual rate adjustment for preference power customers, to ensure that the tariff rates do not over-collect or under-collect costs.

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[1] These customers are certain municipal utility systems in the states of Connecticut, Massachusetts, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont.
[2] The RSR is explained in the Discussion section, below.

"The current rates consist of a demand charge of $2.96 per kilowatt ('kW') and an energy charge of $4.92 per megawatt-hour ('MWh'). At an indicative load factor of 70%, these rates equal $10.71/MWh, which compares favorably to, and is about 73% lower than, the $39.22/MWh average hourly market rate for 2010 in the New York Independent System Operator ('NYISO') Zone A located in western New York.

"The proposed rate plan would allow rates to return to cost-based levels in accordance with the methodologies adopted in the April 29, 2003 final rate action approved by the Trustees. Such methodologies were also agreed to by the M&C customers as part of the 2003 'global' settlement agreement reached with the Authority.

Industrial Power Rates

"At their March 31, 2009 meeting, the Trustees suspended the production rate increases for industrial customers receiving hydroelectric power. No increase to these rates has occurred since May 2008. The tariffs applicable to the RP, EP and GM customers specify that effective on May 1st of each year, the base production rates will be adjusted by a formula employing four indices: the weighted average fuel cost, the Bureau of Labor Statistics ('BLS') Producer Price Index ('PPI') for Industrial Commodities, the BLS PPI for Industrial Electric Power and an inflation adjustment (published by the U.S. Department of Commerce). The adjustment for the RP, EP and GM customers that was expected in May 2009 would have increased production revenues by approximately $4 million for the rate year based on the applicable indices.

"Similarly, for ALCOA/Reynolds, the applicable tariffs specify that the base rates are adjusted on May 1st of each year. These adjustments are based on two industrial power price indices and an industrial commodities index, each published by the U.S. federal government. The May 2009 adjustment to the ALCOA/Reynolds production rates would have increased revenues by approximately $1.2 million for the rate year based on the applicable indices.

DISCUSSION

Preference Power Rates and the Rate Stabilization Reserve

"The attached Preliminary Staff Report ('Staff Report,' attached as Appendix '7-A') includes the Cost of Service ('CoS') that sets forth the estimated costs required to serve the preference power customers from the Authority's Hydro Projects. Details of the CoS study are shown in Exhibit 'A' to the Staff Report. The CoS continues the ratemaking methodologies adopted by the Trustees at their April 29, 2003 meeting. These methodologies and principles include:

(a) The 'labor/labor' method (*i.e.* labor ratios) adopted by the Authority's Trustees on December 18, 2001 and incorporated into the January 2003 Report on Hydroelectric Production Rates ('January 2003 Report') for the allocation of Indirect Overheads.

(b) A capital cost recovery method described in the January 2003 Report reflecting the equity investment in, and new debt issued, related to the Hydro Projects.

(c) Melding of St. Lawrence Project and Niagara Project costs for ratemaking purposes.

(d) Recovery in rates of all prudent Hydro Project relicensing, life extension and modernization costs incurred by the Authority in the exercise of its broad discretion.

(e) Amortization over 20 years by the Authority of its actuarial estimate of its Other Postemployment Benefits ('OPEBs') liability as described in the January 2003 Report.[3]

[3] The January 2003 Report used the equivalent term Post Retirement Benefits Other than Pensions ('PBOPs') for this analysis.

(f) Use of the RSR for any under-collection or over-collection of the Authority's hydroelectric CoS. The RSR calculations will be done in a manner consistent with the hydroelectric CoS study contained in the January 2003 Report.

(g) The Authority will continue to credit the cost-based revenues from hydro energy sales in the hydroelectric CoS in the same manner as in the hydroelectric CoS study contained in the January 2003 Report. The credit will be based on the preference power tariff energy charge, as it changes from time to time. Also, all sales of capacity above the base level of capacity sales in the hydroelectric CoS study will be credited to the RSR.

"The total Hydro Projects' costs, net of the ancillary service credits, are $230.6 million, $238.6 million, $247.3 million and $255.6 million for the 2011 to 2014 calendar years, respectively. (Refer to Exhibit 'A,' page 2, line 14 of Appendix '7-A'). The principal cost driver responsible for the increases is the ongoing capital investments at the facilities, including the Niagara and St. Lawrence relicensing expenditures, and the life extension and modernization for both the St. Lawrence Project and the Lewiston Pump-Generating Plant at the Niagara Project. During the two years of the rate freeze and the four years of the proposed rate plan period, the Authority will have invested over $490 million in the Hydro Projects.

"Consistent with past ratemaking practice, the costs used to set new rates starting in 2011 will be based on projected calendar year 2011 costs, although the 2011 'rate year' would extend only from November 1, 2011 through April 30, 2012. For the subsequent rate years in this proposed plan, Authority staff proposes to adopt its traditional rate year approach, under which the new rate year will begin on May 1st of 2012, 2013 and 2014 and will be based on projected calendar year costs for 2012, 2013 and 2014, respectively. The cost-based demand and energy rates for the four rate years and the overall rates at the 70% load factor (*before* the recommended phase-in) are shown below.

Rate Year[4]	Demand Rate $/kW-month	Energy Rate $/MWh	Effective Rate[5] $/MWh
2011	3.85	4.92	12.45
2012	3.97	4.92	12.69
2013	4.12	4.92	12.98
2014	4.32	4.92	13.37

"The 2011 increase reflects the change in costs from 2008 levels when rates were last reset at $10.71/MWh. In comparison, had the rates initially proposed in January 2009 been put into effect, the 2010 rate year effective rate would have been $12.04 per MWh.

"The Rate Stabilization Reserve, established in 1987, was designed to provide rate stability and to provide a mechanism by which to capture the under-recovery or over-recovery of costs relative to the costs collected in the fixed demand and energy charges of the tariff due to differences in net generation and actual cost incurrence. By design, if the RSR balance exceeds a range of -$25 million to +$25 million, a surcharge or credit will be assessed against the preference power hydro rate over the ensuing 12-month period. Authority staff's calculations show the RSR balance as of December 31, 2010 to be about -$51.3 million, indicating a $26.3 million shortfall beyond the -$25 million threshold. Most of this $26.3 million shortfall is attributable to the 2009 and 2010 cost-of-service increases.

[4] Except for 2011, the preference power rate year runs from May 1 of the calendar year indicated to April 30 of the following year. Due to the timing of this NOPR, the 2011 rate year would be from November 1, 2011 to April 30, 2012.

[5] Effective rate at 70% load factor.

Phased-in Cost Recovery

"Staff recommends phasing-in the cost-based proposed demand and energy rates over a three-year period in order to mitigate customer impacts. The phase-in of the rates would result in an under-recovery of costs during the two rate years ending April 30, 2013. These under-recovery amounts are estimated to be $12 million in 2011 and $4 million in 2012 and would contribute to making the current RSR balance more negative. By the 2013 rate year, the proposed increase would bring rates up to the current costs estimated for calendar year 2013. Starting with the 2014 rate year, the suspension of the RSR would be lifted and the Authority would begin to pay down the negative RSR balance through the collection of an RSR surcharge. To mitigate cost impacts to the preference customers, staff recommends that the RSR surcharge be limited to $0.50/MWh in 2014. Based on the current negative RSR balance, staff anticipates that RSR surcharges will need to continue in the rate years subsequent to the years covered by the proposed rate plan in order to bring the RSR balance back to the -$25 million level. Staff will keep the Trustees informed regarding the RSR balance and will make further recommendations, as appropriate.[6]

"To the extent the Authority's proposed rate plan defers projected costs to be collected beyond the rate year in question, this is consistent with the March 2009 action concerning the withdrawal of the preference rates NOPR and the RSR surcharge suspension. That Trustee action resulted in the deferral of 2009 and 2010 rate year costs which, nonetheless, would be 'recovered over appropriate, subsequent year(s).' This proposed plan extends, in part, the 2009 and 2010 deferrals.

"The proposed rate plan thus combines two elements: (1) a phase-in of the cost-based rates for each of the three upcoming rate years with a deferral of full cost recovery until the third rate year in order to mitigate rate impacts upon customers; and (2) a projected RSR surcharge starting with the 2014 rate year, capped at $0.50/MWh, to start the process of collecting deferred costs in order to retire balances that exceed the -$25 million threshold.

Rate Year[7]	Proposed Demand Rate $/kW-month	Proposed Energy Rate $/MWh	RSR Surcharge $/MWh	Effective Rate[8] $/MWh
2011	3.32	4.92	-	11.42
2012	3.70	4.92	-	12.16
2013	4.12	4.92	-	12.98
2014	4.32	4.92	0.50	13.87

"As has been the Authority's practice, all RSR surcharges would be subject to an annual reconciliation process and reported to the Trustees as necessary.

"For each year of the phase-in, the proposed rate change would impact a customer's overall bill by less than 1% per month. For a typical municipal system residential customer paying about $72 per month for 1,000 kWh of electricity, the average increase would be about 60 cents per month for each year of the phase-in. For a typical utility system residential customer paying about $89 per month for 650 kWh of electricity, the average increase would be about 5 cents per month for each year of the phase-in. (Details are shown in Exhibit 'B' of Appendix '7-A'.)

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[6] By the time new preference rates are made effective in November 2011, the RSR balance may need to be altered due to the loss of a portion of the hydroelectric power sales made at preference power rates. As a result of Chapter 60 (Part CC) of the Laws of 2011, which directs NYPA to implement the Recharge New York power program, NYPA will be withdrawing 455 MW of firm hydroelectric power currently allocated to upstate utilities which is priced at the preference power rate. To the extent staff anticipates that such withdrawal will affect the RSR balance and the RSR surcharge in a material manner, staff will inform the Trustees and adjust the rate proposal accordingly when it is submitted for final approval, which is anticipated to occur in October 2011.

[7] Runs from May 1 of the calendar year indicated to April 30 of the following year; for the 2011 rate year the period would be November 1, 2011 to April 30, 2012.

[8] Effective rate at 70% load factor.

"The proposed action to adjust the preference power rates must be posted for public comment in the *New York State Register*. In addition, as a matter of Authority policy, any proposed action that would increase rates by 2% or more will be the subject of a public forum for the purpose of gathering the views of interested persons concerning the proposal. Any comments received during this comment period, along with supporting staff analyses, will be presented to the Board at the time the proposal is considered for final action, which is anticipated for the October 2011 Trustee meeting. A final staff report will be issued shortly after this meeting and will reflect public comments, staff analysis of those comments and the final action of the Trustees.

Industrial Power Rates

"In conjunction with the preference power rate increase, staff recommends removal of the suspension of the indexed production rate increase for industrial customers.

"Staff has updated the production rates for the RP, EP, GM and ALCOA/Reynolds customers applying various economic indices and recommends the following proposed demand and energy rates for the 2011 rate year commencing September 1, 2011. Though the Authority normally implements revised indexed rates effective May 1 of each year under its contracts, staff agrees to waive recovery of increased charges from the May 1 – August 31, 2011 period. Customers will receive the usual duration of notice for the increased industrial hydroelectric rates.

	EP/RP/GM		**ALCOA**		**Reynolds**	
	Demand ($/kW)	Energy ($/MWh)	Demand ($/kW)	Energy ($/MWh)	Demand ($/kW)	Energy ($/MWh)
Current	5.17	8.84	4.31	8.52	4.38	8.67
Proposed	5.47	9.36	4.40	8.69	4.47	8.84

"Like the reinstatement of the RSR, the reinstatement of the price indices for the Authority's hydroelectric industrial customers can be achieved by Trustee approval and is not part of the NOPR described herein.

FISCAL INFORMATION

"Implementation of the proposed schedule of rate increases would allow the Authority to recover its costs associated with serving the preference power customers. For the 2011 rate year, the estimated revenue increase would be about $3.0 million. For the 42-month period from November 2011 through April 30, 2015, the estimated cumulative base rate revenue increases would be about $56.4 million with the additional RSR surcharge of $3.3 million being collected from preference power customers for the period May 1, 2014 to April 30, 2015.

"In addition, the reinstatement of the price indices for the Authority's hydroelectric industrial customers would provide for an estimated revenue increase of about $3.5 million for the period September 1, 2011 to April 30, 2012.

RECOMMENDATION

"The Vice President – Financial Planning and Budgets recommends that the Trustees authorize the Corporate Secretary to: (1) file notice for publication in the *New York State Register* of the proposed Authority action to adjust the hydroelectric preference power rates; and (2) schedule a public forum for the purpose of gathering the views of interested persons concerning the preference power customers.

"It is also recommended that the Senior Vice President – Corporate Planning and Finance be authorized to reinstate the Rate Stabilization Reserve mechanism used to calculate surcharges/credits for preference power customers.

"It is also recommended that the Senior Vice President – Marketing and Economic Development be authorize to reinstate the application of indices used to calculate revised production rates for the Authority's industrial hydroelectric power customers.

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

"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 provided highlights of staff's recommendation to the Trustees. In response to a question from Trustee Mark O'Luck, Mr. Russak said that following the discussions with him on the subject, staff, in consultation the Authority's Communications department, modified its outreach efforts with elected officials and affected customers. Trustee Dyson added that, in addition to the fact that the Authority is legally obligated to take this action, the Authority is requesting a modest increase which would be phased-in over four years in order to reduce the impact on its customers. Chairman Townsend suggested that, since staff is requesting approval to file a notice of proposed rulemaking and to conduct a public forum, the Board should wait for customer responses after the hearing before considering engagement of outside marketing assistance. Trustee Dyson said in an effort to show that the Authority is taking measures to contain costs, for example, reductions in spending in order to cut down its overhead (personnel; salary levels; contributions to outside organizations; obligations under the relicensing agreements), in keeping with Governor Cuomo's ten percent cost reduction goal, he would request that Ms. Elizabeth McCarthy provide a budget plan for the Board's review at the September meeting.

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

> **RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to file such notices as may be required with the Secretary of State for publication in the *New York State Register* and to submit such other notice as may be required by statute or regulation concerning the proposed preference power rate increase; and be it further**
>
> **RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, directed to schedule a public forum for the purpose of obtaining the views of interested persons concerning the Authority's proposed action to adjust the hydroelectric preference power rates, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**
>
> **RESOLVED, That the Senior Vice President – Corporate Planning and Finance or his designee be, and hereby is, authorized to reinstate the Rate Stabilization Reserve surcharge/credit mechanism applicable to hydroelectric sales made at the preference power rate no later than May 2014; and be it further**

RESOLVED, That the Senior Vice President – Marketing and Economic Development or his designee be, and hereby is, authorized to reinstate the price indices to effectuate revised production rates for industrial hydroelectric power customers commencing September 2011; 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 to affected customers of this proposed hydroelectric preference power rate action and industrial customer rate action; and be it further

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

8. Niagara Power Project – Lewiston Pump Generating Plant Life Extension and Modernization Program – Static Excitation Systems Procurement – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a nine-year contract to GE Energy Control Solutions, Inc. ('GE'), in the amount of $4.0 million for the procurement of 13 Static Excitation Systems ('SES') and associated items, as part of the Life Extension and Modernization ('LEM') Program at the Lewiston Pump Generating Plant ('LPGP').

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services contracts in excess of $3 million or contracts exceeding a one-year term requires Trustee approval.

"At their June 29, 2010 meeting, the Trustees approved the Lewiston Pump Generating Plant Life Extension Program at the estimated cost of $460 million and authorized capital expenditures in the amount of $131 million. This requested contract award is a part of the previous capital expenditure authorization. As a result of the LPGP modernization, an increase in pump efficiency will be realized and the SES requires an increase in capacity rating to support the pumping capacity increase. In addition, the plant's aging rotary exciters are at the end of their useful life and are becoming increasingly difficult to maintain.

DISCUSSION

"The scope-of-work under this contract includes the design, manufacturing, delivery and commissioning of the SES, as well as technical support during the installation. The installation of the SES will be performed under a separate contract. The SESs are scheduled to be delivered prior to the first Unit outage in December 2012. The installation of the SES will take place as per the Unit Outage schedule of the LPGP LEM Program.

"The Authority issued an advertisement to procure bids in the New York State *Contract Reporter* and bid packages were available as of February 28, 2011. The bid documents were downloaded by 27 potential bidders and 8 potential bidders participated in a site visit on March 9, 2011.

"The following proposals were received on April 26, 2011:

Bidder	Location	Lump Sum
GE Energy Control Solutions, Inc.	Longmont, CO	$3,996,630.00
Eaton Corporation	Leroy, NY	$5,350,035.00
Voith Hydro	York, PA	$6,804,600.00
ABB, Inc.	Quebec, Canada	$6,878,167.00
Emerson	Pittsburgh, PA	$10,064,079.00

"The proposals were reviewed by an evaluation committee comprising staff from Engineering, Procurement, Niagara Site Personnel and Project Management.

"GE's bid was the lowest-priced and was evaluated as technically acceptable. GE, which has extensive experience in electrical construction and projects of this magnitude and demonstrated knowledge of the scope of

work, is capable of completing this project in a timely manner. GE has performed satisfactory work for the Authority on prior projects.

"The estimated cost of this work is within the authorization of this project which was approved by the Trustees at their June 29, 2010 meeting; this work is included in the 2011 approved Capital Budget. Future funding will be included in the Capital Budget request for that year.

FISCAL INFORMATION

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

RECOMMENDATION

"The Executive Vice President and Chief Engineer – Power Supply, Senior Vice President – Power Supply Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees approve the award of a multi-year contract to GE Energy Control Solutions, Inc. of Longmont, CO, in the amount of $4.0 million.

"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 President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a nine-year contract to GE Energy Control Solutions, Inc. of Longmont, CO, in the amount of $4.0 million, for the procurement of 13 Static Excitation Systems as part of the Life Extension and Modernization program to renovate and modernize the Lewiston Pump Generating Plant, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
GE Energy Control Solutions, Inc. Longmont, CO	**$4.0 million**

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

9. Procurement (Services) Contract – EME Group, WSP Flack & Kurtz and Horizon Energy Services – Retro-Commissioning

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of retro-commissioning, third party commissioning and project implementation services with the firms of EME Group, WSP Flack and Kurtz and Horizon Engineering for an aggregate amount of $25 million (initial award $5M each) in connection with the Authority's Governmental Customers Energy Efficiency Services Programs ('GCESP'). These funds will be taken from program funds previously approved by the Trustees, so no additional funding is requested at this time.

"As provided in the 2005 Long-Term Agreements governing the supply of electricity ('LTAs') with the Authority's Governmental Customers, these funds, along with the cost of advancing these funds, will be recovered from the customers participating in the GCESP.

BACKGROUND

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

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

"The Trustees previously authorized funding in the amount of $1.5 billion to finance energy efficiency and clean energy technology projects for the Authority's Governmental Customers. Subsequent to the Trustees' authorization of funding, the City of New York has significantly increased its participation in the Authority's GCESP in order to meet Mayor Bloomberg's plaNYC goals. It is anticipated that the City will release $25 million in Retro-Commissioning and Third Party Commissioning initiatives over the next three years, specifically to meet the requirements of the newly-approved Local law 87. Local law 87 requires all private and public buildings over 50,000 sq-ft to be retro-commissioned.

"Retro-commissioning is the process by which existing building systems are evaluated with the idea of optimizing operation, maintenance and performance in accordance with the existing use of the building. The intent is to develop energy savings from existing buildings that suffer from one or more of the following: poor initial design, multiple renovations, changes to control settings and poor operating and maintenance procedures. Energy savings are derived from either the replacement or rehabilitation of poor performing equipment or changes in use and system operation.

DISCUSSION

Contractor Selection

"On April 25, 2011, the Authority advertised a Request for Proposals ('RFP') in the New York State *Contract Reporter* soliciting firms interested in providing retro-commissioning services for the GCESP. As a result of that advertisement and invitations to bid, 74 firms downloaded the RFP from the Authority's website. Eighteen firms attended the mandatory bidders' conference held on May 4, 2011 to explain the proposed scope-of-work and provide an opportunity for potential bidders to ask questions and seek clarification.

"On May 24, 2011, nine firms submitted bids for the program. The bids were evaluated based on a number of technical criteria and cost by a team of staff members. These criteria included the firm's and its personnel's relevant technical experience in conducting retro-commissioning surveys and preparing retro-commissioning plans, including third party commissioning; fees; practical knowledge of building systems and energy-efficiency driven projects; quality of specifications; operation and maintenance manuals and the firm's financial security. As a result of staff's evaluation, staff recommends awarding contracts to the following firms which offered the best services at the lowest cost: EME Group, WSP Flack & Kurtz and Horizon Engineering. The contracts would cover a three-year period starting in August 1, 2011 and ending in July 31, 2014.

EME Group ('EME')

"Headquartered in New York City, EME, the best evaluated bidder, is a full-service consulting engineering group that provides turnkey energy conservation services, including retro-commissioning, third-party commissioning development, design and construction implementation of energy efficiency and sustainable design projects. EME has been in business for over 20 years and has been recognized over the years for its contributions to energy efficiency.

WSP Flack and Kurtz ('Flack & Kurtz')

"With offices worldwide, including New York City, Flack & Kurtz, the second best evaluated bidder, is a full-service engineering company that provides turnkey energy conservation services, including retro-commissioning, third-party commissioning, development, design and construction implementation of energy efficiency and sustainable design projects. Flack & Kurtz has been in business for over 20 years and has been recognized over the years for its contributions to energy efficiency and sustainable design.

Horizon Engineering Associates ('Horizon')

"Headquartered in New York City, Horizon, the third best evaluated bidder, is a full-service consulting engineering company that provides turnkey energy conservation services, including retro-commissioning, third-party commissioning development, design and construction implementation of energy efficiency and sustainable design projects. Horizon has also been in business for over 20 years and is recognized as one of the nation's leading providers of commissioning and sustainable consulting of building systems.

FISCAL INFORMATION

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

RECOMMENDATION

"The Acting Senior Vice President – Energy Services and Technology recommends that $25 million of the previously approved funding for the Governmental Customer Energy Services Program be allocated and that procurement services contracts for Retro-Commissioning Implementation Contractor services be awarded to EME Group, WSP Flack & Kurtz and Horizon Engineering.

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 President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Chief Operating Officer, the Acting Senior Vice President – Energy Services and Technology or such officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and EME Group, WSP Flack & Kurtz, and Horizon Engineering, such agreements having terms and conditions approved by the executing officer, subject to the approval of the form thereof by the Acting General Counsel, to facilitate the development of the Governmental Customers Energy Services Program ("GCESP"); and be it further

RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, that $25 million be allocated from previously approved funding for contracts for EME Group, WSP Flack & Kurtz and Horizon Engineering in the amounts and for the purposes listed below:

Commercial Paper Program/ Operating Fund/POCR	**Ceiling**	**Termination Date**
1. EME, WSP Flack and Kurtz and Horizon	**$25 million (aggregate)***	**07/31/2014**

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

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

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

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

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take

* A total of $25 million will be allocated to EME, WSP Flack & Kurtz, and Horizon. The allocation will be determined as GCESP project work is assigned. The initial award will be $5 million to each contractor.

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 Acting General Counsel.

10. Contract Award for Energy Efficient Window Replacement (Furnish/Deliver/Install) Project for NYC Health and Hospitals Corporation – Coney Island Hospital

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a procurement contract up to the amount of $8.8 million to Whitestone Construction Corporation, the lowest bidder, for window replacement (furnish/deliver/install) at NYC Health & Hospital Corporation's Coney Island Hospital. The anticipated duration of work is two years, including the winter work stoppage time.

"As provided by the Long-Term Agreements ('LTAs') with the Authority's New York City Governmental Customers and the Governmental Customers Energy Services Program ('GCESP'), funds to pay for the implementation of the project, including the costs of advancing these funds, will be recovered from the Customer program-participant (i.e., the City of New York).

BACKGROUND

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

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

"NYC Health & Hospitals Corporation is the largest municipal healthcare organization in the country. It serves 1.3 million New Yorkers per year, including 450,000 uninsured. The corporation provides health care services through its 11 hospitals, 4 nursing facilities, 6 diagnostic and treatment centers and more than 80 community clinics. At its Coney Island Hospital facility, the existing windows are original to the building from its construction in the 1950s. They are of steel frame and single pane construction, which provide little insulation value. After over 60 years of service, the window frames and seals have all deteriorated, causing water leaks and air infiltration, to the extent that resulted in NYS Department of Health violations. The conditions caused by the aging windows have not only significantly affected the Hospital's day to day operation, but also wasted significant amount of heating and cooling energy. The Authority is currently working with Health & Hospitals Corporation to replace the existing windows at Coney Island Hospital with energy efficient windows that are double glazed, thermally broken and coated with low-E coating. The project will also help the Hospital comply with NYS Department of Health citations which had ordered the windows to be replaced.

DISCUSSION

"On April 28, 2011, the Authority advertised a Request for Proposals ('RFP') in the New York State *Contract Reporter* soliciting bids for the window replacement (furnish/deliver/install) project. As a result of that advertisement and invitations to bid, 31 firms downloaded the RFP from the Authority's website.

"On June 16, 2011, the Authority received three bid proposals. After review and evaluation of the three submitted bids, a recommendation was made to award the contract to the low bidder, Whitestone Construction Corporation.

"Subject to the Trustees' approval, the Authority will enter into a procurement contract with Whitestone Construction Corporation for furnishing, delivery and installation of energy efficient windows. The prospective contractor has confirmed that it will meet the Authority's Women/Minority Business Enterprises ('W/MBE') requirements.

"The window replacement project is subject to a Customer Installation Commitment ('CIC') agreement between the Authority and the City of New York. The CIC will form a part of the Energy Efficiency-Clean Energy Technology Program (ENCORE II) Agreement effective March 18, 2005 by and between the Authority and the City of New York. The CIC will be fully executed by the Authority and the City prior to awarding a contract to the successful bidder.

FISCAL INFORMATION

"Financing for the overall Project will be provided by previously-approved funds in the GCESP. The existing funding will be provided from the proceeds of the Authority's Commercial Paper Notes and/or the Operating Fund. All Authority costs, including Authority overheads and the costs of advancing funds, will be recovered from the participant, consistent with other Energy Services and Technology Programs.

RECOMMENDATION

"The Acting Senior Vice President – Energy Services and Technology recommends that the Trustees approve a contract award up to the amount of $8.8 million to Whitestone Construction Corporation for the Furnishing/Delivery/Installation of energy efficient windows.

"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 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 a procurement contract in an amount up to $8.8 million to Whitestone Construction Corporation for furnishing, delivery and installation of energy efficient windows for NYC Health & Hospitals Corporation at its Coney Island Hospital facility; and be it further

RESOLVED, That Commercial Paper and/or Operating Fund monies will be used to finance contract costs in the amounts and for the purposes listed below:

Commercial Paper Operating Funds	Expenditure Authorization (not to exceed)	Expiration Date
Whitestone Construction Corporation	$8,800,000	8/1/2013

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

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Acting Senior Vice President – Energy Services and Technology or such other officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and NYC and to execute agreements and other documents, as required, having such terms and conditions as such executing officer deems advisable, subject to the approval of the form of such agreement by the Acting General Counsel, as necessary or

advisable for the development and implementation of the project; and be it further

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

11. Amended and Restated Ninth Supplemental
Resolution Authorizing 2011 Revenue Bonds

Ms. Elizabeth McCarthy presented the highlights of staff's recommendations to the Trustees and Mr. Timothy Sheehan provided an overview of the resolutions the Trustees were being asked to vote on. Chairman Townsend said that the Finance Committee had recommended that the Authority's Trustees approve the recommendation at their meeting held earlier today. Ms. Judith McCarthy added that since action on this item may take place after September 6th, the resolution will also authorize the Acting President and Chief Executive Officer to act on it. Trustee O'Luck suggested that an additional resolution be added to state that the Acting President and Chief Executive Officer will have the same authority as the current President and Chief Executive Officer.

The resolutions, as submitted by the President and Chief Executive Officer and as amended, were unanimously adopted.

12. Amendments to the Authority's Governance Committee Charter

The Chairman submitted the following report:

SUMMARY

The Trustees are requested to amend the Governance Committee Charter, as set forth in Exhibit '12-A,' for the purpose of conforming the functions and powers of the Committee with amendments to the Authority's By-laws made by separate item at this meeting.

BACKGROUND AND DISCUSSION

The Governance Committee Charter was last amended in October of 2010. Among other changes, the By-Laws have been amended to provide that the Trustees, upon recommendation of the Governance Committee, shall determine the election and compensation of all statutory and non-statutory officers.

The amendments to the Governance Committee Charter shown in Exhibit '12-A' reflect the addition of this responsibility.

FISCAL INFORMATION

None.

RECOMMENDATION

The Acting General Counsel and I recommend that the Trustees approve the proposed amendments to the Governance Committee Charter.

The following resolution, as submitted by the Chairman, was unanimously adopted.

RESOLVED, That the attached Governance Committee Charter be adopted in the form proposed in Exhibit "12-A."

13. <u>Amendments to the Authority's By-laws</u>

The Chairman submitted the following report:

"The Trustees are requested to amend the Authority's By-laws for the purpose of: (1) implementing further changes regarding the powers and duties of the Chair and the Trustees consistent with Chapter 506 of the Laws of 2009, which amended the Power Authority Act and other provisions of the Public Authorities Law, including the New York Public Authorities Accountability Act; and (2) making other conforming and non-substantive changes.

"A redlined version of the proposed amended By-laws is attached as Exhibit '13-A.' Deletions are shown by strikethroughs in brackets; additions are shown by bolded and underscored text. The final version of the proposed amended By-laws is attached as Exhibit '13-B.'

"The Acting General Counsel and I recommend that the Trustees approve the proposed By-laws amendments."

Chairman Townsend presented highlights of the recommendation the Trustees. In response to a question from Trustee Nicandri, Chairman Townsend said that the Public Authorities Accountability Act ("PAAA") has been amended to state that the Chairman of a Board and the President and Chief Executive Officer can be the same person. Ms. Judith McCarthy confirmed this and added that the Authority's By-laws, as amended, are consistent with the change in the law. Trustee Dyson added that in addition to Board confirmation of the position of Chairman and President and Chief Executive Officer, Senate confirmation is also required, under the amended PAAA. In response to further question from Trustee Nicandri, Ms. McCarthy said that there is a change in the reporting structure for the General Counsel and the Chief Financial Officer under the proposed amended By-laws.

The following resolution, as submitted by the Chairman, was unanimously adopted.

> **RESOLVED, That the revisions to the By-laws (originally adopted on April 9, 1954, and last amended on October 26, 2010) discussed in the foregoing report of the Chairman and attached hereto as Exhibit "13-B," be hereby adopted; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.**

14. Department Procedure Requiring Trustee Approval of Competitive Solicitations for Power Supply Products

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the adoption of a new Department Procedure entitled 'Competitive Solicitations for Power Supply Products' (the 'Procedure'), and attached as Exhibit '14-A,' establishing a requirement for Trustee approval prior to the issuance of competitive solicitations for purchases of energy, capacity, ancillary services and Environmental Attributes ('Power Supply Products'). The Procedure will be adopted by the Power Resource Planning and Acquisition Business Unit and applicable to all Business Units in the Authority.

DISCUSSION

"Authority staff conducts competitive solicitations for Power Supply Products through the issuance of requests for proposals and other methods to solicit industry information to inform a potential initiative, to award, negotiate and execute purchase agreements. In addition to awarding purchase agreements, these competitive solicitations have the effect of signaling energy market participants of the Authority's procurement plans and policy positions. Through this Procedure, the Trustees establish approval authority of proposed power supply acquisition efforts prior to the initiation of competitive solicitations.

FISCAL INFORMATION

"There is no fiscal impact associated with implementing the Procedure.

RECOMMENDATION

"The Senior Vice President – Power Resource Planning and Acquisition recommends that the Trustees authorize the adoption of this Procedure.

"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 President and Chief Executive Officer, was unanimously adopted.

> **RESOLVED, that the Trustees hereby authorize the adoption by the Senior Vice President – Power Resource Planning and Acquisition of the Procedure for "Competitive Solicitations for Power Supply Products" as described in the foregoing report of the President and Chief Executive Officer and as attached to this Resolution; and be it further**
>
> **RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Acting General Counsel.**

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

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.

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

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

17. Election of Acting President and Chief Executive Officer

The Chairman submitted the following report:

SUMMARY

The Trustees are requested to consider the election of Gil C. Quiniones of New York, New York as Acting President and Chief Executive Officer of the Authority, effective September 7, 2011.

BACKGROUND AND DISCUSSION

Article IV of the Authority's By-laws provides for the election of certain non-statutory officers by the Trustees.

RECOMMENDATION

It is recommended that, pursuant to Article IV of the By-Laws, adopted December 18, 1984, and last amended on July 26, 2011, Gil C. Quiniones be elected as Acting President and Chief Executive Officer, effective September 7, 2011, to hold such office until the President and Chief Executive Officer is elected by the Trustees and confirmed by the State Senate.

The following resolution, as submitted by the Chairman, was unanimously adopted.

> **RESOLVED, That pursuant to Article IV of the Authority's By-Laws, adopted December 18, 1984, and last amended on July 26, 2011, Gil C. Quiniones is hereby elected as Acting President and Chief Executive Officer, effective September 7, 2011, to hold such office until the President and Chief Executive Officer is elected and confirmed by the State Senate.**

18. Request for Proposal for a Search for
President and Chief Executive Officer

The Chairman submitted the following report:

SUMMARY

The Trustees are requested to authorize the issuance of a request for proposals for a search for the best qualified candidate for the position of President and Chief Executive Officer.

RECOMMENDATION

It is recommended that, the Trustees authorize the issuance of a request for proposals for a search for the best qualified candidate for the position of President and Chief Executive Officer.

The following resolution, as submitted by the Chairman, was unanimously adopted.

> **RESOLVED, That the Trustees authorize the issuance of a request for proposals for a search for the best qualified candidate for the position of President and Chief Executive Officer.**

19. <u>Next Meeting</u>

The next regular meeting of the Trustees will be held on **Tuesday, September 27, 2011, at 11:00 a.m., at the Clarence D. Rappleyea Building, White Plains, New York,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion made and seconded, the meeting was adjourned by the Chairman at approximately 2:20 p.m.

Karen Delince
Corporate Secretary

July 26, 2011

EXHIBITS

For

July 26, 2011 Trustees' Meeting

Trustees' Meeting

July 26, 2011

New York Power Authority

2a. Monthly Report

Richard M. Kessel

President & Chief Executive Officer

Key Issues

- **REPORT**: Economic Development Update

  P*repared by: James Pasquale, Senior Vice President, Marketing & Economic Development*

  (***Exhibit "A"***)

Key Issues

Community Outreach – Upstate/Downstate

June

- 28 – Niagara Board Meeting – Niagara's 50th celebration
- 29 – meetings with Mayor Dyster, Pat Curley, Mayor Brown, and Dennis Mullen. Attended an event at Buffalo's waterfront, welcoming The Pride of Baltimore II, the world's most traveled tall ship, with Erie Canal Harbor Development Corporation Chairman Jordan Levy, Congressman Brian Higgins, County Executive Chris Collins and Mayor Byron Brown.
- 30 - Atlantic Power Meeting - NYPA Service Awards

Key Activities

Community Outreach – Upstate/Downstate

July

- 7 – AERTC Meeting
- 14 – Energy Efficiency Project Tour, including the Red Hook Water Pollution Control Plant, the NYC College of Technology and the NYC Dept of Education.

Exhibit "A"

Economic Development

Since October 2008, NYPA has helped to either preserve or create some nearly 10,000 jobs across the state.

The following highlights some of the actions taken over the last two years to deliver on NYPA's collective goal of focusing on the preservation or creation of "jobs, jobs, jobs."

Hydropower for Business – Western New York

Since October 2008, NYPA has allocated almost 84 megawatts (MW) of hydropower to 24 businesses, 4 municipal electric utilities and 1 rural electric cooperative. The majority of these businesses have been in Western New York where Authority hydropower has been vital in helping to attract new businesses and in incentivize existing ones to stay and expand.

NYPA's hydropower allocations will help create nearly 1,700 new jobs with an average salary of nearly $50,000 and will bring over $1 billion in capital investment to Western New York.

Allocations were made to both large, world-class companies and to small, growing businesses.

Yahoo! received two hydro allocations totaling 16 MW that was instrumental in bringing the Internet giant to Western New York. As a result, Yahoo! built a state-of-the-art, energy efficient data center and will create 140 jobs. Additionally, Yahoo! will act as a magnet that will draw other high-technology companies to Western New York, which will further benefit the regional economy and will help jump start a new era of business growth based on the digital sector.

I Squared R Element Co., Inc., a well established western New York manufacturer of silicon carbide heating elements energy systems, received a 500 kW allocation that will help them expand and add 20 new jobs to their existing 73.

Key to sustaining a strong regional western New York economy is the recently approved long-term contract extensions for businesses in the Niagara Frontier. This was a substantial development for supporting and retaining tens of thousands of Western New York jobs and promoting substantial capital investments for future job growth at more than 100 of the Buffalo-Niagara region's foremost businesses. The contract extensions for 106 western New York businesses include higher minimum job thresholds and, for the first time, annual capital investment commitments over the lifetime of the contracts. The business customers will have to meet at least 90 percent of their job commitments and undertake capital investments totaling

approximately $150 million a year in their Western New York facilities over the seven-year contract term, or more than $1 billion.

Hydropower for Business – Northern New York

In June, 2010 NYPA made the first allocation of 1.3 MW of Preservation Power - to Florelle Tissue in Jefferson County in the North Country. In May 2011, two additional allocations were made, one for 5 MW to Newton Falls Fine Paper Company, LLC in Newton Falls and the other for 3 MW to Upstate Niagara Cooperative in North Lawrence. Together, these three allocations will help create 246 new jobs, which we hope is among the first of many good things to come for the North Country.

In March 2009, NYPA and Alcoa reached an agreement that saved hundreds of jobs at Alcoa's smelters in Massena, New York in the short-term and potentially preserved hundreds more under its planned long-term modernization project at the plant. Due to the historic 60 percent decline in aluminum prices at the time, Alcoa was considering curtailing operations at both Massena East and West smelters, which would have resulted in elimination of about 1,100 jobs. Recognizing the extraordinary economic circumstances, NYPA and Alcoa worked together to reach an agreement that will allowed the West Plant to remain operational at its current employment level and to retain more than 250 of the approximately 420 East Plant employees.

In order to enable the Alcoa - Massena East Modernization Project to continue to move forward, given the new long-term contract post 2013, NYPA agreed to a more flexible schedule in light of the economic downturn. NYPA and Alcoa officials meet on a regular basis to review business conditions and we are committed to establishing a project schedule that results in the modernization of the East Plant as soon as global aluminum market conditions recover. We understand Alcoa's temporary business situation in the context of the global economy and are confident that they will have a bright future in Massena. We were extremely pleased when Alcoa announced in early 2011 that they were restarting the East smelter and bringing back the employees that were temporarily furloughed.

Working in cooperation with National Grid and New York State Electric and Gas, NYPA provided almost $10 Million/year for a temporary credit to the monthly electric bills of businesses and other eligible customers in Franklin, Jefferson and St. Lawrence counties The program was funded from the sale of unused St. Lawrence-FDR power into the State's wholesale electricity market. The power, which was freed up due to the temporary curtailing of operations by Alcoa at the Massena East plant, is from a block of 490 megawatts of electricity known as Preservation Power reserved under a 2005 State law for businesses in St. Lawrence, Jefferson and Franklin counties.

Municipal & Cooperative Economic Development Program

Since October 2008, NYPA has made six allocations of Municipal & Cooperative Economic Development Power. The 9.7 MW allocated will help create and retain 2,039 jobs at businesses

served by the 51 municipal and cooperative electric systems around the state that NYPA supplies.

SKF Aeroengine was very close to moving their Chautauqua County operations to South Carolina. However, a 2 MW allocation of hydropower helped convince SKF to not only keep 691 jobs in Falconer, but to agree to expand and create an additional 40 jobs.

Industrial Incentive Awards

NYPA's Power for Jobs and Energy Cost Savings Benefits Programs, as currently structured by law, are helpful only to those businesses already in the programs. Even with our abilities limited by the program's exiting restrictions, NYPA has been able to provide Industrial Incentive Awards to 10 businesses since May 2009 to help companies in the state that were at risk of closing or relocating out of state and could not participate in our existing programs. The awards are helping businesses all over the state: Kolmar Labs in Port Jervis, Owl Wire in Rome, Nucor Steel in Auburn, Buckingham Manufacturing in Binghamton and GE Aviation Systems on Long Island. Overall, the awards helped protect some 3,880 meaningful jobs statewide.

Summary

Over the past two and a half years NYPA's economic development initiatives have helped 40 businesses to stay, grow or locate in New York State. As a result, the Authority's efforts have helped create almost 1,700 jobs and retain over 8,000. From Long Island, to the Southern Tier, to Central New York, to the North Country and especially in Western New York, the Power Authority has ramped up its mission to provide economic development benefits to foster job creation and retention to the maximum extent possible.

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Gil C. Quiniones
Chief Operating Officer

TO: NYPA BOARD OF TRUSTEES

FROM: GIL C. QUINIONES, CHIEF OPERATING OFFICER

DATE: JULY 26, 2011

SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

****

This report covers the performance of the Operations group in June. NYPA's generation assets continued a high level of market readiness in June, enabling the Authority to take advantage of above average flows on the Niagara and St. Lawrence rivers. Net generation has outpaced projections for four months in a row. On July 1, the 575 MW Astoria Energy II combined cycle power plant entered into commercial operation. Output from the plant will be included in the projected and actual net generation figures beginning in July.

Power Supply

Plant Performance

Systemwide net generation[1] was 2,375,394 megawatt-hours[2] (MWh) in June, compared to projected net generation of 2,156,496 MWh. Year-to-date net generation is 12,754,795 MWh, compared to the net generation target of 12,289,925 MWh.

The fleet availability factor[3] was 93.1 percent in June and is 95.5 percent for the year. Generation market readiness factor[4] was 99.9 percent, compared with the monthly target of 99.4 percent. Year-to-date generation market readiness factor is also 99.9 percent.

There was one significant unplanned generation event[5] in June. At the Brentwood Gas Turbine Facility, a gas compressor[6] tripped due to low lube oil pressure; the resulting outage lasted eight days.

Generation revenue in June was $176.8 million, with $0.3 million revenue lost from unscheduled outages. Year-to-date lost opportunity cost is $1.5 million, about 0.17 percent of year-to-date generation revenue of $891.5 million.

River flows at the Niagara Power Project were above forecast in June and are forecast to be normal or above average through the beginning of 2012. At the St. Lawrence-FDR Power Project, flows were also above forecast and are expected to be above average through 2011 before returning to historical average in 2012.

Transmission Performance

Transmission reliability[7] in June was 99.61 percent, which was above the target of 99.42 percent. Year-to-date transmission reliability is 99.10 percent, above the target of 98.37 percent.

There were no significant unplanned transmission events[8] in June.

Life Extension and Modernization Program

Work on Unit 24 at the St. Lawrence-FDR Power Project, the 14th of the 16 units, was completed as part of the Project's Life Extension and Modernization[9] (LEM) program. Unit 24 was returned to service on June 20. Due to higher than expected water flows and the potential for increased generation revenue, it was decided to delay the outage of the next unit (Unit 19) by one month. The 2013 scheduled completion date for the LEM project remains unchanged.

Environmental

There were two reportable events in June. At the Niagara Power Project, an air conditioning unit leaked approximately 1.4 pounds of R-22 refrigerant[10], exceeding the NYS Department of Environmental Conservation Reportable Quantity limit (1 pound). At the Hell Gate Gas Turbine Facility, a transformer fire resulted in a spill of approximately 100 gallons of oil. All of the oil was contained and a contractor was hired to remove the resulting mixture of oil and water.

Year-to-date number of recordable environmental incidents is 20; the 2011 target is 25.

Transmission Initiative

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

Since June 2010, PA Consulting has conducted a series of economic analyses for the project that generally indicated that there was a net benefit and a reduction in emissions with the construction of the Transmission Initiative. However, recent developments including the decision to proceed with the HTP project and a forecast of lower demand and energy prices have had a significant negative impact on the economics of a project that terminates in New York City

and Long Island. Those developments and the cost of additional reinforcements within New York City that might be required by the New York Independent System Operator[11] (NYISO) make the current project configuration uneconomic.

Staff is developing alternative project configurations that would terminate in either Westchester County or further north of New York City. These configurations could be more cost effective and could address many New York State energy issues.

Technical Compliance – NERC Reliability Standards

In June, NYPA staff continued to prepare for and participate in two scheduled audits of its compliance with North American Electric Reliability Corporation[12] (NERC) Mandatory Reliability Standards. NYPA's compliance documentation for the on-site Federal Energy Regulatory Commission[13] (FERC) Order 706 audit for Critical Infrastructure Protection[14] (CIP) standards was submitted to the Northeast Power Coordinating Council (NPCC)[15] on June 9; the audit will commence at the Clark Energy Center on July 11. NYPA's compliance documentation for the off-site FERC Order 693 (non-CIP) audit was submitted to NPCC on June 20; the audit commenced on June 21.

Pursuant to FERC Order 743, NERC established a Standard Drafting Team to develop a new Bulk Electric System (BES) definition and a Rules of Procedure Team to develop rules of procedure for an exception process. NYPA's internal team of subject matter experts continues to monitor the work of both of these teams. On June 10, NYPA submitted comments to NERC on the Technical Principles for Demonstrating BES Exceptions and the BES Definition Exception Process. The Drafting Team expects to post the new BES definition for ballot and official comment in August.

NYPA Technical Compliance staff continues to work with the NYISO and the New York Transmission Owners to develop an action plan for addressing the statewide impacts of the implementation of the new BES definition. On June 29, a conference call was held to further discuss the statewide impacts of the implementation of the new BES definition; in particular, the impacts on Transmission Operator registration in New York State. The focus to date has been on estimating the costs for managing the Transmission Operator requirements in the NERC standards once the new BES definition is adopted. The next meeting on July 19 will include representatives from NPCC. In addition, the NYISO has an action item to initiate discussions with the New York Transmission Owners on Transmission Planning registration impacts.

NYPA has a responsibility to implement its assessment plan developed in response to NERC's Alert Recommendation to Industry regarding overhead transmission line ground clearances pursuant to the NERC Facility Ratings Standards. NYPA's assessment progressed as planned in June. Beginning July 15, NYPA will report progress to NPCC, as required, every six months. NYPA participated in a June 20 meeting of the technical staffs of the New York Transmission Owners to discuss the methods being used to assess potential clearance violations and the mitigation actions to ensure some consistency in the response to the NERC alert across New York State.

In June, NYPA finalized a position paper that presents a case for removing the Authority from the NERC registry as a Load Serving Entity.[16] NYPA expects to submit the position paper to NPCC in July and to continue its discussion with NPCC on this matter.

In June there was no progress in the settlement discussions with NPCC relating to July 2010 self-reports of possible violations of two NERC CIP standards. Mitigation plans were finalized and submitted to NPCC on June 15 for self-reports identified in February 2011 associated with two NERC Protective Relay and Control[17] (PRC) Standards; the mitigation plans must be completed by December 15. At the same time, NYPA notified NPCC of its desire to enter into settlement discussions for these possible violations. Also in June, NYPA submitted to NPCC justification for dismissal of the February 2011 self-report for a PRC standard.

Energy Resource Management

NYISO Markets

In June, ERM bid over 2.3 million MWh of NYPA's generation into the NYISO markets, netting $49.4 million in power supplier payments to the Authority. Year-to-date net power supplier payments are $221.1 million.

Fuel Planning & Operations

In June, NYPA's Fuels Group transacted $19.0 million in natural gas and oil purchases, compared with $14.7 million in June 2010. Year-to-date natural gas and oil purchases are $117.4 million, compared with $114.8 million at this point in 2010. The total year-to-date $2.6 million increase is mainly attributed to increased fuel cost at the 500-MW Combined Cycle Plant (+$2.7 million) and increased generation at the Small Clean Power Plants (+$6.8 million) and the Richard M. Flynn Power Plant (+$5.7 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).

Regional Greenhouse Gas Initiative

On June 8, Auction 12 of the Regional Greenhouse Gas Initiative (RGGI)[18] was held. During the auction, RGGI allowances once again cleared at the Vintage 2011 price floor set earlier this year at $1.89/ton. Allowances also cleared at this price floor during the preceding March auction. NYPA did not participate in Auction 12 because the Authority secured 2,260,000 tons of 2011 allowances in March. This number of allowances currently represents approximately 78 percent of NYPA's estimated allowance requirement for all plants in 2011. Since the inception of this program, NYPA has spent $18.7 million on 7.7 million RGGI allowances, or $2.42/ton on average. Year to date, NYPA has spent $1.89/ton on average for Vintage 2011 allowances.

In May, New Jersey Gov. Chris Christie announced that his state would be withdrawing from RGGI at the end of 2011, which marks the end of the current compliance period. In response, the participating states confirmed that according to each state's regulations, they will

each recognize without limitation all New Jersey Vintage 2009, 2010 and 2011 allowances in circulation as well as those sold in Auction 12.

Office of the Chief Operating Officer

Sustainability Action Plan – Midyear Report

By midyear, NYPA has completed milestones marking the implementation of its Sustainability Action Plan. The Authority published its first Sustainability Annual Report, *Generating Sustainability*, which was distributed to stakeholders and employees, and made publicly available on the NYPA website. Also in the first half of 2011, NYPA filed as a transitional reporter with the Climate Registry[19] as part of its effort to calculate and publicly disclose its carbon footprint. Significant progress has been made on several of the 13 sustainability milestones due for completion in the second half of the year, starting in September.

GLOSSARY

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

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

[8] **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.

[9] **Life Extension and Modernization Program** — A major undertaking in which all the turbines at the St. Lawrence-Franklin D. Roosevelt project are being replaced and the generators and other components significantly refurbished. The program is intended to ensure that the project operates at maximum efficiency far into the future.

[10] **R-22 Refrigerant –** Common refrigerant used in residential and light commercial air conditioning, refrigerators, and freezers. R-22 is being phased out of production in the U.S. because of concerns over its threat to ozone depletion.

[11] **New York Independent System Operator** – A not-for-profit organization that operates New York State's transmission system, administers the state's wholesale electricity markets and engages in planning to ensure the future reliability of the statewide power system.

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

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

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

[15] **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).

[16] **Load Serving Entity (LSE)** – An entity designated by a retail electricity customer to provide capacity, energy and ancillary services to serve such customer, in compliance with NYISO tariffs, rules, manuals and procedures.

[17] **Protective Relay and Control Standards –** Generally, the purpose of these NERC standards is to ensure the protection and monitoring of the electric system and its protection systems.

[18] **Regional Greenhouse Gas Initiative (RGGI)** – A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont. These 10 states have capped CO_2 emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO_2 Budget Trading Programs in each of the participating states. Regulated power plants can use a CO_2 allowance issued by any of the 10 participating states to demonstrate compliance with the state program governing their facility. Taken together, the individual state programs function

as a single regional compliance market for carbon emissions, the first mandatory, market-based CO_2 emissions reduction program in the United States.

[19] **Climate Registry -** A nonprofit collaboration among North American states, provinces, territories and Native Sovereign Nations that sets consistent and transparent standards to calculate, verify and publicly report greenhouse gas emissions into a single registry.

New York Power Authority

Report of the Chief Financial Officer

For the Six Months Ended June 30, 2011

New York Power Authority

Report of the Chief Financial Officer
For the Six Months Ended June 30, 2011
Executive Summary

Results of Operations

Net income for the six months ended June 30, 2011 was $72 million which was $7.8 million higher than budgeted, Positive variances attributable to higher net margins at the hydro facilities ($6.4 million), lower operations and maintenance expenses ($5.2 million), and a mark-to-market gain on the Authority's investment portfolio ($7.2 million) were partially offset by higher other operating expenses ($13.3 million). Higher net margins at St. Lawrence ($15.6 million) due to higher generation and higher prices on market-based sales were partially offset by lower margins at Niagara ($4.3 million, higher purchased power costs) and Blenheim-Gilboa ($4.9 million, lower prices on capacity sales). Operations and maintenance expenses were lower primarily due to timing differences in Human Resource contract services and computer service costs. The mark-to-market gain on the Authority’s investment portfolio resulted from lower than budgeted market interest rates. Other operating expenses were higher due the recognition of unbudgeted voluntary contributions to NY State ($10.5 million) relating to the extension of the Power for Jobs program (including $7.5 million relating to 2010 paid in June and the accrual of half of the $6 million for 2011 scheduled to be paid in early 2012). The Astoria II generating unit began commercial operation on July 1, 2011, providing power to the Authority one month later than assumed in the budget. This delay resulted in large line item variances during the month but had no impact on net income as lower than anticipated revenues were offset by lower operating expenses.

Net income through June 2011 ($72 million) was $8.6 million lower than the comparable period in 2010 ($80.6 million). Lower net operating income ($42.5 million) and lower investment income ($9.8 million) during the period were substantially offset by lower voluntary contributions to New York State ($42 million). Net operating income was lower due to lower net margins on sales (12.5 million), higher O&M ($11.1 million) and higher other operating expenses ($20 million). Net margins on sales were lower primarily due to higher purchased power costs at Niagara incurred in early 2011 to support customer loads due to an extended transmission line outage. In addition, capacity sales were lower in 2011 at Blenheim-Gilboa and the Small Clean Power Plants due to lower prices. In 2011, O&M includes costs for a planned outage at the 500 MW plant and emergent work at the Small Clean Power Plants. Other operating expenses through June 2011 include higher retiree health benefits and higher Power for Jobs related contributions to NY State. Year-to-date voluntary contributions were $65 million in 2011 compared to $107 million through June 2010.

Year-end Projection

Year-end net income is projected to be $203 million based on current forward market prices and lake levels. This is $24 million above the 2011 budget and $6 million higher than last month's year-end forecast.

The current annual hydro generation forecast of 20.6 TWh is 1.5 TWh above budget reflecting the significant levels of precipitation during the late winter and spring months. The increased generation is contributing to a $42 million increase in net income over the 2011 budget. Higher energy prices have had a $13 million positive impact on projected net income, principally at Niagara, St. Lawrence and the SCPP's. Year-to-date pricing for energy is up an average of 15%. This is offset by a $17 million decline in rest-of-state capacity revenues for the year, principally at the Niagara and Blenheim-Gilboa facilities.

The recently approved Recharge NY Power Program legislation includes authorization for voluntary contributions associated with GRT credits for the Power for Jobs Program for the years 2010 ($7.5 million) and 2011 ($6.0 million). The combined amount ($13.5 million), which will be recognized in 2011 business, exceeds the budgeted amount by $8.5 million.

Cash & Liquidity

The Authority ended the month of June with total operating funds of $1,117 million as compared to $1,069 million at the end of 2010. The increase of $48 million was primarily attributable to net cash by operations and the Value Sharing payment received from Entergy in January partially offset by voluntary contributions to New York State and scheduled debt service payments.

Energy Risk

At June 30, 2011, the fair market value of outstanding energy derivatives was an unrealized loss of $188 million for contracts extending through 2017. Year to date, energy derivative settlements resulted in a realized net loss of $33 million. The amount of these losses is subject to virtually full cost recovery, whereby the resulting hedge settlements are recovered through customer rates.

New York Power Authority

RESULTS OF OPERATIONS

Net Income
Six Months ended June 30, 2011
($ in millions)

	Actual	Budget	Variance
Niagara	$47.5	$50.4	($2.9)
St. Lawrence	25.1	10.0	15.1
Blenheim-Gilboa	(8.5)	(3.8)	(4.7)
SENY	14.7	15.9	(1.2)
SCPP	3.1	4.5	(1.4)
Market Supply Power	(30.8)	(18.0)	(12.8)
Flynn	7.7	4.7	3.0
Transmission	22.1	19.2	2.9
Non-facility*	(8.9)	(18.7)	9.8
Total	**$72.0**	**$64.2**	**$7.8**

Major Factors	**Better (Worse)**
Niagara Lower net margin on sales due primarily to higher purchased power costs to support customer loads partially offset by higher market based sales due to higher net generation (4%). Purchased power costs were higher due to an extended outage at an upstate transmission line.	($2.9)
St. Lawrence Higher net margin ($15.6) resulting from 12% higher generation and higher prices on market sales ($39/mwh vs $36/mwh).	15.1
Blenheim-Gilboa Lower prices on capacity sales into the market.	(4.7)
Market Supply Power Higher purchased power costs (due to higher prices), combined with accruals and payment of voluntary contributions ($10.5) not in budget (extension of Power for Jobs program).	(12.8)
Other facilities	3.3
Non-facility (including investment income) Primarily mark-to-market gain on the Authority's investment portfolio due to lower than budgeted market interest rates during the period.	9.8
Total	**$7.8**

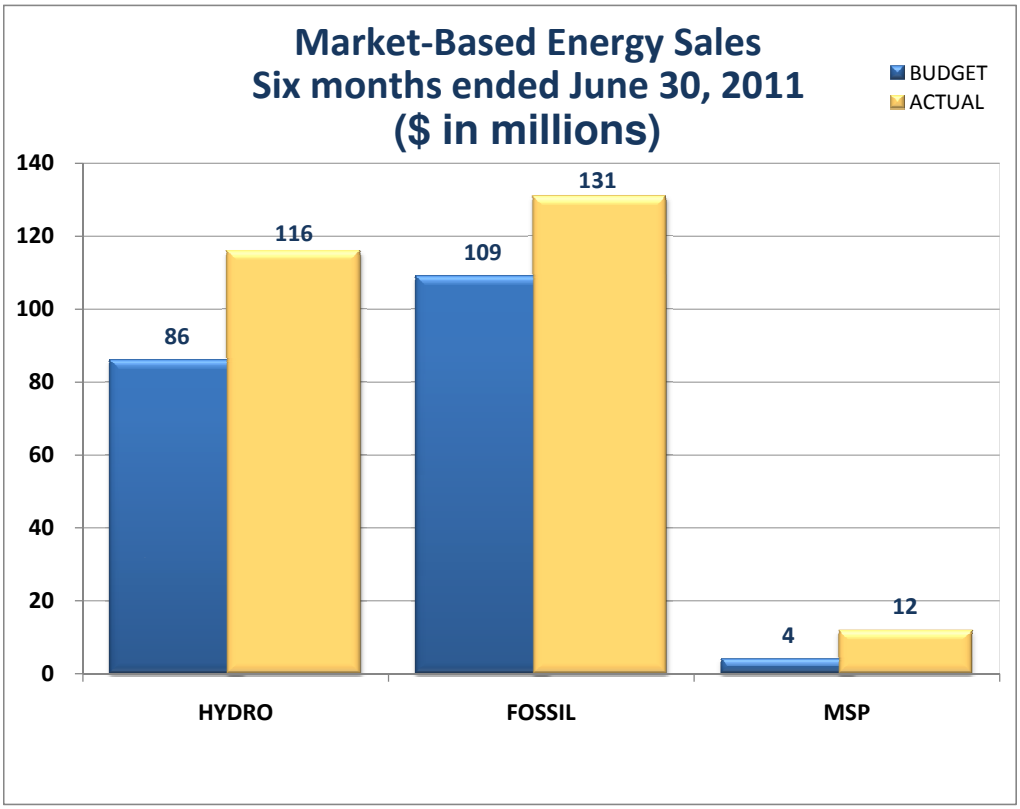
Net Income
Six Months Ended June 30, 2011 and June 30, 2010
($ in millions)

	2011	2010	Variance Favorable/ (Unfavorable)
Operating Revenues	**$1,234.2**	**$1,222.9**	**$11.3**
Operating Expenses			
Fuel consumed - oil & gas	117.2	114.8	(2.4)
Purchased power and ancillary services	471.9	438.9	(33.0)
Wheeling	228.2	239.8	11.6
	817.3	793.5	(23.8)
Net Margin	**416.9**	**429.4**	**(12.5)**
Operations and maintenance	147.1	136.0	(11.1)
Other expenses	82.1	62.1	(20.0)
Depreciation and amortization	80.6	82.8	2.2
Allocation to capital	(3.2)	(4.4)	(1.2)
Net Operating Income	**110.3**	**152.9**	**(42.6)**
Investment and other income	71.0	72.4	(1.4)
Mark to Market Adjustment	3.7	12.1	(8.4)
Total Nonoperating Income	**74.7**	**84.5**	**(9.8)**
Contributions to New York State	65.0	107.0	42.0
Interest and other expenses	48.0	49.8	1.8
Total Nonoperating Expenses	**113.0**	**156.8**	**43.8**
Net Nonoperating Income (Loss)	**(38.3)**	**(72.3)**	**34.0**
Net Income	**$72.0**	**$80.6**	**($8.6)**

Net income through June 2011 ($72 million) was $8.6 million lower than the comparable period in 2010 ($80.6 million). Lower net operating income ($42.5 million) and lower investment income ($9.8 million) during the period were substantially offset by lower non-operating expenses ($43.8 million). Net operating income was lower due to lower net margins on sales (12.5 million), higher O&M ($11.1 million) and higher other operating expenses ($20 million). Net margins on sales were lower primarily due to higher purchased power costs at Niagara incurred in early 2011 to support customer loads due to an extended transmission line outage. In addition, capacity sales were lower in 2011 at Blenheim-Gilboa and the Small Clean Power Plants due to lower prices. In 2011, O&M included costs for a planned outage at the 500 MW plant and emergent work at the Small Clean Power Plants. Other expenses through June 2011 include higher retiree health benefits and higher Power for Jobs related contributions to NY State.

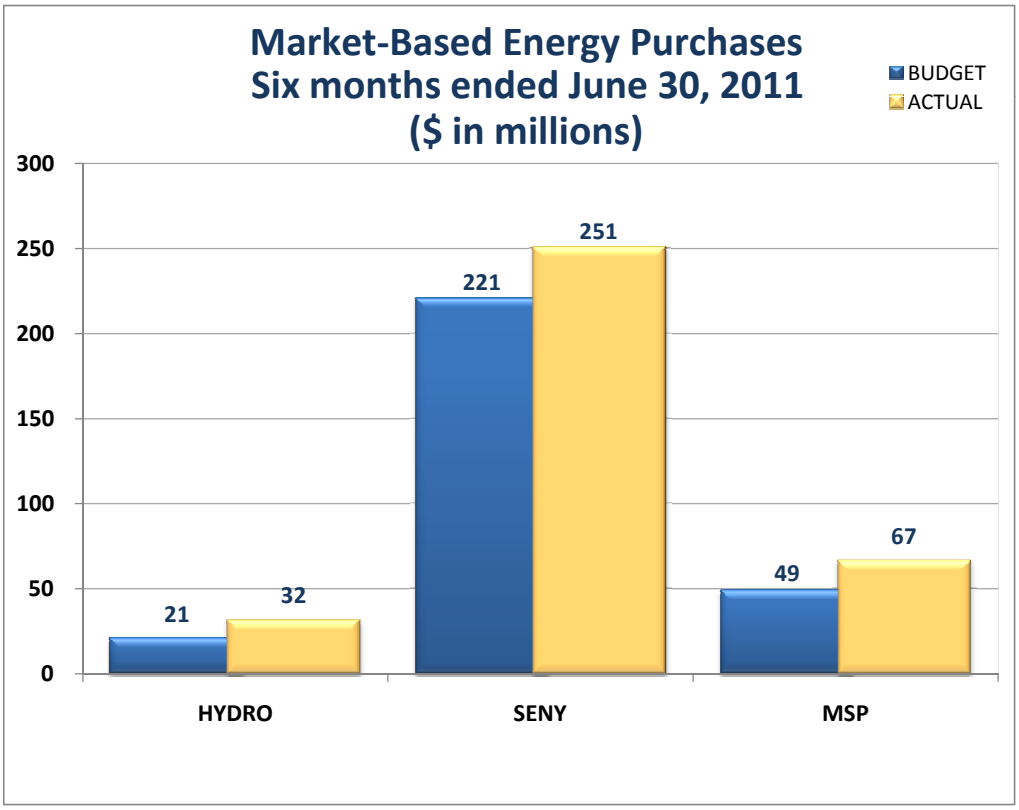
Investment income was lower in 2011 due to smaller mark-to-market gains on NYPA's investment portfolio in 2011 compared to 2010.

Non-operating expenses in 2011 were lower than the prior year ($43.8 million) due to lower voluntary contributions to the State. A voluntary contribution of $107 million was made in March 2010. Voluntary contributions to the State in 2011 include $25 million made in January for the State's fiscal year 2010/2011 and $40 million made in June.



REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Hydro*	2,171,491	2,825,159
Fossil	1,963,930	2,012,007
MSP	110,345	274,799
TOTAL	4,245,766	5,111,965
PRICES ($/MWH)		
Hydro*	$39.65	$41.09
Fossil	$55.30	$64.89
MSP	$34.25	$44.89
AVERAGE	$46.75	$50.64

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

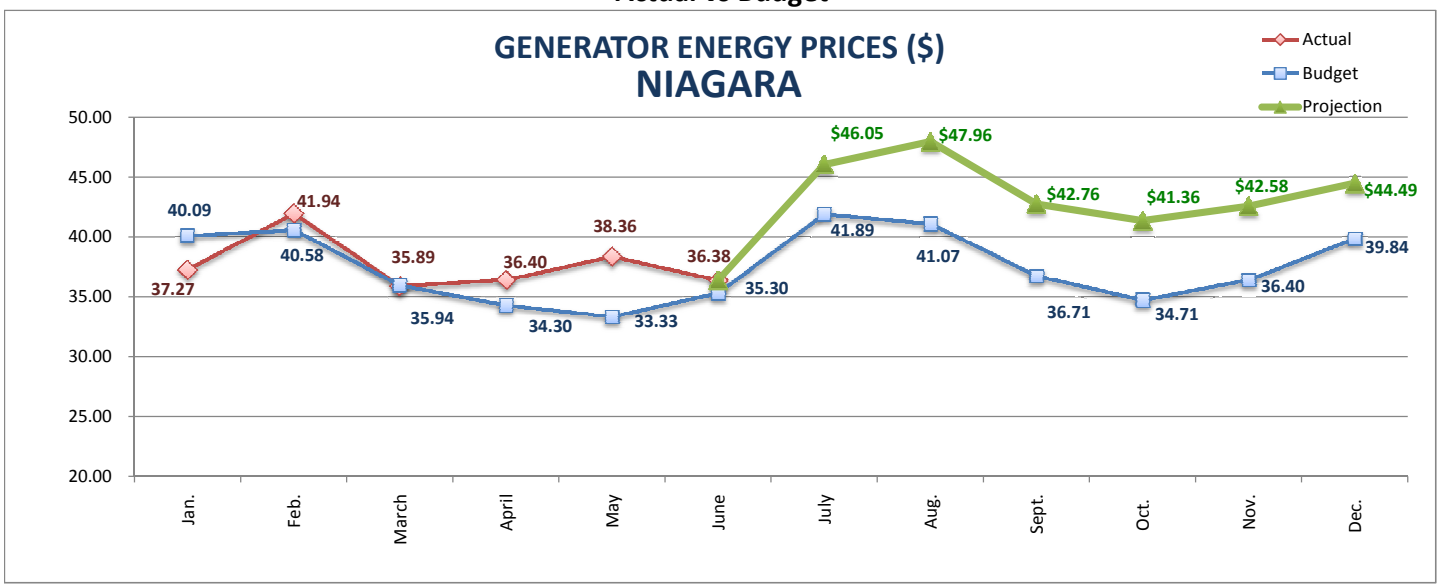


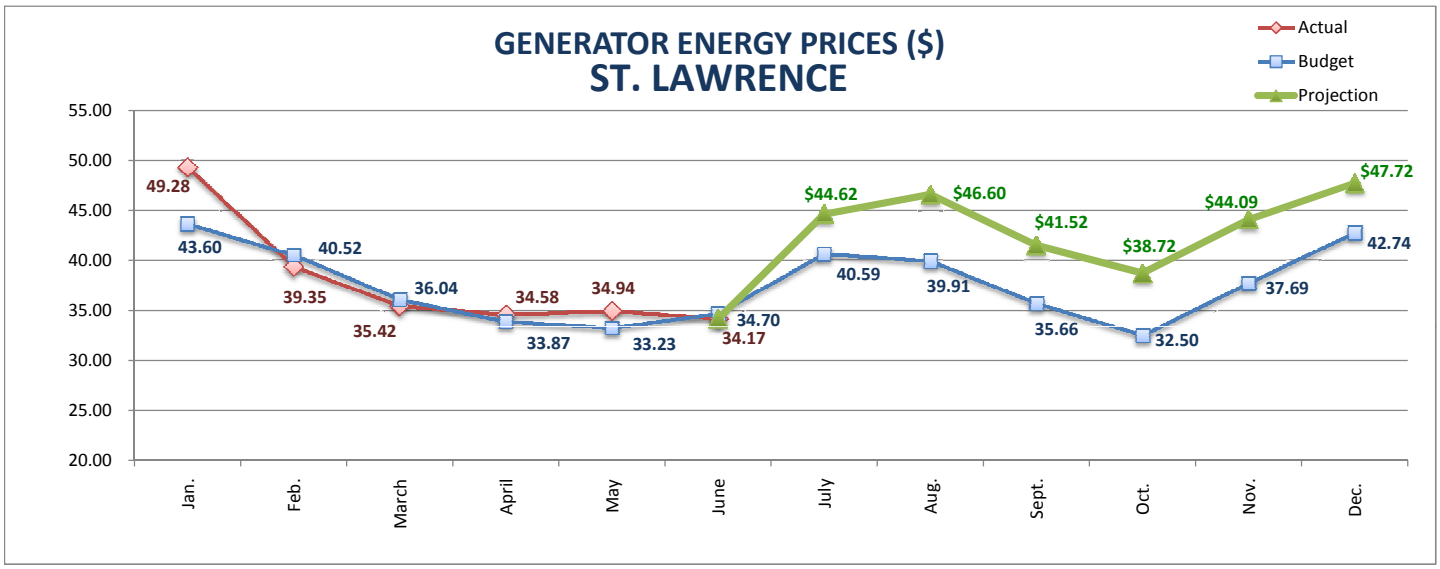
REVENUES		
SALES (MWH)		
	BUDGET	ACTUAL
Niagara	1,140,812	1,640,996
St. Law.	648,436	965,361
PRICES ($/MWH)		
Niagara	$37.65	$38.54
St. Law.	$36.13	$38.72

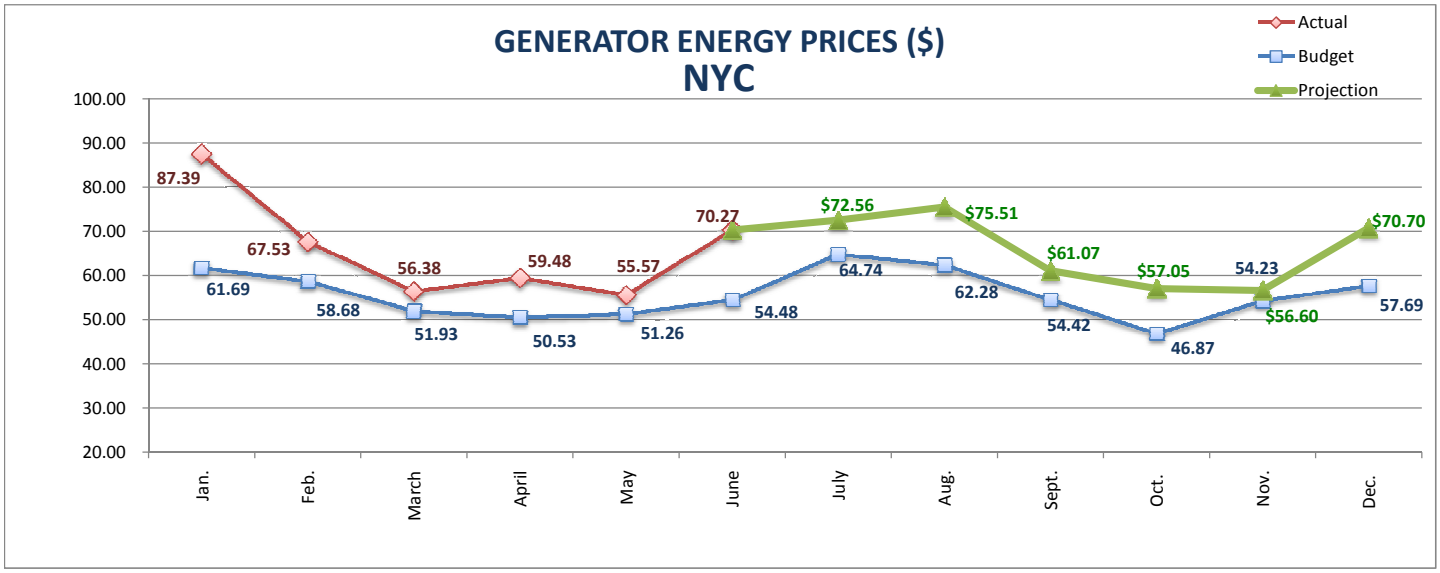
COSTS		
PURCHASES (MWH)		
	BUDGET	ACTUAL
Hydro	888,038	892,743
SENY	4,296,515	4,629,417
MSP	1,364,260	1,516,817
TOTAL	6,548,813	7,038,977
COSTS ($/MWH)		
Hydro	$23.59	$35.75
SENY	$51.33	$54.21
MSP	$36.18	$44.03
AVERAGE	$44.41	$49.68

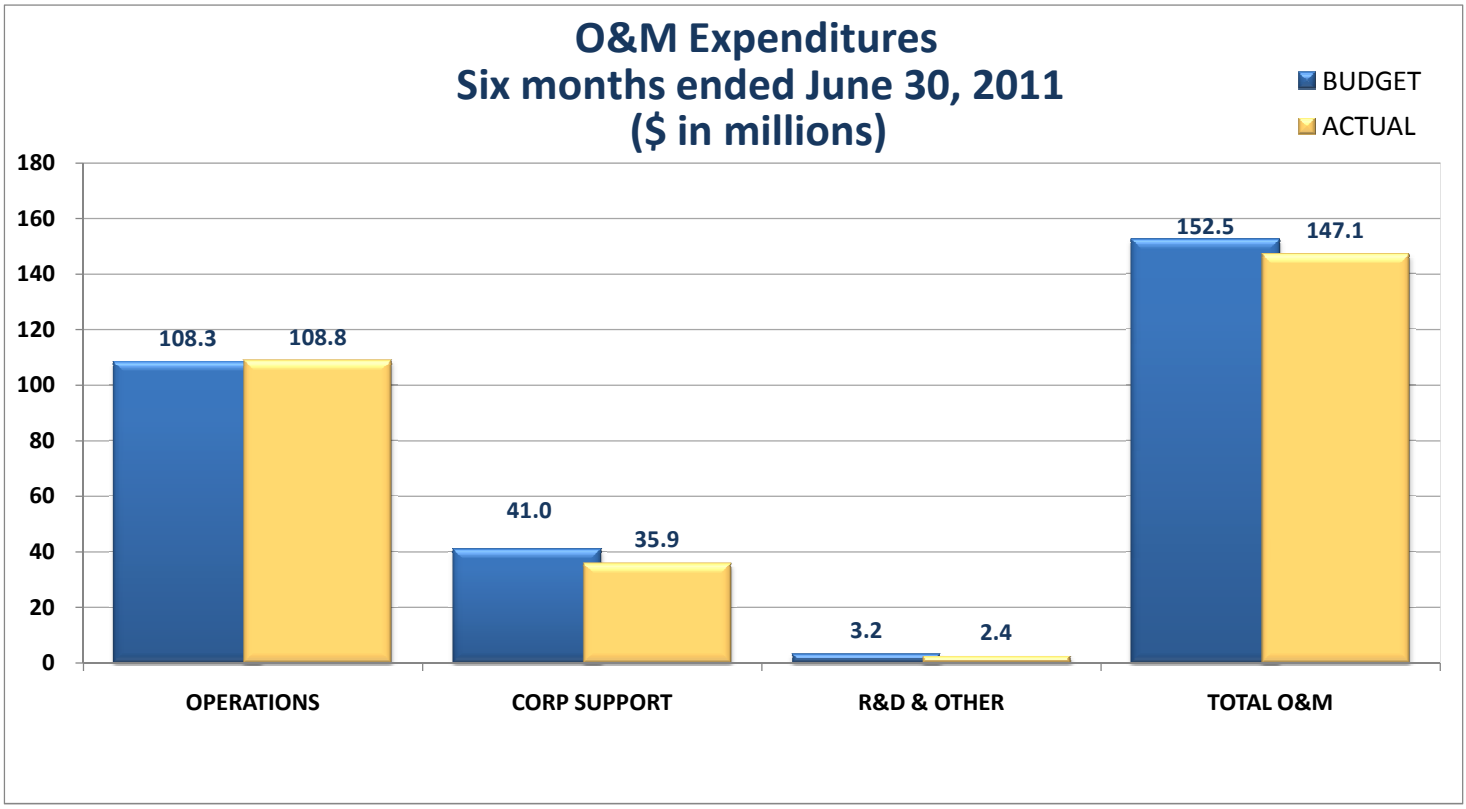
New York Power Authority

RESULTS OF OPERATIONS
Market Energy Prices
Actual vs Budget





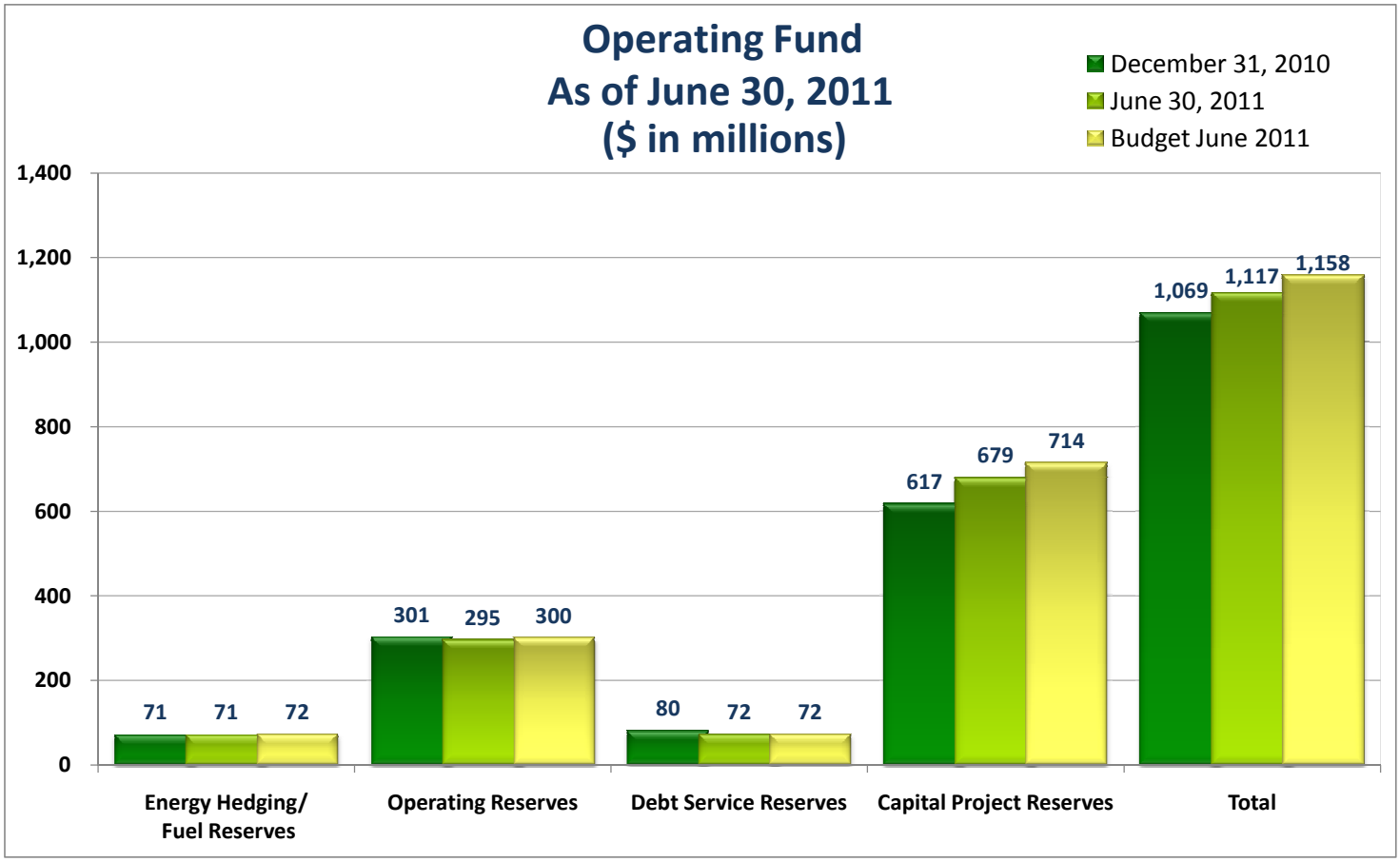




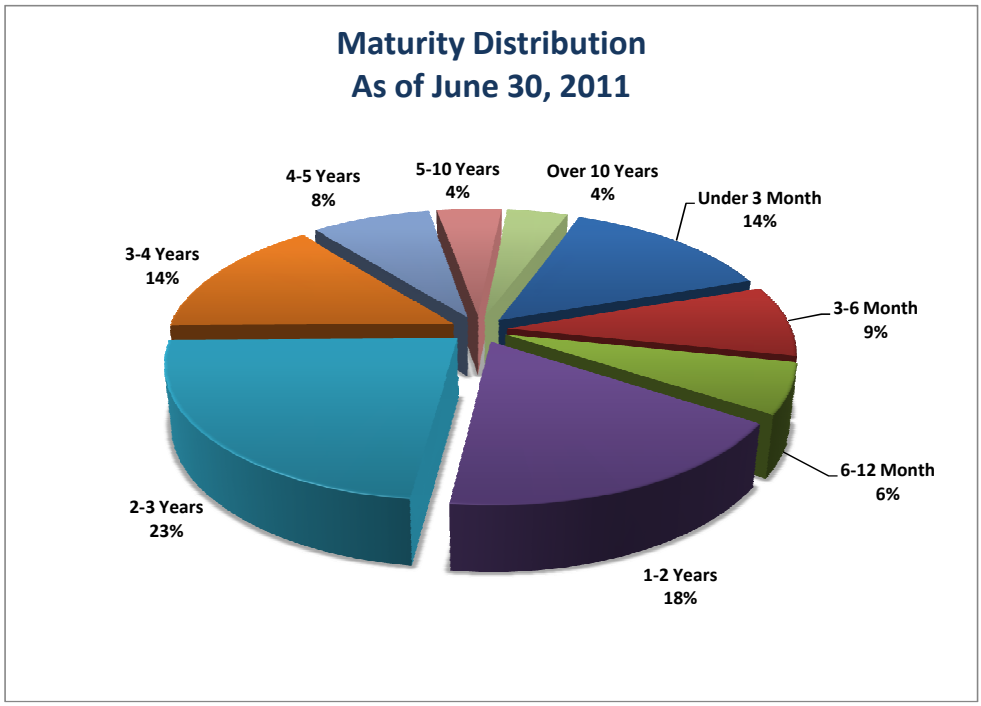
- Through June, O&M expenses were $5.4 lower than the budget.

- HQ Corporate Support was under budget by $5.1 due to lower than expected expenses for Human Resource contract services, WPO building operations, computer software, hardware and services, and books and publications

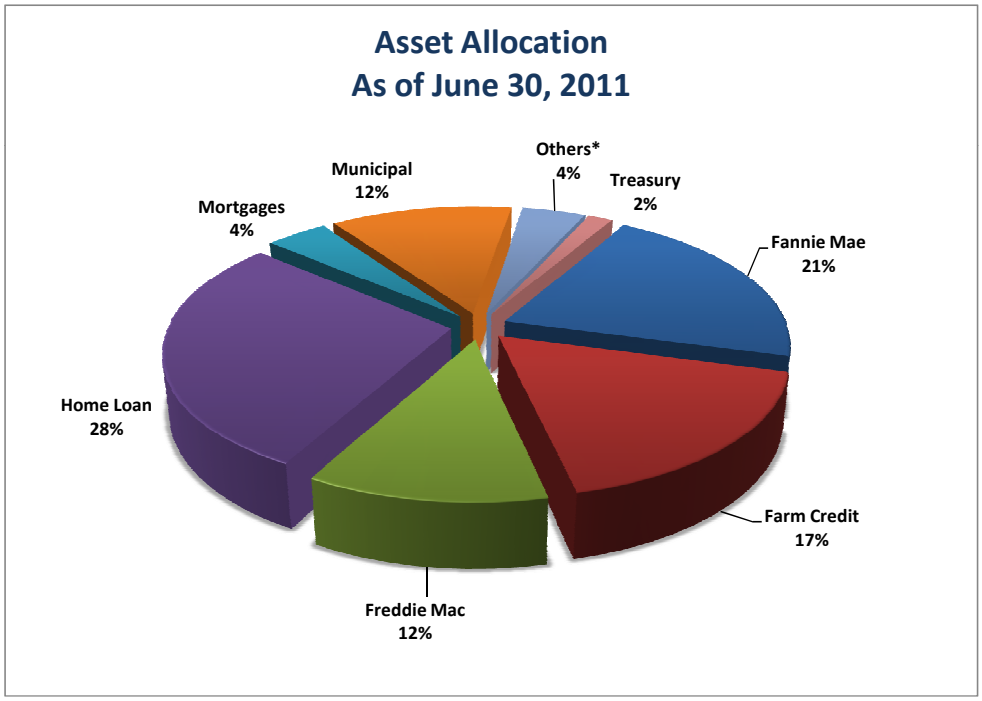
- Operations expenditures were slightly higher than budgeted primarily due to emergent work at the Small Clean Power Plants (Pouch terminal, Harlem River and Kent) and an overrun in Operations Shared Services due to less than anticipated labor charged to capital projects. These negatives were substantially offset by timing underruns in non-recurring projects at Niagara and a one month delay in the commercial operation date for Astoria II to July 1st.



The increase of $48 in the Operating Fund (from $1,069 to $1,117) was primarily attributable to positive net cash provided by operating activities and the Value Sharing payment of $72 received from Entergy, substantially offset by voluntary contributions to New York State ($73) and repayments on commercial paper ($50) and ART Notes ($8). The variance from budget is primarily attributable to the additional Power for Jobs contribution to the State ($7.5) and the timing of cash payments related to prior year accruals.

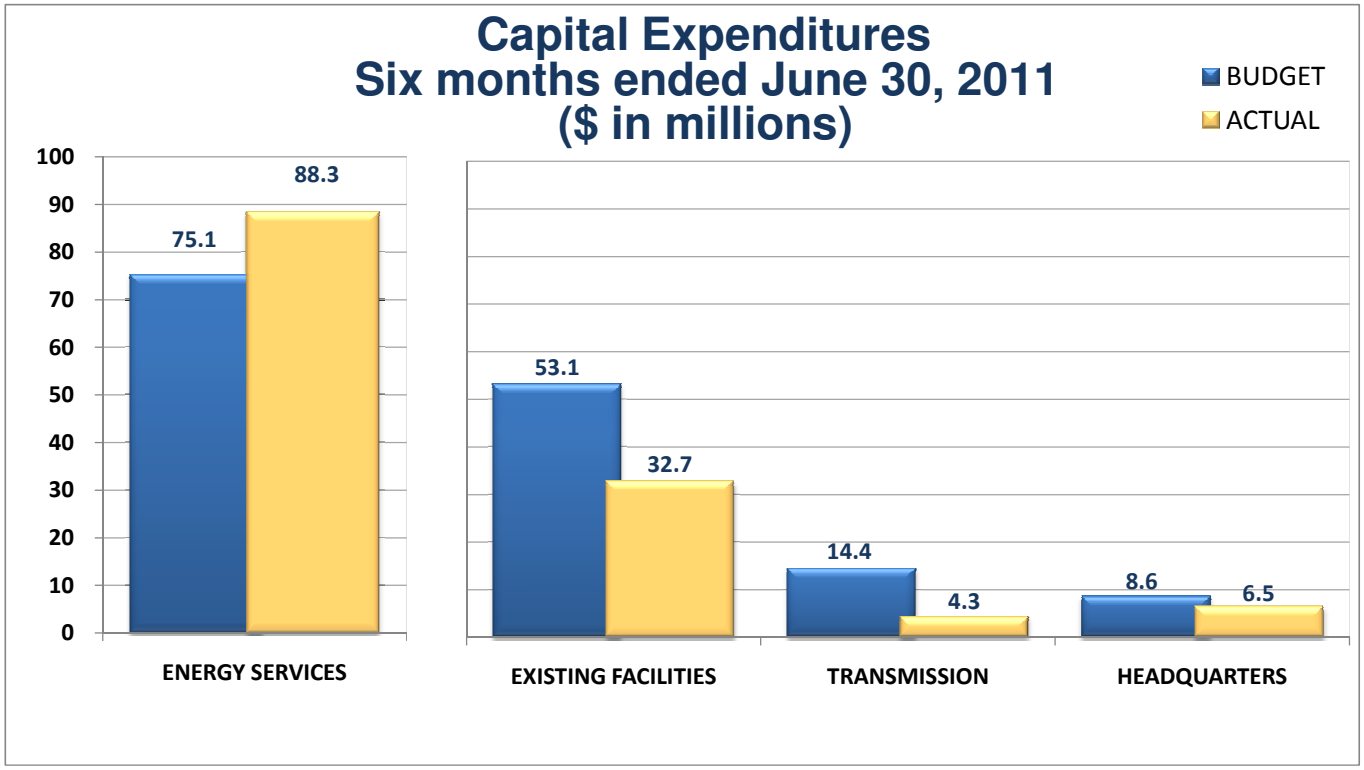


MATURITY DISTRIBUTION	
($ in millions)	
Under 3 Month	$176.1
3-6 Month	107.2
6-12 Month	74.9
1-2 Years	221.7
2-3 Years	285.0
3-4 Years	182.0
4-5 Years	98.5
5-10 Years	53.4
Over 10 Years	49.8
Total	**1,248.6**



ASSET ALLOCATION	
($ in millions)	
Fannie Mae	$260.3
Farm Credit	216.9
Freddie Mac	142.6
Home Loan	353.2
Mortgages	51.5
Municipal	151.3
Others*	52.8
Treasury	20.0
Total	**$1,248.6**

*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 $20.4 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 ISO Metering Upgrade.

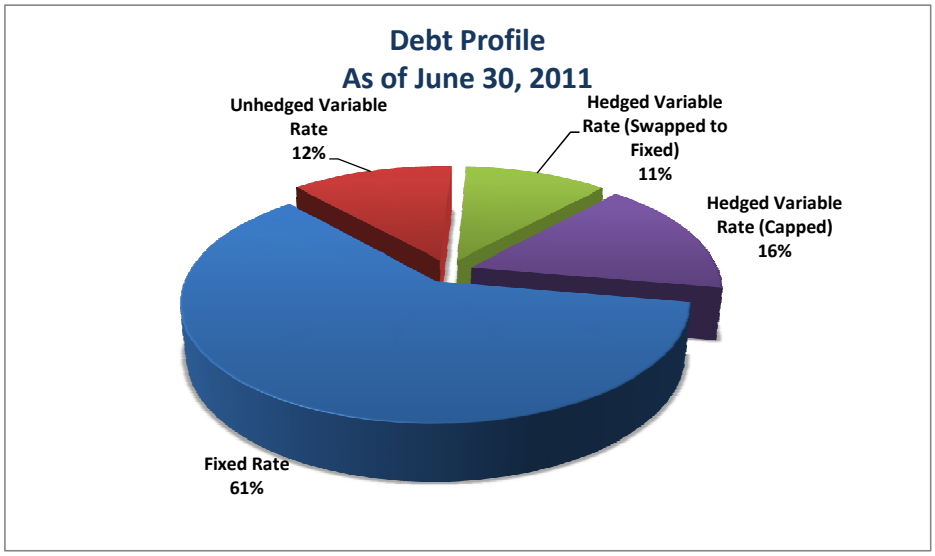
• Headquarters expenditures were less than budgeted due to timing for several IT projects.

• Under the Expenditure Authorization Procedure, the President has authorized new expenditures on budgeted capital projects of $13.1 for 2011. In June, the President authorized $0.4 for preliminary funding for St. Lawrence Nature Center.

YTD June 30, 2011 Debt Activity
($ in millions)

	Beginning Balance	New Issues	Scheduled Retirements	Additional Retirements	Ending Balance
Fixed Rate Debt	$1,134.4	-	-	-	$1,134.4
Variable Rate Debt	443.0	-	57.0	-	386.0
Variable Rate Energy Srvcs Debt	347.2	72.1	-	69.5	349.8
Sub-total Variable Rate Debt	790.2	72.1	57.0	69.5	735.8
Total	**$1,924.6**	**$72.1**	**$57.0**	**$69.5**	**$1,870.2**

DEBT



DEBT PROFILE	
($ in millions)	
Fixed Rate	1,134.4
Unhedged Variable Rate	231.1
Hedged Variable Rate (Swapped)	204.7
Hedged Variable Rate (Capped)	300.0
Total	**1,870.2**

Interest Rate Derivatives

The Authority periodically enters into Interest Rate Swaps and Caps to manage interest rate volatility associated with variable rate debt and to hedge future debt issuance. Each transaction is approved by the Board of Trustees and is governed by NYPA's SWAP policy and an ISDA Master Agreement and Schedule to the Agreement with authorized Counterparties. The EVP, CFO and the Treasury department, in consultation with the Authority's financial advisor continually monitor market conditions for potential hedging strategies that may benefit the Authority and its customers. All transactions were competitively bid.

Open Positions

The 1998B transaction is an interest rate swap that was bid March 13, 1998 with an effective date of November 15, 2002. The swap had the effect of fixing the rate on tax-exempt commercial paper at 5.123% on a forward starting basis. It was one component of the 1998 debt refinancing that reduced debt service costs by $740 million and allowed the Authority to adopt a new *General Resolution authorizing Revenue Obligations* in preparation for the competitive marketplace.

The ARTN transaction is an interest rate swap that was bid July 27, 2006 with an effective date of September 1, 2006. It allowed the Authority to lock in a 3.7585% synthetic fixed rate on the Adjustable Rate Tender Notes ("ARTN's"). The synthetic fixed rate was below the historical average rate on the ARTN's and below the rate used in developing NYPA's transmission tariff.

On January 24, 2011 the Authority purchased an interest rate cap on the Series 1 Commercial Paper with a strike rate of 5.50% and term of 2 years. The transaction provides customers participating in the energy services program an interest rate ceiling on their financial rate. The cap was approved by the Board in October 2010 and the Authority's swap advisor administered the competitive bid.

Summary of Derivative Positions ($ in millions)

Transaction	Counterparty	Notional Amount*	Effective Date	Type of Swap	Mark-to-Market
1998B	Goldman Sachs Mitsui Marine Derivatives	$24.5	11/15/2002	Floating-to-Fixed	($2.4)
1998B	Merrill Lynch Cap. Srvcs	40.9	11/15/2002	Floating-to-Fixed	(4.0)
1998B	Citigroup Financial Prod.	16.4	11/15/2002	Floating-to-Fixed	(1.6)
ARTN	Merrill Lynch Cap. Srvcs	122.9	9/1/2006	Floating-to-Fixed	(13.9)
CP - 1	Morgan Stanley Cap. Srvcs	300.0	1/26/2011	CAP	-
Totals		**$504.7**			**($21.9)**

** The notional amount of each SWAP amortizes according to the provisions contained in the transaction documents.*

New York Power Authority

ENERGY DERIVATIVES

Results

Year-to-date, energy derivative settlements have resulted in a net loss of $32.6 million by entering into hedge positions as requested by or transacted on behalf of the Authority's Customers. 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	$ 0.46	$ 0.59	$ -	$ -	$ 0.59
Customer Contracts	$ (33.09)	$ (35.44)	$ (78.94)	$ (74.55)	$ (188.93)
Total	**$ (32.63)**	**$ (34.85)**	**$ (78.94)**	**$ (74.55)**	**$ (188.34)**

[1]*Reflects June 2011 preliminary settlements.*

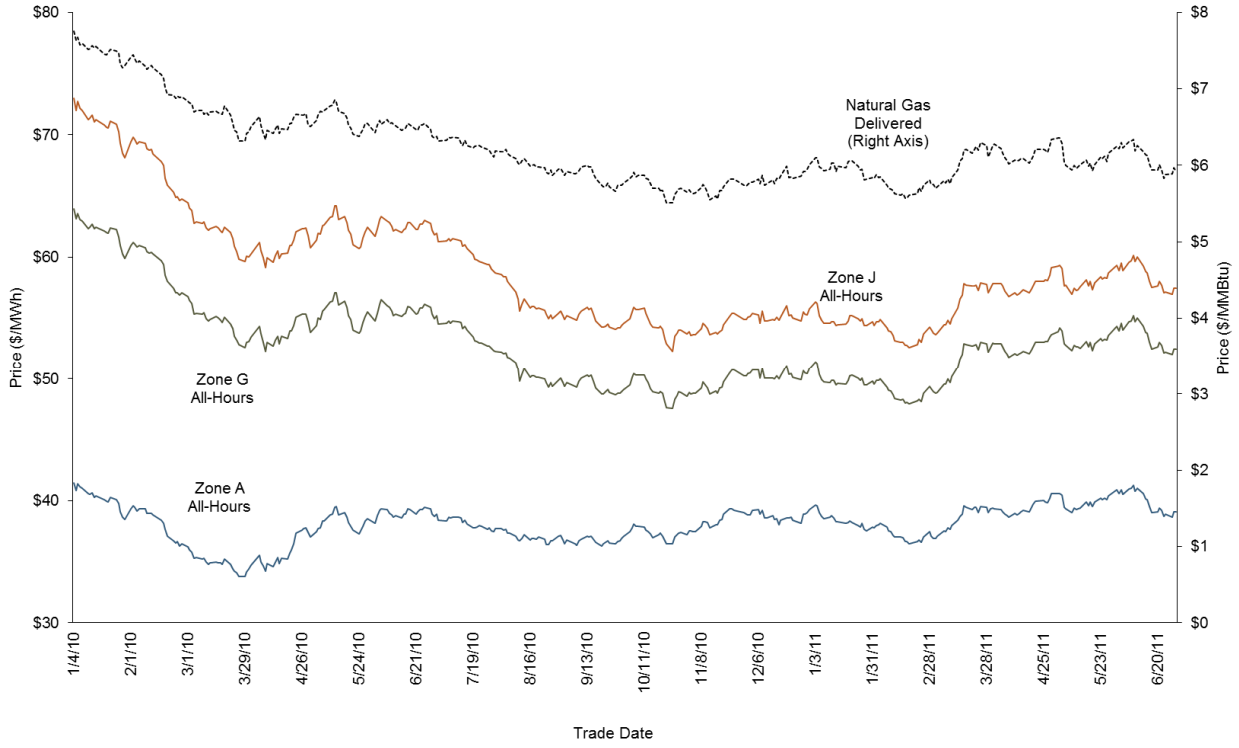
At the end of June, the fair market value of outstanding positions was valued at an unrealized loss of $188.3 million for positions extending through 2017.

Market Summary

Exhibit 1 shows the average price of August to December 2011 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 2012.

Exhibit 1: Average August to December 2011 Forward Price

Exhibit 2: Average January to December 2012 Forward Price



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

Annual Budget		Actual	Budget	Variance Favorable/ (Unfavorable)
	Operating Revenues			
$2,070.5	Customer	**926.1**	**965.4**	**(39.3)**
463.4	Market-based power sales	235.5	186.8	48.7
30.6	Ancillary services	14.7	13.8	0.9
114.9	NTAC and other	57.9	58.3	(0.4)
608.9	Total	**308.1**	**258.9**	**49.2**
2,679.4	**Total Operating Revenues**	**1,234.2**	**1,224.3**	**9.9**
	Operating Expenses			
804.7	Purchased power	444.0	392.8	(51.2)
295.6	Fuel consumed - oil & gas	117.2	124.6	7.4
108.2	Ancillary services	27.9	52.2	24.3
543.4	Wheeling	228.2	229.7	1.5
327.1	Operations and maintenance	147.1	152.5	5.4
194.9	Depreciation and amortization	80.6	85.8	5.2
135.5	Other expenses	82.1	68.8	(13.3)
(10.9)	Allocation to capital	(3.2)	(4.8)	(1.6)
2,398.5	**Total Operating Expenses**	**1,123.9**	**1,101.6**	**22.3**
280.90	**Net Operating Income**	**110.3**	**122.7**	**(12.4)**
	Nonoperating Revenues			
88.0	Post nuclear sale income	51.2	51.2	-
39.9	Investment income	19.8	19.2	0.6
(7.0)	Mark to market - investments	3.7	(3.5)	7.2
120.9	**Total Nonoperating Revenues**	**74.7**	**66.9**	**7.8**
	Nonoperating Expenses			
65.0	Contributions to New York State	65.0	65.0	-
157.5	Interest and other expenses	48.0	60.4	12.4
222.5	**Total Nonoperating Expenses**	**113.0**	**125.4**	**12.4**
$179.3	**Net Income**	**72.0**	**64.2**	**7.8**

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

Assets		June 2011	June 2010	December 31, 2010
Current Assets				
	Cash	0.1	0.1	0.1
	Investments in government securities	1,143.2	953.8	1,091.1
	Interest receivable on investments	5.4	5.1	5.5
	Accounts receivable - customers	233.4	225.7	204.0
	Materials and supplies, at average cost:			
	Plant and general	76.5	85.4	75.1
	Fuel	15.2	17.6	15.3
	Prepayments and other	153.1	179.4	190.5
	Total Current Assets	**1,626.9**	**1,467.1**	**1,581.6**
Noncurrent Assets				
Restricted Funds	Investment in decommissioning trust fund	1,072.1	950.9	1,032.4
	Other	81.7	91.6	83.3
	Total Restricted Funds	**1,153.8**	**1,042.5**	**1,115.7**
Capital Funds	Investment in securities and cash	102.6	162.7	144.8
	Total Capital Funds	**102.6**	**162.7**	**144.8**
Net Utility Plant	Electric plant in service, less accumulated depreciation	3,314.2	3,301.2	3,344.1
	Construction work in progress	122.7	160.7	123.3
	Net Utility Plant	**3,436.9**	**3,461.9**	**3,467.4**
Other Noncurrent Assets	Receivable - NY State	318.0	318.0	318.0
	Deferred charges, long-term receivables and other	585.8	594.0	604.6
	Notes receivable - nuclear plant sale	136.1	149.9	157.1
	Total other noncurrent assets	**1,039.9**	**1,061.9**	**1,079.7**
	Total Assets	**7,360.1**	**7,196.1**	**7,389.2**
Liabilities and Net Assets				
Current Liabilities	Accounts payable and accrued liabilities	841.8	839.7	881.7
	Short-term debt	325.0	296.8	323.2
	Total Current Liabilities	**1,166.8**	**1,136.5**	**1,204.9**
Noncurrent Liabilities				
Long-term Debt	Revenue bonds	1,149.9	1,191.4	1,151.2
	Adjustable rate tender notes	122.9	130.5	130.5
	Commercial paper	287.9	342.2	336.5
	Total Long-term Debt	**1,560.7**	**1,664.1**	**1,618.2**
Other Noncurrent Liabilities	Nuclear plant decommissioning	1,072.1	950.9	1,032.4
	Disposal of spent nuclear fuel	216.2	216.0	216.1
	Deferred revenues and other	271.2	327.6	316.5
	Total Other Noncurrent Liabilities	**1,559.5**	**1,494.5**	**1,565.0**
Net Assets	Accumulated Net Revenues - January 1	3,001.1	2,820.4	2,820.4
	Net Income	72.0	80.6	180.7
	Total Net Assets	**3,073.1**	**2,901.0**	**3,001.1**
	Total Liabilities and Net Assets	**7,360.1**	**7,196.1**	**7,389.2**

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

Operating Fund	
Opening	1,069.2
Closing	1,116.7
Increase/(Decrease)	**47.5**
Cash Generated	
Net Operating Income	110.3
Adjustments to Reconcile to Cash Provided from Operations	
Depreciation & Amortization	80.6
Net Change in Receivables, Payables & Inventory	(58.8)
Other	(3.0)
Net Cash Generated from Operations	**129.1**
(Uses)/Sources	
Utility Plant Additions	(31.8)
Debt Service	
Commercial Paper 2	(44.8)
Commercial Paper 3 & Extendible Municipal Commercial Paper 1	(4.7)
ART Notes	(7.6)
Investment Income	12.6
Entergy Value Sharing Agreement	72.0
Voluntary Contributions to NY State	(72.5)
Other	(4.8)
Total (Uses)/Sources	**(81.6)**
Net Increase in Operating Fund	**47.5**

New York Power Authority
Expansion Power
Recommendation for Allocation

Exhibit "4-A"
July 26, 2011

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	M & T Bank Corporation	EP	Amherst	Erie	3,500	124	$51,625,000	$58,200	**3,000**	5 Years
A-2	Moog, Inc.	EP	East Aurora	Erie	300	70	$13,000,000	$88,000	**300**	5 Years
A-3	Try-It Distributing Co., Inc.	EP	Lancaster	Erie	330	23	$14,000,000	$39,100	**200**	5 Years
	Total EP Recommended				3,830	**217**	**$78,625,000**		**3,500**	

July 26, 2011
Exhibit "4-A-1"

APPLICATION SUMMARY
Expansion Power

Company:	M&T Bank Corporation
Location:	Amherst
County:	Erie
IOU:	National Grid
Business Activity:	Financial Services
Project Description:	M&T Bank is planning to acquire a vacant former HSBC data center in Amherst, NY. The proposed site would serve as the primary data center for M&T Bank. The capital investment for this project includes $13.625 million, comprised of $7.1 million for infrastructure upgrades, $4 million for cooling equipment upgrades, and the remaining $2.475 million for new uninterruptable power supply (UPS) equipment. The project also includes a $38 million investment in new computer equipment (data servers, routers, storage devices and related hardware and software) over 5 years.
Existing Allocation(s):	None
Power Request:	3,500 kW
Power Recommended:	3,000 kW
Job Commitment:	
Existing:	45 jobs (to be relocated from current data center)
New:	124 jobs
New Jobs/Power Ratio:	41.3 jobs/MW
New Jobs - Avg. Wage and Benefits:	$58,200
Capital Investment:	$51.625 million
Capital Investment/MW:	$17.2 million/MW
Other ED Incentives:	Amherst IDA application filed for tax incentives
Summary:	Electricity cost is a significant portion of the operating cost of any data center. An allocation of hydropower is critical to the decision to move forward with this project. A hydropower allocation would help offset the large upfront investment and help make this site a viable expansion solution. The project's cost efficiencies will enable the company to grow jobs in all areas of the business. The company's plan to invest in Western New York as a primary data center location and create 124 skilled jobs is in line with the state's economic development initiatives.

July 26, 2011
Exhibit "4-A-2"

APPLICATION SUMMARY
Expansion Power

Company:	Moog, Inc.
Location:	East Aurora
County:	Erie
IOU:	NYSEG
Business Activity:	Manufacturer of precision control equipment
Project Description:	Moog, Inc. is planning to build a new 68,000 square ft. Corporate/ Shared Services building which will be designed to consolidate existing administrative staff from amongst its campus facilities. The gain in operational efficiencies and floor space for manufacturing will support the company's growth plans.
Existing Allocation(s):	750 kW EP, 3,000 kW EP, 500 kW EP and 1,200 kW RP
Power Request:	300 kW
Power Recommended:	300 kW
Job Commitment:	
Existing:	2,497 jobs
New:	70 jobs
New Jobs/Power Ratio:	233 jobs/MW
New Jobs - Avg. Wage and Benefits:	$88,000
Capital Investment:	$13.0 million
Capital Investment/MW:	$43.3 million/MW
Other ED Incentives:	ECIDA tax incentives
Summary:	Moog, Inc., an international company headquartered in Western New York, provides essential precision motor controls for aerospace, defense, industrial, and medical markets. An allocation of hydropower would support Moog's commitment to Western New York. The company's plans will further solidify the nearly 2,500 existing high quality jobs and enable the creation of 70 more.

July 26, 2011
Exhibit "4-A-3"

APPLICATION SUMMARY
Expansion Power

Company:	Try-It Distributing Co., Inc.
Location:	Lancaster
County:	Erie
IOU:	NYSEG
Business Activity:	Beverage Wholesaler
Project Description:	The company plans to construct a climate controlled building addition to accommodate business growth above the current capacity of their facility. The proposed expansion adjacent to the current facility will include a 100,000 square foot addition with refrigeration space.
Existing Allocation(s):	None
Power Request:	330 kW
Power Recommended:	200 kW
Job Commitment:	
Existing:	242 jobs
New:	23 jobs
New Jobs/Power Ratio:	115 jobs/MW
New Jobs - Avg. Wage and Benefits:	$39,100
Capital Investment:	$14.0 million
Capital Investment/MW:	$70.0 million/MW
Other ED Incentives:	NYSERDA, Lancaster IDA
Summary:	Try-It Distributing, a family owned beverage wholesaler, has consistently supported New York State by maintaining and growing employment levels at all of their facilities. The wholesale beverage industry is in consolidation mode with smaller family owned businesses not able to keep up with demanding beverage producers and the scale of competition. The project would enable Try-It to increase operational efficiencies, add sales volume, reduce costs, and acquire more brands for distribution. An allocation of hydropower is an important factor in Try-It's decision to expand operations and employment in WNY.

July 26, 2011
Exhibit “4-B-1”

POWER AUTHORITY

OF THE

STATE OF NEW YORK

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

AGREEMENT FOR THE SALE

OF EXPANSION POWER AND ENERGY

(MOOG INC.)

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

RECITALS

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

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

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

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

WHEREAS, the Customer is party to another agreement with the Authority entitled "Agreement for the Sale of Expansion and/or Replacement Power and Energy," dated February 8, 2011 (the "WNY Contract Extension") covering various allocations of Expansion Power (or "EP") as provided for in the WNY Contract Extension;

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

WHEREAS, on July 26, 2011, the Authority's Board of Trustees ("Trustees") approved a 300, kilowatt ("kW") allocation of EP to the Customer for a five (5) year term (defined in Section I of this Agreement as the "Allocation") as further described in this Agreement;

WHEREAS, on July 26, 2011, the Trustees authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

WHEREAS, the Customer has completed the expansion of the Facility and has requested that the Allocation be made available to the Customer beginning on___, 2011;

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

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

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

WHEREAS, on ___, 2011, the Parties executed an Interim Agreement for the Sale of Expansion Power and Energy (defined in Section I of this Agreement as the "Interim Agreement"), to enable the Customer to receive the Allocation pending the execution of a long-term agreement, or___, 2011, whichever first occurs;

WHEREAS, in accordance with the Supplemental Agreement, the Authority, the Customer and NYSEG, on ___, 2011 executed the "Interim Sale Agreement Appendix," which is attached to the Interim Agreement as Exhibit A;

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

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

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

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

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

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. **Agreement** means this Agreement.

B. **Allocation** refers to the allocation of 300 kW of EP awarded to the Customer for a five (5) year term as specified in Schedule A.

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

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

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

F. **Facility** means the Customer's facilities at Jamison Road and Seneca Street, East Aurora, New York 14052.

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

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

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

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

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

L. **Interim Agreement** means the Interim Agreement for the Sale of Expansion Power and Energy, executed by the Parties on ___, 2011.

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

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

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

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

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

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

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

T. Sales Agreement Appendix refers to the form Sales Agreement Appendix that is Attachment B to the Supplemental Agreement

U. **Service Tariff means th**e Authority's Service Tariff No. EP-1, establishing rates, terms and other conditions for the sale of EP, as may be modified or superseded from time to time.

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

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

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

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

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

II. Electric Service

A. The Authority shall make available Electric Service to enable the Customer to receive the Allocation commencing ___, 2011 (or on such later date as this Agreement becomes effective) in accordance with this Agreement, the Service Tariff and the Rules.

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

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

D. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

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

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

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

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

IV. Expansion Power Commitments

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

V. Rules and Service Tariff

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

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

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

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

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

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

VII. Billing and Billing Methodology

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

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

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

VIII. Hydropower Curtailments and Substitute Energy

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

on a *pro rata* basis to all firm power and energy customers served from the Hydro Projects, consistent with the Service Tariff as applicable.

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

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

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

IX. Effectiveness, Term and Termination

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

B. Once initiated, Electric Service under the Agreement shall continue until the earliest of: (1) termination by the Customer with respect to its Allocation upon ninety (90) days prior written notice to the Authority; (2) termination by the Authority pursuant to this Agreement, the Service Tariff, or the Rules; (3) termination of the Supplemental Agreement or the Sales Agreement Appendix as provided for in the Supplemental Agreement and the Sales Agreement Appendix; or (4) June 30, 2013.

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

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

X. Transition of Allocation to WNY Contract Extension

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

XI. Notification

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

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Email:
Attention: Mr. Michael J. Huvane, Vice President, Marketing

To: The Customer

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

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

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

receipt; or (5) if sent by electronic mail to the appropriate address as set forth above, with written confirmation of receipt. Either Party may change the addressee and/or address for correspondence sent to it by giving written notice in accordance with the foregoing.

XII. Applicable Law

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

XIII. Venue

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

XIV. Assignments and Transfers

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

XV. Previous Agreements and Communications

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

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

XVI. Severability and Voidability

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

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

XVII. Waiver

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

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

XVIII. Execution

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

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

MOOG INC.

By: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Title: _____

Date: _____

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

EXPANSION POWER ALLOCATIONS

Customer: MOOG INC.

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

	Type of Allocation	Allocation (kW)	Expiration Date	Extended Expiration Date
1.	EP	300		N/A
TOTALS:		300 kW		

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

EXPANSION POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

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

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

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

B. Employment Records and Reports

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

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

II. Reductions of Contract Demand

A. Employment Levels

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

B. Power Utilization Levels

A record shall be kept monthly by the Customer, and provided on a calendar year basis to the Authority on or before the last day of February following the end of the most recent calendar year, of the maximum demand utilized each month in the facilities receiving the power covered by the Agreement. If the average of the Customer's six (6) highest Billing Demands (as such term is described in Service Tariff No. EP-1) for Expansion Power is less than 90% of the Customer's Contract Demand in such calendar year the Authority may reduce the Contract Demand subject to Article II.D of this Schedule. The maximum amount by which the Authority may reduce the Contract Demand shall be determined by multiplying the Contract Demand by the quantity one minus the quotient of the average of the six (6) highest Billing Demands for in such calendar year divided by the Contract Demand. Any such reduction shall be rounded to the nearest fifty (50) kW. In the event of a

reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment Levels

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

D. Notice of Intent to Reduce Contract Demand

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

III. Energy Efficiency Audits; Information Requests

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

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

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

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

APPENDIX TO SCHEDULE B

Base Employment Level

In consideration of receiving the Allocation, the Customer agrees to attain a Base Employment Level of 2,567 persons at the Customer's Facility within 3 years of commencement of Electric Service under the Agreement and to maintain such Base Employment Level thereafter for the term of the allocation in accordance with Article I of Schedule B. The Base Employment Level is derived from (1) a stipulation by the Customer that there exists 2,497 jobs at the Facility at the time of the award of the Allocation by the Authority, and (2) a commitment by the Customer to create 70 new jobs at the Facility.

Capital Investment Level

In consideration of receiving the Allocation, the Customer has made a capital investment of approximately $13.0 million in the Facility, adding a new 68,000 square foot corporate headquarters/ shared services building. The new building is designed to enable co-location of various administrative functions across the campus into one facility, freeing up space needed by manufacturing / operating business units.

July 26, 2011
Exhibit “4-B-2”

POWER AUTHORITY

OF THE

STATE OF NEW YORK

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

AGREEMENT FOR THE SALE

OF EXPANSION POWER AND ENERGY

(TRY-IT DISTRIBUTING CO., INC.)

The POWER AUTHORITY OF THE STATE OF NEW YORK ("Authority"), created pursuant to Chapter 772 of the New York Laws of 1931 and existing under Title I of Article V of the New York Public Authorities Law ("PAL"), having its office and principal place of business at 30 South Pearl Street, 10th Floor, Albany, New York 12207-3425, hereby enters into this Agreement for the Sale of Expansion Power and energy ("Agreement") with TRY-IT DISTRIBUTING Co., INC. ("Customer"), with facilities at 4155 Walden Avenue, Lancaster, New York 14086. The Authority and the Customer are from time referred to in this Agreement as "Party" or collectively as "Parties" and agree follows:

RECITALS

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

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

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

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

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

WHEREAS, on July 26, 2011, the Authority's Board of Trustees ("Trustees") approved a 200 kilowatt ("kW") allocation of EP to the Customer for a five (5) year term (defined in Section I of this Agreement as the "Allocation") as further described in this Agreement;

WHEREAS, on July 26, 2011, the Trustees further authorized the Authority to, among other things, take any and all actions and execute and deliver any and all agreements and other documents necessary to effectuate its approval of the Allocation;

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

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

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

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

WHEREAS, on ___, 2011, the Parties executed an Interim Agreement for the Sale of Expansion Power and Energy (defined in Section I of this Agreement as the "Interim Agreement"), to enable the Customer to receive the Allocation pending the execution of a long-term agreement, or until ___, whichever first occurs;

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

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

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

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

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

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

NOW THEREFORE, the Parties hereto agree as follows:

I. Definitions

A. **Agreement** means this Agreement.

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

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

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

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

F. **Facility** means the Customer's the Customer's place of business located at 4155 Walden Avenue, Lancaster, New York 14086.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Electric Service

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

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

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

D. The Contract Demand may not exceed the Allocation.

III. Rates, Terms and Conditions

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

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

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

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

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

IV. Expansion Power Commitments

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

V. Rules and Service Tariffs

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

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

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

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

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

VII. Billing and Billing Methodology

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

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

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

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

VIII. Hydropower Curtailments and Substitute Energy

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

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

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

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

IX. Effectiveness, Term and Termination

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

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

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

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

X. Notification

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

To: The Authority

New York Power Authority
123 Main Street
White Plains, New York 10601
Email:
Attention: Mr. Michael J. Huvane, Vice President, Marketing

To: The Customer

Try-It Distributing Co., Inc.
4155 Walden Avenue
Lancaster, New York 14086
Email:
Attention:

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

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

XI. Applicable Law

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

XII. Venue

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

XIII. Assignments and Transfers

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

XIV. Previous Agreements and Communications

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

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

XV. Severability and Voidability

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

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

XVI. Waiver

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

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

XVII. Execution

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

[SIGNATURES FOLLOW ON NEXT PAGE]

AGREED:

TRY-IT DISTRIBUTING CO., INC.

By: _____

Title: _____

Date: _____

AGREED:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Title: _____

Date: _____

SCHEDULE A TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND ENERGY TO TRY-IT DISTRIBUTING CO., INC.

EXPANSION POWER ALLOCATIONS

Customer: TRY-IT DISTRIBUTING CO., INC.

Facility: The Facility (located at 4155 Walden Avenue, Lancaster, New York 14086)

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

SCHEDULE B TO AGREEMENT FOR THE SALE OF EXPANSION POWER AND ENERGY TO TRY-IT DISTRIBUTING CO., INC.

EXPANSION POWER COMMITMENTS

I. Employment Commitments

A. Employment Levels

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

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

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

B. Employment Records and Reports

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

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

II. Reductions of Contract Demand

A. Employment Levels

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

B. Power Utilization Levels

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

reduction of the Contract Demand to zero, this Agreement shall automatically terminate.

C. Capital Investment Levels

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

D. Notice of Intent to Reduce Contract Demand

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

III. Energy Efficiency Audits; Information Requests

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

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

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

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

APPENDIX TO SCHEDULE B

Base Employment Level

In consideration of receiving the Allocation, the Customer agrees to attain a Base Employment Level of 265 persons at the Customer's Facility within 3 years of commencement of Electric Service under the Agreement and to maintain such Base Employment Level thereafter for the term of the allocation in accordance with Article I of Schedule B. The Base Employment Level is derived from (1) a stipulation by the Customer that there exists 242 jobs at the Facility at the time of the award of the Allocation by the Authority, and (2) a commitment by the Customer to create 23 new jobs at the Facility.

Capital Investment Level

The Customer is a wholesaler of beer and non-alcoholic beverages. In consideration of receiving the Allocation, the Customer has made a capital investment of $14.0 million in the Facility, to expand its warehousing operations. The 106,000 square foot expansion will be adjoined to the Customer's existing building and will include climate control equipment, such as ceiling and exhaust fans, and refrigeration units.

Compliant Allocations

Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average 2010 Jobs	Average Annual % Achieved
3M	Tonawanda	Erie	EP	500	330	354.00	107.27
3M	Tonawanda	Erie	EP	1000	290	354.00	122.07
Ascension Industries*	North Tonawanda	Niagara	RP	150	135	111.00	82.22
ADM Milling Co.	Buffalo	Erie	RP	1900	70	88.92	127.02
ADM Milling Co.	Buffalo	Erie	EP	1500	84	88.92	105.85
Allegheny Technologies Incorporated	Lockport	Niagara	EP	200	46	60.00	130.43
ALCOA	Massena	St Lawrence	PP	478000	1065	969.66	91.05
Allied Frozen Storage, Inc.	West Seneca	Erie	RP	600	54	61.50	113.89
American Axle & Manufacturing, Inc.	Cheektowaga	Erie	EP	250	60	84.33	140.55
American Axle & Manufacturing, Inc.	Cheektowaga	Erie	EP	650	60	84.33	140.55
API Heat Transfer, Inc.*	Buffalo	Erie	RP	300	340	261.00	76.76
APP Pharmaceuticals, LLC	Grand Island	Erie	RP	1000	481	582.25	121.05
APP Pharmaceuticals, LLC	Grand Island	Erie	RP	1000	506	582.25	115.07
Ashland Advanced Materials, Inc *	Niagara Falls	Niagara	EP	3500	75	17.17	22.89
Ashton Potter (USA) LTD*	Cheektowaga	Erie	RP	700	48	58.00	120.83
Avery Dennison Information Systems	Buffalo	Erie	RP	250	82	122.08	148.88
Bernzomatic / Irwin Inds. Tools	Medina	Orleans	EP	600	210	196.00	93.33
Linde LLC BOC Gases-	Buffalo	Erie	EP	10500	40	36.60	91.50
Brunner, Inc.	Medina	Orleans	EP	1500	160	280.00	175.00
Brunner, Inc.	Medina	Orleans	EP	300	160	280.00	175.00
Brunner, Inc.	Medina	Orleans	RP	1200	160	280.00	175.00
Brunner, Inc.	Medina	Orleans	RP	2500	160	280.00	175.00
Buffalo Tungsten Inc *(New York Tungsten)*	Depew	Erie	RP	1250	40	69.66	174.15

Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average 2010 Jobs	Average Annual % Achieved
Buffalo Tungsten Incorporated	Depew	Erie	RP	800	62	69.66	112.35
C+S Wholesale Grocers, Inc.--Cheektowaga	Cheektowaga	Erie	EP	300	50	47.12	94.24
Carleton Technologies Inc./ DBA Cobham Mission Systems Division	Orchard Park	Erie	EP	700	140	284.17	202.98
Ceres Crystal Industries Inc.	Niagara Falls	Niagara	RP	1600	47	45.38	96.54
Ceres Crystal Industries Inc.	Niagara Falls	Niagara	RP	1300	47	45.38	96.54
Ceres Crystal Industries Inc.	Niagara Falls	Niagara	RP	1700	47	45.38	96.54
Citigroup, Inc	Amherst-Getzille	Erie	RP	1100	500	931.17	186.23
Cliffstar Corporation	Dunkirk	Chautauqua	EP	500	455	499.58	109.80
Confer Plastics Inc.	North Tonawanda	Erie	RP	300	91	184.08	202.29
Contract Pharmaceuticals Limited Niagara	Buffalo	Erie	EP	750	265	283.75	107.08
Curtis Screw Co., Inc.	Buffalo	Erie	RP	350	150	192.50	128.33
Curtis Screw Co., Inc.	Buffalo	Erie	RP	300	150	192.50	128.33
Curtis Screw Co., Inc.	Buffalo	Erie	RP	1100	150	192.50	128.33
Delaco Kasle Steel/DKP Buffalo LLC	Tonawanda	Erie	EP	750	57	91.46	160.46
DLWB LLC	Tonawanda	Erie	RP	250	14	14.29	102.07
Dunkirk Specialty Steel, Inc.	Dunkirk	Chautauqua	EP	5800	180	202.40	112.44
E.I. du Pont de Nemours & Co., Inc.	Buffalo	Erie	RP	675	605	601.75	99.46
E.I. du Pont de Nemours & Co., Inc.	Buffalo	Erie	RP	1300	285	601.75	211.14
E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	Niagara	RP	31700	177	202.40	114.35
E.I. du Pont de Nemours & Co., Inc.	Buffalo	Erie	EP	1800	390	601.75	154.29
E.I. du Pont de Nemours & Co., Inc.	Niagara Falls	Niagara	EP	790	230	202.40	88.00
E.I. du Pont de Nemours & Co., Inc.	Buffalo	Erie	RP	500	264	601.75	227.94
EPCO Carbon Dioxide Products, Inc.*	Medina	Erie	RP	1000	20	9.63	48.13
Fairbanks Farms AFA Foods	Ashville	Niagara	EP	700	110	150.70	137.00

Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average 2010 Jobs	Average Annual % Achieved
Fieldbrook Foods Corporation	Dunkirk	Chautauqua	EP	1000	420	486.00	115.71
Fieldbrook Foods Corporation	Dunkirk	Chautauqua	EP	2000	420	486.00	115.71
Flexo Transparent, Inc	Buffalo	Erie	RP	380	100	102.00	102.00
FMC Corporation Active Oxidants Division	Tonawanda	Erie	RP	5500	71	179.92	253.40
FMC Corporation Active Oxidants Division	Tonawanda	Erie	RP	750	106	179.92	169.73
FMC Corporation Active Oxidants Division	Tonawanda	Erie	RP	2500	161	179.92	111.75
Globe Metallurgical Inc. / Globe Specialty Metals Inc*	Niagara Falls	Niagara	EP	7353	500	97.58	19.52
Globe Metallurgical Inc. / Globe Specialty Metals Inc*	Niagara Falls	Niagara	RP	32647	500	97.58	19.52
GEICO	Amherst	Erie	EP	1600	736	1723.50	234.17
General Mills	Buffalo	Erie	RP	3100	432	461.00	106.71
General Mills	Buffalo	Erie	Vintage - RP	1000	563	461.00	81.88
General Mills	Buffalo	Erie	Vintage - EP	1000	520	461.00	88.65
General Motors Components Holdngs	Lockport	Niagara	EP	10000	950	1703.00	179.26
General Motors Components Holdings LLC	Lockport	Niagara	EP	14300	950	1703.00	179.26
General Motors Corporation	Buffalo	Erie	EP	800	500	1140.00	228.00
General Motors Corporation	Buffalo	Erie	EP	13800	500	1140.00	228.00
General Motors Corporation	Buffalo	Erie	EP	5000	500	1140.00	228.00
General Motors Corporation	Buffalo	Erie	RP	725	500	1140.00	228.00
General Motors Corporation	Buffalo	Erie	RP	2000	500	1140.00	228.00
General Motors Corporation	Buffalo	Erie	EP	1100	500	1140.00	228.00
Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	RP	4191	589	1237.80	210.15
Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	Vintage -RP	250	1422	1237.80	87.05

Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average 2010 Jobs	Average Annual % Achieved
Graphic Controls Corp.	Buffalo	Erie	RP	250	265	268.00	101.13
Habasit Belt America	Buffalo	Erie	EP	200	80	72.75	90.94
Hammond Manufacturing Company Inc.	Cheektowaga	Erie	RP	100	24	33.75	140.63
Hurtubise Tire, Inc.	North Tonawanda	Niagara	RP	180	18	23.00	127.78
Hydro-Air Components, Inc.	Buffalo	Erie	EP	250	55	120.21	218.56
I Squared R Element Co., Inc.	Akron	Erie	RP	500	60	71.00	118.33
International Imaging Materials, Inc.	Amherst	Erie	EP	1250	336	327.92	97.60
Life Technologies Corp.	Grand Island	Niagara	RP	400	398	517.33	129.98
Life Technologies Corp.	Grand Island	Niagara	RP	375	488	517.33	106.01
Luvata Buffalo, Inc.	Buffalo	Erie	RP	250	16	593.00	3706.25
Luvata Buffalo, Inc.	Buffalo	Erie	RP	8060	483	593.00	122.77
Luvata Buffalo, Inc.	Buffalo	Erie	RP	3000	634	593.00	93.53
Mayer Brothers Apple Products Inc	West Seneca	Erie	EP	200	113	141.83	125.51
Metaullics Systems Co.	Sanborn	Niagara	RP	1000	29	44.83	154.59
Metaullics Div of Pyrotek Inc*	Sanborn	Niagara	RP	500	8	6.00	75.00
Moldtech, Inc.*	Lancaster	Erie	EP	250	75	51.17	68.22
Moog Inc.	East Aurora	Erie	EP	750	371	2342.08	631.29
Moog Inc.	East Aurora	Erie	EP	3000	1229	2342.08	190.57
Moog Inc.	East Aurora	Erie	EP	500	1987	2342.08	117.87
Nestle Purina Petcare Company	Dunkirk	Chautauqua	EP	900	261	466.00	178.54
Nestle Purina Petcare Company	Dunkirk	Chautauqua	EP	2000	261	466.00	178.54
Nestle Purina Petcare Company	Dunkirk	Chautauqua	EP	500	284	466.00	164.08
Niacet Corporation	Niagara Falls	Niagara	EP	500	82	97.58	119.00
Niacet Corporation	Niagara Falls	Niagara	RP	1000	54	97.58	180.70

Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average 2010 Jobs	Average Annual % Achieved
Niacet Corporation	Niagara Falls	Niagara	RP	400	66	97.58	147.85
Niagara Sheets, LLC	North Tonawanda	Niagara	RP	850	64	69.00	107.81
Norampac Industries Inc.- Niagara Falls	Niagara Falls	Niagara	EP	1600	126	127.25	100.99
North American Hoganas	Niagara Falls	Niagara	EP	4000	57	59.00	103.51
North American Hoganas	Niagara Falls	Niagara	RP	1000	53	59.00	111.32
Occidental Chemical Corporation	Niagara Falls	Niagara	RP	56000	206	225.00	109.22
Occidental Chemical Corporation	Niagara Falls	Niagara	EP	38700	214	214.00	100.00
Olin Corporation Chlor-Alkali Products	Niagara Falls	Niagara	RP	15000	135	206.00	152.59
Olin Corporation Chlor-Alkali Products	Niagara Falls	Niagara	RP	21300	160	206.00	128.75
Olin Corporation Chlor-Alkali Products	Niagara Falls	Niagara	RP	2290	41	206.00	502.44
Olin Corporation Chlor-Alkali Products	Niagara Falls	Niagara	RP	40860	160	206.00	128.75
PCB-Machining Solutions Inc.	Lackawanna	Erie	RP	250	41	56.20	137.07
Praxair, Inc.	Niagara Falls	Niagara	RP	37050	70	85.00	121.43
Praxair, Inc.	Niagara Falls	Niagara	RP	9000	70	85.00	121.43
Praxair, Inc.	Niagara Falls	Niagara	EP	2000	68	85.00	125.00
Praxair, Inc.	Tonawanda	Erie	RP	2000	1000	1321.00	132.10
Praxair, Inc.	Tonawanda	Erie	EP	2000	900	1321.00	146.78
Praxair, Inc.	Tonawanda	Erie	RP	750	1352	1321.00	97.71
Precious Plate, Inc.	Niagara Falls	Niagara	RP	800	145	142.00	97.93
Precious Plate, Inc.*	Niagara Falls	Niagara	RP	400	164	142.00	86.59
Republic Engineered Products, Inc.	Blasdell	Erie	RP	2000	276	283.00	102.54
Republic Engineered Products, Inc.	Blasdell	Erie	EP	7400	276	283.00	102.54
RHI Monofrax, Ltd.	Falconer	Chautauqua	EP	2082	250	235.75	94.30
Rosina Food Products, Inc.	Cheektowaga	Erie	EP	400	134	221.58	165.36

Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average 2010 Jobs	Average Annual % Achieved
Rosina Food Products, Inc.	West Seneca	Erie	EP	200	171	165.22	96.62
Saint Gobain - Advance Ceramics*	Niagara Falls	Erie	RP	1000	199	175.80	88.34
Saint Gobain - Boron Nitride Division	Amherst	Erie	RP	2500	29	58.7	202.41
Saint Gobain - Boron Nitride Division	Amherst	Erie	RP	570	63	58.70	93.17
Saint Gobain - Structural Ceramics	Niagara Falls	Niagara	RP	3450	112	175.80	156.96
Saint Gobain - Structural Ceramics	Niagara Falls	Niagara	RP	300	165	175.80	106.55
Saint Gobain - Structural Ceramics	Niagara Falls	Niagara	RP	1400	169	175.80	104.02
Saint Gobain Abrasives Company	Niagara Falls	Niagara	RP	2100	51	63.83	125.16
Saint Gobain Abrasives Company	Niagara Falls	Niagara	RP	100	51	63.83	125.16
Saint Gobain Abrasives Company	Niagara Falls	Niagara	RP	1100	69	63.83	92.51
Servotronics, Inc.	Elma	Erie	EP	500	145	153.25	105.69
Sorrento Lactalis, Inc.	Buffalo	Erie	RP	250	402	505.00	125.62
Sorrento Lactalis, Inc.	Buffalo	Erie	RP	1500	500	505.00	101.00
Sotek/Belrix	Buffalo	Erie	RP	100	53	70.83	133.64
Steuben Foods Corporation	Elma	Erie	EP	5000	500	505.00	101.00
Steuben Foods Corporation	Elma	Erie	EP	3000	414	505.00	121.98
Steuben Foods Corporation	Elma	Erie	EP	750	374	505.00	135.03
Stollberg, Inc.	Niagara Falls	Niagara	EP	300	30	65.42	218.05
The Carriage House Cos - Fredonia (Red Wing Co)	Fredonia	Chautauqua	EP	750	440	502.75	114.26
Time Release Sciences Inc.	Buffalo	Erie	RP	200	65	73.38	112.88
Time Release Sciences Inc.	Buffalo	Erie	RP	250	70	73.38	104.82
TitanX Engine Cooling, Inc.	Jamestown	Chautauqua	EP	1000	310	291.66	94.08
Treibacher Schleifmittel Corp.	Niagara Falls	Niagara	RP	750	35	32.80	93.71
Unifrax Corporation - 360 Firetower	Niagara Falls	Niagara	RP	1000	147	195.00	132.65

Company	Location	County	Type of Power	Allocation kW	Employment Commitment	Average 2010 Jobs	Average Annual % Achieved
Unifrax Corporation - Corp. HQ	Niagara Falls	Erie	RP	0	75	195.00	260.00
Unifrax Corporation - Sanborn	Niagara Falls	Erie	RP	1000	6	195.00	3250.00
Unifrax Corporation - Tonawanda	Niagara Falls	Erie	RP	2600	55	195.00	354.55
Upstate Niagara Cooperative, Inc.	West Seneca	Erie	EP	1000	134	169.00	126.12
Washington Mills Tonawanda Inc.*	Tonawanda	Erie	RP	300	70	41.58	59.40
Western New York Energy, LLC*	Medina	Orleans	RP	5000	50	37.00	74.00
ZEMCO	Buffalo	Erie	EP	500	502	596.66	118.86
ZEMCO	Buffalo	Erie	EP	1750	275	596.66	216.97

EP = Expansion Power **RP** = Replacement Power **PP** = Preservation Power

** These 11customers with 12 allocations have time to ramp up to their full commitment levels.*

July 26, 2011
Exhibit "A-2"

Non-Compliant Allocations to Continue with No Change

Company	Location	County	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average 2010 Jobs	Average Annual % Achieved
Buffalo Newspress Inc.	Buffalo	Erie	Jan-94	EP	200	149	113.13	75.92
C+S Wholesale Grocers, Inc. -- Lancaster	Lancaster	Erie	Oct-90	EP	550	682	583.79	85.60
CertainTeed Corporation	Buffalo	Erie	Jan-04	EP	3100	157	120.33	76.64
Coyne Textile Services	Buffalo	Erie	Mar-95	EP	350	93	40.50	43.55
E.I. du Pont de Nemours & Co	Niagara Falls	Niagara	Mar-05	RP	3000	260	202.40	77.85
Ford Motor Company	Buffalo	Erie	Feb-03	EP	2900	950	840.00	88.42
Ford Motor Company	Buffalo	Erie	Dec-94	EP	4300	950	840.00	88.42
Global Abrasive Products, Inc.	Lockport	Niagara	Jul-04	EP	150	45	39.67	88.16
Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	Jan-06	RP	850	1422	1237.80	87.05
Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	Jan-06	RP	800	1449	1237.80	85.42
Goodyear Dunlop Tires N.America Ltd.	Tonawanda	Erie	Jan-06	EP	6000	1412	1237.80	87.66
Greatbatch, Inc	Clarence	Erie	Apr-04	EP	1500	368	316.92	86.12
Honeywell International	Buffalo	Erie	Apr-89	RP	300	168	150.00	89.29
Ingram Micro Corp.	Williamsville	Erie	Sep-87	EP	900	1525	1223.33	80.22
International Imaging Materials, Inc.	Amherst	Erie	Jan-89	RP	250	393	325.92	82.93
International Imaging Materials, Inc.	Amherst	Erie	Mar-85	EP	1000	499	326.92	65.52
Lockheed Martin	Niagara Falls	Niagara	Feb-93	RP	250	45	35.74	79.42
Luvata Buffalo, Inc.	Buffalo	Erie	Apr-94	RP	250	831	593.00	71.36
Malyn Industrial Ceramics, Inc.	Clarence	Erie	Oct-05	EP	150	13	10.00	76.92
Niagara Ceramics Corporation	Buffalo	Erie	Jan-89	RP	250	190	120.46	63.40
Niagara Ceramics Corporation	Buffalo	Erie	Mar-04	EP	250	190	120.46	63.40
Niagara Ceramics Corporation	Buffalo	Erie	Jan-94	RP	600	190	120.46	63.40
Niagara LaSalle Corporation	Buffalo	Erie	Jan-04	RP	700	92	72.92	79.26

July 26, 2011
Exhibit "A-2"

Company	Location	County	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average 2010 Jobs	Average Annual % Achieved
Niagara LaSalle Corporation	Buffalo	Erie	Jan-04	RP	700	164	72.92	44.46
Nuttall Gear Company	Niagara Falls	Niagara	Feb-93	EP	350	135	94.17	69.76
PEMCO-Precision Electro Minerals Co.,Inc.	Niagara Falls	Niagara	Aug-89	RP	800	22	17.00	77.27
Protective Industries	Buffalo	Erie	Mar-04	EP	250	310	257.92	83.20
Rosina Food Products, Inc.	Cheektowaga	Erie	Apr-06	EP	200	270	221.58	82.07
RubberForm Recycled Products, LLC	Lockport	Niagara	Apr-06	EP	500	30	12.50	41.67
Special Metals Corporation	Dunkirk	Chautauqua	May-91	EP	1000	81	72.33	89.30
TAM Ceramics Group of New York / Tam Ceramics LLC	Niagara Falls	Niagara	Oct-59	RP - vintage	7000	100	52.00	52.00
TAM Ceramics Group of New York / Tam Ceramics LLC	Niagara Falls	Niagara	Dec-88	EP - vintage	500	100	52.00	52.00
The Carriage House Cos - Dunkirk (Lakeside Warehouse - FN 389)	Dunkirk	Chautauqua	May-99	EP	500	199	169.33	85.09
Tulip Corporation	Niagara Falls	Niagara	Oct-90	EP - vintage	300	110	75.50	68.64
Tulip Corporation	Niagara Falls	Niagara	May-61	RP	1200	122	75.50	61.89
Washington Mills Electro Minerals Corp.	Niagara Falls	Niagara	Dec-86	RP	9700	171	109.08	63.79

EP = Expansion Power **RP** = Replacement Power

July 26, 2011
Exhibit "A-3"

Allocations to Be Reduced

Company	Location	County	Date of Trustee Approval	Type of Power	Allocation	Employment Commitment	Average 2010 Jobs	Average Annual Achieved%	Revised Allocation kW
APP Pharmaceutical	Grand Island	Erie	Jun-08	RP	700	568	582.25	102.5	500
BMP America, Inc.**	Medina	Orleans	Mar-05	RP	100	130	73.92	56.86	0
Contract Pharmaceuticals Limited Niagara	Buffalo	Erie	Apr-91	RP	250	329	283.75	86.25	200
Quebecor World Buffalo, Inc.	Depew	Erie	Jul-00	EP - vintage	4000	810	527.00	65.06	3,150
Quebecor World Buffalo, Inc.	Depew	Erie	Jul-00	EP - vintage	1000	1015	527.00	51.92	0

EP = Expansion Power **RP** = Replacement Power

** *Customer has requested termination of their contract.*

New York Power Authority

Power for Jobs - 2011 Extended Benefits

Compliance Review

Compliant Allocations

Exhibit "6-A-1"

July 26, 2011

Line	Company	City	County	IOU	Allocation (kW)	Job Commitment	Jobs in 2011 Application	Jobs Over/Under	Jobs Over/Under %	Compliance	Option	Service
1	92nd Street YM-YWHA	New York	New York	ConEd	200	877	876	-1	0%	Yes	Rebate	Community/cultural center
2	A. L. Bazzini	Bronx	Bronx	ConEd	125	118	108	-10	-8%	Yes	Power	Processes nuts and seeds and manufactures confectionary products
3	A. Stein Meat Products, Inc.	Brooklyn	Kings	ConEd	120	53	53	0	0%	Yes	Rebate	Meat wholesale/fabrication
4	Acme Smoked Fish Corp.	Brooklyn	Kings	ConEd	400	149	151	2	1%	Yes	Rebate	Food processor
5	Alvin J. Bart & Sons	Brooklyn	Kings	ConEd	500	105	111	6	6%	Yes	Power	Commercial printing
6	American Ballet Theater	New York	New York	ConEd	20	218	298	80	37%	Yes	Rebate	Performing arts organization
7	American Cancer Society	New York	New York	ConEd	80	68	96	28	41%	Yes	Rebate	Social Services Provider
8	American Folk Art Museum	New York	New York	ConEd	50	43	47	4	9%	Yes	Power	Museum
9	American Indian Community House	New York	New York	ConEd	35	29	30	1	3%	Yes	Rebate	Multifaceted social support agency & cultural center
10	AT&T - White Plains	White Plains	Westchester	ConEd	560	545	527	-18	-3%	Yes	Rebate	Telecommunications
11	Ballet Hispanico	New York	New York	ConEd	15	58	88	30	52%	Yes	Power	School of Dance
12	Bank of New York - New York	New York	New York	ConEd	4,700	5,788	5,788	0	0%	Yes	Rebate	Financial Services
13	Belmont Metals, Inc.	Brooklyn	Kings	ConEd	400	81	73	-8	-10%	Yes	Rebate	Manufacturer of non-ferrous metals
14	Beth Israel Medical Center	New York	New York	ConEd	3,800	7,930	7,907	-23	0%	Yes	Rebate	Health Care Center
15	Blythedale Children's Hospital	Valhalla	Westchester	ConEd	150	351	365	14	4%	Yes	Power	Children's hospital
16	Bowne & Co. Inc.	New York	New York	ConEd	550	328	294	-34	-10%	Yes	Rebate	Provides document management services
17	Bronx-Lebanon Hospital Center	Bronx	Bronx	ConEd	800	3,524	3,580	56	2%	Yes	Power	Medical Center
18	Brooklyn Information and Culture	Brooklyn	Kings	ConEd	50	64	82	18	28%	Yes	Power	Community Service
19	Citigroup, Inc. - Greenwich St.	New York	New York	ConEd	5,000	1,500	1,500	0	0%	Yes	Power	Financial Services
20	Clay Park Labs, Inc.	Bronx	Bronx	ConEd	1,000	405	419	14	3%	Yes	Power	Produces Pharmaceutical products
21	Columbia University	New York	New York	ConEd	750	750	750	0	0%	Yes	Rebate	Educational and Student Services
22	Comco Plastics, Inc.	Woodhaven	Queens	ConEd	250	33	34	1	3%	Yes	Power	Makes precision plastic parts
23	Coney Island, USA	Brooklyn	Kings	ConEd	15	15	14	-1	-7%	Yes	Power	Non-profit arts organization
24	Continental Food Products, Inc.	Flushing	Queens	ConEd	300	50	48	-2	-4%	Yes	Rebate	Frozen Pizza manufacturer and distributor.
25	Cumberland Packaging	Brooklyn	Kings	ConEd	750	386	375	-11	-3%	Yes	Power	Manufactures Sweet & Low sugar substitute
26	Dab-O-Matic Corporation	Mount Vernon	Westchester	ConEd	150	84	84	0	0%	Yes	Power	Plastic Products
27	Diller-Quaile School of Music	New York	New York	ConEd	30	95	95	0	0%	Yes	Rebate	Music education programs
28	Display Producers, Inc.	Bronx	Bronx	ConEd	215	97	92	-5	-5%	Yes	Rebate	Display cases
29	Dontis Produce Co.	Brooklyn	Kings	ConEd	50	7	7	0	0%	Yes	Power	Meat product manufacturing, packaging & distribution
30	Downtown Community TV	New York	New York	ConEd	15	24	22	-2	-8%	Yes	Power	Video production & exhibition services
31	Empire Merchants LLC	Astoria	Queens	ConEd	750	838	814	-24	-3%	Yes	Rebate	Distributors of wines and spirits
32	Fordham University	Bronx	Bronx	ConEd	400	967	976	9	1%	Yes	Rebate	Independent liberal arts college
33	Fort Meat Wholesale	Brooklyn	Kings	ConEd	60	25	25	0	0%	Yes	Rebate	Meat packager & distributor
34	Gary Plastic Packaging Corp.	Bronx	Bronx	ConEd	800	499	500	1	0%	Yes	Power	Manufactures plastic containers & promotional products
35	Greater Jamaica Development Corp.	Jamaica	Queens	ConEd	375	161	151	-10	-6%	Yes	Rebate	Urban & Community Development
36	Haleakala	New York	New York	ConEd	30	21	21	0	0%	Yes	Power	Theaters
37	Henry Modell & Company	Bronx	Bronx	ConEd	400	168	158	-10	-6%	Yes	Power	Warehousing and distribution of sporting goods and apparel
38	Home for Contemporary Theater & Art	New York	New York	ConEd	30	19	19	0	0%	Yes	Rebate	Arts venue - presenting a wide range of performing arts disciplines
39	Hudson Valley Hospital Center	Cortland Manor	Westchester	ConEd	350	903	849	-54	-6%	Yes	Power	Hospital
40	International Business Machines Corp. - Westchester Ave WP	White Plains	Westchester	ConEd	3,870	1,933	2,036	103	5%	Yes	Rebate	Computer Manufacturer
41	Intrepid Museum Foundation	New York	New York	ConEd	450	197	224	27	14%	Yes	Rebate	Museum - including cultural & educational public programs
42	J.J. Cassone Bakery, Inc.	Port Chester	Westchester	ConEd	400	189	189	0	0%	Yes	Power	Commercial bakery
43	Jacmel Jewelry, Inc.	Long Island City	Queens	ConEd	170	242	235	-7	-3%	Yes	Rebate	Makes & ships fine jewelry
44	King Solomon Food, Inc.	Brooklyn	Kings	ConEd	100	21	21	0	0%	Yes	Power	Fresh & frozen beef, pork and poultry - cut, package, and ship
45	Kingsbrook Jewish Medical Center	Brooklyn	Kings	ConEd	1,200	1,912	1,883	-29	-2%	Yes	Rebate	Not for Profit Medical and Research Institution
46	Kips Bay Boys and Girls Club	Bronx	Bronx	ConEd	150	131	119	-12	-9%	Yes	Power	Social Service for youth development
47	Leake and Watts Services, Inc.	Yonkers	Westchester	ConEd	500	790	1,027	237	30%	Yes	Power	Child care agency
48	Lincoln Center for the Performing Arts	New York	New York	ConEd	3,000	4,106	3,949	-157	-4%	Yes	Rebate	Performing Arts Center
49	Long Island Jewish Medical Center	Manhasset	Nassau	ConEd	2,000	6,137	6,292	155	3%	Yes	Rebate	Healthcare Center

New York Power Authority

Power for Jobs - 2011 Extended Benefits

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Compliant Allocations

Exhibit "6-A-1"

July 26, 2011

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50	Maimonides Medical Center	Brooklyn	Kings	ConEd	1,350	5,558	5,538	-20	0%	Yes	Power	Medical Center
51	Manhattan School of Music	New York	New York	ConEd	200	345	345	0	0%	Yes	Rebate	International conservatory of music , grants musical art degrees
52	Memorial Sloan-Kettering Cancer Center	New York	New York	ConEd	5,000	10,096	10,554	458	5%	Yes	Rebate	Medical Center
53	Montefiore Medical Center - NYC	Bronx	Bronx	ConEd	2,850	15,430	17,707	2,277	15%	Yes	Power	Hospital
54	Mount Sinai Medical Center	New York	New York	ConEd	2,000	11,042	11,242	200	2%	Yes	Rebate	Medical Center
55	Museum of Arts & Design	New York	New York	ConEd	70	45	46	1	2%	Yes	Power	Museum
56	New York Blood Center	New York	New York	ConEd	500	291	291	0	0%	Yes	Power	Transfusion medicine research, special blood donor services
57	New York College of Podiatric Medicine	New York	New York	ConEd	300	129	133	4	3%	Yes	Power	Provides services in podiatric & other medical disciplines
58	New York Presbyterian Hospital	New York	New York	ConEd	5,000	8,923	8,923	0	0%	Yes	Rebate	Medical care
59	New York University	New York	New York	ConEd	1,700	11,893	12,133	240	2%	Yes	Rebate	Institution of Higher Education
60	NYU Hospitals Center	New York	New York	ConEd	4,000	13,196	13,879	683	5%	Yes	Rebate	Medical Center
61	Pace University - Westchester	Briarcliff Manor	Westchester	ConEd	800	2,579	2,579	0	0%	Yes	Power	University
62	Phelps Memorial Hospital Center	Sleepy Hollow	Westchester	ConEd	450	1,168	1,172	4	0%	Yes	Power	Health care
63	Pierpont Morgan Library	New York	New York	ConEd	170	137	145	8	6%	Yes	Power	Museums & art galleries
64	Ruby Freeman, Inc.	Brooklyn	Kings	ConEd	20	4	4	0	0%	Yes	Power	Produced is stored, cut, smoked , packaged and distributed
65	S. R. Guggenheim Museum	New York	New York	ConEd	475	305	306	1	0%	Yes	Rebate	Art Museum
66	Symphony Space, Inc.	New York	New York	ConEd	65	63	67	4	6%	Yes	Power	Performing Arts Theatre
67	The Brooklyn Historical Society	Brooklyn	Kings	ConEd	30	20	26	6	30%	Yes	Rebate	Community Services
68	The Jewish Museum	New York	New York	ConEd	200	146	134	-12	-8%	Yes	Power	Museum
69	The Joyce Theater Foundation, Inc.	New York	New York	ConEd	150	54	60	6	11%	Yes	Rebate	Dance Performance
70	The Museum of Modern Art	New York	New York	ConEd	1,000	738	755	17	2%	Yes	Rebate	Museum
71	Theater for the New City, Inc.	New York	New York	ConEd	30	95	94	-1	-1%	Yes	Power	Social Services - Theater
72	Town Hall Foundation	New York	New York	ConEd	70	26	26	0	0%	Yes	Power	Provides educational programs to disadvantaged children
73	Verizon - 38th St. NYC	New York	New York	ConEd	5,000	2,061	3,022	961	47%	Yes	Rebate	Local and wireless phone service provider
74	Westchester Chapter NYS ARC, Inc.	Hawthorne	Westchester	ConEd	375	617	672	55	9%	Yes	Power	Agency provides support services to mentally disabled citizens
75	Yeshiva University - HQ	New York	New York	ConEd	3,000	4,254	4,317	63	1%	Yes	Power	University
76	Zeluck, Inc.	Brooklyn	Kings	ConEd	200	104	103	-1	-1%	Yes	Rebate	Manufacturer of custom architectural windows and doors
				Con Ed Total	71,120	132,353	137,675					
77	3M	Tonawanda	Erie	NGRID	2,000	355	352	-3	-1%	Yes	Rebate	Cellulose sponges
78	Airsep Corporation	Buffalo	Erie	NGRID	650	268	369	101	38%	Yes	Power	Manufactures medical equipment
79	Albany Institute of History & Art	Albany	Albany	NGRID	150	19	19	0	0%	Yes	Power	Museum
80	Albany International Corp. - Albany - HQ	Albany	Albany	NGRID	750	192	210	18	9%	Yes	Rebate	Production of paper machine clothing and engineered woven textiles
81	Albany International Corp. - Homer	Homer	Cortland	NGRID	1,000	114	120	6	5%	Yes	Rebate	Production of paper machine clothing and engineered woven textiles
82	Albany Molecular Research, Inc.	Albany	Albany	NGRID	600	370	371	1	0%	Yes	Rebate	Pharmaceutical & organic research, manufacturing
83	Alliance Innovative Manufacturing, Inc.	Lackawanna	Erie	NGRID	50	31	31	0	0%	Yes	Power	Machine & tool shop
84	Allied Frozen Storage, Inc. - Buffalo	Buffalo	Erie	NGRID	400	33	35	2	6%	Yes	Power	Refrigeration warehouse
85	AMRI Rensselaer, Inc.	Rennselear	Rensselaer	NGRID	1,000	248	236	-12	-5%	Yes	Rebate	Manufacturing of active pharmaceutical ingredients
86	Amsterdam Printing & Litho	Amsterdam	Montgomery	NGRID	430	525	525	0	0%	Yes	Power	Personalized imprinting technology
87	Anaren Microwave, Inc.	East Syracuse	Onondaga	NGRID	750	400	408	8	2%	Yes	Rebate	Manufactures microwave signal distribution networks
88	Anoplate Corp.	Syracuse	Onondaga	NGRID	450	189	189	0	0%	Yes	Rebate	Metal Finishing
89	Apex Tool Group	Cortland	Cortland	NGRID	1,330	103	93	-10	-10%	Yes	Rebate	Metal machining and casting
90	Ascension Industries	North Tonawanda	Niagara	NGRID	230	125	147	22	18%	Yes	Power	Metal Products
91	Associated Brands	Medina	Orleans	NGRID	1,000	300	300	0	0%	Yes	Rebate	Manufacturers of dry food products
92	AT&T - Syracuse	Syracuse	Onondaga	NGRID	350	259	259	0	0%	Yes	Power	Telecommunications
93	Atofina Chemicals, Inc.	Piffard	Livingston	NGRID	850	88	85	-3	-3%	Yes	Rebate	Chemical manufacturing plant
94	Bank of New York - Oneida	Oriskany	Oneida	NGRID	500	753	753	0	0%	Yes	Rebate	Financial Services
95	Bartell Machinery Systems	Rome	Oneida	NGRID	170	131	131	0	0%	Yes	Power	Machined metal parts, assemblies and machinery.
96	Bassett Hospital of Schoharie Count	Cobleskill	Schoharie	NGRID	100	225	222	-3	-1%	Yes	Power	Health Care Services
97	Batavia Industrial Center	Batavia	Genesee	NGRID	550	255	251	-4	-2%	Yes	Power	Industrial Center serving as business incubator complex

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Power for Jobs - 2011 Extended Benefits

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July 26, 2011

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98	Beechnut Nutrition Corp.	Canajoharie	Montgomery	NGRID	1,500	491	494	3	1%	Yes	Rebate	Manufactures baby food products
99	Bestway Enterprises	Cortland	Cortland	NGRID	75	60	60	0	0%	Yes	Rebate	Lumber Products
100	Blasch Precision Ceramics	Albany	Albany	NGRID	400	77	81	4	5%	Yes	Power	Advanced ceramic & refractory industry
101	BOC Edwards Calumatic	Tonawanda	Erie	NGRID	270	126	121	-5	-4%	Yes	Power	Semiconductors and related devices
102	Borg Warner Morse Tech Corp	Cortland	Cortland	NGRID	1,500	141	142	1	1%	Yes	Rebate	Manufacturer of Auto Components
103	Brodock Press, Inc.	Utica	Oneida	NGRID	400	108	203	95	88%	Yes	Power	Commercial Printing
104	Brooks Memorial Hospital	Dunkirk	Chautauqua	NGRID	400	417	420	3	1%	Yes	Power	Comprehensive healthcare facility
105	Buflovak, LLC	Buffalo	Erie	NGRID	275	43	45	2	5%	Yes	Power	Process equipment for food and chemical industries
106	Burrows Paper Corp.	Little Falls	Herkimer	NGRID	1,000	184	183	-1	-1%	Yes	Rebate	Produces light weight specialty paper
107	Byrne Dairy, Inc.	Syracuse	Onondaga	NGRID	300	461	468	7	2%	Yes	Power	Dairy products & Ice Cream
108	C. R. Bard, Inc.	Queensbury	Warren	NGRID	800	957	959	2	0%	Yes	Rebate	Manufacturer of Medical devices
109	Canton Potsdam Hospital	Potsdam	St. Lawrence	NGRID	150	680	697	17	3%	Yes	Power	Hospital Services/ Healthcare
110	Carville National Leather Corp.	Johnstown	Fulton	NGRID	200	46	46	0	0%	Yes	Rebate	High-quality custom leather products
111	Chapin Manufacturing, Inc.	Batavia	Genesee	NGRID	500	155	157	2	1%	Yes	Power	Manufacturer of hand held compressed air sprayers
112	Chapin Watermatics Inc.	Watertown	Jefferson	NGRID	325	72	86	14	19%	Yes	Power	Maker of drip irrigation hoses
113	Clarkson University	Potsdam	St. Lawrence	NGRID	1,500	719	726	7	1%	Yes	Rebate	Higher education
114	Climax Manufacturing Co.	Carthage	Jefferson	NGRID	1,500	242	240	-2	-1%	Yes	Rebate	Paperboard mills
115	Clinton's Ditch Cooperative Company	Cicero	Onondaga	NGRID	800	164	161	-3	-2%	Yes	Power	Soft Drink Producer
116	Codino's Italian Foods, Inc.	Scotia	Schenectady	NGRID	150	36	35	-1	-3%	Yes	Power	Food Manufacturing Company
117	College of St. Rose	Albany	Albany	NGRID	450	725	749	24	3%	Yes	Power	Post Secondary education facility
118	Consumers Beverages, Inc. (Grid)	Buffalo	Erie	NGRID	220	82	82	0	0%	Yes	Power	Beverage distributor
119	Cooper Industries	Syracuse	Onondaga	NGRID	2,350	607	597	-10	-2%	Yes	Rebate	Manufacturer of electrical equipment for use in hazardous conditions
120	Corning, Inc. - (Canton)	Canton	St. Lawrence	NGRID	1,500	173	195	22	13%	Yes	Rebate	Manufacturer of optical fiber, glass and ceramic products
121	Cortland Line Co., Inc.	Cortland	Cortland	NGRID	450	65	61	-4	-6%	Yes	Rebate	Manufacturers of quality fly lines, monofilament lines
122	Coyne Textile Services (Syracuse)	Syracuse	Onondaga	NGRID	250	137	137	0	0%	Yes	Power	Laundry, cleaning, & garment services
123	CWR Manufacturing of CNY, LLC	Syracuse	Onondaga	NGRID	130	4	4	0	0%	Yes	Power	Manufacturers of cold formed metal fasteners
124	D.E.C. Properties, Inc.	Alexandria Bay	Jefferson	NGRID	110	83	83	0	0%	Yes	Power	Extensive restaurant entertainment & conference facilities
125	Deck Bros., Inc.	Buffalo	Erie	NGRID	140	24	24	0	0%	Yes	Power	Machine Shop
126	Dielectric Laboratories, Inc.	Cazenovia	Madison	NGRID	400	158	164	6	4%	Yes	Rebate	Ceramic capacitors and ceramic packaging
127	Diemolding Corporation	Canastota	Madison	NGRID	184	105	109	4	4%	Yes	Rebate	Thermoset plastic forming
128	Divine Brothers Company	Utica	Oneida	NGRID	250	81	86	5	6%	Yes	Power	Finishing products, industrial casters and wheels
129	DOT Foods	Liverpool	Onondaga	NGRID	350	225	233	8	4%	Yes	Power	Frozen food distrib.
130	Eastern Casting Company, Inc.	Cambridge	Washington	NGRID	250	17	16	-1	-6%	Yes	Power	Aluminum foundry
131	Eastman Machine Company	Buffalo	Erie	NGRID	300	81	95	14	17%	Yes	Rebate	Manufacturer of Industrial Textile cutting and spreading equipment
132	Edward John Noble Hospital	Gouverneur	St. Lawrence	NGRID	100	245	243	-2	-1%	Yes	Rebate	Healthcare center
133	EMED Company, Inc.	Buffalo	Erie	NGRID	250	160	157	-3	-2%	Yes	Power	Sign and safety supplier
134	Empire Coating, Inc.	Albion	Orleans	NGRID	150	77	80	3	4%	Yes	Power	Surface coater for many manufacturers
135	Ethox International Inc., STS Life Sciences Division	Rush	Monroe	NGRID	175	54	50	-4	-7%	Yes	Power	Medical Laboratories
136	Ethox International, Inc.	Buffalo	Erie	NGRID	350	129	125	-4	-3%	Yes	Power	Medical Laboratories
137	Feldmeier Equipment Inc.	Little Falls	Herkimer	NGRID	450	167	163	-4	-2%	Yes	Power	Stainless steel tanks & pressure vessels for food industry
138	Fiber Glass Industries Inc.	Amsterdam	Montgomery	NGRID	700	149	170	21	14%	Yes	Rebate	Produces high strength woven fabrics
139	Finch Paper, LLC	Glen Falls	Warren	NGRID	5,000	737	748	11	1%	Yes	Rebate	Produces uncoated paper
140	Ford Motor Company	Buffalo	Erie	NGRID	5,000	859	829	-30	-3%	Yes	Rebate	Automotive components stamping
141	G L & V Sandy Hill Inc.	Hudson Falls	Washington	NGRID	750	83	81	-2	-2%	Yes	Rebate	Full service operational foundry & machine shop
142	Gehring Tricot Corp.	Dolgeville	Herkimer	NGRID	450	81	79	-2	-2%	Yes	Rebate	Dyeing & finishing of knitted fabrics
143	General Mills	Buffalo	Erie	NGRID	1,000	111	111	0	0%	Yes	Rebate	Manufacturer of flours and related mill feed products
144	Ginsberg's Institutional Foods, Inc	Hudson	Columbia	NGRID	375	208	204	-4	-2%	Yes	Power	Food products for schools & healthcare industry
145	Giovanni Food Company, Inc.	Syracuse	Onondaga	NGRID	74	57	55	-2	-4%	Yes	Power	Food Processing
146	Great Lakes Cheese of New York Inc.	Adams	Jefferson	NGRID	600	92	105	13	14%	Yes	Rebate	Produces cheese, natural and processed

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Power for Jobs - 2011 Extended Benefits

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July 26, 2011

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147	H. H. Dobbins Inc	Lyndoville	Orleans	NGRID	250	63	59	-4	-6%	Yes	Power	Storage of Fresh produce
148	Hamilton Printing Company	Castleton-on-Hudson	Rensselaer	NGRID	450	102	102	0	0%	Yes	Power	Specialized in labels for food & beverage industry
149	Hand Held Products	Skaneateles Falls	Onondaga	NGRID	750	285	257	-28	-10%	Yes	Power	Produces hand held scanners
150	Harmac Medical Products, Inc.	Buffalo	Erie	NGRID	385	217	213	-4	-2%	Yes	Rebate	Designs & manufactures medical products
151	Helmont Mills	St. Johnsville	Montgomery	NGRID	250	71	74	3	4%	Yes	Rebate	Knitted Fabric Production
152	Higbee Inc.	Syracuse	Onondaga	NGRID	100	40	43	3	8%	Yes	Rebate	Mfr. of gaskets, and sealing products
153	HMI Metal Powders	Clayville	Oneida	NGRID	500	100	99	-1	-1%	Yes	Rebate	Manufactures specialty powders for aerospace industry.
154	Indium Corporation of America	Utica	Oneida	NGRID	600	325	332	7	2%	Yes	Power	Design and manufacture of indium metal for industrial applications
155	Inficon Inc. (Leybold)	E. Syracuse	Onondaga	NGRID	400	208	221	13	6%	Yes	Rebate	Produces thin film controllers & residual gas analyzers
156	Interface Sealing Solutions, Inc.	Croghan	Lewis	NGRID	250	32	33	1	3%	Yes	Power	Manufacturers packaging and presentation products
157	Interface Solutions, Inc.	Fulton	Oswego	NGRID	940	116	119	3	3%	Yes	Rebate	Makes backing for vinyl flooring and fiber gasket for industries
158	International Fiber Corporation	North Tonawanda	Niagara	NGRID	350	86	104	18	21%	Yes	Rebate	Produces powdered cellulose and fibers
159	Intertek Testing Services	Cortland	Cortland	NGRID	600	353	327	-26	-7%	Yes	Rebate	Independent test lab
160	Isadore A. Rapasadi & Sons, Inc.	Canastota	Madison	NGRID	75	51	51	0	0%	Yes	Power	Agricultural buyer, re-packer & shipper
161	Jamestown Advanced Products, Inc.	Jamestown	Chautauqua	NGRID	225	75	75	0	0%	Yes	Power	Metal fabricating assembly & distribution
162	Jaquith Industries, Inc.	Syracuse	Onondaga	NGRID	150	49	46	-3	-6%	Yes	Power	Steel Fabrication
163	Kilian Manufacturing Corporation	Syracuse	Onondaga	NGRID	400	163	175	12	7%	Yes	Rebate	Mfr. ball bearings
164	Kintz Plastics, Inc.	Howes Cave	Schoharie	NGRID	275	94	94	0	0%	Yes	Power	Manufacturer of Thermoformed/ machined plastic parts
165	Kreher's Poultry Farms	Clarence	Erie	NGRID	350	79	79	0	0%	Yes	Rebate	Egg farm
166	Kris-Tech Wire Company	Rome	Oneida	NGRID	200	34	34	0	0%	Yes	Power	Produces wire and cable products
167	Lewis County General Hospital	Lowville	Lewis	NGRID	200	486	504	18	4%	Yes	Rebate	Medical Center
168	Luvata Buffalo, Inc.	Buffalo	Erie	NGRID	5,000	558	593	35	6%	Yes	Rebate	Metal manufacturing
169	Lydall Manning	Green Island	Albany	NGRID	1,100	99	106	7	7%	Yes	Rebate	Specialty Paper Manufacturer
170	Manth-Brownell, Inc.	Kirkville	Madison	NGRID	700	115	115	0	0%	Yes	Rebate	Produces precision-turned machined parts for a variety of industries
171	Marquardt Switches, Inc.	Cazenovia	Madison	NGRID	200	390	461	71	18%	Yes	Power	Electrical switches
172	Matt Brewing Company	Utica	Oneida	NGRID	600	107	114	7	7%	Yes	Rebate	Brewery
173	Mayer Brothers Apple Products, Inc. - Barker	Barker	Erie	NGRID	300	102	112	10	10%	Yes	Rebate	Juice pressing and bottling
174	Meloon Foundries, Inc.	Syracuse	Onondaga	NGRID	275	43	41	-2	-5%	Yes	Rebate	Non-Ferrous Sand Casting Foundry
175	Met Weld International, LLC	Altamont	Albany	NGRID	100	61	74	13	21%	Yes	Rebate	Industrial equipment
176	Metalico, Inc.	Buffalo	Erie	NGRID	75	58	61	3	5%	Yes	Power	Scrap iron & metal processing
177	Mid-State Raceway, Inc.	Vernon	Oneida	NGRID	200	233	233	0	0%	Yes	Power	Live harness racing, simulcasting of harness & thoroughbred races
178	Midstate Spring, Inc.	Syracuse	Onondaga	NGRID	100	30	35	5	17%	Yes	Power	Makes precision springs, wire forms and four slide parts.
179	Mill Services, Inc.	Cobleskill	Schoharie	NGRID	300	62	58	-4	-6%	Yes	Power	Low grade lumber
180	Mohawk LTD	Chadwicks	Oneida	NGRID	100	67	60	-7	-10%	Yes	Power	Sales and service of electrical equipment
181	Mohawk Paper Mills	Cohoes	Albany	NGRID	2,250	406	409	3	1%	Yes	Rebate	Manufacturer of text and cover papers
182	Mount Saint Mary's Hospital	Lewiston	Niagara	NGRID	350	679	679	0	0%	Yes	Power	Medical Center
183	Nathan Littauer Hospital & Nursing Home	Gloversville	Fulton	NGRID	400	738	754	16	2%	Yes	Rebate	Hospital and Nursing Home
184	Natrium Products, Inc.	Cortland	Cortland	NGRID	90	21	21	0	0%	Yes	Rebate	Manufacturer of sodium bicarbonate (baking soda)
185	Navilyst Medical, Inc	Glens Falls	Warren	NGRID	650	750	812	62	8%	Yes	Power	Designs & manufactures & markets a broad range of medical products
186	Niagara Falls Medical Center	Niagara Falls	Niagara	NGRID	500	979	926	-53	-5%	Yes	Power	Medical Center
187	Norlite Corp.	Cohoes	Albany	NGRID	500	63	63	0	0%	Yes	Rebate	Manufacturer of Brass Fittings
188	North Hudson Woodcraft Corp.	Dolgeville	Herkimer	NGRID	230	45	45	0	0%	Yes	Power	Manufacturer of wood piano parts, casket, parts, and kiln dried lumber
189	Oak-Mitsui, Inc.	Hoosick Falls	Rensselaer	NGRID	200	59	58	-1	-2%	Yes	Power	Copper foil-electronics
190	Oberdorfer Pumps, Inc.	Syracuse	Onondaga	NGRID	500	64	62	-2	-3%	Yes	Power	Manufacturer of industrial and commercial pumps
191	Oehler Industries Inc.	Buffalo	Erie	NGRID	80	16	17	1	6%	Yes	Power	Steel fabrications
192	Oldcastle Precast Inc.	South Bethlehem	Albany	NGRID	160	65	83	18	28%	Yes	Rebate	Precast products and installation
193	Oneida Healthcare Center	Oneida	Madison	NGRID	300	748	761	13	2%	Yes	Power	General Hospital (not-for-profit)
194	Oneida Molded Plastcis, LLC	Phoenix	Madison	NGRID	500	145	136	-9	-6%	Yes	Rebate	Injected Molded Plastic Products
195	Ontario Knife Company	Franklinville	Cattaraugus	NGRID	250	65	62	-3	-5%	Yes	Power	Cutlery products

New York Power Authority

Power for Jobs - 2011 Extended Benefits

Compliance Review

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Exhibit "6-A-1"

July 26, 2011

Line	Company	City	County	IOU	Allocation (kW)	Job Commitment	Jobs in 2011 Application	Jobs Over/Under	Jobs Over/Under %	Compliance	Option	Service
196	Paul Bunyan Products, Inc.	Preble	Cortland	NGRID	150	22	20	-2	-9%	Yes	Rebate	Manufacturer of hardwood lumber components and pallets
197	PCI Paper Conversions, Inc.	Syracuse	Onondaga	NGRID	400	134	137	3	2%	Yes	Rebate	Printed materials & adhesive manufacturing
198	Pearl Leather Finishers, Inc.	Johnstown	Fulton	NGRID	280	123	123	0	0%	Yes	Power	Leather Finishers
199	Pivot Punch Corporation	Lockport	Niagara	NGRID	300	65	73	8	12%	Yes	Power	Machine tools, metal forming types
200	Power Pallet	Amsterdam	Montgomery	NGRID	250	132	121	-11	-8%	Yes	Rebate	Produces wood pallets & skids
201	Precious Plate, Inc.	Niagara Falls	Niagara	NGRID	235	131	154	23	18%	Yes	Rebate	Electroplating services
202	Precision Systems Mfg., Inc.	Liverpool	Onondaga	NGRID	180	63	61	-2	-3%	Yes	Rebate	Machining and sheet metal manufacturing
203	Producto Machine Company - Ring & Pierce-All Div.	Jamestown	Chautauqua	NGRID	350	84	85	1	1%	Yes	Power	Machined parts & custom components
204	Quandt's Food Service Distributors, Inc.	Amsterdam	Montgomery	NGRID	180	128	125	-3	-2%	Yes	Power	Refrigeration for perishable and frozen food products.
205	Queensboro Farm Products, Inc. - Canastota	Canastota	Madison	NGRID	500	80	79	-1	-1%	Yes	Rebate	Milk manufacturing and processing plant
206	Revere Copper Products	Rome	Oneida	NGRID	2,000	374	339	-35	-9%	Yes	Rebate	Copper & brass products
207	Richardson Brands Company	Canajoharie	Montgomery	NGRID	600	137	135	-2	-1%	Yes	Power	Makes candy and other confectionery products
208	Robison & Smith, Inc.	Gloversville	Fulton	NGRID	384	130	121	-9	-7%	Yes	Rebate	Linen & Laundry Supply
209	Rome Specialty Company, Inc.	Rome	Oneida	NGRID	135	13	14	1	8%	Yes	Rebate	Manufacturer of fishing tackle
210	SABIC Innovative Plastics	Pittsfield	Albany	NGRID	5,000	514	469	-45	-9%	Yes	Rebate	Plastic materials & resins
211	Sabin Metal Corporation	Scottsville	Monroe	NGRID	825	135	135	0	0%	Yes	Power	Large Precious metal refiner
212	Saint-Gobain - Hoosick Falls	Hoosick Falls	Rensselaer	NGRID	225	180	189	9	5%	Yes	Power	Manufacturers pressure sensitive adhesive tapes
213	Samaritan Medical Center	Watertown	Jefferson	NGRID	600	1,308	1,334	26	2%	Yes	Power	Health Services
214	Schilling Forge, Inc.	Syracuse	Onondaga	NGRID	225	27	29	2	7%	Yes	Rebate	Forging Plant
215	Schneider Packing Equip. Co., Inc.	Brewerton	Onondaga	NGRID	200	162	182	20	12%	Yes	Rebate	Makes packaging machinery for all types of consumer products
216	School House Companies	Gloversville	Fulton	NGRID	200	82	80	-2	-2%	Yes	Power	Trucking & transportation
217	SI Group, Inc.	Schenectady	Schenectady	NGRID	1,500	313	316	3	1%	Yes	Rebate	Produces & sells electrical insulating varnishes
218	Snyder Industries, Inc.	N. Tonawanda	Niagara	NGRID	350	108	115	7	6%	Yes	Rebate	Machinery
219	Sorrento Lactalis, Inc	Buffalo	Erie	NGRID	1,500	471	471	0	0%	Yes	Rebate	Produces cheese as well as whey products
220	Specialized Packaging Radisson, Inc	Baldwinsville	Onondaga	NGRID	180	237	250	13	5%	Yes	Rebate	Produces printed folding cartons for consumer products
221	St. Joseph's Hospital Health Center	Syracuse	Onondaga	NGRID	1,000	3,250	3,274	24	1%	Yes	Rebate	Healthcare Center
222	St. Lawrence University	Canton	St. Lawrence	NGRID	800	750	765	15	2%	Yes	Power	Institution of Higher Education
223	Standard Manufacturing Co., Inc.	Troy	Rensselaer	NGRID	15	46	42	-4	-9%	Yes	Rebate	Apparel
224	Stature Electric	Watertown	Jefferson	NGRID	150	80	81	1	1%	Yes	Power	Manufacturers universal and permanent magnet and gear motors
225	Syracuse Heat Treating Corp.	Syracuse	Onondaga	NGRID	200	17	18	1	6%	Yes	Power	Provides heat treating & brazing services to manufacturers
226	Syracuse Label Co., Inc.	Liverpool	Onondaga	NGRID	200	78	77	-1	-1%	Yes	Rebate	Printing labels for consumer and industrial use
227	Syracuse Plastics LLC	Liverpool	Onondaga	NGRID	400	42	42	0	0%	Yes	Rebate	Maker of plastic parts and components
228	Syracuse University	Syracuse	Onondaga	NGRID	2,000	4,674	4,641	-33	-1%	Yes	Rebate	Institution of Higher Education
229	Taylor Made Products	Gloversville	Fulton	NGRID	250	168	175	7	4%	Yes	Power	Manufacturer and distributor of marine accessory products
230	Thermold Corporation	Canastota	Madison	NGRID	130	30	41	11	37%	Yes	Rebate	Complete thermoplastic molding services
231	TMP Technologies, Inc. - Buffalo	Buffalo	Erie	NGRID	150	33	33	0	0%	Yes	Rebate	Maker of foam, rubber, plastic products
232	Tompkins Metal Finishing, Inc.	Batavia	Genesee	NGRID	350	80	82	2	3%	Yes	Power	Metal Finishing
233	Trans World Entertainment	Albany	Albany	NGRID	400	442	398	-44	-10%	Yes	Power	Corporate offices and distribution facilities
234	UltrePet, LLC	Albany	Albany	NGRID	600	61	61	0	0%	Yes	Power	Reclaimer of post consumer soda bottles
235	Vicks Lithograph & Printing	Yorkville	Oneida	NGRID	750	103	100	-3	-3%	Yes	Rebate	Book printer & distribution
236	Washington Mills Tonawanda, Inc.	Tonawanda	Erie	NGRID	375	46	44	-2	-4%	Yes	Rebate	Abrasive products
237	Watson Bowman Acme Corp.	Amherst	Erie	NGRID	150	110	112	2	2%	Yes	Rebate	Manufactures expansion joint systems for roads & bridges
238	Welch Allyn Data Collection Inc.	Skaneateles Falls	Onondaga	NGRID	2,000	1,172	1,145	-27	-2%	Yes	Rebate	Medical and dental diagnostic equipment manufacturer
				NGRID Total	98,492	42,070	42,545					
239	AEC Johnson & Hoffman Manufacturing Corporation	Carle Place	Nassau	LIPA	225	66	76	10	15%	Yes	Power	Precision metal stamping
240	Alken Industries Inc.	Ronkonkoma	Suffolk	LIPA	125	71	68	-3	-4%	Yes	Power	Manufactures close tolerance aircraft fittings, parts and assemblies
241	American Technical Ceramics	Huntington Station	Suffolk	LIPA	200	300	282	-18	-6%	Yes	Rebate	Ceramic Capacitor
242	AMETEK-Hughes Treitler Inc.	Garden City	Nassau	LIPA	500	150	149	-1	-1%	Yes	Rebate	Manufacturer of heat exchangers
243	Arkwin Industries	Westbury	Nassau	LIPA	700	319	327	8	3%	Yes	Power	Manufactures of precision hydraulic & fuel system components

New York Power Authority

Power for Jobs - 2011 Extended Benefits

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July 26, 2011

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244	B.H. Aircraft Company, Inc	Ronokonkoma	Suffolk	LIPA	400	72	72	0	0%	Yes	Rebate	Produces noise suppression hardware for jet engines
245	Broadridge Financial Solutions, Inc	Edgewood	Suffolk	LIPA	1,000	1,522	1,566	44	3%	Yes	Power	Processing and mailing for the financial industry
246	Bruce's Bakery	Great Neck	Nassau	LIPA	75	49	49	0	0%	Yes	Power	Manufacturer and distributor of baked goods
247	Crescent Duck Farm, Inc.	Aquebogue	Suffolk	LIPA	350	70	70	0	0%	Yes	Power	Grows ducks on Long Island to supply wholesalers & restaurants
248	Data Device Corporation	Bohemia	Suffolk	LIPA	1,300	394	375	-19	-5%	Yes	Power	Assembly of printed circuit boards
249	Dayton T. Brown	Bohemia	Suffolk	LIPA	600	218	202	-16	-7%	Yes	Power	Test systems for industrial , commercial and military requirements
250	Deutsch Relays, Inc.	Hauppauge	Suffolk	LIPA	300	114	104	-10	-9%	Yes	Power	High reliability relay manufacturer
251	Enzo Clinical Labs, Inc.	Farmingdale	Suffolk	LIPA	200	424	384	-40	-9%	Yes	Rebate	Medical Lab
252	Flag Poles, Inc.	East Setauket	Suffolk	LIPA	200	86	83	-3	-3%	Yes	Power	Manufactures fabricated metal products
253	GE Aviation Systems, LLC	Bohemia	Suffolk	LIPA	650	261	263	2	1%	Yes	Power	Integrated electronic and mechanical systems
254	Good Samaritan Hospital	West Islip	Suffolk	LIPA	800	3,171	3,134	-37	-1%	Yes	Rebate	Healthcare Center
255	Gurwin Jewish Geriatric Center	Commack	Suffolk	LIPA	500	659	663	4	1%	Yes	Power	Nursing home
256	ITT Corporation	North Amityville	Suffolk	LIPA	2,700	602	602	0	0%	Yes	Power	Water and fluids management, and motion and flow control
257	John T. Mather Memorial Hospital	Port Jefferson	Suffolk	LIPA	400	1,773	1,775	2	0%	Yes	Rebate	Community Hospital
258	JPMorgan Chase - Lake Success	Lake Success	Nassau	LIPA	1,295	451	456	5	1%	Yes	Rebate	Financial Services
259	JPMorgan Chase - Uniondale	Uniondale	Nassau	LIPA	500	845	854	9	1%	Yes	Rebate	Financial Services
260	Kleer-Fax Inc.	Amityville	Suffolk	LIPA	200	107	105	-2	-2%	Yes	Rebate	Mfr. paper and plastic products for the office
261	Kozy Shack, Inc.	Hicksville	Nassau	LIPA	1,000	267	267	0	0%	Yes	Rebate	Mfr. of puddings & snacks
262	Long Beach Medical Center	Long Beach	Nassau	LIPA	600	914	914	0	0%	Yes	Rebate	Community Hospital
263	Madelaine Chocolates	Rockaway Beach	Queens	LIPA	575	417	411	-6	-1%	Yes	Rebate	Manufactures chocolate
264	Maloya Laser Inc.	Commack	Suffolk	LIPA	75	23	24	1	4%	Yes	Rebate	Metal cutting and shaping
265	North Shore Health System	Manhasset	Nassau	LIPA	2,600	6,686	6,727	41	1%	Yes	Rebate	Medical Services
266	Sag Harbor Industries	Sag Harbor	Suffolk	LIPA	50	43	45	2	5%	Yes	Power	Coils, transformers, circuit boards, and surface mounted assemblies
267	Silver Lake Cookie Co.	Islip	Suffolk	LIPA	400	190	191	1	1%	Yes	Rebate	Manufacturer of specialty cookies
268	Sleepy's (Warehouse)	Hicksville	Nassau	LIPA	300	599	607	8	1%	Yes	Power	General Warehousing.
269	The Lawrence Ripak Company, Inc.	West Babylon	Suffolk	LIPA	400	128	136	8	6%	Yes	Power	Nondestructive testing & metal finishing services for the aerospace industry
270	Ultimate Precision Metal	Farmingdale	Suffolk	LIPA	250	80	77	-3	-4%	Yes	Rebate	Manufactures controlled enclosures
				Total LIPA	19,470	21,071	21,058					
271	Agri-Mark, Inc	Chateaugay	Franklin	NYSEG	500	115	119	4	3%	Yes	Rebate	Cheese Manufacturer
272	Auburn Vacuum Forming Co., Inc.	Auburn	Cayuga	NYSEG	88	16	15	-1	-6%	Yes	Power	Manufacture thermoformed plastic component parts
273	Audio Sears	Stamford	Delaware	NYSEG	190	72	66	-6	-8%	Yes	Rebate	Makes audio equipment
274	Borg Warner Automotive Morse TEC Co	Ithaca	Tompkins	NYSEG	4,000	1,090	1,243	153	14%	Yes	Rebate	Manufacture of automotive components
275	Cameron Fabricating Corporation	Horseheads	Chemung	NYSEG	325	212	208	-4	-2%	Yes	Rebate	Process equipment for the food & chemical industries
276	Candlelight Cabinetry, Inc.	Lockport	Niagara	NYSEG	400	168	161	-7	-4%	Yes	Rebate	Manufactures custom cabinets
277	Caron Fine Wood Products, Inc.	Champlain	Clinton	NYSEG	15	4	4	0	0%	Yes	Rebate	Supplier of kiln drying for lumber, hardwood & softwood
278	Cherry Creek Woodcraft Inc.	South Dayton	Cattaraugus	NYSEG	400	62	66	4	6%	Yes	Power	Manufacturer of trophies and plaques
279	Conax Buffalo Technologies	Buffalo	Erie	NYSEG	75	93	97	4	4%	Yes	Power	Temperature sensors
280	Consumers Beverages, Inc. (NYSEG)	Buffalo	Erie	NYSEG	240	66	66	0	0%	Yes	Rebate	Beverage distributor
281	Corning, Inc. - (Costar Plant)	Oneonta	Otsego	NYSEG	900	161	162	1	1%	Yes	Rebate	Manufacturer of optical fiber, glass and ceramic products
282	Corning, Inc. - (Erwin)	Corning	Steuben	NYSEG	1,500	570	651	81	14%	Yes	Rebate	Manufacturer of optical fiber, glass and ceramic products
283	Corning, Inc. - (Northside)	Corning	Steuben	NYSEG	2,500	789	807	18	2%	Yes	Rebate	Manufacturer of optical fiber, glass and ceramic products
284	Corning, Inc. - (SCC & IDM)	Corning	Steuben	NYSEG	500	124	114	-10	-8%	Yes	Rebate	Manufacturer of optical fiber, glass and ceramic products
285	Corning, Inc. - (Southside)	Corning	Steuben	NYSEG	1,500	800	819	19	2%	Yes	Rebate	Manufacturer of optical fiber, glass and ceramic products
286	Corning, Inc. - (Sullivan Park)	Corning	Steuben	NYSEG	3,000	1,791	1,730	-61	-3%	Yes	Rebate	Manufacturer of optical fiber, glass and ceramic products
287	Currier Plastics, Inc.	Auburn	Cayuga	NYSEG	300	88	101	13	15%	Yes	Rebate	Manufactures plastic products
288	Custom Electronics, Inc.	Oneonta	Otsego	NYSEG	150	64	67	3	5%	Yes	Rebate	Electronic components and assemblies
289	Derrick Corp.	Cheektowaga	Erie	NYSEG	1,000	391	472	81	21%	Yes	Rebate	Manufacturer of separation technology for oil drilling industry
290	Diversified Controls & Systems, Inc	East Aurora	Erie	NYSEG	25	11	13	2	18%	Yes	Rebate	Customized electrical & pneumatic process controls
291	Eastern Niagara Hospital	Lockport	Niagara	NYSEG	350	624	624	0	0%	Yes	Power	Health care

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292	Egli Machine, Inc.	Sidney	Delaware	NYSEG	20	29	30	1	3%	Yes	Rebate	Injected molds
293	Elmira Stamping and Manufacturing	Elmira	Chemung	NYSEG	60	38	35	-3	-8%	Yes	Rebate	Stamping
294	Ever Fab, Inc.	East Aurora	Erie	NYSEG	150	66	71	5	8%	Yes	Rebate	Manufacturers & designs precision components and precision assemblies
295	Fermer Precision	Ilion	Herkimer	NYSEG	200	53	50	-3	-6%	Yes	Rebate	Provides machining applications for metal and plastics industries.
296	Fisher Price	East Aurora	Erie	NYSEG	1,500	894	897	3	0%	Yes	Rebate	Toys and hobby goods supplies
297	General Motors Components Holdings LLC	Lockport	Niagara	NYSEG	150	1,705	1,705	0	0%	Yes	Rebate	Automotive components
298	Greatbatch Inc.	Alden	Erie	NYSEG	780	402	387	-15	-4%	Yes	Rebate	Manufactures batteries for implantable medical devices and batteries
299	H & E Machinery, Inc.	Ithaca	Tompkins	NYSEG	350	174	182	8	5%	Yes	Rebate	Makes small turbine blades for gas turbine compressor markets
300	IEC Electronics Corp.	Newark	Wayne	NYSEG	590	286	288	2	1%	Yes	Rebate	Assembly of printed circuit boards
301	Kraft Foods - Walton	Walton	Delaware	NYSEG	870	132	132	0	0%	Yes	Rebate	Mfr. of puddings & snacks
302	Lancaster Knives, Inc.	Lancaster	Erie	NYSEG	375	30	31	1	3%	Yes	Power	Manufacturer of industrial knives
303	Manitoba Corporation	Lancaster	Erie	NYSEG	250	46	43	-3	-7%	Yes	Rebate	Metal Recycling for non-ferrous metals
304	Mayer Brothers Apple Products, Inc. - West Seneca	West Seneca	Erie	NYSEG	400	141	139	-2	-1%	Yes	Rebate	Bottled juice products
305	Merritt Machinery, LLC	Lockport	Niagara	NYSEG	75	7	7	0	0%	Yes	Rebate	Makes machinery for hardwood, veneer and plywood
306	Milward Alloys	Lockport	Niagara	NYSEG	600	34	34	0	0%	Yes	Rebate	Produces and resells copper and aluminum based alloys in various forms
307	Miner Institute	Chazy	Clinton	NYSEG	150	53	56	3	6%	Yes	Power	Educational/agricultural
308	National Pipe and Plastics, Inc.	Vestal	Broome	NYSEG	1,300	153	152	-1	-1%	Yes	Rebate	One of the largest PVC pipe producers in North America
309	Norampac Industries - Lancaster Division	Lancaster	Erie	NYSEG	200	126	125	-1	-1%	Yes	Rebate	Paper
310	Norwich Aero Products, Inc.	Norwich	Chenango	NYSEG	160	122	114	-8	-7%	Yes	Rebate	Mfg. auto temp sensors
311	PCB Piezotronics, Inc.	Depew	Erie	NYSEG	600	460	527	67	15%	Yes	Rebate	Capacitive and piezoelectric quartz tourmaline instruments
312	Polymer Conversions	Orchard Park	Erie	NYSEG	325	75	76	1	1%	Yes	Rebate	Plastic Products
313	Schweizer Aircraft Corp.	Horseheads	Chemung	NYSEG	700	1,226	1,195	-31	-3%	Yes	Rebate	Producer of aircraft and subcontractor for airframe parts and assemblies
314	Sealing Devices, Inc.	Lancaster	Erie	NYSEG	150	145	149	4	3%	Yes	Rebate	Manufacturer of die cut gaskets and a distributor of seals
315	Seneca Foods Corporation - Geneva	Geneva	Ontario	NYSEG	1,000	296	305	9	3%	Yes	Rebate	Canned fruits & vegetables
316	Staroba Plastic & Metal Products of NY Inc.	Holland	Erie	NYSEG	700	81	80	-1	-1%	Yes	Power	Manufacturers of corrugated paper packaging and displays
317	Taylor Metalworks	Orchard Park	Erie	NYSEG	400	105	94	-11	-10%	Yes	Power	Manufacturers machined aluminum castings
318	TMP Technologies, Inc. - Wyoming	Wyoming	Wyoming	NYSEG	268	33	32	-1	-3%	Yes	Rebate	Maker of foam, rubber, plastic products
319	Ultralife Batteries, Inc.	Newark	Wayne	NYSEG	1,440	560	565	5	1%	Yes	Rebate	Manufacturers batteries
320	Upstate Niagara Cooperative - Buffalo	Buffalo	Erie	NYSEG	600	191	196	5	3%	Yes	Rebate	Processes milk into a variety of milk products
321	Upstate Niagara Cooperative - West Seneca	West Seneca	Erie	NYSEG	500	163	169	6	4%	Yes	Rebate	Dairy Products
322	Ward Lumber Co., Inc.	Jay	Essex	NYSEG	140	70	63	-7	-10%	Yes	Power	Saw Mill & Forest Products
				NYSEG Total	32,961	15,207	15,534					
323	International Business Machines Corp. - Sterling Forest	Sterling Forest	Orange	O&R	700	405	397	-8	-2%	Yes	Rebate	Computer Manufacturer
				O&R Total	700	405	397					
324	Flower City Printing, Inc.	Rochester	Monroe	RGE	500	*	*	30	10%	Yes	Rebate	Commercial printer
325	Flower City Printing, Inc.	Rochester	Monroe	RGE	650	288	318	30	10%	Yes	Rebate	Commercial printer
326	Gorbel Corp	Fishers	Ontario	RGE	350	152	140	-12	-8%	Yes	Rebate	Produces jibs, overhead workstations & crans
327	International Business Machines Corp. - Rochester	Rochester	Monroe	RGE	1,150	568	555	-13	-2%	Yes	Rebate	Computer Manufacturer
328	Jada Precision Plastics Co.	Rochester	Monroe	RGE	300	138	136	-2	-1%	Yes	Rebate	Custom injection molder of thermoplastic materials
329	Morgood Tools, Inc.	Rochester	Monroe	RGE	200	44	45	1	2%	Yes	Power	Cutting tools for metal cutting & precision machining industries
330	New Energy Works	Farmington	Ontario	RGE	150	89	90	1	1%	Yes	Power	Reclaimed & salvaged timber remanufacturing
331	Newport Rochester, Inc	Rochester	Monroe	RGE	190	62	59	-3	-5%	Yes	Rebate	Mfg. spectrophotometers
332	Seneca Foods Corporation - Leicester	Leicester	Livingston	RGE	720	119	125	6	5%	Yes	Rebate	Canned fruits & vegetables
333	Seneca Foods Corporation - Marion	Marion	Wayne	RGE	1,100	136	137	1	1%	Yes	Rebate	Canned fruits & vegetables
334	XLI Corporation	Rochester	Monroe	RGE	175	69	75	6	9%	Yes	Rebate	Makers of precision machine components
				RGE Total	5,485	1,665	1,680					
		Total			228,228	212,771	218,889					

* Eliminates double counting of jobs reported by companies with more than one allocation at the facility

New York Power Authority
Economic Development Power Programs
2011 Energy Cost Savings Benefits
Compliance Review
Compliant Allocations

Exhibit "6-A-2"
July 26. 2011

Line	Company	City	County	IOU	Allocation (kW)	Job Commitment	Jobs in 2011 Application	Jobs Over/Under	Jobs Over/Under %	Compliance	Service
1	CBS Inc.	New York	New York	ConEd	2,000	*	*	73	2%	Yes	TV production & broadcast
2	CBS Inc.	New York	New York	ConEd	6,000	3,893	3,966	73	2%	Yes	TV production & broadcast
3	Citibank, N.A. - 111 Wall St.	New York	New York	ConEd	5,100	12,500	14,103	1,603	13%	Yes	Banking Services
4	Citigroup, Inc. - Greenwich St.	New York	New York	ConEd	16,000	3,500	3,500	0	0%	Yes	Investment banking services
5	Columbia University - Audubon Business & Tech	New York	New York	ConEd	500	100	109	9	9%	Yes	Research & development in the biotechnology industry
6	Crystal Window & Door Systems, Ltd.	Flushing	Queens	ConEd	800	283	283	0	0%	Yes	Vinyl and aluminum window and doors for both commercial and residential usage
7	Ellanef Manufacturing Corporation	Corona	Queens	ConEd	800	178	172	-6	-3%	Yes	Machining assembly components for aerospace industry
8	Elmhurst Dairy, Inc.	Jamaica	Queens	ConEd	1,000	273	269	-4	-1%	Yes	Milk processing plant
9	Hunts Point Cooperative Market, Inc	Bronx	Bronx	ConEd	5,100	2,400	2,400	0	0%	Yes	Commercial cooperative - wholesale meat and frozen food distributors
10	International Business Machines Corp. - Yorktow	Yorktown Heights	Westchester	ConEd	15,000	2,342	2,124	-218	-9%	Yes	R&D
11	J.J. Cassone Bakery, Inc.	Port Chester	Westchester	ConEd	180	190	178	-12	-6%	Yes	Commercial bakery
12	JPMorgan Chase - 383 Madison Ave.	New York	New York	ConEd	24,200	2,296	2,290	-6	0%	Yes	Banking
13	Montefiore Medical Center - Westchester	Yonkers	Westchester	ConEd	800	619	980	361	58%	Yes	Computer Data Center for Medical Center
14	National Broadcasting Company, Inc.	New York	New York	ConEd	7,600	4,037	3,999	-38	-1%	Yes	Media company - Broadcast and Entertainment
15	New York Container Terminal, Inc.	Staten Island	Richmond	ConEd	2,500	533	537	4	1%	Yes	Loading and discharging container vessels engaged in international commerce
16	New York Post Company, Inc.	New York	New York	ConEd	9,000	617	608	-9	-1%	Yes	Printing daily newspaper
17	New York Times Company, Inc.	Flushing	Queens	ConEd	6,000	2,751	2,638	-113	-4%	Yes	Printing daily newspaper
18	New York Times Company, Inc.	Flushing	Queens	ConEd	4,500	*	*	-113	-4%	Yes	Printing daily newspaper
19	RMS Packaging Inc.	Peekskill	Westchester	ConEd	210	16	18	2	13%	Yes	Special Effects Film Business
20	Ultra Flex Packaging Corporation	Brooklyn	Kings	ConEd	600	222	219	-3	-1%	Yes	Manufacturer of plastic packaging.
				Total Con-Ed	107,890	36,750	38,393				
21	Air Products and Chemicals, Inc.	Glenmont	Albany	NGRID	3,000	*	*	-2	-3%	Yes	Produces Industrial Gases that are used in semiconductor manufacturing
22	Air Products and Chemicals, Inc.	Glenmont	Albany	NGRID	10,000	58	56	-2	-3%	Yes	Produces Industrial Gases that are used in semiconductor manufacturing
23	Automotive Corporation	Batavia	Genesee	NGRID	425	203	192	-11	-5%	Yes	Manufacturer of automobile & light truck spindles and knuckles which attach the wheel to the axle
24	Dielectric Laboratories, Inc.	Cazenovia	Madison	NGRID	211	158	164	6	4%	Yes	Ceramic capacitors and ceramic packaging
25	Diemolding Corporation	Canastota	Madison	NGRID	740	105	109	4	4%	Yes	Thermoset plastic forming
26	DOT Foods	Liverpool	Onondaga	NGRID	300	225	233	8	4%	Yes	Frozen food distrib.
27	Granny's Kitchens, Ltd.	Frankfort	Herkimer	NGRID	750	*	*	-5	-1%	Yes	Wholesale Bakery Manufacturer, specializing in donuts
28	Granny's Kitchens, Ltd.	Frankfort	Herkimer	NGRID	750	*	*	-5	-1%	Yes	Wholesale Bakery Manufacturer, specializing in donuts
29	Granny's Kitchens, Ltd.	Frankfort	Herkimer	NGRID	2,000	351	346	-5	-1%	Yes	Wholesale Bakery Manufacturer, specializing in donuts
30	Griffiss Utility Services Corp.	Rome	Oneida	NGRID	2,000	2,492	2,387	-105	-4%	Yes	Business Incubator
31	Griffiss Utility Services Corp.	Rome	Oneida	NGRID	2,000	328	335	7	2%	Yes	Business Incubator
32	Harden Furniture Company	McConnellsville	Oneida	NGRID	400	*	*	-14	-5%	Yes	Large manufacturer of home furnishings
33	Harden Furniture Company	McConnellsville	Oneida	NGRID	2,400	284	270	-14	-5%	Yes	Large manufacturer of home furnishings
34	ICM Controls Corp.	Cicero	Onondaga	NGRID	500	210	216	6	3%	Yes	Manufacturer of electronic controls
35	Linde LLC - Buffalo Facility	Buffalo	Erie	NGRID	2,500	34	36	2	6%	Yes	Air separation facility
36	Linde LLC - Feura-Bush Facility	Feura-Bush	Albany	NGRID	15,750	29	30	1	3%	Yes	Air separation facility
37	Markin Tubing, Division of M & R Industries	Wyoming	Wyoming	NGRID	1,200	95	90	-5	-5%	Yes	Produces small-diameter welded steel tubing used by automobile & appliance manufacturers
38	Metropolitan Life Insurance Company	Troy	Rensselaer	NGRID	2,800	320	316	-4	-1%	Yes	Computer operations, disaster recovery and program development
39	Norampac Industries Inc. - Niagara Falls	Niagara Falls	Niagara	NGRID	12,000	123	127	4	3%	Yes	Manufacturer of corrugated products
40	Oak-Mitsui, Inc.	Hoosick Falls	Rensselaer	NGRID	650	59	58	-1	-2%	Yes	Copper foil-electronics
41	Revere Copper Products	Rome	Oneida	NGRID	6,000	374	339	-35	-9%	Yes	Copper & brass products
42	SCA Tissue North America LLC	South Glens Falls	Saratoga	NGRID	20,000	416	398	-18	-4%	Yes	Recycled paper producer - napkins, paper towels, tissue
43	Specialized Packaging Radisson, Inc	Baldwinsville	Onondaga	NGRID	1,300	237	250	13	5%	Yes	Produces printed folding cartons for consumer products
44	The Fountainhead Group, Inc.	New York Mills	Oneida	NGRID	500	150	150	0	0%	Yes	Produces lawn & garden, household and fire fighting equipment
				Total NGRID	88,176	6,251	6,102				
45	Reynolds Metal Company [1]	Massena	St. Lawrence	NYPA	17,000	440	275			Yes	Aluminum smelting
				Total NYPA	17,000	440	275				

New York Power Authority
Economic Development Power Programs
2011 Energy Cost Savings Benefits
Compliance Review
Compliant Allocations

Exhibit "6-A-2"
July 26. 2011

Line	Company	City	County	IOU	Allocation (kW)	Job Commitment	Jobs in 2011 Application	Jobs Over/Under	Jobs Over/Under %	Compliance	Service
46	Adecco, Inc.	Melville	Suffolk	LIPA	1,500	595	609	14	2%	Yes	Firm provides temporary employees in office facilities
47	Administrators for the Professionals	Roslyn	Nassau	LIPA	500	296	301	5	2%	Yes	Management company for Physician's Reciprocal Insurance
48	Air Industries Machine Corp.	Bayshore	Suffolk	LIPA	1,150	210	200	-10	-5%	Yes	Manufacturer of aircraft parts
49	AMETEK-Hughes Treitler Inc.	Garden City	Nassau	LIPA	650	150	148	-2	-1%	Yes	Manufacturer of heat exchangers for commercial and aerospace industries
50	Angelica Textile Services	Hempstead	Nassau	LIPA	700	413	413	0	0%	Yes	Commercial laundry services
51	Barnes and Noble, Inc.	Westbury	Nassau	LIPA	1,100	259	288	29	11%	Yes	Back office center for nationwide retail bookstores
52	Bemis Company, Inc.	Edgewood	Suffolk	LIPA	850	139	138	-1	-1%	Yes	Manufacturer of packaging materials for flexible packaging industry
53	Burton Industries Inc.	North Babylon	Suffolk	LIPA	750	48	48	0	0%	Yes	Provides heat-treating services to commercial and military aerospace industry
54	Castella Imports, Inc.	Hauppauge	Suffolk	LIPA	300	97	92	-5	-5%	Yes	Importers of Specialty Foods
55	Cold Spring Harbor Laboratory	Cold Spring Harbor	Nassau	LIPA	2,200	945	981	36	4%	Yes	Independent research & educational institution
56	Computer Associates International	Islandia	Suffolk	LIPA	8,850	1,800	1,867	67	4%	Yes	Manufacturer of Computer software
57	Crescent Duck Farm, Inc.	Aquebogue	Suffolk	LIPA	500	70	70	0	0%	Yes	Duck farm on Long Island to supply wholesalers & restaurants
58	Ellanef Manufacturing Corporation	Bohemia	Suffolk	LIPA	1,200	99	106	7	7%	Yes	Machining assembly components for aerospace industry
59	GKN Aerospace Monitor Inc.	Amityville	Suffolk	LIPA	2,000	345	330	-15	-4%	Yes	Produces structural component assemblies for the aerospace industry
60	GKN Aerospace Monitor Inc.	Amityville	Suffolk	LIPA	1,550	*	*	-15	-4%	Yes	Produces structural component assemblies for the aerospace industry
61	Kozy Shack, Inc.	Hicksville	Nassau	LIPA	350	267	267	0	0%	Yes	Mfr. of puddings & snacks
62	NBTY, Inc.	Bohemia	Suffolk	LIPA	600	438	423	-15	-3%	Yes	Manufactures & distributes vitamins and dietary supplements to drug stores
63	Newsday, Inc.	Melville	Suffolk	LIPA	850	1,234	1,232	-2	0%	Yes	Printing daily newspaper
64	Oceanside Laundry	Oceanside	Nassau	LIPA	400	381	379	-2	-1%	Yes	Commercial laundry services
65	Wenner Bread Products Inc.	Bayport	Suffolk	LIPA	3,150	450	452	2	0%	Yes	Bread products
				Total LIPA	29,150	8,236	8,344				
66	Anchor Glass Container Corporation	Elmira Heights	Chemung	NYSEG	8,900	330	325	-5	-2%	Yes	Produces glass containers
67	Unison Industries, LLP	Norwich	Chenango	NYSEG	1,250	278	285	7	3%	Yes	Makes electrical components for aerospace engine applications
				Total NYSEG	10,150	608	610				
68	Aluf Plastics, Inc.	Orangeburg	Rockland	O&R	900	266	259	-7	-3%	Yes	Produces custom and stock plastic can-liner bags
				Total O&R	900	266	259				
		Total			**253,266**	**52,551**	**53,983**				

* Eliminates double counting of jobs reported by companies with more than one allocation at the facility

New York Power Authority

Power for Jobs - 2011 Extended Benefits

Compliance Review

Non-Compliant Allocations

Exhibit "6-B-1"

July 26, 2011

Line	Company	City	County	IOU	Allocation (kW)	Job Commitment	Jobs in 2011 Application	Jobs Below Commitment	Percentage Below Commitment	Compliance	Option	Service
1	Northeast Solite Corp.	Mount Marion	Ulster	CHG&E	600	57	46	-11	-19%	No	Rebate	Manufactures nonmetallic mineral products
				Total CHG&E	600	57	46					
2	Asia Society	New York	New York	ConEd	225	143	125	-18	-13%	No	Power	Educational and cultural organization
3	Children's Museum of Manhattan	New York	New York	ConEd	110	81	72	-9	-11%	No	Power	Museum
4	Edison Price Lighting, Inc.	Long Island City	Queens	ConEd	260	98	82	-16	-16%	No	Rebate	Manufacturer and seller of lighting fixtures
5	Elaine Kaufman Cultural Center	New York	New York	ConEd	60	69	55	-14	-20%	No	Rebate	Multi-arts center with a dual emphasis on education and performance
6	Liz Claiborne, Inc.	New York	New York	ConEd	1,500	791	610	-181	-23%	No	Rebate	Clothing and accessories manufacturer
7	Losquadro Ice Company	Brooklyn	Kings	ConEd	330	32	24	-8	-25%	No	Power	Ice manufacturer
8	National Academy of Design	New York	New York	ConEd	80	29	25	-4	-14%	No	Power	Museums & art galleries
9	New Museum of Contemporary Art	New York	New York	ConEd	50	84	74	-10	-12%	No	Rebate	Art center
10	Norampac Inc. - Queens	Maspeth	Queens	ConEd	600	181	154	-27	-15%	No	Rebate	Manufacturers of corrugated paper packaging and displays
11	Orazio & Sons Meat, Co.	Brooklyn	Kings	ConEd	30	4	3	-1	-25%	No	Power	Wholesale meat plant
12	Pepsi Cola Bottling Company	College Point	Queens	ConEd	2,200	1,098	918	-180	-16%	No	Rebate	Manufacturer & distributor of soft drinks
13	San-Mar Laboratories Inc.	Elmsford	Westchester	ConEd	250	271	220	-51	-19%	No	Power	Pharmaceutical & cosmetics
14	Streamline Plastics Co., Inc.	Bronx	Bronx	ConEd	140	66	44	-22	-33%	No	Rebate	Miscellaneous plastics products
15	The 122 Community Center	New York	New York	ConEd	10	30	20	-10	-33%	No	Power	Community services
16	The Harlem School of the Arts, Inc.	New York	New York	ConEd	50	115	69	-46	-40%	No	Rebate	Education
17	The Moving Image, Inc.	New York	New York	ConEd	35	47	42	-5	-11%	No	Power	Theater operations (screening independent films)
18	The Museum of Television & Radio	New York	New York	ConEd	200	88	72	-16	-18%	No	Power	Museum
19	The Writers Room	New York	New York	ConEd	15	4	3	-1	-25%	No	Power	Organization dedicated to the purpose of providing writers work space
20	Thirteen WNET	New York	New York	ConEd	750	458	357	-101	-22%	No	Rebate	Broadcasting
21	UJA Federation of New York	New York	New York	ConEd	550	458	407	-51	-11%	No	Power	Charitable and social services
22	Women's Housing and Economic Development	Bronx	Bronx	ConEd	200	240	160	-80	-33%	No	Power	Administration of economic programs for low income women and their families
				Total Con-Ed	7,645	4,387	3,536					
23	AccuMed Technologies Inc.	Buffalo	Erie	NGRID	100	202	164	-38	-19%	No	Power	Supplier of contract sewing & ultrasonic welding textile
24	AMF Bowling Inc.	Lowville	Lewis	NGRID	500	109	96	-13	-12%	No	Power	Manufacturer of bowling pins and lanes
25	Applied Energy Solutions	Caledonia	Livingston	NGRID	300	48	36	-12	-25%	No	Rebate	Electronics
26	Bristol-Myers Squibb Company	East Syracuse	Onondaga	NGRID	5,000	839	503	-336	-40%	No	Rebate	Manufacturer of bulk antibiotics
27	Cascades Tissue Group	Waterford	Saratoga	NGRID	530	286	133	-153	-53%	No	Rebate	Large industrial towel manufacturer
28	Charles T. Sitrin Health Care Center	New Hartford	Oneida	NGRID	300	457	348	-109	-24%	No	Power	Healthcare center
29	Crucible Industries LLC	Syracuse	Onondaga	NGRID	4,000	682	283	-399	-59%	No	Rebate	Specialty steel manufacturer.
30	CWM Chemical Services, LLC	Model City	Niagara	NGRID	330	73	64	-9	-12%	No	Rebate	Treatment, storage & disposal of industrial waste
31	DaimlerChrysler Commercial Buses	Oriskany	Oneida	NGRID	300	604	524	-80	-13%	No	Power	Assembly of state-of- the-art transit buses
32	Dal Tile Corporation	Olean	Cattaraugus	NGRID	1,000	263	217	-46	-17%	No	Rebate	Ceramic tile
33	Di Highway Sign & Structure Corp.	New York Mills	Oneida	NGRID	70	48	40	-8	-17%	No	Power	Maker of bridge and guide railing sign structures
34	Dupli Envelopes & Graphics Corp.	Syracuse	Onondaga	NGRID	200	130	116	-14	-11%	No	Rebate	Quality envelope printing
35	ESCO Turbine Technologies - Syracuse	Chittenango	Madison	NGRID	1,250	402	345	-57	-14%	No	Power	Foundry; investment castings
36	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	NGRID	1,000	88	73	-15	-17%	No	Rebate	Lumber & wood components
37	Gernatt Asphalt Products, Inc.	Collins	Erie	NGRID	800	108	93	-15	-14%	No	Power	Asphalt products
38	Hebeler Corporation	Tonawanda	Erie	NGRID	300	163	128	-35	-21%	No	Power	Large scale process equipment for various industries
39	HFW Industries, Inc.	Buffalo	Erie	NGRID	250	54	45	-9	-17%	No	Power	Manufacturer of industrial equipment
40	IPAC, Inc.	Amherst	Erie	NGRID	200	50	41	-9	-18%	No	Rebate	Manufactures and sells compressed air products and large air conditioners
41	Keymark Corporation	Fonda	Montgomery	NGRID	800	488	415	-73	-15%	No	Power	Aluminum extruded products
42	Keystone Corporation	Buffalo	Erie	NGRID	300	40	34	-6	-15%	No	Rebate	Fabricated metal products
43	Lehigh Northeast Cement Company	Glens Falls	Warren	NGRID	1,000	145	116	-29	-20%	No	Power	Cement manufacturer
44	McLane Eastern	Baldwinsville	Onondaga	NGRID	800	650	491	-159	-24%	No	Rebate	Wholesale grocery distributor of food & nonfood products
45	Niagara Gear Corp.	Kenmore	Erie	NGRID	85	31	24	-7	-23%	No	Power	Manufacturers specializing in precision ground spur & helical gears
46	Peak Resorts Inc.	Cortland	Cortland	NGRID	2,200	190	168	-22	-12%	No	Power	Ski resort
47	Pelco Electronic Components	Cazenovia	Madison	NGRID	100	49	35	-14	-29%	No	Rebate	Electronic components
48	Quad Graphics, Inc.	Saratoga Springs	Saratoga	NGRID	4,000	989	745	-244	-25%	No	Rebate	Printing services for magazines, catalogs, coupons, and newspapers
49	Remarketing Services of America	Amherst	Erie	NGRID	45	199	164	-35	-18%	No	Rebate	Provider of vehicle remarketing and lease maturity management services
50	Sentry Metal Blast, Inc.	Niagara Falls	Niagara	NGRID	150	25	20	-5	-20%	No	Power	Metal blasting and industrial coating
51	Spray Nine Corporation	Johnstown	Fulton	NGRID	300	71	12	-59	-83%	No	Rebate	Specialty cleaning chemical
52	Stone Construction Equipment Inc.	Honeoye	Ontario	NGRID	300	98	87	-11	-11%	No	Rebate	Makes a broad range of light construction equipment

New York Power Authority

Power for Jobs - 2011 Extended Benefits

Compliance Review

Non-Compliant Allocations

Exhibit "6-B-1"

July 26, 2011

Line	Company	City	County	IOU	Allocation (kW)	Job Commitment	Jobs in 2011 Application	Jobs Below Commitment	Percentage Below Commitment	Compliance	Option	Service
53	Suit-Kote Corp.	Cortland	Cortland	NGRID	1,400	441	342	-99	-22%	No	Rebate	Asphalt company
54	Syracuse Castings Sales Corp.	Cicero	Onondaga	NGRID	300	85	72	-13	-15%	No	Rebate	Produces & sells highway drain grates and manhole covers
55	The Beeches of Rome, Inc.	Rome	Oneida	NGRID	300	69	56	-13	-19%	No	Power	Conference center
56	Turbine Engine Components Technologies	Whitesboro	Oneida	NGRID	1,200	234	161	-73	-31%	No	Rebate	Precision forging plant
57	W. W. Custom Clad, Inc.	Canajoharie	Montgomery	NGRID	250	44	38	-6	-14%	No	Power	Metal finishing for OEM
				Total NGRID	29,960	8,454	6,229					
58	John Hassall, Inc.	Westbury	Nassau	LIPA	450	96	83	-13	-14%	No	Rebate	Manufacturer of high technology aerospace specialty metal fasteners
59	Oldcastle Glass	Hauppauge	Suffolk	LIPA	250	123	106	-17	-14%	No	Power	Manufacturer of insulated & architectural glass products
60	Standard Microsystems Corp.	Hauppauge	Suffolk	LIPA	1,050	440	331	-109	-25%	No	Rebate	Maker and supplier of computer circuits and other components
				Total LIPA	1,750	659	520					
61	Air-Flo Manufacturing	Plattsburgh	Steuben	NYSEG	130	91	77	-14	-15%	No	Rebate	Manufacturer of ice control equipment and truck bodies
62	Boreal Water Collection, Inc.	Kiamesha Lake	Sullivan	NYSEG	250	35	24	-11	-31%	No	Rebate	Spring water and ice manufacturer
63	Burt Rigid Box, Inc.	Oneonta	Otsego	NYSEG	300	33	27	-6	-18%	No	Rebate	Makes custom made boxes for cosmetic, fragrance, and computer industries
64	Corning, Inc. - (Big Flats)	Erwin	Chemung	NYSEG	500	128	39	-89	-70%	No	Rebate	Manufacturer of optical fiber, glass, and ceramic products
65	Diversified Manufacturing, Inc.	Lockport	Niagara	NYSEG	255	110	69	-41	-37%	No	Rebate	Heat exchange, vessels, copper plating, etc.
66	Dynabrade, Inc.	Clarence	Erie	NYSEG	300	147	128	-19	-13%	No	Power	Designs and manufactures power abrasive tools
67	Endicott Interconnect Technologies Inc.	Endicott	Broome	NYSEG	3,500	3,596	3,213	-383	-11%	No	Rebate	Advanced electronic packaging solutions
68	Mead Westvaco Corporation	Sidney	Delaware	NYSEG	2,500	911	783	-128	-14%	No	Rebate	Office paper products
69	Niagara Fiberboard Inc.	Lockport	Niagara	NYSEG	183	21	18	-3	-14%	No	Rebate	Makes recycled paperboard products
70	NYSARC, Inc. - Columbia County Chapter	Mellenville	Columbia	NYSEG	450	121	96	-25	-21%	No	Power	Training and educational facility for mentally handicapped citizens
71	Paul T. Freund Corp.	Palmyra	Wayne	NYSEG	375	71	56	-15	-21%	No	Power	Manufacturer of corrugated folding boxes
72	R & J Metal Finishing, Inc.	Depew	Erie	NYSEG	100	15	13	-2	-13%	No	Power	Metal finishing
73	Racemark International, Inc.	Malta	Saratoga	NYSEG	150	73	11	-62	-85%	No	Rebate	Luxury auto floor mats and seat covers
74	Ryerson, Inc.	Lancaster	Erie	NYSEG	500	156	108	-48	-31%	No	Rebate	Steel distribution warehouse
75	SEPP Management	Binghamton	Broome	NYSEG	80	20	8	-12	-60%	No	Power	Low income housing for disadvantaged residents
76	Soucy USA	Champlain	Clinton	NYSEG	400	107	81	-26	-24%	No	Rebate	Storage & warehouse facility
77	Therm Inc.	Ithaca	Tompkins	NYSEG	900	134	119	-15	-11%	No	Rebate	Manufactures jet engine turbine airfoils
78	World Warehouse & Distribution	Champlain	Clinton	NYSEG	150	85	60	-25	-29%	No	Power	Warehousing, storage and freight transportation.
				Total NYSEG	11,023	5,854	4,930					

Total			50,978	19,411	15,261

New York Power Authority
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2011 Energy Cost Savings Benefits
Compliance Review
Non-Compliant Allocations

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July 26. 2011

Line	Company	City	County	IOU	Allocation (kW)	Job Commitment	Jobs in 2011 Application	Jobs Below Commitment	Percentage Below Commitment	Compliance	Service
1	BASF	Tarrytown	Westchester	ConEd	3,200	475	191	-284	-60%	No	Pharmaceuticals & chemicals
2	BASF Catalysts, LLC	Peekskill	Westchester	ConEd	1,015	284	208	-76	-27%	No	Produces specialized pigments and film
3	BASF Catalysts, LLC	Peekskill	Westchester	ConEd	1,000	*	*	-76	-27%	No	Produces specialized pigments and film
4	Excelsior Transparent Bag Manuf.	Yonkers	Westchester	ConEd	525	161	137	-24	-15%	No	Prints and converts plastic film materials
5	Sigmund Cohn Corporation	Mount Vernon	Westchester	ConEd	375	59	51	-8	-14%	No	Manufacturer of precious metal wire and products
6	Spellman High Voltage Electronics Corp.	Valhalla	Westchester	ConEd	250	62	27	-35	-56%	No	Manufacturer of electronic subsystems.
7	Steinway & Sons	Long Island City	Queens	ConEd	1,100	431	377	-54	-13%	No	Piano manufacturer and sales
				Total Con-Ed	7,465	1,472	991				
8	DaimlerChrysler Commercial Buses	Oriskany	Oneida	NGRID	700	604	524	-80	-13%	No	The assembly of state-of- the-art transit buses
9	Keymark Corporation	Fonda	Montgomery	NGRID	1,500	488	415	-73	-15%	No	Aluminum extruded products
10	Middleport Cold Storage	Middleport	Niagara	NGRID	500	84	44	-40	-48%	No	Cold food storage facility
11	Owl Wire & Cable, Inc.	Canastota	Madison	NGRID	1,500	177	79	-98	-55%	No	Copper wire drawing
				Total NGRID	4,200	1,353	1,062				
12	BAE Systems	Greenlawn	Suffolk	LIPA	2,900	902	730	-172	-19%	No	High technology electronics manufacturer
13	Disc Graphics	Hauppauge	Suffolk	LIPA	342	264	212	-52	-20%	No	Paperboard & wholesale printing company
				Total LIPA	3,242	1,166	942				
14	Endicott Interconnect Technologies Inc.	Endicott	Broome	NYSEG	20,000	3,596	3,213	-383	-11%	No	Electronics
15	Racemark International, Inc.	Malta	Saratoga	NYSEG	800	73	11	-62	-85%	No	Luxury auto floor mats and seat covers
16	Sysco Corporation	Warners	Onondaga	NYSEG	500	537	475	-62	-12%	No	Frozen/refrig/ foods
17	Sysco Corporation	Warners	Onondaga	NYSEG	400	*	*	-62	-12%	No	Frozen/refrig/ foods
18	Tessy Plastics Corp.	Elbridge	Onondaga	NYSEG	300	703	629	-74	-11%	No	Injection molder for manufacturers of equipment
				Total NYSEG	22,000	4,909	4,328				
				Total	**36,907**	**8,900**	**7,323**				

* Eliminates double counting of jobs reported by companies with more than one allocation at the facility

New York Power Authority

Preliminary Staff Report

Hydroelectric Production Rates

Rate Modification Plan – Rate Years 2011 to 2014

Including:

Cost-of-Service

July 2011

Table of Contents

	Page
Executive Summary	**1**
Discussion	**3**
Cost of Service Components	**4-7**
Rate Design	**7**
Rate Stabilization Reserve (RSR)	**9**
Rate Phase-in Proposal	**10**
Final Staff Report	**11**

Exhibit A - Production Cost of Service

Exhibit B – Estimated Average Annual Customer Impacts

Table 1 - Embedded Costs For Ancillary Services

Table 2 - Embedded Costs For Voltage Support

Table 3 - Embedded Costs For Black Start

Table 4 - Embedded Cost For Regulation

Table 5 - Embedded Costs For Operating Reserve

New York Power Authority
2011 Preliminary Staff Report

Executive Summary

At their April 2007 meeting, the Trustees approved a two-year (2007 and 2008 Rate Years) rate plan applicable to the Authority's preference power customers. The final rate year under this plan was to terminate on April 30, 2009. In January 2009, the Trustees authorized the publication of a proposed new rate action for Rate Years 2009 and 2010. That proposal called for increasing revenues in the 2009 rate year by $9.7 million as compared to the 2008 rate year, and increasing revenues in the 2010 rate year by another $14.6 million as compared to the 2008 rate year. Based on public comments and in consideration of the national economic downturn and the extent to which the downturn had adversely affected the region's customers, the Trustees in March 2009 approved the withdrawal of the proposed rate action, deferring the recovery of the costs until a subsequent period of time. The deferred recovery was necessary since under federal and state statutes and court precedents governing preference power sales the preference rate must be at the lowest possible rate but not lower than cost.

The currently effective rates consist of a demand charge of $2.96/kW-mo. and an energy charge of $4.92/MWh. At an indicative load factor of 70% these rates equal $10.71/MWh, which compares favorably to the $39.22/MWh average hourly market rate for 2010 in the New York Independent System Operator ("NYISO") Zone A located in western New York.

Authority staff is proposing a 42-month rate plan covering the remaining portion of the 2011 rate year plus the 2012, 2013 and 2014 rate years ending April 30, 2015. By the 2013 rate year the preference rates will be phased back up to full cost. Starting with the 2014 rate year, the suspension of the Rate Stabilization Reserve ("RSR") would be lifted and the Authority would begin to collect deferred hydroelectric costs stemming mainly from the withdrawn rate action for the 2009 and 2010 rate years.

A preliminary Cost of Service ("CoS") has been completed to determine the adequacy of the current rates. This analysis has resulted in a projected increase in hydroelectric rate to $12.45 per MWh for the 2011 rate year as compared to the 2008 rate level of $10.71 per MWh at the time the rates were frozen. Thereafter, gradual increases for the 2012 through the 2014 rate years are projected with the final year rate at $13.37 per MWh. These projected increases in rates are before any recovery of the deferred amounts. The principal cost driver responsible for the increase is the ongoing capital investments in the facilities, including: relicensing expenditures at Niagara and St. Lawrence, the life extension and modernization ("LEM") for the St. Lawrence Project and the LEM for the Lewiston Pump-Generating Plant ("LPGP") at the Niagara Project. The LEM program at the St. Lawrence Project, which began in 1998, is expected to be completed in 2013. The LEM program at LPGP, expected to begin in 2012 and be completed in 2020, is estimated to cost $460 million. During the two years of the rate freeze and the four years of the proposed rate plan period, the Authority will have invested over $490 million in the Hydro Projects.

The proposed rate plan incorporates continuation of the ratemaking and CoS methodologies adopted in the April 2003 final rate action approved by the Trustees and agreed to by the preference power customers as part of the "global" settlement agreements with the Authority.

Discussion

The attached preliminary CoS sets forth in detail the estimated costs required to serve the preference power customers from the Authority's St. Lawrence and Niagara Projects. The preference power customer class consists of 47 municipal electric systems and four rural electric cooperatives ("M&C" customers), residential customers of three upstate investor-owned utilities, the Neighboring State customers[1] and the Niagara Project relicensing host communities.

Ratemaking methodologies incorporated in this CoS were adopted in the April 2003 final rate action approved by the Trustees and agreed to by preference power customers who were active parties to the 2003 rate proceeding as part of the "global" settlement agreements. These methodologies and principles include:

(a) The "labor/labor" method (*i.e.* labor ratios) adopted by the Authority's Trustees on December 18, 2001 and incorporated into the January 2003 Report on Hydroelectric Production Rates ("January 2003 Report") for the allocation of Indirect Overheads.

(b) A capital cost recovery method as described in the January 2003 Report reflecting the equity investment in and new debt issued related to the Hydro Projects.

(c) Melding of St. Lawrence Project and Niagara Project costs for ratemaking purposes.

(d) Recovery in rates of all prudent Hydro Project relicensing, life extension and modernization costs incurred by the Authority in the exercise of its broad discretion.

(e) Amortization over 20 years by the Authority of its actuarial estimate of its Other Postemployment Benefits ("OPEBs") liability as described in the January 2003 Report.[2]

(f) Use of the RSR for any under-collection or over-collection of the Authority's hydroelectric CoS. The RSR calculations will be done in a manner consistent with the hydroelectric CoS study contained in the January 2003 Report.

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[1] These customers consist of certain municipal utilities located in Connecticut, Massachusetts, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont.

[2] The January 2003 Report used the equivalent term Post Retirement Benefits Other than Pensions ("PBOPs") for this analysis.

(g) The Authority will continue to credit the cost-based revenues from hydro energy sales in the hydroelectric CoS in the same manner as in the hydroelectric CoS study contained in the January 2003 Report. The credit will be based on the preference power tariff energy charge, as it changes from time to time. Also, all sales of capacity above the base level of capacity sales in the hydroelectric CoS study will be credited to the RSR.

Cost of Service Components

The major categories and significant drivers of the proposed rate action are summarized below. The CoS is detailed in the attached Exhibit "A" and Tables 1 to 5. Exhibit "B" shows estimated average annual customer impacts of the proposed rate modification plan.

Operations & Maintenance/Administrative & General Expenses

Operations & Maintenance ("O&M")/Administrative & General ("A&G") (Exhibit "A", Page 1, Line 1) – These costs consist of the site and direct O&M as well as the A&G expenses for the Hydro Projects which include the day-to-day operations of the projects and ongoing expenses associated with major maintenance programs and non-capital modifications.

Included in the Operations & Maintenance/A&G category of the CoS are payments reflecting the Authority's assumption of responsibility for operations at the New York State Robert Moses and Coles Creek Parks.

The Authority developed Robert Moses and Coles Creek State Parks as part of the St. Lawrence Project, and through a series of agreements assigned O&M responsibilities for these parks to the New York State Office of Parks, Recreation and Historic Preservation. The Federal Energy Regulatory Commission ("FERC") license issued for the St. Lawrence Project on October 23, 2003 incorporates these facilities as project recreational facilities and, under the terms of the license, the Authority has the ultimate responsibility to fund the O&M costs of both parks. Approximately half of the total $800,000 annual cost for these facilities is recovered from the preference power customers each year.

Added to the O&M for ratemaking purposes only (Exhibit "A", Page 1, Line 2) is the amortization of the $51.3 million of Niagara Project roadwork incurred from 1991 to 1996. Each year's expense was amortized over 15 years. The last year for recovery of these costs is 2011.

Indirect Overheads

Indirect Overheads (Exhibit "A", Page 1, Lines 4-7) consists of: Shared Services, the allocated share of headquarters costs associated with providing support for the St. Lawrence and Niagara Projects based on labor ratios consistent with the methodology adopted in the April 2003 final rate action; the cost of Research & Development ("R&D") initiatives; and, debt service associated with the Y2K readiness program. Included in the CoS is 41% of the total projected Shared Services for the 2011 through 2014 rate years.

St. Lawrence & Niagara Relicensing

Included in current rates are certain relicensing costs related to the Niagara and St. Lawrence Projects (Exhibit "A", Page 1, Lines 9-10). At their meeting of November 25, 2003, the Trustees formally accepted the new license issued for the St. Lawrence Project by FERC. The total cost of compliance and implementing the provisions of a new license and associated settlement agreements was estimated to be $210 million including relicensing process costs, the expenses associated with relicensing studies, support for settlement discussions and the public outreach. Of this amount, some $173 million is capitalized and will be recovered over the 50-year term of the new license. Part of the compliance cost is a $2 million annual payment to local communities, shown as an expense in Exhibit "A" (Page 1, Line 9).

At their meeting of May 22, 2007, the Trustees formally accepted the new license issued for the Niagara Project by FERC. The costs of a new license and the associated settlement agreements was estimated to be $494 million dollars, of which some $182 million is capitalized and recovered over the 50-year term of the new license. As part of the relicensing, the Authority is committed to providing amounts of some $19.7 million per year to the surrounding host

communities. Of the $19.7 million annual amount, $12.7 million will be drawn from the Authority's Operating Fund and is shown as an expense in Exhibit "A" (Page 1, Line 10). The remaining amount will be funded through the monetization of 29 MW of Niagara Project power.

Other Post-Employment Benefits ("OPEBs")

The existing rates reflect accrual treatment of OPEBs[3] which mainly include retiree health benefit costs. Prior to the current ratemaking methodology the plan costs were treated on a cash basis. In anticipation of a change in accounting standards, the Authority switched to accrual accounting in 2002. The liability has been updated since then. The revised charge has resulted in a decrease from the projected 2008 level of $13.6 million to a range of $10.3 to $11.4 million per year over the period 2011-2014, primarily due to the Authority funding an independent trust to partially meet the OPEB obligation. (See Exhibit "A", Page 1, Line 11).

Capital Costs

Since the retirement in 1981 of the original bonds issued to fund the Hydro Projects, cash (or "equity") funding was used to finance plant additions (Exhibit "A", Page 1, Lines 13-15). With the increased capital investments in the Hydro Projects related to plant modernization, upgrades and relicensing, beginning in 2000 the Authority has issued new debt associated with these facilities. As in past rate formulations, and as agreed to in various customer contracts, equity-type funding will be recovered using the Trended Original Cost ("TOC") methodology. Under TOC only the inflation component or return "of" the investments is captured. The return "on" the investment is foregone. The inflation component uses the Handy-Whitman Index ("HWI") as the measure for inflation. The HWI increased by 7.9% and 7.8% in 2007 and 2008, respectively, offset by a 1.2% decline in 2009. In 2010 the HWI increased 3.5%. For the 10-year period through 2010 the average annual increase in the HWI was about 3.7%.

[3] The January 2003 Report used the equivalent term Post Retirement Benefits Other than Pensions ("PBOPs") for this analysis.

The capital costs (both debt- and equity-funded investments) during the rate years covered by the proposal under consideration total $438 million, including $100 million, $107 million, $113 million and $119 million, in each of the rate years 2011 to 2014, respectively. (See Exhibit "A", Page 1, Line 16.) In addition, in the two years that the rates were frozen, the capital costs totaled $186 million. As noted above, these costs include the capital investments in the St. Lawrence and Niagara Projects, as well as the costs of relicensing. In the April 2003 final rate action the Trustees adopted a "hybrid" approach to capital cost recovery, reflecting the use of the TOC method for that portion of the Hydro Projects' capital cost funded with equity and the more conventional debt-service method that applies to the portion funded with debt. This hybrid method, developed by The Brattle Group in 2003, is used in the CoS here.

Credits For Ancillary Services

The proposed hydroelectric rates exclude certain O&M and Capital costs associated with the production of ancillary services at the Hydro Projects, namely Regulation Service, Operating Reserves, Voltage Support and Black Start Service (Exhibit "A", Page 2, Lines 3-13). These services are sold to the NYISO. Consistent with the ratemaking methodologies adopted in the April 2003 final rate action, the Authority has included a reduction in the CoS that represents the embedded costs of producing these services. The results of applying these methodologies to develop the 2011-14 cost-based credits are shown in Exhibit "A" (Page 2, Line 13). Tables 1-5 include the detailed data supporting the estimated credits. The 2011-14 credits to the CoS are about $14.1 million, $14.7 million, $15.2 million and $15.7 million, respectively.

Rate Design

From the inception of the Hydro Project preference rates in 1958 through April 30, 2003, the demand charge was held constant at $1.00/kW-month. All costs above those captured by the $1.00/kW-month demand charge were recovered in the energy rate. Because the majority of the costs identified in the CoS do not vary with the energy production from the Hydro Projects, but are in the nature of fixed costs, it was determined in the April 2003 final rate action approved by

the Trustees that the increased revenue requirement should be collected in the hydroelectric demand (or "fixed") charge. The demand charge was increased for the rate year beginning May 2003, and each year thereafter, while the energy rate was held constant at $4.92/MWh. For the last year of the plan, May 1, 2008 to April 30, 2009 and continuing to the present as a result of the rate freeze, the demand charge is currently $2.96/kW-month. It is proposed that this rate design policy be continued for the proposed rate plan, and that costs not collected in the current $4.92/MWh energy charge be recovered through the demand charge. (See Exhibit "A" Page 2, Line 17.)

As discussed in the January 2003 Report (which supported the April 2003 final rate action approved by the Trustees), the cost structure for a hydroelectric plant is largely fixed in nature and does not vary by output in the short term. The vast majority of the total Hydro Projects' costs, including the majority of O&M, indirect costs (Shared Services, R&D, and Indirect Debt Service), Relicensing, and Capital Costs, are fixed, and therefore, should appropriately be allocated to the demand charge. For the proposed rate design, the initial step is to allocate a portion of the total Hydro Projects' costs to the energy function by multiplying the current energy rate of $4.92/MWh times the generation. (See Exhibit "A", Page 2, Line 21). The result is energy allocated costs of $99.5 million in each rate year. The remaining Hydro Projects' costs to be recovered through the demand charge are $131.1 million (2011), $139.2 million (2012), $147.8 million (2013) and $156.1 million (2014). (See Exhibit "A", Page 2, Line 16). Dividing the demand charge costs by the total Hydro Projects' billed demands yields the demand charges of $3.85/kW-month (2011), $3.97/kW-month (2012), $4.12/kW-month (2013) and $4.32/kW-month (2014). The result of the cost allocation procedure allocates somewhat more costs to the demand function (57% in 2011) than to the energy function (43%).

The total Hydro Projects' costs, net of the ancillary service credits, are $230.6 million, $238.6 million, $247.3 million and $255.6 million for the 2011 to 2014 calendar years, respectively. (Refer to Exhibit "A" Page 2, line 14). If applied in a manner consistent with past ratemaking practice, the Rate Year beginning November 1, 2011 would be based on the calendar year 2011 costs. Similarly, the rate years beginning May 1, 2012 to 2014 would be based on calendar year

2012 to 2014 costs, respectively. The demand and energy rates for the 42-months covered by this rate plan and the overall rates at the 70% load factor, if set on this basis, are shown below.

Rate Year[4]	Demand Rate $/kW-month	Energy Rate $/MW-hour	Effective Rate[5] $/MW-hour
2011	3.85	4.92	12.45
2012	3.97	4.92	12.69
2013	4.12	4.92	12.98
2014	4.32	4.92	13.37

Rate Stabilization Reserve (RSR)

The RSR, established in 1987, was designed to capture the under-recovery or over-recovery of costs relative to the costs collected in the fixed demand and energy charges, due to differences in net generation and actual cost incurrence. By design, if the RSR balance exceeds a range of -$25 million to +$25 million, a surcharge or credit will be assessed against the preference power hydro rate over the ensuing 12-month period. Authority staff's calculations show the RSR balance as of December 31, 2010 to be about -$51.3 million, indicating a $26.3 million shortfall beyond the -$25 million threshold. Most of this $26.3 million shortfall is attributable to the deferred 2009 and 2010 rate increases.

Staff proposes that, given the increased level of costs forecast, the suspension of the RSR surcharge should be lifted no later than May 2014, and customers would pay an RSR surcharge during the fourth rate year under this proposal.

[4] Except for 2011, the preference power rate year runs from May 1 of the calendar year indicated to April 30 of the following year. Because of the timing of this Notice of Proposed Rulemaking ("NOPR"), the 2011 rate year the period would be from November 1, 2011 to April 30, 2012.

[5] Effective rate at 70% load factor.

Based on the current negative RSR balance, staff anticipates that RSR surcharges will need to continue in the rate years subsequent to the years covered by the proposed rate plan in order to bring the RSR balance back to the -$25 million level. Staff will keep the Trustees informed regarding the RSR balance and will make further recommendations as appropriate.[6]

Rate Phase-in Proposal

At their March 31, 2009 meeting the Authority's Trustees approved the withdrawal of a Notice of Proposed Rulemaking affecting hydroelectric preference power rates. This action included a rate freeze of the existing preference rates, a suspension of the rate surcharge of the RSR for preference power customers and a requirement to collect the costs deferred as a result of such action "over appropriate, subsequent year(s)."

Staff recommends phasing rates up to current costs by the 2013 rate year. A phase-in of rates would result in an under-recovery of costs of $12 million in 2011 and $4 million in 2012. Staff also recommends that, starting with the 2014 rate year, the suspension of the RSR would be lifted and the Authority would begin to collect deferred hydroelectric costs stemming from the 2009 and 2010 foregone rate increases. To mitigate cost impacts to the preference customers, staff recommends that the RSR surcharge be limited to $0.50/MWh in 2014. Based on the current negative RSR balance, staff anticipates the proposed RSR surcharges will need to continue in the rate years subsequent to the years covered by the proposed rate plan in order to bring the RSR balance back to the -$25 million level.

[6] By the time new preference rates are made effective in November 2011, the RSR balance may need to be altered due to the loss of a portion of the hydropower sales made at preference power rates. As a result of Chapter 60 (Part CC) of the Laws of 2011, which directs NYPA to implement the Recharge New York power program, NYPA will be withdrawing 455 MW of firm hydropower currently allocated to upstate utilities which is priced at the preference power rate. To the extent staff anticipates that such withdrawal will affect the RSR balance and the RSR surcharge in a material manner, staff will inform the Trustees and adjust the rate proposal accordingly when it is submitted for final approval in October 2011.

The proposed demand and energy rates for the four rate years and the overall rates at the 70% load factor are shown below.

Rate Year[7]	Demand Rate $/kW-month	Energy Rate $/MW-hour	RSR-related Surcharge $/MW-hour	Effective Rate[8] $/MW-hour
2011	3.32	4.92	-	11.42
2012	3.70	4.92	-	12.16
2013	4.12	4.92	-	12.98
2014	4.32	4.92	0.50	13.87

Final Staff Report

Authority staff intends to present a final report at the October 2011 Trustee meeting, and would issue it to the public shortly thereafter. The final report will reflect public comments and staff analysis, as well as Trustee action, on the proposed rate plan.

[7] Except for 2011, the preference power rate year runs from May 1 of the calendar year indicated to April 30 of the following year. Because of the timing of this NOPR, the 2011 rate year the period would be from November 1, 2011 to April 30, 2012.

[8] Effective rate at 70% load factor.

NEW YORK POWER AUTHORITY
HYDROELECTRIC PROJECTS
PROPOSED PRODUCTION COST OF SERVICE

($000)

Line	Description	(Per 2007 CoS) 2008	2011	2012	2013	2014	Difference 2011 vs 2008 *
	Operations & Maintenance/Administrative & General						
1	Operations & Maintenance/A&G	61,941	71,762	72,174	74,654	76,355	9,821
2	Amortized Roadwork	2,983	212	-	-	-	(2,771)
3	Subtotal O&M/A&G (line 1 + line 2)	64,924	71,973	72,174	74,654	76,355	7,049
	Indirect Overheads						
4	Shared Services	41,329	44,897	45,837	46,564	47,235	3,568
5	Research & Development	3,780	2,523	2,598	2,650	2,703	(1,257)
6	Project Study Debt Service	846	-	-	-	-	(846)
7	Y2K Debt Service	2,874	237	237	237	237	(2,637)
8	Subtotal Indirect Overheads (sum lines 4-7)	48,829	47,656	48,672	49,451	50,176	(1,173)
9	**St. Law. Relicensing, amortization**	2,000	2,000	2,000	2,000	2,000	-
10	**Niagara Relicensing, amortization**	12,000	12,700	12,700	12,700	12,700	700
11	**Other Post -Employment Benefits (OPEB)**	13,608	10,348	10,720	11,051	11,424	(3,261)
12	**O&M Cost of Service** (sum lines 3,8, 9, 10,11)	**141,361**	**144,677**	**146,266**	**149,856**	**152,654**	**3,316**
	Capital Costs						
13	Total Depreciation	35,350	40,984	43,422	45,309	47,204	5,634
14	Interest on Debt	21,453	30,322	33,205	35,104	37,386	8,869
15	Inflation Compensation	21,521	28,697	30,428	32,182	34,069	7,176
16	Subtotal Capital Costs (sum lines 13-15)	78,324	100,003	107,055	112,595	118,659	21,679
17	**Total Cost of Service** (line 12 +line 16)	**219,685**	**244,680**	**253,321**	**262,451**	**271,313**	**24,995**

* 2008 data is from 2007 CoS and was based on data and projections available at that time.

NEW YORK POWER AUTHORITY
HYDROELECTRIC PROJECTS
FINAL PRODUCTION COST OF SERVICE

($000)

Line	Description		(Per 2007 CoS) 2008	2011	2012	2013	2014	Difference 2011 vs 2008 *
1	**Total Cost of Service**	**($000)**	**219,685**	**244,680**	**253,321**	**262,451**	**271,313**	**24,995**
2	**Credits for ancillary services**	($000)						
3	Black Start, O&M		81	69	71	73	75	(12)
4	Voltage Support, O&M		332	213	219	225	232	(119)
5	Remaining O&M (page 1, line 12 - (line 3+line 4)		140,948	144,395	145,976	149,558	152,347	3,447
6	Operating Reserves, O&M		4.82%	4.40%	4.37%	4.33%	4.31%	
7	Regulation, O&M		0.57%	0.55%	0.54%	0.54%	0.53%	
8	Subtotal OR, Reg. O&M		5.39%	4.95%	4.91%	4.87%	4.84%	
9	Op. Res.+ Reg. O&M credit (line 8 * line 5)	($000)	7,597	7,148	7,167	7,283	7,374	(450)
10	**Capital Reductions**							
11	All ancillary services		6.85%	6.68%	6.74%	6.75%	6.79%	
12	Subtotal capital reductions (page 1, line 16 * line 11)	($000)	5,365	6,680	7,216	7,600	8,057	1,315
13	Total Ancillary Credits (sum lines 3,4,9,12)	($000)	13,375	14,110	14,673	15,182	15,738	734
14	**Adjusted Cost of Service** (line 1 - line 13)	**($000)**	**206,310**	**230,570**	**238,648**	**247,270**	**255,576**	**24,261**
15	Billing Demand	MW	36,137	34,086	35,035	35,871	36,100	(2,051)
16	Billing Demand Allocated Costs (line 14 - line 21)	($000)	106,822	131,108	139,186	147,807	156,113	24,285
17	Billed Demand Rate (line 16 / line 15)	$/kW/mo	2.96	3.85	3.97	4.12	4.32	
18	LTA Generation	GWh	20,221	20,216	20,216	20,216	20,216	(5)
19	Annual Generation	GWh	20,012	20,456	20,148	20,409	20,435	444
20	Billing Energy Rate	$/MWh	4.92	4.92	4.92	4.92	4.92	
21	Costs Allocated to Energy Rate (line 18 * line 20)	$/MWh	99,487	99,463	99,463	99,463	99,463	(25)

* 2008 data is from 2007 CoS and was based on data and projections available at that time.

EXHIBIT "B"

NEW YORK POWER AUTHORITY
ESTIMATED AVERAGE ANNUAL CUSTOMER IMPACTS
Prices ($/MWh) include demand and energy components

		Current *	2011	2012	2013	2014
MUNIS/COOPS FULL REQUIREMENTS						
CURRENT HYDRO PRODUCTION RATES	$/MWh		10.38	10.42	10.41	10.41
PROPOSED HYDRO PRODUCTION RATES	$/MWh		11.04	11.79	12.56	12.93
INCREASES FROM CURRENT	$/MWh		0.66	1.37	2.15	2.52
END USE RESIDENTIAL IMPACTS						
SYSTEM RESIDENTIAL RATE	$/MWh	80.51	80.81	81.67	82.33	82.65
INCREASES FROM CURRENT	$/MWh		0.30	1.15	1.82	2.14
SYSTEM RESIDENTIAL AVG. BILL	$/mo	79.98	80.27	81.12	81.78	82.10
INCREASES FROM CURRENT	$/mo		0.30	1.15	1.80	2.12
MUNIS/COOPS PARTIAL REQUIREMENTS						
CURRENT HYDRO PRODUCTION RATES	$/MWh		10.61	10.69	10.68	10.68
PROPOSED HYDRO PRODUCTION RATES	$/MWh		11.30	12.14	12.94	13.33
INCREASES FROM CURRENT	$/MWh		0.69	1.44	2.26	2.65
END USE RESIDENTIAL IMPACTS						
SYSTEM RATE	$/MWh	59.27	59.62	60.62	61.40	61.77
INCREASES FROM CURRENT	$/MWh		0.35	1.35	2.13	2.50
SYSTEM RESIDENTIAL AVG. BILL	$/mo	64.87	65.26	66.35	67.20	67.61
INCREASES FROM CURRENT	$/mo		0.38	1.48	2.33	2.74
RESIDENTIAL UTILITY CUSTOMERS (PEAKING ONLY)						
END USE RESIDENTIAL IMPACTS						
SYSTEM RATE	$/MWh	135.58	135.62	135.74	135.83	135.87
INCREASES FROM CURRENT	$/MWh		0.04	0.16	0.25	0.29
SYSTEM RESIDENTIAL AVG. BILL	$/mo	88.94	88.97	89.04	89.10	89.13
INCREASES FROM CURRENT	$/mo		0.03	0.11	0.17	0.19

* Current is the most recent Energy Information Adminstration data, which is 2009.

Table 1
EMBEDDED COSTS FOR ANCILLARY SERVICES FOR NIAGARA AND ST. LAWRENCE

		2011	2012	2013	2014
Voltage Support O&M Cost Reduction ($)	[1]	212,522	218,897	225,464	232,228
Voltage Support Capital Share (%)	[2]	1.74%	1.84%	1.91%	1.98%
Black Start O&M Cost Reduction ($)	[3]	69,081	71,154	73,288	75,487
Black Start Capital Share (%)	[4]	0.074%	0.071%	0.069%	0.067%
Regulation O&M Share (%)	[5]	0.55%	0.54%	0.54%	0.53%
Regulation Capital Share (%)	[6]	0.55%	0.54%	0.54%	0.53%
Operating Reserve O&M Share (%)	[7]	4.40%	4.37%	4.33%	4.31%
Operating Reserve Capital Share (%)	[8]	4.40%	4.37%	4.33%	4.31%
Ancillary Service O&M Cost ($)	[9]	281,603	290,051	298,753	307,715
Ancillary Service O&M Share (%)	[10]	4.95%	4.92%	4.86%	4.84%
Ancillary Service Capital Share (%)	[11]	6.68%	6.74%	6.75%	6.79%

Notes and Sources:
[1]-[2]: Table 2.
[3]-[4]: Table 3.
[5]-[6]: Table 4.
[7]-[8]: Table 5.
[9]: [1] + [3]
[10]: [5] + [7]
[11]: 1 - { 1 - ([2]+[4]) } * { 1 - ([6]+[8]) }

Table 2
EMBEDDED COSTS FOR VOLTAGE SUPPORT FOR NIAGARA AND ST. LAWRENCE

		2011	2012	2013	2014
Voltage Fraction of Gross Capital (Niag. & St. L.)	[1]	**1.74%**	**1.84%**	**1.91%**	**1.98%**
Voltage O&M Expense : Niagara ($)	[2]	172,800	177,984	183,324	188,823
Voltage O&M Expense : St. Lawrence ($)	[3]	39,722	40,913	42,141	43,405
Total Voltage O&M Expense ($)	[4]	**212,522**	**218,897**	**225,464**	**232,228**

Notes and Sources:
[1]: From Workpaper 5.3. Fraction is Beginning-of-Year value (equal to End-of-Year value for previous year).
[2] and [3]: From Workpaper 2.2.
[4] = [2] + [3].

Table 3

EMBEDDED COSTS FOR BLACK START FOR NIAGARA AND ST. LAWRENCE

		2011	2012	2013	2014
Black Start Fraction of Gross Capital (Niag. & St. L.)	[1]	**0.074%**	**0.071%**	**0.069%**	**0.067%**
Inflation Factor	[2]	106.1%	103.0%	103.0%	103.0%
Black Start O&M Expense ($)	[3]	**69,081**	**71,154**	**73,288**	**75,487**

Notes and Sources:
[1]: From Workpaper 7. Fraction is Beginning-of-Year value (equal to End-of-Year value for previous year).
[2] = From Workpaper 1
[3]: Sum of Test Year Training costs for Niagara and St. Lawrence, plus O&M Cost allocated to Black Start from Workpaper 6 and adjusted by Inflation Factor in line [2].

Table 4
EMBEDDED COSTS FOR REGULATION FOR NIAGARA AND ST. LAWRENCE

		2011	2012	2013	2014
NYCA Peak Load	[1]	33,160	33,367	33,737	33,897
Total NYCA Regulation Requirement (MW)	[2]	223	223	223	223
Required regulation per MW of peak load (MW)	[3]	0.007	0.007	0.007	0.007
Peak load of all contract customers of Niagara and St. Lawrence (MW)	[4]	2,628	2,628	2,628	2,628
Required regulation for all contract customers of Niagara and St. Lawrence (MW)	[5]	18	18	17	17
Niagara & St. Lawrence Summer Generation Capacity (MW)	[6]	3,241	3,241	3,241	3,241
Share of regulation for all contract customers of Niagara and St. Lawrence in generation capacity (%)	[7]	0.55%	0.54%	0.54%	0.53%

Notes and Sources:
[1]: From Workpaper 8. Test year peak equals 2009 peak.
[2]: From Workpaper 8.
[3] = [2] / [1].
[4]: From Workpaper 8.
[5] = [3] * [4].
[6]: NYPA, "2009 Annual Report".
[7] = [5] / [6].

Table 5
EMBEDDED COSTS FOR OPERATING RESERVE FOR NIAGARA AND ST. LAWRENCE

		2011	2012	2013	2014
NYCA Peak Load	[1]	33,160	33,367	33,737	33,897
Total NYCA Reserve Requirement (MW)	[2]	1,800	1,800	1,800	1,800
Required reserve per MW of peak load (MW)	[3]	0.054	0.054	0.053	0.053
Peak load of all contract customers of Niagara and St. Lawrence (MW)	[4]	2,628	2,628	2,628	2,628
Required reserve for all contract customers of Niagara and St. Lawrence (MW)	[5]	143	142	140	140
Niagara & St. Lawrence Summer Generation Capacity (MW)	[6]	3,241	3,241	3,241	3,241
Share of required reserve for all contract customers of Niagara and St. Lawrence in generation capacity (%)	[7]	4.40%	4.37%	4.33%	4.31%

Notes and Sources:
[1]: From Workpaper 8. Test year peak equals 2009 peak.
[2]: From Workpaper 8.
[3] = [2] / [1].
[4]: From Workpaper 8.
[5] = [3] * [4].
[6]: NYPA, "2009 Annual Report".
[7] = [5] / [6].

POWER AUTHORITY OF THE STATE OF NEW YORK

AMENDED AND RESTATED NINTH SUPPLEMENTAL RESOLUTION

authorizing

REVENUE BONDS

Adopted on October 26, 2010
Amended and Restated on July 26, 2011

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

101. Supplemental Resolution; Authority 1
102. Definitions 1

ARTICLE II

AUTHORIZATION OF BONDS

201. Principal Amount, Designation and Series 5
202. Purposes 5
203. Details of the Bonds 5
204. Delegation of Authority 9
205. Form of Bonds and Trustee's Authentication Certificate 10
206. Execution and Authentication of Bonds 10

ARTICLE III

REDEMPTION AND TENDER OF BONDS

301. Optional and Sinking Fund Redemption 11
302. Optional and Mandatory Purchase of Bonds 11
303. Purchase Fund 11
304. Remarketing of Bonds of a Series; Notices 11
305. Source of Funds for Purchase of Bonds of a Series 11
306. Delivery of Bonds 12
307. Delivery and Payment for Purchased Bonds of a Series; Undelivered Bonds 12
308. Credit Facility and Liquidity Facility 12

ARTICLE IV

ADDITIONAL AUTHORIZATIONS; MISCELLANEOUS

401. Tax Covenant 13
402. Remarketing Agent 13
403. Tender Agent 13
404. Remarketing Agreements and Tender Agency Agreements 13
405. Certain Findings and Determinations 13
406. Notice to Owners upon Event of Default 14
407. Further Authority 15
408. Effective Date 15

APPENDIX A 1

AMENDED AND RESTATED
NINTH SUPPLEMENTAL RESOLUTION

authorizing

REVENUE BONDS

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

101. **Supplemental Resolution; Authority**. This resolution, as amended and restated on July 26, 2011 (**"Ninth Supplemental Resolution"**), is supplemental to, and is adopted in accordance with Article VIII of a resolution adopted by the Authority on February 24, 1998 entitled "General Resolution Authorizing Revenue Obligations" (**"General Resolution"**, and as heretofore amended and supplemented and collectively with the Ninth Supplemental Resolution, the **"Resolution"**), and is adopted pursuant to the provisions of the Act.

102. **Definitions**. 1. All terms which are defined in Section 101 of the General Resolution shall have the same meanings for purposes of this Ninth Supplemental Resolution.

2. In this Ninth Supplemental Resolution:

"**2007 Revolving Credit Agreement**" shall mean the 2007 Revolving Credit Agreement dated as of August 2, 2007 among the Authority, The Bank of Nova Scotia, acting through its New York Agency, as Administrative Agent, and the banks named in such Agreement.

"**Beneficial Owner**" means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

"Bonds," "**Bonds of a Series,**" or "**Bonds of any Series**" and words of like import shall mean each or all of a Series of Bonds issued pursuant hereto collectively, as the context may require.

"**Certificate of Determination**" means any certificate of the Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority delivered pursuant to Section 204 of this Ninth Supplemental Resolution, setting forth certain terms and provisions of the Bonds.

"**Commercial Paper Notes**" means such portion of the Authority's Commercial Paper Notes, including the Authority's Extendible Municipal Commercial Paper Notes, as shall be specified in the Certificate of Determination.

"**Commercial Paper Rate**" with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

"**Commercial Paper Rate Mode**" means the mode during which Bonds of a Series bear interest at a Commercial Paper Rate in accordance with the applicable Certificate of Determination.

"**Credit Facility**" means, with respect to any Series of the Bonds, a Credit Facility as defined in the General Resolution.

"**Credit Facility Issuer**" means the issuer of the Credit Facility specified in Section 308 hereof.

"**Daily Rate**" with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

"**Daily Rate Mode**" means the mode during which Bonds of a Series bear interest at a Daily Rate in accordance with the applicable Certificate of Determination.

"Depository Participant" means any Person for which the Securities Depository holds Bonds as securities depository.

"**DTC**" shall mean The Depository Trust Company, New York, New York, or its successors.

"**Escrow Agent**" means any escrow agent for the Bonds and its successor or successors and any other person which may at any time be substituted in its place.

"**Extendible Municipal Commercial Paper Notes**" means any notes issued and outstanding under the Resolution Authorizing Extendible Municipal Commercial Paper Notes adopted by the Authority on December 17, 2002, as amended and supplemented.

"**Fiduciary**" or "**Fiduciaries**" means any Fiduciary (as defined in the General Resolution) and any Tender Agent, or any or all of them, as may be appropriate.

"**Fixed Rate**" means an interest rate fixed to the Maturity Date of the Bonds of a Series.

"**Fixed Rate Mode**" means the mode during which Bonds of a Series bear interest at a Fixed Rate in accordance with the applicable Certificate of Determination.

"**Interest Period**" for a Series of Bonds, shall have the meaning set forth in the applicable Certificate of Determination.

"**Liquidity Facility**" means any standby bond purchase agreement, letter of credit or similar obligation, arrangement or instrument issued or provided by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Purchase Price (including accrued interest) of the Bonds of any Series that may be obtained by the Authority pursuant to Section 308 hereof.

"**Liquidity Facility Issuer**" means the issuer of a Liquidity Facility.

"**Mandatory Purchase Date**" for any Series of Bonds, means any date specified as such in the applicable Certificate of Determination.

"**Maturity Date**" means, with respect to any Bond, the final date specified therefor in the Certificate of Determination, which shall not be later than forty years after the date of issuance.

"**Maximum Rate**" means for Bonds of a Series, such rate as may be specified in the applicable Certificate of Determination; provided, however, that in no event shall the Maximum Rate exceed the maximum rate permitted by applicable law.

"**Mode**" means the Daily Rate Mode, Term Rate Mode, the Weekly Rate Mode, the Fixed Rate Mode or any other method of determining the interest rate applicable to Bond of a Series permitted under the applicable Certificate of Determination.

"**Mode Change Date**" means, with respect to Bonds of a Series, the date one Mode terminates and another Mode begins.

"**Purchase Date**" for Bonds of a Series shall have the meaning set forth in the applicable Certificate of Determination.

"**Purchase Fund**" means a fund by that name that may be established by a Certificate of Determination pursuant to Section 303 hereof.

"**Purchase Price**" means the price at which Bonds subject to optional or mandatory tender for purchase are to be purchased as may be provided in the Certificate of Determination.

"**Remarketing Agent**" means the remarketing agent at the time serving as such for the Bonds of a Series (or portion thereof) pursuant to Section 402 hereof.

"**Series**" shall mean all the Bonds delivered on issuance in a transaction as identified pursuant to Sections 201 and 203 hereof or as identified in the Certificate of Determination regardless of variations in maturity, interest rate, or other provisions.

"**Series 2000 A Bonds**" shall mean the Authority's 2000 A Revenue Bonds.

"**Series 2002 A Bonds**" shall mean the Authority's 2002 A Revenue Bonds.

"**Securities Depository**" shall mean DTC as the Securities Depository appointed pursuant to Section 203(f) hereof, or any substitute Securities Depository, or any successor to DTC or any substitute Securities Depository.

"**Tender Agent**" means the Trustee as tender agent appointed for the Bonds pursuant to Section 403 hereof.

"**Term Rate,**" with respect to Bonds of a Series (or portion thereof), has the meaning set forth in the applicable Certificate of Determination.

"**Term Rate Mode**" means the mode during which Bonds of a Series (or portion thereof) bear interest at a Term Rate in accordance with the applicable Certificate of Determination.

"**Weekly Rate**" with respect to Bonds of a Series, has the meaning set forth in the applicable Certificate of Determination.

"**Weekly Rate Mode**" means the mode during which Bonds of a Series bear interest at a Weekly Rate in accordance with the applicable Certificate of Determination.

ARTICLE II

AUTHORIZATION OF BONDS

201. **Principal Amount, Designation and Series**. Pursuant to the provisions of the General Resolution, one or more Series of Obligations entitled to the benefit, protection and security of such provisions are hereby authorized with the following designation: the "Series 201_-_ Revenue Bonds." The aggregate principal amount of each Series of Bonds shall be set forth in the Certificate of Determination relating to the respective Bonds; provided that the aggregate principal amount of such Bonds shall not exceed $341,000,000. Individual maturities of the Bonds or portions thereof may bear such additional designations, if any, as may be set forth in the related Certificate of Determination. To the extent so provided in the related Certificate of Determination, any such Obligations may alternatively be designated as "Notes" and any reference herein to a Series of Bonds shall also refer to Obligations designated as Notes. In the event that any Series of Bonds is not issued in calendar year 2011, the applicable Certificate of Determination may (i) redesignate the year and Series of such Bonds and (ii) make any other conforming changes deemed necessary or appropriate to reflect the year of issuance. Each Series shall initially bear interest in accordance with the Mode as may be provided by the applicable Certificate of Determination.

202. **Purposes**. (a) The purposes for which the Bonds of any Series are to be issued shall include such of the following as shall be specified in the applicable Certificate of Determination:

(i) refund up to $77,215,000 of the Authority's Series 2000 A Revenue Bonds;

(ii) refund up to $41,720,000 of the Authority's Series 2002 A Revenue Bonds;

(iii) refund up to $200,000,000 of Commercial Paper Notes;

(iv) pay financing costs related to the issuance of the Authority's debt obligations, including underwriters' discount, structuring fees, any insurance premiums, credit enhancement or liquidity fees related to obtaining any municipal bond insurance policy, other credit enhancement or liquidity facilities determined to be necessary or desirable, swap terminations and other costs incurred by the Authority in connection therewith.

(b) Such portion of the proceeds of any Series of Bonds as may be specified in the applicable Certificate of Determination shall be applied for the purposes specified in subsection (a). All such proceeds shall be deposited and applied in accordance with the applicable Certificate of Determination.

203. **Details of the Bonds**. The following provisions set forth the details of the Bonds.

(a) Dates, Maturities and Interest. The Bonds of each Series shall be dated and shall bear interest from the date as may be specified by the Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority pursuant to Section 204 hereof. The Bonds shall mature on the dates and in the principal amounts, and bear interest, as the

Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority shall specify in the applicable Certificate of Determination. Interest on the Bonds shall be payable semiannually (or at such other frequency as may be specified in the applicable Certificate of Determination) on the interest payment dates and at the respective rates per annum specified in the applicable Certificate of Determination. The Bonds are intended to be Tax-Exempt Obligations unless otherwise specified in the Certificate of Determination. Interest on the Bonds shall be calculated as provided in the applicable Certificate of Determination.

The interest rates for the Bonds of a Series contained in the records of the Trustee shall be conclusive and binding, absent manifest error, upon the Authority, the Remarketing Agent, the Tender Agent, the Trustee, the Liquidity Facility Issuer, the Credit Facility Issuer, and the Owners.

The interest rate applicable during any Mode (other than a Fixed Rate determined on or prior to the date of issuance of the related Bonds) shall be determined in accordance with the applicable Certificate of Determination. Except as otherwise provided in the applicable Certificate of Determination, any such rate shall be the minimum rate that, in the sole judgment of the Remarketing Agent, would result in a sale of the Bonds of the Series at a price equal to the principal amount thereof on the date on which the interest rate on such Bonds is required to be determined in accordance with the applicable Certificate of Determination, taking into consideration the duration of the Interest Period, which shall be established by the Authority.

(b) Denominations. Except as otherwise provided in the applicable Certificate of Determination, the Bonds shall be issued in the form of fully registered Bonds in the denomination of $5,000 or any integral multiple of $5,000.

(c) Designations. Unless the Authority shall otherwise direct, the Bonds shall be issued in series, and shall be labeled as follows: The Bonds shall be lettered "201_-_" and numbered consecutively from one upward as more particularly set forth in the applicable Certificate of Determination.

(d) Payment of Principal and Interest. Principal and Redemption Price of each Bond shall be payable at the Principal Office of the Trustee upon presentation and surrender of such Bond.

The Trustee shall indicate on the Bonds the date of their authentication as provided in Section 205 hereof. Interest on the Bonds shall be payable from the interest payment date next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an interest payment date, in which case from such date if interest has been paid to such date; provided, however, that interest shall be payable on the Bonds from such date as may be specified by the Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority pursuant to Section 204 hereof, if the date of authentication is prior to the first interest payment date therefor. Interest on the Bonds shall be payable on the interest payment dates specified in the applicable Certificate of Determination to the registered owner as of the close of business on the Record Date specified in the applicable Certificate of Determination, such interest to be paid by the Trustee by check mailed to the registered owner at his or her address as it appears on the books of registry; provided, however, that upon redemption of any Bond, the accrued interest payable upon redemption shall be payable at the Principal Office of the Trustee upon presentation and surrender of such Bond, unless the redemption date is an interest payment date, in which event the interest on such Bond so redeemed shall be paid by the Trustee by check mailed to the registered owner at his address as it appears on the books of registry.

The principal or Redemption Price of and interest on the Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the General Resolution.

The foregoing provisions of this subsection (d) shall be subject to the provisions of subsection (f) of this Section.

The principal of and premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

(e) Trustee, Registrar, Paying Agent and Escrow Agent. The Bank of New York Mellon is the successor Trustee for the Obligations pursuant to Section 712 of the General Resolution. The Trustee is also hereby appointed as the Registrar and Paying Agent for the Bonds and, to the extent an escrow account is established in connection with the refunding of the Series 2000 A Bonds, the Series 2002 A Bonds, or Commercial Paper Notes, shall be the Escrow Agent with respect thereto.

(f) Securities Depository. The Bonds when initially issued shall be registered in the name of Cede & Co., as nominee of DTC, in the form of a single fully registered Bond for each maturity of the Bonds with a different interest rate applicable thereto. DTC is hereby appointed initial Securities Depository for the Bonds, subject to the provisions of subsection (g) of this Section. So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, individual purchases of beneficial ownership interests in Bonds may be made only in book-entry form by or through DTC participants, and purchasers of such beneficial ownership interests in Bonds will not receive physical delivery of bond certificates representing the beneficial ownership interests purchased.

So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, payments of principal of and premium, if any, and interest on such Bonds will be made by wire transfer to DTC or its nominee, or otherwise as may be agreed upon by the Authority, the Trustee and DTC. Transfers of principal, premium, if any, and interest payments to DTC participants will be the responsibility of DTC. Transfers of such payments to Beneficial Owners of Bonds by DTC participants will be the responsibility of such participants and other nominees of such Beneficial Owners.

So long as DTC or its nominee, as Securities Depository, is the registered owner of Bonds, the Authority shall send, or cause the Trustee to send, or take timely action to permit the Trustee to send, to DTC notice of redemption of such Bonds and any other notice required to be given to registered owners of such Bonds pursuant to the Resolution, in the manner and at the times prescribed by the Resolution, except as may be agreed upon by the Authority, the Trustee (if applicable) and DTC.

Neither the Authority nor any Fiduciary shall have any responsibility or obligation to the DTC participants, Beneficial Owners or other nominees of such Beneficial Owners for (1) sending transaction statements; (2) maintaining, supervising or reviewing the accuracy of, any records maintained by DTC or any DTC participant or other nominees of such Beneficial Owners; (3) payment or the timeliness of payment by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owner, of any amount due in respect of the principal of or redemption premium, if any, or interest on Bonds; (4) delivery or timely delivery by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owners, of any notice (including notice of redemption) or other communication which is required or permitted under the terms of the Resolution to be given to holders or owners of Bonds; (5) the selection of the

Beneficial Owners to receive payment in the event of any partial redemption of Bonds; or (6) any action taken by DTC or its nominee as the registered owner of the Bonds.

Notwithstanding any other provisions of this Ninth Supplemental Resolution to the contrary, the Authority, the Registrar, Paying Agent, and the Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the books of registry as the absolute owner of such Bond for the purpose of payment of principal, Redemption Price, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal and Redemption Price of and interest on the Bonds only to or upon the order of the respective owners, as shown in the books of registry as provided in this Ninth Supplemental Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal and Redemption Price of and interest on such Bonds to the extent of the sum or sums so paid.

Notwithstanding any other provisions of this Ninth Supplemental Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal and Redemption Price of, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, pursuant to DTC's rules and procedures.

Payments by the DTC participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC participant and not of DTC, the Trustee or the Authority, subject to any statutory and regulatory requirements as may be in effect from time to time.

Provisions similar to those contained in this subsection (f) may be made by the Authority in connection with the appointment by the Authority of a substitute Securities Depository, or in the event of a successor to any Securities Depository.

Authorized Officers are hereby authorized to enter into such representations and agreements as they deem necessary and appropriate in furtherance of the provisions of this subsection (f).

(g) Replacement Bonds. The Authority shall issue Bond certificates (the "Replacement Bonds") directly to the Beneficial Owners of the Bonds, or their nominees, in the event that DTC determines to discontinue providing its services with respect to the Bonds, at any time by giving notice to the Authority, and the Authority fails to appoint another qualified Securities Depository to replace DTC. In addition, the Authority also shall issue Replacement Bonds directly to the Beneficial Owners of the Bonds, or their nominees, in the event the Authority discontinues use of DTC as Securities Depository at any time upon determination by the Authority, in its sole discretion and without the consent of any other person, that Beneficial Owners of the Bonds shall be able to obtain certificated Bonds.

(h) Notices. In connection with any notice of redemption provided in accordance with Section 405 of the General Resolution, notice of such redemption shall also be sent by the Trustee by first class mail, overnight delivery service or other secure overnight means, postage prepaid, to the appropriate Credit Facility Issuer, to any Rating Agency and to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system, in each case not later than the mailing of notice required by the Resolution.

204. **Delegation of Authority**. There is hereby delegated to the Chairman, President and Chief Executive Officer, and the Executive Vice President and Chief Financial Officer of the Authority, and each of them hereby is authorized, subject to the limitations contained herein, with respect to the Bonds of each Series to determine and effectuate the following:

(a) the principal amount of the Bonds to be issued, provided that the aggregate principal amount of the Bonds of such Series to be issued shall not exceed $341,000,000.

(b) the date or dates, Maturity Date or dates and principal amount of each maturity of the Bonds, the interest payment date or dates of the Bonds, and the date or dates from which the Bonds shall bear interest;

(c) the interest rate or rates of the Bonds, which may include Commercial Paper Rates, Daily Rates, Term Rates, Fixed Rates, Weekly Rates, index-based rates, or other interest rate methodologies, provided, however, that (i) to the extent that fixed rate Bonds are issued, such Bonds, at the date of their issuance, shall have a true interest cost not to exceed five and one quarter percent (5.25%), and (ii) to the extent that any variable rate Bonds are issued, the initial rate or rates applicable to such Bonds at the date of their issuance shall not exceed five and one quarter percent (5.25%);

(d) the sinking fund installments for any term Bond and the methodology to be applied to reduce such installments upon redemption by the Authority, if any, of any such term Bond;

(e) the portions of the proceeds of the Bonds of each Series and the amounts to be deposited and applied in accordance with Section 202 hereof;

(f) the redemption provisions of the Bonds;

(g) the tender provisions, if any, of the Bonds

(h) the definitive form or forms of the Bonds and the definitive form or forms of the Trustee's certificate of authentication thereon;

(i) additional or different designations, if any, for particular maturities of Bonds or portions thereof intended to distinguish such maturities or portions thereof from other Bonds; and

(j) provisions that are deemed necessary or advisable by the Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority in connection with the implementation and delivery to the Trustee of any Credit Facility or Liquidity Facility;

(k) obtaining municipal bond insurance or other Credit Facility or Liquidity Facility related to the Bonds of a Series or any portion thereof, and complying with any commitment therefor including executing and delivering any related agreement with any Credit Facility Issuer or Liquidity Facility Issuer, to the extent that the Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority determines that to do so would be in the best interest of the Authority; and

(l) any other provisions deemed advisable by the Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority, not in conflict with the provisions hereof or of the General Resolution.

The Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority shall execute one or more certificates evidencing determinations or other actions taken pursuant to the authority granted herein, an executed copy of which shall be delivered to the Trustee. Each such certificate shall be deemed a Certificate of Determination and shall be conclusive evidence of the action or determination of such officer as to the matters stated therein. The provisions of each Certificate of Determination shall be deemed to be incorporated in Article II hereof. No such Certificate of Determination shall, nor shall any amendment to this Ninth Supplemental Resolution, change or modify any of the rights or obligations of the Credit Facility Issuer without its written assent thereto.

205. **Form of Bonds and Trustee's Authentication Certificate**. Subject to the provisions of the General Resolution and to any amendment or modifications thereto or insertions therein as may be approved by the Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority pursuant to Section 204 hereof, the form of the Bonds, form of assignment, and the Trustee's Certificate of Authentication shall be in substantially the form set forth in Appendix A hereto, with necessary or appropriate variations, omissions and insertions as are incidental to their series, numbers, denominations, maturities, interest rate or rates, registration provisions, redemption provisions, status of interest to owners thereof for Federal income tax purposes, and other details thereof and of their form or as are otherwise permitted or required by law or by the Resolution, including this Ninth Supplemental Resolution. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of such Bond. Bonds may be typewritten, printed, engraved, lithographed or otherwise reproduced.

206. **Execution and Authentication of Bonds.** Notwithstanding the first sentence of paragraph 1 of Section 303 of the General Resolution, the Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman, Vice Chairman, President and Chief Executive Officer, or Executive Vice President and Chief Financial Officer, and its corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced, and attested by the manual or facsimile signature of its Corporate Secretary, a Deputy Corporate Secretary, or an Assistant Corporate Secretary, or in such other manner as may be required by law.

ARTICLE III

REDEMPTION AND TENDER OF BONDS

301. **Optional and Sinking Fund Redemption.** Bonds of a Series shall be subject to optional and mandatory redemption as and to the extent and at the times and subject to such conditions, if any, as shall be specified in the applicable Certificate of Determination.

302. **Optional and Mandatory Purchase of Bonds.** The Bonds of a Series shall be subject to optional and mandatory tender for purchase to the extent, at the times and subject to such conditions as shall be set forth in the applicable Certificate of Determination.

303. **Purchase Fund.** A Purchase Fund may be established in a Certificate of Determination in connection with the delivery to the Trustee of a Liquidity Facility, which fund, if established, shall be held by the Tender Agent and may have such separate accounts as shall be established in such Certificate of Determination. Such Purchase Fund and accounts therein may be established for the purpose of depositing moneys obtained from (i) the remarketing of Bonds of a Series which is subject to tender for purchase in accordance with the applicable Certificate of Determination, (ii) draws under a Liquidity Facility and (iii) the Authority. Such deposited moneys shall be used solely to pay the Purchase Price of Bonds of such Series or to reimburse a Liquidity Facility Issuer.

304. **Remarketing of Bonds of a Series; Notices.** The Remarketing Agent for Bonds of a Series shall offer for sale and use its best efforts to find purchasers for all Bonds of such Series required to be tendered for purchase. The applicable Certificate of Determination shall prescribe provisions relating to the notices which shall be furnished by the Remarketing Agent in connection with such remarketing and as to the application of the proceeds of such remarketing.

305. **Source of Funds for Purchase of Bonds of a Series.** (a) Except as may otherwise be provided in the applicable Certificate of Determination, the Purchase Price of the Bonds of a Series on any Purchase Date shall be payable solely from proceeds of remarketing of such Series or proceeds of a related Liquidity Facility (including moneys that are borrowed by the Authority pursuant to a Liquidity Facility), if any, and shall not be payable by the Authority from any other source.

(b) As may be more particularly set forth in the applicable Certificate of Determination, on or before the close of business on the Purchase Date or the Mandatory Purchase Date with respect to Bonds of a Series, the Tender Agent shall purchase such Bonds from the Owners at the Purchase Price. Except as otherwise provided in a Certificate of Determination, funds for the payment of such Purchase Price shall be derived in the order of priority indicated:

(i) immediately available funds transferred by the Remarketing Agent to the Tender Agent derived from the remarketing of the Bonds; and

(ii) immediately available funds transferred by the Liquidity Facility Issuer (or the Authority to the Tender Agent, if the Liquidity Facility permits the Authority to make draws thereon), including, without limitation, amounts available under the Liquidity Facility.

306. **Delivery of Bonds.** Except as otherwise required or permitted by the book-entry only system of the Securities Depository and in the applicable Certificate of Determination, the Bonds of a Series sold by the Remarketing Agent shall be delivered by the Remarketing Agent to the purchasers of those Bonds at the times and dates prescribed by the applicable Certificate of Determination. The Bonds of a Series purchased with moneys provided by the Authority shall be delivered at the direction of the Authority. The Bonds of a Series purchased with moneys drawn under a Liquidity Facility shall be delivered as provided in such Liquidity Facility.

307. **Delivery and Payment for Purchased Bonds of a Series; Undelivered Bonds.** Each Certificate of Determination shall provide for the payment of the Purchase Price of purchased bonds of the related Series and shall also make provision for undelivered Bonds.

308. **Credit Facility and Liquidity Facility.** (a) At any time and subject to such limitations and other provisions as may be set forth in the applicable Certificate of Determination, the Authority may obtain or provide for the delivery to the Trustee of a Liquidity Facility and/or a Credit Facility from a Liquidity Facility Issuer and/or Credit Facility Issuer as may be selected by the Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority and specified in the applicable Certificate of Determination with respect to the Bonds of any Series.

(b) Each Liquidity Facility shall provide for draws thereon or borrowings thereunder, in the aggregate, in an amount at least equal to the amount required to pay the Purchase Price for the related Bonds of a Series. Except as may otherwise be provided in the applicable Certificate of Determination, the obligation of the Issuer to reimburse the Liquidity Facility Issuer or to pay the fees, charges and expenses of the Liquidity Facility Issuer under the Liquidity Facility shall constitute a Parity Reimbursement Obligation within the meaning of the Resolution and shall be secured by the pledge of and lien on the Trust Estate created by Section 501 of the General Resolution.

ARTICLE IV

ADDITIONAL AUTHORIZATIONS; MISCELLANEOUS

401. **Tax Covenant**. (a) The Authority shall not take or omit to take any action which would cause interest on any Series 2011 Bonds which are designated Tax-Exempt Obligations in an applicable Certificate of Determination to be included in the gross income of any Owner thereof for Federal income tax purposes by reason of subsection (b) of Section 103 of the Internal Revenue Code of 1986 (Title 26 of the United States Code) as in effect on the date of original issuance of such Obligations. Without limiting the generality of the foregoing, no part of the proceeds of any Tax-Exempt Obligations or any other funds of the Authority shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Series of Bonds to be an "arbitrage bond" as defined in section 148 of the Internal Revenue Code of 1986 (Title 26 of the United States Code) as then in effect and to be subject to treatment under subsection (b)(2) of Section 103 of the Code as an obligation not described in subsection (a) of said section. The Authority shall pay to the United States any amounts that are necessary for the purpose of compliance with the provisions of Section 148 of the Code.

(b) Notwithstanding any other provision of the Resolution to the contrary, upon the Authority's failure to observe, or refusal to comply with, the above covenant in paragraph (a), the Owners, or the Trustee acting on their behalf, shall be entitled only to the right of specific performance of such covenant, and shall not be entitled to any of the other rights and remedies provided under Article X of the General Resolution.

402. **Remarketing Agent**. The Authority shall appoint and employ the services of a Remarketing Agent prior to any Purchase Date or Mode Change Date while the Bonds of any Series are in the Daily Rate Mode, Weekly Rate Mode, the Term Rate Mode, or the Commercial Paper Mode. The Authority shall have the right to remove the Remarketing Agent as provided in the Remarketing Agreement.

403. **Tender Agent**. The Authority shall be authorized to and shall appoint and employ the services of the Trustee as Tender Agent pursuant to a Tender Agency Agreement prior to any Purchase Date or Mode Change Date while the Bonds of any Series are in the Daily Rate, Weekly Rate, the Term Rate Mode, or the Commercial Paper Mode. The Authority shall have the right to remove the Tender Agent as provided in the Tender Agency Agreement.

404. **Remarketing Agreements and Tender Agency Agreements.** The Authority hereby authorizes one or more Remarketing Agreements and Tender Agency Agreements with respect to the Bonds of any Series with such modifications and with such Remarketing Agents and such Tender Agents as any Authorized Officer, upon the advice of counsel to the Authority, approves. Any Authorized Officer of the Authority is hereby authorized to execute and deliver such Remarketing Agreements and such Tender Agency Agreements in connection with the original issuance of the Bonds of any Series or remarketing thereof, which execution and delivery shall be conclusive evidence of the approval of any such modifications.

405. **Certain Findings and Determinations**. The Trustees hereby find and determine:

(a) The General Resolution has not been amended, supplemented, or repealed since the adoption thereof except by the resolution of the Authority entitled "First Supplemental Resolution Authorizing Series 1998 Revenue Bonds" adopted February 24, 1998, by the resolution of the Authority entitled "Second Supplemental Resolution Authorizing Series 2000 A Revenue Bonds" adopted October 31, 2000, by the resolution of the Authority entitled "Third Supplemental Resolution Amending the General Resolution" adopted June 26, 2001, by the resolution of the Authority entitled "Fourth Supplemental Resolution Authorizing Series 2001 A Revenue Bonds and Series 2002 A Revenue Bonds" adopted September 25, 2001, by the resolution of the Authority entitled "Fifth Supplemental Resolution Authorizing Series 2002 A Revenue Bonds" adopted September 17, 2002, by the resolution of the Authority entitled "Sixth Supplemental Resolution Authorizing Series 2003 A Revenue Bonds" adopted November 25, 2003, by the resolution of the Authority entitled "Seventh Supplemental Resolution Authorizing Series 2005 A and Series 2005 B Revenue Bonds" adopted September 20, 2005, and by the resolution of the Authority entitled "Eighth Supplemental Resolution Authorizing Series 2007 A, Series 2007 B, and Series 2007 C Revenue Bonds" adopted September 25, 2007. This Ninth Supplemental Resolution supplements the General Resolution as heretofore amended and supplemented, constitutes and is a "Supplemental Resolution" within the meaning of such quoted term as defined and used in the General Resolution, and is adopted under and pursuant to the General Resolution.

(b) The Bonds constitute and are "Obligations" within the meaning of the quoted word as defined and used in the Resolution.

(c) Any municipal bond insurance policy issued by such municipal bond insurance issuer as may be selected by the Chairman, President and Chief Executive Officer, or the Executive Vice President and Chief Financial Officer of the Authority and specified in the applicable Certificate of Determination, dated the Closing Date, shall constitute and shall be required to be a "Credit Facility" within the meaning of the quoted words as defined and used in the Resolution. Furthermore, any such municipal bond insurance policy, including any charges, fees, costs and expenses that the Credit Facility Issuer may for any Series of Bonds reasonably incur in the administration of the Credit Facility, respectively, or in the pursuit of any remedies under the Resolution or otherwise afforded by law or equity, shall constitute and shall be required to be a "Subordinated Contract Obligation" within the meaning of the quoted words as defined and used in the Resolution, provided, however, the Credit Facility Issuer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Credit Facility.

(d) The Trust Estate is not encumbered by any lien or charge thereon or pledge thereof, other than the parity lien and charge thereon and pledge thereof securing the outstanding 1985 Notes, the notes issued pursuant to the 2007 Revolving Credit Agreement, and certain payments required to be made in connection with the Parity Swap Obligations entered into by the Authority in 1998 and the subordinate liens and charges thereon and subordinated pledge thereof created by the existing Subordinated Indebtedness and Subordinated Contract Obligations.

(e) There does not exist an "Event of Default" within the meaning of such quoted term as defined in Section 1001 of the General Resolution, nor does there exist any condition which, after the giving of notice or the passage of time, or both, would constitute such an "Event of Default."

406. **Notice to Owners upon Event of Default**. 1. If an Event of Default occurs of which the Trustee has or is deemed to have notice under Section 702(c)(6) of the General Resolution, the Trustee shall give by telecopier or other electronic means or by telephone (promptly

confirmed in writing) notice thereof to the Authority. Within two Business Days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each Owner, provided, however, that except in the instance of an Event of Default under Section 1001(i) or (ii) of the General Resolution, the Trustee may withhold such notice to Owners if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of Owners, and provided, further, that notice to Owners of any Event of Default under Section 1001(ii) or (iii) of the General Resolution shall not be given until the grace period has expired.

2. For so long as the Bonds are registered solely in the name of the Securities Depository or its nominee, where the General Resolution provides for notice to the Owners of the Bonds of the existence of, or during the continuance of, any Event of Default, the Trustee shall: (i) establish a record date (the "Record Date") for determining the identity of the Persons entitled to receive such notice; (ii) request a securities position listing from the Securities Depository showing the Depository Participants holding positions in the Bonds affected by such notice as of the Record Date for such notice; (iii) send by first-class, postage prepaid mail, copies of the notice as provided above to each Depository Participant identified in the securities position listing as holding a position in the Bonds as of the Record Date for the notice, to the Municipal Securities Rulemaking Board, and to any Person identified to the Trustee as a non-objecting Beneficial Owner (a non-objecting Beneficial Owner is a Person for whom a Depository Participant acts as nominee, and who has not objected to the disclosure of his or her name and security position) pursuant to the immediately following clause; (iv) request that the Depository Participant retransmit the notice to all Persons for which it served as nominee on the Record Date, including non-objecting Beneficial Owners, or retransmit the notice to objecting Beneficial Owners and provide a listing of non-objecting Beneficial Owners for whom the Depository Participant served as nominee on the Record Date to the Trustee and (v) provide as many copies of the notice as may be requested by any nominee owner of the Bonds. Any default in performance of the duties required by this paragraph shall not affect the sufficiency of notice to Owners given in accordance with the provisions of the General Resolution, nor the validity of any action taken under the General Resolution in reliance on such notice to Owners.

407. **Further Authority**. The Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President - Corporate Planning and Finance, Treasurer, Acting General Counsel or Deputy Secretary of the Authority, or any Authorized Officer (as defined in the General Resolution) are each hereby authorized to execute and deliver to the Trustee appointed pursuant to the General Resolution such documents and certifications, including, without limitation, any Credit Facility or Liquidity Facility, as may be necessary to give effect to this Ninth Supplemental Resolution and the transactions contemplated hereby. In addition, upon the effective date of the President and Chief Executive Officer's resignation, the Acting President and Chief Executive Officer shall be, and hereby is, authorized to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents which the President and Chief Executive Officer is authorized to do, undertake or execute pursuant to this Ninth Supplemental Resolution.

408. **Effective Date**. This Ninth Supplemental Resolution shall be fully effective in accordance with its terms upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.

APPENDIX A

[FORM OF BONDS]

No. 2011[A][B] -_____ $_____

POWER AUTHORITY OF THE STATE OF NEW YORK

Revenue Bonds, Series 2011 [A][B]

Interest Rate	**Maturity Date**	**CUSIP**

Registered Owner: **CEDE & CO.**

Principal Amount: **_____ Dollars**

POWER AUTHORITY OF THE STATE OF NEW YORK (herein called the "Authority"), a body corporate and politic, a political subdivision and a corporate municipal instrumentality of the State of New York, organized and existing under and by virtue of the laws of the State of New York, acknowledges itself indebted to, and for value received hereby promises to pay, but solely from the Trust Estate and not otherwise, to the registered owner specified above or registered assigns, the Principal Amount specified above on the Maturity Date specified above (subject to the right of prior redemption hereinafter mentioned) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay to the registered owner hereof interest on such principal sum in like coin or currency and at the rate of interest per annum specified above. This Bond is dated as of _____ __, 201_, interest on this Bond shall be payable from the_____ __or _____ __ next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a _____ __ or _____ __, in which case from such date if interest has been paid to such date; provided, however, that such interest shall be payable on this Bond from _____ _, 201_, if the date of authentication is prior to the first interest payment date therefor. Interest on this Bond shall be payable on _____ __, 201_ and semi-annually thereafter on _____ __ and _____ __, in each case to the registered owner as of the close of business on the first day (whether or not a Business Day) of the calendar month in which the interest payment date occurs, such interest to be paid by the Trustee by check mailed to the registered owner at his address as it appears on the books of registry; provided, however, that upon redemption of this Bond, the accrued interest payable upon redemption shall be payable at the Principal Office of the Trustee upon presentation and surrender of this Bond, unless the redemption date is an interest payment date, in which event the interest on this Bond so redeemed shall be paid by the Trustee by check mailed to the registered owner at his address as it appears on the books of registry.

[Description of interest rate determination methodology for any Bonds issued as variable rate Bonds, as specified in the applicable Certificate of Determination, to be inserted here.]

This Bond is one of a duly authorized issue of obligations of the Authority designated as its "Obligations" issued and to be issued in various series under and pursuant to the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (herein called the "Act"), and under and pursuant to a resolution of the Authority

adopted on February 24, 1998, entitled "General Resolution Authorizing Revenue Obligations", and a supplemental resolution of the Authority adopted on October 26, 2010, and entitled "Ninth Supplemental Resolution Authorizing Revenue Bonds," as amended and restated as of July 26, 2011 (herein called the "Ninth Supplemental Resolution"). Said resolutions are herein collectively called the "Resolution". Capitalized terms used herein and not otherwise defined herein shall have the meanings provided in the Resolution.

This Bond is one of a series of Obligations of various maturities designated as "Revenue Bonds, Series 2011 [A][B]" (herein called the "Bonds") issued in the aggregate principal amount of $_____ under the Resolution. Copies of the Resolution are on file at the office of the Authority and at the Principal Office of The Bank of New York Mellon, as Trustee under the Resolution, or its successor as Trustee (herein called the "Trustee"), in the Borough of Manhattan, City and State of New York. The Trustee is also the Registrar and Paying Agent for the Bonds.

The Obligations are payable as to principal, Redemption Price, and interest solely from and are equally and ratably secured solely by the Trust Estate, subject to the provisions of the Resolution permitting the application of such Trust Estate to the purposes and on the terms and conditions set forth in the Resolution, including, without limitation, the prior application of Revenues to the payment of Operating Expenses. The principal and Redemption Price of, and interest on, the Obligations shall not be payable from the general funds of the Authority nor shall the Obligations constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the property or upon any of the income, receipts, or revenues of the Authority, except the Trust Estate.

Reference is hereby made to the Resolution, copies of which are on file in the Principal Office of the Trustee, and to all of the provisions of which any holder of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the pledge and covenants securing the Obligations, including this Bond; the Revenues and other moneys and securities constituting the Trust Estate pledged to the payment of the principal of and interest on the Obligations issued thereunder; the nature and extent and manner of enforcement of the pledge; the conditions upon which Obligations may hereafter be issued thereunder, payable on a parity from the Trust Estate and equally and ratably secured therewith; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Owners of the Obligations; the rights and remedies of the Owner hereof with respect hereto and thereto, including the limitations therein contained upon the right of an Owner hereof to institute any suit, action or proceeding in equity or at law with respect hereto and thereto; the rights, duties and obligations of the Authority and the Trustee thereunder; the terms and provisions upon which the pledges and covenants made therein may be discharged at or prior to the maturity or redemption of this Bond, and the Bond thereafter no longer be secured by the Resolution or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Trustee sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

As provided in the Resolution, Obligations may be issued from time to time pursuant to supplemental resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Resolution provided. The aggregate principal amount of Obligations which may be issued under the Resolution is not limited except as provided in the Resolution, and all Obligations issued and to be issued under the Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Resolution.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by the Authority, with the written consent of the Owners of a majority in principal amount of the Obligations then Outstanding, and, in case less than all of the Obligations will be affected thereby, with such consent of the Owners of at least a majority in principal amount of the Obligations so affected then Outstanding, at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under the Resolution.

This Bond is transferable, as provided in the Resolution, only upon the books of the Authority kept for that purpose at the above-mentioned office of the Registrar by the Owner hereof in person, or by his attorney duly authorized in writing, upon surrender of the Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or his duly authorized attorney, and thereupon a new registered Bond or Bonds, and in the same aggregate principal amount, Series, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Resolution, and upon payment of the charges therein prescribed. The Authority and each Fiduciary may deem and treat the Person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary.

[Description of the applicable redemption provisions, as specified in the applicable Certificate of Determination, to be inserted here.]

When the Trustee shall receive notice from the Authority of its election to redeem Obligations pursuant to the Resolution, and when redemption of Obligations is required by the Resolution, the Trustee shall give notice, in the name of the Authority, of the redemption of such Obligations, which notice shall specify the Series, maturities and, if any maturity shall include Obligations bearing different interest rates and all Obligations of such maturity are not being redeemed, interest rate of the Obligations to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Obligations of any like Series, maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Obligations so to be redeemed, and, in the case of Obligations to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed, and, if applicable, that such notice is conditional and the conditions that must be satisfied. Such notice shall further state that on such date there shall become due and payable upon each Obligation to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Obligations to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by first class mail, postage prepaid, not less than 30 days nor more than 45 days before the redemption date, to the Owners of any Obligations or portions of Obligations which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure so to mail any such notice to any particular Owner shall not affect the validity of the proceedings for the redemption of Obligations not owned by such Owner and failure of any Owner to receive such notice shall not affect the validity of the proposed redemption of Obligations.

Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the Redemption Price of such Obligations or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Owners of Obligations as promptly as practicable upon the failure of such condition or the occurrence of such other event.

The principal of the Bonds may be declared due and payable before the maturity thereof, and such declaration may be annulled, as provided in the Resolution.

The Act provides that neither the members of the Authority nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Pursuant to Section 1011 of the Act, the Authority, as agent for the State of New York, does hereby pledge to and agree with the holder of this Bond that the State of New York will not limit or alter the rights vested in the Authority by the Act, as amended, until this Bond and each of the other Bonds, together with the interest hereon and thereon, have been fully met and discharged or adequate provisions have been made by law for protection of the holders of all such Bonds.

The Bonds shall not be a debt of the State of New York, and the State shall not be liable thereon.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issuance of the Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the laws of the State of New York.

This Bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate hereon.

IN WITNESS WHEREOF, POWER AUTHORITY OF THE STATE OF NEW YORK has caused this Bond to be signed in its name and on its behalf by the facsimile signature of its [President and Chief Executive Officer], and its corporate seal (or facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the facsimile signature of its Secretary, a Deputy Secretary, or an Assistant Secretary.

POWER AUTHORITY OF THE
STATE OF NEW YORK

By:_____
[President and Chief Executive Officer]

[SEAL]

Attest:

_____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION FOR BONDS]

AUTHENTICATION DATE:

Trustee's Certificate

The Bond is one of the bonds, of the Series designated therein, described in the within-mentioned Resolution.

THE BANK OF NEW YORK MELLON
Trustee

By:_____
Authorized Officer

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

_____

(Please insert Social Security or Taxpayer Identification Number of Transferee)
_____

/_____/

_____
(Please print or typewrite name and address, including zip code of Transferee)

_____

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

_____

attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____
NOTICE: Signature(s) must be guaranteed by a member or participant of a signature guarantee program.

_____
NOTICE: The signature above must correspond with the name of the Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or change whatsoever.

STATEMENT OF INSURANCE [if any]

_____ New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest, including principal and interest due by operation of scheduled mandatory sinking fund redemption, on this Bond to The Bank of New York Mellon, New York, New York, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from _____or the Paying Agent.

POWER AUTHORITY OF THE STATE OF NEW YORK

Excerpts from the minutes of a regular meeting of the Power Authority of the State of New York (the "Authority") held at the Authority's offices at 123 Main Street, White Plains, New York 10601, on Tuesday, July 26, 2011 at 11:00 A.M.

There were present:

Michael J. Townsend, Chairman
Jonathan F. Foster, Vice Chairman
D. Patrick Curley
John S. Dyson
R. Wayne LeChase
Hon. Eugene L. Nicandri
Mark O'Luck

constituting a majority of the trustees and a quorum.

Also present were:

Richard M. Kessel, President and Chief Executive Officer
Gil C. Quiniones, Chief Operating Officer
Edward A. Welz, Executive Vice President and Chief Engineer–Power Supply
Francine Evans, Executive Vice President, Chief Administrative Officer and Chief of Staff
Elizabeth McCarthy, Executive Vice President, Chief Financial Officer
Donald A. Russak, Senior Vice President–Corporate Planning and Finance
Brian C. McElroy, Treasurer
Judith C. McCarthy, Acting General Counsel
Timothy P. Sheehan, Special Counsel
Karen Delince, Corporate Secretary

Mr. Townsend, Chairman, presided and Karen Delince, Corporate Secretary, kept the minutes.

NINTH SUPPLEMENTAL RESOLUTION ADOPTED OCTOBER 26, 2010

On October 26, 2010, the Authority considered a plan of finance and adopted the Ninth Supplemental Resolution (the "Ninth Supplemental Resolution") for various purposes stated therein. The Trustees now wish to consider amending the Ninth Supplemental Resolution by adopting the Amended and Restated Ninth Supplemental Resolution Authorizing Series 2011 Revenue Bonds (the "Amended and Restated Ninth Supplemental Resolution") for the purposes further described herein.

PLAN OF FINANCE IN CONNECTION WITH THE ISSUANCE OF DEBT

The Chairman stated that the next matter to be presented at the meeting was consideration of a plan of finance which would be implemented for purposes revised from those of the Ninth Supplemental Resolution and restated as follows: (i) to refund up to $77,215,000 of the Authority's Series 2000 A Revenue Bonds; (ii) to refund up to $41,720,000 of the Authority's Series 2002 A Revenue Bonds; (iii) to refund up to $200,000,000 of the Authority's Commercial Paper Notes and/or Extendible Municipal Commercial Paper Notes (collectively, the "Commercial Paper Notes") which are presently outstanding in the aggregate amount of approximately $620,000,000; and (iv) pay financing costs related to the issuance of the Authority's debt obligations, including underwriters' discount, structuring fees, any insurance premiums, credit enhancement or liquidity fees related to obtaining any municipal bond insurance policy, other credit enhancement or liquidity facilities determined to be necessary or desirable, swap terminations and other costs incurred by the Authority in connection therewith.

PROPOSED ISSUANCE OF ONE OR MORE SERIES OF 2011 REVENUE BONDS

In furtherance of such purposes, the Authority proposes to issue one or more series of 2011 Revenue Bonds (the "Series 2011 Bonds"), in an aggregate principal amount of not more than $341,000,000. The Authority proposes to issue the Series 2011 Bonds either as fixed rate or variable rate bonds or a combination thereof. To the extent that fixed rate bonds are issued, the Series 2011 Bonds will have a true interest cost not to exceed 5.25 percent. Any variable rate Series 2011 Bonds will have an initial interest rate not to exceed 5.25 percent. In connection with the Series 2011 Bonds, the Authority may enter into one or more interest rate exchange agreements in accordance with its Policy for the Use of Interest Rate Exchange Agreements adopted on January 25, 2011 relating to such agreements.

Implementation of any refunding will depend upon market conditions and other factors. To effect the refunding, the Authority expects to issue the Series 2011 Bonds either as fixed rate or variable rate bonds or a combination thereof.

AUTHORIZATION OF SERIES 2011 REVENUE BONDS

The Chairman stated that a matter to be presented at the meeting was consideration of the advisability of adopting the Amended and Restated Ninth Supplemental Resolution, which authorizes the issuance of one or more series of Series 2011 Bonds in an aggregate principal amount of not more than $341,000,000 for the purposes of implementing the proposed Plan of Finance. The respective principal amounts of any series of the Series 2011 Bonds will be determined at the time of the pricing of such Bonds, subject to the overall cap stated above.

On motion duly made and seconded, the Amended and Restated Ninth Supplemental Resolution (attached hereto as **Exhibit 1**), together with such subsequent changes, insertions, deletions and amendments thereto as the Chairman or President and Chief Executive Officer of the Authority may approve which shall be deemed to be part of such resolutions as adopted, was adopted.

CONTRACT OF PURCHASE, PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT FOR SERIES 2011 REVENUE BONDS

The President and Chief Executive Officer advised that one or more Contracts of Purchase would be entered into with underwriters selected by the Chairman, President and Chief Executive Officer or Executive Vice President and Chief Financial Officer from a prequalified underwriting pool of Senior Managers, Co-Managers and Selling Group members approved by the Trustees at the September 28, 2010 Board Meeting (the "Prequalified Underwriting Pool") . Such Contracts of Purchase will be in substantially the form of the Contract of Purchase previously entered into in connection with the sale of the Authority's $602,445,000 aggregate principal amount of Series 2007 A, Series 2007 B and Series 2007 C Revenue Bonds (the "Series 2007 Bonds"). The Chairman also presented a draft form of the Preliminary Official Statement relating to the Series 2011 Bonds (attached hereto as **Exhibit 2**). Thereupon, on motion duly made and seconded, the following resolutions were adopted:

RESOLVED, that one or more series of the Series 2011 Bonds shall be sold, subject to the limitations described below, to underwriters selected by the Chairman, President and Chief Executive Officer or Executive Vice President and

Chief Financial Officer from the Prequalified Underwriting Pool, at such prices, with accrued interest, if any, on such Bonds from the date of issue of said Bonds to the date of delivery and payment for said Bonds, as the Chairman, President and Chief Executive Officer or Executive Vice President and Chief Financial Officer may accept and as will be in compliance with the requirements of the Amended and Restated Ninth Supplemental Resolution, pursuant to a Contract of Purchase, in substantially the form of the Contract of Purchase relating to Authority's Series 2007 Bonds, as such Contract may be modified as hereinafter provided, and upon the basis of the representations therein set forth; and

FURTHER RESOLVED, that the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President–Corporate Planning and Finance, Treasurer and Deputy Treasurer be, and each of them hereby is, authorized on behalf of the Authority, subject to the limitations described below, to execute one or more Contracts of Purchase substantially in the form entered into in connection with the Authority's Series 2007 Bonds, providing for the sale of one or more series of the Bonds to said purchasers, with such changes, insertions, deletions, amendments and supplements as the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President–Corporate Planning and Finance, Treasurer or Deputy Treasurer may approve, subject to the requirements of the Amended and Restated Ninth Supplemental Resolution, and to deliver it to said purchasers; and that said officers and all other officers of the Authority are hereby authorized and directed to carry out or cause to be carried out all obligations of the Authority set forth in said Contracts of Purchase upon execution thereof and that the execution of the Contracts of Purchase relating to the Series 2011 Bonds by said authorized officers be conclusive evidence that any conditions imposed by the Trustees have been satisfied and the sale and issuance of the Series 2011 Bonds has been authorized by the Authority's Board of Trustees; and

FURTHER RESOLVED, that the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President–Corporate Planning and Finance, Treasurer and Deputy Treasurer or specially designated persons be, and each of them hereby is, authorized to make such changes, insertions, deletions, amendments and supplements, to or from the draft form of the Preliminary Official Statement relating to the Series 2011 Bonds as may be approved by any such officer, and upon the completion of any such modifications, such officer is authorized to execute such certificates as may be requested by the underwriters to certify on behalf of the Authority that such Preliminary Official Statement is "deemed final" for purposes of Rule 15c2-12

under the Securities Exchange Act of 1934, subject to the omission of such information as is permitted by such Rule. The distribution of one or more Preliminary Official Statements relating to the Series 2011 Bonds is hereby approved to all interested persons in connection with the sale of such Bonds; and

FURTHER RESOLVED, that the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer or Senior Vice President–Corporate Planning and Finance, and each of them hereby is, authorized to adopt and execute on behalf of the Authority one or more final Official Statements of the Authority relating to the Bonds, in such form and substance as the Chairman or President and Chief Executive Officer deems necessary or desirable, and the delivery of said Official Statement to the purchasers of said Bonds is hereby authorized, and the Authority hereby authorizes said Official Statement and the information contained therein to be used in connection with the sale and delivery of the Series 2011 Bonds; and

FURTHER RESOLVED, that, if it is determined to be necessary or advisable, the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Acting General Counsel, Senior Vice President–Corporate Planning and Finance, Treasurer, Deputy Treasurer, and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority to obtain one or more bond insurance policies, credit enhancement facilities or liquidity facilities for each series of the Series 2011 Bonds with such terms and conditions as such officer deems necessary or advisable, and which the President and Chief Executive Officer or Executive Vice President and Chief Financial Officer may select, covering scheduled payments of principal of and interest on such Bonds, including mandatory sinking fund redemption payments; and

FURTHER RESOLVED, that, if it is determined to be necessary or advisable, the Chairman, the President and Chief Executive Officer, and the Executive Vice President and Chief Financial Officer be, and each of them hereby is, authorized on behalf of the Authority to enter into one or more interest rate exchange agreements relating to any Series 2011 Bonds in a notional amount not greater than the principal amount of the related Series 2011 Bonds, with such terms and conditions and with such counterparties as such officer deems necessary or advisable; and

FURTHER RESOLVED, that the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Acting General Counsel, Senior Vice President–Corporate Planning and Finance, Treasurer, Deputy Treasurer, and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and 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, including but not limited to those actions, certificates, agreements and other documents described in the Amended and Restated Ninth Supplemental Resolution, the Contracts of Purchase and the other documents approved today or required in connection with the obtaining of one or more bond insurance policies, credit enhancement facilities, or liquidity facilities, which they, or any of them, may deem necessary or advisable in order to (i) consummate the lawful sale, issuance and delivery of the Series 2011 Bonds; (ii) implement any action permitted to be taken by the Authority under the Amended and Restated Ninth Supplemental Resolution, the Contracts of Purchase and the other agreements and documents approved today following the issuance of the Series 2011 Bonds; and (iii) effectuate the purposes of the transactions and documents approved today.

APPOINTMENT OF REGISTRAR, PAYING AGENT AND ESCROW AGENT UNDER GENERAL RESOLUTION

RESOLVED, that The Bank of New York Mellon is hereby appointed as Registrar and Paying Agent for the Series 2011 Bonds under the General Resolution, as Escrow Agent for the refunded Series 2002 A Bonds and as Escrow Agent for the refunded Series 2000 A Bonds and the Commercial Paper Notes to the extent an escrow account is established for such refunded Series 2000 A Bonds and Commercial Paper Notes.

AUTHORIZATION OF CONTINUING DISCLOSURE AGREEMENTS

RESOLVED, that the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President–Corporate Planning and Finance, Treasurer, and Deputy Treasurer be, and each of them hereby is, authorized to execute one or more Continuing Disclosure Agreements relating to the Series 2011 Bonds, between the Authority and The Bank of New York Mellon, as Trustee under the General Resolution, in substantially the form of the continuing disclosure agreement executed by the Authority in connection with the issuance of the Authority's Series 2007 Bonds, each with such changes, insertions, deletions, and supplements, as such authorized

executing officer deems in his or her discretion to be necessary or appropriate, including, without limitation, such changes as are necessary to conform to recent amendments to Rule 15c2-12 under the Securities Exchange Act of 1934, such execution to be conclusive evidence of such approval.

ESCROW DEPOSIT AGREEMENTS

RESOLVED, that the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President–Corporate Planning and Finance, Treasurer, and Deputy Treasurer be, and each of them hereby is, authorized on behalf of the Authority to execute one or more Escrow Deposit Agreements between the Authority and The Bank of New York Mellon, for the purpose of accomplishing the refunding of all or a portion of the Series 2000 A Bonds, the Series 2002 A Bonds, and the Commercial Paper Notes in accordance with the Amended and Restated Ninth Supplemental Resolution, such execution to be conclusive evidence of such approval.

RESOLVED, that the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer, the Senior Vice President–Corporate Planning and Finance, the Treasurer, the Deputy Treasurer, and all other Authority officers be, 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 Acting General Counsel.

AGREEMENTS FOR BOND AND SPECIAL COUNSEL SERVICES

RESOLVED, that the Acting General Counsel be, and hereby is, authorized on behalf of the Authority to execute letter agreements between the Authority and the law firm of Hawkins Delafield & Wood LLP for the provision by such firm of bond counsel services to the Authority, and with the law firm of Nixon Peabody LLP for the provision by such firm of special counsel services to the Authority, all in connection with the Series 2011 Bonds and the related transactions authorized hereby, with such agreements having such terms and conditions as the Acting General Counsel may approve.

AUTHORIZATION OF USE OF OPERATING FUND MONIES FOR RETIREMENT OF COMMERCIAL PAPER NOTES

RESOLVED, that the Executive Vice President and Chief Financial Officer, Senior Vice President–Corporate Planning and Finance, Treasurer and Deputy Treasurer be, and each of them hereby is, authorized to use up to an aggregate amount of $100 million of monies in the Operating Fund for the purpose of retiring Commercial Paper Notes, provided, however, that as a condition to such use, the Executive Vice President and Chief Financial Officer, Senior Vice President–Corporate Planning and Finance, Treasurer or Deputy Treasurer shall have determined and shall certify that the monies to be so used are not then needed for any of the purposes specified in clause (a) or (b) of Section 503.1 of the General Resolution.

ADDITIONAL AUTHORIZATIONS

RESOLVED, that the Chairman, President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Acting General Counsel, Senior Vice President–Corporate Planning and Finance, Treasurer, Deputy Treasurer, and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and 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, which they, or any of them, may deem necessary or advisable in order to effectuate the foregoing resolutions.

RESOLVED, that upon the effective date of the President and Chief Executive Officer's resignation, the Acting President and Chief Executive Officer shall be, and hereby is, authorized and directed to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents which the President and Chief Executive Officer is authorized and directed to do, undertake or execute pursuant to the foregoing resolutions.

EXHIBITS

Exhibit 1: Amended and Restated Ninth Supplemental Resolution Authorizing Series 2011 Bonds

Exhibit 2: Draft of Preliminary Official Statement relating to the Series 2011 Bonds

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2011

NEW ISSUE—BOOK ENTRY ONLY

In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2011 A Revenue Bonds (the "2011 A Bonds") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the ''Code''), (ii) interest on the 2011 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (iii) interest on the Series 2011 B Revenue Bonds (the "2011 B Bonds") is wholly includable in the gross income of the owners thereof for Federal income tax purposes. See ''Tax Matters'' herein. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the 2011 A Bonds and Series 2011 B Bonds (collectively, the "2011 Bonds") is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the 2011 Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

$___,___,000*

Power Authority of the State of New York

Revenue Bonds

$___,___,000* Series 2011 A

$___,___,000* Series 2011 B (Federally Taxable)

Dated: Date of Delivery **Due: November 15, as shown on inside cover page**

The 2011 Bonds will be issued only as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company (''DTC''), New York, New York, which will act as securities depository for the 2011 Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the 2011 Bonds purchased. So long as DTC or its nominee is the registered owner of the 2011 Bonds, payments of the principal of, and premium, if any, and interest on the 2011 Bonds will be made directly to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and Indirect Participants. See ''PART 1—APPENDIX B—Book-Entry-Only System Procedures'' herein. The Bank of New York Mellon is the Trustee under the General Resolution Authorizing Revenue Obligations herein described. Interest on the 2011 Bonds will be payable on November 15, 2011 and semiannually thereafter on each May 15 and November 15. **[**Certain of the 2011 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.**]**

The 2011 Bonds will be payable from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), after the payment of Operating Expenses, including all revenues derived directly or indirectly from any of the Authority's operations other than those revenues attributable directly or indirectly to the ownership or operation of any Separately Financed Projects as described herein. The 2011 Bonds are on a parity with other Obligations and the Parity Debt of the Authority. See ''PART 1—SECURITY FOR THE 2011 BONDS'' herein.

The Authority has no taxing power and its obligations are not debts of the State of New York or of any political subdivision of the State, other than the Authority.

The 2011 Bonds are offered when, as and if issued and accepted by the Underwriters, and subject to the approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Certain legal matters are subject to the approval of Nixon Peabody LLP, Special Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, _____. It is expected that the 2011 Bonds in definitive form will be available for delivery in New York, New York, on or about September __, 2011.

[Underwriters-TBD]

September __, 2011

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* Subject to change.

$___,___,000
Series 2011 A Bonds

SERIAL BONDS [TBD]

<u>TERM BONDS</u> [TBD]

$___,___,000

Series 2011 B Bonds (Federally Taxable)

SERIAL BONDS [TBD]

TERM BONDS [TBD]

No dealer, broker, salesperson or other person has been authorized by the Power Authority of the State of New York (the ''Authority'') to give any information or to make representations, other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2011 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Authority and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The statements contained in this Official Statement that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumption and estimates and possible changes or development in various important factors. Accordingly, actual business and financial results may vary from the projections, forecasts and estimates contained it this Official Statement and such variations may be material.

In connection with the offering of the 2011 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of such bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONSISTS OF THE COVER PAGE, THE INSIDE FRONT COVER, THE TABLES OF CONTENTS, THE SUMMARY AND THIS PART 1, INCLUDING THE APPENDICES TO THIS PART 1 (ALL OF THE FOREGOING ARE REFERRED TO COLLECTIVELY AS ''PART 1''), AND THE ATTACHED PART 2, INCLUDING ALL APPENDICES THERETO (COLLECTIVELY, ''PART 2''). BOTH THIS PART 1 AND PART 2 ARE DATED SEPTEMBER __, 2011. THIS PART 1, TOGETHER WITH PART 2, CONSTITUTES THE AUTHORITY'S OFFICIAL STATEMENT RELATING TO THE 2011 BONDS (AND ONLY SUCH BONDS). BOTH PART 1 AND PART 2 MUST BE READ IN THEIR ENTIRETY.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Official Statement and any supplement or amendment hereto. Capitalized terms used in this Summary and not defined herein have the meanings given to such terms elsewhere in this Official Statement.

Issuer	Power Authority of the State of New York (the "Authority") is a corporate municipal instrumentality and political subdivision of the State of New York. The Authority generates, transmits and sells electric power and energy principally at wholesale. The Authority's primary customers are municipal and investor-owned utilities and rural electric cooperatives located throughout New York State, high load factor industries and other businesses, various public corporations located within the metropolitan area of New York City, and certain out-of-state customers. The Authority owns and operates five major generating facilities, 11 small electric generating facilities, and five small hydroelectric facilities, with a total installed capacity of 6,054 MW, and a number of transmission lines, including major 765-kV and 345-kV transmission facilities.
The 2011 Bonds	The 2011 Bonds are being offered in the principal amount per maturity and bearing the interest rates set forth on the cover and inside front cover pages of this Official Statement. The 2011 Bonds will be issued pursuant to the Authority's General Resolution Authorizing Revenue Obligations, adopted on February 24, 1998, as amended and supplemented (the "General Resolution").
Denominations	$5,000 or any integral multiple thereof.
Interest Payment Dates.....	November 15, 2011 and semiannually thereafter on each May 15 and November 15.
[TBD]Redemption	Certain of the 2011 Bonds are subject to optional and mandatory redemption prior to maturity on the dates and at the redemption prices described herein under the caption "PART 1—THE 2011 BONDS—Redemption."
Security for the 2011 Bonds.....	The 2011 Bonds will be payable from and secured by a pledge of the Trust Estate (subject to no prior pledge or lien), including all revenues derived directly or indirectly from any of the Authority's operations other than those revenues attributable directly or indirectly to the ownership or operation of any Separately Financed Projects and not including any Federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose. The General Resolution provides that the amounts in the Operating Fund are to be used to pay debt service on the Obligations, including the 2011 Bonds, and to pay Parity Debt after the payment of Operating Expenses. See "PART 1—SECURITY FOR THE 2011 BONDS."

Rate Covenant.....	The Authority has covenanted in the General Resolution that it shall at all times maintain rates, fees or charges sufficient, together with other moneys available therefor, to pay all Operating Expenses of the Authority and to pay the debt service on all Obligations, including the 2011 Bonds. See ''PART 1—SECURITY FOR THE 2011 BONDS.'' The Authority is a party to various power sales agreements which impose limitations on the Authority's discretion to establish rate increases. See ''PART 2—POWER SALES.''
Application of Proceeds.....	The proceeds of the 2011 Bonds will be used to refund approximately $77,215,000 of the Authority's Series 2000 A Revenue Bonds, to refund approximately $41,720,000 of the Authority's Series 2002 A Revenue Bonds, to refund up to $200,000,000 of the Authority's Extendible Municipal Commercial Paper Notes and/or Commercial Paper Notes, and to pay the costs of issuance of the 2011 Bonds. See ''Part 1—APPLICATION OF THE 2011 BOND PROCEEDS.''
General Resolution Funds.....	Two funds are established under the General Resolution: the Operating Fund and the Capital Fund, both held by the Authority. The Authority may also establish additional funds and accounts. Amounts in the Operating Fund shall be used in the following order of priority: to pay Operating Expenses; to pay debt service on Obligations, which includes the 2011 Bonds and Parity Debt; to pay debt service on any Subordinated Indebtedness and Subordinated Contract Obligations; for withdrawal and deposit in the Capital Fund; and for withdrawal for any lawful corporate purpose, provided that such amounts are not needed at the time of such withdrawal to pay Operating Expenses or debt service as described above. See ''PART 1—SECURITY FOR THE 2011 BONDS.'' The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Operating Fund for lawful corporate purposes, as described above, determine the amount, if any, to be held for reserves in the Operating Fund. Amounts in the Capital Fund shall be applied for the Capital Costs of the Authority, but must be applied to the payment of debt service on the Obligations, including the 2011 Bonds and Parity Debt, if needed.
Additional Indebtedness; Parity Debt.....	As of June 30, 2011, the Authority had outstanding $1,134,375,000 in principal amount of Revenue Bonds, which are Obligations on a parity with the 2011 Bonds. As of June 30, 2011, the Authority had outstanding $122,935,000 of Adjustable Rate Tender Notes issued in 1985 (the "ART Notes"), which are on a parity with the Revenue Bonds, including the 2011 Bonds.

The Authority may issue additional Obligations pursuant to the General Resolution, payable and secured on a parity with the 2011 Bonds, for any purpose of the Authority authorized by the Act, as amended from time to time, or by other then-applicable State statutory provisions. The principal amount of the Obligations which may be delivered under the General Resolution is not limited, and there is no debt service coverage or historical or projected earnings test that must be satisfied as a precondition to any such delivery.

The Authority may also incur additional Parity Debt payable and secured on a parity with Obligations, including the 2011 Bonds.

Parity Debt currently includes the ART Notes, any notes issued under a revolving credit agreement providing liquidity support for the ART Notes, and the scheduled payments to be made by the Authority under several interest-rate swap agreements (see ''PART 1—SECURITY FOR THE 2011 BONDS—Additional Debt Issuance''). Parity Debt may also be incurred in connection with, among other things, Credit Facilities, Qualified Swaps and certain take-or-pay fuel or power contracts. See ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt.''

The Authority may issue Subordinated Indebtedness or incur Subordinated Contract Obligations payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations, including the 2011 Bonds, and any Parity Debt, and secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations, including the 2011 Bonds, and any Parity Debt.

As of June 30, 2011, the Authority had outstanding $612,904,000 of Subordinated Indebtedness.

The Authority may issue bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any project authorized by the Act or by other then applicable State statutory provisions. The Authority also may finance any such project from other available funds (any project so financed is referred to herein as a "Separately Financed Project"), if such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Authority's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other available funds of the Authority released from the lien on the Trust Estate in accordance with the General Resolution. There are currently no Separately Financed Projects.

Registration of the 2011 Bonds.....	The 2011 Bonds will be issuable as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company (''DTC''). No person acquiring an interest in the 2011 Bonds (a ''Beneficial Owner'') will be entitled to receive a 2011 Bond in certificated form (a ''Definitive Obligation''), except under the limited circumstances described in this Official Statement under ''PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES.'' Unless and until Definitive Obligations are issued, all references to actions by Owners will refer to actions taken by DTC, upon instructions from DTC Participants, and all references herein to distributions, notices, reports and statements to Owners shall refer to distributions, notices, reports and statements, respectively, to DTC or Cede & Co., as the registered owner of the 2011 Bonds, or to DTC Participants for distribution to Beneficial Owners in accordance with DTC procedures.
Tax Considerations.....	In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2011 A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the ''Code''), and (ii) interest on the 2011 A Bonds will not be treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See ''PART 1—TAX MATTERS.'' Interest on the Series 2011 B Bonds is wholly includable in the gross income of the owners thereof for Federal income tax purposes. See "PART 1—TAX MATTERS." In addition, in the opinion of Bond Counsel under existing statutes, interest on the 2011 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the 2011 Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers. See ''PART 1—TAX MATTERS.''

Trustee	The Bank of New York Mellon.
Financial Advisor.....	Public Financial Management, Inc.
Ratings	**[Assuming ratings have been received]** Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), a division of the McGraw-Hill Companies, Inc., and Fitch Ratings ("Fitch") have assigned ratings of "Aa2", "AA-", and "AA", respectively, to the 2011 Bonds.

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TABLE OF CONTENTS FOR PART 1

Page

INTRODUCTION 1-1
SECURITY FOR THE 2011 BONDS 1-3
Revenues 1-3
Trust Estate 1-4
Application of Revenues 1-4
Rate Covenant 1-5
Covenant Regarding Projects 1-5
Additional Debt Issuance 1-5
General 1-6
USE OF PROCEEDS 1-7
THE 2011 BONDS 1-7
General Terms 1-7
Redemption 1-7
TAX MATTERS 1-8
Opinions of Bond Counsel Relating to 2011 Bonds 1-8
2011 A Bonds 1-9
2011 B Bonds (Federally Taxable) 1-11
UNDERWRITING 1-13
CONTINUING DISCLOSURE UNDERTAKINGS FOR THE 2011 BONDS 1-13
CREDIT RATINGS 1-14
General 1-14
LITIGATION 1-14
LEGALITY FOR INVESTMENT 1-14
APPROVAL OF LEGAL PROCEEDINGS 1-15
MISCELLANEOUS 1-15
Appendix A—Form of Approving Opinion of Hawkins Delafield & Wood LLP with Respect to the 2011 Bonds ..... App. A-1
Appendix B—Book-Entry-Only System Procedures ..... App. B-1
Appendix C—Form of Continuing Disclosure Agreement ..... App. C-1
Appendix D—Litigation ..... App. D-1

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PART 1
of the
OFFICIAL STATEMENT
of the
POWER AUTHORITY OF THE STATE OF NEW YORK
$___,___,000
REVENUE BONDS
$___,___,000 Series 2011 A
$___,___,000 Series 2011 B (Federally Taxable)

This Official Statement provides certain information concerning the Power Authority of the State of New York (the ''Authority'') in connection with the issuance of the Authority's Series 2011 A Bonds (the ''Series 2011 A Bonds'') and Series 2011 B Bonds (the "2011 B Bonds" and collectively with the Series 2011 A Bonds, the "2011 Bonds"). This Official Statement is dated September __, 2011 to reflect the execution of a Contract of Purchase for the 2011 Bonds on that date. The 2011 Bonds are authorized to be issued pursuant to the Power Authority Act of the State of New York (the ''State''), Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the ''Act''), and the Authority's ''General Resolution Authorizing Revenue Obligations,'' adopted on February 24, 1998, as amended and supplemented, including, in regard to the 2011 Bonds, an Amended and Restated Ninth Supplemental Resolution adopted on July 26, 2011, which authorized the issuance of the 2011 Bonds. The General Resolution Authorizing Revenue Obligations, as amended and supplemented, is herein collectively referred to as the ''General Resolution.'' The outstanding bonds, notes, and other obligations (including the 2011 Bonds) of the Authority hereafter issued as parity obligations and outstanding pursuant to the General Resolution are referred to herein as the ''Obligations.'' All words and terms which are defined in the General Resolution are used herein as so defined.

INTRODUCTION

The Authority is a corporate municipal instrumentality and political subdivision of the State created in 1931 by the Act, which has its principal office located at 30 South Pearl Street, Albany, New York 12207-3425. The Authority generates, transmits and sells electric power and energy, principally at wholesale, as permitted or required by applicable law. The Authority's primary customers are municipal and investor-owned utilities and rural electric cooperatives located throughout New York State, high load factor industries, other businesses, various public corporations located within the metropolitan area of New York City, including The City of New York, and certain out-of-state customers.

The Authority owns and operates five major generating facilities, 11 small electric generating facilities, and five small hydroelectric facilities, with a total installed capacity of 6,054 megawatts (''MW''), and a number of transmission lines, including major 765-kilovolt (''kV'') and 345-kV transmission facilities (see ''PART 2—THE AUTHORITY'S FACILITIES'').

The Authority's generating facilities consist of two large hydroelectric facilities (Niagara and St. Lawrence-FDR), a large pumped-storage hydroelectric facility (Blenheim-Gilboa), two gas-and-oil-fired facilities (Flynn and the combined-cycle electric generating plant located in Queens, New York, referred to herein as the ''500-MW Plant''), 11 small electric generating facilities, and various small hydroelectric facilities. The Authority's net generation in 2010 by energy source was as follows: hydroelectric 82%; and gas/oil 18%. In 2010, the Authority generated approximately 15% of the electric energy used in New York State. The Authority also supplied a significant portion of its customers' needs

through purchased power (see ‘‘PART 2—POWER SALES’’). Although the Authority’s rates for power and energy vary depending upon a number of factors, overall, the Authority provides low cost power and energy to its customers.

The customers served by the Authority and the rates paid by such customers vary with the facility or other source supplying the power and energy (see ‘‘PART 2—POWER SALES’’). The following is a brief description of the customers served by the Authority.

St. Lawrence-FDR and Niagara Customers. Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities are sold to New York investor-owned electric utilities, municipal electric systems, rural electric cooperatives, industrial customers, certain public bodies, and out-of-state customers.

Blenheim-Gilboa Customers. Blenheim-Gilboa power and energy are used to meet the requirements of the Authority’s business and governmental customers and to provide services in the New York Independent System Operator (‘‘NYISO’’) markets. In addition, 50 MW of the Blenheim-Gilboa output is sold to a wholly-owned subsidiary of the Long Island Power Authority, which subsidiary is doing business as ‘‘LIPA’’ (hereinafter such subsidiary is referred to as ‘‘LIPA’’).

Southeastern New York (‘‘SENY’’) Governmental Customers. Power and energy purchased by the Authority in the capacity and energy markets, as supplemented by Authority resources, are sold to various municipalities, school districts and public agencies in the New York City and Westchester County area.

500-MW Plant. The power and energy of the 500-MW Plant is used to meet the requirements of the Authority’s New York City governmental customers and to provide services in the NYISO markets for the benefit of those customers.

Flynn. The output of Flynn is being sold to LIPA.

Small Clean Power Plants. The power and energy of these plants is used to meet the requirements of the Authority’s business and governmental customers and to provide services in the NYISO markets.

Certain Purchased Power and Energy Customers. The Authority also sells power and energy purchased in the capacity and energy markets to industrial customers, the United States Department of Energy (‘‘DOE’’), New York investor-owned electric utilities, Power for Jobs Program customers, businesses, municipal electric systems, rural electric cooperatives, and various municipal utility service agencies.

Transmission Facilities. The Authority owns approximately 1,400 circuit miles of high voltage transmission lines, more than any other utility in New York State, with the major lines being the 765-kV Massena-Marcy line, the 345-kV Marcy-South line, the 345-kV Niagara-to-Edic transmission line, and the 345-kV Long Island Sound Cable (the ‘‘Cable’’). 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 (see ‘‘PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR’’).

Energy Services Program. The Authority is also carrying out an energy services program for certain of its customers and other entities in New York State, with outstanding aggregate expenditures under this program of $[373] million as of June 30, 2011 (see ‘‘PART 2—ENERGY SERVICES’’).

Indebtedness. As of June 30, 2011, $1,134,375,000 of senior lien Obligations (the ‘‘Revenue Bonds’’), issued under the General Resolution, were outstanding.

As of June 30, 2011, $122,935,000 of Adjustable Rate Tender Notes (the ‘‘ART Notes’’), were outstanding (see ‘‘PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness’’). The ART Notes are on a parity with the Revenue Bonds and other Obligations to be

issued by the Authority under the General Resolution, including the 2011 Bonds.

As of June 30, 2011, $474,654,000 of Commercial Paper Notes (''CP Notes'') were outstanding. The CP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

As of June 30, 2011, $138,250,000 of Extendible Municipal Commercial Paper Notes (the ''EMCP Notes'') were outstanding. The EMCP Notes are Subordinated Indebtedness of the Authority as provided in the General Resolution.

Information Included in this Official Statement. Part 1 of this Official Statement contains a description of the 2011 Bonds and the security for the 2011 Bonds, and a discussion of other matters relating to the 2011 Bonds. In Part 2 of this Official Statement, there is a description of the Authority, its operations and financial condition and a discussion of the evolving New York electric utility industry, along with relevant developments nationwide. The financial statements of the Authority for the year ended December 31, 2008 was filed with the then nationally recognized municipal securities information repositories approved by the Securities and Exchange Commission (the ''SEC''). The financial statements of the Authority for the years ended December 31, 2009 and 2010 were provided to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA").

The Authority's financial statements for the year ended December 31, 2010, are hereby incorporated by reference in this Official Statement. Such information may be obtained directly from the EMMA system. Informational copies of the Authority's financial statements for the years ended December 31, 2010, 2009, and 2008 are available on the Authority's website at http://www.nypa.gov/financial/annualreports.htm. No information on the Authority's website is deemed incorporated by reference in this Official Statement.

A discussion of certain litigation pending or threatened against the Authority, or involving or adversely affecting the property or assets of or under the control of the Authority, is set forth in Appendix D to Part 1 of this Official Statement. A summary of certain provisions of the General Resolution is set forth in Appendix 1 to Part 2 of this Official Statement. The proposed form of the approving opinion of Bond Counsel is set forth in Appendix A to Part 1 of this Official Statement. Extracts from the schedule of The Depository Trust Company (''DTC'') entitled ''Sample Official Statement Language Describing Book-Entry-Only Issuance'' are set forth in Appendix B to Part 1 of this Official Statement. Backgrounds of the Authority's Trustees and certain senior management staff are set forth in Appendix 2 to Part 2 of this Official Statement. The form of the Continuing Disclosure Agreement that the Authority will execute in connection with the issuance of the 2011 Bonds is set forth in Appendix C to Part 1 of this Official Statement.

SECURITY FOR THE 2011 BONDS

The General Resolution authorizes the issuance of the Obligations for any purpose authorized by the Act or other New York State statutory provision then applicable. All Obligations, including the 2011 Bonds, are payable from Revenues and secured by a pledge of the Trust Estate, subject to no prior pledge or lien.

Revenues

Revenues consist of all revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, insurance proceeds, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority's operations, including but not limited to the ownership or operation of any Project, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project (see ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION— Conditions for Issuance of Obligations'') and not including any federal or State grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose.

Trust Estate

The Trust Estate consists of, collectively, (i) all Revenues; (ii) the proceeds of sale of the Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the General Resolution, including investment earnings thereon; and (iv) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee. Currently, the Trust Estate does not include any real property, structures, facilities, or equipment owned by the Authority. The Trust Estate also does not include the assets and income of the trusts established by the Authority to fund its Other Postemployment Benefits ("OPEB") obligations and certain decommissioning costs relating to the two nuclear plants it sold in 2000. See "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—State Pension Plan and Other Postemployment Benefits; Nuclear Plant Sale Matters."

Application of Revenues

The General Resolution requires that all Revenues, and such portion of the proceeds of any Obligations issued to pay Operating Expenses, be deposited into the Operating Fund. Amounts in the Operating Fund are to be paid out, accumulated or withdrawn from time to time for the following purposes and, as of any time, in the following order of priority:

(1) payment of reasonable and necessary Operating Expenses or accumulation in the Operating Fund as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, including, but not limited to, amounts determined by the Authority to be required as an operating reserve, or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction;

(2) payment of, or accumulation in the Operating Fund as a reserve for the payment of, interest on and the principal or Redemption Price of Obligations, which includes the 2011 Bonds, and payments due under any Parity Debt, on a parity basis, on their respective due dates or redemption dates, as the case may be;

(3) payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due under any Subordinated Contract Obligation;

(4) withdrawal and deposit in the Capital Fund; and

(5) withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any such withdrawal, the Authority shall have determined, taking into account anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for any of the purposes set forth in paragraphs (1), (2) or (3) above (see ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION'').

In April 1998, the Authority adopted a resolution establishing an Operating Reserve of $150 million in the Operating Fund to support Authority operations if one of the Authority's plants were to become inoperative and require major expenditures to restore operations. In May 2007, in recognition of the increased volatility in recent years in the electricity and other commodity markets, and in consideration of certain broader enterprise-wide risks, the Authority by resolution increased the Operating Reserve to $175 million. While the Authority intends to maintain the $175 million Operating Reserve, the maintenance of the Reserve is at the discretion of the Authority's Board of Trustees and may at any time be modified or eliminated at the discretion of the Board.

Rate Covenant

The Authority has covenanted in the General Resolution that it shall at all times maintain rates, fees or charges, and any contracts entered into by the Authority for the sale, transmission or distribution of power shall contain rates, fees or charges, sufficient, together with other moneys available therefore (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes or other obligations or evidence of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt),

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

(ii) to pay the debt service on all Obligations, including the 2011 Bonds, then Outstanding and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and

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

The Authority is a party to various power sales agreements which impose limitations on the Authority's discretion to establish rate increases (see ''PART 2—POWER SALES'').

The rates for firm power and associated energy from the St. Lawrence-FDR and Niagara hydroelectric facilities sold by the Authority have been established for certain customers in the context of an agreement settling litigation (see ''PART 2—POWER SALES—St. Lawrence-FDR and Niagara'').

The rates for power generated and transmission service provided by the Authority are not subject to the provisions of the New York Public Service Law nor to regulation by or the jurisdiction of the New York Public Service Commission (''PSC''). In connection with the establishment of rates or charges for the use of the Authority's transmission system, see the discussion of the NYISO arrangement in ''PART 2— NEW YORK INDEPENDENT SYSTEM OPERATOR.''

Covenant Regarding Projects

The General Resolution also requires the Authority to operate or cause to be operated each Project in a sound and economical manner and to maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, in good repair, working order and condition, and from time to time to make all necessary and proper repairs, replacements and renewals so that at all times the operations thereof may be properly and advantageously conducted. The General Resolution permits the Authority to cease operating or maintaining, and to lease or dispose of, any Projects (other than the Niagara and St. Lawrence-FDR Projects) if, in the judgment of the Authority, it is advisable to lease, dispose of, or not to operate and maintain the same and the operation thereof is not essential to the maintenance and continued operation of the rest of the Authority's Projects. See ''PART 2—APPENDIX 1— SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.''

Additional Debt Issuance

The General Resolution permits the Authority to issue additional Obligations for any purpose authorized by the Act or other applicable New York State statutory provision, without restriction as to amount and without having to satisfy any debt service coverage or historical or projected earnings test. The Authority has covenanted in the General Resolution not to issue any bonds or evidences of indebtedness, other than the Obligations, secured by a pledge of the Trust Estate, and not to create or cause to be created any lien or charge on the Trust Estate, except to the extent provided in the General Resolution; provided that the Authority may, at any time, or from time to time, incur Subordinated Indebtedness or enter into Subordinated Contract Obligations payable from Revenues and secured by a pledge of the Trust Estate,

and such pledge shall be subordinate in all respects to the pledge created by the General Resolution as security for payment of the Obligations, including the 2011 Bonds. As of the date of this Official Statement, the Subordinated Indebtedness issued by the Authority and outstanding consists of the CP Notes and the EMCP Notes (see ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness''). For a discussion of debt the Authority expects to issue in the period 2011-2015, see ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements.''

The Authority may also incur Parity Debt payable and secured on a parity with Obligations, including the 2011 Bonds. Parity Debt currently consists of the ART Notes, notes issued under a revolving credit agreement providing liquidity support for the ART Notes (such notes having no amounts currently outstanding), and the scheduled payments to be made under several interest-rate swap agreements entered into by the Authority, as discussed below. Parity Debt may also be incurred in connection with, among other things, Credit Facilities, Qualified Swaps and certain take-or-pay fuel or power contracts (see ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt'').

In 1998, the Authority entered into several forward floating-to-fixed interest-rate swap agreements (collectively, the ''1998 Swap Agreements'') in connection with proposed future bond issues, of which a notional amount of approximately $81,815,000 remains outstanding. Pursuant to the General Resolution, payments to the counterparties relating to regularly scheduled payments under the 1998 Swap Agreements are on a parity with the principal and interest payments on the Obligations, including the 2011 Bonds, and the payment of any termination, or other fees, expenses, indemnification or other obligations to the counterparties under such 1998 Swap Agreements are payable as Subordinated Contract Obligations.

The Authority entered into a ten-year floating-to-fixed interest rate swap agreement which commenced in September 2006 relating to its ART Notes (the ''ART Notes Swap Agreement''), having an initial notional amount of approximately $156 million, of which $122,935,000 is currently outstanding, and which declines over the term of the agreement to approximately $75 million. The ART Notes Swap Agreement and the payments relating to any termination or other fees, expenses, indemnification or other obligations to the counterparty under such agreement are subordinate to the Obligations, including the 2011 Bonds. See the Authority's financial statements for the year ended December 31, 2010, Note 8, for further discussion of these interest rate swap agreements.

In connection with future or outstanding debt, the Authority may enter into additional interest rate swap agreements, either of the fixed-to-floating rate or floating-to-fixed rate variety, which may also include forward swaps (see ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS— Outstanding Indebtedness''). The regularly scheduled payments under any such swap agreements could be either on a parity with the Obligations, including the 2011 Bonds, or subordinate to the Obligations, including the 2011 Bonds, as determined by the Authority. The payments relating to any termination or other fees, expenses, indemnification or other obligations to the counterparties under such swap agreements would be subordinate to the Obligations, including the 2011 Bonds.

The General Resolution also permits the Authority to issue bonds, notes, or any other obligations under another and separate resolution to finance a Separately Financed Project.

For a discussion of energy swap agreements entered into by the Authority, see the Authority's financial statements for the year ended December 31, 2010, Note 8.

General

The Authority has no taxing power and its obligations are not debts of the State or of any political subdivision of the State, other than the Authority. The 2011 Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority. The issuance of the 2011

Bonds will not obligate the State or any of its political subdivisions to levy or pledge the receipts from any form of taxation for the payment of the 2011 Bonds.

For a description of other provisions of the General Resolution related to the security for the Obligations, including the 2011 Bonds, see ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.''

USE OF PROCEEDS

The proceeds of the 2011 Bonds will be used to (a) refund (i) $77,215,000 of the Authority's Series 2000 A Revenue Bonds and (ii) $41,720,000 of the Authority's Series 2002 A Revenue Bonds, (b) refund up to $200,000,000 of the Authority's EMCP Notes and/or CP Notes, and (c) to pay the costs of issuance of the 2011 Bonds.

Moneys will be derived from the sources and applied to the uses approximately as set forth below:

Sources of Funds	
Principal Amount of the 2011 Bonds	
[Net Original Issue Premium]	
Available Authority Funds	
Total	
Application of Funds	
Refunding of Series 2000 A and 2002 A Revenue Bonds and EMCP Notes and/or CP Notes	
Deposit into Escrow Fund	
Financing Costs (1)	
Total	

(1) Includes costs of issuance, underwriters' discount, and State bond issuance fee.

THE 2011 BONDS

General Terms

The 2011 Bonds will be in the principal amount and will be dated, will mature at the times and in the principal amounts, will bear interest at the rates, and will be in the form of serial and term bonds, as set forth on the inside cover page of this Official Statement.

The 2011 Bonds are issuable in fully registered form in the denominations of $5,000 or any integral multiple thereof, registered only in the name of Cede & Co., as nominee of DTC (see ''PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES''). So long as the 2011 Bonds are registered in the name of Cede & Co., principal and interest will be payable solely to Cede & Co., as nominee of DTC, as the sole registered owner of the 2011 Bonds, and, except under the caption ''PART 1—TAX MATTERS,'' references herein to the registered owner or owner shall be to DTC and not the beneficial owners.

The 2011 Bonds will bear interest payable on November 15, 2011 and semiannually on each May 15 and November 15 thereafter, to the registered owners as of the close of business on the first day (whether or not a business day) of the month in which such interest payment date occurs by check or draft mailed to the address as it appears on the books of registry maintained by The Bank of New York Mellon, the Registrar pursuant to the General Resolution, at its principal corporate trust office.

[TBD-Redemption]

Optional Redemption

The 2011 Bonds will be redeemable prior to maturity at the option of the Authority on or after _____ at any time as a whole or in part as determined by the Authority, at a redemption price equal to the principal amount of the 2011 Bonds to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption

Certain 2011 Bonds will be subject to mandatory redemption through application of sinking fund installments prior to maturity in part by lot at 100% of the principal amount thereof plus accrued interest to the date of redemption, on the date and in the amounts of the sinking fund installments shown on the following schedule:

In the event that a principal amount of 2011 Bonds of any maturity is deemed to be no longer Outstanding, except by mandatory redemption pursuant to the preceding paragraph, such principal amount shall be applied to reduce the remaining sinking fund installments for such 2011 Bonds, and in such order of maturity, as may be determined by the Authority.

Selection of 2011 Bonds to be Redeemed

In the event that less than all of the 2011 Bonds of a maturity are redeemed, the 2011 Bonds of such maturity to be redeemed will be selected by the Trustee in such manner as the Trustee shall deem appropriate and fair. In such event, for so long as a book-entry-only system is in effect with respect to the 2011 Bonds, DTC or its successor, and direct and indirect DTC participants, will determine the particular ownership interests of 2011 Bonds of such maturity to be redeemed. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to make such determination will not affect the sufficiency or the validity of the redemption of 2011 Bonds to be redeemed (see ‘‘PART 1—APPENDIX B—BOOKENTRY-ONLY SYSTEM PROCEDURES’’).

Notice of Redemption

For so long as a book-entry-only system is in effect with respect to the 2011 Bonds, notice of redemption of 2011 Bonds to be redeemed is to be mailed, not less than 30 days nor more than 45 days prior to the redemption date, to DTC or its nominee or its successor. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to notify a beneficial owner of a 2011 Bond of any redemption will not affect the sufficiency or the validity of the redemption of the 2011 Bonds to be redeemed (see ‘‘PART 1—APPENDIX B—BOOK-ENTRY-ONLY SYSTEM PROCEDURES’’).

Neither the Authority nor the Trustee can give any assurance that DTC or its successor, or direct or indirect DTC participants, will distribute such redemption notices to the beneficial owners of the 2011 Bonds, or that they will do so on a timely basis.

[DESCRIPTION OF CREDIT ENHANCMENT FACILITY, IF ANY]

TAX MATTERS

[To be revised based upon number of series, etc.]

Opinions of Bond Counsel Relating to 2011 Bonds

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing

statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2011 A Bonds (the "Tax Exempt Bonds") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Tax Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Tax Exempt Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax Exempt Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the 2011 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), and the 2011 Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2011 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2011 Bonds, or under state and local tax law.

Series 2011 A Bonds (the "Tax Exempt Bonds")

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Tax Exempt Bonds in order that interest on the Tax Exempt Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax Exempt Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Tax Exempt Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted under the General Resolution to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Tax Exempt Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Tax Exempt Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Tax Exempt Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Tax Exempt Bonds.

Prospective owners of the Tax Exempt Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and

casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Tax Exempt Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Tax Exempt Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the ''issue price'' of a maturity means the first price at which a substantial amount of the Tax Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Tax Exempt Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Tax Exempt Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Tax Exempt Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Tax Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Tax Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Tax Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax Exempt Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Tax Exempt Bonds under Federal or state law and could affect the market price or marketability of the Tax Exempt Bonds. Prospective purchasers of the Tax Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

Series 2011 B Bonds (Federally Taxable)

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of the Series 2011 B Bonds (the "Taxable Bonds") by original purchasers of the Taxable Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Taxable Bonds will be held as "capital assets"; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a "hedge" or "straddle", holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Taxable Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount ("OID") is greater than a statutorily defined *de minimis* amount, a holder of a Taxable Bond must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Taxable Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting.

"OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price". For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the Taxable Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest", provided by such Taxable Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "*de minimis* amount" is an amount equal to 0.25 percent of the Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Taxable Bond using the constant-yield method, subject to certain modifications.

Original Issue Premium

In general, if a Taxable Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Taxable Bond other than "qualified stated interest" (a "Taxable Premium Bond"), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder's basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Taxable Bond.

The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the resolution of the Taxable Bonds (a "defeasance"). *See* PART 2—APPENDIX 1, SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION. For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate holders of the Taxable Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a Taxable Bond and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding may apply to holders of Taxable Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Taxable Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Taxable Bonds under state law and could affect the market price or marketability of the Taxable Bonds. Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

IRS Circular 230 Disclosure

The advice under the caption, "Series 2011 B Bonds (Federally Taxable)", concerning certain income tax consequences of the acquisition, ownership and disposition of the Taxable Bonds, was written to support the marketing of the Taxable Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel to the Authority informs you that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the Authority is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder's particular circumstances from an independent tax advisor.

[TBD-UNDERWRITING]

The Underwriters listed on the front cover page of this Official Statement, for which _____ is acting as Representative, have jointly and severally agreed, subject to certain conditions, to purchase from the Authority the 2011 Bonds described on the cover of this Official Statement at a purchase price of $_____, or approximately _____% of the aggregate principal amount of the 2011 Bonds. The purchase price reflects a net original issue [discount] of $_____ and an underwriters discount of $_____. The Underwriters will be obligated to purchase all 2011 Bonds if any are purchased.

The Underwriters have advised the Authority that the 2011 Bonds being reoffered may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such initial public offering prices. After the initial public offering, the public offering prices may be changed from time to time by the Underwriters.

CONTINUING DISCLOSURE UNDERTAKINGS FOR THE 2011 BONDS

Pursuant to a Continuing Disclosure Agreement dated the date of the closing of the 2011 Bonds, to be entered into by and between the Authority and the Trustee, the Authority will covenant, for the benefit of the holders of the 2011 Bonds, to provide certain financial information and operating data relating to the Authority by no later than nine months after the end of each of the Authority's fiscal years (presently, by each September 30) (the ''Annual Report''), and to provide notices of the occurrence of certain enumerated events with respect to the 2011 Bonds. Any filing under the Continuing Disclosure Agreement will be made solely by transmitting such filing to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system.

The specific nature of the information to be contained in the Annual Report and the notices of material events is set forth in the form of the Continuing Disclosure Agreement, which is included in its entirety in Appendix C to Part 1 of this Official Statement. The Authority's agreement will be made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12.

[TBD-CREDIT RATINGS]

[Assuming ratings have been received**]** Moody's, S&P, and Fitch have also assigned underlying ratings of ''Aa2'', ''AA–'', and ''AA'', respectively, to the 2011 Bonds.

General

The respective ratings by Moody's, S&P, and Fitch of the 2011 Bonds reflect only the views of such organizations and any desired explanation of the significance of such ratings and any outlooks or other statements given by the rating agencies with respect thereto should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, Standard & Poor's Ratings Service, 55 Water Street, New York, New York 10041, and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its ratings and outlook (if any) on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings for the 2011 Bonds will continue for any given period of time or that any of such ratings will not be revised downward or withdrawn entirely by any of the rating agencies, if, in the judgment of such rating agency or agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2011 Bonds.

LITIGATION

There is no litigation pending or threatened in any court (either State or Federal) to restrain or enjoin the issuance or delivery of the 2011 Bonds or questioning the creation, organization or existence of the Authority, the title to office of the Trustees or officers of the Authority, the validity of the General Resolution, the pledge of the Trust Estate, the proceedings for the authorization, execution, authentication and delivery of the 2011 Bonds or the validity of the 2011 Bonds.

Litigation pending against the Authority (under the jurisdiction of either State or Federal courts or agencies) or threatened against the Authority, or involving or adversely affecting any of the property or assets of or under the control of the Authority, includes, among other matters, the matters described in Appendix D to Part 1 of this Official Statement.

The Authority is unable to predict the outcome of matters described in Appendix D, as well as the other actions or proceedings referred to in this Official Statement, but believes that the Authority has meritorious defenses or positions with respect thereto. Adverse decisions or determinations of certain types could, however, delay or impede the Authority's construction and operation of its existing or planned projects and could require the Authority to incur substantial additional costs, and such decisions or determinations could also adversely affect the Authority's revenues. See ''PART 2—CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY'' for information with respect to certain other regulatory and administrative matters.

LEGALITY FOR INVESTMENT

The Act provides that the 2011 Bonds will be legal investments under present provisions of New York law for public officers and bodies of the State of New York and municipalities and municipal subdivisions, insurance companies and associations and other persons carrying on an insurance business, banks, bankers and trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies, and other persons carrying on a

banking business, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds of the State of New York; but the 2011 Bonds will not be eligible for the investment of funds, including capital, of trusts, estates or guardianships under the control of individual administrators, guardians, executors, trustees and other individual fiduciaries, except when such individual fiduciary is acting with a corporate co-fiduciary. Under the Act, the 2011 Bonds will be eligible for deposit with all public officers and bodies of the State of New York for any purpose for which the deposit of the State's obligations is or may be authorized.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization and issuance of the 2011 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. The approving opinion of Bond Counsel to be delivered with such Bonds will be in substantially the form attached to Part 1 of this Official Statement as Appendix A. Certain legal matters will be passed upon for the Underwriters by their counsel, _____. Certain legal matters are subject to the approval of Nixon Peabody LLP, Special Counsel to the Authority.

MISCELLANEOUS

The references in this Official Statement (which consists of Part 1 and Part 2) to the General Resolution, the Act, the New York Public Service Law, the Niagara Redevelopment Act, the Federal Power Act, the Internal Revenue Code of 1986, as amended, certain legislation and court and Federal Energy Regulatory Commission decisions, orders and other actions, the licenses, certifications and permits and certain contracts and leases are brief summaries and outlines of certain portions or provisions thereof. Such summaries and outlines do not purport to be complete, and reference is made to such documents, legislation, decisions, laws, licenses and contracts for full and complete statements of such portions or provisions. Copies of such documents are on file at the offices of the Authority. All estimates and opinions presented herein are intended only as such and not as representations of fact.

The agreements with the Owners of the 2011 Bonds are fully set forth in the General Resolution. This Official Statement does not constitute and is not intended to constitute a contract between the Authority and any Owner of any 2011 Bond.

All inquiries to the Authority relating to this Official Statement should be addressed to Brian C. McElroy, Treasurer, Power Authority of the State of New York, 123 Main Street, White Plains, New York 10601 (telephone number: 914-287-3956).

The delivery of this Official Statement has been duly authorized by the Authority.

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
President and Chief Executive Officer

September __, 2011

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APPENDIX A

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP WITH RESPECT TO THE 2011 BONDS [Subject to HDW]

September __, 2011

Power Authority of the State of New York
123 Main Street
White Plains, New York 10601

Ladies and Gentlemen:

We have examined a certified copy of a record of proceedings relating to the issuance of Revenue Bonds, Series 2011 A ("2011 A Bonds") in the principal amount of $_____ and Revenue Bonds, Series 2011 B ("2011 B Bonds", such Series and collectively with the 2011 A Bonds referred to as the "2011 Bonds") of the Power Authority of the State of New York (the ''Authority''), a body corporate and politic constituting a corporate municipal instrumentality and political subdivision of the State of New York (the ''State'').

The 2011 Bonds are issued under and pursuant to the Constitution and statutes of the State, including the Power Authority Act, being Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended (herein called the ''Act''), and under and pursuant to proceedings of the Authority duly taken, including a resolution of the Authority adopted on February 24, 1998, entitled ''General Resolution Authorizing Revenue Obligations'' (the ''General Resolution''), as supplemented by an Amended and Restated Ninth Supplemental Resolution adopted on July 26, 2011 (the ''Supplemental Resolution'', and together with the General Resolution, the ''Resolution'').

The 2011 Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution.

The Authority reserves the right to issue additional bonds, notes and other obligations as parity obligations under the Resolution (collectively with the 2011 Bonds and all other outstanding parity obligations under the Resolution, the ''Revenue Bonds'') on the terms and conditions, and for the purposes, stated in the Resolution. Under the provisions of the Resolution, all such Revenue Bonds will rank equally as to security and payment with the 2011 Bonds.

We are of the opinion that:

1. The Authority is duly created and validly existing under the provisions of the Act.

2. The Authority has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the General Resolution, is authorized or permitted by the General Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Trust Estate (as defined and to the extent provided in the Resolution), subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The 2011 Bonds have been duly and validly authorized and issued in accordance with law and in accordance with the Resolution, and are valid, binding, direct and general obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Act, payable solely from the Trust Estate as and to the extent provided in the Resolution. The Authority has good right and lawful authority under the Act to effectuate the purposes for which the proceeds of such Bonds will be utilized, subject to obtaining such licenses, orders or other authorizations, if any, as, at the date hereof, may be required to be obtained from any agency or regulatory body having lawful jurisdiction in order to effectuate such purposes. The Authority has no taxing power, the Bonds are not debts of the State or of any political subdivision of the State, other than the Authority, and the Bonds will not constitute a pledge of the faith and credit of the State or of any political subdivision thereof, other than the Authority.

4. Under existing statutes, interest on the 2011 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York) and the 2011 Bonds are exempt from all taxation directly imposed thereon by or under the authority of the State, except estate or gift taxes and taxes on transfers.

5. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2011 A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the ''Code''), and (ii) interest on the 2011 A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering the opinions in this paragraph 5, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the 2011 Bonds, and we have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2011 A Bonds from gross income under Section 103 of the Code.

6. The original issue discount on the 2011 A Bonds, if any, that has accrued and is properly allocable to the owners thereof under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2011 A Bonds.

7. Interest on the 2011 B Bonds is wholly includable in the gross income of the owners thereof for Federal income tax purposes.

The opinions expressed in paragraphs 1, 2 and 3 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as expressly stated herein, we express no opinion regarding any other Federal or state tax consequences with respect to the 2011 Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2011 Bonds, or under state and local tax law.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the 2011 Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority, other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2011 Bonds.

We render this opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise, or supplement this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

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BOOK-ENTRY-ONLY SYSTEM PROCEDURES

The information contained in the following paragraphs (1)-(11) of this Appendix has been extracted from a schedule prepared by The Depository Trust Company (''DTC''), entitled ''SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE.'' The Authority makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

1. The Depository Trust Company (''DTC''), New York, NY, will act as securities depository for the 2011 Bonds. The 2011 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the 2011 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity of the 2011 Bonds exceeds $500 million, one Bond of such maturity will be issued with respect to each $500 million of principal amount, and an additional Bond will be issued with respect to any remaining principal amount of such maturity.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a ''banking organization'' within the meaning of the New York Banking Law, a member of the Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code, and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (''Direct Participants'') deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (''DTCC''). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (''Indirect Participants''). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2011 Bond (''Beneficial Owner'') is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2011 Bonds, except in the event that use of the book-entry system for the 2011 Bonds is discontinued.

4. To facilitate subsequent transfers, all 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2011 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2011 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2011 Bond documents. For example, Beneficial Owners of 2011 Bonds may wish to ascertain that the nominee holding the 2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2011 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the 2011 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and correspondingly detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in ''street name,'' and will be the responsibility of such Participant and not of DTC nor its nominee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the 2011 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, 2011 Bond certificates are required to be printed and delivered.

10. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2011 Bond certificates will be printed and delivered.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY, THE TRUSTEE UNDER THE GENERAL RESOLUTION NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT OR TIMELINESS OF PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE 2011 BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2011 BONDS.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the ''Agreement'') dated September __, 2011 by and between the Power Authority of the State of New York (the ''Issuer'') and The Bank of New York Mellon, as trustee (the ''Trustee'') under a resolution adopted by the Issuer on February 24, 1998, as supplemented (the ''Resolution''), is executed and delivered in connection with the issuance of the Issuer's $_____ principal amount of Series 2011 A Bonds and Series 2011 B Bonds (collectively, the "Bonds"). Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. *Purpose.* This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. *Annual Financial Information.* (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2011, by no later than nine months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. *Audited Financial Statements.* If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. *Notice Events.* (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Trustee.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

(d) Each notice concerning a Notice Event relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event relates or, if the Notice Event relates to all bond issues of the Issuer including the Bonds, such notice need only include the CUSIP number of the Issuer.

Section 1.5. *Additional Disclosure Obligations.* The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some

circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.6. *Additional Information.* Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.7. *No Previous Non-Compliance.* The Issuer represents that it has previously entered into written contracts or agreements of the type referenced in paragraph (b)(5)(i) of the Rule and is in compliance with such agreements.

ARTICLE II

Operating Rules

Section 2.1. *Reference to Other Filed Documents.* It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. *Submission of Information.* Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. *Dissemination Agents.* The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.4. *Transmission of Notices, Documents and Information.* (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org. (b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. *Fiscal Year.* (a) The Issuer's current fiscal year is January 1-December 31, and the Issuer shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. *Effective Date; Termination.* (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance of all of the Bonds, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. *Amendment.* (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee) and acceptable to the Issuer, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to the Resolution as in effect at the time of the amendment, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and Trustee, to the effect that performance by the Issuer and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, or the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal

year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. *Benefit; Third-Party Beneficiaries; Enforcement*. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and the Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. *Definitions*. The following terms used in this Agreement shall have the following respective meanings:

(1) ''Annual Financial Information'' means, collectively, (I)(a) the following financial information and operating data contained in the Official Statement for each fiscal year of the Issuer, as follows: (i) net revenue and expense data of the type set forth in Part 2 of the Official Statement under the heading ''CERTAIN FINANCIAL AND OPERATING MATTERS—Historical Net Income'', specifically under the table ''Summary Statements of Net Income'', and (ii) outstanding indebtedness of the Issuer set forth in Part 2 of the Official Statement under the heading ''CERTAIN FINANCIAL AND OPERATING MATTERS—Outstanding Indebtedness''; (b) generation, energy purchases, and power and energy sales of the Authority

set forth in Part 2 of the Official Statement under the heading ‘‘POWER SALES’’, specifically under the table ‘‘Generation, Energy Purchases, and Power and Energy Sales 2010’’; and (c) capacity factors or availability factors information by unit; and (II) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1) of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) ‘‘Audited Financial Statements’’ means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Issuer may, if permitted by GAAP, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific provision describing such accounting principles, or other description thereof.

(3) ‘‘Counsel’’ means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) ‘‘GAAP’’ means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(6) ‘‘Notice Event’’ means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes.

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(xiii) the consumption of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional Trustee or the change of name of a Trustee, if material.

(7) ‘‘Official Statement’’ means the Official Statement dated September __, 2011, of the Issuer relating to the Bonds.

(8) ‘‘Rule’’ means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, ss.240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(9) ‘‘SEC’’ means the United States Securities and Exchange Commission.

(10) ‘‘State’’ means the State of New York.

(11) ‘‘Unaudited Financial Statements’’ means the same as Audited Financial Statements, except that they shall not have been audited.

(12) ‘‘Underwriters’’ means, collectively, _____
_____.

ARTICLE V Miscellaneous

Section 5.1. *Duties, Immunities and Liabilities of Trustee.* Article VII of the Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Resolution.

Section 5.2. *Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives all as of the date first above written.

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____
An Authorized Representative

THE BANK OF NEW YORK MELLON, as Trustee

By: _____

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APPENDIX D

LITIGATION

Land Claims

(a) *Canadian St. Regis Band of Mohawk Indians (the ''Band''), et al., and the St. Regis American Mohawk Tribe (the ''Tribe''), et al. v. State of New York, et al.,* U.S. District Court, Northern District, New York.

In 1982 and again in 1989, several groups of Mohawk Indians, including a Canadian Mohawk tribe, 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 Barnhart Island is the location of significant Project facilities. Settlement discussions were held periodically between 1992 and 1998. In 1998, the Federal government intervened on behalf of all Mohawk plaintiffs.

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

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

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

Thereafter, settlement discussions produced a land claim settlement, which if implemented would include, among other things, the payment by the Authority of $2 million per 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 three tribal entities voted to approve the settlement, which was executed by them, the Governor and the Authority on February 1, 2005. The settlement also required, among other things, Federal and State legislation to become effective. Litigation in the case had been stayed to permit time for passage of such legislation and thereafter to await decisions of appeals in two relevant New York land claims litigations (''Cayuga'' and ''Oneida'') to which the Authority is not a party.

The legislation was never enacted and once the Oneida and Cayuga appellate decisions were issued in 2005 and 2006, respectively, efforts to obtain legislative approval for the settlement ceased. Because these appellate decisions dismissed land claims by the Cayugas and Oneidas based on the lengthy delay in asserting such claims (i.e., the defense of laches), on November 26, 2006, the defense in the St. Regis litigation moved to dismiss the three Mohawk 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

and further briefing occurred. By order dated May 16, 2008, U.S. Magistrate Low granted the defense motion to stay all proceedings until the U.S. Court of Appeals for the Second Circuit issued its decision in the Oneida case, one raising similar laches issues.

On August 9, 2010, the Second Circuit issued a decision in the Oneida case, thereby lifting the stay of this litigation. The Second Circuit, in that 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.

Project Operations, Power Sales and Related Matters

(b) *Niagara County et al. v Power Authority of the State of New York et a. (Niagara County Supreme Court)*

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 two temporary asset transfers made by the Authority to the State totaling $318 million and two voluntary contributions made by the Authority to the State totaling $226 million (except as such contributions relate to the Power for Jobs Program). 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 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. That 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 have opposed that motion. A decision on petitioners' motion is pending.

Environmental Matters

(c) There are a number of claims currently pending in the environmental area, including claims under the Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, where the DEC, the United States Environmental Protection Agency or private plaintiffs have alleged that the Authority is responsible for all or a portion of the clean-up costs or for personal injuries or damages as a result of the alleged release or deposit of hazardous substances. While the Authority cannot presently predict

the costs of such pending claims, or additional similar claims which may arise in the future, it does not believe that such claims individually or in the aggregate will materially adversely affect its financial position.

(d) State Pollutant Discharge Elimination System Permit

A renewed New York State Pollutant Discharge Elimination System (''SPDES'') permit was issued for the Authority's Blenheim-Gilboa Project in October 2002. This permit renewed the previously issued permits for the plant, including certain provisions of the permit that the Authority requested be eliminated as a permit condition. Particularly, the Authority had objected to a requirement that it file an application for a SPDES permit for the discharge from the plant's upper reservoir to its lower reservoir on the ground that the plant's Federal license obviated the need for such a permit. Subject to further administrative or judicial review, should the Authority's objection be finally denied, such circumstances could adversely impact operation of the facility by subjecting water flows at the plant to State regulation, which could affect power generation.

(e) American Eel litigation in Canada

In April 2007, a number of fishermen and fishing companies from Ontario, Canada, filed a lawsuit in Ontario Superior Court of Justice against Hydro Quebec, Ontario Power Generation, and the Authority. Plaintiffs allege, among other things, that hydroelectric facilities, including the St. Lawrence-FDR Project, have caused a decline in the American Eel population which has unreasonably interfered with plaintiffs' fishing licenses. In 2004, the Ontario Ministry of Natural Resources reduced the quota for American Eel fishing to zero. The lawsuit seeks $5 million in damages plus certain interest, costs, and taxes. Hydro Quebec has accepted service of the complaint, is defending the action, and has filed a demand for particulars. The Authority is represented by Canadian counsel in the matter but has not been served with the complaint.

Miscellaneous

Actions or claims against the Authority are pending for the taking of property in connection with its projects, for negligence, for personal injury (including asbestos-related injuries) for environmental matters, in contract and for other matters, all of which will in the opinion of the Authority be disposed of within the amounts of the Authority's insurance coverage, where applicable, or the amounts which the Authority has available therefore and without any material adverse effect on the business of the Authority.

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PART 2

of the

OFFICIAL STATEMENT

of the

POWER AUTHORITY OF THE STATE OF NEW YORK

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TABLE OF CONTENTS FOR PART 2

Page

THE AUTHORITY 2-1
Management 2-1
Executive Management Committee 2-2
CERTAIN FINANCIAL AND OPERATING MATTERS 2-3
Historical Net Income 2-3
Management's Discussion of Financial Results and Operations 2-3
Financial Results and Operations—2010 vs. 2009 2-3
Summary 2-3
Operating Revenues 2-4
Purchased Power and Fuel 2-4
Operations and Maintenance 2-4
New License for the Niagara Project 2-4
500-MW Plant and Cessation of Operation of Poletti Plant 2-5
New Astoria Energy II Plant 2-5
Hudson Transmission Partners, LLC Project 2-5
Certain SENY Governmental Customer Long-Term Agreements 2-5
Recent Legislation Relating To Authority Power Allocation Programs 2-5
Public Authority Reform Legislation 2-6
State Pension Plan and Other Postemployment Benefits 2-6
Hydroelectric Power Curtailment 2-7
Outstanding Indebtedness 2-7
Projected Capital and Financing Requirements and Other Potential Initiatives 2-8
Voluntary Contributions to the State General Fund 2-9
Temporary Transfer of Funds to State 2-9
Payments to the State Office of Parks, Recreation and Historic Preservation 2-10
Energy Risk Assessment and Control Activities 2-10
Security Matters 2-11
Nuclear Plant Sale Matters 2-11
NEW YORK INDEPENDENT SYSTEM OPERATOR 2-11
New York Independent System Operator Arrangement 2-11
NYISO Market Procedures 2-12
Certain Authority Plant Outage Risks 2-13
NYISO Mitigation Measures 2-14
NYISO Capacity Requirements Matters 2-15
POWER SALES 2-16
Marketing Issues and Developments 2-17
St. Lawrence-FDR and Niagara 2-23
Blenheim-Gilboa 2-25
Sales of Purchased Power and Energy for Industrial Power 2-26
SENY Governmental Customers 2-27
500-MW Plant 2-28
Small Clean Power Plants 2-28
Flynn 2-28

Page

TRANSMISSION SERVICE 2-28
Cable Agreement 2-29
ENERGY SERVICES 2-29
THE AUTHORITY'S FACILITIES 2-31
Generation 2-31
General Information 2-31
St. Lawrence-FDR 2-31
St. Lawrence-FDR Relicensing 2-31
St. Lawrence-FDR Modernization Program 2-32
Niagara 2-32
Niagara Relicensing 2-33
Blenheim-Gilboa 2-36
500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant 2-36
SCPPs 2-37
Flynn 2-38
Small Hydroelectric Facilities 2-38
The Authority's Transmission System 2-38
Long Island Sound Cable 2-39
Tri-Lakes Transmission Reinforcement Project 2-39
Certain Operating Information 2-39
Fuel Supply 2-40
Flynn, 500-MW Plant, SCPPs, and Astoria Energy II 2-40
Gas Transportation and Supplies 2-40
LEGISLATION AFFECTING THE AUTHORITY 2-40
EXECUTIVE ORDER NO. 111 2-42
CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY 2-43
The Electric Utility Industry Generally 2-43
Energy Policy Act of 1992 2-43
Federal Initiatives under the Energy Policy Act of 1992 2-43
Energy Policy Act of 2005 2-43
North American Electric Reliability Corporation ("NERC") Reliability Standards 2-44
Dodd-Frank Act 2-44
New York State Electric Utility Industry Restructuring Matters 2-45
Development of a Competitive Market for Electricity in New York 2-45
National Grid 2-45
Con Edison 2-46
NYSEG 2-46
New York City and Long Island Local Reliability Rule 2-46
Environmental 2-46
Other Factors 2-47
Effects on the Authority 2-48
REGULATION 2-49
New York State 2-49
Federal 2-50
Appendix 1—Summary of Certain Provisions of the General Resolution ..... App. 1-1
Appendix 2—Backgrounds of the Authority's Trustees and Certain Senior Management Staff ..... App. 2-1

PART 2
of the
OFFICIAL STATEMENT
of the
POWER AUTHORITY OF THE STATE OF NEW YORK
$___,___,000
REVENUE BONDS
$___,___,000 Series 2011 A
$___,___,000 Series 2011 B (Federally Taxable)

THE AUTHORITY

The Power Authority of the State of New York (the ''Authority'') is a corporate municipal instrumentality and political subdivision of the State of New York (the ''State''), created in 1931 and authorized by the Power Authority Act of the State of New York (the ''Act'') to help provide a continuous and adequate supply of dependable electric power and energy to the people of New York State. Pursuant to the Act, the Authority is authorized to undertake the construction of such hydroelectric or energy storage projects as it deems necessary or desirable to contribute to the adequacy, economy and reliability of the supply of electric power and energy available in its service area or to conserve fuel, and such baseload nuclear generating facilities or other facilities using new energy technologies as in its judgment are necessary to make optimum use of its St. Lawrence-FDR and Niagara facilities, to attract and retain industry and to supply the future needs of the Authority's municipal and rural electric cooperative customers. The Authority is further authorized, among other things, to construct and/or acquire and complete such baseload generating, transmission and related facilities as it deems necessary or desirable to assist in maintaining an adequate and dependable supply of electricity to the Metropolitan Transportation Authority (''MTA''), the New York City Transit Authority, the Port Authority of New York and New Jersey (the ''Port Authority''), The City of New York, the State, the Federal government, other public corporations and electric corporations within the metropolitan area of New York City, and to provide power and energy for use by the Niagara Frontier Transportation Authority (''NFTA'') or its subsidiary corporation in the operation of a light rail rapid transit system.

Capitalized terms not otherwise defined in this Part 2 of the Official Statement have the meanings set forth in Appendix 1 to this Part 2 of the Official Statement.

Management

The Authority consists of seven Trustees appointed by the Governor of the State (the ''Governor''), with the advice and consent of the State Senate. The current Trustees are:

Trustees	Term Expires
Michael J. Townsend, Chairman	May 6, 2011*
Jonathan F. Foster, Vice Chairman	May 19, 2013
D. Patrick Curley	June 22, 2012
John S. Dyson	March 28, 2016
R. Wayne LeChase	June 5, 2014
Hon. Eugene L. Nicandri	May 19, 2013
Mark O'Luck	May 6, 2012

* Continues to serve as Trustee until his successor has been appointed by the Governor and confirmed by the State Senate.

The senior management staff of the Authority includes the following:

Richard M. Kessel, President and Chief Executive Officer;

Gil C. Quiniones, Chief Operating Officer;

Elizabeth M. McCarthy, Executive Vice President and Chief Financial Officer;

Edward A. Welz, Executive Vice President and Chief Engineer-Power Supply;

Francine Evans, Executive Vice President, Chief Administrative Officer and Chief of Staff;

Judith C. McCarthy, Acting General Counsel;

Donald A. Russak, Senior Vice President - Corporate Planning and Finance;

James F. Pasquale, Senior Vice President, Marketing and Economic Development;

Thomas P. Antenucci, Senior Vice President-Power Supply Support Services;

Steven J. DeCarlo, Senior Vice President - Transmission;

William J. Nadeau, Senior Vice President - Energy Resource Management;

Jordan Brandeis, Senior Vice President, Power Resource Planning and Acquisition;

Paul W. Belnick, Acting Senior Vice President-Energy Service and Technology;

Thomas J. Concadoro, Vice President and Controller;

Scott B. Scholten, Vice President and Chief Risk Officer; and

Brian C. McElroy, Treasurer.

See ‘‘PART 2—APPENDIX 2—BACKGROUNDS OF THE AUTHORITY’S TRUSTEES AND CERTAIN SENIOR MANAGEMENT STAFF.’’

Executive Management Committee

The Authority’s Executive Management Committee periodically reviews corporate strategies, policies and programs, and reports, with the Chairman’s concurrence, to the Board of Trustees. Currently, the Executive Management Committee includes the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and Chief Financial Officer, the Executive Vice President and Chief Engineer-Power Supply; the Executive Vice President and Chief Administrative Officer; the Acting General Counsel; and certain other members of the senior management staff of the Authority designated by the President and Chief Executive Officer.

CERTAIN FINANCIAL AND OPERATING MATTERS

The Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles. The financial statements for the years ended December 31, 2009 and December 31, 2010, were audited by KPMG LLP, independent auditors, whose reports dated March 12, 2010 and March 29, 2011, respectively expressed unqualified opinions on those statements. The financial statements for the year ended December 31, 2008 were audited by other auditors whose report dated February 26, 2009 expressed an unqualified opinion on those statements. Pursuant to continuing disclosure agreements entered into in connection with certain of the Authority's outstanding debt, the financial statements for the years ended December 31, 2008 and December 31, 2009, respectively, were filed with the then existing nationally recognized municipal securities information repositories. The financial statements for the year ending December 31, 2010 were provided to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system.

Historical Net Income

The net income of the Authority for the three years ended December 31, 2010, derived from the Statements of Revenues, Expenses and Changes in Net Assets in the financial statements of the Authority for the years ended December 31, 2010, December 31, 2009 and December 31, 2008, are summarized below:

Summary Statements of Net Income
(In millions)

	2010	2009	2008
Operating revenues	$2,568	$2,595	$3,185
Operating expenses			
Purchased power……	931	905	1.242
Fuel……	224	366	615
Operations and maintenance……	443	438	456
Wheeling……	528	436	388
Depreciation……...	163	164	173
Total operating expenses……	2,289	2,309	2,874
Operating income	279	286	311
Nonoperating revenues……	138	132	164
Nonoperating expenses…….	236	165	176
Net income	$181	$253	$299

Management's Discussion of Financial Results and Operations

For a more complete statement of management's discussion and analysis, see pages 22-30 of the Authority's financial statements for the year ended December 31, 2010.

Financial Results and Operations—2010 vs 2009

Summary

The Authority had net income of $181 million in the year 2010, compared to $253 million in 2009. This $72 million decrease in net income is primarily due to higher nonoperating expenses ($65 million) as a result of higher voluntary contributions to New York State. Operating income was slightly lower ($7 million) than the prior year. Lower fuel costs and higher purchased power expenses in 2010 were substantially attributable to changes in resources utilized to serve the Authority's Southeast New York

(SENY) Governmental Customers necessitated by the cessation of operations of the Authority's Poletti plant on January 31, 2010. Wheeling expenses increased due to a Con Edison rate increase for delivery service to the SENY Governmental Customers. The majority of these cost variations were offset through revenues as they were reflected in customer rates. Nonoperating revenues increased by $6 million in 2010 including an increased mark-to-market adjustment for investments in 2010 due to lower market interest rates partially offset by lower realized investment income.

During 2010, long-term debt decreased by $118 million, or 7%, primarily due to scheduled maturities and cash funding of capital expenditures. Interest expense was $6 million lower than 2009 primarily due to decreases in interest rates on short-term debt. During the period 2000 to 2010, the Authority reduced its total debt/equity ratio from 1.48 to 0.65.

Operating Revenues

Operating revenues of $2,568 million in 2010 were $27 million or 1% lower than the $2,595 million in 2009, primarily due to lower market-based sales significantly offset by an increase in customer revenues related to the pass-through of increased wheeling charges. Market-based sales were lower mainly due to lower generation from the Niagara plant due to lower lake levels.

Purchased Power and Fuel

Purchased power costs increased by 3% in 2010 to $931 million from $905 million in 2009, primarily due to changes in the resources utilized to serve the SENY governmental customers necessitated by the cessation of operation of the Authority's Poletti plant on January 31, 2010. Fuel costs were $142 million (39%) lower during 2010, also primarily due to discontinued operations at Poletti.

Operations and Maintenance

O&M expenses increased by $5 million or 1% in 2010 to $443 million primarily due to expenditures relating to the North Country stimulus program at St. Lawrence ($9 million) and the Industrial Incentive Award program at Niagara ($6 million) which were partly offset by lower maintenance at the fossil fuel facilities due to the Poletti plant closure and less emergent work at the Small Clean Power Plants.

New License for the Niagara Project

By order issued March 15, 2007, the Federal Energy Regulatory Commission (''FERC'') issued the Authority a new, 50-year license for the Niagara Project effective September 1, 2007. In doing so, FERC approved six relicensing settlement agreements entered into by the Authority with various public and private entities. By decision dated March 13, 2009, the U.S. Court of Appeals for the District of Columbia Circuit denied a petition for review of FERC's order filed by certain entities, thereby concluding all litigation involving FERC's issuance of the new license. The Authority currently expects that the costs associated with the relicensing of the Niagara Project will be at least $495 million (2007 dollars) over a period of 50 years, which includes $50.5 million in administrative costs associated with the relicensing effort and does not include the value of certain power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. Of the $495 million, approximately $184 million has already been spent. The costs associated with the relicensing have been incorporated into the cost-based rates of the Project beginning in 2007. See ''PART 2—THE AUTHORITY'S FACILITIES—Generation—*Niagara Relicensing.*''

500-MW Plant and Cessation of Operation of Poletti Plant

The Authority's 500-MW Plant entered into commercial operation on December 31, 2005 at a cost of approximately $745 million. In connection with the licensing of that facility, the Authority executed an agreement that resulted in the cessation of operation of its Poletti generating plant (which had entered into service in 1977) on January 31, 2010 (see ''PART 2—THE AUTHORITY'S FACILITIES—Generation—*500-MW Combined-Cycle Electric-Generating Plant'').*

New Astoria Energy II Plant

Following a request for proposals issued in November 2007, the Authority entered into a long-term electricity supply agreement with Astoria Energy II LLC in 2008 for the purchase of the output of a natural-gas fueled generating plant proposed to be constructed in Astoria, Queens to serve the needs of the Authority's NYC Governmental Customers. Construction of the new 550-MW plant ("Astoria Energy II plant") has been completed and it entered into commercial operation on July 1, 2011. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (8)."

Hudson Transmission Partners, LLC Project

Following a request for proposals issued by the Authority in March 2005 in connection with long-term supply requirements of its NYC Governmental Customers, 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. Construction of the transmission line commenced in May 2011 and completion of construction is expected to be in the summer of 2013. See "PART 2—POWER SALES—Marketing Issues and Developments—Item (9)."

Certain SENY Governmental Customer Long-Term Agreements

The Authority and its major governmental customers in New York City (''NYC Governmental Customers''), including the MTA, The City of New York, the Port Authority, the New York City Housing Authority, and the New York State Office of General Services, have entered into long-term agreements (the ''2005 Agreements''). Under the 2005 Agreements, the NYC Governmental Customers have 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 provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply the NYC Governmental Customers and, under certain limited conditions, on one year's notice. For a discussion of the 2005 Agreements, see ''PART 2—POWER SALES—Marketing Issues and Developments—Item (1).''

Recent Legislation Relating To Authority Power Allocation Programs

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, to replace and expand upon the Authority's Power for Jobs and Energy Cost Savings Benefits programs. The new program 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 (see "PART 2—POWER SALES—Marketing Issues and Developments—Item (4)"). Also, legislation enacted into law in August 2010 establishes a Western New York Economic Development Fund Benefit program which is to be funded from proceeds of the Authority's sale into the wholesale market of certain unallocated, relinquished, or withdrawn Expansion Power and Replacement Power

(see "PART 2—POWER SALES—Marketing Issues and Developments—Item (5)").

Public Authority Reform Legislation

The ''Public Authorities Accountability Act of 2005'' (''PAAA'') was signed into law in January 2006 and its various provisions address public authority reporting, governance, budgeting, oversight, and auditing matters, among other things. Additional public authority reform legislation took effect on March 1, 2010 which provides, among other things, for State Senate approval of certain authorities' chief executive officers, including the Authority, and also provides the State Comptroller with discretionary authority to review and approve certain contracts entered into by public authorities, including the Authority. See ''PART 2—LEGISLATION AFFECTING THE AUTHORITY''.

State Pension Plan and Other Postemployment Benefits

The Authority and substantially all of its employees participate in the New York State and Local Employees' Retirement System ("ERS") and the Public Employees' Group Life Insurance Plan ("Plan"). These are cost-sharing, multiple-employer defined benefit retirement plans. The ERS and the Plan provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the State Comptroller serves as sole trustee and administrative head of the ERS and the Plan. The ERS is contributory except for employees who joined the ERS on or prior to July 27, 1976. Employees who joined between July 28, 1976 and December 31, 2009 and have less than ten years of service contribute 3% of their salary. Employees who join the ERS on or after January 1, 2010 contribute 3% of their salary during their entire length of service. Pursuant to the NYSRSSL, the State Comptroller certifies annually the rates expressed as proportions of payroll of members, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Authority is required to contribute to the ERS and the Plan at an actuarially determined rate. The required contributions for 2010, 2009 and 2008 were $17.1 million, $9.6 million and $11.8 million, respectively. The Authority's contributions made to the ERS were equal to 100% of the contributions required for each year. During 2008, the global decline in financial markets adversely impacted state pension investment market values including the ERS. The average contribution rates for the fiscal years ended March 31, 2011 and 2012 were fixed at approximately 10% and 16%, respectively. If ERS's investment market values do not recover, significant increases in the annual contributions to ERS in subsequent years are expected.

Regarding the Authority's Other Postemployment Benefits (''OPEB'') obligations, the Authority provides certain health care and life insurance benefits for eligible retired employees and their dependents under a single employer non-contributing (except for certain life insurance coverage) health care plan. Employees and/or their dependents become eligible for these benefits when the employee has at least 10 years of service and retires or dies while working at the Authority. Approximately 4,000 participants, including 1,600 current employees and 2,400 retired employees and/or spouses and dependents of retired employees, were eligible to receive these benefits at December 31, 2010.

Through 2006, OPEB provisions were financed on a pay-as-you-go basis and the plan was unfunded. In December 2006, the Authority's Trustees authorized staff to initiate the establishment of a trust for OPEB obligations, with the trust fund to be held by an independent custodian. Prior to 2009, the Authority funded the trust with contributions totaling $225 million. At the time the trust fund was created, the Authority indicated that it would evaluate the performance of the fund before making decisions on additional actions. The Authority did not make any contributions to the trust fund in 2010 or 2009 but continued to pay for retiree

benefits from cash from operations. The Authority's most recent actuarial evaluation was performed as of January 1, 2010 and reported an actuarial accrued liability of $400 million which was funded with assets with an actuarial value of $218 million resulting in the Authority's retiree health plan to be 55% funded as of that date. As of June 30, 2011, the value of the OPEB trust fund totaled [$255] million.

The OPEB trust assets and all income therefrom do not and will not form part of the Trust Estate, and the 2011 Bonds are not and will not be payable from or secured by the OPEB trust.

For a further discussion of these matters, see the Authority's financial statements for the year ended December 31, 2010, Note 9 and Required Supplementary Information.

Hydroelectric Power Curtailment

Beginning in 1999 and continuing through 2003, below average water levels in the Great Lakes reduced the amount of water available to generate power at the Authority's Niagara and St. Lawrence-FDR Projects, thereby requiring the periodic curtailment of electricity supplied to the Authority's customers from these Projects (see ''PART 2—POWER SALES—St. Lawrence-FDR and Niagara''). Flow conditions thereafter improved and hydroelectric generation levels have since returned to near long-term average, although such curtailment was required in two months in 2005. Since 2004, generation levels have largely remained within approximately 5% of long-term average with 2011 generation levels again expected to be near average levels. Below average water levels in the Great Lakes were experienced during the 1920s, the 1930s, the 1960s, and the early 2000s.

Outstanding Indebtedness

As of June 30, 2011, the total outstanding indebtedness of the Authority consisting of Revenue Bonds issued under the General Resolution Authorizing Revenue Obligations, adopted February 28, 1998, as amended and supplemented (the ''General Resolution''), the Adjustable Rate Tender Notes (''ART Notes''), the Authority's Commercial Paper Notes (''CP Notes''), and the Extendible Municipal Commercial Paper Notes (''EMCP Notes'') was $1,870,214,000. After the issuance of the Series 2011 Bonds and the application on _____, 2011 of the proceeds thereof to the refunding of $77.215 million of the Series 2000 A Revenue Bonds, $41.720 million of the Series 2002 A Revenue Bonds, and $175,000,000 of EMCP Notes and/or CP Notes, the Authority will have outstanding (i) senior indebtedness of approximately $_____, consisting of $_____ in Revenue Bonds and $122,935,000 of ART Notes, and (ii) approximately $_____ of Subordinated Indebtedness, as defined in the General Resolution, consisting of the CP Notes and the EMCP Notes.

Additionally, for a discussion of certain interest rate and energy swap agreements that the Authority has entered into and may enter into, see ''PART 1—SECURITY FOR THE 2011 BONDS—Additional Debt Issuance.''

The Authority has entered into two revolving credit agreements with banks to provide liquidity support for the Series 1-3 CP Notes and the ART Notes. The agreement relating to the CP Notes provides for the Authority to borrow up to $550 million; the agreement terminates on January 20, 2014. The agreement relating to the ART Notes provides for the Authority to borrow up to $122.935 million and such agreement terminates on September 1, 2015. The Authority's obligation to reimburse the respective banks for any borrowing therefrom pursuant to the revolving credit agreements constitutes Parity Debt in the case of borrowings relating to the ART Notes, and Subordinated Indebtedness in the case of borrowings relating to the CP Notes. Any other payments under such revolving credit agreements will constitute Subordinated Contract Obligations.

Projected Capital and Financing Requirements and Other Potential Initiatives

The Authority currently estimates that it will expend approximately $998 million for various capital improvements over the five-year period 2011-2015, some of which have already been made as of the date of this Official Statement. The Authority anticipates that these expenditures will be funded by existing construction funds, customer receipts, internally generated funds, and additional borrowings of approximately $___ million during the period 2011-2015. It is anticipated that such borrowings will be used to fund costs associated with the modernization of the Lewiston Pump-Generating Plant at the Niagara Project, and an upgrade of the Moses Adirondack Transmission Lines 1 and 2 (see "PART 2—THE AUTHORITY'S FACILITIES—Generation—Niagara"; "PART 2—THE AUTHORITY'S FACILITIES—The Authority's Transmission System").

The Authority's projected capital requirements for the period 2011-2015 are set forth below:

Projects	**Estimated Total Expenditures Over 5-Year Period 2011-2015 (in millions)**
Plant Modernization (Lewiston Pump, St. Lawrence)	$ 230
Moses Adirondack 1 and 2 Transmission Line	110
Switchyard Modernization Program	94
Transmission Initiative	84
Relicensing Compliance/Implementation	57
Niagara Stator Rewind and Restack Project	39
IT Initiatives	24
Niagara Unit 2 and 13 Standardization	22
Fleet	16
500-MW Plant Upgrades	9
Other (projects less than $9 million)	313
Total	$ 998

In addition, the Authority's capital plan includes the provision of $1.05 billion in financing for energy service projects to be undertaken by the Authority's governmental customers and other public entities in the State (see "PART 2—ENERGY SERVICES"). The Authority has several other potential initiatives in varying stages of review and/or development which if they come to fruition will involve significant additional capital and/or operating expenses. These initiatives include the transmission line between Bergen County, New Jersey and midtown Manhattan currently under construction by HTP for which the Authority has entered into a firm transmission capacity purchase agreement; consideration of two off-shore wind generating facilities, one in the New York waters of the Great Lakes and the other in the Atlantic Ocean off of Long Island; and the potential development of 100 MW of solar photovoltaic systems throughout the State. See "PART 2—POWER SALES—Marketing Issues and Development—Items (9), (10), (11), (12)."

The construction costs of any other future facilities or any other improvements to existing facilities may be financed with the proceeds of additional Obligations, as defined in the General Resolution (see ''PART 2—APPENDIX 1—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION''), or other debt issued by the Authority or through the use of existing construction funds or internal sources.

The Authority may issue additional Obligations under the General Resolution or additional Subordinated Indebtedness, as defined in the General Resolution, under subordinate resolutions for any purpose of the Authority authorized by the Act or other then-applicable State statutory provision. The principal amount of the Obligations or Subordinated Indebtedness which may be issued under the General Resolution or under subordinate resolutions, respectively, is not limited, and there is no debt service coverage or historical or projected earnings test that must be satisfied as a precondition to any such issuance. If Obligations are issued to finance a project (other than a Separately Financed Project as defined in the General Resolution), then the revenues from such project would be part of the Trust Estate, as defined in the General Resolution. The Authority may also determine to finance an additional project from internal funds, from bank borrowings, from bonds, notes or other obligations issued pursuant to a resolution other than the General Resolution, or from other sources; if such project qualifies as a Separately Financed Project, as defined in the General Resolution, the revenues from such additional project would not be Revenues under the General Resolution, and therefore not available to pay the 2011 Bonds. The Authority currently does not have any Separately Financed Projects.

Voluntary Contributions to the State General Fund

Legislation enacted into law, as part of the 2000-2001 State budget, as amended up to the present time, provides that the Authority ‘‘as deemed feasible and advisable by the trustees’’, is authorized to make certain ‘‘voluntary contributions’’ into the ‘‘state treasury to the credit of the general fund,’’ in connection with the Power for Jobs Program. Commencing with its first payment in 2002, the Authority has made such voluntary contributions to the State totaling $469 million. In addition, the Authority has been authorized to make certain voluntary contributions to the State that are unrelated to the Power for Jobs Program, and the Authority has made $342 million of such voluntary contributions during the same period. Pursuant to authorizing legislation enacted in March 2011, the Authority expects to consider in the first quarter of 2012 the feasibility and advisability of (i) making an additional voluntary contribution of $6 million relating to the Power for Jobs program and (ii) making an additional voluntary contribution of $60 million unrelated to the Power for Jobs program.

On May 24, 2011, the Authority’s Trustees adopted a policy statement (“Policy Statement”) which relates to, among other things, voluntary contributions, transfers, or other payments to the State by the Authority after that date. The Policy Statement provides, among other things, that in deciding whether to make such contributions, transfers, or payments, the Authority shall use as a reference point the maintenance of a debt service coverage ratio of at least 2.0, in addition to making the other determinations required by the General Resolution. The Policy Statement may at any time be modified or eliminated at the discretion of the Authority’s Trustees. For additional information relating to voluntary contributions, see the Authority’s financial statements for the year ended December 31, 2010, management’s discussion and analysis, ‘‘Economic Conditions”, and “PART 1—APPENDIX D—Litigation—Item (b).’’

Temporary Transfer of Funds to State

By budget legislation enacted in February 2009, the Authority was authorized to make certain temporary asset transfers to the State of funds in reserves. Pursuant to the terms of a Memorandum of Understanding dated February 2009 (“MOU”) between the State, acting by and through the Director of the Budget of the State, and the Authority, the Authority agreed to transfer $215 million associated with its spent nuclear fuel reserves and the MOU provides for the return of these funds to the Authority, subject to appropriation by the Legislature and other conditions, at the earlier of the Authority’s payment obligations related to such spent nuclear fuel or September 30, 2017. The MOU also provides for the Authority to transfer $103 million of funds set aside for future construction projects, which amounts would be returned to the Authority, subject to appropriation by the 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 transfers were approved by the Authority's Trustees and made in 2009.

The MOU provides that the obligation of the State to return all or a portion of such funds would be subject to annual appropriation by the Legislature and would not constitute a debt of the State within the meaning of any constitutional or statutory provision, would be deemed executory only to the extent of monies available to the State, and no liability would be incurred by the State beyond monies available for such purpose. Further, the MOU provides that as a condition to any such appropriation for the return of the monies earlier than September 30, 2017 for the spent nuclear fuel reserves and earlier than September 30, 2014 for the construction projects, the Authority must certify that the monies available to the Authority are not sufficient to satisfy the purposes for which the reserves, which are the source of the funds for the transfer, were established. For a further discussion of this matter and litigation challenging the asset transfers, see the Authority's financial statements for the year ended December 31, 2010, management's discussion and analysis, "Economic Conditions", and "PART 1—APPENDIX D—Litigation—Item (b)."

Payments to the State Office of Parks, Recreation and Historic Preservation

Commencing with State Fiscal Year 2003-2004 and in connection with its Niagara and St. Lawrence-FDR Projects, the Authority has made annual payments of $8 million to or for the benefit of the New York State Office of Parks, Recreation and Historic Preservation (''OPRHP'') for operation and maintenance of Robert Moses State Park, Coles Creek State Park, Artpark, and the Niagara Reservation. In connection with the temporary transfer of funds to the State described in the preceding section, the MOU relieves the Authority of the annual $8 million payments for OPRHP from 2011 to 2017, up to a maximum of $43 million, and relieves the Authority of its obligation under the Public Authorities Law to pay the State's cost recovery fee for central governmental services attributable to public authorities, from 2009 to 2017, up to a maximum of $45 million.

The Authority has also agreed to provide $10 million to the OPRHP to fund the development of energy efficiency measures and clean energy technologies at the Rivers and Estuaries Center in Beacon, New York, of which approximately $2 million has been provided.

Energy Risk Assessment and Control Activities

In April 2002, the Authority created the position of Vice President, Chief Risk Officer—Energy Risk Assessment and Control ("ERAC"). This officer is responsible for establishing policies and procedures for identifying, reporting and controlling energy-commodity price risk and counterparty credit risk connected with energy commodity hedging transactions. This type of assessment and control has assumed greater importance in light of the Authority's participation in the NYISO energy markets (see ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR''), the Authority's increased reliance on market-based energy procurement since the sale of its two nuclear plants in 2000, and the financial market crisis that emerged in 2008.

ERAC is aimed at measuring and mitigating forward commodity price risk in order to contain financial outcomes within management-determined tolerances given volatile energy markets. The program focuses on containing outcomes with respect to net income, customer revenue requirements, Authority collateral requirements, counterparty credit exposure and other metrics as determined by Authority management. In order to achieve commercial objectives, the Authority's risk management procedures are intended to provide clarity as to management and staff accountabilities, authorizations, prohibitions and separation of duties. In May 2009, the Authority approved an initiative to create and implement an enterprise-wide program to promote continuous improvement in risk identification and assessment, and to enhance the Authority's capacity to fulfill its strategic and organizational goals. The

Enterprise Risk management program, based on the Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management framework, sets forth the Authority's philosophy and structure for effective identification, assessment, reporting and management of its strategic, operational, marketing, legal, compliance, regulatory, and financial risks.

Security Matters

In the wake of the September 11, 2001 attacks, electric utilities were compelled to move beyond the traditional concept of emergency management and prepare to respond to the unique threats associated with terrorism. Consequently, the Authority pursued comprehensive efforts to evaluate the vulnerability of its physical assets and has revised plans, protocols and procedures to address the wider range of potential threats. The Authority has made substantial capital expenditures to enhance the security of all of its power projects, office facilities and personnel. The Authority has also implemented a system-wide security awareness training program for all Authority personnel. The Authority has worked to enhance security by coordinating closely with state and local law enforcement officials for support, expanding the Authority's support network to include national defense and homeland security personnel, and bringing the National Guard and other military officials to its facilities to review operations and facilitate continued cooperative initiatives. In February 2010, the Authority established the position of Vice President-Emergency Planning and Business Continuity, reporting to the President and Chief Executive Officer, with responsibility for development, management, implementation, and integration of emergency management and business continuity plans across the business units within the Authority.

Nuclear Plant Sale Matters

Pursuant to a purchase and sale agreement between the Authority and two subsidiaries of Entergy Corporation (the ''Entergy Subsidiaries''), on November 21, 2000, the Authority sold the Indian Point 3 and FitzPatrick nuclear plants to the Entergy Subsidiaries for cash and non-interest bearing notes totaling $967 million (subsequently reduced by closing adjustments to $956 million) maturing over a 15-year period. For a further discussion of matters relating to this sale, see the Authority's financial statements for the year ended December 31, 2010, Note 11.

NEW YORK INDEPENDENT SYSTEM OPERATOR

New York Independent System Operator Arrangement

In 1999, two not-for-profit organizations, the NYISO and the New York State Reliability Council (''Reliability Council''), were established. The mission of the NYISO is to assure the reliable, safe and efficient operation of the State's major transmission system, to provide open-access non-discriminatory transmission services and to administer an open, competitive and non-discriminatory wholesale market for electricity in New York State. The mission of the Reliability Council is to promote and preserve the reliability of electric service on the NYISO's system by developing, maintaining, and, from time to time, updating the reliability rules relating to the transmission system (the ''Reliability Rules''), to be complied with by the NYISO and all entities engaging in electric transmission, ancillary services, energy and capacity transactions. The Authority, each of the current investor-owned utilities (''IOUs'') and LIPA are among the many ''Market Participants'' (which includes any person engaged in the wholesale sale, transmission or purchase of electric energy) in the NYISO and members of the Reliability Council.

In addition to the IOUs, LIPA and the Authority, any Market Participant, including organizations representing residential and/or small commercial consumers and environmental organizations, may be members of the NYISO. The NYISO is governed by a Board of Directors consisting of the President of the NYISO and nine individuals. No member of the Board of Directors is able to own shares in or have a

continuing business relationship with any Market Participant. The President of the NYISO is chosen by the other nine directors and is responsible for the day-to-day operation of the NYISO. The Authority is adequately represented on each of the NYISO's several committees, which are subject to the oversight of the Board of Directors, and on the Executive Committee of the Reliability Council, which consists of thirteen members which govern the Reliability Council.

On December 1, 1999, the NYISO officially assumed control of New York State's electric power grid pursuant to tariffs and market rules approved by FERC.

The NYISO dispatches power from generating facilities, including the Authority's units, based on the bid curves submitted by each of the generators. The NYISO coordinates the reliable dispatch of power and operates markets for the sale of electricity and ancillary services within New York State. The NYISO collects charges associated with the use of the transmission facilities and the sale of energy, capacity, and services through the markets that it operates and remits those proceeds to the owners of the facilities in accordance with its tariff and to the sellers of the electricity and services in accordance with their respective bids and applicable NYISO market procedures. See ''NYISO Market Procedures'' and ''Certain Authority Plant Outage Risks'' below.

Under the NYISO Open Access Transmission Tariff, certain charges for ancillary services (which include NYISO operating costs), congestion, losses, and a portion of the Authority's transmission costs are assessed against the Authority and other entities responsible for serving ultimate customers. Because such costs are currently passed through to most Authority customers, the Authority remains active in its participation in the governance affairs of the NYISO markets.

NYISO Market Procedures

Under NYISO procedures, Load Serving Entities (''LSEs'') represent electricity end-users in dealings with the NYISO. The Authority is an LSE for large segments of its load in New York State and must ensure it has sufficient installed capacity to meet its customers' needs and NYISO reliability rules, either through ownership of such capacity, bilateral installed capacity purchase contracts or auction purchases conducted by the NYISO (for a discussion of these installed capacity requirements relating to New York City and Long Island, see ''NYISO Capacity Requirements Matters,'' below, and ''PART 2— CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—New York State Electric Utility Industry Restructuring Matters —*Long Island Local Reliability Rule*'').

As an LSE, the Authority is also obligated to ensure that it has enough energy to meet its customers' load requirements. The energy needs can be met in the NYISO regime through the Authority's own generation, bilateral purchases from others, or purchases of energy in the NYISO ''day-ahead'' market (''DAM'') (wherein bids are submitted for energy to be delivered the next day) or in the NYISO ''real time'' market. A bilateral purchase is a transaction where a generator or a power marketer which has access to power and an LSE agree upon a specified amount of energy being supplied to the LSE by the generator or power marketer at specified prices.

Generators may bid their energy into the DAM and/or the real time market. However, generators whose installed capacity has been sold must then bid the energy from such claimed capacity into the DAM. To satisfy this requirement, the Authority bids into the DAM all of the Authority generation it claims to meet installed capacity requirements, which consists of virtually all of its generation. The Authority also bids the generation into the real time market in such amounts and at such bids as the Authority deems appropriate.

The NYISO evaluates the bids submitted in the DAM and the real time markets by generators and in the real time market dispatches the units on the basis of economic and reliability considerations to meet load

needs at any point in time. Unless governed by a bilateral arrangement, the price a generator is paid and the price paid to the NYISO by an LSE purchasing energy is dependent upon the results of the bidding process and system conditions (for a discussion of certain NYISO rules having an impact on the bidding procedures, see ‘‘NYISO Mitigation Measures’’ below). A significant feature of the NYISO energy markets is that prices are determined on a location-specific basis taking into account local generating bids submitted and the effect of transmission congestion and electrical losses between regions of New York State.

The Authority, being an LSE and a generator, may choose to meet its LSE load requirements by a combination of (1) bilateral arrangements, which, in the Authority’s case, would mean specified Authority generation and purchased energy under contractual arrangements, linked to specified Authority loads, and (2) purchases in the DAM or the real time market. The Authority’s ownership of certain transmission-related rights serves to reduce uncertainty concerning congestion costs to the Authority of such bilateral arrangements and energy market transactions.

Certain Authority Plant Outage Risks

The NYISO administers the DAM and the real time market through which suppliers and purchasers of energy and ancillary services can sell and acquire such products. The Authority participates in these markets as both a buyer and a seller of electricity and ancillary services.

Because of NYISO installed capacity reserve requirements, the Authority is required to bid into the DAM virtually all of the installed capacity of its units. The NYISO then decides which Authority units will be dispatched, if any, and how much of such unit’s generation will be dispatched. The dispatch of a particular unit’s generation depends upon the bid prices for the unit submitted by the Authority, bids submitted by other generators, the amount of generation needed by the NYISO to meet expected demand and transmission limitations. If an Authority unit is dispatched by the NYISO, the Authority receives a fixed price for each hour (the ‘‘Market Clearing Price’’), based on NYISO pricing methodology, for the energy dispatched above that designated by the Authority as bilateral arrangement generation (the ‘‘Excess Energy’’). As to the bilateral arrangement generation (the ‘‘Contract Energy’’), the Authority receives the price in its contracts with its customers (the ‘‘Contract Price’’).

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

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

As part of an ongoing risk mitigation program, the Authority implements financial hedging

techniques to cover, among other things, future maximum energy usage periods and uses its various resources for outage risk mitigation purposes. In addition, the NYISO has implemented a FERC-approved bid cap on generator bids into the DAM and the real time market. The bid cap, which remains in effect until further FERC action, serves to limit the Authority's outage loss exposure.

Also, as noted above, economic benefits are derived by the Authority from this bidding mechanism when its units are operating. These benefits could serve to offset any losses which may be suffered by the Authority due to outage situations, the amount of such offset being dependent upon the amount of aggregate benefits derived by the Authority and the severity of the losses suffered as a result of such outages. Consequently, any use of these economic benefits for this offset purpose would serve to reduce the amount of these economic benefits available to meet outage expenses.

There can be no guarantee, however, that even with any protective hedging techniques, offsetting economic benefits, and a bid cap, the Authority would not suffer substantial economic loss in the future if one or more of its units were to suffer a forced outage during a maximum energy usage period or an extended forced outage period or a counterparty failed to perform under its energy supply contract.

NYISO Mitigation Measures

Pursuant to FERC approval, the NYISO implemented the Automated Mitigation Procedure (''AMP'') to apply mitigation thresholds and measures to detect and automatically mitigate Market Participant behavior that exceeds applicable conduct and market impact thresholds. Electric energy markets that are generally competitive may occasionally cease to be competitive if conditions arise that temporarily give Market Participants an ability to raise prices significantly by economically withholding capacity. High loads, facility outages, binding transmission constraints, or other factors can cause such instances, either singly or in combination. The NYISO developed the AMP for the automatic detection and mitigation of energy and other bids in the NYISO DAM and real time markets that exceed certain established criteria. The AMP procedures could result in a Market Participant's bid being mitigated if specified conduct and impact thresholds are exceeded.

In a January 14, 2005 opinion, a Federal appeals court vacated the FERC orders approving the DAM AMP. Following motions for rehearing and clarification, the D.C. Circuit Court of Appeals ruled on March 24, 2005 that its January 14, 2005 opinion applies only to the DAM AMP outside the New York City area. On May 27, 2005, the NYISO deactivated the rest-of-state (''ROS'') area DAM AMP. However, the ROS DAM remains subject to manual mitigation measures. Further, by order dated September 15, 2005, FERC denied a request for rehearing by the NYISO and ruled that the real time AMP for ROS be removed. The NYISO is now using real time scheduling software to apply conduct and impact mitigation in the real time ROS area.

In 2008, FERC ordered the NYISO to incorporate tariff language to establish mitigation rules intended to protect the New York City capacity market against uneconomic entry of new resources. Subsequent FERC orders in 2010 provided additional direction to the NYISO on these matters. These rules, commonly referred to as Buyer Side Mitigation, require the NYISO to evaluate new entry and determine if the new entry is an economic decision. If the NYISO determines a new entrant into the New York City capacity market is not economic, an offer floor price is established and the new entrant is required to bid into the spot market at the mitigation offer floor. Such a floor can result in the new resource not receiving capacity revenues for certain months. Capacity from new entrants is removed from the offer floor requirement after clearing the spot market for 12 non-continuous monthly spot auctions.

NYISO Capacity Requirements Matters

The installed capacity (''ICAP'') market in New York was created administratively to ensure the reliability of the electricity system. The Reliability Council annually sets New York State's minimum capacity requirement which is currently 115.5% of the State's peak load, and the NYISO has set the current New York City and Long Island locational ICAP requirements at 81% and 101.5% of their peak load levels, respectively. The New York City and Long Island ICAP requirements must be met with resources located within those areas, while the ICAP quantities above these locational ICAP requirement levels up to the minimum 115.5% level can be procured from anywhere in New York State and from external resources. The requirements are allocated among LSEs in proportion to the load they serve.

These capacity requirements must be met monthly for two capability periods: a summer period extending from May to October and a winter period ranging from November to April. The NYISO currently conducts auctions for each capability period (also known as ''strip auctions''), as well as monthly auctions to account for load-shifting and to resolve deficiencies. LSEs may meet their capacity requirements by self-supplying the capacity from their own resources, or with capacity acquired through bilateral contracts, or by purchasing the capacity through the auctions conducted by the NYISO. A deficiency price is imposed on any LSE that does not meet its capacity requirement.

The NYISO employs an ICAP demand curve which provides payments to ICAP providers for ICAP above the minimum level required for reliability in order to encourage the construction of new generating facilities in New York. Generally, these provisions have increased the amount of ICAP an LSE will be obligated to obtain to meet NYISO requirements, including separate requirements applicable for New York City and Long Island. The Authority has been able, as an LSE, to meet these revised requirements through its own units, contracts with other generators, and purchases in the capacity markets, and expects to be able to do so in the future.

POWER SALES

A summary of the Authority's generation, energy purchases, and power and energy sales for 2010 is set forth below:

Generation, Energy Purchases, and Power and Energy Sales 2010
(Megawatt Hours and Dollars in Thousands)
(Accrual Basis)

	MWh
Authority Generation and Purchases:	
Gross Generation	25,335
Station service, DOT feeder and pumping energy	(965)
Net Station Generation	24,370
Purchases from the NYISO, utilities and others	13,100
Losses and unaccounted for	(628)
Total Available	36,842

	MWh	Revenues From Power and Energy Sales (1)	% of Total Revenues
Sold to:			
Commercial and industrial customers	3,061	$90,900	4%
Municipal, other public and cooperative customers (2)	17,495	1,585,578	61%
Sales to utilities and the NYISO for resale (3)	16,286	891,547	35%
Total Sales	36,842	$2,568,025	100%

	MWh	% of Total
Authority Generation by Fuel Source:		
Hydroelectric	19,863	82%
Oil/Gas	3,999	16%
Gas Turbines	508	2%
	24,370	100%

(1) Includes wheeling and transmission charges.

(2) Includes sales to 47 municipal systems, 4 rural cooperatives, and more than 100 public agencies in New York State and to 7 neighboring states.

(3) Includes sales to the 6 investor-owned utilities in New York State, LIPA, and the NYISO. Sales to the NYISO amounted to 7,473,542 MWh. Portions were designated for resale to residential and farm customers and not-for-profit customers in the state.

The electric power and energy of the Authority are sold principally pursuant to contracts and agreements described below. In addition to these sales, the Authority has executed short-term supply agreements that provide for sales by the Authority of power and energy for periods of short duration (less than one year) on terms and conditions mutually agreeable to the Authority and customers. Such sales are only transacted after all firm commitments are satisfied. The Authority also bids its generation and buys energy in the markets administered by the NYISO.

Generally, the Authority has no obligation to meet load growth that may be experienced by its customers. However, pursuant to agreements with its SENY governmental customers, the Authority has assumed the load growth responsibility for its governmental customers in New York City and Westchester County (see ''Marketing Issues and Developments,'' below). In addition, the Authority serves the full

requirements of certain municipal electric system and rural cooperative system customers.

Contracts for the sale, transmission and distribution of power and energy generated by the Niagara and St. Lawrence-FDR Projects and by other projects (i) to provide an adequate supply of energy for optimum utilization of its hydroelectric projects, (ii) to attract and expand high load factor industry, (iii) to provide for the additional needs of the Authority's municipal electric and rural electric cooperative customers, and (iv) to assist in maintaining an adequate, dependable electric power supply for New York State, are subject to the approval process specified in Section 1009 of the Act. Such approval process requires, in addition to agreement between the Authority and the other contracting parties, (i) submission of the contract to the Governor and representatives of the State Senate and Assembly, (ii) public hearings and further review and, if deemed necessary, renegotiation of the contract by the Authority, and (iii) approval of the Governor.

Marketing Issues and Developments

(1) The power market in New York State has experienced significant changes over the last 15 years with the advent of a competitive marketplace and the creation of the NYISO. As a major participant in New York's power market, the Authority has been affected by these changes. With increased focus on customer needs, the Authority has initiated marketing programs and taken other actions to retain and provide value to its various customers. In this regard, in 2005, the Authority entered into the 2005 Agreements with all of its NYC Governmental Customers, including: the City of New York, the MTA, the Port Authority of New York and New Jersey, the New York City Housing Authority, and the New York State Office of General Services. The 2005 Agreements replaced the earlier long-term agreements with those customers that were in place. Under the 2005 Agreements, the NYC Governmental Customers will purchase their electricity from the Authority through December 31, 2017, with these customers having the right to terminate service from the Authority at any time on three years' notice provided that they compensate the Authority for any above-market costs associated with certain of the resources used to supply them, and, under certain limited conditions, on one year's notice.

Under the 2005 Agreements, the Authority implemented a price-setting process commencing with the 2006 rates, under which the NYC Governmental Customers request the Authority to provide indicative electricity prices for the following year reflecting market-risk hedging options designated by them. The NYC Governmental Customers can elect to have a full cost energy charge adjustment ("ECA") pass-through arrangement relating to fuel, purchased power, and NYISO-related costs, including such an arrangement with some cost hedging; a sharing plan pricing option; or a minimum price volatility pricing option. Except for any specific amounts borne by the Authority under a sharing plan and the minimum price volatility option; the NYC Governmental Customers pay all of the costs incurred to serve them, including hedging costs. If the customers choose a sharing plan pricing option, the customers and the Authority share equally in actual cost variations (up to $60 million) above a projected amount for the year, and cost variations in excess of $60 million are borne by the Authority. In addition, if actual costs are below the projected amount, the NYC Governmental Customers and the Authority share equally in such savings after the customers receive the first $10 million in savings, in the aggregate, over the term of the 2005 Agreements. For 2011, the NYC Customers chose a market-risk hedging price option designated an "ECA with hedging" pricing option whereby actual cost variations in variable costs are passed through to the customers as specified above.

Pursuant to the 2005 Agreements, the Authority will modify rates annually through a formal rate proceeding before the Authority if there is a change in fixed costs to serve the NYC Governmental Customers. Except for the minimum volatility price option, changes in variable costs, which include fuel and purchased power, will be captured through contractual pricing adjustment mechanisms. Under these mechanisms, actual and projected variable costs will be reconciled and either charged or credited to the

NYC Governmental Customers. Pursuant to the 2005 Agreements, these customers are committed to pay for any supply secured for them by the Authority which results from the collaborative process provided for in the agreements, including the Astoria Energy II plant discussed in Item (8) below. Also, with the NYC Governmental Customers' guidance and approval, the Authority will continue to offer to these customers at least an aggregate of $100 million annually in financing for energy efficiency projects and initiatives at their facilities, with the costs of such projects to be recovered from them. Many of these projects fall within the scope of the Authority's existing energy services program (see ''PART 2—ENERGY SERVICES'').

The revenues from the NYC Governmental Customers were approximately 51% and 47% of the Authority's 2010 and 2009 Operating Revenues (including wheeling charges), respectively.

The Authority's other SENY Governmental Customers are Westchester County and numerous municipalities, school districts, and other public agencies located in Westchester County (collectively, the ''Westchester Governmental Customers''). By early 2008, the Authority had entered into a new supplemental electricity supply agreement with all of its Westchester Governmental Customers. Among other things, under the new agreement, an energy charge adjustment mechanism is applicable, the Authority may modify the rates charged the customer pursuant to a specified procedure, the customer is committed to pay for any supply resources secured for it by the Authority under a specified collaborative process, and the Authority will continue to make available financing for energy efficiency projects and initiatives, with the costs thereof to be recovered from the customer. Under the agreement, customers are allowed to partially terminate service on at least two months' notice prior to the start of the NYISO capability periods and fully terminate service on at least one year's notice effective no sooner than January 1 following the one year notice.

The revenues from the Westchester Governmental Customers were approximately 3% of the Authority's 2010 and 2009 Operating Revenues (including wheeling charges).

(2) The Authority has existing power sales arrangements that contain certain pricing commitments with approximately 75 business customers served under programs formerly supplied from the Authority's James A. Fitzpatrick Nuclear Power Plant that was sold in 2000. In some instances, these customers are served directly by the Authority; in other cases, the customers receive Authority power through resale arrangements with municipal distribution agencies or investor-owned utilities. These agreements allow customers to purchase Authority power and energy for various periods of time, with the majority of the agreements extending until at least June 30, 2012. All contractual pricing provisions with these customers (with the exception of two customers) are in effect through June 30, 2012 and fall under the Energy Cost Savings Benefits Program that is discussed in section 3(d) below pursuant to contract modifications and Authority tariff provisions.

These agreements encompass approximately 388 MW of power and associated energy and accounted for approximately 4% of the Authority's 2010 and 2009 Operating Revenues (including wheeling charges).

(3) Legislation was enacted into law in July 2005 (Chapter 313 of the Laws of 2005) (the ''2005 Act'') which amended the Act and the New York Economic Development Law (''EDL'') in regard to several of the Authority's economic development power programs and the creation of new Energy Cost Savings Benefits to be provided to certain Authority customers. A summary of the 2005 Act and certain related legislation enacted subsequently is set forth below.

(a) Industrial Power Programs

The 2005 Act amended numerous provisions of the Act and the EDL to authorize the Authority to purchase power in the marketplace and to use certain other Authority resources to serve economic development power programs. Among the affected programs are the Economic Development Power program, which supplies electricity to businesses across New York State, the High Load Factor Power program, which provides electricity to energy-intensive manufacturers throughout New York State, and the Municipal Distribution Agency Power program, which supplies electricity for certain municipal distribution agencies (also known as municipal utility service agencies (''MUSAs'')) to serve businesses in their territories. Power supplied under these programs is hereinafter referred to as ''Industrial Power.''

(b) Replacement Power

The 2005 Act creates a state law basis for continuation of the ''Replacement Power'' program. These provisions ensure the continued availability of low-cost hydroelectric power from the Niagara Project to serve businesses in western New York State. Replacement Power was established by the federal Niagara Redevelopment Act (''NRA'') in 1957 and provided up to 445 MW of hydroelectric power to industries in the Niagara Mohawk Power Corporation (doing business as "National Grid") service territory within a 30-mile radius of the Niagara Project switchyard. The federal mandate for the Replacement Power program expired at the end of 2005. Virtually all existing Replacement Power contracts now run through 2012. The 2005 Act treats new applications for Replacement Power under the same criteria as apply to the Authority's existing ''Expansion Power'' program, established under the Act. Allocations are awarded on a competitive basis to businesses that commit to create jobs, increase electric load, build new or expanded facilities, and have at least 100 kilowatts (''kW'') of demand. The Expansion Power program, which provides up to 250 MW of hydroelectric power to businesses within a 30-mile radius of the Niagara Project was not addressed by the 2005 Act.

(c) Preservation Power

The 2005 Act also created the Preservation Power program, which allows businesses in northern New York State to continue to be served with low-cost hydroelectric power from the St. Lawrence-FDR Project. The Preservation Power program governs the allocation of up to 490 MW of firm and interruptible power from the St. Lawrence-FDR Project to industry in Jefferson, St. Lawrence and Franklin Counties. It applies the same criteria for allocations as are applicable to Replacement Power and Expansion Power. Renewals of existing contracts for business use of power under the Preservation Power program are subject to the criteria in the Act, as amended by the 2005 Act.

(d) Energy Cost Savings Benefits

The 2005 Act revised the Act and the EDL to allow up to 70 MW of relinquished Replacement Power and up to 38.6 MW of Preservation Power that might be relinquished or withdrawn in the future to be sold by the Authority into the market and to use the net earnings along with other funds of the Authority, as deemed feasible and advisable by the Authority's Trustees, for the purpose of providing Energy Cost Savings Benefits (''ECS Benefits'') under the ECSB Program. The ECS Benefits are administered by the

Economic Development Power Allocation Board (''EDPAB'') and awarded based on criteria designed to promote economic development, maintain and develop jobs, and encourage new capital investment throughout New York State. The ECS Benefits are available only for business customers served under the Authority's High Load Factor, Economic Development Power and Municipal Distribution Agency programs which would have, in the absence of the ECS Benefits, faced rate increases beginning November 1, 2005. In August 2006, legislation was enacted into law that extended the ECSB Program and also provided that the Authority make available for allocation to customers the hydropower that had been utilized as a source of funding the ECS Benefits. Subsequently, legislation has been enacted into law that extends the ECS Benefits Program through June 30, 2012 at which time the Program will end pursuant to the legislation establishing the Recharge New York Power Program discussed in section (4) below. From the inception of the ECSB Program through 2007, no ECS Benefits were paid by the Authority from internal funds, as opposed to funds derived from the sale of hydropower. For 2008, the Authority paid $20.7 million in ECS Benefits from internal funds. In 2009 and 2010, no ECS Benefits were paid from internal funds, which is reflective of the lower market prices for electric energy, nor is it expected that any ECS Benefits will be paid from internal funds in 2011.

(e) Power for Jobs Program

The 2005 Act amended the EDL to authorize the EDPAB to recommend contract extensions or certain electricity cost reimbursements to Power for Jobs Program recipients, discussed in section (6) below, on the basis of revised job creation or retention commitments.

(f) World Trade Center Economic Recovery

The 2005 Act authorized the Authority to approve renewals of contracts for periods of at least three years to business customers receiving allocations made under the World Trade Center Economic Recovery Power Program that are located in the Liberty and Resurgence Zones.

(4) Legislation enacted into law on March 31, 2011 (Chapter 60 of the Laws of 2011) establishes the "Recharge New York Power Program" ("RNYPP"). The RNYPP is a new, permanent power program, administered by the Authority and the EDPAB, which has as its central benefit up to 910 MW of power comprised of 455 MW of hydropower from the Niagara and St. Lawrence-FDR Projects (which power is currently used by residential and farm customers of three upstate utilities) and up to 455 MW of other power procured or produced by the Authority. The 910 MW of 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 ("PFJ") and ECSB Programs, through June 30, 2012, at which time the two programs will end and be replaced by the RNYPP. Those PFJ and ECSB Program customers that do not receive RNYPP allocations will be eligible to apply for certain "transitional electricity discounts". Under the legislation, these transitional discounts, which may be paid only if deemed feasible and advisable by the Authority's Trustees, will gradually decline to zero by June 30, 2016. The 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 currently receive the hydropower that will be utilized in the RNYPP. The 455 MW of hydropower is expected to be

withdrawn by the Authority on August 1, 2011. On June 29, 2011, the Authority's Trustees authorized the use of revenues from the sales of such power into the wholesale market or, as necessary, internal funds to fund the residential consumer discount program for its first six months.

(5) Chapter 436 of the Laws of 2010 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 Project that qualify under applicable criteria. The law authorizes the Authority to administer this new program with assistance from public and private entities. Authority revenues for the fund could range between [$2] million and [$10] million per year.

(6) In 1997 and subsequent years, legislation was enacted into New York law which authorized the Power for Jobs program (the "PFJ Program") to make available low-cost electric power to businesses, small businesses, and not-for-profit organizations. Under the PFJ Program, EDPAB recommends for Authority approval allocations to eligible recipients of power from power purchased by the Authority through a competitive procurement process and power from other sources. The Authority also is authorized to provide power through an alternate method to the competitive procurement process if the cost of the power through the alternate method is lower than the cost of power available through a competitive procurement process, provided that the use of power from Authority sources does not reduce the availability of, or cause an increase in the price of, power provided by the Authority for any other program. If the Authority decides to not make power available to an entity whose allocation has been recommended by EDPAB, the Authority must explain the reasons for such denial. The PFJ Program power is sold to the local utilities of the eligible recipients pursuant to sale for resale agreements at rates which are based on the cost of the competitive procurement (or alternate acquisition) power plus a charge for the transmission of such power.

In 2004, legislation was enacted into law which amended the PFJ Program in regard to contracts of certain customers. Under the amendment, certain contracts terminating in 2004 and 2005 could be extended by the affected customer, or the customer could opt for ''Power for Jobs electricity savings reimbursements'' ("PFJ Reimbursements") from the Authority. Generally, the amount of such PFJ Reimbursements for a particular customer is based on a comparison of the current cost of electricity to such customer with the cost of electricity under the prior Power for Jobs contract during a comparable period. Thereafter, the PFJ Program has been extended numerous times and pursuant to the legislation establishing the RNYPP, discussed in Item (4) above, the PFJ Program will end on June 30, 2012. The Authority approved PFJ Reimbursements totaling $241 million for the years 2005-2010 and expects such payments will not exceed $50 million for 2011. See ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Voluntary Contributions to the State General Fund'' for related information on the PFJ Program involving voluntary contributions to the State.

(7) To meet energy needs of its NYC Governmental Customers, the Authority has entered into (i) two energy supply contracts with one entity to supply an aggregate of 200 MW of energy for the period January 1, 2009-September 28, 2013; and (ii) contracts for differences with counterparties which will effectively result in the supply at specified prices of 500 MWs for the period 2011-2012 and 200 MW for the period 2013-2014. The costs for these purchases are recovered from the NYC Governmental Customers.

(8) The Authority, in November 2007, issued a nonbinding request for proposals ("RFP") for up to 500 MW of in-city unforced capacity and optional energy to serve the needs of its NYC Governmental Customers. In April 2008, the Authority's Trustees authorized negotiation of a long-term electricity supply contract with Astoria Energy II LLC for the purchase of the output of a new power plant (the "Astoria Energy

II plant") to be constructed in Astoria, Queens adjacent to its existing plant. Following approval of the NYC Governmental Customers, the Authority and Astoria Energy II LLC entered into a long-term supply contract in July 2008. The costs associated with the contract will be borne by these customers for the life of the contract. Construction of the 550-MW Astoria Energy II plant has been completed and the plant entered into commercial operation on July 1, 2011. The Authority will account for and report this transaction as a capital asset and a capitalized lease liability in the amount of $1.12 billion. Fuel for the Astoria Energy II plant is being procured by the Authority and the costs thereof are being recovered from the NYC Governmental Customers.

(9) In response to the Authority's Request for Proposals for Long-Term Supply issued in March 2005, Authority staff entered into negotiations for the execution of a firm transmission capacity purchase agreement with the winning bidder, Hudson Transmission Partners, LLC ("HTP") to serve the long-term requirements of the Authority's NYC Governmental Customers through the transmission rights associated with HTP's proposed 345 kV underground/submarine transmission line ("Line") extending from Bergen County, New Jersey, to Con Edison's West 49th Street substation in midtown Manhattan. The New York Public Service Commission issued a certificate of environmental compatibility and public need for the Line on September 15, 2010 determining, among other things, that the Line would 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. On April 15, 2011, the Authority executed a Firm Transmission Capacity Purchase Agreement ("FTCPA") with HTP and the Line is currently under construction. The Authority's obligation to make payments under the FTCPA will begin upon commercial operation of the Line, which is expected in 2013. Under the FTCPA, the Authority also will pay the costs of certain interconnection and transmission upgrades associated with the Line once it enters into service, estimated to total approximately $200 million. The Authority is currently in negotiations with certain of its NYC Governmental Customers and other third parties regarding partial recovery of the costs of the Line. It is estimated that the revenues derived from the Authority's rights under the FTCPA will not be sufficient to fully cover the Authority's costs under the FTCPA during its initial 20 year term. Depending on a number of variables, it is estimated that the Authority's under-recovery of costs under the FTCPA could be in the range of approximately $[40 to 80] million per year during the first five years of commercial operation. The Authority expects based on current projections that with its entry into the FTCPA it will be able to continue to meet its debt service coverage ratio, cash, and reserve requirements in the future; however, there can be no assurance that such requirements actually will be met.

(10) The Authority issued a nonbinding RFP on December 1, 2009 soliciting between 120 MW up to 500 MW of energy, capacity, and environmental attributes from a new offshore wind generating facility to be developed in Lake Erie and/or Lake Ontario. The RFP indicates that the Authority would purchase the full output of the project under a long-term power purchase agreement. In June 2010, the Authority announced that five proposals had been received in response to the RFP and that evaluation of the proposals would be undertaken in the coming months. Proposals are currently under review and the evaluation process may result in a staff recommendation to the Authority's Trustees concerning next steps later in 2011.

(11) The Long Island-New York City Offshore Wind Collaborative ("Collaborative"), which consists of the Authority, Con Edison, the Long Island Power Authority ("LIPA"), the City of New York and other New York City and New York State governmental entities, is evaluating the potential development of between 350 MW up to 700 MW of offshore wind. The Collaborative is currently planning the next steps in project evaluation.

(12) In January 2010, the Authority issued an RFP for a 100 MW Statewide Solar Photovoltaic initiative seeking pricing for solar energy and related environmental attributes from 100 MW of solar power capacity to be installed statewide by 2014. The purpose of this initiative is to support New York State energy policies and, in particular, the "45 x 15" initiative which is seeking to meet 45% of the State's energy needs through

improved energy efficiency and clean, renewable energy by 2015. All of the solar photovoltaic ("PV") systems would be installed, owned and operated by solar developers who would sell all energy and environmental attributes to the Authority under a 20-year power purchase agreement with the Authority reselling the energy to the host site. The solar PV would be installed primarily at schools and government facilities statewide. Proposals received in April 2010 in response to the RFP are being reviewed by a team of Authority staff and consultants. Initial award recommendations are expected to be made to the Trustees later in 2011. Subject to Trustee approval and successful contract negotiations, the Authority would enter into contracts with selected bidders. Assuming Trustee approval, development of the solar PV systems would be expected to begin in 2011 with the full 100 MW installed by 2015. There is no assurance that the Authority would recover its full costs under these arrangements, and while estimates show the potential level of under-recovery to be no greater than $21 million in any given year, any such contracts would ultimately require an overall determination of financial feasibility for the Authority and approval by the Authority's Trustees.

(13) Authority staff and National Grid are conducting joint planning studies regarding a potential new transmission line that would deliver power from Canada and upstate New York renewable energy projects to New York City. One concept has been identified for further study and a consulting firm is conducting an economic analysis of the concept. It is uncertain whether a transmission line of this type ultimately will be formally proposed by the Authority and National Grid and advance to the permitting stage.

(14) In response to the economic downturn's effects on New York's manufacturing sector, the Authority's Trustees in March 2009 approved execution of an agreement with the Aluminum Company of America ("ALCOA") to provide temporary relief from certain power sales contract provisions relating to the temporary shutdown of one of its two smelters served by the Authority in Massena, New York, including allowing ALCOA to release back to the Authority certain hydropower allocated to it, temporary waivers of certain minimum bill and employment thresholds, and entry into arrangements with the Authority for inclusion of a portion of ALCOA's load in the NYISO's demand response programs. In addition, in May 2009, the Authority's Trustees authorized a temporary program whereby up to $10 million would be utilized to provide electric bill discounts for up to a year to businesses located in Jefferson, St. Lawrence, and Franklin counties. These counties constitute the geographic region served by the Authority's Preservation Power program. The source of the $10 million was the net margin resulting from the sale of a portion of ALCOA's then unused Preservation Power allocation into the NYISO markets. In January 2011, ALCOA announced its plans to restart the temporarily curtailed facility beginning later in the first quarter of 2011, and the Authority announced that the associated bill discount program would end in May 2011.

(15) In March 2009, the Authority's Trustees approved the deferral for recovery in the future of a proposed hydropower rate increase for the Authority's municipal electric and rural cooperative customers, neighboring state customers, upstate investor-owned utilities, and certain other customers that was scheduled to go into effect on May 1, 2009; and in August 2010 the Authority announced an extension of such deferral through the end of 2010. The deferral amounted to approximately $18.5 million through the end of 2010. [It is expected that Authority staff will recommend to the Authority's Trustees that these hydropower rates be increased effective in the fourth quarter of 2011.] Further, the Authority withdrew two proposed hydropower rate increases totaling approximately $6.9 million for its Replacement Power, Expansion Power, and certain other industrial customers that were scheduled to go into effect on May 1, 2009 and May 1, 2010, respectively. It is expected that Authority staff will recommend to the Authority's Trustees that these hydropower rates be increased effective in the third quarter of 2011.

St. Lawrence-FDR and Niagara

Power and energy from the St. Lawrence-FDR and Niagara hydroelectric facilities currently are sold to three investor-owned electric utility companies: National Grid, New York State Electric & Gas Corporation (''NYSEG''), and Rochester Gas and Electric Corporation (''RG&E''), 47 municipal electric systems and four

rural electric cooperatives in New York State, three industrial plants at Massena, New York, the MTA, NFTA, seven neighboring state customers, seven Niagara host communities, Niagara University, the Tuscarora Nation and beginning in January 2011, the U.S. Department of Energy. Energy is also sold to the St. Lawrence Seaway Development Corporation and to the New York State Office of Parks, Recreation and Historic Preservation. Service is provided to the three investor-owned utilities under contracts providing for sale of 455 MW of firm and 360 MW of peaking capacity through December 31, 2011, subject to withdrawal upon thirty days' notice by the Authority as may be authorized by law or otherwise as may be determined by the Trustees. The 455 MW of firm power is expected to be withdrawn by the Authority on August 1, 2011 and will be utilized in the new Recharge New York Power Program (see "PART 2—POWER SALES—Marketing Issues and Developments—Item (4)"). Contracts expiring on June 30, 2013 provide for the sale of up to 250 MW of Expansion Power ("EP") to National Grid and NYSEG for resale to industries generally located within 30 miles of the Niagara Project. Contracts expiring on December 31, 2012 provide for the sale of up to 445 MW of Replacement Power ("RP") for industries located in the vicinity of the Niagara Project. In December 2010, the Governor approved the extension of virtually all RP and EP contracts through the end of 2020.

Contracts are in place through September 1, 2025 with entities that were part of the Niagara Project relicensing settlement agreements. Total power allocations for these entities amount to 25 MW, which is distributed among seven host communities, Niagara University and the Tuscarora Nation, with an additional 7 MW of power being sold into the NYISO market for the host communities' benefit. The Authority also has an annual minimum obligation of $5 million and $1.5 million respectively to the Host Community Fund and the Erie/Buffalo Waterfront Development Funds which is met via the monetization of power sales made into the market.

Contracts with ALCOA for an aggregate of 478 MW have been extended through December 31, 2013 under a supplemental agreement executed in 2011. The contracts with ALCOA provide for rate adjustments based upon a formula containing various indices and provision for job credits. The indices used in the ALCOA contracts are the average of the monthly United States Department of Labor, Bureau of Labor Statistics Producer Price Indices for Industrial Power and Industrial Commodities less fuel, which reflect the cost of electricity used by industry and the price of materials used by industry, and a third index based on the average revenues per kilowatt-hour for electric sales to the industrial sector in ten specified states, the bulk of which are in the northeast region. In February 2009, ALCOA entered into a long term contract with the Authority for the sale of 478 MW, effective July 1, 2013, for an initial term of 30 years with an option to extend for an additional 10 years under certain circumstances. The recent supplemental agreement changes the contract start date to January 1, 2014. The contract provides for rate adjustments based upon a formula containing various indices, and has provisions for price adjustments based on the price of aluminum on the London Metal Exchange. The contract has job compliance provisions based on employment commitments. The supplemental agreement provides for ALCOA to invest at least $600 million in a new East Plant, and construction of that plant must commence by June 2013 in order for the new long term contract to take effect.

Contracts for the sale of up to 764.8 MW of firm and 3.6 MW of peaking power through August 31, 2025 with the 47 municipal electric systems and four rural electric cooperatives which own their own electric distribution systems are in effect. A contract with the MTA for 10 MW expired in July 2000, but the Authority is continuing to provide service to the MTA on a month-to-month basis. Service to NFTA is also on a month-to-month basis.

In September 2010, the Authority's Trustees approved a contract for the sale of 1.3 MW of Preservation Power to Florelle Tissue Corporation (located in Jefferson County) that was subsequently approved by the Governor. In May 2011, the Authority's Trustees approved two Preservation Power allocations totaling 8 MW to Newton Falls Fine Paper and Upstate Niagara Cooperative. A contract for the sale of 20 MW of power to the Massena Electric Department ("MED") to be used for economic

development purposes within St. Lawrence County was disapproved by the Governor in December 2010. The Authority is currently considering alternative approaches to the disapproved contract under which MED would be eligible to receive allocations of hydropower to use for economic development purposes. A contract executed in 2010 provides for the Authority's sale of 15 MW to LIPA for resale to the U.S. Department of Energy ("DOE") at Upton, New York, for a term of ten years with an option for the Authority to extend the contract for an additional five years. Sales under the contract commenced in March 2011.

Contracts with the seven out-of-state customers are in effect through August 31, 2025 and provide for the sale of 191.2 MW of firm and the 40.9 MW of peaking power from the Niagara Project. The new license issued to the Authority in 2003 for the St. Lawrence-FDR Project provides for the sale of approximately 4.25% of Project power, amounting to 34.5 MW of firm allocations to six neighboring state customers, along with a corresponding share of non-firm energy, at cost-based rates under contracts with terms through April 30, 2017.

The charges for firm power and associated energy sold by the Authority to the three investor-owned utility companies for the benefit of rural and domestic customers, the municipal electric systems and rural electric cooperatives in New York State, the MTA, the NFTA and seven neighboring state customers have been established in the context of an agreement settling litigation respecting rates for hydroelectric power, judicial orders in that litigation, and contracts with certain of these customers. Essentially, the settlement agreement and relevant judicial orders define the rates charged to these customers as cost-based rates and specifically permit the inclusion of interest on indebtedness and continuing depreciation and inflation adjustment charges with respect to the capital costs of the Niagara and St. Lawrence-FDR Projects and preclude the inclusion of any expense associated with debt service for non-hydroelectric projects in the hydroelectric rates charged to wholesale customers for the benefit of rural and domestic customers. The basic rates for RP and EP have been set above costs and are subject to annual adjustment in May of each year, based on four economic indices. This pricing arrangement will continue through June 30, 2013. At their September 2010 meeting, the Trustees approved a new service tariff for all RP and EP customers that is scheduled to begin on July 1, 2013 and which provides for a three year phase-in to the new rates which will be based on Preservation Power rates. The new service tariff was incorporated into the extension of the RP and EP contracts through 2020, which were approved by the Governor in December 2010.

Contracts with National Grid, NYSEG and RG&E relating to hydroelectric power from the plants contain various limitations on the obligations of parties under particular circumstances, including, among other things, provisions allowing for withdrawal of power and energy to comply with the NRA, the Authority's Niagara and St. Lawrence-FDR licenses, and orders of FERC. The Authority may discontinue service upon 15-days' written notice for non-payment of bills and terminate any such contract upon 60-days' notice for violations of the terms thereof. A utility company may elect to terminate its contract for any reason on one year's notice to the Authority and on 90-days' notice in the event that the charge for service is increased or the terms, conditions or rules governing the service are materially modified without the agreement of the utility.

Blenheim-Gilboa

The Authority has contracts for the sale of 50 MW of capacity from the Blenheim-Gilboa Pumped Storage Power Project (''Blenheim-Gilboa Project'') to LIPA and 250 MW of capacity to its NYC Governmental Customers pursuant to the 2005 Agreements, each sale at a tariff rate established on the basis of cost. The remainder of the Project's capacity is used to meet the requirements of the Authority's business and governmental customers and to provide services in the NYISO market generally at the market-clearing price for capacity.

Service under the contract with LIPA commenced on April 1, 1989 and will terminate April 30, 2015, unless terminated by LIPA upon not less than 6 months advance notice. The Authority and LIPA have executed an agreement under which LIPA transferred its contractual rights to the Authority in return for the Authority agreeing to bid the full Blenheim-Gilboa Project generation into the NYISO markets or enter into other marketing arrangements relating to such generation and to make payment to LIPA based on an apportionment of the resultant net revenues on the basis of LIPA's contract demand. This agreement is currently being administered on a month-to-month basis and an agreement to extend it through June 30, 2012 is expected to be executed later in 2011. Unless other arrangements are negotiated, the original Blenheim-Gilboa LIPA contract will again become effective.

Sales of Purchased Power and Energy for Industrial Power

A total of eight contracts are in effect with five high-load factor industries, one business under legislation enacted into New York law in 1984, and the DOE at Upton, New York, which provide for the sale of approximately 173 MW of purchased power and energy. The DOE contract is currently subject to yearly Federal appropriations. A modification to the contract was executed in late 2010, extending the term through December 31, 2020, with a provision allowing for a renewal of an additional five years. The contract extension provides for market prices to be flowed through to the DOE. Three of the remaining contracts have termination dates of June 30, 2012, while the others do not have specific termination dates, and may be terminated by either party upon contractual notice. All of these contracts, with the exception of the DOE contract, are receiving the ECS Benefits discussed above (See ''PART 2—POWER SALES—Marketing Issues and Developments—Item (3)'').

A total of approximately 153 MW of economic development power (''EDP'') being supplied from purchased power and energy has been allocated to businesses recommended for allocation by EDPAB. These EDP contracts are receiving ECS Benefits and such contracts have provisions which allow for customer termination on written notice of one year or 90 days, depending upon the contract. The EDPAB legislation provides that power formerly supplied from the FitzPatrick nuclear plant which was voluntarily relinquished by businesses, designated as EDP, be made available for allocation to or for businesses recommended by EDPAB. EDPAB must evaluate all applications for the allocation of EDP in accordance with the criteria set forth in the statute and recommend to the Authority such applications which best meet the criteria, with such terms and conditions as it deems appropriate. If the Authority declines to make power available to or for a business whose allocation has been so recommended, it must specify its reasons in writing. At least one-half of all allocations must be recommended for applicants located in southeastern New York.

The legislation also directs the Authority ''to identify the net revenues produced by the sale of expansion power and further to identify an amount of the net revenues from the sale of expansion power which shall be used solely for industrial incentive awards.'' The statute provides that ''[n]otwithstanding other lawful purposes for which such revenues may be used, it shall be the preferred purpose of the [A]uthority to make available all such net revenues for industrial incentive awards.'' Industrial incentive awards ("Awards") are to be made in accordance with an economic development plan proposed by the Authority and approved by EDPAB.

The current process provides for the Authority to authorize Awards to individual manufacturing companies that provide explicit data demonstrating their risk of closure or relocation out of New York State. The form of the Award generally will be a ¢/kWh price discount on an agreed-to level of electricity consumption for one year. Awards would normally be for one year, with the ability to renew for one or two additional years provided the company continues to meet an agreed-to job commitment for New York. Additionally, participating companies may opt out should any new long-term economic development program be approved by the State that offers similar or greater value. EP net revenues for 2009 and 2010 are $7.6 million and $6.4 million, respectively. As of June 2011, ten customers had been

approved to receive Awards, with total payments to date amounting to approximately $5.8 million. Two of these customers are approved to receive Awards for longer terms extending through December 31, 2016 and December 31, 2029, respectively.

The Authority has also contracted for the sale of up to 61.4 MW of Industrial Power to MUSAs, not all of which is presently allocated, located in the service territories served by Con Edison, LIPA, Orange & Rockland Utilities, Inc. (''Orange & Rockland''), and Central Hudson Gas & Electric Corporation (''Central Hudson''), for resale to business customers approved by the Authority. A total of 7.4 MW is being sold to the County of Westchester Public Utility Service Agency (''COWPUSA'') for resale to seven such customers, and 45.6 MW has been made available to the New York City Public Utility Service Agency for resale to ten such customers, of which 39.4 MW is currently being delivered. In addition, 4.7 MW of such power is being made available to the Suffolk County Electrical Agency for resale to five customers, and 3.8 MW has been made available to the Nassau County Public Utility Agency for resale to four customers.

The Authority currently utilizes approximately 71 MW of purchased power and energy to meet the needs of the Authority's PFJ Program customers that are receiving power allocations rather than PFJ Reimbursement payments (see ''PART 2—POWER SALES—Marketing Issues and Developments—Item (6)'').

The Authority also sells incremental purchased power and energy at full cost to 12 of its 51 municipal electric system and rural electric cooperative customers to meet their electric power requirements in excess of their hydroelectric power allocations, which incremental power amounts during the peak winter months, in the aggregate, to approximately 80 MW and during the off-peak summer period diminishes to about 33% of the winter amount.

SENY Governmental Customers

The Authority supplies power and energy from acquisitions in the energy and capacity markets, as well as from Authority sources, to the NYC Governmental Customers and the Westchester Governmental Customers for use for education, public housing, street lighting, subways, airports, bridges and tunnels and other public purposes. The contracts with such governmental bodies provide for firm power service under the Authority's applicable service tariffs and its rules and regulations for power service, as supplemented by long term agreements with many of these customers (see ''PART 2—POWER SALES—Marketing Issues and Developments—Item (1)''). The rates established vary from customer to customer in accordance with load characteristics, and, in most cases, include both demand and energy rates. Authority power is delivered to these customers over the transmission and distribution system of Con Edison. The Authority pays Con Edison a delivery service charge to cover the cost of delivering this power to the point of use by the customer, which cost is recovered by the Authority from the customer.

The Authority's Ashokan and Kensico facilities and Small Hydroelectric Development Project No. 1 are used to support service to SENY Governmental Customers under the arrangements discussed above.

To serve the NYC Governmental Customers, the Authority has as resources its existing generation, including the 500-MW Plant (see ''PART 2—THE AUTHORITY'S FACILITIES—Generation—500-MW Combined-Cycle Electric-Generating Plant''), the power and energy from the Astoria Energy II plant that entered into service on July 1, 2011 for which it has a power supply contract, as well as market-based purchases. See "PART 2—POWER SALES—Marketing Issues and Development—Item 8)." The Authority anticipates that through these various sources it will be able to meet the power and energy needs of such customers. See ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR—Certain Authority Plant Outage Risks'' for a discussion of risks relating to outages at Authority units or non-performance of counterparties to energy supply contracts.

500-MW Plant

The installed capacity of the 500-MW Plant is being used by the Authority to meet a portion of its installed capacity needs in New York City. The Authority is bidding the generation of the plant into the DAM and the real time market of the NYISO for the benefit of its NYC Governmental Customers so as to, among other things, recover the costs of the operation of the unit and to maximize the unit's availability to the NYISO to assure the economical and reliable supply of electricity.

Small Clean Power Plants

The installed capacity of the SCPPs is being used by the Authority to meet its installed capacity needs or, if not needed by the Authority, is subject to sale to other users. The Authority is bidding the generation of the SCPPs into the DAM and the real time market in such a manner as the Authority deems advisable so as to maximize the SCPPs' availability to the NYISO to assure the economical and reliable supply of electricity in the SENY area. The Authority believes that the revenues derived from the sale of the SCPPs' generation into the NYISO energy markets, along with other available funds of the Authority, will be sufficient to meet the costs associated with the SCPPs.

Flynn

The Authority is supplying the full output of the Flynn plant to LIPA pursuant to a capacity supply agreement (the ''CS Agreement'') between the Authority and LIPA, which commenced in 1994 and had an initial term of 20 years. The CS Agreement was amended, effective January 1, 2004, by an agreement (the ''Supplementary Agreement''), which, among other things, extended the CS Agreement to April 30, 2020 (with either party having the right to terminate the extension on or before April 30, 2012). A subsequent amendment to the CS Agreement effective as of January 1, 2009, sets forth pricing terms through 2014. Under the revised energy pricing provisions, in addition to certain fixed cost charges collected under the CS Agreement, the daily energy price for all Flynn energy sold to LIPA is the lesser of a market-based gas price defined in the Supplementary Agreement or 95 percent of the 24-hour average of the day ahead market price (the ''LI Price'') for the NYISO Long Island zone. To the extent that 95 percent of LI Price applies for any day, the Authority would under-recover its gas cost. A daily shared savings arrangement allows the Authority the opportunity to recover some or all of its uncollected gas costs as long as LIPA's energy cost savings are at least 17 percent for the day. The intent of the Supplemental Agreement is to allow the Authority to recover more of its gas costs than would have been the case under the CS Agreement. Notwithstanding the Supplementary Agreement, the Authority cannot guarantee that this arrangement will allow it to recover all of its Flynn plant gas costs.

TRANSMISSION SERVICE

The NYISO is responsible for scheduling the use of the bulk transmission system in New York State, which normally includes all of the Authority's transmission facilities, and for collecting for ancillary services, losses and congestion fees from transmission customers. Each IOU, LIPA and the Authority retains ownership, and is responsible for maintenance, of its respective transmission lines. All customers of the NYISO pay fees to the NYISO for use of the transmission system. Each such customer also pays a separate fee for the benefit of the Authority that is designed to assure that the Authority will recover its entire annual transmission revenue requirement. If the NYISO does not maintain a FERC-accepted tariff which provides for full recovery by the Authority of its annual transmission revenue requirement, the Authority is permitted to withdraw from the NYISO on 90-days' notice to the other parties. In addition, any of the IOUs, LIPA and the Authority may withdraw from the NYISO on 90-days' notice to the Board of Directors of the NYISO, but, in the case of an IOU, such withdrawal is conditioned upon the effectiveness of an ''open access''

transmission facilities tariff on file with FERC. In 1996 the Authority adopted an open access transmission tariff.

In an order dated July 28, 1999, FERC approved the NYISO Open Access Transmission Tariff, the NYISO Market Administration and Control Area Tariff (under which non-transmission services are provided by the NYISO), and each of the related agreements submitted to it for approval in connection with the formation of the NYISO. 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.

FERC also approved, among other things, the imposition of the NYPA Transmission Adjustment Charge ("NTAC") and the NYPA Transmission Service Charges (the tariff elements for the recovery of the Authority's annual transmission revenue requirement), establishment of the NYISO and the Reliability Council, the Reliability Rules, and the commencement of operations by the NYISO.

Transmission agreements between the IOUs, LIPA and the Authority and their customers in existence remain in effect unless modified pursuant to Sections 205 or 206 of the Federal Power Act (''FPA''). The IOUs have made Section 205 filings with respect to virtually all transmission agreements applicable to the Authority and its customers. The Authority concurred in these filings, and they have been approved by FERC. These customers, including customers of the Authority, have the right to elect to convert their service to service under the NYISO Open Access Transmission Tariff. Should any of the Authority's customers choose to convert to service under the NYISO Open Access Transmission Tariff, the Authority would fully collect the foregone Transmission Service Charge amounts under the NTAC provisions.

Cable Agreement

The Authority and LIPA are parties to the Sound Cable Facilities and Marketing Agreement (the ''Cable Agreement''), relating to the Authority's Long Island Sound Cable (the ''Cable'') (see ''PART 2—THE AUTHORITY'S FACILITIES—Transmission—*Long Island Sound Cable''),* which was executed for the purposes of providing lower cost energy from upstate New York and Canadian sources to consumers on Long Island and of increasing the reliability of their electric supply by strengthening interconnection capability between Long Island and the rest of New York State. The Cable Agreement provides that LIPA will reimburse the Authority for the costs it incurs in connection with the Cable, including but not limited to debt service, reserves, and operation and maintenance expenses, in return for the use of the capacity of the project. LIPA was initially allocated the full capacity of the Cable and to the extent that the Authority has allocated capacity to other parties, LIPA's payment obligations are proportionately reduced, with such other parties making payments pursuant to applicable rates. The Authority has allocated capacity of the Cable to certain loads served by the Authority in LIPA's service territory when there has been insufficient capacity to serve such loads on another cable jointly owned by LIPA and Con Edison.

ENERGY SERVICES

The Authority currently implements two main energy services programs, one for its SENY governmental customers and the other for various other public entities throughout the State. Under these programs, the Authority finances the installation of energy saving measures and equipment which are owned by the customers and public entities upon their installation and which focus primarily on the reduction of the demand for electricity and the efficient use of energy. The Authority has authorized as of June 30, 2011, the expenditure of an aggregate of $[3.3] billion on these programs, the funds for which are

provided from the sale of the Authority's Commercial Paper Notes and from internally generated funds. Except for certain limited energy audit costs, the Authority expects to recover its expenditures on these programs, including its financing costs, from the participants in these programs and/or, for certain of these expenditures which have been incurred, those customer classes receiving benefit from the programs, over periods not exceeding ten years, except for certain projects meeting specified criteria and implemented after April 1, 2002 which may have recovery periods extending up to 20 years. The Authority's energy services programs generally provide funding for, among other things, high efficiency lighting technology conversions, high efficiency heating, ventilating and air conditioning systems and controls, boiler conversions, replacement of inefficient refrigerators with energy efficient units in public housing projects, distributed generation technologies and clean energy technologies, and installation of non-electric energy saving measures. Participants in these programs include departments, agencies or other instrumentalities of the State, the Authority's SENY public customers, public school districts or boards and community colleges located throughout New York State, county and municipal entities with facilities located throughout New York State, certain not-for-profit entities, and the Authority's municipal and rural electric cooperative customers.

Legislation enacted in September 2009 enhances the Authority's authority to provide and finance energy services, including the issuance of bonds for that purpose, and also explicitly authorizes the Authority to provide energy services to virtually all of its commercial and industrial customers. By legislation enacted earlier, the Authority also was explicitly authorized to provide energy services to public and non-public elementary and secondary schools and specified military establishments in New York and to finance and administer programs to replace inefficient refrigerators with energy efficient units in certain public and private multiple dwelling buildings.

As of June 30, 2011, the Authority had outstanding aggregate expenditures of $[373] million (excluding POCR funds, discussed below) for these programs and projects associated with POCR funding, discussed below, and expects to spend an additional $1.05 billion for these programs and projects over the period 2011-2015 (see ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements'').

The Authority has also established a variety of programs funded by available petroleum overcharge restitution (''POCR'') funds and, to a lesser extent, other State funds (see ''PART 2— LEGISLATION AFFECTING THE AUTHORITY''), with authorized funding of $60.9 million for programs. These programs primarily include grants for energy services projects throughout New York State. The Authority is statutorily authorized to utilize its internally generated funds and the proceeds of Authority debt to finance energy service projects receiving POCR financing.

The New York State Clean Water/Clean Air Bond Act of 1996 (the ''1996 Bond Act'') allocated to the Authority $125 million of 1996 Bond Act proceeds to undertake the implementation of Clean Air for Schools projects for elementary, middle and secondary schools, which funds have been received. These projects are designed to improve air quality for schools, including, but not limited to, the replacement of coal-fired and certain other furnaces and heating systems with furnaces and systems fueled by oil or gas. The Authority anticipates that the funding for the projects will allow the conversion of 80 schools, of which 76 have been completed. The conversion program is scheduled to be completed in 2013.

Funds received by the Authority under the 1996 Bond Act and POCR funds received by the Authority are not available to pay debt service on the Authority's debt obligations.

THE AUTHORITY'S FACILITIES

Generation

General Information

The Authority's generating facilities and certain related capacity and generation information are listed in the following table:

Authority Generating Facilities

	Type	First Year of Operation	Total Installed Capability-MW	Net Dependable Capability-MW[1]	2010 Net Generation MWh[2]
St. Lawrence-FDR	Hydro	1958	912	735	6,611,236
Niagara	Hydro	1961	2,755	2,674	13,241,815[3]
Blenheim-Gilboa	Pumped Storage	1973	1,160	1,140	(145,911)[3]
Flynn	Gas/Oil	1994	170	135	942,487
SCPPs[4]	Gas	2001	517	443	508,120
Small hydroelectric[5]	Hydro	See note[5]	40	12[6]	155,903
500-MW Plant	Gas/Oil	2005	500	462	2,944,714
Totals			6,054	5,601	24,258,364

(1) Summer capability period rating.
(2) Subject to NYISO adjustments.
(3) Net of pumping energy.
(4) Consists of 10 generating units located in New York City and one located in the service territory of LIPA.
(5) Consists of Ashokan and Kensico facilities, which were placed in service in 1982 and 1983, respectively, and facilities at the Hinckley (Jarvis plant), Crescent and Vischer Ferry sites, which are part of Small Hydroelectric Development Project No. 1 and which went into commercial operation on July 1, 1991.
(6) Consistent with NYISO filed tariff revisions to modify methodologies in calculating capability limited control run of river small hydros.

St. Lawrence-FDR

The St. Lawrence-FDR Project consists primarily of the Robert Moses Power Dam located at Massena, New York, and two additional dams. The construction and operation of the St. Lawrence-FDR Project were authorized by a 50-year license issued to the Authority by the Federal Power Commission effective as of November 1, 1953. By order issued October 23, 2003, a new 50-year license was issued to the Authority by FERC (see ''St. Lawrence-FDR Relicensing'' below). Commercial production of power started in July 1958. All power is generated at the Robert Moses Power Dam, which contains sixteen 57-MW hydro-turbine generators having an aggregate nameplate capacity of 912 MW. Under the new license, a specified amount of the plant's output must be made available to neighboring states (see ''St. Lawrence-FDR Relicensing'' below). For a discussion of litigation commenced by Native American tribes claiming ownership of various lands within the boundary of the boundary of the St. Lawrence-FDR Project, see "PART 1—APPENDIX D—Litigation—Item (a)."

St. Lawrence-FDR Relicensing

On October 23, 2003, FERC approved a comprehensive relicensing settlement agreement reached by the Authority and numerous parties and issued the Authority a new 50-year license (the ''New License'') for the St. Lawrence-FDR Project. Among other things, the New License provides for the following:

(1) establishment of a $24 million fund for fish enhancement and mitigation to be used for research, construction and operation of projects benefiting fisheries in the Lake Ontario/St. Lawrence River basin;

(2) construction of a fish ladder to assist the upstream passage of American eel;

(3) allocation of 34.5 MW of power from the Project to the states of Vermont, Rhode Island, Connecticut, New Jersey, Pennsylvania and Ohio;

(4) development of various habitat improvement projects within the Project boundary;

(5) construction of new recreational facilities and rehabilitation and expansion of existing recreational facilities, including additional trails, camping facilities and boat launches; and

(6) a shoreline management plan to effectively maintain eroding shorelines in the Project's boundary.

The Authority estimates that the total costs associated with the relicensing of the St. Lawrence-FDR Project for a period of 50 years will be approximately $210 million, of which approximately $181 million has already been spent. These total costs could increase in the future as a result of authorities reserved by FERC in the New License. A portion of these costs is reflected in the Authority's estimate of its capital requirements for the period 2011-2015 (see ''PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Projected Capital and Financing Requirements''). The Authority is collecting in its rates for the sale of St. Lawrence-FDR power amounts necessary to fund such relicensing costs.

St. Lawrence-FDR Modernization Program

The St. Lawrence-FDR Project commenced commercial operation in 1958. The Authority's Trustees in 1997 approved initiation of a program to extend the life of, and modernize, the generation equipment at the Project, including turbines, new generation control systems, generator exciters, generator circuit breakers, and rotor pole modifications (the ''Modernization Program'').

The Authority expects that installation of new turbines will result in a two-to-four percent increase in efficiency. In addition, the Modernization Program is expected to accomplish the following: reduce the probability of catastrophic equipment failures; result in a renovated plant that is maintainable for another 50 years; reduce maintenance requirements of equipment; and render the Project capable of improved response.

The Modernization Program commenced in 1998 and is expected to be completed in 2013. The Program's schedule allowed four years for engineering through the testing of a prototype unit and then rehabilitation of approximately three units every two years until completion. The Authority believes this timetable to be optimal for minimizing generation revenue loss while the units are being modernized.

Modernization of 14 of the 16 units has been completed.

The estimated cost of the Modernization Program is $281 million, of which approximately $222 million has been expended.

Niagara

The Niagara Project consists of a water intake, waterways, a generating plant (the ''Robert Moses Niagara Power Plant''), a pump-generating plant (the ''Lewiston Pump-Generating Plant'') with storage

reservoir, and power transformation and transmission facilities. It is located at Lewiston, New York, and was constructed to implement a 1950 treaty (the ''1950 Treaty'') between the United States and Canada. Power was first generated in January 1961, and the final generator went into commercial operation in October 1962.

The Robert Moses Niagara Power Plant contains thirteen hydro-turbine generators, with a nameplate capacity totalling 2,429 MW, and the Lewiston Pump-Generating Plant contains twelve hydro-turbine motor-generators, with a nameplate capacity totalling 240 MW. The nameplate capacity of Niagara is 2,669 MW.

Pursuant to a FERC-approved license amendment, the Authority, in December 2006, completed a $298 million upgrade (including licensing and preliminary engineering costs) of the 13 generating units at the Robert Moses Niagara Plant. As a result of this work, the Niagara Project is able to produce approximately 32 additional MW of power that is available on a firm basis.

In June 2010, the Authority's Trustees approved a $460 million Life Extension and Modernization ("LEM") Program at the Lewiston Pump-Generating Plant. The work to be done includes a major overhaul of the plant's 12 pump turbine generator units. The LEM Program will increase pump and turbine efficiency, operating efficiency, and the peaking capacity of the overall Niagara Project. The Authority intends to file an application with FERC for a non-capacity license amendment in connection with the program. The unit work is scheduled to begin in late 2012, with the final unit being completed in 2020.

Niagara Relicensing

In 1958 the Federal Power Commission issued the Authority a license for a period of 50 years, effective as of September 1, 1957 and expiring August 31, 2007, for the construction, operation and maintenance of the Niagara Project. Under the NRA, pursuant to which the license was granted, the Authority must give preference to public bodies and non-profit cooperatives in disposing of half of the Project's total output. A reasonable amount of such total output subject to preference (not in excess of 10% of total output) must be made available to neighboring states.

The Authority filed its application for a new Niagara Project license (''Application'') with FERC on August 18, 2005. By order issued March 15, 2007, FERC issued the Authority a new, 50-year license for the Niagara Project effective September 1, 2007, and approved various settlement agreements addressing numerous topics ("Settlement Packages") as set forth below. In mid-April 2007, two petitions for rehearing were filed by certain entities with FERC regarding its March 15, 2007 order, which petitions were denied by FERC in its order issued September 21, 2007. By decision dated March 31, 2009, the U.S. Court of Appeals for the District of Columbia Circuit denied a petition for review of FERC's orders filed by certain entities, thereby concluding all litigation involving FERC's issuance of the new license. A description of the Settlement Packages follows.

(1) Greenway

In 2004, legislation was enacted into law creating the Niagara Greenway Commission (''Greenway Commission''), a new entity charged with developing and implementing a plan to create a greenway that will ''enhance waterfront access, complement economic revitalization of the communities along the river, and ensure the long-term maintenance of the greenway''. The aggregate amount of the greenway Settlement Package funds is calculated by assuming that $7 million per year will be made available for the term of a 50-year license. The net present value of this Settlement Package is estimated at approximately $113.3 million. (All dollar amounts in these Settlement Packages

descriptions are expressed in terms of net present value using 2007 as the base year.) Certain of the greenway funds are earmarked for ecological, parks and recreation, and tourism projects.

(2) Ecological

Pursuant to Section 401 of the Federal Clean Water Act (''CWA''), the New York State Department of Environmental Conservation (''DEC'') conditioned the new license issued by FERC for the Niagara Project through the issuance of a certificate confirming that the license will comply with CWA requirements. In addition, the Federal Power Act confers authority on federal and state wildlife agencies to recommend conditions to be included in the FERC license. In view of these provisions, the Authority engaged in discussions with DEC, the Fish and Wildlife Service of the U.S. Department of the Interior, and certain other interested organizations regarding appropriate enhancement and protection of ecological resources in and around the Niagara River. The resulting Settlement Package includes construction, operation, and maintenance of 8 ''Habitat Improvement Projects,'' a Fish and Wildlife Habitat Enhancement and Restoration Fund, and a Land Acquisition Fund. The net present value of this Settlement Package is estimated at approximately $30.7 million.

(3) Recreational

The original design of the Niagara Project involved the creation of Reservoir State Park within the Niagara Project Boundary established by FERC pursuant to the original license. Studies conducted as a part of the relicensing of the Niagara Project confirmed that Reservoir State Park and a number of other recreational facilities located on Authority lands within or in the vicinity of the Niagara Project Boundary are in need of repair, maintenance, and/or rehabilitation. To address this concern, a Settlement Package was developed around a series of improvements to be undertaken at Reservoir State Park, the Niagara Project Intakes, the Niagara Discovery Center, Artpark, and other public access improvements. The net present value of this Settlement Package is estimated at approximately $11.1 million.

(4) Groundwater Infiltration Abatement

Pursuant to Section 10(a) of the FPA, FERC has jurisdiction to require the modification of a project to address adverse impacts arising out of project operations. Studies conducted as part of the relicensing of the Niagara Project confirmed that, in the vicinity of the intersection of the Niagara Project Conduits (''Conduits'') and the Falls Street Tunnel (''Tunnel''), which has been incorporated into the wastewater treatment system operated by the Niagara Falls Water Board, the hydraulic influence of the Conduits causes an increase in the infiltration of groundwater into the Tunnel. Given the demonstrated impact of the Project on the Tunnel, a Settlement Package was developed around a project that involves reducing infiltration of groundwater into the Tunnel. The net present value of this Settlement Package is estimated at $19 million.

(5) Tuscarora Nation

To address a number of concerns advanced by the Tuscarora Nation (''Nation''), including cultural, environmental and historical concerns, a Settlement Package was developed involving establishment of a community fund, the conveyance of certain surplus land, the provision of up to one megawatt of low-cost power to serve the Nation's needs, the creation of a scholarship program, and the conferral of certain other benefits. The net present value of this Settlement Package is estimated at approximately $27.6 million (which includes the value of the power allocation), including payments totaling approximately $23.8 million in net present value (2007 dollars) over the term of the new license, either in the form of a single payment or a series of payments.

(6) Out-of-State Power Allocations

Pursuant to the requirements of the NRA, the Authority is required to sell fifty percent of Niagara Project power as ''preference power'' to public bodies and non-profit cooperatives and of that amount a ''reasonable portion'' but not more than twenty percent of the preference portion (or ten percent of the total) must be made available for sale in ''neighboring states''. The Authority is currently selling ten per cent of Niagara Project firm and peaking power to seven ''neighboring states'', the State of Connecticut; the Commonwealth of Massachusetts; the State of New Jersey; the State of Ohio; the Commonwealth of Pennsylvania; the State of Rhode Island; and the State of Vermont. The Authority reached a settlement with the neighboring states under which license articles consistent with the NRA's neighboring state sales requirements would be included in the Authority's new license for the Project and the seven states would support the Authority's application to FERC for a new fifty-year license and the settlements with other parties. The settlement also provides that the Authority staff will recommend to its Trustees that they approve and recommend to the Governor for his approval new contracts with terms through September 1, 2025 for the continued sale of ten percent of Project power to the states at cost-based rates. Such contracts were subsequently approved by the Governor and are in place. The form of contract allows the Authority to petition FERC to allow the sale of less than ten percent (but not less than 7.5%) of Niagara Project power to the neighboring states, with such reduction to take effect prospectively only after a final, non-appealable FERC order.

(7) Host Communities

The Niagara Project Boundary encompasses lands within seven taxing jurisdictions: Niagara County, the Towns of Lewiston and Niagara, the City of Niagara Falls, and three school districts. While some of these lands were acquired by the Authority from entities that were already tax-exempt (e.g., Niagara University and the Tuscarora Nation), most of the land so acquired became tax-exempt at the time the Niagara Project was created. To address this concern and a number of other concerns advanced by these municipal entities, including socioeconomic concerns, a Settlement Package was developed that involves establishing a community fund, conveying certain surplus land, and providing 25 MW of low-cost power. The net present value of this Settlement Package is estimated at approximately $182.6 million (which includes the value of the power allocation).

Further, in December 2005, the Authority reached an additional relicensing settlement agreement with the City of Buffalo and Erie County. The Authority's commitments pursuant to this agreement include establishment of an Erie County Greenway Fund to be funded by the Authority through annual payments of $2 million throughout the term of the new license; contribution of a minimum payment of $2.5 million per year throughout the term of the new license into a Buffalo Waterfront Development Fund, $1.5 million of which will represent the net value of 5 MW of firm hydropower sold into the NYISO market; the payment of $4 million to be used for projects on Buffalo's waterfront; the payment of $1 million annually to Empire State Development Corporation for economic development and revitalization activities in the vicinity of Buffalo's waterfront; and the possible return of a parcel of waterfront property currently used by the Authority as an ice boom storage area. In July 2010, the Authority agreed to an amendment of this settlement agreement to accelerate the payments for Buffalo's waterfront development to $4.7 million per year for twenty years versus the original $3.5 million per year for fifty years in order to facilitate the development of the proposed Canal Side project in Buffalo.

Further, in May 2006, the Authority entered into a settlement agreement with Niagara University consisting of a $10.5 million capital/aesthetics fund and a 3 MW power allocation from the Niagara Project to be sold to the university at the Authority's business rate. The net present value of this settlement package (including the value of the power allocation) is estimated to be $21.6 million.

Each settlement agreement was, among other things, conditioned on issuance of a 50-year license by FERC that is fully consistent with the terms set forth therein, and that FERC's action on the final license application must be preceded by and based on review of associated environmental impacts pursuant to the National Environmental Policy Act.

The Authority currently expects that the costs associated with the relicensing of the Niagara Project for a period of 50 years will be at least $495 million (2007 dollars) which includes $50.5 million in administrative costs associated with the relicensing effort and does not include the value of certain power allocations and operation and maintenance expenses associated with several habitat and recreational elements of the settlement agreements. Of the $495 million, approximately $184 million has already been spent. The Authority expects to collect in its rates for the sale of Niagara power amounts necessary to fund such relicensing costs.

Blenheim-Gilboa

The Blenheim-Gilboa Project is located on the Schoharie Creek in the towns of Blenheim and Gilboa, Schoharie County, New York, and was built pursuant to a 50-year license issued by the Federal Power Commission effective May 1, 1969. The Project was first operated in 1973, and consists primarily of a lower and upper reservoir and pump-generating power plant containing four reversible hydraulic pump-turbines. With the recent completion of the LEM Program (discussed below), the Project now has an installed capacity of 1,160 MW.

In November 2003, the Authority's Trustees approved the initiation of a Life Extension and Modernization Program (''LEM Program''), estimated to cost $135.5 million, to renovate and modernize the Blenheim-Gilboa Project's generating equipment. A principal component of the LEM Program was the replacement of the four pump turbines with modern designs to achieve improvements in cycle efficiency, pumping flows and range of operation. The LEM Program also involved the rehabilitation and modernization of numerous Project systems, including structural rehabilitation of the motor-generators, replacement of the main power transformers and rehabilitation of the spherical valves that seal the units from the upper reservoir. The LEM Program began in the Fall of 2006 and was completed in May 2010. The increase in plant capacity as a result of the new pump turbines (120 MW) required the Authority to file an application for an amendment to its FERC license, which FERC approved in April 2006.

500-MW Combined-Cycle Electric-Generating Plant; Closure of Poletti Plant

To serve its NYC Governmental Customer load and to comply with the NYISO in-City capacity requirement in the New York City area (see ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR—NYISO Capacity Requirements Matters''), the Authority constructed a 500-MW combined-cycle natural-gas-and-distillate-fueled power plant in Queens, New York, as the most cost-effective means of effectuating such compliance. The 500-MW Plant entered into commercial operation in December 2005. In connection with the licensing of the 500-MW Plant, the Authority entered into a stipulation agreement that required, and resulted in, the cessation of operation of the Poletti generating plant (which had entered into service in 1977) on January 31, 2010. At the time of cessation, the Poletti Plant was fully depreciated and no debt remained outstanding; however, the Authority is expecting to incur as much as [$90] million in costs associated with the decommissioning of the Plant. The timing for and ultimate cost of decommissioning are still under review. The anticipated costs of decommissioning are being amortized in the NYC Governmental Customer rates over a 25-year period beginning in 2005.

In June 2007, the Authority awarded a long-term service agreement (''LTSA'') for the 500-MW Plant with a term of up to 15 years and at a cost of up to $105 million. The LTSA covers scheduled major maintenance, including parts and labor; contingencies for escalation of materials and labor; and potential extra work.

SCPPs

To meet potential capacity deficiencies in the New York City metropolitan area, which could also adversely affect the statewide electric pool, and to meet installed capacity requirements relating to its SENY and Long Island customers, the Authority installed eleven natural-gas-fueled electric generation units at six sites in New York City and at one site on Long Island which entered into commercial operation in 2001. Each small power plant has a nameplate rating of 47 MW. However, as a result of commitments made by the Authority in the course of obtaining regulatory authorizations for the plants, at sites which house two units, the combined output of the plants cannot exceed 79.9 MW.

The New York City plants are located as follows: one plant is located at a site in Williamsburg, Brooklyn; one plant is located at a site in Staten Island at Lynhurst Avenue and Edgewater; two plants are located at a site in Sunset Park, Brooklyn; two plants are located at a site in Long Island City, Queens; two plants are located at a site in the Bronx at Hell Gate; and two plants are located at a site in the Bronx at the Harlem River Yards.

In December 2001, the Authority, DEC, The City of New York (the ''City''), and certain of the petitioners involved in litigation relating to the SCPPs located at Vernon Boulevard, Long Island City, site in Queens (the ''Stipulation Petitioners'') entered into a Stipulation of Settlement (the ''Stipulation'') which settled the litigation. Among other things, the Stipulation provides that the Authority will cease operations of its two small power plants (the ''VB Power Plants'') at the Vernon Boulevard site (the ''VB Site'') upon the date of commencement of the commercial operation of either:

(i) the Authority's 500-MW Plant; or

(ii) a proposed 1000-MW plant (the ''1000-MW Plant'') to be built by another entity and known as the Astoria Energy LLC project;

provided that the Authority's cessation and removal obligations can only be enforced by the Mayor of the City of New York, when the Mayor deems it advisable and after consulting with the President of the Borough of Queens and the Councilmember from the 26th Council District in Queens, New York City.

Upon a decision to remove the plants, the Authority would be required to expeditiously remove the turbines, generators, skids and associated equipment from the VB Site within 90 days after such cessation. Under the Stipulation, the Stipulation Petitioners agree to reasonably support any voluntary activities by the Authority, to the extent permitted by law, aimed at relocating the two VB Power Plants to an appropriate site in the Borough of Queens.

The Stipulation also provides that if, as of the day prior to the date on which the Authority is obligated to cease operations of the VB Power Plants pursuant to the Mayor's enforcement action, discussed above, the aggregate electrical generating capacity (exclusive of the VB Power Plants) as determined by the NYISO or any successor entity, amounts to less than 81% of the total in-City projected peak electrical demand as determined by the NYISO or a successor entity for the summer of the year in which the Authority ceases such operation, then the City shall, within 6 months of receipt of documentation of project cost and expenses, reimburse the Authority in an amount equal to the Authority's unamortized cost for the Vernon Boulevard facility (including, without limitation, the costs of purchasing and installing the units and all associated equipment, all site acquisition and remediation costs, and the costs of all foundation, piling and duct work), but in no event shall such reimbursement exceed $40 million. The City's payment obligation, however, is conditioned upon the Authority having offered, for a specified period, to sell at fair market value the VB Power Plants to an entity willing to remove and relocate those units to another location

serving the New York City load pocket. For purposes of this payment obligation, such unamortized cost shall equal the Authority's documented Vernon Boulevard facility costs up to an aggregate of $100 million, plus the amount the Authority pays for removal, less (a) any net revenue received by the Authority from operation of the VB Power Plants, including, without limitation, capacity, energy and ancillary service revenues, if such services are being billed through the contracts with the City, (b) the actual resale value or the fair market value, whichever is greater, of any such equipment sold or otherwise disposed of by the Authority upon the cessation of operations of the VB Power Plants and (c) the fair market value of the VB Site at such time.

The Authority does not believe that cessation of operations and removal of the VB Power Plants, if that should occur, will have any additional material impact on the Authority.

Flynn

The Flynn Project consists of a combined-cycle, natural-gas-and-distillate-fueled electric-generating plant and associated facilities, including a 102-MW combustion turbine-generator, a 56-MW steam turbine-generator, and a heat-recovery steam generator. The plant was built on a site at Holtsville in Suffolk County, New York. The Project began commercial operation in May 1994. The Flynn plant has a nameplate rating of 164 MW. The full output of Flynn is being sold to LIPA under a capacity supply agreement, as amended (see ''PART 2—POWER SALES—Flynn'').

The availability factors for the Flynn Plant for 2009 and 2010 were 99.5% and 72.7%, respectively. The drop in 2010 was due to an unplanned gas turbine generator outage from May to August.

Small Hydroelectric Facilities

(1) Ashokan and Kensico. Ashokan is a small hydroelectric facility with a nameplate rating of 4.75 MW, consisting of the addition of hydroelectric generating equipment to the headworks of the Catskill Aqueduct at Ashokan Reservoir, in the Township of Olive, near Kingston, in Ulster County, New York. Kensico is a small hydroelectric facility with a nameplate rating of 3 MW, consisting of the addition of hydroelectric generating equipment to the headworks of the lower Catskill Aqueduct at Kensico Reservoir in the Town of Mount Pleasant, near White Plains, in Westchester County, New York. The plants are exempt from Federal licensing requirements. The Authority is planning on retiring the Kensico facility in 2013.

(2) Small Hydroelectric Development Project No. 1. The Project facilities have a combined nameplate capacity of 32.2 MW and are located at the following sites in New York State: Crescent Dam on the Mohawk River in Albany and Saratoga Counties; Vischer Ferry Dam on the Mohawk River in Saratoga and Schenectady Counties; and Hinckley Dam on West Canada Creek, near the Hamlet of Hinckley in Oneida and Herkimer Counties. The 40-year FERC licenses for these facilities expire on May 31, 2024, May 31, 2024 and July 31, 2022, respectively.

The Authority's Transmission System

The Authority owns, operates and maintains more than 1,400 circuit miles of high voltage (115-kV-765-kV) transmission lines in New York State. These lines include a 765-kV line south from the Canadian border to Marcy, New York; two 345-kV lines from the Niagara Project east to Niagara Mohawk's Edic Substation in central New York; two 345-kV lines from Marcy, New York, connecting to other utility substations in southeastern New York; three 345-kV lines from the Blenheim Gilboa Project extending to substations near Athens, New Scotland, and Delhi, respectively; two 230-kV lines extending

east from the St. Lawrence Project to Plattsburgh, New York, and to the Vermont border; two 230-kV lines extending south from the St. Lawrence Project to Belfort, New York; a single circuit underground and underwater line extending across Long Island Sound between Con Edison's substation in Westchester County and LIPA's substation in Nassau County, New York; several 115-kV lines connected directly to large industrial customers and other shorter lines connecting the Authority's generating facilities to the transmission grid.

In 2003, the Authority completed construction of a transmission control device known as the Convertible Static Compensator at its Marcy substation. This technology provides voltage control and helps reduce congestion on heavily used transmission lines between Utica and Albany, New York.

Long Island Sound Cable

The Cable consists of a 345-kV underground and underwater transmission cable, extending for approximately 26.6 miles from the Sprain Brook substation owned by Con Edison in Westchester County, New York, to the East Garden City substation owned by LIPA in Nassau County, New York, and includes an underwater crossing of approximately 7.9 miles of Long Island Sound. Installation of the Cable was completed in 1991.

Tri-Lakes Transmission Reinforcement Project

In September 2004, the Authority, National Grid, and the Villages of Tupper Lake and Lake Placid executed a settlement agreement designed to settle a dispute relating to cost responsibility for certain transmission system upgrades. Under the settlement agreement, National Grid is responsible for the construction of substation equipment and a new overhead line to alleviate serious transmission capacity deficiencies in the Lake Placid, Tupper Lake and Saranac Lake, New York, area of the Adirondacks. The upgrades consist of (a) one 46-kV Static Var Compensator (''SVC'') at Tupper Lake and one 115-kV SVC at Lake Colby (collectively, the ''SVCs''); and (b) a new overhead 46-kV line from Stark/Townline substation to a new regulator station at Piercefield (the ''New Line'') (collectively, the ''Tri-Lakes Project'').

National Grid is responsible for the design, engineering, procurement, construction, installation, testing, and overall project management for the Tri-Lakes Project, subject to oversight by the Authority. The Authority was the applicant for governmental permits or approvals required for the siting or construction of the New Line, and National Grid was the applicant for permits or approvals required for the SVCs. The SVCs were placed into service in 2007 and the New Line entered into service in May 2009. The settlement agreement contemplated that the Authority would own and finance the Tri-Lakes Project up to January 1, 2012, at which time the Tri-Lakes Project would be transferred to National Grid upon payment of the Net Project Cost, as defined below. The parties are considering advancing the transfer date.

The current cost estimate for the Tri-Lakes Project is $52.9 million (''Total Project Cost''). The Net Project Cost shall equal the Total Project Cost less $9.7 million (in 2004 dollars), which is the portion of the Tri-Lakes Project cost borne by Tupper Lake ($3.2 million) and Lake Placid ($6.5 million). The Authority will finance both National Grid's and the Villages' share of the Total Project Cost but will be reimbursed for these costs. The Authority and National Grid will share equally in any cost increases above the estimated cost of the transmission line part of the Project (estimated to cost $15.8 million in 2004 dollars). The Authority's share of cost increases is estimated to be less than $10 million.

Certain Operating Information

Effective in 1965, the Authority and Ontario Hydro entered into a Memorandum of Understanding containing provisions for coordinated operation of the two systems, for interchange of power and energy at

the Niagara and St. Lawrence-FDR Project interconnections and for the use of generating equipment of either system by the other in order to make optimum use of all available water at all times. The agreement provides for the sale by either party to the other of various classes of power and energy, and continues in force from year to year, subject to termination by either party on not less than five years' prior notice in writing.

The operation of Authority projects is subject to various federal and State licensing and permit requirements which have constrained facility operations and have caused and are expected to continue to cause the Authority to incur additional costs or to experience a reduction of revenues. Further plant improvements and modifications may be required by regulatory action or be deemed desirable by the Authority as the result of problems identified from its operating experience or that of operators of similar facilities.

Fuel Supply

Flynn, 500-MW Plant, SCPPs, and Astoria Energy II plant

The Authority endeavors to purchase sufficient amounts of fuel for Flynn, the 500-MW Plant, the SCPPs, and the Astoria Energy II plant to meet the fuel requirements of these plants. Natural gas is secured for these plants as required while the Authority maintains adequate oil inventory at the 500-MW Plant, Flynn, and the Astoria Energy II plant to supplement natural gas consumption. Fuel purchases are effectuated in the spot market and, at times, through longer term supply contracts for natural gas.

Gas Transportation and Supplies

The Authority has entered into service agreements with Texas Gas Transmission, LLC, Dominion Transmission, Inc., and Transcontinental Gas Pipe Line Corporation terminating in October 2016 under which these pipelines provide firm natural gas transportation service at an estimated average annual cost to the Authority of $7.5 million per year, based on current rates applied to the Authority's full allocation of capacity. The transportation primarily serves the Flynn plant, and also serves the SCPPs, the 500-MW Plant, and the Astoria Energy II plant. To the extent transportation costs are for gas used at the Flynn plant, the recovery of such costs from LIPA would be governed by the terms of the capacity supply agreement, as supplemented, relating to the plant (see ''PART 2—POWER SALES—Flynn'').

The Authority entered into an agreement with Con Edison ending April 30, 2016 which provides gas transportation and balancing services to the Authority to serve its expected fuel needs for the 500-MW Plant, the Astoria Energy II plant, and the SCPPs located in Con Edison's service territory, at an estimated annual cost of $2.7 million, exclusive of applicable taxes and balancing charges, if any. The Authority has also entered into gas transportation and balancing agreements with National Grid Delivery Long Island, Inc., and National Grid Delivery New York, Inc., ending February 28, 2014, which provide gas transportation and balancing needs of its SCPPs located in the service territories of such utilities, at an estimated annual cost of $1.2 million, exclusive of applicable taxes and balancing charges, if any.

LEGISLATION AFFECTING THE AUTHORITY

Section 1011 of the 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. Bills are periodically introduced into the State Legislature 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 hereby. It is not possible

to predict whether any 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 in the case of each such provision, the Authority will be immune from the financial obligations imposed by such provision. Examples of such legislation affecting only the Authority include legislation, discussed above, relating to the Authority's voluntary contributions to the State, the Authority's temporary transfer of funds to the State, the Power for Jobs and Energy Cost Savings Benefits programs, and the establishment of the Western New York Economic Development Fund Benefit program (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Voluntary Contributions to the State, Temporary Transfer of Funds to State; POWER SALES—Marketing Issues and Developments—Items (3), (5), (6)"). Set forth below are descriptions of certain other legislative provisions, that are relevant to the Authority.

(1) Section 2975 of the New York Public Authorities Law establishes a Governmental Cost Recovery System, pursuant to which certain public benefit corporations, defined as having three or more members appointed by the Governor, are subjected to assessment for the costs of central governmental services attributable to such public benefit corporations, pursuant to a statutory assessment methodology. Such a public benefit corporation may, however, pursuant to Section 2975, opt to enter into an agreement with the State Director of the Budget providing for alternative cost recovery to the State. Consistent with such alternative agreement mechanism, the Authority in the past has voluntarily entered into agreements with the Division of the Budget pursuant to which the Authority has made payments to the State relating to such cost recovery assessments. In connection with the Authority's temporary transfer of funds to the State in 2009 (see "PART 2—CERTAIN FINANCIAL AND OPERATING MATTERS—Temporary Transfer of Funds to State"), the Authority executed an alternative cost recovery agreement with the Director of the Budget whereby the Authority was relieved of any obligation to make payments under Section 2975 from 2009 to 2017, up to a maximum of $45 million.

(2) In 1995 and thereafter, legislation was enacted into New York law which authorizes the Authority to utilize an aggregate of $60.3 million in POCR funds and $600,000 of other State funds, to be made available to the Authority by the State pursuant to the legislation, for a variety of energy-related purposes with certain funding limitations. The legislation also states that the Authority ''shall transfer'' equivalent amounts of money to the State prior to dates specified in the legislation. The use of POCR funds is subject to comprehensive Federal regulations and judicial orders, including restrictions on the type of projects which can be financed with POCR funds, the use of funds recovered from such projects, and the use of interest and income generated by such funds and projects. Pursuant to the legislation, the Authority is implementing various energy services programs utilizing such appropriated funds, which programs have received all necessary approvals (see ''PART 2—ENERGY SERVICES''). The Authority entered into agreements with the State Division of the Budget obligating it to transfer $60.9 million to the State upon the transfer of the $60.9 million in POCR and other State funds to the Authority. The disbursement of the appropriated funds to the Authority, and the Authority's transfer of $60.9 million to the State, has occurred. The appropriated funds are being held in an escrow account for the approved purposes.

(3) The New York Executive Law was amended in 2004 to add a new Section 713, entitled ''Protection of Critical Infrastructure including Energy Generating and Transmission Facilities.'' The statute provides, in relevant part, that the New York State Director of Public Security (''Director of Public Security'') shall conduct a review and analysis of measures being taken by the New York Public Service Commission (''PSC'') and any other agency or authority of the State or any political subdivision thereof and, to the extent

practicable, of any federal entity, to protect the security of critical infrastructure related to energy generation and transmission located within New York State. The Director of Public Security is granted the authority to review any audits or reports related to the security of such critical infrastructure, including audits or reports conducted at the request of the PSC or any other agency or authority of the State or any political subdivision thereof or, to the extent practicable, of any federal entity. The statute provides for periodic reporting by the Director of Public Security to the Governor, the Temporary President of the New York Senate, the Speaker of the New York Assembly, the Chairperson of the PSC and the chief executive of any affected generating or transmission company or his or her designee. Such reports are to review the security measures being taken regarding critical infrastructure related to energy generating and transmission facilities, assess the effectiveness thereof, and include recommendations to the State Legislature or the PSC if the Director of Public Security determines that additional measures are required to be implemented, considering, among other factors, the unique characteristics of each energy generating or transmission facility.

The statute provides that ''[e]xcept in the case of federally licensed electric generating facilities, the public service commission shall have the discretion to require that the recommendations of the director of public security be implemented by any owner or operator of an energy generating or transmission facility.'' For the purposes of the statute, ''critical infrastructure'' means systems, assets, or things, whether physical or virtual, so vital to the State that the disruption, incapacitation or destruction of such systems, assets, places or things could jeopardize the health, safety, welfare or security of the State, its residents or its economy.

(4) The ''Public Authorities Accountability Act of 2005'' (''PAAA'') was signed into law in 2006, and it addresses a wide range of matters pertaining to many public authorities in the State, including the Authority. Among other things, the PAAA increases the number of Trustees of the Authority from five to seven; increases requirements applicable to public authorities' annual reports; sets forth requirements relating to independent audits and audit reports of public authorities; sets forth roles and responsibilities of public authority board members and establishes certain restrictions on such board members; establishes certain rules regarding board membership, including financial disclosure requirements; sets forth requirements pertaining to public authorities' disposition of real and personal property; and creates a State Authority Budget Office and a State Inspector General's Office. Additional public authority reform legislation took effect on March 1, 2010 which provides, among other things, for State Senate approval of various public authorities' chief executive officers, including the Authority, and grants the State Comptroller discretionary authority to review and approve certain contracts entered into by public authorities, including the Authority.

(5) On October 1, 2010, the Governor signed into law the North Country Power Authority Act ("Act") creating in law the North Country Power Authority ("NCPA"). The NCPA's purpose is to finance and operate a municipal electric system serving a group of 24 municipalities in the New York State counties of St. Lawrence and Franklin. It is anticipated that the NCPA would purchase certain distribution and related assets from National Grid to provide utility service to this area. The Act provides for the NCPA's powers and duties, and authorizes the NCPA to, among other things, enter into contracts to purchase power from the Authority and other available sources. It is unclear when the NCPA may begin operations. It has no assets and many of the actions it must undertake in order to operate are subject to approval of New York State regulatory bodies. Accordingly, at this time, it is uncertain what effect if any the Act will have on the Authority's operations.

Information on legislation affecting the Authority is also available from many sources in the public domain, and potential purchasers of the 2011 Bonds should obtain and review such information.

EXECUTIVE ORDER NO. 111

In Executive Order No. 111, issued in 2001 (the ''Executive Order''), the Governor, among other things, required State agencies and other affected entities, as defined in the Executive Order, with

responsibility for purchasing energy to increase their purchases of energy generated from the following renewable energy technologies: wind, solar thermal, photovoltaics, sustainably managed biomass, tidal, geothermal, methane waste and fuel cells. State agencies and other affected entities must seek to purchase sufficient quantities of energy (or renewable energy attributes) from these technologies so that 10 percent of the overall annual electric energy requirements of buildings owned, leased or operated by such entities was met through these technologies by 2005, increasing to 20 percent by 2010. No agency or affected entity is exempt from these goals except pursuant to criteria developed by the New York State Energy Research and Development Authority. For the purposes of the Executive Order, ''State agencies and affected entities'' means agencies and departments over which the Governor has Executive authority and all public benefit corporations and public authorities the heads of which are appointed by the Governor. Regarding those Authority governmental customers falling within the scope of the Executive Order, the Authority has offered to provide such renewable energy attributes, and is providing them, to several such customers with full costs being recovered by the Authority.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The Electric Utility Industry Generally

Energy Policy Act of 1992

The Energy Policy Act of 1992 made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition in the wholesale electric power supply market. These changes have increased competition in the electric utility industry.

Federal Initiatives under the Energy Policy Act of 1992

On April 24, 1996, FERC issued a Final Rule (''Order No. 888'') significantly changing the regulation of transmission service performed by electric utilities subject to FERC's jurisdiction under sections 205 and 206 of the FPA. Among other things, FERC ordered pro forma, open-access, non-discriminatory transmission tariffs be placed into effect for all jurisdictional utilities on or before July 9, 1996. The goal of Order No. 888, according to FERC, was to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient lower cost power to the nation's electricity consumers by denying to a generator of electric energy any unfair advantage over its competitors that exists by virtue of its ownership of its transmission system.

Although the Authority was not subject to FERC's jurisdiction under sections 205 and 206 of the FPA at the time Order No. 888 was issued, Order No. 888 nevertheless has had a significant effect on the Authority and was the impetus to the Authority participating in the formation of the NYISO (see ''PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR''). In Order No. 888, FERC stated that it intended to apply the principles set forth in Order No. 888 to the maximum extent to consumer-owned and other non-jurisdictional utilities, both in deciding cases brought under sections 211 and 212 of the FPA and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs (see ''Energy Policy Act of 2005'' below).

Energy Policy Act of 2005

The ''Energy Policy Act of 2005'' (the ''Energy Policy Act''), among other things: (a) authorizes FERC to require ''unregulated transmitting utilities'' that formerly were exempt from regulation under sections 205 and 206 of the FPA (including the Authority) to provide open access to their transmission systems and to

comply with certain rate change provisions of section 205 of the FPA; authorizes FERC to order refunds for certain short-term wholesale sales made by state and municipal power entities (including the Authority) if such sales violate FERC-approved tariffs or FERC rules; (c) allows load serving entities holding certain firm transmission rights to continue to use those rights to serve their customers; (d) provides that an ''electric reliability organization'' (''ERO'') shall develop reliability standards for operation of the transmission grid subject to FERC approval, that compliance with such standards will be mandatory and enforceable by the ERO and FERC, and that the ERO may delegate its authority to regional entities subject to FERC approval (see North American Electric Reliability Corporation ("NERC") Reliability Standards, below); (e) adds to the FPA a prohibition on market manipulation and submission of false information, and expands civil and criminal penalties for violation of the FPA; (f) authorizes FERC to issue construction permits for transmission projects located in ''national interest electric transmission corridors'' (to be designated by DOE) in circumstances where the applicable state or regional siting agency does not timely authorize a project or imposes unreasonable conditions; (g) eliminates certain ownership restrictions on electric utilities regarding ''qualifying facilities'' under section 210 of the Public Utility Regulatory Policies Act (''PURPA''), and authorizes FERC to eliminate prospectively the obligation of electric utilities to purchase and sell electricity to such qualifying facilities if certain market condition findings are made by FERC; (h) requires state utility regulatory commissions and ''non-regulated electric utilities'' (including the Authority) to consider adopting certain standards on net metering, fuel diversity, fossil fuel plant diversity, certain metering and time-based rate schedules and demand response, and interconnection with distributed generation facilities; (i) repeals the Public Utility Holding Company Act (''PUHCA''), effective six months after enactment of the Energy Policy Act; (j) increases FERC's authority to review mergers of public utility companies; and (k) directs FERC to establish transmission investment incentives in transmission rate structures for public utilities. The foregoing discussion of certain provisions of the Energy Policy Act does not purport to be a comprehensive discussion of the Energy Policy Act. Information on the Energy Policy Act is available from many sources in the public domain, and potential purchasers of the 2011 Bonds should obtain and review such information.

North American Electric Reliability Corporation ("NERC") Reliability Standards

Pursuant to the Energy Policy Act, FERC in 2006 certified NERC as the nation's ERO and as of June 2007 granted it legal authority to enforce comprehensive Reliability Standards for all users, owners, and operators of the bulk power system in the United States, including the Authority. NERC has authority to levy penalties for non-compliance with the Reliability Standards, with fines of up to $1 million per day per violation for the most serious violations. FERC has approved a set of agreements between NERC and Regional Entities (in the Northeast United States, the Northeast Power Coordinating Council, "NPCC") delegating to them certain authority to monitor and enforce compliance with the Reliability Standards.

The Reliability Standards became effective in June 2007, with additional standards under development and existing standards undergoing revision. The Reliability Standards are applied according to a Functional Model established by FERC that places responsibility for compliance with entities that perform the various Functions. The Authority is currently registered with FERC to perform five of these Functions: Transmission Owner, Generation Owner, Generation Operator, Purchasing Selling Entity, and Load Serving Entity, and the Authority is required to comply with the Reliability Standards applicable to these Functions.

Dodd-Frank Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act ("DF Act") which addresses, among other things, interest rate and energy swap transactions of the type in which the Authority engages ("Swaps"). Many of the requirements and processes in this area are to be set forth in regulations promulgated by the Commodities Futures Trading

Commission in the coming months.[update] Depending on the ultimate resolution of numerous issues, which is uncertain, including whether and to what extent Swaps are required to be cleared through clearinghouses and/or traded on exchanges with accompanying collateral and/or margin requirements; whether and to what extent Swaps entered into prior to the enactment of the DF Act are required to be collateralized; and whether and to what extent public power entities such as the Authority are exempted from these requirements, the impact of the DF Act on the Authority's liquidity and/or future risk mitigation activities could be significant. In the event that the DF Act provisions are applied retroactively to Swap positions predating the enactment of the DF Act, it could require the Authority to post as much as $180 million in collateral to maintain its open hedge positions. The Authority currently has sufficient liquidity to post such collateral, if required. Extensive information on the DF Act is available from many sources in the public domain, and potential purchasers of the 2011 Bonds should obtain and review such information.

New York State Electric Utility Industry Restructuring Matters

Development of a Competitive Market for Electricity in New York

Following extensive proceedings, the PSC issued an Opinion and Order on May 20, 1996 (''Order 96-12'') in the competitive opportunities proceeding which set forth the PSC's goals of, among other things, increasing competition and customer choice in the retail electric market, lowering electric rates, and encouraging the New York investor-owned electric utilities to divest their generation assets. In Order 96-12, the PSC required these investor-owned electric utilities (with certain exceptions) to file individual restructuring and rate proposals that were responsive to the PSC's goals. The PSC ultimately approved multi-year restructuring and rate plans for each of the investor-owned electric utilities that the PSC deemed to be consistent with its goals set forth in Order 96-12.

In its appearances in proceedings before the PSC, the Authority has been primarily concerned with the level and structure of the utilities' delivery rates, as well as the potential application of charges for the ''stranded costs'' of the utilities, that would be applicable to the Authority and its customers. Treatment of these matters under the National Grid, Con Edison and NYSEG rate plans currently in effect is described below.

National Grid

In January 2010, National Grid filed a proposed multi-year rate plan to supplant its existing rate plan that generally governed its delivery rates through 2011. Evidentiary hearings were conducted on the filing which concluded in September 2010. A final PSC order was issued on January 24, 2011.

National Grid's filing would have imposed large delivery rate increases on all of the Authority's customers effective in 2012 and 2013; however, the company later withdrew its proposal for rate increases in 2012 and 2013, and the proceeding only concerned the 2011 rate year. Based on stipulations reached in the case, the final PSC order established that the delivery rates applicable to the Authority's "existing" allocations for RP, EP, EDP, PFJ power, and certain high load factor power would continue unchanged through 2011 and the current broad exemption from stranded cost recovery would continue for Authority customers through 2011. "New" allocations of Authority power, which were already subject to National Grid's regular tariff delivery rates, became subject to the revised delivery rates ultimately approved by the PSC in the case. Finally, the PSC's approved rate plan provides for National Grid's stranded costs to be fully recovered by the end of the 2011 rate year.

Con Edison

By order issued March 26, 2010, the PSC approved a settlement agreement, materially as submitted, by Con Edison and other parties, including the Authority, pertaining to Con Edison's delivery charges for the three-year period ending March 31, 2013 (''Joint Proposal''). Under the Joint Proposal, Con Edison's delivery revenues will increase by $420.4 million in each of the three rate years. The overall bill impact on Con Edison customers is an increase of approximately 3.6% in each year. The Authority's SENY Governmental and EDP customer class rates were assigned certain cost of service deficiency surcharges totaling $25.2 million over the three-year period which were significantly less than the $43.2 million proposed by Con Edison. Under the rates approved by the PSC, the Authority's customers generally will continue to be exempt from paying any stranded costs of Con Edison.

NYSEG

By order issued September 21, 2010, the PSC approved a settlement agreement governing NYSEG's rates through December 31, 2013. Most of the Authority's EP customers served by NYSEG are grandfathered into certain rates through 2013, and RP and EDP customers receiving service under a 2007 agreement will receive a 1.3% decrease, a 2.1% increase, and a 2.6% increase, respectively, during the three rate years of 2011-2013. Under previous agreements approved by the PSC, the Authority's existing allocations and new allocations up to 100 MW have been exempted from stranded cost recovery, and those agreements are not disturbed by the PSC's September 2010 order.

New York City and Long Island Local Reliability Rules

The NYISO has established local reliability rules for New York City and Long Island, New York, that require entities serving load in these areas to have at least 81% and 101.5% of the capacity necessary to service such load located in New York City and on Long Island, respectively. Through a combination of existing generation, capacity purchases and other arrangements, the Authority met the NYISO's capacity requirements for the Summer 2010 Capability Period and expects to meet through these means future capacity requirements.

Environmental

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the Authority's facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in substantial additional capital expenditures to comply, reduced operating levels or the complete shutdown of individual electric generating units not in compliance, and an adverse impact on Authority revenues.

On July 6, 2005, the U.S. Fish and Wildlife Service (''FWS'') initiated a status review under the Endangered Species Act (16 U.S.C. 1531 *et seq.)* to determine if listing the American eel as threatened or endangered is warranted. American eels are a fish species that migrate between freshwater and the ocean, and their wide range includes the Atlantic seaboard of the United States and Canada and the Great Lakes' drainages. In findings issued February 2, 2007, the FWS determined that such a listing is not warranted. However, in April 2010, the FWS was again petitioned to list the American eel as threatened or endangered and a preliminary determination to conduct another full 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.

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 or enacted legislative proposals which may affect the electric utility industry. The impact on the Authority's operations of any such laws or regulations is not presently predictable or quantifiable.

[update further] On March 10, 2005, the U.S. Environmental Protection Agency ("EPA") issued the Clean Air Interstate Rule ("CAIR"), which seeks to achieve the largest reduction in air pollution in more than a decade, using a cap and trade system to reduce emissions of sulfur dioxide (SO_2) and nitrogen oxides (NOX) in the eastern United States. The CAIR allowances consist of SO_2, annual NOX, and ozone season NOX allowances. On July 11, 2008, the U.S. Court of Appeals for the D.C. Circuit issued an opinion finding several flaws in the CAIR, vacated the rule and remanded the matter to the EPA. The EPA petitioned the Court for relief and the Court granted a remand without vacatur on December 23, 2008. This ruling by the Court leaves CAIR and the CAIR Federal Implementation Plans, including the CAIR trading programs, in place until EPA issues a new rule to replace CAIR. Accordingly, the previous allowance allocations continued to be valid until the CAIR rules are replaced. The Authority has been able to operate its fossil units within the limits of the allocated allowances.

[update further] On July 6, 2010, the EPA proposed the Transport Rule, which was promulgated to address the Court's opinion and remand of CAIR. Once approved, the Transport Rule would replace CAIR. The impact on the Authority's operations of the Transport Rule cannot be fully predicted at the present time; however, it is expected that the allocation of allowances will not impact operation of the 500-MW Plant or the SCPPs, but may affect the Flynn Plant.

The Regional Greenhouse Gas Initiative (''RGGI'') is a cooperative effort by Northeastern and Mid-Atlantic states (including New York) to hold carbon dioxide emission levels steady from 2009 to 2014 and then reduce such levels by 2.5% annually in the years 2015-2018 for a total 10% reduction. Central to this initiative is the implementation of a multi-state cap-and-trade program with a market-based emissions trading system. The program requires electricity generators to hold carbon dioxide allowances in a compliance account in a quantity that matches their total emissions of carbon dioxide for the compliance period. The Authority's Flynn, SCPPs, and 500-MW Plant are subject to the RGGI requirements as is the Astoria Energy II plant. The Authority has participated in program auctions commencing September 2008 and expects to recover RGGI costs through its power sales revenues. The Authority is monitoring federal legislation and proposed programs that would impact RGGI.

Other Factors

The electric utility industry in general has been, and in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities, including the Authority, and the level of utilization of their generating and transmission facilities.

Electric and magnetic fields (''EMF'') exist wherever electricity flows, around high voltage transmission and distribution equipment (''power Frequency EMF''), as well as near electrical appliances, computers, and other electrical devices. Epidemiological studies, clinical studies and laboratory experiments have shown that EMF can cause changes in living cells, but there is little evidence that these changes suggest any risk to human health.

In 1999, the National Institute of Environmental Health Sciences (''NIEHS'') completed a five-year federally supported EMF research program, concluding that the scientific evidence suggesting that power frequency EMF exposures pose any health risk is weak. The NIEHS study, however, could not discount the epidemiological findings showing associations observed in human populations with two forms of cancer: childhood leukemia and chronic lymphocytic leukemia in occupationally exposed adults. In 2001, the International Agency for Research on Cancer conducted a similar evaluation, and it classified power frequency EMF fields as ''possibly carcinogenic to humans'' based on a statistical association of power frequency EMF with increased risk of childhood leukemia. ''Possibly carcinogenic to humans'' is a classification used to denote an agent for which there is limited evidence of carcinogenicity in humans and less than sufficient evidence for carcinogenicity in experimental animals. In 2002, the California Department of Health Services prepared a report examining the evidence regarding possible EMF risk for some 21 different diseases. The report found that the possible risk, while potentially low, nonetheless could be of concern to regulators. Claims for damages against electric utilities for injuries alleged to have been caused by power frequency EMF have increased electric utilities' attention to this issue. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which power frequency EMF may have on the Authority and other electric utilities.

In addition to the factors affecting the electric utility industry discussed above, such factors also include, among others: (a) effects of compliance with rapidly changing environmental (including climate change), safety, licensing, regulatory and legislative requirements other than those described above, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and ''strategic alliances'' of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (d) the role of independent power producers and marketers, brokers and federal power marketing agencies in power markets, (e) ''self-generation'' or ''distributed generation'' (such as microturbines and fuel cells) by industrial and commercial customers and others, (f) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (g) changes from projected future load requirements, (h) increases in costs and uncertain availability of capital, (i) shifts in the availability and relative costs of different fuels (including the cost of natural gas), (j) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, (k) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, and (l) legislative changes, voter initiatives, referenda and statewide propositions. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including the Authority, and likely will affect individual utilities in different ways.

Effects on the Authority

Currently, the Authority is a provider of low cost power and energy in New York State. However, the Authority cannot predict what effect any of the foregoing factors will have on the business operations and financial condition of the Authority, but the effect could be significant. The Authority can give no assurance that it will not lose customers in the future as a result of the restructuring of the New York State electric utility industry and the emergence of new competitors or increased competition from existing competitors. In addition, the Authority's ability to market power and energy on a competitive basis is limited by provisions of the Act, restrictions under State and federal law as to the sale and pricing of a large portion of the output from the Niagara and St. Lawrence-FDR Projects, and restrictions on marketing arising from Federal tax laws and regulations.

The foregoing is a brief discussion of certain factors affecting the electric utility industry. This

discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2011 Bonds should obtain and review such information.

REGULATION

The operations of the Authority are subject to regulation or review by various State and federal agencies, discussions of which appear in various segments throughout this Official Statement. The principal agencies having a regulatory impact on, or a monitoring function over, the Authority and the conduct of its activities, are as follows:

New York State

Public Service Commission and Siting Board. The PSC is the principal agency in the State regulating the generation, transmission and sale of electric power and energy. It has no jurisdiction over rates for power generated or transmitted by the Authority but does regulate the rates of New York State's investor-owned utilities and certain municipal systems to which the Authority sells power. The PSC is empowered by the Public Service Law to issue Certificates of Environmental Compatibility and Public Need prior to the construction of power transmission lines of certain capacities and lengths.

On June 23, 2011, the State Legislature passed a bill establishing a new Article X of the Public Service Law governing the siting and construction of virtually all new electric generating plants of 25 MW or more in New York State including such facilities of the Authority [Governor's approval]. An earlier version of Article X expired on January 1, 2003. Under the bill, a Siting Board, chaired by the chair of the PSC and comprised of four other state agency officials and two ad hoc members, is empowered to issue Certificates of Environmental Compatibility and Public Need authorizing construction of such plants. The Siting Board is not authorized to accept applications under the new Article X until the DEC has issued certain regulations involving environmental justice and air quality issues.

Department of Environmental Conservation. The DEC administers and manages the State program for oil and chemical containment and spill prevention and provides for abatement of water, land and air pollution. Pursuant to State and federal laws, the DEC regulates the transport, treatment and disposal of hazardous and toxic wastes. In addition, the DEC regulates the use of tidal and freshwater wetlands and flood plains. Before any Federal license or permit can be issued for any activity involving a discharge into navigable waters, the DEC must certify that the discharge will comply with the State water quality standards, or otherwise waive certification. Certain aspects of the DEC's regulatory authority over pollutant discharge permits, air quality and hazardous waste regulation arise from delegation of such authority to the State by federal legislation.

New York State Comptroller. Pursuant to legislation enacted in 1989, the Office of the State Comptroller (the "OSC") is required to undertake a "program, financial and operations" audit of the Authority at least once every five years, and the OSC periodically conducts other audits as well. In March 2011, the OSC commenced its most recent ''program, financial and operations audit'' of the Authority by stating that it would audit the Authority's consulting and personal services contracts, cost of debt, and discretionary spending. The OSC's report is expected to be issued in the third quarter of 2011.

In January 2010, the OSC commenced an audit of the Authority's controls over overtime for the period January 1, 2007 to April 13, 2010 to determine whether overtime hours were: 1) necessary, 2) distributed equitably among employees, and 3) actually worked. The OSC's July 2010 report was

affirmative in all three determinations. The OSC recommended that the Authority monitor staffing levels continuously to ensure sufficient staff are hired to maintain adequate staffing levels and that the Authority communicate with union representatives to explore opportunities to shorten the time to complete the apprenticeship program. The Authority agreed with both recommendations and has taken steps to implement them.

In March 2006, the OSC issued regulations that are applicable in whole or in part to many public authorities in New York State, including the Authority. Among other things, the regulations require public authorities, including the Authority, to adhere to prescribed budgeting and financial plan procedures, certain financial reporting and certification requirements, and detailed investment guidelines and procedures, including obtaining the approval of the OSC before adoption of certain changes in accounting principles. In addition, legislation that took effect on March 1, 2010 provides the OSC with discretionary authority to review and approve certain contracts to be entered into by public authorities, including the Authority. In October 2010, the OSC issued regulations to implement this legislation.

State Inspector General. In February 2011, the State Inspector General ("SIG") informed the Authority that the SIG was initiating an inquiry into contributions, sponsorships, grants and other payments made by the Authority from October 2008 to the present. The Authority is cooperating fully with the SIG in the investigation.

Federal

Federal Energy Regulatory Commission. FERC exercises regulatory authority over the NYISO's operations and the Authority participates extensively in the NYISO's markets (see "PART 2—NEW YORK INDEPENDENT SYSTEM OPERATOR"). FERC is also authorized by the FPA to license certain hydroelectric power plants and transmission lines, to issue wheeling and interconnection orders and to prescribe rules for the sale of electrical energy to and the purchase of energy from qualifying cogeneration and small power production facilities. See ''PART 2—CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—The Electric Utility Industry Generally—*Energy Policy Act of 2005''* for a discussion of FERC's increased regulatory authority over certain entitites, including the Authority.

Environmental Protection Agency. With the exception of the nuclear facilities matters regulated by the United States Nuclear Regulatory Commission, the EPA is the principal agency of the Federal government regulating air and water quality and the use, storage and disposal of hazardous substances. While most of its air, water and waste programs have been delegated to the State, the EPA retains approval authority over the individual state programs, in many instances disapproval authority over individual permit issuance and enforcement authority over all the delegated programs. It is also empowered to initiate administrative and legal action to compel responsible parties to clean up hazardous waste sites. The Authority is subject to EPA rules requiring the securing of routine discharge permits for emissions and effluents from all Authority facilities.

Department of Energy. The Economic Regulatory Administration of DOE is authorized to issue Presidential permits for international transmission interconnections.

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APPENDIX 1

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a summary of certain provisions of the General Resolution. The following summary is not to be considered a full statement of the terms of the General Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise previously defined in this Official Statement or defined below have the meaning set forth in the General Resolution.

Definitions

The following are definitions in summary form of certain terms contained in the General Resolution and used hereinafter:

Authorized Investments means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's funds pursuant to any law, to the extent permitted under any applicable regulation, guideline and policy of the Authority as each is in effect from time to time: (i) any security which is (a) a direct obligation of, or is unconditionally guaranteed by, the United States of America or the State for the payment of which the full faith and credit of the United States of America or the State is pledged or (b) an obligation of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America; (ii) any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision (''Municipal Bond'') which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest Rating Category by at least two Rating Agencies and provided, however, that such Municipal Bond is accompanied by (1) a Counsel's Opinion to the effect that such Municipal Bond is not subject to redemption prior to the date the proceeds of such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified accountant verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond; (iii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, the Federal Housing Administration, the Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, or any other agency controlled by or supervised by and acting as an instrumentality of the United States government; (iv) obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which shall be rated at the time of the investment in any of the three highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; (v) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on Municipal Bonds provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee pursuant to the General Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which at the date of investment shall have an outstanding, unsecured, uninsured and unguaranteed debt issue rated in the highest Rating Category by a Rating Agency or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on Municipal Bonds, such insurance policy shall result in such Municipal Bonds being rated in the highest Rating Category by a Rating Agency; (vi) certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i) or (ii) above, provided that such obligations shall be held in trust by a Bank meeting the requirements for a successor Trustee pursuant to the General Resolution; (vii) certificates of deposit,

whether negotiable or non-negotiable, and banker's acceptances of the 25 largest Banks (measured by aggregate capital and surplus) in the United States or commercial paper issued by the parent holding company of any such Bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short-term Rating Category by a Rating Agency (including the Trustee and its parent holding company, if any, if it otherwise qualifies); (viii) any repurchase agreement or other investment agreement with any Bank as defined in clause (i) or (ii) of the definition thereof or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clause (i), (iii) or (vii) above, which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another such Bank, as custodian; (ix) any agreement or other investment agreement with any insurance company or reinsurance company or investment affiliates thereof the obligations of which are rated by a Rating Agency in one of the two highest Rating Categories, which agreement is continuously secured by any one or more of the securities described in clause (i), (iii) or (vii) above, which securities shall at all times have a market value of not less than the full amount held or invested pursuant to the agreement and be delivered to a Bank as defined in clause (i) or (ii) of the definition thereof, as custodian; (x) obligations of any domestic corporation which shall be rated at the time of the investment in either of the two highest long-term Rating Categories or the highest short-term Rating Category by a Rating Agency; and (xi) any other investment in which the Authority is permitted to invest under applicable law, notwithstanding any limitations set forth in clauses (i) through (x) above.

Authorized Officer means any trustee of the Authority or officer of the Authority and any other person authorized by by-laws or resolution of the Authority to perform the act or sign the document in question.

Bank means any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Capital Costs means the Authority's costs of (i) physical construction of or acquisition of real or personal property or interests therein for any Project, together with incidental costs, working capital and reserves deemed necessary or desirable by the Authority and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Authority may be issued under the Act or under other applicable State statutory provisions (whether or not also classifiable as an Operating Expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of any (a) Obligations issued by the Authority for the payment of any of the costs specified above, (b) any Obligations issued to refund such Obligations, or (c) Obligations issued to pay capitalized interest; provided, however, that the term Capital Costs shall not include any costs of the Authority relating to a Separately Financed Project.

Capital Fund means the fund by that name established pursuant to the General Resolution.

Commercial Paper Notes means any notes issued and outstanding at any time under the Commercial Paper Resolution.

Commercial Paper Resolution means the Amended and Restated Resolution Authorizing Commercial

Paper Notes adopted by the Authority on November 25, 1997, as the same may be amended and supplemented in accordance with its terms.

Counsel's Opinion means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority.

Credit Facility means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement thereof, which is obtained by the Authority and is issued by a financial, insurance or other institution and which provides security or liquidity in respect of any Outstanding Obligations, Parity Debt or Subordinated Indebtedness.

Defeasance Security means (a) an Authorized Investment as specified in clause (i) of the definition thereof, which is not callable or redeemable at the option of the issuer thereof; (b) any depositary receipt issued by a Bank as custodian with respect to any Defeasance Security which is specified in clause (a) above and held by such Bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Security which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Security or the specific payment of principal or interest evidenced by such depositary receipt; (c) any certificate of deposit specified in clause (vii) of the definition of Authorized Investments, including certificates of deposit issued by the Trustee or by a Paying Agent; (d) an Authorized Investment as specified in clause (ii) of the definition thereof and (e) any other security designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the Obligations authorized by such Supplemental Resolution.

Event of Default has the meaning provided in the discussion of **Event of Default** below.

Fiduciary or Fiduciaries means the Trustee, any Registrar, any Paying Agent, or any or all of them, as may be appropriate.

General Resolution means the Power Authority of the State of New York General Resolution authorizing Revenue Obligations adopted on February 24, 1998, as from time to time amended or supplemented by any Supplemental Resolutions.

1985 Note Resolution means the resolution adopted by the Authority on April 30, 1985 entitled ''Resolution Authorizing the Issuance of $200,000,000 Adjustable Rate Tender Notes,'' as amended and supplemented in accordance with the terms thereof.

1985 Notes means any notes issued and outstanding under the 1985 Note Resolution.

1974 Bonds means any bond or bonds issued in one or more series under the 1974 Resolution.

1974 Resolution means the General Purpose Bond Resolution adopted by the Authority on November 26, 1974, as amended and supplemented in accordance with the terms thereof.

Obligations means any obligations, issued in any form of debt, authorized by a Supplemental Resolution, including, but not limited to, bonds, notes, bond anticipation notes, and commercial paper, which are delivered under the General Resolution, but such term shall not include any Subordinated Contract Obligation or Subordinated Indebtedness.

Operating Expenses means the Authority's expenses for operation, maintenance, ordinary repairs and ordinary replacements of any Project, including, without limiting the generality of the foregoing, the costs of supplies, fuel, fuel assemblies and components required by the Authority for the operation of any Project (including any payments made pursuant to a ''take-or-pay'' fuel supply or energy contract that obligates the Authority to pay for fuel, energy or power regardless of whether fuel or energy is delivered or made available for delivery, other than any such contract or portion thereof that is designated by the Authority as either a Subordinate Contract Obligation or a Parity Contract Obligation), administrative expenses, insurance premiums, legal and engineering expenses, consulting and technical services, payments for energy conservation and load management programs, payments relating to fuel or electricity hedging instruments, payments for employee benefits, including payments to savings, pension, retirement, health and hospitalization funds, charges payable by the Authority pursuant to any licenses, orders or mandates from any agency or regulatory body having lawful jurisdiction, any payments in lieu of taxes or other payments to municipal governments agreed to be paid by the Authority and any taxes, governmental charges, and any other expenses required to be paid by the Authority, all to the extent properly and directly attributable to any Project; financing costs of any Series of Obligations; the expenses, liabilities and compensation of the fiduciaries required to be paid under the General Resolution or pursuant to any agreement executed by the Authority; all costs and expenses associated with or arising out of the research, development (including feasibility and other studies) and/or implementation of any project, facility, system, task or measure deemed desirable or necessary by the Authority; and all other costs and expenses arising out of or in connection with the conduct of Authority business (other than costs and expenses attributable to a Separately Financed Project), including those expenses the payment of which is not immediately required, such as those expenses referenced in the second paragraph of the discussion of **Operating Fund.** Operating Expenses shall not include any costs or expenses for new construction or for reconstruction other than restoration of any part of a Project to the condition of serviceability thereof when new.

Operating Fund means the fund by that name established pursuant to the General Resolution.

Outstanding, when used with reference to Obligations or Obligations of a Series, means, as of any date, Obligations or Obligations of such Series theretofore or thereupon being delivered under the General Resolution except: (i) Any Obligations cancelled at or prior to such date; (ii) Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof; (iii) Obligations in lieu of or in substitution for which other Obligations shall have been delivered pursuant to the General Resolution; (iv) Obligations deemed to have been paid as provided in the General Resolution; and (v) Put Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Obligations on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

Owner or any similar terms, means the registered owner of any Obligation as shown on the books for the registration and transfer of Obligations maintained in accordance with the General Resolution.

Parity Contract Obligation has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

Parity Debt means the 1985 Notes, any note issued pursuant to the 1995 Revolving Credit Agreement, and any Parity Contract Obligation, Parity Reimbursement Obligation or Parity Swap Obligation.

Parity Reimbursement Obligation has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

Parity Swap Obligation has the meaning provided in the discussion of **Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt** herein.

Paying Agent means any paying agent for the Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the General Resolution.

Person means any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company, or other legal entity or group of entities, including a governmental entity or any agency or subdivision thereof.

Project means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the generation, production, transportation, distribution, transmission, delivery, storage, conservation, purchase or use of energy or fuel, whether owned jointly or singly by the Authority, including any output in which the Authority has an interest, heretofore or hereafter authorized by the Act or by other applicable State statutory provisions; provided, however, that the term ''Project'' shall not include any Separately Financed Project.

Purchase Price means, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

Put Obligations means Obligations which by their terms may be tendered by and at the option of the owner thereof, or are subject to a mandatory tender, for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Swap with respect to such Obligations.

Qualified Swap Provider means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, financial program rating, counterparty rating, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such

Qualified Swap.

Rating Agency means each nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of the Authority.

Rating Category means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Redemption Price means, with respect to any Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the General Resolution.

Registrar means any registrar for the Obligations of any Series and its successor or successors and any other person which may at any time be substituted in its place pursuant to the General Resolution.

Revenues means all revenues, rates, fees, charges, rents, proceeds from the sale of Authority assets, proceeds of insurance, and other income and receipts, as derived in cash by or for the account of the Authority directly or indirectly from any of the Authority's operations, including but not limited to the ownership or operation of any Project, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project and not including any federal or state grant moneys the receipt of which is conditioned upon their expenditure for a particular purpose.

Securities Depository means The Depository Trust Company, New York, New York, or any substitute Securities Depository, or any successor to any of them.

Separately Financed Project means any project described as such pursuant to the General Resolution.

Series means all of the Obligations delivered upon original issuance pursuant to a single Supplemental Resolution and denominated therein a single series, and any Obligations thereafter delivered in lieu of or in substitution therefor pursuant to the General Resolution, regardless of variations in maturity, interest rate, or other provisions.

Subordinated Contract Obligation means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated as constituting a ''Subordinated Contract Obligation'' in a certificate of an Authorized Officer delivered to the Trustee, (b) any Qualified Swap which has been designated as constituting a ''Subordinated Contract Obligation'' in a certificate of an Authorized Officer delivered to the Trustee, (c) the 1995 Revolving Credit Agreement, and (d) any other contract, agreement or other obligation authorized by resolution of the Authority and designated as constituting a ''Subordinated Contract Obligation'' in a certificate of an Authorized Officer delivered to the Trustee. Each Subordinated Contract Obligation shall be payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in the General Resolution and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created pursuant to the Resolution for the payment of the Obligations and Parity Debt.

Subordinated Indebtedness means any Commercial Paper Notes, and any bond, note or other indebtedness authorized by resolution of the Authority and designated as constituting ''Subordinated Indebtedness'' in a certificate of an Authorized Officer delivered to the Trustee, and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate created for the payment of the Obligations and Parity Debt.

Supplemental Resolution means any resolution supplemental to or amendatory of the General Resolution, adopted by, or adopted pursuant to authorization granted by, the Authority in accordance with the General Resolution.

Tax-Exempt Obligations means any Obligations the interest on which is intended by the Authority to be excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Obligations in the Supplemental Resolution authorizing such obligations.

Trust Estate means, collectively: (i) all Revenues; (ii) the proceeds of the sale of Obligations until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations; (iii) all funds, accounts and subaccounts established by the General Resolution, including investment earnings thereon; and (iv) all funds, moneys, and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security pursuant to the General Resolution for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times, and to hold and apply the same subject to the terms of the General Resolution.

Trustee means the trustee appointed in accordance with the General Resolution, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the General Resolution.

(General Resolution, Sec. 101)

Book-Entry-Only System

Notwithstanding any other provision of the General Resolution, the Authority may employ a book-entry-only system of registration with respect to any Obligations, all as more fully set forth in the General Resolution and the Supplemental Resolution authorizing such Obligations. Any provisions of the General Resolution inconsistent with book-entry-only Obligations shall not be applicable to such book-entry-only Obligations.

(General Resolution, Sec. 309)

Credit Facilities; Qualified Swaps and Other Similar Arrangements; Parity Debt

The Authority may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Obligations secured by a Credit Facility as the Authority deems appropriate, and no such provisions shall be deemed to constitute an amendment to the General Resolution.

The Authority may secure such Credit Facility by an agreement providing for the purchase of the Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility (together with interest thereon, the **''Reimbursement Obligation'');** provided, however, that no Reimbursement Obligation shall be created, for purposes of the General Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation which may include interest calculated at a rate higher than the interest rate on the related Obligation, may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by the General Resolution to secure the Obligations (a **''Parity Reimbursement Obligation''),** but only to the extent principal amortization requirements with respect to such

reimbursement are equal to the amortization requirements for such related Obligations, without acceleration, or may constitute a Subordinated Contract Obligation, as determined by the Authority. In addition, the Authority may enter into a Reimbursement Obligation with respect to a Credit Facility securing Parity Debt, and any such Reimbursement Obligation may be a Parity Reimbursement Obligation (but only to the extent principal amortization requirements with respect to such reimbursement are substantially equal to the amortization requirements [including principal payments in connection with any optional or mandatory tender for purchase] for such related Parity Debt, without acceleration) or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Obligations or Parity Debt, which payments shall be Subordinated Contract Obligations.

In connection with the issuance of any Obligations or at any time thereafter so long as Obligations remain Outstanding, the Authority also may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps. The Authority's obligation to pay any amount under any Qualified Swap may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created pursuant to the General Resolution to secure the Obligations (a **''Parity Swap Obligation''),** or may constitute a Subordinated Contract Obligation, as determined by the Authority. Parity Swap Obligations shall not include any payments of any termination or other fees, expenses, indemnification or other obligations to a counterparty to a Qualified Swap, which payments shall be Subordinated Contract Obligations.

The Authority's obligation to pay that portion of any rates, fees, charges or payments which the Authority is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of meeting principal or interest or both on that entity's obligations directly associated with such contract and payable to such entity regardless of whether fuel or energy is delivered or made available for delivery, may be secured by a pledge of, and lien on, the Trust Estate on a parity with the lien created by the General Resolution to secure the Obligations (a **''Parity Contract Obligation''),** or may constitute a Subordinated Contract Obligation or an Operating Expense, as determined by the Authority.

(General Resolution, Sec. 310)

Pledge of Revenues and Funds

The Trust Estate is pledged for the payment of the principal and Redemption Price of, and interest on, the Obligations and, on a parity basis, the Parity Debt, in accordance with their terms and the provisions of the General Resolution.

(General Resolution, Sec. 501)

The General Resolution establishes the following funds:

(1) Operating Fund, to be held by the Authority, and

(2) Capital Fund, to be held by the Authority.

The Authority may establish one or more additional funds, accounts or subaccounts by delivering to the Trustee a certificate of an Authorized Officer.

(General Resolution, Sec. 502)

Operating Fund

The General Resolution provides that the Authority shall pay into the Operating Fund all Revenues as and when received. The Authority shall also pay into the Operating Fund such portion of the proceeds of any Series of Obligations which may have been issued to pay Operating Expenses as shall be specified pursuant to the Supplemental Resolution authorizing such Series. Amounts in the Operating Fund shall be paid out or accumulated or withdrawn from time to time for the following purposes and, as of any time, in the following order of priority: (a) payment of reasonable and necessary Operating Expenses or accumulation in the Operating Fund as a reserve (i) for working capital, (ii) for such Operating Expenses the payment of which is not immediately required, or (iii) deemed necessary or desirable by the Authority to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction; (b) payment of, or accumulation in the Operating Fund as a reserve for the payment of, interest on and the principal or Redemption Price of the Obligations and Payment of Parity Debt, on a parity basis, on their respective due dates or redemption date, as the case may be; (c) payment of principal of and interest on any Subordinated Indebtedness or payment of amounts due under any Subordinated Contract Obligation; (d) withdrawal and deposit in the Capital Fund; and (e) withdrawal for any lawful corporate purpose as determined by the Authority, including but not limited to the purchase or redemption of Obligations or Subordinated Indebtedness, provided, that prior to any withdrawal pursuant to this clause (e), the Authority shall have determined, taking into account among other considerations, anticipated future receipts of Revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for any of the purposes set forth in clauses (a), (b) or (c) herein. Amounts paid out, or withdrawn pursuant to clause (e) shall be free and clear of the lien and pledge created by the General Resolution.

The Authority shall from time to time, and in all events prior to any withdrawal of moneys from the Operating Fund pursuant to clause (e) of the preceding paragraph, determine (i) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate for the purpose of providing for the costs of emergency repairs or replacements essential to restore or prevent physical damage to, and prevent loss of Revenues from, any Project and (ii) the amount, to be held as a reserve in the Operating Fund, which in the judgment of the Authority is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to any Project necessary to keep the same in operating condition or required by any governmental agency having jurisdiction over such Project and to provide a reserve for the retirement from service, decommissioning or disposal of facilities comprising either a Project or a part of a Project.

Amounts in the Operating Fund may in the discretion of the Authority be invested in Authorized Investments. Earnings on moneys and investments in the Operating Fund shall be deposited in the Operating Fund. The Authority may sell any such Authorized Investments at any time and the proceeds of such sale shall be deposited in the Operating Fund.

The General Resolution provides that purchases of Obligations, 1985 Notes or Subordinated Indebtedness from amounts in the Operating Fund shall be made at the direction of the Authority, with or without advertisement and with or without notice to other holders of Obligations, 1985 Notes, or Subordinated Indebtedness. In addition, any amounts set aside by the Authority in one or more reserve accounts in the Operating Fund may be used by the Authority as determined by the Authority for the purpose of paying all or a portion of the interest, principal or Redemption Price of Obligations and payment of Parity Debt, on a parity basis.

(General Resolution, Sec. 503)

Capital Fund

The General Resolution provides that the Authority shall pay into the Capital Fund the amounts required to be so paid pursuant to the General Resolution and any Supplemental Resolution authorizing the issuance of any Series of Obligations, for the purpose of financing Capital Costs, including, without limitation, the portion of the proceeds of any such Obligations specified in such Supplemental Resolution, except as may be otherwise provided in a Supplemental Resolution with respect to those Capital Costs referenced in clauses (iv) or (v) of the definition thereof. Amounts in the Capital Fund shall be applied solely to the Capital Costs of the Authority. Any amounts in the Capital Fund which are in excess of the amounts required to pay for such costs may at the direction of the Authority be transferred to the Operating Fund. Amounts in the Capital Fund may in the discretion of the Authority be invested in an Authorized Investments. Earnings on moneys and investments in the Capital Fund shall be deposited in the Capital Fund. The Authority may, and to the extent required for payments from the Capital Fund shall, sell any such obligations at any time, and the proceeds of such sale and of all payment of principal or interest received at maturity or upon redemption or otherwise of such obligations shall be deposited in the Capital Fund. In addition, the General Resolution requires that amounts in the Capital Fund must be applied to the payment of principal and Redemption Price of and interest on the Obligations and the payment of Parity Debt, on a parity basis, when due at any time that other moneys are not available therefor.

(General Resolution, Sec. 504)

Conditions for Issuance of Obligations

General Provisions for Issuance of Obligations. Obligations may be issued pursuant to a Supplemental Resolution in such principal amount or amounts for each such Series as may be specified in such Supplemental Resolution. A Supplemental Resolution shall specify, among other things, the purpose or purposes for which such Obligations are being issued, the authorized principal amount and Series of such Obligations, the maturity date or dates and interest rate or rates of the Obligations and the forms of the Obligations which shall specify terms with respect to tender or redemption, if any. Such Obligations shall be delivered by the Authority under the General Resolution upon the delivery of, among other things, a Supplemental Resolution authorizing such Obligations, a Counsel's Opinion with respect to the validity of the Obligations and a certificate of an Authorized Officer to the effect that, upon delivery of the Obligations, the Authority will not be in default in the performance of the terms and provisions of the General Resolution or of any of the Obligations.

(General Resolution, Sec. 202)

Separately Financed Project. Nothing in the General Resolution shall prevent the Authority from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any purpose of the Authority authorized by the Act or by other applicable State statutory provisions (such purpose being referred to herein as a ''Separately Financed Project''), which bonds, notes, or other obligations, or evidences of indebtedness and the Authority's share of any operating expenses related to such Separately Financed Project, shall be payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other funds withdrawn by the Authority pursuant to the General Resolution.

(General Resolution, Sec. 203)

Rate Covenant

The Authority shall at all times maintain rates, fees or charges and any contracts entered into by the Authority for the sale, transmission or distribution of power shall contain rates, fees or charges, sufficient,

together with other moneys available therefor (including the anticipated receipt of proceeds of sale of Obligations or other bonds, notes, or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt but not including any anticipated or actual proceeds from the sale of any Project), (i) to pay all Operating Expenses of the Authority, (ii) to pay the debt service on all Obligations then Outstanding and the debt service on all Subordinated Indebtedness then outstanding, and all Parity Debt and Subordinated Contract Obligations, all as the same respectively become due and payable, and (iii) to maintain any reserve established by the Authority pursuant to the General Resolution, in such amount as may be determined from time to time by the Authority in its judgment.

(General Resolution, Sec. 606)

Supplemental Resolutions; Amendments

Any of the provisions of the General Resolution may be amended by the Authority, upon the written consent of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given, and in case less than all of the Obligations then Outstanding are affected by the modification or amendment, of the Owners of a majority in principal amount of the Obligations so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as particular Obligations remain Outstanding, the consent of the Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under the General Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Obligation, or shall reduce the percentages or otherwise affect the classes of Obligations the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment, create a preference or priority of any Obligation or Obligations over any other Obligation or Obligations (without the consent of the Owners of all such Obligations), create a lien prior to or on a parity with the lien of the General Resolution, without the consent of the Owners of all of the Obligations then Outstanding, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For purposes of this paragraph, an Obligation shall be deemed to be affected by a modification or amendment of the General Resolution if the same materially and adversely affects the rights of the Owner of such Obligation.

The Authority may adopt (without the consent of any Owner) supplemental resolutions to authorize additional Obligations; to add to the restrictions contained in the General Resolution upon the issuance of additional indebtedness; to add to the covenants of the Authority contained in, or surrender any rights reserved to or conferred upon it by, the General Resolution; to confirm any pledge under the General Resolution of Revenues or other moneys; to amend the General Resolution in such manner as to permit qualification of the General Resolution under the Trust Indenture Act of 1939 or any similar Federal statute and permit the qualification of the Obligations for sale under the securities laws of any state in the United States; to comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system; or otherwise to modify any of the provisions of the General Resolution (but no such other modification may be effective while any of the Obligations of any Series theretofore issued are Outstanding); or to cure any ambiguity, supply any omission or to correct any defect or inconsistent provision in the General Resolution or to insert such provisions or make such other amendments to the General Resolution as are necessary or desirable which will not be materially adverse to the rights of the Owners of Obligations (provided that the Trustee shall consent thereto).

(General Resolution, Secs. 801, 802, and 902)

Event of Default; Remedies Upon Default

Pursuant to the General Resolution, any of the following events set forth in clauses (i) through (v) constitutes an ''Event of Default'' if the Authority defaults (i) in the payment of principal or Redemption Price of any Obligation, or (ii) in the payment of interest thereon and such default continues for 30 days, or (iii) in the performance or observance of any other covenant, agreement or condition in the General Resolution or the Obligations, and such default continues for 60 days after written notice thereof, provided, however, that if such default shall be such that it cannot be corrected within such 60 day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or (iv) if the Authority (1) files a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or any other applicable law or statute of the United States of America or of the State; (2) consents to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or any substantial portion of its property; (3) makes any assignment for the benefit of creditors; (4) admits in writing its inability generally to pay its debts generally as they become due; or (5) takes action in furtherance of any of the foregoing or (v) if (1) a decree or order for relief is entered by a court having jurisdiction of the Authority adjudging the Authority a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Authority in an involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State; (2) a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Authority or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order remains unstayed and in effect for a period of sixty (60) consecutive days. Upon an Event of Default, the Trustee or the Owners of 25% in principal amount of the Obligations then Outstanding may declare the principal and accrued interest on the Obligations then Outstanding due and payable immediately, subject, however, to rescission of such declaration and annulment of the default upon the remedying thereof.

Under the General Resolution, the Authority covenants that upon a default the books of record of the Authority and all other records relating to all projects and facilities of the Authority will be subject to the inspection and use by the Trustee, and that the Authority will, upon demand by the Trustee, account for the Trust Estate under the General Resolution as if the Authority were the trustee of an express trust. Upon a default, the Trustee may protect and enforce its and the Owners' rights under the General Resolution by a suit in equity or at law, whether for the specific performance of any covenant contained in the General Resolution, or in aid of execution of any power granted therein or for an accounting against the Authority as if it were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee deems most effectual to enforce its rights or perform its duties under the General Resolution. No Owner has any right to institute suit to enforce any provision of the General Resolution or the execution of any trust thereunder or for any remedy thereunder, unless the Trustee has been requested by at least 25% of the Owners, and such Owners shall have offered the Trustee adequate security against expenses and liabilities to be incurred therein, and the Trustee has failed to commence such suit in the manner provided in the General Resolution.

(General Resolution, Art. X)

Defeasance

Outstanding Obligations or any portion thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid pursuant to the General Resolution and shall cease to be entitled to any lien, benefit or security under the General Resolution if the following conditions are met: (i) in the case of Obligations to be redeemed, the Authority shall have given to the Trustee irrevocable instructions to mail the notice of redemption therefor, (ii) there shall have been irrevocably deposited with the Trustee in trust either moneys in an amount which shall be sufficient, or Defeasance Security, the principal of and the

interest on which, when due, will provide moneys which, together with any moneys also deposited, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or Redemption Price, if applicable, and interest due and to become due on such Obligations on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such Obligations are not maturing or subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Obligations that the above deposit has been made with the Trustee and that such Obligations are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, of such Obligations.

(General Resolution, Sec. 1101)

Unclaimed Moneys

Any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Obligations which remain unclaimed for 2 years after the date when such principal, Redemption Price or interest, respectively, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary after such date, or for 2 years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such principal, Redemption Price or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the principal, Redemption Price or interest, respectively. Any moneys held by a Fiduciary in trust for the payment and discharge of any Obligations which remain unclaimed after such moneys were to be applied to the payment of such Obligations in accordance with the General Resolution may be applied in accordance with the provisions of the Abandoned Property Law of the State, being Chapter 1 of the Consolidated Laws of the State or any successor provision thereto, and upon such application, the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Authority or the Comptroller of the State for the payment of such Obligations. Before being required to make any such payment to the Authority or to apply such moneys in accordance with the Abandoned Property Law of the State, the Fiduciary shall, at the expense of the Authority, cause to be mailed to the Owners entitled to receive such moneys a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such moneys then unclaimed will be returned to the Authority or applied in accordance with the Abandoned Property Law of the State, as the case may be.

(General Resolution, Sec. 1101)

APPENDIX 2

BACKGROUNDS OF THE AUTHORITY'S TRUSTEES AND CERTAIN SENIOR MANAGEMENT STAFF

Trustees

Michael J. Townsend, Chairman

Mr. Townsend was appointed a Trustee of the Authority in February 2004 and was elected Vice Chairman in April 2006. He was elected Chairman of the Authority in February 2009. He is a partner in Harris Beach PLLC, a law firm based in Rochester, New York, and focuses his practice in the areas of public finance, commercial real estate, and mergers and acquisitions. Mr. Townsend is a member of the Board of Directors of the New York State Energy Research and Development Authority and also serves as a director of the State Tobacco Settlement Finance Corporation and the State Mortgage Bond Bank Agency. He is a member of the Board of Advisors of Ticor Title Insurance Co. and the New York State Economic Development Council. Mr. Townsend also serves as an attorney for the Civic Center Monroe County Parking Facility Corporation and the Monroe County New Power Corporation. Prior to joining Harris Beach PLLC, he served as counsel to the Rochester-Genesee Regional Transit Authority, Monroe County Empire Zone, Monroe County Industrial Development Agency, Greater Rochester Outdoor Sports Facility, and the Greater Rochester Sports Authority. Mr. Townsend is a member of the Monroe County Bar Association and the New York State Bar Association where he is a member of the Real Property Law Section. Mr. Townsend received a Bachelor of Science degree from the University of Maine in 1976 and received his Juris Doctor degree with honors from Western New England School of Law in 1981.

Jonathan F. Foster, Vice Chairman

Mr. Foster was appointed a Trustee of the Authority in September 2008 and was elected as Vice Chairman in February 2009. Mr. Foster is Managing Director of Current Capital LLC, a private equity firm focused on investments in lower middle market industrial and business service companies. Mr. Foster is a Director of Masonite Inc., Lear Corporation, and Chemtura Corporation. From 2007 through 2008, Mr. Foster was Managing Director and Co-Head of Diversified Industrials & Services at Wachovia Securities. From 2005 through 2007, he was Executive Vice President of Finance and Business Development at Revolution Living, one of three business groups in the Revolution family of companies founded by Steve Case, co-founder of AOL. Previously, from 2002 through 2004, Mr. Foster served as a Managing Director of The Cypress Group, a private equity investment firm, where he led the industrial and services group and served as a member of the investment and management committees. Mr. Foster also served as Senior Managing Director at Bear Stearns & Co. from 2001 through 2002 where he was responsible for mergers and acquisitions in industrial products and services. From 2000 through 2001, he served as Executive Vice President, Chief Operating Officer and Chief Financial Officer of Toysrus.com. Previously, from 1988 through 1999, Mr. Foster was at Lazard LLC, ultimately as a Managing Director where he worked on a wide range of mainly industrial and services mergers and acquisitions transactions. Mr. Foster received a Bachelor of Business Administration in Accounting from Emory University, and a Master of Science in Accounting and Finance from the London School of Economics.

D. Patrick Curley, Trustee

Mr. Curley was appointed a Trustee of the Authority in October 2007. He is the President of St. Lawrence Business Consultants, a financial consulting firm which he founded in 1977, with clients in banking, manufacturing, education and other interests in the private and not-for-profit sectors. Mr. Curley

has served on the boards of several corporations and is a member of the Industry Trade Advisory Committee, a high security, public-private partnership that engages business leaders in formulating U.S. trade policy. Mr. Curley chairs the Board of Trustees of Erie County Central Police Services and for nearly 40 years, he has been a member of the Orchard Park Fire Company. He previously served three terms on the Orchard Park Town Board. Mr. Curley is the founder of the Orchard Park Council of the Arts and has been a member of the National Board of Directors of the American Heart Association. He has also served on the board of Mercy Hospital of Buffalo and on the President's Council of D'Youville College in Buffalo, where he also taught courses in statistics, accounting, and business valuation techniques. Mr. Curley received a Bachelor of Arts degree from Boston College and a Master of Science degree from Canisius College in Buffalo.

John S. Dyson, Trustee

Mr. Dyson was appointed a Trustee of the Authority in March 2011. Mr. Dyson is Chairman of Millbrook Capital Management, Inc., an investment firm. From 1997 to 2001, Mr. Dyson served as Chairman of the New York City Mayor's Council of Economic Advisors. From 1994 to 1996 he served as New York City's Deputy Mayor for Economic Development and Finance. Previously, from 1979 to 1985, Mr. Dyson served as Chairman of the Authority, where he led efforts to license the Marcy South transmission line, build small-hydroelectric power plants and develop programs for allocating low cost power to business in return for job commitments. Mr. Dyson also headed the New York State Department of Commerce from 1975 to 1979 during which time the agency launched the "I Love New York" advertising campaign. From 1968 to 1970, he served as a First Lieutenant in the United States Army, Military Intelligence, where he was awarded the Bronze Star Medal. Mr. Dyson served on the Cornell University Board of Trustees from 1981 to 2001 and was elected Emeritus Trustee in 2001. Mr. Dyson received a Bachelor of Science degree in Agricultural Economics from Cornell University, and a Master's degree in Public Affairs from the Woodrow Wilson School of Public and International Affairs at Princeton University.

R. Wayne LeChase, Trustee

Mr. LeChase was appointed a Trustee of the Authority in June 2011. He is currently Chairman of LeChase Construction Services, LLC in Rochester, NY. In addition to its Rochester headquarters, the company has New York offices in Albany, Binghamton, Corning and Syracuse. Before LeChase Construction, Mr. LeChase was a partner in the law firm of LaDuca, Offen and LeChase. He was admitted to the New York State Bar in 1968. Mr. LeChase is an active member of the Rochester Business Alliance's Executive Committee, former chairman of the Greater Rochester Enterprise, and serves on a number of community organizations including the University of Rochester, St. John Fisher College, Diocese of Rochester Stewardship Council, and the New York State Trooper Foundation. Mr. LeChase's education includes a Bachelor of Science from John Carroll University and a Juris Doctorate from the State University of New York at Buffalo, School of Law. He is the recipient of the Herbert W. VanderBrul Entrepreneurial Award from Rochester Institute of Technology and the Justinian Order Medal from St. John Fisher College. He is an inductee into the Rochester Business Hall of Fame (an award which recognizes exemplary leaders who have made outstanding and enduring contributions to business and community in the Greater Rochester region), and the Alfred University Galanis Excellence in Family Business Award. Other honors include the Distinguished Citizen of the Year by the Otetiana Council - Boy Scouts of America, Volunteer of the Year by the Chamber of Commerce, the Visionary Award by the Association for the Blind and Visually Impaired, and honorary Doctor of Laws from St. John Fisher College.

Eugene L. Nicandri, Trustee

Judge Eugene L. Nicandri of Massena was appointed a Trustee of the Authority in August 2008. He served on the St. Lawrence County Court from 1985 until his retirement in 2004. Judge Nicandri was president of the New York State County Judge Association from 1999-2000. Prior to serving on the bench, Judge Nicandri was a partner in the Massena law firm of Lavigne & Nicandri from 1966 to 1985 and served at various times as the attorney for the Towns of Massena, Brasher, Louisville and Lawrence, and the Village of Massena. Judge Nicandri's legal work contributed to the establishment of the Massena Electric Department in 1981. Judge Nicandri holds a Bachelor of Arts degree from the University of Rochester, and he received a Juris Doctor degree from Albany Law School. Prior to attending law school, Judge Nicandri served on active duty with the U.S. Navy as a commissioned officer.

Mark O'Luck, Trustee

Mr. O'Luck was appointed a Trustee of the Authority in April 2010. Mr. O'Luck is the Founder and Chief Executive Officer of Spectrum Personal Communications Corporation, a diversified business consulting firm providing services to large construction companies, large construction projects, government agencies, and Fortune 500 companies. Earlier, he was the Co-Founder and President of SBMA, Inc., a small business consulting firm. Mr. O'Luck has served as Chairman Emeritus and past Chairman of the Brooklyn Economic Development Corporation; Vice Chairman of the Brooklyn Chamber of Commerce; Regent of Long Island College Hospital; and Director of the Brooklyn Bureau of Community Service. He has also served on the New York State Public Service Commission Consumer Advisory Council; the Con Edison Business Advisory Board; the Independence Community Bank Business Advisory Board; and the Kings County Overall Economic Development Planning Committee. Mr. O'Luck is a graduate of Norfolk State University in Norfolk, Virginia, and a former Adjunct Professor at New York University. In 1992, Mr. O'Luck gave the commencement address and received an Honorary Doctor of Laws degree from St. Joseph's College.

Senior Management Staff

The senior management staff of the Authority includes the following:

Richard M. Kessel, President and Chief Executive Officer

Mr. Kessel began service in his current position in October 2008. From 1997 to 2006, he served as Chairman and Chief Executive Officer of the Long Island Power Authority (LIPA) and in 2007 he served as LIPA's Chief Executive Officer. During his tenure at LIPA, Mr. Kessel, among other things, helped negotiate LIPA's acquisition of the Long Island Lighting Company; led the decommissioning of the Shoreham Nuclear Power Plant; and was deeply involved in LIPA's commitment to the next generation of clean energy technologies such as fuel cells and wind power. Mr. Kessel began his career in public service as Executive Director of the New York State Consumer Protection Board from 1983 to 1995, where he successfully negotiated rate freeze agreements with several large utility companies. Mr. Kessel was a Professor of Consumer Studies at Five Towns College from 1995 to 1997. He also taught at Brooklyn College from 1975-1983. Mr. Kessel served on the Board of Trustees of Nassau County Community College from 1981 to 2000, and was appointed to serve on the Nassau County Interim Finance Authority from 2000 until 2007. Mr. Kessel attended Colgate University and then received a Bachelor's degree from New York University and his Master's degree from Columbia University.

Gil C. Quiniones, Chief Operating Officer

Mr. Quiniones has served in his current position since June 2008. He manages and monitors the Authority's day-to-day activities and oversees the Power Supply, Energy Resource Management, and Special Projects and Business Integration units. Mr. Quiniones is a member of the Board of Directors of the Electric Power Research Institute and serves on the Steering Committee of the Large Public Power Council. Mr. Quiniones is also the Authority's principal representative to the American Public Power Association. Before joining the Authority in October 2007 as Executive Vice President of Energy Marketing and Corporate Affairs, Mr. Quiniones served for more than four years as Senior Vice President of Energy and Telecommunications for the New York City Economic Development Corporation (EDC). In that capacity, he was the city's chief consultant on energy policy issues and established and led Mayor Michael R. Bloomberg's Energy Policy Task Force, a public-private group that developed a comprehensive strategy for meeting future energy needs and helped formulate the energy-related initiatives in PlaNYC, the city's long-term sustainability plan. He also represented the city on then-Lieutenant Governor David A. Paterson's Renewable Energy Task Force and was the Chairman of the group's Subcommittee on Distributed Generation. Also during his tenure at the EDC, Mr. Quiniones was Co-Chair of the New York City Telecommunications Task Force and of the city's Telecommunications Policy Advisory Group. He previously worked at Consolidated Edison and was one of four co-founders of Con Edison Solutions, the utility's unregulated energy services company. Mr. Quiniones received a Bachelor of Science degree in mechanical engineering from De La Salle University in Manila and has completed graduate courses in engineering management and technology management at the Stevens Institute of Technology in Hoboken, New Jersey. He has also participated in executive education programs at the Columbia University Business School.

Elizabeth M. McCarthy, Executive Vice President and Chief Financial Officer

Ms. McCarthy joined the Authority in her current position in January 2010. She is responsible for overseeing the Authority's accounting and financial controls, financial and strategic planning, treasury, and risk management functions. Prior to joining the Authority, Ms. McCarthy served as the Long Island Power Authority's (LIPA) Chief Financial Officer since 2003. In addition to her chief financial officer responsibilities, she had direct responsibility for negotiations with other contracting utilities on all aspects of management services and generation agreements. Before leaving LIPA, Ms. McCarthy also held the title of Senior Vice President, which added significant authority-wide administrative responsibilities to her duties. Prior to her tenure at LIPA, she held similar chief financial officer responsibilities for DPL, Inc., in Ohio. Ms. McCarthy also spent 19 years with PricewaterhouseCoopers LLP, New York, serving as partner from 1994 to 2000. Ms. McCarthy received her Bachelor of Science degree from St. Louis University.

Edward A. Welz, Executive Vice President and Chief Engineer - Power Supply

Mr. Welz assumed his current position in 2008. From 2004 to 2008, he was Senior Vice President and Chief Engineer-Power Generation. Mr. Welz joined the Authority in 1982 and throughout his tenure has assumed increasing responsibility in the power engineering, operation and maintenance, and project and construction management areas. Mr. Welz is responsible for the operation and maintenance, engineering, project management, and asset management of the Authority's generation and transmission facilities, together with the environmental, health, and safety aspects of the Authority's facilities and operations. He is a member of the EPRI Research Council for Power Generation. Mr. Welz is a licensed professional engineer and holds an Associate degree from Queensborough Community College and a Bachelor of Science degree in electric engineering from Pratt Institute in Brooklyn, New York.

Francine Evans, Executive Vice President, Chief Administrative Officer and Chief of Staff

Ms. Evans joined the Authority in February 2009 and was promoted to her current position in September 2009. She manages multiple efforts in the administration of the business conducted in the President's Office by advising on issues and policies that reach the President's Office, following up on requests and initiatives of the President, and providing support and guidance on communications issues. Ms. Evans has more than 20 years of experience in public policy, media relations, journalism and management. She has served as the chief of staff for the presiding officer and majority caucus of the Nassau County Legislature, overseeing more than 30 staffers and managing the day-to-day activities of the legislature while coordinating with the administration. Prior to that role, she served as the press secretary and the director of public policy, where she advised the caucus on local, state and federal legislation and policy matters. More recently, Ms. Evans served as Chief of Staff and Public Information Officer for the Town of Huntington where she oversaw a team that included Economic Development, Intergovernmental Affairs, and Emergency Management. In addition, she handled all media inquiries, conducted press briefings, and served as official spokesperson for the Supervisor and Town Board. Ms. Evans holds a Masters degree in Public Policy from the State University of New York at Stony Brook.

Judith C. McCarthy, Acting General Counsel

Ms. McCarthy joined the Authority in her current position in January 2011. Before coming to the Authority, she served in the New York State Attorney General's Office as the Assistant Attorney General in charge of the Westchester Regional Office. In this position, Ms. McCarthy represented the Attorney General in the region, brought affirmative litigation on behalf of the People of the State of New York, and supervised a team of attorneys representing New York State in all phases of litigation affecting Westchester, Rockland and Putnam counties. Prior to joining the Attorney General's Office in 2002, Ms. McCarthy served as the First Deputy General Counsel for the New York City Human Resources Administration, Office of Legal Affairs. From 1992 to 1998, Ms. McCarthy served in the New York City Corporation Counsel's Office, General Litigation Division, where she rose to the title of Deputy Assistant Division Chief. Ms. McCarthy received a Bachelor's degree from Barnard College, Columbia University, and a Juris Doctorate from CUNY Law School at Queens College.

Donald A. Russak, Senior Vice President - Corporate Planning and Finance

Mr. Russak was appointed to his current position in 2008 after having served as Vice President-Finance from 2003 to 2008. He is responsible for the Authority's budgeting, strategic planning and financial planning activities and also has oversight of the revenue planning and physical asset insurance functions. Mr. Russak joined the Authority in 1979 and held several positions in the marketing, transmission and finance departments including the positions of Senior Economist from 1987 to 1997 and Director-Financial Planning from 1997-2003. Prior to joining the Authority, he worked in various capacities in the pension-actuarial department of the Mutual Life Insurance Company of New York. Mr. Russak holds a Bachelor of Arts degree in Mathematical-Economics from Colgate University.

James F. Pasquale, Senior Vice President, Marketing and Economic Development

Mr. Pasquale assumed his current position in July 2009. He is responsible for Authority customer account management for government, business, municipal, cooperative and utility customers, customer load forecasting, management of the Authority's power programs for economic development, load research, demand response programs, and customer pricing. Mr. Pasquale joined the Authority in 1986 as a senior accountant in the Controller's group and moved to the Marketing and Economic Development group in 1995. In 1997, he became manager of Business Power Allocations and Compliance, coordinating NYPA's then newly enacted Power for Jobs program. Later, customer billing and municipal

and cooperative marketing also became his responsibilities. Before joining the Power Authority, Mr. Pasquale worked for five years with the Eisner and Lubin accounting firm in New York City. He earned a Bachelor of Business Administration degree from Pace University.

Thomas P. Antenucci, Senior Vice President - Power Supply Support Services

Mr. Antenucci assumed his current position in August 2009. From 2002 to 2009, he was Vice President of Project Management, Power Generation. Mr. Antenucci joined the Power Authority in 1980 and held a number of positions of increasing responsibility in the design and construction of such major projects as the Marcy-South Transmission Line, the R. M. Flynn Combined Cycle Plant, and hydroelectric Life Extension and Modernization Programs. Mr. Antenucci is responsible for managing the Support Services Group which is comprised of six divisions: Engineering, Project Management, Environmental Health & Safety, Project Development & Licensing, Asset & Investment Planning, and Asset & Maintenance Management. He provides oversight and coordination of technical, planning, implementation, regulatory, maintenance, and budgetary needs to support operation of existing projects and planning and construction of new projects. Prior to joining the Authority he worked for the American Electric Power Service Corporation. Mr. Antenucci is a licensed professional engineer and received a Bachelor of Arts degree from Columbia College, Columbia University, and a Bachelor of Engineering (Civil) from the City College of New York.

Steven J. DeCarlo, Senior Vice President - Transmission

Mr. DeCarlo was appointed to his current position in September 2005. He is responsible for the Authority's Energy Control Center, operations and maintenance of the Authority's transmission system, transmission and operations planning, transmission interconnection agreements, and reliability compliance. Mr. DeCarlo joined the Authority in 1985 as an electrical engineer and throughout his tenure has assumed increasing responsibility in operations, maintenance, engineering, and asset management. He has previously served as Operations Supervisor, Central Region Operations Superintendent, and Regional Manager, Central New York. Mr. DeCarlo is a member of several professional committees. He is a graduate of Manhattan College in Riverdale, New York, with a Bachelor of Engineering degree in electrical engineering and holds an MBA degree in finance from the Long Island University.

William J. Nadeau, Senior Vice President - Energy Resource Management

Mr. Nadeau joined the Authority in his current position in September 2006. He is responsible for generation resource management, including bidding the Authority's generation resources into the New York Independent System Operator markets, fuel planning and operations, load scheduling and financial settlements, and energy market analysis. Previously, Mr. Nadeau worked for Northeast Utilities System (NU) companies for over 25 years, including service as Vice President and Chief Operating Officer of Northeast Generation Services Company and as Vice President, Fossil and Hydro Engineering and Operations, with responsibilities for all generating assets for the three New England states served by NU. From 1972 to 1980, he served in the U.S. Navy's nuclear submarine force on three different nuclear submarines, culminating with his becoming Chief Engineer of the USS Shark. Mr. Nadeau earned a Bachelor of Science degree in Physics from the U.S. Naval Academy, a Master of Science degree in Nuclear Engineering from M.I.T., and a MBA from the University of New Haven. Mr. Nadeau also completed the Executive Management Program at Penn State University's Smeal School of Business.

Jordan Brandeis, Senior Vice President, Power Resource Planning and Acquisition

Mr. Brandeis was appointed to his current position in July 2010. He is responsible for the Authority's long-term supply planning process, the acquisition of capacity, energy and renewable resources, and development of potential off-shore wind power projects in the Great Lakes and in the Atlantic Ocean. Mr. Brandeis joined the Authority in 1981 and throughout his tenure has held positions of increasing managerial responsibility in Marketing and Development, Fuels, Strategic Planning, and Energy Resource Management. In 2000, he headed the Supply Planning Division to address the need to replace electric capacity lost after the Authority's sale of the Indian Point #3 and the James A. FitzPatrick nuclear power plants. Since that time, the division headed by Mr. Brandeis has been responsible for acquiring the supply needed to meet the needs of the Authority's customers. Mr. Brandeis also represents the Authority on the New York City Energy Planning Board. He earned a Bachelor of Electrical Engineering degree from City College of New York and a Master of Business Administration degree in Finance from Rutgers University.

Paul W. Belnick, Acting Senior Vice President-Energy Services and Technology

Mr. Belnick assumed his current position with the Authority in September 2010. He is responsible for the Authority's energy efficiency initiatives, distributed generation applications and the development of technologies targeted at improving the transmission and generation of energy. Mr. Belnick joined the Authority in 1992 as the Implementation Manager for Upstate and Long Island Energy Efficiency Programs. Mr. Belnick was promoted to Director of Energy Services in 2004 and Vice President of Energy Services in 2008. Prior to joining the Authority, Mr. Belnick worked with the Long Island Lighting Company as a Load Research Division Manager. Mr. Belnick serves on the Board of Directors of the National Association of Energy Services Companies and is also a representative on the Electric Power Research Institute's Power Delivery and Utilization Sector Council. Mr. Belnick holds an Associate degree in Engineering Science from Suffolk County Community College, a Bachelor of Science degree in Industrial Engineering from the State University at Buffalo and an MSBA degree from Indiana University.

Thomas J. Concadoro, Vice President and Controller

Mr. Concadoro was appointed to his current position in August 2010. He is responsible for the accounting and financial reporting activities of the Authority and oversees the accounts payable, payroll and customer billing functions. Mr. Concadoro joined the Authority's Accounting Department in 1985 and served as the Director of Accounting from 1998 to 2009. Before joining the Authority, he worked for seven years with Coopers & Lybrand L.L.P. primarily performing independent audits of public utilities. Mr. Concadoro is a licensed certified public accountant and holds a Bachelor of Business Administration degree from Pace University.

Scott B. Scholten, Vice President and Chief Risk Officer

Mr. Scholten joined the Authority in his current position in August 2010. He is responsible for implementation and oversight of broad-based risk management initiatives, including the Authority's energy commodity and enterprise risk management programs. Mr. Scholten has over 20 years of experience in energy risk management, utility regulation and resource planning. Prior to joining the Authority, Mr. Scholten was Executive Vice President and Managing Director of the Utilities and Risk business unit of Pace Global Energy Services. His previous experience includes senior management positions with Vermont Gas Systems and National Grid. He holds a Bachelor's degree in Economics-Finance from Bentley University and an MBA from Babson College.

Brian C. McElroy, Treasurer

Mr. McElroy was appointed Treasurer in January 2007. He is responsible for the Authority's cash and investment management, debt management and its interest rate swap program. Mr. McElroy began his career with the Authority in 1989. He has held positions of increasing responsibility, including Treasury Analyst, Senior Investment Analyst, and Deputy Treasurer. He holds a Bachelor of Science degree in Management Information Systems and Managerial Sciences from Manhattan College, and holds an MBA in Professional Accounting from Fordham University.

Exhibit "12-A"

July 26, 2011

GOVERNANCE COMMITTEE CHARTER

A. PURPOSE

The purpose of the Governance Committee ("Committee") is to: keep the Board of Trustees informed of current best governance practices; review corporate governance trends; recommend updates to the Authority's corporate governance principles; advise appointing authorities on the skills and experiences required of potential Trustees; examine ethical and conflict of interest issues; perform Trustee self-evaluations; review and recommend by-laws which include rules and procedures for conduct of Trustee business; and perform such other responsibilities as the Trustees shall assign to it.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee shall be comprised of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent members of the Board of Trustees. All members shall possess the necessary skills to understand the duties and functions of the Committee. Committee members and the Committee Chair shall be selected by a vote of the Board of Trustees.

(2) Term

Committee members shall serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be reelected to serve for additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

(3) Removal

A Committee member may be removed if he or she is removed as a Trustee for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

(4) Meetings and Quorum

The Committee shall hold regularly scheduled meetings at least three times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the Authority's Chair, President and Chief Executive Officer, Vice President of Labor Relations and Chief Ethics and Compliance Officer, Chief Operating Officer, Executive Vice President and General Counsel, or Vice President Enterprise Shared Services.

In addition, the Committee shall meet at least three times per year with the Authority's Vice President of Labor Relations and Chief Ethics and Compliance Officer to discuss the effectiveness of the organization's overall compliance program and reported instances of Code of Conduct violations. These meetings may be held as part of a regular or special meeting in the Committee's discretion.

An agenda shall be prepared and distributed to each Committee member prior to each meeting and minutes shall be prepared in accordance with the New York Open Meetings Law. A majority of the total Committee composition established pursuant to section B(1) of this Charter shall constitute a quorum for the purposes of conducting the business of the Committee and receiving reports.

Any meeting of the Committee may be conducted by video conferencing. To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

C. FUNCTIONS AND POWERS

(1) Code of Conduct, Ethics, Compliance and Governance Practices

The Committee shall seek to: (1) ensure the effectiveness of management's monitoring of the Authority's compliance with the Authority's Code of Conduct and programs and Authority policies designed to ensure the Authority's compliance with legal and regulatory matters; and (2) promote honest and ethical conduct by Authority Trustees, officers and employees to enhance public confidence in the Authority. To accomplish these objectives the Committee shall:

a. Review at least annually the Authority's Code of Conduct, and require the Corporate Secretary to make revisions to the Code for consideration and approval by the Board of Trustees.

b. Provide oversight and guidance to the Authority's Vice President of Labor Relations and Chief Ethics and Compliance Officer relating to the programs and policies of the Authority designed to ensure compliance with applicable laws and regulations.

c. Advise the Board of Trustees on current best governance practices and trends.

d. Periodically review and as necessary recommend changes to the Authority's By-laws.

e. Periodically review and as necessary recommend changes to the Authority's written corporate policies, including policies relating to conflicts of interest, corporate governance principles, equal opportunity employment, procurement of goods and services, acquisition and disposition of real and personal property or interests therein, record keeping and reporting of contacts by persons who attempt to influence the Authority's procurement process, regulations and rate proceedings, and the protection of whistleblowers.

f. Report at least annually to the Board of Trustees on matters relating to the Authority's compliance with the Code of Conduct and applicable legal and regulatory matters, and make such recommendations as the Committee deems appropriate.

(2) Trustee Performance

The Committee shall advise Trustee appointing authorities on the skills and experiences required of Trustees, and perform Trustee self-evaluations.

(3) Investigations and Meetings

The Committee shall have the authority to authorize investigations into any matter within the Committee's purview. The Committee may retain independent counsel, accountants, or other professionals pursuant to the Authority's procurement and expenditure policies and procedures to assist it in the conduct of any such investigations. The Committee shall have the authority to meet with Authority staff on compliance issues.

(4) Hiring

The Committee shall review and make recommendations to the Board of Trustees concerning the election and compensation of all statutory and non-statutory officers, consistent with the By-laws, the needs of the Authority, good organizational management practices and such other criteria the Committee deems appropriate.

(5) Reports

The Vice President of Labor Relations and Chief Ethics and Compliance Officer and the Vice President Procurement and Director Real Estate shall report to the Committee at all regularly scheduled meetings.

The Committee shall have the authority to require Ethics, Procurement and Real Estate staff to prepare additional reports and to produce documents for Committee review.

Exhibit "12-A-1"

~~[October 26, 2010]~~
July 26, 2011

GOVERNANCE COMMITTEE CHARTER

A. PURPOSE

The purpose of the Governance Committee ("Committee") is to: keep the Board of Trustees informed of current best governance practices; review corporate governance trends; recommend updates to the Authority's corporate governance principles; advise appointing authorities on the skills and experiences required of potential Trustees; examine ethical and conflict of interest issues; perform Trustee self-evaluations; review and recommend by-laws which include rules and procedures for conduct of Trustee business; and perform such other responsibilities as the Trustees shall assign to it.

B. MEMBERSHIP AND ORGANIZATION

(1) Committee Composition

The Committee shall be comprised of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent members of the Board of Trustees. All members shall possess the necessary skills to understand the duties and functions of the Committee. Committee members and the Committee Chair shall be selected by a vote of the Board of Trustees.

(2) Term

Committee members shall serve for a period of five years subject to their term of office under Public Authorities Law § 1003. Committee members may be reelected to serve for additional periods of five years subject to their term of office. A Committee member may resign his or her position on the Committee while continuing to serve as a Trustee. In the event of a vacancy on the Committee due to death, resignation or otherwise, a successor will be selected to serve in the manner and for the term described above.

(3) Removal

A Committee member may be removed if he or she is removed as a Trustee for cause, subject to Public Authorities Law § 2827, or is no longer eligible to serve as a Committee member.

(4) Meetings and Quorum

The Committee shall hold regularly scheduled meetings at least three times per year. A Committee member may call a special meeting of the Committee individually, or upon the request of the Authority's **Chair,** President and Chief Executive Officer, Vice President of Labor Relations and Chief Ethics and Compliance Officer, Chief Operating Officer, Executive Vice President and General Counsel, or Vice President Enterprise Shared Services.

In addition, the Committee shall meet at least three times per year with the Authority's Vice President of Labor Relations and Chief Ethics and Compliance Officer to discuss the effectiveness of the organization's overall compliance program and reported instances of Code of Conduct violations. These meetings may be held as part of a regular or special meeting in the Committee's discretion.

An agenda shall be prepared and distributed to each Committee member prior to each meeting and minutes shall be prepared in accordance with the New York Open Meetings Law. A majority of the total Committee composition established pursuant to section B(1) of this Charter shall constitute a quorum for the purposes of conducting the business of the Committee and receiving reports.

Any meeting of the Committee may be conducted by video conferencing. To the extent permitted by law, the Committee may hold meetings or portions of meetings in executive session.

C. FUNCTIONS AND POWERS

(1) Code of Conduct, Ethics, Compliance and Governance Practices

The Committee shall seek to: (1) ensure the effectiveness of management's monitoring of the Authority's compliance with the Authority's Code of Conduct and programs and Authority policies designed to ensure the Authority's compliance with legal and regulatory matters; and (2) promote honest and ethical conduct by Authority Trustees, officers and employees to enhance public confidence in the Authority. To accomplish these objectives the Committee shall:

a. Review at least annually the Authority's Code of Conduct, and require the Corporate Secretary to make revisions to the Code for consideration and approval by the Board of Trustees.

b. Provide oversight and guidance to the Authority's Vice President of Labor Relations and Chief Ethics and Compliance Officer relating to the programs and policies of the Authority designed to ensure compliance with applicable laws and regulations.

c. Advise the Board of Trustees on current best governance practices and trends.

d. Periodically review and as necessary recommend changes to the Authority's **B[**~~b]~~y-laws.

e. Periodically review and as necessary recommend changes to the Authority's written corporate policies, including policies relating to conflicts of interest, corporate governance principles, equal opportunity employment, procurement of goods and services, acquisition and disposition of real and personal property or interests therein, record keeping and reporting of contacts by persons who attempt to influence the Authority's procurement process, regulations and rate proceedings, and the protection of whistleblowers.

f. Report at least annually to the Board of Trustees on matters relating to the Authority's compliance with the Code of Conduct and applicable legal and regulatory matters, and make such recommendations as the Committee deems appropriate.

(2) Trustee Performance

The Committee shall advise Trustee appointing authorities on the skills and experiences required of Trustees, and perform Trustee self-evaluations.

(3) Investigations and Meetings

The Committee shall have the authority to authorize investigations into any matter within the Committee's purview. The Committee may retain independent counsel, accountants, or other profession**al**s pursuant to the Authority's procurement and expenditure policies and procedures to assist it in the conduct of any such investigations. The Committee shall have the authority to meet with Authority staff on compliance issues.

(4) Hiring

The Committee shall review and **make recommendations to the Board of Trustees concerning the election and compensation of all statutory and non-statutory officers, consistent with the By-laws, the needs of the Authority, good organizational management practices and such other criteria the Committee deems appropriate**[~~approve the hiring of the following non-statutory officers: President and Chief Executive Officer, Chief Operating Officer, Executive Vice President and General Counsel, Executive Vice President and Chief Financial Officer and Corporate Secretary~~].

(5) Reports

The Vice President of Labor Relations and Chief Ethics and Compliance Officer and the Vice President Procurement and Director Real Estate shall report to the Committee at all regularly scheduled meetings.

The Committee shall have the authority to require Ethics, Procurement and Real Estate staff to prepare additional reports and to produce documents for Committee review.

Exhibit "13-A"

Editing Note: This document is for illustrative purposes only. Deletions are shown by strikethrough in brackets; additions are shown by bolded and underscored text

~~[October 26, 2010]~~
<u>July 26, 2011</u>

BY-LAWS
of the
POWER AUTHORITY
OF THE STATE OF NEW YORK [DRAFT]

Statutory Authority
Public Authorities Law §1004

Originally Adopted…….April 9, 1954,
and amended……. July 28, 1954;
September 28, 1956;
May 1, 1961;
December 19, 1966;
July 1, 1968;
April 27, 1978;
November 28, 1978;
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August 29, 1995;
December 17, 1996;
September 11, 1997;
December 15, 1998;
October 26, 1999;
November 28, 2000;
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April 24, 2007;
October 30, 2007;
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<u>July 26, 2011</u>

Power Authority of the State of New York
30 South Pearl Street
Albany, New York 12207

BY-LAWS
Of the
POWER AUTHORITY
OF THE STATE OF NEW YORK

Table of Contents

[Check Pagination.]

ARTICLE I - OFFICES **1**

SECTION 1. PRINCIPAL OFFICE 1
SECTION 2. OTHER OFFICES.....1
SECTION 3. BOOKS AND RECORDS 1

ARTICLE II – TRUSTEES **1**

SECTION 1. NUMBER, TERM, APPOINTMENT AND VACANCIES..... 1
SECTION 2. POWERS AND DUTIES 1

ARTICLE III - TRUSTEES' MEETINGS 1

SECTION 1. PLACE OFMEETINGS 1
SECTION 2. ANNUALMEETING 1
SECTION 3. REGULARMEETINGS 2
SECTION 4. SPECIALMEETINGS 2
SECTION 5. QUORUM 2

ARTICLE IV - OFFICERS 2

SECTION 1. OFFICERS..... 2
SECTION 2. ELECTION AND APPOINTMENT OF NON-STATUTORY OFFICERS…….....2
SECTION 3. TERM OF OFFICE.....2
SECTION 4. VACANCIES 3
SECTION 5. REMOVAL..... 3
SECTION 6. POWERS AND DUTIES 3
A. Chair.....3
B. Vice Chair.....3
C. President and Chief Executive Officer..... 3
D. Chief Operating Officer.....3
E. Executive Vice President and Chief Engineer – Power Supply 4
F. Executive Vice President and General Counsel.....4
G. Executive Vice President – Chief Administrative Officer and Chief of Staff 4
H. Executive Vice President and Chief Financial Officer..... 4
I. Executive Vice President – Energy Marketing and Business Development..... 4
J. Corporate Secretary 4
K. Treasurer 5
L. Controller..... 5
M. Vice President - Internal Audits..... 5
N. Succession – Absence or Vacancy of Office of President and Chief Executive Officer..... 5

ARTICLE V - COMMITTEES 5

SECTION 1. EXECUTIVEMANAGEMENT COMMITTEE 5
SECTION 2. AUDIT COMMITTEE 6
SECTION 3. GOVERNANCE COMMITTEE 6
SECTION 4. FINANCE COMMITTEE……..6
SECTION 5. OTHER COMMITTEES 6

ARTICLE VI - CORPORATE SEAL

SECTION 1. SEAL..... 6

ARTICLE VII - FISCAL MANAGEMENT 7

SECTION 1. FISCAL YEAR..... 7
SECTION 2. STRATEGIC PLAN.....7
SECTION 3. ANNUAL BUDGETS 7
SECTION 4. CAPITAL EXPENDITURE PLAN..... 7
SECTION 5. EXPENDITURE AUTHORIZATION PROCEDURES 7
SECTION 6. DISBURSEMENT OF FUNDS.....7

ARTICLE VIII - EXECUTION OF INSTRUMENTS 8

SECTION 1. EXECUTION OF INSTRUMENTS 8

ARTICLE IX - AMENDMENT 8

SECTION 1. AMENDMENT.....8

ARTICLE X - MISCELLANEOUS 8

SECTION 1. ADDITIONAL APPOINTMENTS 8
SECTION 2. ANNUAL REPORTS..... 8
SECTION 3. DEFENSE AND INDEMNIFICATION OF TRUSTEES AND EMPLOYEES..... 8
SECTION 4. CORPORATE POLICIES AND PROCEDURES..... 9
SECTION 5. DISPOSAL OF AUTHORITY PROPERTY FOR BELOW FAIRMARKET VALUE..... 9

ARTICLE I – Offices

Section 1. Principal Office

The principal office of the Power Authority of the State of New York (hereinafter referred to as the "Authority") shall be its Albany, New York office.

Section 2. Other Offices

The Authority may also have offices at such other places as the Trustees may from time to time determine or the business of the Authority may require.

Section 3. Books And Records

Except as otherwise determined by the Trustees or as the business of the Authority may require, all books and records of the Authority shall be kept at its White Plains, New York office.

ARTICLE II – Trustees

Section 1. Number, Term, Appointment And Vacancies

The number and term of Trustees and the appointment and process of filling vacancies shall be governed by Title 1 of Article 5 of the Public Authorities Law (hereinafter referred to as the "Power Authority Act").

Section 2. Powers And Duties

The powers and duties of the Trustees shall be governed by the Power Authority Act and other applicable provisions of the Public Authorities Law. To implement these powers and duties, the Trustees shall, among other things, oversee the Authority's chief executive and other management in the effective and ethical management of the Authority; understand, review and monitor financial, management and operational decisions of the Authority and review and approve annually the policies and procedures governing: (i) the salary, (ii) compensation, (iii) benefits and (iv) time and attendance of the chief executive and management.

ARTICLE III - Trustees' Meetings

Section 1. Place Of Meetings

Meetings of the Trustees shall be held at the principal office of the Authority or at such other place as the Trustees may from time to time designate.

Section 2. Annual Meeting

The annual meeting of the Trustees shall be held in March of each year, unless otherwise determined by them and at such time and place as the Trustees may from time to time designate.

Section 3. Regular Meetings

Regular meetings of the Trustees shall be held in accordance with a schedule adopted annually by the Trustees for that purpose and may be changed from time to time within that year by the Chair in consultation with the Trustees.

Section 4. Special Meetings

Special meetings of the Trustees may be called by the Chair or Vice Chair or upon the request of any three Trustees. The Corporate Secretary shall give notice of the time, place and purpose or purposes of each special meeting by mail at least three days before the meeting or in person or by telephone or facsimile or by other electronic communication at least two days before the meeting to each Trustee. The notice required to be given under this section may be waived by the Trustee to whom such notice is required to be given.

Section 5. Quorum

At all Trustees' meetings, the presence of four Trustees shall be necessary to constitute a quorum and shall be sufficient for the transaction of business. Any act shall be sufficient for the transaction of business if such four Trustees are in agreement and any act of such four Trustees present at a meeting and which constitutes a quorum shall be an act of the Trustees.

ARTICLE IV – Officers

Section 1. Officers

The statutory officers of the Authority shall be a Chair and a Vice Chair, whose offices are created by and named in Section 1004 of the Public Authorities Law and who shall be chosen from among the Trustees; the non-statutory officers of the Authority shall be a President and Chief Executive Officer, a Chief Operating Officer, one or more Executive Vice Presidents, an Executive Vice President and General Counsel, a Corporate Secretary, a Treasurer, a Controller and such other officers as may be deemed necessary by the ~~[President and Chief Executive Officer]~~ **Trustees upon recommendation of the Governance Committee** to transact the business and exercise the general and special powers of the Authority, all of whom shall be employees of the Authority.

Section 2. Election ~~[And Appointment]~~ Of Non-Statutory Officers

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer – Power Supply, the Executive Vice President – Chief Administrative Officer and Chief of Staff, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development**,** ~~[and]~~ the Corporate Secretary **and all other non-statutory officers** shall be elected by the Trustees **upon the recommendation of the Governance Committee** [~~and may be so elected at any annual, regular or special~~] **at the annual** meeting of the Trustees, except that the Vice President-Internal Audits shall be appointed by and serve at the pleasure of the Audit Committee. ~~[All other officers of the Authority shall be appointed by and serve at the pleasure of the President and Chief Executive Officer,]~~

Section 3. Term Of Office

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Corporate Secretary, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and the Executive Vice President – Chief Administrative Officer and Chief of Staff **and all other non-statutory officers** shall each hold office until his or her successor is chosen and qualified or until his or her earlier removal, resignation or death.

Section 4. Vacancies

The Trustees may leave unfilled any office except those of Chair, Vice Chair, President and Chief Executive Officer, Chief Operating Officer, Executive Vice President and General Counsel or Corporate Secretary.

Section 5. Removal

Any officer elected by the Trustees ~~[or appointed pursuant to Section 2]~~ herein shall be subject to removal at any time by the ~~[appointing authority]~~ **Trustees** with or without cause.

Section 6. Powers And Duties

A. CHAIR

The Chair shall preside at all meetings of the Trustees**, shall be responsible for developing and supervising the communication and implementation of the strategic vision and mission of the Authority** and shall on behalf of the Trustees oversee the Authority's chief executive and management in the effective and ethical management of the Authority. The Chair may appoint such assistants and employees

as he or she may deem necessary in order to perform such function and may fix their power, duties and compensations. The Chair may delegate to the Vice Chair, President and Chief Executive Officer or other officer or officers such of the Chair's powers and functions in the general supervision of the business of the Authority to the extent such delegation is consistent with the Power Authority Act and other applicable provisions of law.

B. VICE CHAIR

The Vice Chair shall possess such powers and shall perform such duties as may be assigned to him **or her** from time to time by the Trustees. The Vice Chair shall be Acting Chair in the absence or incapacity of the Chair and shall assume the powers and perform all duties of the Chair if the Chair is unable to perform such duties for any reason. The Vice Chair, when acting in the capacity of Acting Chair under this section, may delegate the powers or duties of Chair to another Trustee or the President and Chief Executive Officer during the period of disability or incapacity of the Chair.

C. PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President, when elected by the Trustees, shall be the Chief Executive Officer of the Authority and, subject to such supervision as the Chair or the Trustees may from time to time exercise, shall have such duties and powers as hereinafter described [~~and as customarily pertain to such office~~]. The President and Chief Executive Officer shall be responsible for [~~developing and implementing the strategic vision and mission of the Authority and for~~] the supervision of all of the Authority's operations. **Except for activities or business units under the supervision of officers reporting to the Chair or the Trustees,** [~~H~~]**h**e or she shall have primary responsibility for the [~~Authority's legal and financial matters and the~~] activities of all [~~other~~] Authority business units**.**[~~, except those assigned to the Chief Operating Officer, who shall report to the Chief Executive Officer on such matters.~~] **Subject to the Authority's expenditure authorization procedures,** [~~T~~]**t**he President and Chief Executive Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chair and/or the Corporate Secretary. The President and Chief Executive Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

D. CHIEF OPERATING OFFICER

The Chief Operating Officer, when elected by the Trustees, shall have such duties and powers as hereinafter described [~~and as customarily pertain to such office~~]. The Chief Operating Officer shall manage and monitor the day-to-day operations of the Authority and shall report on same to the President and Chief Executive Officer. Except as may be prescribed by the Chair or the Trustees, the Chief Operating Officer shall have primary responsibility for the operation and maintenance of all of the Authority's

generation and transmission facilities; energy resource management; generation and transmission planning and development; licensing and construction; technical and operational compliance**;** and environment, health and safety. **Subject to the Authority's expenditure authorization procedures,** [T]**t**he Chief Operating Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chair and/or the Corporate Secretary. The Chief Operating Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

E. EXECUTIVE VICE PRESIDENT AND CHIEF ENGINEER – POWER SUPPLY

The Executive Vice President and Chief Engineer – Power Supply shall be responsible for the safe, reliable and cost-effective operation and maintenance of all Authority generating and transmission facilities; all engineering, construction, maintenance and project management services and staff functions of business development and asset management, environment, health and safety, technical training and project development and licensing.

F. EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

There shall be an Executive Vice President and General Counsel of the Authority, who shall report to both the Trustees and the [President and Chief Executive Officer] Chair and be the chief legal officer of the Authority. In that capacity, he or she shall advise and represent the Authority generally in all legal matters and proceedings, including legislative proceedings[,] **;** shall designate those employees who shall be eligible to accept service of process on behalf of the Authority and possess such powers**;** and shall have general supervision over the property, business and affairs of the Office of the General Counsel. In addition, the Executive Vice President and General Counsel, together with the Chair and the Board of Trustees, shall supervise and direct the activities of the Office of the Corporate Secretary and the Vice President – Labor Relations and Chief Ethics and Compliance Officer.

G. EXECUTIVE VICE PRESIDENT – CHIEF ADMINISTRATIVE OFFICER AND CHIEF OF STAFF

The Executive Vice President – Chief Administrative Officer and Chief of Staff, shall oversee the day-to-day [operations] **administration** of the Authority and report to and advise the President and Chief Executive Officer on all administrative matters. The Executive Vice President -- Chief Administrative Officer and Chief of Staff shall coordinate the activities of the various business units, **except for those under the supervision of officers reporting to the Chair or the Trustees,** and the activities and projects of the President and Chief Executive Officer. In addition, **the** Executive Vice President – Chief Administrative Officer and Chief of Staff shall ensure that assignments

are carried out for and reported to the President and Chief Executive Officer and provide operational and strategic support to the **Chair and the** Board of Trustees.

H. EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

The Executive Vice President and Chief Financial Officer shall **report to the Chair and the Trustees and shall** supervise and direct the activities of the Business Services Division, give advice to the **Chair and the Trustees** ~~[President and Chief Executive Officer]~~
regarding financial and investment policies of the Authority, supervise the Authority's investment program, recommend and implement financial policies of the Authority and participate in the preparation of the financial reports of the Authority required by applicable law.

I. EXECUTIVE VICE PRESIDENT – ENERGY MARKETING AND BUSINESS DEVELOPMENT

The Executive Vice President – Energy Marketing and Business Development shall manage and direct the Authority's client-based programs~~[,]~~ **;** its economic development, energy services and technology, and power resource planning and acquisition activities**;** and the development of new products and programs.

J. CORPORATE SECRETARY

The Corporate Secretary shall report to the Chair and the Board of Trustees and to the Executive Vice President and General Counsel and attend all meetings of the Trustees and record all votes and shall keep a record of the proceedings of the Trustees in a Minutes Book to be kept for that purpose. The Corporate Secretary shall cause notice to be given of all meetings of the Trustees and shall be custodian of the records of the actions of the Trustees and shall keep in safe custody the seal of the Authority and shall have the authority to affix such seal to all documents and papers authorized to be executed by the Trustees or officers of the Authority requiring such seal to be affixed. The Corporate Secretary shall attest to the signatures of the Trustees and officers of the Authority and shall have the authority to cause copies to be made of all minutes, resolutions, records and documents of the Authority and to deliver certificates under seal to the effect that such copies are true and accurate and that all persons dealing with the Authority may rely on same.

K. TREASURER

The Treasurer shall have general custody of all funds and securities of the Authority and have general supervision of the collection and disbursement of Authority funds and shall endorse on behalf of the Authority for collection checks, notes and other obligations, and shall deposit the same to the credit of the Authority in such bank or banks or depositories as the Trustees may designate. The Treasurer may sign with the **Chair**

~~[President and Chief Executive Officer~~], or such other person or persons as may be designated for such purpose by the Trustees, all bills of exchange or promissory notes of the Authority.

L. CONTROLLER

The Controller shall be in charge of the accounting operations, the preparation of fiscal accounts and the coordination of all external audits of the Authority.

M. VICE PRESIDENT - INTERNAL AUDITS

There shall be a separate Office of Internal Audits which shall report to the Audit Committee and shall have such other powers and perform such other duties as customarily pertain to such office~~[r]~~ and as may be assigned to it by the Chair **or the Board of Trustees** ~~[and the President and Chief Executive Officer]~~ .The Vice President – Internal Audits shall meet at least three times per year with the Audit Committee.

N. SUCCESSION – ABSENCE OR VACANCY OF OFFICE OF PRESIDENT AND CHIEF EXECUTIVE OFFICER

In the event of the incapacity or absence of the President and Chief Executive Officer, the Chief Operating Officer shall perform the duties of the President and Chief Executive Officer. If the office of Chief Operating Officer is vacant or the incumbent is absent, then the Executive Vice President and Chief Engineer – Power Supply shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer and Executive Vice President and Chief Engineer – Power Supply are vacant or the respective incumbents are absent, then the Executive Vice President and General Counsel shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer, Executive Vice President and Chief Engineer – Power Supply and Executive Vice President and General Counsel are vacant or the respective incumbents are absent, then the Executive Vice President and Chief Financial Officer shall perform the duties of the President and Chief Executive Officer.

ARTICLE V – Committees

Section 1. Executive Management Committee

The **Chair, the** President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President – Chief Administrative Officer and Chief of Staff , the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and such other officers as the ~~[President and Chief Executive Officer]~~ **Trustees** may from time to time designate shall be members of an Executive Management Committee which shall periodically review and propose Authority corporate strategies, policies and programs

and shall report on and make recommendations, with the Chair's concurrence, to the Trustees. Any officer so designated shall serve on the Executive Management Committee at the pleasure of the [~~President and Chief Executive Officer~~] **Trustees**. The President and Chief Executive Officer, or in [~~his~~] **whose** absence or disability his **or her** designee, shall preside at Executive Management Committee meetings, which shall be held quarterly or more often as the ~~[President and Chief Executive Officer]~~ **Trustees** may designate.

Section 2. Audit Committee

The Audit Committee shall consist of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent members of the **B**~~[b]~~ oard of Trustees. All the members of the Audit Committee shall possess the necessary skills to understand the duties and functions of the Audit Committee and shall be familiar with corporate financial and accounting practices. It shall be the responsibility of the Audit Committee to recommend to the Trustees the hiring of a certified independent accounting firm for the Authority; establish the compensation to be paid to the accounting firm; provide direct oversight of the performance of the independent audit performed by the accounting firm hired for such purpose~~[s]~~ ; and perform such other responsibilities as the Trustees shall from time to time assign to it.

Section 3. Governance Committee

The Governance Committee shall consist of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent members of the **B** ~~[b]~~oard of Trustees. All the members of the Governance Committee shall possess the necessary skills to understand the duties and functions of the Governance Committee. It shall be the responsibility of the Governance Committee to keep the Trustees informed of current best governance practices; review corporate governance trends; recommend updates to the Authority's corporate governance principles; advise appointing authorities on the skills and experience required of potential Trustees; examine ethical and conflict of interest issues; perform Trustee self-evaluations; recommend By-laws which include rules and procedures for conduct of Trustee business**;** ~~[,]~~ **make recommendations to the Board of Trustees on the election of statutory and non-statutory officers and their compensation;** and perform such other responsibilities as the Trustees shall from time to time assign to it.

Section 4. Finance Committee

The Finance Committee shall consist of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent members of the Board of Trustees. All the members of the Finance Committee shall possess the necessary skills to understand the duties and functions of the Finance Committee. It shall be the responsibility of the Finance Committee to

review proposals for the issuance of debt by the Authority and make appropriate recommendations to the Board of Trustees and perform such other responsibilities as the Trustees shall from time to time assign to it.

Section 5. Other Committees

The Trustees or the Chair may appoint other committees which shall have and may exercise such powers as shall be authorized by the Trustees or by actions of the Chair or President and Chief Executive Officer.
ARTICLE VI - Corporate Seal

Section 1. Seal

The seal of the Authority shall be a design symbolizing its activities and shall be surrounded by the words "Power Authority of the State of New York" as shown by the following impression of such seal:

ARTICLE VII - Fiscal Management

Section 1. Fiscal Year

The Trustees shall have the power to fix, and may, from time to time**,** change by resolution, the fiscal year of the Authority. Unless otherwise fixed by the Trustees, the calendar year shall be the fiscal year.

Section 2. Strategic Plan

The Trustees shall annually review a strategic plan developed by the Executive Management Committee **under the supervision of the Chair,** which shall become the basis for the development of departmental plans, the annual budget and the capital expenditure plan.

Section 3. Annual Budgets

The Trustees shall annually adopt an operation and maintenance budget and a capital budget for the Authority's operating facilities and support departments.

Section 4. Capital Expenditure Plan

The Trustees shall review an annual capital expenditure plan which shall summarize all present and proposed capital projects.

Section 5. Expenditure Authorization Procedures

The Trustees shall adopt expenditure authorization procedures which shall govern the annual budget, capital expenditure plan, contract executions and all approval authorizations.

Section 6. Disbursement Of Funds

The Trustees, except as otherwise provided in these By-laws, may authorize any officer or other employee to execute any requisition, voucher, draft or check for the disbursement or transfer of funds of the Authority.

ARTICLE VIII - Execution of Instruments

Section 1. Execution Of Instruments

The Trustees, except as otherwise provided in these By-laws, may authorize any officer, employee or agent, pursuant to the expenditure authorization procedures or otherwise, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Authority, and such power to execute and deliver may be general or specific; unless so authorized, no officer, employee or agent shall have any power or authority to bind the Authority by any contract or engagement or pledge **of** its credit or to render it liable pecuniarily for any purpose or in any amount.

ARTICLE IX – Amendment

Section 1. Amendment

The Trustees shall have the power to amend, alter or repeal any provision or provisions of these By-laws at any regular or special meeting.

ARTICLE X – Miscellaneous

Section 1. Additional Appointments

The Chief Operating Officer shall appoint all regional managers and site executive officers. The Trustees may extend employment contracts to one or more officers of the Authority in order to insure continuity of senior management.

Section 2. Annual Reports

The Trustees shall submit and publish an annual report, as prescribed by the Public Authorities Law, within ninety days after the close of the Authority's fiscal year. The annual report shall be certified by **the Chair,** the President and Chief Executive Officer and the Chief Financial Officer to the extent required by the Public Authorities Law. The annual report shall be accompanied by such other documents and information as the Public Authorities Law requires.

Section 3. Defense And Indemnification Of Trustees And Employees

The provisions of the Defense and Indemnification Policy ("Policy") of the Authority as amended and adopted on April 26, 1994, and the provisions of the resolution as amended and adopted by the Authority on April 26, 1994, conferring the benefits of Section 18 of the New York Public Officers Law ("POL § 18") on the Authority's Trustees and employees and agreeing to be held liable for the costs thereof, shall constitute a contract between the Authority and each of its Trustees and employees, as such persons are defined in the Policy, and the Authority agrees that the benefits thereof shall be made available to each Trustee or employee with respect to any act or omission which has occurred or may in the future occur during the period such Policy and the resolution conferring the benefits of POL § 18 are in effect, and no amendment to such Policy or such resolution which modifies the provisions thereof shall take effect with respect to any act or omission of a Trustee or employee which occurred prior to the effective date of such amendment unless the effect of such amendment is to increase the defense and indemnification protection afforded to such Trustee or employee prior to such effective date.

Section 4. Corporate Policies And Procedures

Unless otherwise provided by law, regulation or these By-laws, every officer or employee of the Authority shall be subject to the Authority's corporate policies and procedures as embodied in its corporate policies program.

Section 5. Disposal Of Authority Property For Below Fair Market Value

The Trustees shall approve disposals of Authority property for less than fair market value and make such determinations regarding such disposals as the Public Authorities Law requires. Any request to the Trustees for such approval shall be accompanied by the information prescribed by the Public Authorities Law and such other information as the Trustees may require.

Exhibit “13-B"

July 26, 2011

BY-LAWS
of the
POWER AUTHORITY
OF THE STATE OF NEW YORK [DRAFT]

Statutory Authority
Public Authorities Law §1004

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Table of Contents

ARTICLE I - OFFICES **1**

[Check Pagination.]

SECTION 1. PRINCIPAL OFFICE 1
SECTION 2. OTHER OFFICES.....1
SECTION 3. BOOKS AND RECORDS 1

ARTICLE II – TRUSTEES **1**

SECTION 1. NUMBER, TERM, APPOINTMENT AND VACANCIES..... 1
SECTION 2. POWERS AND DUTIES 1

ARTICLE III - TRUSTEES' MEETINGS **1**

SECTION 1. PLACE OFMEETINGS 1
SECTION 2. ANNUALMEETING 2
SECTION 3. REGULARMEETINGS 2
SECTION 4. SPECIALMEETINGS 2
SECTION 5. QUORUM 2

ARTICLE IV - OFFICERS **2**

SECTION 1. OFFICERS..... 2
SECTION 2. ELECTION AND APPOINTMENT OF NON-STATUTORY OFFICERS…….....3
SECTION 3. TERM OF OFFICE.....3
SECTION 4. VACANCIES 3
SECTION 5. REMOVAL..... 3
SECTION 6. POWERS AND DUTIES 3
A. Chair.....3
B. Vice Chair.....4
C. President and Chief Executive Officer..... 4
D. Chief Operating Officer.....4
E. Executive Vice President and Chief Engineer – Power Supply 5
F. Executive Vice President and General Counsel.....5
G. Executive Vice President – Chief Administrative Officer and Chief of Staff 5
H. Executive Vice President and Chief Financial Officer..... 5
I. Executive Vice President – Energy Marketing and Business Development..... 5
J. Corporate Secretary 6
K. Treasurer 6
L. Controller..... 6
M. Vice President - Internal Audits..... 7
N. Succession – Absence or Vacancy of Office of President and Chief Executive Officer..... 7

ARTICLE V - COMMITTEES **7**

SECTION 1. EXECUTIVEMANAGEMENT COMMITTEE 7
SECTION 2. AUDIT COMMITTEE 7
SECTION 3. GOVERNANCE COMMITTEE 8
SECTION 4. FINANCE COMMITTEE……...8
SECTION 5. OTHER COMMITTEES 8

ARTICLE VI - CORPORATE SEAL **9**

SECTION 1. SEAL..... 9

ARTICLE VII - FISCAL MANAGEMENT 9

SECTION 1. FISCAL YEAR..... 9
SECTION 2. STRATEGIC PLAN.....9
SECTION 3. ANNUAL BUDGETS 9
SECTION 4. CAPITAL EXPENDITURE PLAN..... 9
SECTION 5. EXPENDITURE AUTHORIZATION PROCEDURES 10
SECTION 6. DISBURSEMENT OF FUNDS.....10

ARTICLE VIII - EXECUTION OF INSTRUMENTS 10

SECTION 1. EXECUTION OF INSTRUMENTS 10

ARTICLE IX - AMENDMENT 10

SECTION 1. AMENDMENT.....10

ARTICLE X - MISCELLANEOUS 10

SECTION 1. ADDITIONAL APPOINTMENTS 10
SECTION 2. ANNUAL REPORTS..... 10
SECTION 3. DEFENSE AND INDEMNIFICATION OF TRUSTEES AND EMPLOYEES..... 11
SECTION 4. CORPORATE POLICIES AND PROCEDURES..... 11
SECTION 5. DISPOSAL OF AUTHORITY PROPERTY FOR BELOW FAIRMARKET VALUE..... 11

ARTICLE I – Offices

Section 1. Principal Office

The principal office of the Power Authority of the State of New York (hereinafter referred to as the "Authority") shall be its Albany, New York office.

Section 2. Other Offices

The Authority may also have offices at such other places as the Trustees may from time to time determine or the business of the Authority may require.

Section 3. Books And Records

Except as otherwise determined by the Trustees or as the business of the Authority may require, all books and records of the Authority shall be kept at its White Plains, New York office.

ARTICLE II – Trustees

Section 1. Number, Term, Appointment And Vacancies

The number and term of Trustees and the appointment and process of filling vacancies shall be governed by Title 1 of Article 5 of the Public Authorities Law (hereinafter referred to as the "Power Authority Act").

Section 2. Powers And Duties

The powers and duties of the Trustees shall be governed by the Power Authority Act and other applicable provisions of the Public Authorities Law. To implement these powers and duties, the Trustees shall, among other things, oversee the Authority's chief executive and other management in the effective and ethical management of the Authority; understand, review and monitor financial, management and operational decisions of the Authority and review and approve annually the policies and procedures governing: (i) the salary, (ii) compensation, (iii) benefits and (iv) time and attendance of the chief executive and management.

ARTICLE III - Trustees' Meetings

Section 1. Place Of Meetings

Meetings of the Trustees shall be held at the principal office of the Authority or at such other place as the Trustees may from time to time designate.

Section 2. Annual Meeting

The annual meeting of the Trustees shall be held in March of each year, unless otherwise determined by them and at such time and place as the Trustees may from time to time designate.

Section 3. Regular Meetings

Regular meetings of the Trustees shall be held in accordance with a schedule adopted annually by the Trustees for that purpose and may be changed from time to time within that year by the Chair in consultation with the Trustees.

Section 4. Special Meetings

Special meetings of the Trustees may be called by the Chair or Vice Chair or upon the request of any three Trustees. The Corporate Secretary shall give notice of the time, place and purpose or purposes of each special meeting by mail at least three days before the meeting or in person or by telephone or facsimile or by other electronic communication at least two days before the meeting to each Trustee. The notice required to be given under this section may be waived by the Trustee to whom such notice is required to be given.

Section 5. Quorum

At all Trustees' meetings, the presence of four Trustees shall be necessary to constitute a quorum and shall be sufficient for the transaction of business. Any act shall be sufficient for the transaction of business if such four Trustees are in agreement and any act of such four Trustees present at a meeting and which constitutes a quorum shall be an act of the Trustees.

ARTICLE IV – Officers

Section 1. Officers

The statutory officers of the Authority shall be a Chair and a Vice Chair, whose offices are created by and named in Section 1004 of the Public Authorities Law and who shall be chosen from among the Trustees; the non-statutory officers of the Authority shall be a President and Chief Executive Officer, a Chief Operating Officer, one or more Executive Vice Presidents, an Executive Vice President and General Counsel, a Corporate Secretary, a Treasurer, a Controller and such other officers as may be deemed necessary by the Trustees upon recommendation of the Governance Committee to transact the business and exercise the general and special powers of the Authority, all of whom shall be employees of the Authority.

Section 2. Election Of Non-Statutory Officers

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer – Power Supply, the Executive Vice President – Chief Administrative Officer and Chief of Staff, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development, the Corporate Secretary and all other non-statutory officers shall be elected by the Trustees upon the recommendation of the Governance Committee at the annual meeting of the Trustees, except that the Vice President-Internal Audits shall be appointed by and serve at the pleasure of the Audit Committee.

Section 3. Term Of Office

The President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Corporate Secretary, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and the Executive Vice President – Chief Administrative Officer and Chief of Staff and all other non-statutory officers shall each hold office until his or her successor is chosen and qualified or until his or her earlier removal, resignation or death.

Section 4. Vacancies

The Trustees may leave unfilled any office except those of Chair, Vice Chair, President and Chief Executive Officer, Chief Operating Officer, Executive Vice President and General Counsel or Corporate Secretary.

Section 5. Removal

Any officer elected by the Trustees herein shall be subject to removal at any time by the Trustees with or without cause.

Section 6. Powers And Duties

A. CHAIR

The Chair shall preside at all meetings of the Trustees, shall be responsible for developing and supervising the communication and implementation of the strategic vision and mission of the Authority and shall on behalf of the Trustees oversee the Authority's chief executive and management in the effective and ethical management of the Authority. The Chair may appoint such assistants and employees as he or she may deem necessary in order to perform such function and may fix their power, duties and compensations. The Chair may delegate to the Vice Chair, President and Chief Executive Officer or other officer or officers such of the Chair's powers and functions in

the general supervision of the business of the Authority to the extent such delegation is consistent with the Power Authority Act and other applicable provisions of law.

B. VICE CHAIR

The Vice Chair shall possess such powers and shall perform such duties as may be assigned to him or her from time to time by the Trustees. The Vice Chair shall be Acting Chair in the absence or incapacity of the Chair and shall assume the powers and perform all duties of the Chair if the Chair is unable to perform such duties for any reason. The Vice Chair, when acting in the capacity of Acting Chair under this section, may delegate the powers or duties of Chair to another Trustee or the President and Chief Executive Officer during the period of disability or incapacity of the Chair.

C. PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President, when elected by the Trustees, shall be the Chief Executive Officer of the Authority and, subject to such supervision as the Chair or the Trustees may from time to time exercise, shall have such duties and powers as hereinafter described. The President and Chief Executive Officer shall be responsible for the supervision of all of the Authority's operations. Except for activities or business units under the supervision of officers reporting to the Chair or the Trustees, he or she shall have primary responsibility for the activities of all Authority business units. Subject to the Authority's expenditure authorization procedures, the President and Chief Executive Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chair and/or the Corporate Secretary. The President and Chief Executive Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

D. CHIEF OPERATING OFFICER

The Chief Operating Officer, when elected by the Trustees, shall have such duties and powers as hereinafter described. The Chief Operating Officer shall manage and monitor the day-to-day operations of the Authority and shall report on same to the President and Chief Executive Officer. Except as may be prescribed by the Chair or the Trustees, the Chief Operating Officer shall have primary responsibility for the operation and maintenance of all of the Authority's generation and transmission facilities; energy resource management; generation and transmission planning and development; licensing and construction; technical and operational compliance; and environment, health and safety. Subject to the Authority's expenditure authorization procedures, the Chief Operating Officer may sign, execute and deliver in the name of the Authority powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Chair and/or the Corporate Secretary. The Chief

Operating Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any non-statutory officers of the Authority.

E. EXECUTIVE VICE PRESIDENT AND CHIEF ENGINEER – POWER SUPPLY

The Executive Vice President and Chief Engineer – Power Supply shall be responsible for the safe, reliable and cost-effective operation and maintenance of all Authority generating and transmission facilities; all engineering, construction, maintenance and project management services and staff functions of business development and asset management, environment, health and safety, technical training and project development and licensing.

F. EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

There shall be an Executive Vice President and General Counsel of the Authority, who shall report to both the Trustees and the Chair and be the chief legal officer of the Authority. In that capacity, he or she shall advise and represent the Authority generally in all legal matters and proceedings, including legislative proceedings; shall designate those employees who shall be eligible to accept service of process on behalf of the Authority and possess such powers**;** and shall have general supervision over the property, business and affairs of the Office of the General Counsel. In addition, the Executive Vice President and General Counsel, together with the Chair and the Board of Trustees, shall supervise and direct the activities of the Office of the Corporate Secretary and the Vice President – Labor Relations and Chief Ethics and Compliance Officer.

G. EXECUTIVE VICE PRESIDENT – CHIEF ADMINISTRATIVE OFFICER AND CHIEF OF STAFF

The Executive Vice President – Chief Administrative Officer and Chief of Staff, shall oversee the day-to-day administration of the Authority and report to and advise the President and Chief Executive Officer on all administrative matters. The Executive Vice President -- Chief Administrative Officer and Chief of Staff shall coordinate the activities of the various business units, except for those under the supervision of officers reporting to the Chair or the Trustees, and the activities and projects of the President and Chief Executive Officer. In addition, the Executive Vice President – Chief Administrative Officer and Chief of Staff shall ensure that assignments are carried out for and reported to the President and Chief Executive Officer and provide operational and strategic support to the Chair and the Board of Trustees.

H. EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

The Executive Vice President and Chief Financial Officer shall report to the Chair and the Trustees and shall supervise and direct the activities of the Business Services Division, give advice to the Chair and the Trustees regarding financial and investment

policies of the Authority, supervise the Authority's investment program, recommend and implement financial policies of the Authority and participate in the preparation of the financial reports of the Authority required by applicable law.

I. EXECUTIVE VICE PRESIDENT – ENERGY MARKETING AND BUSINESS DEVELOPMENT

The Executive Vice President – Energy Marketing and Business Development shall manage and direct the Authority's client-based programs; its economic development, energy services and technology, and power resource planning and acquisition activities**;** and the development of new products and programs.

J. CORPORATE SECRETARY

The Corporate Secretary shall report to the Chair and the Board of Trustees and to the Executive Vice President and General Counsel and attend all meetings of the Trustees and record all votes and shall keep a record of the proceedings of the Trustees in a Minutes Book to be kept for that purpose. The Corporate Secretary shall cause notice to be given of all meetings of the Trustees and shall be custodian of the records of the actions of the Trustees and shall keep in safe custody the seal of the Authority and shall have the authority to affix such seal to all documents and papers authorized to be executed by the Trustees or officers of the Authority requiring such seal to be affixed. The Corporate Secretary shall attest to the signatures of the Trustees and officers of the Authority and shall have the authority to cause copies to be made of all minutes, resolutions, records and documents of the Authority and to deliver certificates under seal to the effect that such copies are true and accurate and that all persons dealing with the Authority may rely on same.

K. TREASURER

The Treasurer shall have general custody of all funds and securities of the Authority and have general supervision of the collection and disbursement of Authority funds and shall endorse on behalf of the Authority for collection checks, notes and other obligations, and shall deposit the same to the credit of the Authority in such bank or banks or depositories as the Trustees may designate. The Treasurer may sign with the Chair, or such other person or persons as may be designated for such purpose by the Trustees, all bills of exchange or promissory notes of the Authority.

L. CONTROLLER

The Controller shall be in charge of the accounting operations, the preparation of fiscal accounts and the coordination of all external audits of the Authority.

M. VICE PRESIDENT - INTERNAL AUDITS

There shall be a separate Office of Internal Audits which shall report to the Audit Committee and shall have such other powers and perform such other duties as customarily pertain to such office~~[r]~~ and as may be assigned to it by the Chair or the Board of Trustee. The Vice President – Internal Audits shall meet at least three times per year with the Audit Committee.

N. SUCCESSION – ABSENCE OR VACANCY OF OFFICE OF PRESIDENT AND CHIEF EXECUTIVE OFFICER

In the event of the incapacity or absence of the President and Chief Executive Officer, the Chief Operating Officer shall perform the duties of the President and Chief Executive Officer. If the office of Chief Operating Officer is vacant or the incumbent is absent, then the Executive Vice President and Chief Engineer – Power Supply shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer and Executive Vice President and Chief Engineer – Power Supply are vacant or the respective incumbents are absent, then the Executive Vice President and General Counsel shall perform the duties of the President and Chief Executive Officer. If the offices of Chief Operating Officer, Executive Vice President and Chief Engineer – Power Supply and Executive Vice President and General Counsel are vacant or the respective incumbents are absent, then the Executive Vice President and Chief Financial Officer shall perform the duties of the President and Chief Executive Officer.

ARTICLE V – Committees

Section 1. Executive Management Committee

The Chair, the President and Chief Executive Officer, the Chief Operating Officer, the Executive Vice President and General Counsel, the Executive Vice President and Chief Engineer - Power Supply, the Executive Vice President – Chief Administrative Officer and Chief of Staff , the Executive Vice President and Chief Financial Officer, the Executive Vice President – Energy Marketing and Business Development and such other officers as the Trustees may from time to time designate shall be members of an Executive Management Committee which shall periodically review and propose Authority corporate strategies, policies and programs and shall report on and make recommendations, with the Chair's concurrence, to the Trustees. Any officer so designated shall serve on the Executive Management Committee at the pleasure of the Trustees. The President and Chief Executive Officer, or in whose absence or disability his or her designee, shall preside at Executive Management Committee meetings, which shall be held quarterly or more often as the Trustees may designate.

Section 2. Audit Committee

The Audit Committee shall consist of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent

members of the Board of Trustees. All the members of the Audit Committee shall possess the necessary skills to understand the duties and functions of the Audit Committee and shall be familiar with corporate financial and accounting practices. It shall be the responsibility of the Audit Committee to recommend to the Trustees the hiring of a certified independent accounting firm for the Authority; establish the compensation to be paid to the accounting firm; provide direct oversight of the performance of the independent audit performed by the accounting firm hired for such purpose~~[s]~~ ; and perform such other responsibilities as the Trustees shall from time to time assign to it.

Section 3. Governance Committee

The Governance Committee shall consist of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent members of the Board of Trustees. All the members of the Governance Committee shall possess the necessary skills to understand the duties and functions of the Governance Committee. It shall be the responsibility of the Governance Committee to keep the Trustees informed of current best governance practices; review corporate governance trends; recommend updates to the Authority's corporate governance principles; advise appointing authorities on the skills and experience required of potential Trustees; examine ethical and conflict of interest issues; perform Trustee self-evaluations; recommend By-laws which include rules and procedures for conduct of Trustee business; make recommendations to the Board of Trustees on the election of statutory and non-statutory officers and their compensation; and perform such other responsibilities as the Trustees shall from time to time assign to it.

Section 4. Finance Committee

The Finance Committee shall consist of not less than three nor more than five members of the Board of Trustees. At least three members of the Committee shall be independent members of the Board of Trustees. All the members of the Finance Committee shall possess the necessary skills to understand the duties and functions of the Finance Committee. It shall be the responsibility of the Finance Committee to review proposals for the issuance of debt by the Authority and make appropriate recommendations to the Board of Trustees and perform such other responsibilities as the Trustees shall from time to time assign to it.

Section 5. Other Committees

The Trustees or the Chair may appoint other committees which shall have and may exercise such powers as shall be authorized by the Trustees or by actions of the Chair or President and Chief Executive Officer.

ARTICLE VI - Corporate Seal

Section 1. Seal

The seal of the Authority shall be a design symbolizing its activities and shall be surrounded by the words "Power Authority of the State of New York" as shown by the following impression of such seal:

ARTICLE VII - Fiscal Management

Section 1. Fiscal Year

The Trustees shall have the power to fix, and may, from time to time, change by resolution, the fiscal year of the Authority. Unless otherwise fixed by the Trustees, the calendar year shall be the fiscal year.

Section 2. Strategic Plan

The Trustees shall annually review a strategic plan developed by the Executive Management Committee under the supervision of the Chair, which shall become the basis for the development of departmental plans, the annual budget and the capital expenditure plan.

Section 3. Annual Budgets

The Trustees shall annually adopt an operation and maintenance budget and a capital budget for the Authority's operating facilities and support departments.

Section 4. Capital Expenditure Plan

The Trustees shall review an annual capital expenditure plan which shall summarize all present and proposed capital projects.

Section 5. Expenditure Authorization Procedures

The Trustees shall adopt expenditure authorization procedures which shall govern the annual budget, capital expenditure plan, contract executions and all approval authorizations.

Section 6. Disbursement Of Funds

The Trustees, except as otherwise provided in these By-laws, may authorize any officer or other employee to execute any requisition, voucher, draft or check for the disbursement or transfer of funds of the Authority.

ARTICLE VIII - Execution of Instruments

Section 1. Execution Of Instruments

The Trustees, except as otherwise provided in these By-laws, may authorize any officer, employee or agent, pursuant to the expenditure authorization procedures or otherwise, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Authority, and such power to execute and deliver may be general or specific; unless so authorized, no officer, employee or agent shall have any power or authority to bind the Authority by any contract or engagement or pledge of its credit or to render it liable pecuniarily for any purpose or in any amount.

ARTICLE IX – Amendment

Section 1. Amendment

The Trustees shall have the power to amend, alter or repeal any provision or provisions of these By-laws at any regular or special meeting.

ARTICLE X – Miscellaneous

Section 1. Additional Appointments

The Chief Operating Officer shall appoint all regional managers and site executive officers. The Trustees may extend employment contracts to one or more officers of the Authority in order to insure continuity of senior management.

Section 2. Annual Reports

The Trustees shall submit and publish an annual report, as prescribed by the Public Authorities Law, within ninety days after the close of the Authority's fiscal year. The annual report shall be certified by the Chair, the President and Chief Executive Officer and the Chief Financial Officer to the extent required by the Public Authorities Law. The

annual report shall be accompanied by such other documents and information as the Public Authorities Law requires.

Section 3. Defense And Indemnification Of Trustees And Employees

The provisions of the Defense and Indemnification Policy ("Policy") of the Authority as amended and adopted on April 26, 1994, and the provisions of the resolution as amended and adopted by the Authority on April 26, 1994, conferring the benefits of Section 18 of the New York Public Officers Law ("POL § 18") on the Authority's Trustees and employees and agreeing to be held liable for the costs thereof, shall constitute a contract between the Authority and each of its Trustees and employees, as such persons are defined in the Policy, and the Authority agrees that the benefits thereof shall be made available to each Trustee or employee with respect to any act or omission which has occurred or may in the future occur during the period such Policy and the resolution conferring the benefits of POL § 18 are in effect, and no amendment to such Policy or such resolution which modifies the provisions thereof shall take effect with respect to any act or omission of a Trustee or employee which occurred prior to the effective date of such amendment unless the effect of such amendment is to increase the defense and indemnification protection afforded to such Trustee or employee prior to such effective date.

Section 4. Corporate Policies And Procedures

Unless otherwise provided by law, regulation or these By-laws, every officer or employee of the Authority shall be subject to the Authority's corporate policies and procedures as embodied in its corporate policies program.

Section 5. Disposal Of Authority Property For Below Fair Market Value

The Trustees shall approve disposals of Authority property for less than fair market value and make such determinations regarding such disposals as the Public Authorities Law requires. Any request to the Trustees for such approval shall be accompanied by the information prescribed by the Public Authorities Law and such other information as the Trustees may require.

SUBJECT: **COMPETITIVE SOLICITATIONS FOR POWER SUPPLY PRODUCTS**

1.0 GENERAL

This procedure sets forth the requirement for prior Trustee approval of Competitive Solicitations for purchases of Power Supply Products including energy, capacity, ancillary services, and Environmental Attributes.

2.0 DEFINITIONS

2.1 "Competitive Solicitation(s)" means the act of requesting information to select winner(s) with the intent to negotiate and execute an agreement(s). Competitive Solicitations are commonly conducted through issuance of Requests for Proposals. Competitive Solicitation also refers to instruments used to gather information in order to inform an initiative that may lead to an agreement(s). Such instruments include Requests for Information and Requests for Expressions of Interest.

2.2 "Power Supply Products" means the energy, capacity, ancillary services, and/or Environmental Attributes.

2.3 "Environmental Attributes" or "Attributes" means all environmental characteristics, claims, credits, including Renewable Energy Credits, benefits, emissions reductions, offsets, allowances, allocations, however characterized, denominated, measured or entitled, attributable to the generation of actual production by a renewable generator.

3.0 PROCEDURE

3.1 This procedure applies to all Competitive Solicitations for Power Supply Products with terms in excess of the President and Chief Executive Officer's approval threshold set forth in "Transaction Authorization Limits for Energy and Energy-Related Financial Transactions, February 2008."

3.2 Authority staff will secure Trustee approval prior to issuance of a Competitive Solicitation for Power Supply Products. The Trustees will be provided a summary of the Competitive Solicitation including but not limited to the purpose of the solicitation, proposed contract term, identified Authority customer(s), requested capacity and/or volume of Power Supply Products sought, estimated notional value, and target location, if applicable.

3.3 Following receipt of Trustee resolution authorizing Authority staff to proceed, staff may conduct the Competitive Solicitation following the guidelines for purchases of Power Supply Products.

4.0 RESPONSIBILITIES

This procedure shall be adhered to by the staff of all Authority Business Units and Departments. Authority management with responsibilities for issuing Contract Solicitations for purchases of Power Supply Products will ensure activities are conducted in accordance with this procedure.

5.0 EXEMPTIONS

Financial and hedging transactions associated with commodity risk are exempt from this procedure and are covered by a separate procedure, “Governing Policy for Energy Risk Management, September 2010.”

6.0 REFERENCES

6.1 Transaction Authorization Limits for Energy and Energy-Related Financial Transactions, February 26, 2008.

Intranet link:
http://powernet.nypa.gov/bs/ERAC/Trustees%20Actions/Trustee%20Resolution%20dated%20February%2026,%202008%20-%20Revised%20Trading%20Authorization%20Limits.pdf

6.2 Power Resource Planning & Acquisition Department, Procedure for Requests for Proposals, September 2010.

Intranet link:
http://powernet.nypa.gov/CEO/power/Pages/default.aspx

6.3 Governing Policy for Energy Risk Management, September 2010.

Intranet link:
http://powernet.nypa.gov/bs/ERAC/Trustees%20Actions/Trustee%20Resolution%20dated%20September%2028,%202010%20-%20Revisions%20to%20the%20Governing%20Policy%20for%20Energy%20Risk%20Management.pdf